

CONGRESSIONAL RECORD:

CONTAINING

THE PROCEEDINGS AND DEBATES

OF THE

SIXTY-THIRD CONGRESS, FIRST SESSION.

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VOLUME I, PART V.

CONGRESSIONAL RECORD,
SIXTY-THIRD CONGRESS, FIRST SESSION.

SENATE.

WEDNESDAY, September 3, 1913.

The Senate met at 11 o'clock a. m.
Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.
The Journal of yesterday's proceedings was read and approved.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by D. K. Hempstead, its enrolling clerk, announced that the House had passed the bill (S. 2319) authorizing the appointment of an ambassador to Spain.

The message also announced that the House had passed a bill (H. R. 7207) granting to the city and county of San Francisco certain rights of way in, over, and through certain public lands, the Yosemite National Park, and Stanislaus National Forest, and certain lands in the Yosemite National Park, the Stanislaus National Forest, and the public lands in the State of California, and for other purposes, in which it requested the concurrence of the Senate.

PETITIONS AND MEMORIALS.

Mr. JONES. I have resolutions adopted by the Commercial Club of Seattle in reference to the wreck of the steamship *State of California* in Alaskan waters on August 17, and urging the necessity of increased aids to navigation in those waters. I ask that it may be printed in the Record and referred to the Committee on Commerce.

There being no objection, the resolutions were referred to the Committee on Commerce and ordered to be printed in the Record, as follows:

The English-speaking world has again been called upon to shudder at the recital of a disastrous wreck in Alaska waters. For years petition after petition has been presented to the proper authorities, requesting aids to navigation, better facilities, and more thorough survey of the inland waters of this the most valuable outside Territory of the United States, but with little effect. Each passing year witnesses some disastrous wreck on this coast which in almost every case is due to the absence of aids to navigation or the fact that the waters have been improperly charted.

Whereas on the morning of August 17 the steamship *State of California* struck a reef in Gambier Bay, southwestern Alaska, and in three minutes went to the bottom, and with the awful death toll of 32 souls as a relic of the direful event; and

Whereas this steamship was traveling over a route not usually covered by steamships, owing to the fact that it was engaged in aiding the industrial development of a frontier section of Alaska, specifically for the development of fishing and other industries on the Prince of Wales and other important islands of the western coast, whose waters are almost wholly uncharted and practically no aids to navigation exist; and

Whereas for years past wrecks of all kinds, amounting to millions of dollars, have occurred in the Alaskan Archipelago, resulting in tremendous financial loss as well as a large number of human lives: Therefore be it

Resolved, That the attention of the Congress of the United States be drawn to this condition, and that Senators, Members of Congress representing the State of Washington, and the Delegate in Congress from the Territory of Alaska be requested to bring this matter directly before the House of Representatives, and that they be urged to introduce a bill in those bodies calling for a full investigation; and be it further

Resolved, That the Senators and Representatives and Delegate mentioned above be requested to produce, or have produced, for such investigation full facts regarding the uncharted waters of Alaska from the United States Coast and Geodetic Survey and the Hydrographic Office of the United States Navy, as well as a report covering the need of further aids to navigation from the Bureau of Navigation and the United States Lighthouse Board; and be it further

Resolved, That the Commercial Club of the city of Seattle respectfully request immediate action on the part of the Representatives of the State of Washington in the matter of the above, owing to the urgency of the case and growing importance of Alaska and the steady increase in its shipping and commerce relations.

Mr. NELSON presented a memorial of the congregation of the United Norwegian Lutheran Church in convention at St. Paul, Minn., remonstrating against the reestablishment of the Army canteen, which was referred to the Committee on Military Affairs.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. JONES:

A bill (S. 3072) granting an increase of pension to Hulda L. Winter; to the Committee on Pensions.

By Mr. OLIVER:

A bill (S. 3073) granting an increase of pension to Ira Felt (with accompanying papers); to the Committee on Pensions.

By Mr. MCLEAN:

A bill (S. 3074) granting an increase of pension to Julia McCarthy (with accompanying papers); to the Committee on Pensions.

By Mr. SHIVELY:

A bill (S. 3075) granting an increase of pension to James B. Kendall; and

A bill (S. 3076) granting an increase of pension to Henry Willis; to the Committee on Pensions.

THE LEVANTINE GRAPE (S. DOC. NO. 178).

Mr. FLETCHER. Mr. President, at the request of the Senator from Arizona [Mr. SMITH], who could not be present at the opening of the session to-day, I present a brief on the Levantine grape, generally designated commercially as currants, which I desire to have printed. As I stated, it bears on the subject of currants, and the matter is, I believe, involved to some extent in the pending tariff bill. I have had an estimate made of the cost to print it, which will be about \$140, if it is printed as a public document. It is a matter of great interest to the people of California, Arizona, and that section of the country, and I believe it is in every way worthy of publication.

Mr. SMOOT. Have the illustrations been taken out?

Mr. FLETCHER. The illustrations will be omitted, except the plates furnished by the Department of Agriculture.

Mr. SMITH of Arizona entered the Chamber.

Mr. SMOOT. I wish to ask the Senator a question. Has the substance of this paper been already published by the Agricultural Department?

Mr. SMITH of Arizona. No; it has not.

Mr. FLETCHER. To only portions of it reference has been made in some of the reports, I think.

Mr. SMOOT. By whom was the paper prepared?

Mr. SMITH of Arizona. By Mr. Tarpey, of California. The question is one affecting the rates of duty in the tariff bill. I hope the Senator from Utah will not raise a question as to the printing of the paper.

Mr. SMOOT. I am raising no objection at all. I am asking a question for information.

Mr. SMITH of Arizona. When the Senator has asked for the printing of a public document I have never gone to the extent of asking him about it or examining him as to what it contains. I will state that it is a matter which affects the people of Arizona, California, and southern Nevada. It is a question as to what is a true currant or a true grape.

Mr. SMOOT. Perhaps the Senator does not understand my position. It is that if the information has already been published by the Agricultural Department, or if it is a part of an Agricultural Department bulletin, there would be objection to having the matter printed as a public document. But the Senator assures me that it is not, and that it was prepared by a gentleman outside. I have not any objection to its being printed as a public document.

The VICE PRESIDENT. Without objection, the paper will be printed as a public document.

The morning business is closed.

THE TARIFF.

Mr. SIMMONS. I ask unanimous consent that the Senate proceed to the consideration of House bill 3321.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes.

Mr. BRISTOW. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Fletcher	Norris	Smith, Ga.
Bacon	Gallinger	O'Gorman	Smoot
Bankhead	Hollis	Oliver	Stephenson
Borah	Hughes	Overman	Sterling
Bradley	James	Page	Stone
Brady	Johnson	Penrose	Sutherland
Brandeggee	Jones	Perkins	Swanson
Bristow	Kenyon	Pomerene	Thomas
Bryan	Kern	Reed	Thompson
Cañon	La Follette	Robinson	Thornton
Chamberlain	Lane	Root	Tillman
Chilton	La	Saulsbury	Vardaman
Clapp	Lippitt	Shafroth	Walsh
Clark, Wyo.	Lodge	Sheppard	Warren
Clarke, Ark.	McCumber	Sherman	Weeks
Colt	McLean	Shields	Williams
Cummins	Martin, Va.	Shively	
Dillingham	Martine, N. J.	Simmons	
Fall	Myers	Smith, Ariz.	

Mr. STERLING. I will state that my colleague [Mr. CRAWFORD] is necessarily absent on business of the Senate.

Mr. McCUMBER. My colleague [Mr. GRONNA] is unavoidably absent. He has a general pair with the senior Senator from Illinois [Mr. LEWIS].

Mr. JONES. I desire to announce that the junior Senator from Michigan [Mr. TOWNSEND] is necessarily absent from the city. He is paired with the Senator from Florida [Mr.

BRYAN]. I make this announcement that it may stand for the day.

The VICE PRESIDENT. Seventy-three Senators have answered to the roll call. There is a quorum present.

Mr. SIMMONS. I understand that the Senator from Kentucky [Mr. BRADLEY] desires to go back to the beginning of Schedule J and offer an amendment at that point.

Mr. BRADLEY. I submit an amendment and ask that it be read.

The VICE PRESIDENT. The Secretary will read the amendment.

The SECRETARY. On page 83 insert a new paragraph, to be numbered 275, in place of paragraph 275, stricken out by the committee, as follows:

275. Hemp, hackled, known as line of hemp, 2½ cents per pound; hemp, not hackled or dressed, 1½ cents per pound; tow hemp, 1½ cents per pound; jute and jute butts, 1½ cents per pound.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Kentucky.

Mr. BRADLEY. Mr. President, I dislike at this late day in the consideration of the tariff bill to detain the Senate, but I will ask a few minutes' time in explanation of the amendment.

Hemp, according to the statement of the Agricultural Department, can be grown profitably (if properly protected by a duty) in three-fourths of the States of the Union. It is especially valuable for cordage, webbing, warp, canvas, and any other article that must have unusual strength and durability. It has been demonstrated that the finest linen in the world can be made of hemp, and not only a fine article of linen, but an article that has a gloss on it of a very silky appearance.

The possibilities of hemp are very great. It was once a thriving industry. There were \$3,500,000 invested in it, 6,000 employees, and an annual wage of \$1,250,000. There were then 417 mills in the United States. There are now less than 20.

The decrease in the production has become absolutely alarming. From 1899 to 1909 there was a decrease of 36.6 per cent in its production, there being in 1899 11,750,000 tons and in 1909 only 7,483,000 tons. Since that time the decrease has continued. There were at one time more than 100,000 acres grown in hemp. Now there are about 12,000.

It was formerly a very prosperous industry in Virginia, Kentucky, and Missouri, but it has now, as I said a moment ago, alarmingly decreased. I desire to submit, without taking the time of the Senate to read, a table showing the imports, value, revenue, and rates of tariff duty under the Dingley law and the Payne law on the different qualities of hemp.

Dingley bill, 1905.			
HEMP, NOT HACKLED.			
Imported.....	long tons.....	3,823	
Value.....		\$606,190	
Revenue collected.....		\$76,462	
Duty, \$20 per ton; ad valorem, 12.61. *			
Payne bill, 1912.			
HEMP, NOT HACKLED.			
Imported.....	long tons.....	3,916	
Value.....		\$843,471	
Revenue collected.....		\$88,117	
Duty, \$22.50 per ton; ad valorem, 10.45.			
Dingley bill, 1905.			
HEMP, HACKLED.			
Imported.....	long tons.....	64	
Value.....		\$15,737	
Revenue collected.....		\$2,598	
Duty, \$40 per ton; ad valorem, 16.49.			
Payne bill, 1912.			
HEMP, HACKLED.			
Imported.....	long tons.....	162	
Value.....		\$50,945	
Revenue collected.....		\$7,330	
Duty, \$45 per ton; ad valorem, 14.39.			
Dingley bill, 1905.			
HEMP, TOW OF.			
Imported.....	long tons.....	21	
Value.....		\$2,907	
Revenue collected.....		\$420	
Duty, \$20 per ton; ad valorem, 14.95.			
Payne bill, 1912.			
HEMP, TOW OF.			
Imported.....	long tons.....	918	
Value.....		\$202,642	
Revenue collected.....		\$20,660	
Duty, \$22.50; ad valorem, 10.20.			

Now, notwithstanding the Payne law increased the rates in the Dingley law, importations increased. It will be asked why this is true, and if the increase of the tariff increases the importations why should we have a tariff? My information is that the reason why it is true is that in Russia and Italy, after the passage of the Payne bill, the wages of the laborers were materially cut down. The question here is, If it has been hard for

us to live under the present tariff, how much harder will it be for us to live without any tariff?

Under the Payne law hemp not hackled imports increased from 3,823 to 3,916 tons; hemp hackled increased from 64 to 162 tons; hemp tow from 21 to 918 tons.

I also submit a table of the rates which were fixed by the present House bill in the way of duties on hemp, and estimates of importations and values, which have been stricken out in the Senate in order to make hemp free:

Hemp, not hackled.			
Importations anticipated.....	tons.....	5,000	
Value.....		\$875,000	
Revenue to be collected.....		\$56,000	
Duty, 6.40 ad valorem, or.....	per ton.....	\$11.20	
Hemp, hackled.			
Importations anticipated.....	tons.....	500	
Value.....		\$150,000	
Revenue to be collected.....		\$11,200	
Duty, 7.47 ad valorem, or.....	per ton.....	\$20.00	
Hemp, tow of.			
Importations anticipated.....	tons.....	1,000	
Value.....		\$195,000	
Revenue to be collected.....		\$11,200	
Duty, 5.47 ad valorem, or.....	per ton.....	\$11.20	

The Senate, however, is determined that even this slight assistance to the farmers shall be denied.

The present duty on hemp is full small, and I hope this rate may be inserted in the present bill.

The importation of foreign hemp from Russia and Italy has very much injured the hemp interest in this country, but that has contributed slightly, comparatively speaking. The chief cause of this injury is the free importation of jute and jute butts. Wages are paid our hemp laborers of 20 cents an hour, while in India, where jute and jute butts are produced, they are paid only 5 cents a day. Jute is a native growth of India and requires no cultivation. The only labor there is in cutting and breaking. Those laborers are composed of men, women, and children, who are ninety-nine one-hundredths naked. They do not even wear slit skirts or radio gowns. [Laughter.] That is the class of people who are destroying a great interest in this country.

The rate of increase in importation of jute and jute butts is absolutely alarming, increasing millions of pounds every year. I have placed in this amendment a duty of 1½ cents per pound on jute and jute butts. I understand our friends on the other side desire some source of revenue. If that be true, this is the place to obtain it. My amendment will yield more than \$3,000,000 per annum, and would in addition save the hemp industry of this country.

But while jute and jute butts are free under this bill, the manufacturers of jute are protected, notwithstanding it is largely manufactured in nearly every penitentiary in the United States; it is in fact one of the chief industries of many of the penitentiaries.

I want to say another thing, and hope I will not offend when I say it, that I have never seen the greediness of public men so manifest as it is upon this proposition, and this applies to many on both sides of this Chamber. Men who favor protection on every other article are in favor of free jute; and why? Because it gives cheap cotton bagging in the South and cheap grain bags in the country generally.

Mr. Dewey, of the Agricultural Department, is my authority for what I say, and he has made a careful and intelligent investigation of this question. He states that with proper protection hemp and flax would in a short while produce all the bagging and grain sacks needed and by reason of competition would eventually be produced as cheaply as they are bought to-day.

The articles which are manufactured from jute are very inferior. It is true you get them cheap; but while a carpet with a hemp warp would last in the olden time for 20 or 30 years, if you have one made out of jute and dance the tango on it once it is gone. [Laughter.] So it is with all articles made from jute. Even grain sacks, I understand, can not be used more than once. Grain sacks can be made from another source. We have in the South what is known as "low-grade cotton," which would make most excellent grain sacks, and a great industry could be developed in that way, and it could also be developed in hemp and flax.

The only market that hemp has is a special and very contracted one. It is confined to certain avenues of trade where it is absolutely necessary—for instance, cordage for use in the Navy. The consequence is that, having but a limited market, there is but a very limited supply of hemp raised in this country.

I want to call attention to one other fact and I am through. Mr. Dewey says that in case of war if this country were cut off from the foreign supply, the supply on hand from foreign countries would not last more than two or three days and we would be left absolutely without remedy.

I do not see why there should be a desire to destroy this industry in this country. It is now only barely living, and this bill will kill it. The House of Representatives in its bill did retain a certain small ad valorem duty, but the Senate committee has stricken that out. Now, I appeal to the Senate to restore a duty on hemp and to place a duty on jute and jute butts. I will ask for a division of the question, first on hemp and then on jute and jute butts. I will also ask for the yeas and nays.

The yeas and nays were ordered.

Mr. BRISTOW. My attention was diverted, and I ask what duty does the Senator want on hemp? Is it on that that the Senator wants a vote?

Mr. BRADLEY. Two and a quarter cents on hackled hemp; on not hackled and tow hemp, 1½ cents; and on jute and jute butts 1½ cents per pound.

Mr. BRISTOW. What paragraph is that?

Mr. BRADLEY. Paragraph 492.

Mr. SMOOT. The present rate is \$20 a ton.

Mr. BRISTOW. The House fixed the rate at half a cent a pound. What is the amendment proposed by the Senator from Kentucky? Please let it be reported.

The VICE PRESIDENT. At the request of the Senator from Kansas the particular amendment which the Senator from Kentucky desires voted on at the present time by yeas and nays will be stated.

The SECRETARY. On page 83, after line 11, it is proposed to insert the following:

275. Hemp, hackled, known as line of hemp, 2½ cents per pound; hemp, not hackled or dressed, 1½ cents per pound; tow hemp, 1½ cents per pound; jute and jute butts, 1½ cents per pound.

Mr. BRISTOW. That seems to be a substitute for a number of paragraphs in the bill that were stricken out.

Mr. BRADLEY. It is a special paragraph.

Mr. BRISTOW. I should like to have it divided so as to vote for a part of it, but I do not want to vote for all of it.

Mr. BRADLEY. I have asked for a division of the question, so that we shall first vote on hemp, and then vote on jute.

Mr. BRISTOW. I should like to vote to retain the House provision.

Mr. BRADLEY. If I fail in this, I am going to offer the House provision.

Mr. SIMMONS. I entirely agree with the Senator from Kansas [Mr. BRISTOW]. I doubt very much whether it is quite regular, if it is competent, to offer an amendment which embraces in its terms four different paragraphs. I think it should be divided, so that each amendment will apply to a particular paragraph.

The VICE PRESIDENT. The Senator from Kentucky is in order. The Senate committee amendment to the House bill has already been agreed to, and all of those paragraphs have for the present passed out of the bill, so the Senator from Kentucky is offering an entirely new paragraph.

Mr. BRADLEY. I asked that the question might be divided, so that we should first vote on hemp and then on jute.

Mr. LODGE. Vote first on the amendment on hemp.

Mr. BRADLEY. It amounts to two separate paragraphs. I have no objection, however, to the vote being first taken on jute.

Mr. SIMMONS. If the Senator desires to strike out four paragraphs and to make one paragraph of it, I shall make no objection to that course.

The VICE PRESIDENT. Those paragraphs have already been stricken out by the action of the Senate.

Mr. SIMMONS. I understand that is the situation.

The VICE PRESIDENT. Those paragraphs are not in the bill at all at the present time.

Mr. SIMMONS. Very well, Mr. President.

The VICE PRESIDENT. And the amendment is to insert a new paragraph.

Mr. SIMMONS. I think, under those conditions, it is all right. The matter was in four paragraphs in the bill, and, as the Chair properly states—I had overlooked that fact—we have stricken out all four paragraphs, and the Senator's amendment makes one paragraph of it, as I understand.

Mr. BRADLEY. That is it.

Mr. SIMMONS. I shall make no objection to that.

The VICE PRESIDENT. The Senator from Kentucky asks for a division of the question on his amendment, on which the yeas and nays have been ordered. In the absence of objection, the amendment will be divided as requested.

Mr. WILLIAMS. Mr. President, just a word, for the Record more than for any other purpose. Jute is already upon the free list and has been upon the free list for quite a while. It was put upon the free list because every effort to raise it here has

resulted in failure, not because we can not raise jute—4 tons of it can be raised to the acre in the Mississippi Valley—but we can not decorticate it; we have not the labor to go into that sort of industry. So much for jute.

Hemp is a singular illustration of an attempt to create an industry by legislation and of its utter failure. There has been a duty on hemp ever since Henry Clay's day; but, notwithstanding all that, the amount of land in hemp has decreased rather than increased, and I understand that in the last 10 or 20 years the decrease has been from about 100,000 acres down to about 12,000. That has occurred under an extravagantly high rate of duty of \$22.50 per ton upon hemp not hackled or dressed, \$45 per ton upon line hemp or hackled hemp, and \$22.50 per ton even upon the tow hemp. These extravagant rates of duty have failed to create this industry, so that, even from a protective standpoint, the thing is a confessed failure.

We found jute and cotton upon the free list. We have placed flax and hemp and wool there, all of them being the raw materials of textile industries, so that we might have a better opportunity to reduce the rates of duty upon the finished product without damaging the manufacturers, as might have been done by a large reduction in the rates on the finished articles without giving free raw materials.

I hope the amendment will be voted down.

Mr. BRISTOW. I ask to have stated the amendment upon which we are to vote, so that I may understand what it is.

The VICE PRESIDENT. The amendment has been divided. The Secretary will state the part of the amendment on which the vote is now to be taken.

The SECRETARY. The first part of the amendment is on page 83, after line 11, where it is proposed to insert the following:

275. Hemp, hackled, known as line of hemp, 2½ cents per pound; hemp, not hackled or dressed, 1½ cents per pound; tow hemp, 1½ cents per pound.

Mr. BRISTOW. Let me inquire. Is that the same duty as that provided in the present law?

Mr. BRADLEY. Yes, sir.

Mr. BRISTOW. The equivalent ad valorem is 14.39 per cent?

Mr. BRADLEY. That is what it is on one of the articles. It is not the same on all of them.

Mr. BRISTOW. The handbook here gives the ad valorem equivalent on importations in 1912 under the present law at 10.45 per cent for hemp not hackled; hemp, hackled, at 14.39 per cent; and hemp tow at 10.20 per cent. Those rates were materially reduced by the House. It seems to me that that is nothing more than a revenue duty, if you are going to impose any duty at all. The highest rate, according to the 1912 importations as estimated by this book, would be less than 14½ per cent ad valorem.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. BRADLEY], which has been read, upon which the yeas and nays have been ordered. The Secretary will call the roll.

The Secretary proceeded to call the roll.

Mr. BANKHEAD (when his name was called). I transfer my pair with the junior Senator from West Virginia [Mr. GOFF] to the senior Senator from Maryland [Mr. SMITH] and vote "nay." I make this announcement of transfer for the remainder of the day.

Mr. McCUMBER (when Mr. GRONNA's name was called). My colleague [Mr. GRONNA] is unavoidably absent. He is paired with the junior Senator from Illinois [Mr. LEWIS]. I will allow this announcement to stand upon all votes taken to-day.

Mr. McCUMBER (when his name was called). I have a general pair with the senior Senator from Nevada [Mr. NEWLANDS]. I transfer that pair to the junior Senator from Maine [Mr. BURLINGHAM] and vote "yea."

Mr. THOMAS (when his name was called). I have a general pair with the senior Senator from Ohio [Mr. BURTON]. I transfer that pair to the Senator from Oklahoma [Mr. GORE] and vote "nay."

The roll call was concluded.

Mr. BRYAN. I have a pair with the Senator from Michigan [Mr. TOWNSEND] which I transfer to the Senator from Nebraska [Mr. HITCHCOCK] and vote "nay."

Mr. REED (when his name was called). I transfer my pair with the senior Senator from Michigan [Mr. SMITH] to the Senator from Oklahoma [Mr. OWEN] and vote "nay."

Mr. CHILTON. I have a general pair with the junior Senator from Maryland [Mr. JACKSON], which I transfer to the junior Senator from Nevada [Mr. PITTMAN] and will vote. I vote "nay."

Mr. GALLINGER. I announce the pair between the Senator from Delaware [Mr. DU PONT] and the Senator from Texas [Mr. CULBERSON].

Mr. CLARKE of Arkansas (after having voted in the negative). I understand the junior Senator from Utah [Mr. SUTHERLAND] has not voted, which makes it necessary for me to withdraw my vote, as I have a pair with that Senator.

The result was announced—yeas 36, nays 38, as follows:

YEAS—36.			
Borah	Crawford	Lodge	Poindexter
Bradley	Cummins	McCumber	Root
Brady	Dillingham	McLean	Sherman
Brandeggee	Fall	Nelson	Smoot
Bristow	Gallinger	Norris	Stephenson
Cañon	Jones	Oliver	Sterling
Clapp	Kenyon	Page	Thornton
Clark, Wyo.	La Follette	Penrose	Warren
Colt	Lippitt	Perkins	Weeks
NAYS—38.			
Ashurst	Johnson	Reed	Stone
Bacon	Kern	Robinson	Swanson
Bankhead	Lane	Saulsbury	Thomas
Bryan	Lea	Shafroth	Thompson
Chamberlain	Martin, Va.	Sheppard	Tillman
Chilton	Martine, N. J.	Shields	Vardaman
Fletcher	Myers	Shively	Walsh
Hollis	O'Gorman	Simmons	Williams
Hughes	Overman	Smith, Ariz.	
James	Pomerene	Smith, Ga.	
NOT VOTING—21.			
Burleigh	Gore	Owen	Sutherland
Burton	Gronna	Pittman	Townsend
Clarke, Ark.	Hitchcock	Ransdell	Works
Culbertson	Jackson	Smith, Md.	
du Pont	Lewis	Smith, Mich.	
Goff	Newlands	Smith, S. C.	

So Mr. BRADLEY's amendment was rejected.

The VICE PRESIDENT. The question is on the second subdivision of the amendment, which will be stated.

The SECRETARY. "Jute and jute butts, 1½ cents per pound."

Mr. BRADLEY. On that I ask for the yeas and nays.

The VICE PRESIDENT. The request does not seem to be seconded by one-fifth of the Senators present. The question is on agreeing to the second subdivision of the amendment.

The amendment was rejected.

Mr. McCUMBER. Mr. President, I offer an amendment to take the place of paragraph 272, just stricken out by the committee.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 83, in place of the committee amendment, on line 12, it is proposed to insert, as paragraph 272, the following:

Flax straw advanced in condition or value by manufacture, but not hackled or dressed, one-half of 1 cent per pound.

Mr. WILLIAMS. I suppose a point of order would lie to this amendment. We have been over this flax matter and have voted on it, and the Senate has already adopted the amendment as to this paragraph. We went back to hemp this morning, because we passed it over to accommodate the Senator from Kentucky [Mr. BRADLEY]. I do not care to make any technical point; but I do submit to my friend from North Dakota—

The VICE PRESIDENT. The Chair is going to rule that this is identical with the original paragraph as passed by the House.

Mr. WILLIAMS. I said I would not make the point of order, but I thought there ought to be an end to litigation somewhere. The Senate has dealt with the matter once.

Mr. McCUMBER. I wish to say to the Senator, if the Chair please, that the Senator is wrong, and that the amendment is not at all identical with the language which was stricken out, as I can easily demonstrate.

Mr. WILLIAMS. That was not my point.

Mr. McCUMBER. The facts are these: One paragraph has been stricken out by the committee. I do not seek to amend that paragraph. I propose to put in an entirely new paragraph of an entirely different character.

Mr. WILLIAMS. But the point I was making was not that this has been stricken out by the committee, but that it has been voted on by the Senate. We dealt with this paragraph, dealt with it fully, and, in fact, devoted a day to it.

Mr. McCUMBER. That paragraph is entirely out. I am not seeking to amend it. Paragraph 272 has gone out. I am now inserting another paragraph, to be numbered 272, of an entirely different character. I should like to have the attention of the chairman of the committee, but, as he is not present, I can not delay my statement upon this matter.

I wish the Senator from Mississippi would look at this subject from the producer's standpoint. I shall not attempt to go over any of the argument I made the other day. I do wish to say, however, that I believe that with any kind of proper protection of the flax industry the production of spinning flax can

be made profitable in the United States. There seems to be almost a total lack of information as to what is meant by the terms "hackled tow" and "unhackled tow" as used in the bill, what is tow and what is not tow, when it ceases to be straw, and when it becomes the tow that is spoken of in the bill.

I am perfectly free to admit that the portion of the bill covering this subject was not intended to and did not, except incidentally, cover the product upon which I seek to have protection.

I have here the ordinary flax, so that you may understand the processes. It is a flax that is cut with the seed on it. It goes through the separator and these seeds are taken out. As it goes through the separator it is, of course, unfitted for any kind of spinning purposes except for the coarsest kind of fabrics. They do make out of that, I believe, the basis or the foundation for linoleum.

The next process, if we were going to make spinning flax out of this, would be to lay it out where the sun and the rain would fall upon it. That is called the retting, or rotting, process. That would separate the wood from the fiber.

In the ordinary manufacturing process, after that is done, it is taken to the mill and then the scutching process follows. In other words, we have a fiber with some of the woody pulp still on it. That is scutched off with a large knife, the same as the hair and other stuff is taken off of leather, through a scutching process. That is the third process.

Between those processes comes the hackling process, which is a combing out of the several strands. They first go through a coarse comb and then through a finer comb, until the material is fitted for weaving.

To show that this flax can be properly made from an American product by a new process that has no rotting or retting whatever in it, but is done entirely through the mill, I exhibit here a little bunch of flax straw just as it is cut very low. There is no retting process whatever. That, however, has gone through a new process that takes the woody pulp from it, and then it has gone through the process of hackling this portion, or combing it out. Then it is bleached, either in the sun or mechanically. The bleaching will cost in the neighborhood of about 1 cent a pound—a little under rather than above it.

I am not seeking, by the amendment I propose, to touch this product at all. If you think it needs too great a duty to justify the attempt to produce flax fiber in this country, well and good. But remember, we have a valuable product. That product is worth \$450 a ton.

Here is another product. I will take next the Belgian product. It is much shorter, but it is worth \$350 a ton. This is pulled by hand from the ground; it is hackled and scutched, and is ready for spinning linen. It can be bleached by the sun or artificially, at 1 cent a pound.

Here we have a very much longer fiber, that is pulled in Germany. It is hackled and scutched flax, pulled by hand from the ground, ready for spinning. That, also, can be bleached for about a cent a pound.

I have here another American product which you will see is fully as fine as that produced in Germany, and of a much longer fiber than that which is produced in Belgium. That is worth, also, \$450 per ton.

I have here another product of the United States which is made from a western flax. It is not very well taken care of, but it is worth over \$300 a ton.

The amendment does not touch this product. Here is the matter to which I wish to call the attention of the Senator from Mississippi. I know he is too far away to see what it is, but this comes from the ordinary straw that we raise out in North Dakota. In other words, it goes through the separator, through the thrashing machine. It is badly broken up. The straw is then hauled to a little mill with corrugated rollers. Those corrugated rollers break the straw into very small particles, and to a great extent separate the wood. This is unfit for spinning. You could not use it for the purpose of manufacturing any kind of a fabric. It is worth, as I state, in the neighborhood of twenty to twenty-three dollars a ton in that condition. We have a market for it, with a \$10 per ton protection, that justifies our people in hauling it to the mills, and justifies the mills in running it through the corrugated rollers and advancing it to this stage. Without that protection we could not pay the freight on it and haul it to the place where it is used in the manufacture of different kinds of cooling apparatus, in refrigerator cars, and so forth. It is pounded down very hard and compact. It keeps wonderfully dry. It will last forever. It does not rot, and will give the cooling and at the same time will not add very much to the weight. It has taken the place of charcoal and other substances in the manufacture of refrigerator cars.

We can use this article for that purpose. That is the one thing that I want protected to a sufficient extent. I am not going to call for a roll call on the amendment; but it does seem to me that when the committee reconsider this matter, if they see just what I am trying to protect and that it is not in what may be called the linen industry in any way, they will give it the consideration it deserves.

I simply ask for a vote upon the amendment I have offered.

The VICE PRESIDENT. The Chair wishes to ask the Senator from North Dakota whether the House provision was not applicable to the very article to which he has been addressing himself?

Mr. McCUMBER. No. I am not speaking here of flax, as it is called. The word "flax" relates to the fiber. The language of my amendment is "flax straw advanced in condition or value by manufacture, but not hackled or dressed."

The VICE PRESIDENT. The Chair did not catch the word "straw."

The question is on the amendment proposed by the Senator from North Dakota.

The amendment was rejected.

Mr. BRADLEY. Mr. President, I was just going to propose another amendment in regard to hemp when the Senator from North Dakota secured recognition.

I now offer an amendment restoring the duty provided by the House bill. I shall not ask for the yeas and nays on it.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 83, it is proposed to insert a new paragraph, as follows:

275½. Hemp, and tow of hemp, one-half cent per pound; hemp, hackled, known as "line of hemp," 1 cent per pound.

The VICE PRESIDENT. The Chair rules that that has already been passed on once in the Committee of the Whole, and the amendment is not in order.

Mr. BRADLEY. I was not here at the time that was done. I was ill, and it was especially agreed that it should be passed over in order that I might take it up on my return.

Mr. WILLIAMS. Will the Senator yield to me? The Senator from Kentucky is right about this hemp paragraph. It was passed over because he at that time was sick. We agreed that we would consider it then, but that whenever he came in he might move any amendment to it he chose. That was done by unanimous consent.

The VICE PRESIDENT. The question, then, is on agreeing to a motion to reconsider the vote whereby the Senate committee amendment was adopted striking out paragraph 275.

The motion to reconsider was agreed to.

The VICE PRESIDENT. The question now is on striking out the paragraph, which is the same language exactly as the amendment of the Senator from Kentucky. [Putting the question.] The ayes seem to have it.

Mr. BRADLEY. I ask for a division.

Mr. WILLIAMS. If we are going to have a division, I would rather have the yeas and nays.

The yeas and nays were ordered.

Mr. POINDEXTER. I should like to have the question stated by the Secretary.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 83 the Committee on Finance reported to strike out lines 16 and 17, in the following words:

275. Hemp, and tow of hemp, one-half cent per pound; hemp, hackled, known as "line of hemp," 1 cent per pound.

The VICE PRESIDENT. The Secretary will call the roll on agreeing to the amendment of the committee.

The Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I make the same announcement of my pair and its transfer as on the previous vote. I vote "yea."

Mr. CLARKE of Arkansas (when his name was called). I have a pair with the junior Senator from Utah [Mr. SUTHERLAND]. I see that he is not present, and I withhold my vote.

Mr. SHEPPARD (when Mr. CULBERSON's name was called). My colleague [Mr. CULBERSON] is unavoidably absent. He is paired with the Senator from Delaware [Mr. DU PONT]. This announcement may stand for the day.

Mr. LEWIS (when his name was called). I make a transfer of my pair to the Senator from North Carolina [Mr. SIMMONS] and vote "yea."

Mr. McCUMBER (when his name was called). I transfer my pair as before and vote "nay."

Mr. REED (when his name was called). I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from Oklahoma [Mr. OWEN] and vote "yea."

Mr. THOMAS (when his name was called). I make the same transfer as before and vote "yea."

The roll call was concluded.

Mr. CHILTON. I transfer my pair with the junior Senator from Maryland [Mr. JACKSON] to the junior Senator from South Carolina [Mr. SMITH] and vote. I vote "yea."

Mr. BACON (after having voted in the affirmative). I note that the senior Senator from Minnesota [Mr. NELSON] has not voted. I therefore, having a general pair with him, withdraw my vote.

The result was announced—yeas 38, nays 36, as follows:

YEAS—38.

Ashurst	Kern	Pomerene	Stone
Bankhead	Lane	Reed	Swanson
Bryan	Lea	Robinson	Thomas
Chamberlain	Lewis	Saulsbury	Thompson
Chilton	Martin, Va.	Shafroth	Tillman
Fletcher	Martine, N. J.	Sheppard	Vardaman
Hollis	Myers	Shields	Walsh
Hughes	O'Gorman	Shively	Williams
James	Overman	Smith, Ariz.	
Johnson	Pittman	Smith, Ga.	

NAYS—36.

Borah	Crawford	Lodge	Root
Bradley	Cummins	McCumber	Sherman
Brady	Dillingham	McLean	Smoot
Brandegee	Fall	Norris	Stephenson
Bristow	Gallinger	Oliver	Sterling
Catron	Jones	Page	Thornton
Clapp	Kenyon	Perkins	Warren
Clark, Wyo.	La Follette	Poin Dexter	Weeks
Colt	Lippitt	Ransdell	Works

NOT VOTING—21.

Bacon	Goff	Newlands	Smith, S. C.
Burleigh	Gore	Owen	Sutherland
Burton	Gronna	Penrose	Townsend
Clarke, Ark.	Hitchcock	Simmons	
Culberson	Jackson	Smith, Md.	
du Pont	Nelson	Smith, Mich.	

So the amendment of the committee was agreed to.

The SECRETARY. The next committee amendment passed over is, on page 87, in Schedule K, wool and manufactures of—

Mr. OLIVER. I understood that we were to take up paragraph 145 to-day.

Mr. THOMAS. Is the Senator from Iowa [Mr. KENYON] present?

Mr. BRISTOW. He will be here in a short time.

The VICE PRESIDENT. Paragraph 145, aluminum, is before the Senate.

Mr. OLIVER. Mr. President, on the 9th of last month the junior Senator from Iowa [Mr. KENYON] delivered an address on the pending bill. The Senator's speech takes up 13 pages of the CONGRESSIONAL RECORD, out of which 8 pages are devoted to a discussion of the aluminum industry, or rather to a wholesale arraignment of the Aluminum Co. of America. The Senator during his career has had large experience in prosecuting malefactors, or supposed malefactors, and with varied success has taken an active part in the enforcement of the Sherman antitrust law. But I venture to say that never during his entire professional career has the Senator, when representing the prosecution, delivered an address to judge or jury in which all of the facts or alleged facts that would be damaging to the accused were brought into prominence and everything that could be said in reply to them was minimized or suppressed to the extent that it has been done in this instance. I would be failing in my duty to my fellow townsmen, pioneers in a great industry, if I allowed to pass unchallenged many of the statements which the Senator so recklessly made and did not endeavor to correct, as far as possible, the false impressions he left on the minds of those who heard him.

I listened with great attention to what the Senator from Iowa said from the beginning to the end of his speech. I do not know whether he intended it or not, but I am certain that when he concluded every Senator who listened to him and who had not studied the question was under the impression that the Aluminum Co. of America was substantially without a competitor in this country, not only in the manufacture but in the sale of its product, for the Senator entirely ignored the fact that during practically all the years it has been in business it has been subject to the open and vigorous competition of the product of European plants. The manufacture of aluminum in Europe has more than kept pace with the progress of the industry in the United States, so that to-day the European plants produce approximately 100,000,000 pounds annually, while the normal demand of Europe amounts only to about one-half that figure. The European producers are protected in all parts of the world except in the United States by their cartels and syndicate agreements, which are favored by their Governments and form the universal method of doing business in con-

tinental Europe in all the great industries. As a result of this the United States is a favorite field which the British and continental manufacturers use as a dumping ground for their surplus product.

Statistics show that the total imports of aluminum and its products during the fiscal year ending June 30, 1912, amounted to 15,646,405 pounds, upon which duties were collected amounting to \$1,122,252.87, and to show the astounding increase of these importations, notwithstanding the imposition of what the Senator from Iowa would term a prohibitive duty, I submit a statement taken from the Government records of the aluminum imported into the United States for the fiscal year ending on the 30th of June last. The published statements, I will say, only come up to the 30th of June, 1912. It shows that there were imported during that period 28,158,525 pounds; that the value thereof was \$4,961,297; that the unit value of these imports showed an average price of 17.6 cents per pound, and that the duties collected amounted to \$2,196,555.03. The average price charged during the whole of 1912 by the Aluminum Co. of America to its customers was 18.11 cents per pound, showing a difference between the price that company charged and the average import price of less than 1 cent a pound, and still the Senator from Iowa would have us believe that the company has uniformly held the price at just a little above or a little below the amount of duty over and above the foreign price.

The amount of duties collected on this commodity during the fiscal year was \$2,196,555.03. What will this amount to and how greatly will the development of the industry in this country be retarded if this duty is reduced to 2 cents a pound, or as proposed by the Senator from Iowa, swept away altogether? As a revenue proposition it seems like insanity to surrender this revenue unless it is proposed that the Government in the future is to depend entirely upon the income tax for its revenue. I have here a statement in detail, which I ask leave to insert in the RECORD.

Importations of aluminum into the United States, fiscal year ending June 30, 1913.

	Quantity in pounds.	Value.	Duties.
First quarter:			
Crude.....	3,020,700.2	\$368,778.00	\$211,449.01
Plates, sheets, bars, etc.....	118,962.5	22,610.00	13,085.90
Manufactures of.....		75,333.00	33,908.40
Second quarter:			
Crude.....	9,374,776	1,520,468.00	656,234.32
Plates, sheets, bars, etc.....	343,023.5	71,829.00	37,732.59
Manufactures of.....		93,932.00	42,278.40
Third quarter:			
Crude.....	7,300,702	1,190,310.00	511,049.14
Plates, sheets, bars, etc.....	474,580	107,615.00	52,247.81
Manufactures of.....		105,971.50	47,687.18
Fourth quarter:			
Crude.....	6,945,934	1,168,024.00	486,215.38
Plates, sheets, bars, etc.....	579,447	145,436.00	63,739.17
Manufactures of.....		90,950.50	40,927.73
Grand total.....	28,158,525.2	4,961,297.00	2,196,555.03

It will be seen from this that during this one year the imports amounted to just a little more than 70 per cent of the total production of the Aluminum Co. of America, and in the face of this the Senator from Iowa contends that this company has an absolute monopoly of the sale of this article in the United States of America.

Aluminum was discovered in 1854, but, owing to the difficulty of its extraction, from that date to the formation of the Pittsburgh Reduction Co. in 1888, the total production for the entire 34 years did not exceed 200,000 pounds, which sold for \$8 a pound and even higher. In 1888 a group of Pittsburgh business men put up a fund amounting to \$20,000 for exploiting the patent and process of Charles M. Hall for the manufacture of aluminum, holding an option on the patent in the name of a small company formed for that purpose, and styled the Pittsburgh Reduction Co. In 1889 the Hall patent was acquired, and under the terms of the option the Pittsburgh Reduction Co. was made a company with \$1,000,000 capital stock, of which about one-half was paid in cash, and the remainder issued for the patent. There has been some controversy as to the exact amount of stock that was issued for this patent, but it makes little difference, for even if the patent right was bought in for the entire amount of the capital stock, in this case it certainly will be acknowledged that it was worth all and more than could possibly be charged for it. In 1890, \$600,000 of new stock was issued for cash at par, and in 1905, \$2,200,000 more of the new stock was issued, of which \$1,200,000

was paid for in cash and the remainder issued as a stock dividend. The company has since declared other stock dividends, so that the total outstanding stock is now \$18,750,000, and it has a surplus to-day which makes its net assets worth about \$30,000,000. In 1909 the name of the company was changed from the Pittsburgh Reduction Co. to the Aluminum Co. of America, but no other change was made in its organization. It was a change of name and no more. When this company started in business in 1890 aluminum was selling at \$2.50 per pound. It was regarded more as a toy than anything else and there was but little demand for it as an article of general usefulness; but the successive reductions in price which were made by the Aluminum Co. of America brought about a steadily increasing demand, and in 1893 the output of the company amounted to 215,000 pounds. This was sold at about 75 cents per pound. It was not until 1896 that the output exceeded 1,000,000 pounds. From 1896 to 1912 the output gradually increased from 1,100,000 pounds in 1896 to about 40,000,000 pounds in 1912. This increased output was accompanied by continuous and successive reductions in price. As I have stated, the average price in 1890 was about \$2.50 per pound, and in 1912 the average price of all aluminum sold by the Aluminum Co. of America was 18.11 cents per pound.

The Hall patent expired in 1906, but the company still had a virtual monopoly on the manufacture by reason of its license under the Bradley patent, which expired in 1909. Since the expiration of that patent, while they have had an actual monopoly of manufacture, there has been no legal monopoly, and the field has been free to anybody who might wish to enter it. There are two reasons why no competitor has heretofore appeared in the field. One is the enormous amount of capital required, and the other the great difficulty in securing water-power privileges, which are an absolute necessity to the successful and economic conduct of the industry; but there is now in course of construction in the State of North Carolina a plant which, when completed, will be an active and strong competitor of the Aluminum Co. of America. I will refer to it fully later on.

The speech of the Senator from Iowa was nothing more or less than an indictment of the officers and owners of the Aluminum Co. of America. Almost every crime known to the business world was laid at their doors. The Senator was almost dramatic in his effort, and his speech undoubtedly produced a profound effect on those who listened to him. I can not hope to compete with him in his manner of presentation of these charges, but I do expect by laying before the Senate the cold facts to overcome the impression he produced.

Of all things charged against this company, there are three, and three only, of which the company has been guilty; not one of the others is borne out by the facts. It is true, first, that this company has to-day a monopoly of the production—not the sale—of aluminum in the United States; second, that the stockholders have made a very large amount of money out of the business; if business success is a crime and enterprise and energy are worthy of bonds, then these men are criminals—and not otherwise; and, third, that the Government brought suit in the District Court of the United States for the Western District of Pennsylvania, charging it with being a monopoly in violation of the Sherman Antitrust Act, and that the company consented to a decree enjoining it from doing certain specified acts; but it never acknowledged that it violated the Sherman law, and the decree does not so find.

In his speech the Senator from Iowa states as facts all of the allegations contained in the bill in equity filed by the Government, but makes no allusion whatever to the defendant's answer, which specifically denies every one of the alleged acts so far as they constitute a violation of the Sherman Act, either in letter or in spirit.

I will now proceed to examine these different allegations in some detail:

First. The Senator says it is quite apparent that the Aluminum Co. has a monopoly as to bauxite. Now, I say, Mr. President, that there is nothing whatever upon the record which shows that this company has a monopoly or anything approaching a monopoly as to bauxite. In the development of its business the men who guided the affairs of the company wisely decided that as far as possible they ought to obtain sufficient reserves of raw material to supply their wants for some years ahead at least. In their efforts to do this they have to-day control of enough bauxite to last them for not more than 10 years ahead at their present rate of production. There is plenty of bauxite in the country to supply all comers, but it must be developed before it can be used. In fact, the Government's bill of complaint, while it charges this company with endeavoring to obtain control of this raw material, practically

nullifies this charge by the following statement—I read from the bill as filed by the Department of Justice:

Furthermore, petitioner does not now insist that it was unlawful within itself for defendant by the various purchases above described to acquire and hold so large a per cent of the bauxite known to exist in the United States suitable for the manufacture of aluminum. What other deposits of bauxite there may be in the United States, and the character and extent thereof, it is impossible now to state; but petitioner is advised that there are practically inexhaustible quantities abroad, which may be mined and shipped into the United States at such prices as would enable independent companies to successfully compete with defendant were all other restraints removed from the aluminum industry. Hence, petitioner does not attack defendant's ownership of the various deposits of bauxite to which it now has title.

Now, while the Senator from Iowa alleges this charge against the Aluminum Co., he makes no mention of its virtual withdrawal by the Department of Justice.

While we are on the subject of bauxite, I may as well add another chapter. In February last, after the termination of the suit, the Aluminum Co. desired to add still further to its reserves of bauxite by the purchase of certain property in Arkansas containing bauxite ore. They were about to establish another plant in Tennessee, which is now in course of construction, and the bauxite properties which the company then owned and controlled were not sufficient in their opinion to insure a satisfactory supply for the new plant, in addition to the old ones. As a matter of precaution, therefore, they wrote to the Attorney General stating their intention and submitting estimates and tables, together with the report of eminent geologists and engineers, to the effect that the bauxite which they controlled would be exhausted at the present rate of consumption within 10 years, and requesting the Attorney General to advise them, as far as he could, whether or not they would be safe in purchasing this additional supply of bauxite. In due course they received a reply from the department, which I will ask the Secretary to read.

The PRESIDING OFFICER (Mr. WALSH in the chair). There being no objection, the Secretary will read as requested.

The Secretary read as follows:

DEPARTMENT OF JUSTICE,
Washington, D. C., July 23, 1913.

Mr. ARTHUR V. DAVIS,
President Aluminum Co. of America, Pittsburgh, Pa.

DEAR SIR: A variety of circumstances have prevented me from sending a reply to your letter of February 20 last, asking whether the purchase by your company of 550 acres of bauxite land lying in the State of Arkansas and belonging to the Sawyer-Austin Lumber Co. will violate the decree in the case of the United States v. Aluminum Co. of America and others, in the United States District Court for the Western District of Pennsylvania. You state, in some detail, the facts and circumstances as you understand them.

The policy of this department inhibits us from giving opinions which could be regarded as binding upon the Government, except to the President and heads of departments. You will readily appreciate how impossible it would be for us to advise the various corporations with which the Government has had or may have litigation concerning the details of their business.

However, it seems permissible to say that, nothing else appearing except what you have written, no reason now occurs to me for thinking that what you propose to do would be in violation of the decree.

Very respectfully, for the Attorney General,

J. A. FOWLER,
Assistant to the Attorney General.

Mr. OLIVER It will be seen from this, Mr. President, how exceedingly flimsy is this charge that the Aluminum Co. ever sought to control or does control bauxite properties to any further extent than is absolutely necessary for the legitimate supply of its wants. There is no doubt in my mind that there is plenty of bauxite in this country to supply all possible wants for generations to come. The necessity for it will induce exploration, and exploration will produce the mineral; otherwise, all users, the Aluminum Co. included, will be driven to France for their supply. I understand that in that country the supply is practically unlimited; that it is easily mined and is obtained at an exceedingly low cost as compared with the cost of mining it in Arkansas, where the deposits occur in pockets and not in large bodies.

The Senator from Iowa says, quoting from the Government's bill:

The history of the aluminum cooking utensil business in the United States is a history of shipwrecks caused chiefly by the arbitrary, criminal, and unfair dealing of the Aluminum Co. of America.

Even in his quotations the Senator is unfair. I will read the exact language of the bill:

The history of the aluminum cooking utensil business in the United States is a history of shipwrecks—possibly in part caused by inefficiency, necessity of experiment, and lack of capital, but caused chiefly or contributed to by the arbitrary, discriminatory, and unfair dealings of the defendant.

It will be noted that the Government in its bill modifies greatly its statement with regard to the unfair dealings of this company with reference to the cooking utensil industry. The Senator, however, having first emasculated the sentence, allows

it to go into the RECORD practically without comment. In its answer the defendant company absolutely and specifically denies any charge of discrimination or of unfair treatment. It says—

the defendant does not now and has not in the past unlawfully, substantially, or in any degree restrained or monopolized the interstate trade and commerce in cooking utensils. Many of the manufacturers of aluminum cooking utensils in the United States, in which the defendant company has no financial interest, have been prosperous; in fact they have all been prosperous where they were efficiently managed, had an adequate capital, and manufactured utensils of good quality. It is true that in the early history of the cooking utensil business in the United States many of the persons who undertook to manufacture the same produced aluminum cooking utensils of such poor quality that aluminum cooking utensils were being discredited and the market therefor largely destroyed, and it became necessary for the defendant company to embark in the manufacture of cooking utensils in order to produce manufactured articles which would be satisfactory to the consumers and thus develop a market for aluminum, and the development of the cooking utensil business in the United States has been largely, if not solely, the result of the defendant's efforts.

The Aluminum Cooking Utensil Co. was started by the Aluminum Co. of America in 1902. There was submitted to the United States Government a list of 11 companies manufacturing aluminum cooking utensils exclusively, 10 of which started in business since the Aluminum Cooking Utensil Co. was formed, and all of which have always obtained, and still do obtain, their aluminum from the Aluminum Co. of America, and whose business has constantly increased. Since this list was submitted to the Government there have been several other cooking utensil companies started, all of which are customers of the Aluminum Co. of America, and none of them have complained of bad treatment by that company.

Now, with regard to aluminum castings; it is true that the Aluminum Co. of America owns about 1,600 out of the 4,000 shares of the capital stock of the Aluminum Castings Co. They do not control that company, and they are under an express contract with the majority stockholders that they will never buy from anybody sufficient shares to give them control. The business is conducted by the majority stockholders, who look out for their own interests, and the Aluminum Co. in its answer to the bill expressly denies that under any circumstances they give this company any preference of any kind over their other customers. That the Aluminum Castings Co. does not by any means control or even dominate the business of the country in such castings is shown by the fact that at the time the suit was brought by the Government there were in the United States 322 foundries manufacturing aluminum castings, and to-day there are more than that number. Each of these foundries is continually increasing the amount of its product, and they are all prosperous. The company absolutely denies—and I believe every word they say—that either the Aluminum Castings Co. or the Aluminum Utensils Co. has been favored as to deliveries over other customers. As a matter of fact, during the shortage in aluminum in the latter part of 1912, to which I will refer hereafter, the company cut down its shipments to these two companies 50 per cent in order to supply aluminum to others, and the books of the company show that the companies in which the Aluminum Co. is not interested fared better during that shortage than the companies in which it is interested. The same thing exactly will apply to aluminum goods and novelties. The Aluminum Co. of America owns only about 31 per cent of the capital stock of the Aluminum Goods Manufacturing Co. That company is managed and conducted, as are the other companies, in an independent manner by the majority of the stockholders. The Aluminum Co. of America denies that it furnishes crude aluminum to that company at any unduly preferential rates, or at rates that would enable that company to underbid its competitors.

Mr. President, in my time it has been my lot to read many legal documents, but I feel justified in saying that in all my experience never have I come across a paper bearing upon an important question which is so weak in all its essential elements as the bill in equity filed by the United States Government against this company. It alleges everything; it specifies nothing. With the exception of five contracts which it recites, and which it alleges to be in restraint of trade, it deals in generalities only.

Sometime during the summer or fall of 1912 the newspapers reported that the Government was preparing to bring suit against the Aluminum Co. for violation of the Sherman Act. Upon receiving this information Mr. Davis, president of the company, informed the Department of Justice that the company was not knowingly violating the law in any way whatever; that if it was the officers would like to be informed of it and would rectify whatever in the opinion of the Attorney General was wrong; and they voluntarily opened up to the department

all of their papers, books, contracts, and everything that had been done from the very commencement of the company's existence. It was a wholesale show-down. And I may here add that it was by this means that the department obtained the information which enabled it to include in its bill the only specific acts with which the company was charged, namely, the Norton agreement, the General Chemical Co. agreement, the contract of the Pennsylvania Salt Manufacturing Co., and the Kruttschnitt-Coleman, and the A. J. A. G. agreements. An examination of the bill in equity will show that outside of these agreements everything in the bill consists of general statements, of which there is no proof whatever, not made under the sanction of an oath, and not one of which recites any specific act; and this fact assumes all the more prominence when we consider that the Government goes into extreme detail with regard to the five agreements to which I have alluded. Does it not follow from this that if they had the facts as to the other things charged they would be equally specific with regard to them? In reality they had no facts and they had no case, but the Department of Justice having embarked upon the enterprise, and having announced its intention to bring suit, was unwilling to abandon it and insisted upon filing its bill.

The company made answer denying all the allegations in the bill so far as they charged violations of the Sherman Act, and where the facts were admitted, as in the case of the agreements I have mentioned, they denied that they constituted violations of that act. Finally the Government submitted a decree, to which the defendant's officers willingly consented, for it enjoined them from doing nothing that they had been doing. It directed the cancellation of the A. J. A. G. agreement, which had been terminated by the company's own action more than a year before the suit was brought or contemplated. It also directed the cancellation of the three contracts relating to a limitation of the use of bauxite on the part of the Norton Co., Pennsylvania Salt Manufacturing Co., and the General Chemical Co., but these contracts had also been terminated before the suit was brought, after a conference with the officers of the Department of Justice. The company had also purchased some stock in one of its subsidiary companies from Messrs. Kruttschnitt and Coleman, and in connection with the purchase had obtained from these two men a contract by which they had agreed not to engage in the manufacture of aluminum east of Denver, Colo., for a term of 20 years. The decree directed a cancellation of this contract, and the company complied therewith. I am not enough of a lawyer to say whether a contract like this is a violation of the Sherman Act or not. I do know that it is not so many years since I entered into a contract of that kind myself, by which I agreed for 10 years not to engage in a certain line of business within certain specified limits. This contract was drawn up by the present senior Senator from Iowa, and I know that at that time I never thought I was engaging in an illegal transaction, and I do not believe that the Senator from Iowa considered that he was participating in one. Beyond the cancellation of agreements, all of which had already been canceled, the decree, as I have stated, simply enjoined the Aluminum Co. and its officers from doing a great number of things which they never had done, and were perfectly willing to be enjoined from doing, because they did not intend to do them at any time thereafter. It might be asked why they did not fight if they had such confidence in their position. The answer to that is plain. There was no denying the fact that the company had, and still has, a monopoly of the manufacture of aluminum, and being a monopoly they realized that it was but reasonable that their operations should be subject to closer scrutiny than that of other industries in which competition exists. But as it stands, the injunction is a mere *brutum fulmen*. It aimed at nothing and it hit nobody.

One of the most remarkable things about this remarkable decree is its conclusion. Both the lawyers and the court must have been in grave doubt as to the right to issue any injunction whatever, because after formulating the order by which they directed the defendant to refrain from doing a lot of things which it had not been doing, they limited the provisions of the decree by a set of provisos which effectually removed any sting that might have been concealed in it. They are so unique that I will read them:

Provided, however, That nothing contained in this decree shall be construed to prevent or restrain the lawful promotion of the aluminum industry in the United States.

Provided further, That nothing herein contained shall obligate defendants to furnish crude aluminum to those who are not its regular customers to the disadvantage of those who are whenever the supply of crude aluminum is insufficient to enable defendant to furnish crude aluminum to all persons who desire to purchase from defendant, but this proviso shall not relieve defendant from its obligation to perform all its contract obligations, and neither shall this proviso, under the conditions of insufficient supply of crude aluminum referred to, be or con-

stitute a permission to defendant to supply such crude aluminum to its regular customers mentioned with the purpose and effect of enabling defendant or its regular customers, under such existing conditions, to take away the trade and contracts of competitors.

Provided further, That nothing in this decree shall prevent defendant from making special prices and terms for the purpose of inducing the larger use of aluminum, either in a new use or as a substitute for other metals or materials.

Provided further, That nothing in this decree shall prevent the acquisition by defendant of any monopoly lawfully included in any grant of patent right.

Provided further, That the raising by defendant of prices on crude or semifinished aluminum to any company which it owns or controls or in which it has a financial interest, regardless of market conditions, and for the mere purpose of doing likewise to competitors while avoiding the appearance of discrimination, shall be a violation of the letter and spirit of this decree.

Then, at the end follows its remarkable conclusion. I quote:

This decree having been agreed to and entered upon the assumption that the defendant, Aluminum Co. of America, has a substantial monopoly of the production and sale of aluminum in the United States, it is further provided that whenever it shall appear to the court that substantial competition has arisen, either in the production or sale of aluminum in the United States, and that this decree in any part thereof works substantial injustice to defendant, this decree may be modified upon petition to the court after notice and hearing on the merits, provided that such applications shall not be made oftener than once every three years.

It is further ordered that the defendants pay the cost of suit to be taxed.

Now, if this means anything, it must mean that if the Aluminum Co. had not had a monopoly of its manufacture, the Government would have had no case at all, and no injunction would then have been granted; and it specifically provides that if substantial competition arises the court will modify the decree.

That there is now "substantial competition" in the sale of aluminum I have already shown. I will now say something about the coming competition in its manufacture. On page 449 of the briefs and statements filed with the Senate Committee on Finance is a brief of the Southern Aluminum Co., of Whitney, N. C.

I am sorry the Senators from North Carolina are not in the Chamber, because much of what I am going to say is based upon information received from one of them. In it the Southern Aluminum Co. states that it is starting the construction of a plant for the manufacture of aluminum at Whitney, N. C., utilizing the water power of the Yadkin River. The building of the plant and the development of the water power will cost approximately \$10,000,000. The plant when completed will offer employment to approximately 1,500 workmen, which will in turn necessitate the building of an industrial town. It then goes on to give some statistics with regard to the manufacture of aluminum, most of which have already been presented to you, and to pray for a specific duty on the product.

Within the last few days I have been informed by the junior Senator from North Carolina that the outlay of this company will be from \$12,000,000 to \$15,000,000 instead of \$10,000,000; that they are prosecuting their work with great diligence, and that they think they have discovered extensive deposits of bauxite in their near vicinity.

In this connection I send to the Secretary's desk and ask to have read an article concerning this enterprise from the *Manufacturers' Record*, a southern industrial paper published at Baltimore, under date of the 21st ultimo.

The PRESIDING OFFICER. In the absence of objection, the Secretary will read as requested.

The Secretary read as follows:

THE ALUMINUM INDUSTRY IN THE SOUTH AND THE TARIFF ISSUE.

The announcement has been made by the Southern Aluminum Co., which is now building a plant at Whitney, N. C., to cost between \$10,000,000 and \$12,000,000, that if aluminum is put on the free list, as has been proposed in the tariff discussion, the company will abandon its undertaking, and thus North Carolina would lose the establishment of the largest industry ever started in that State.

This North Carolina enterprise, while it has some American capital, is largely financed by French people, some of whom are interested in the great aluminum plants in Europe. The extent of the aluminum industry in this country and abroad is not generally understood. The United States is already producing 40,000,000 pounds a year, while there are a large number of aluminum plants in various parts of Europe, including France, Germany, Sweden, and other countries, where water power at a low cost is available and where vast supplies of bauxite can be had at a low figure. Many of these foreign plants, if not all of the leading ones, are, it is said, syndicated and their financial operations controlled by banking houses. Some of them are able to secure water power as low as \$6 per horsepower per year, and the supply of bauxite is reported as almost unlimited—indeed, there is a great mountain of it, from which the material is mined at a low cost. The rate of wages in foreign plants is said to be about 80 cents a day for a 12-hour working day, while in this country the rate for similar grade labor in aluminum work is about \$2 a day for an eight-hour day.

Surely Congressmen from the South should be sufficiently interested in the industrial development of their section, for industrial progress is essential to agricultural prosperity, to see that the industries of the South receive a measure of protection fully equal to that given those of other sections. Of what avail are our limitless stores of coal and iron

and clays and other resources out of which to create vast industrial wealth if through false political economy these resources are to remain dormant, valueless to their owners, to the South, and to the world?

Mr. KENYON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Iowa?

Mr. OLIVER. I yield.

Mr. KENYON. I understand a part of that article was omitted. I have here the article in full. It is from the Manufacturers' Record of August 21, 1913. I do not know whether the part referred to was intentionally omitted or not.

Mr. OLIVER. I omitted the part which referred in detail to the development of the company, thinking it was not directly pertinent.

Mr. KENYON. The omission was intentional, then?

Mr. OLIVER. Oh, yes. I did not intend to insert all of it, because I did not want to extend it at such length.

Mr. KENYON. I had intended to insert it all.

Mr. BACON. Mr. President, as the Senator from Pennsylvania has noted the absence of the Senator from North Carolina, I wish to say that I have had inquiry made, and I find that he has been called away upon official business.

Mr. OLIVER. I am sure the Senator from North Carolina is not absent without cause, Mr. President.

I may add here that the Southern Aluminum Co. is largely owned by the principal owners of the French Aluminum Co., together with some of the large metal dealers in New York; that it has no connection whatever with the Aluminum Co. of America, but proposes to be a distinct and direct competitor with that company for American business. I am also informed that they expect to develop bauxite fields on this side of the ocean sufficient to supply their wants, but in case they are unable to do this they can obtain an abundant supply from France, where the deposits are near the sea, and can be transported direct from there to North Carolina seaports. It can easily be seen how unjust it would be to a new industry like this, bringing to the country millions of dollars of capital and involving the development of the great natural resources of the South, to absolutely open up our markets to free foreign competition.

Mr. KENYON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Iowa?

Mr. OLIVER. Certainly.

Mr. KENYON. I am not going to interrupt the Senator again, because I know it is unpleasant, and it is better to wait until I can speak in my own time. But, referring to the point the Senator is now on, I should like to inquire if it is a fact that the Aluminum Co. of America has no connection whatever with the Southern Aluminum Co. or any of its officers?

Mr. OLIVER. I am assured that there is no connection whatever. This is reinforced in my mind by the fact that when I asked them about it they knew nothing whatever about the state of development of the enterprise, or anything of the kind.

Mr. KENYON. I have been informed that there was some connection, but I do not know.

Mr. OLIVER. I think I can assure the Senator that that is based on mere suspicion, because I know, or think I know, that it is not the case.

Mr. KENYON. Has the Senator information as to that from the officers of the Aluminum Co. of America?

Mr. OLIVER. It is from the officers that I obtained my information.

Mr. KENYON. From the officers of the company?

Mr. OLIVER. Yes; from the officers of the company, that there is no connection whatever between them.

Mr. KENYON. Would the Senator mind stating who are the officers to whom he refers?

Mr. OLIVER. I received this information directly from Mr. Finney, who is the southern sales agent of the company, with headquarters here in Washington.

Mr. KENYON. Of the Aluminum Co. of America?

Mr. OLIVER. Of the Aluminum Co. of America. I also have received some information from Mr. Davis, although I did not inquire directly from him, because it did not occur to me when I was talking with him; but I did, later on, ask Mr. Finney, and he assured me that there is no connection whatever.

Mr. KENYON. I do not know of my own knowledge as to the matter.

Mr. OVERMAN. Mr. President, I think I can say to the Senator that there is no connection whatever. I wish to say, unless the Senator has already stated it, that these French people were forced here. The French people bought some bonds of what was known as the Whitney Power Co. This company

came down into North Carolina and built a dam about 30 miles from where I live for the purpose of developing power and furnishing power to railroads and cotton mills. The panic came on, and the company failed. In the meantime the Southern Power Co. were established near Charlotte and erected a great power plant on the Catawba River or its tributaries, and they succeeded in getting contracts for power with all our cotton mills. Nearly every cotton mill in the State is being run by power furnished by the Southern Power Co.

Mr. Whitney, who lived in Pittsburgh, Pa., and who financed this Whitney Co., failed, and the company failed; the matter was in litigation for a long time, and finally the property of the company was ordered to be sold.

The Frenchmen, who I think owned about \$400,000 worth of these bonds, purchased the property. They then had the dam, partially completed, and about 10,000 acres of land. They found that the Southern Power Co. had come into this territory and had contracts to furnish the power for all these factories, and there was no field for activity or operation for another power plant in that section.

The French people therefore concluded that to utilize the property they were forced to purchase they would build an aluminum plant. I have seen their prospectus, and I know their officers can not speak English, because they had to speak to me through an interpreter. They are selling bonds in France now to complete the concern. They have a force there now of about 3,000 people, I am told, and have contracted for 250 houses, and all the officers are Frenchmen. I do not think they have any connection whatever with the American concern. I am sure of it, in fact, from what I have been told; and from all the circumstances—and I have examined into it—I think it is an entirely independent concern.

Mr. OLIVER. I think there is no doubt of that, Mr. President.

The Senator from Iowa, to show the arbitrary method adopted by the Aluminum Co. of America in dealing with its customers, inserts a copy of one of their contracts of sale, which he says is "a fair sample of the harassing methods employed by this arrogant monopoly toward those who were compelled to deal with them."

A critical examination of this contract will show that, while it is rather stringent in its provisions, it is not in anyway one-sided, and that it does not bind the customer to do anything except to specify in reasonable time for the aluminum which he has agreed to buy; but in reality it is not the usual form of contract which the company uses in dealing with its ordinary customers—it is a special form used in sales to importers and others, who only buy from the Aluminum Co. when they are unable to fill their wants from abroad. I have here a copy of the company's usual contract, simple and direct in its provisions, which I will ask the Secretary to read.

The PRESIDING OFFICER. Without objection, the Secretary will read as requested.

The Secretary proceeded to read the form of contract.

Mr. OLIVER. If the Senate will allow me I really do not think it is necessary to take time in reading it. I ask that it be inserted in the Record.

The PRESIDING OFFICER. That order will be made without objection.

The matter referred to is as follows:

ALUMINUM CO. OF AMERICA,
Pittsburgh, Pa.,

This contract between Aluminum Co. of America, Pittsburgh, Pa., hereinafter called the company, and _____, hereinafter called the purchaser, witnesseth:

(1) Within eleven (11) months from this _____ date, the company will furnish and the purchaser will buy in approximately equal monthly installments not less than 400 nor more than 600 net tons (2,000 lbs. each) of aluminum ingot at the following prices:

No. 1 grade _____ \$ per lb.
No. 12 alloy _____ \$ per lb.

Other standard grades at the current extras or discounts from the No. 1 grade price in effect on the date orders are placed.

These are f. o. b. New Kensington, Pa.; Niagara Falls, N. Y.; or Massena, N. Y., at the company's option.

(2) The company's invoices will be payable without discount in New York or Pittsburgh exchange 30 days from date of bill of lading.

(3) Strikes, fires, differences with workmen, accidents to machinery, or other unavoidable causes will excuse either of the contracting parties from sending or executing orders.

(4) This contract is void unless accepted on or before _____ and in any event unless approved by the company's general sales agent.

Accepted _____, 1912; Submitted _____
By _____

Approved _____, 1912.

ALUMINUM CO. OF AMERICA,
By Manager.

ALUMINUM CO. OF AMERICA,
By General Sales Agent.

Mr. OLIVER. Now, who are the men who are asking for a reduction or the removal of the duty on aluminum? An examination of the proceedings before the Ways and Means Committee of the House and of the briefs filed with the Finance Committee of the Senate will show that the most urgent ones are New York importers, who hope to increase their sales by reason of this legislation, and even they, as a rule, are only urging that the duty be reduced and not that the commodity be placed on the free list. The protests from the manufacturers are exceedingly few, and there would be practically none if it were not for an aggressive campaign conducted by the agent of the British Aluminum Co., Mr. Arthur Seligmann, of New York City. This gentleman in January last sent out broadcast a circular letter to all the manufacturers of aluminum products throughout the country which contained two glaring misstatements. The letter is published in the hearings before the Ways and Means Committee, on page 1483.

I have lately learned that immediately on the publication of the rates of duty recommended by the Finance Committee (2 cents per pound on ingots and 3½ cents per pound on sheets) this same British company, represented in America by this same Arthur Seligmann, placed contracts for 24 stands of sheet rolls and 7 foil rolls, a plant large enough to supply the entire sheet consumption of the United States. So soon are we to reap the fruits of these reductions.

Out of the hundreds of manufacturers of aluminum products in the United States to whom these letters were sent, so far as I can discover, only four responded by filing briefs with the Ways and Means Committee. The briefs of E. K. Morris & Co., the Milburn Wagon Co., and the Diller Manufacturing Co., all of which were inserted in the RECORD by the Senator from Iowa, were evidently inspired by this letter of Mr. Seligmann. This is shown by the fact that they are all dated within a few days after the date of his letter, and also by the fact that they repeat his misstatements almost in the same words. I will quote from Mr. Seligmann's circular and afterwards from the responses of the different companies:

Mr. SELIGMANN. It is also a well-known fact that aluminum can be produced as cheaply over here as it can on the other side, and only a few years ago very considerable quantities of aluminum were exported to Europe and sold by the American producer at prices ruling on the other side, which of course were much lower than the ones paid over here.

THE DILLER MANUFACTURING CO. It is also a well-known fact that aluminum can be produced as cheaply over here as it can abroad, and only a few years ago very considerable quantities of aluminum were exported to Europe and sold by the American producer at prices ruling on the other side, which, of course, were much lower than the prices paid over here.

E. K. MORRIS & CO. It is our opinion, based on the best information we can secure, that aluminum can be manufactured in this country nearly as cheap as abroad.

THE MILBURN WAGON CO. We further believe that this country can produce aluminum as cheap as other countries, because it was not very long ago that the United States exported a great deal of aluminum, and this aluminum was sold at lower prices than it was sold in this country.

It will be noted that the letter of the Diller Manufacturing Co. quotes the very words of Mr. Seligmann's letter. Now this letter was written at a time when there was an aluminum famine in this country. For some reason the demand for aluminum during the last half of 1912 was so great that the Aluminum Co. was unable to supply it. That company met the demands of its customers as far as it could, and, as I have before stated, reduced the quantity of ingots supplied to the companies in which it had an interest to one-half their requirements in order to supply the wants of its other customers so far as possible. Its managers even purchased some aluminum from abroad and handed it over to their customers at cost prices and in some cases at a loss. They did this because of their desire to hold their customers' business as far as possible and to prevent that dissatisfaction which must ensue when a manufacturer is unable to obtain a steady and reliable supply of raw material. Notwithstanding this, the demand exceeded the supply and the users of aluminum were consequently in a dissatisfied frame of mind. Mr. Seligmann's circular, therefore, fell on fertile soil, and it is a matter of surprise that the responses to it were so very few in number. In addition to these briefs there were two or three others filed with the Finance Committee later on, but I have no reason to suppose that there was any connection between Mr. Seligmann and these parties.

I may here add that the shortage of aluminum is now over and there is an ample supply for all who desire it.

The two misstatements in Mr. Seligmann's circular and in the briefs mentioned, to which I referred, are that aluminum can be produced as cheaply in this country as it can on the other side, and that the American producer (evidently referring to the Aluminum Co.) had been exporting the product of that company to Europe and selling at lower prices than those which prevailed over here. These statements are,

both of them, absolutely false, as I will demonstrate before I conclude.

There is still another letter which the Senator from Iowa inserted in the RECORD to which I refer with some regret, for its very insertion without qualifying comment seems to me to approach very near to an act of bad faith to the Senate and to the public. It is a letter from the Racine Manufacturing Co. of Racine, Wis. It contains this statement:

We know for a positive fact that the Aluminum Co. of America has exported material both in sheet and shapes to European countries by fast steamers, such as the *Lusitania*, *Mauretania*, and other fast boats, and the first thing that confronts them when they reach the European shores is the fact that they must meet the European competition and sell their stock anywhere from 20 to 25 cents per pound, which is the same stock that they are selling in this country at 30 and 40 cents per pound.

Now, at the time that the Senator from Iowa inserted this letter in the RECORD he must have read the testimony of Mr. Davis before the Ways and Means Committee of the House, for he quoted copiously from that testimony in his speech. And Mr. Davis at that time asserted most positively that never in its history had the Aluminum Co. of America exported any of its own products; that any exports it had made were the products of imported material upon which it obtained a refund of 99 per cent of the duty. Further than this, in the course of Mr. Davis's testimony, Mr. FORNEY, of Michigan, a member of the Ways and Means Committee, alluding to this same Racine Manufacturing Co., uses the following language:

Mr. Chairman, if Mr. Davis will permit me to interrupt him just for a statement. I think it is due to Mr. Davis and to the members of the committee to say that I received a letter from a firm to whom the Aluminum Co. of America sells aluminum, dated the 2d of December, in which they complain that the Aluminum Co. of America were selling aluminum cheaper abroad than they were selling it in this country. I wrote him and asked for a full explanation, and he finally, on December 26—and it is the manufacturing company of Racine, Wis.—and he apologizes and states that he was wholly misinformed, and that the information given to the chairman of this committee at that time was incorrect, and that there were no exports, as stated in his letter to Mr. Underwood on December 2.

I have here a copy of a letter written to another Member of Congress by the Racine Manufacturing Co., in which they make the same recantation of their charge. It is not long, and I will ask the Secretary to read it.

THE PRESIDING OFFICER. The Secretary will read as requested.

The Secretary read as follows:

RACINE, WIS., December 21, 1912.

THE HON. ANDREW J. PETERS,
House of Representatives, Washington, D. C.

MY DEAR SIR: Since writing our letter of November 25 to the chairman of the Ways and Means Committee and our letter to you of November 30, 1912, we have received several replies to same from various Representatives in which they have asked us to verify the veracity of our report in regard to several items. The majority of exceptions have been to the fact that we claimed that the Aluminum Co. were exporting at the present time and not able to supply the local demand, but giving the European market the preference.

At the time we wrote this letter we believed that this was true, but in receiving so many responses, and all along the same line, we felt that we owed it to you and to every member of your committee to personally investigate the matter by a trip east.

The writer has just returned, and we find that our statements have been misleading. The records show that during 1908, 1909, and 1910 the Aluminum Co. exported considerable stock, due to the fact that there was an overproduction in this country. We, as well as other manufacturers, were not using anywhere near the quantity that we are using at the present time.

We also found that a good deal of the exported stock was made in Quebec and brought into this country in an ingot form under bond and rolled into sheets under bond in Buffalo, as we understand it. It was then exported and all the duty practically refunded.

Therefore, our statements to you have been misleading, because this proves conclusively that this stock was not made in the United States, but made in a foreign country, and the rolling into sheets was the only labor performed in this country, and as the stock in question has been bonded through from Canada, the Aluminum Co. would not have to contend with the American-made products.

We have also ascertained that there is now in process of organization an aluminum company to compete with the United States Aluminum Co. in this country.

We want to be fair with you in this matter, which explains our reason for our trip east, and we do not propose to make any statements that we can not substantiate.

Thanking you for the consideration shown and appreciating the efforts that you are putting forth, we are,

Yours, very truly,

RACINE MANUFACTURING CO.

By _____, Secretary.

Mr. OLIVER. Now, when the Senator introduced this letter had he forgotten that the Racine Co. had made the amend, or was he simply desirous of placing before the public everything that was prejudicial to this company and of concealing the real facts? I leave it to him to decide.

Mr. KENYON. Mr. President—

THE PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Iowa?

Mr. OLIVER. I do.

Mr. KENYON. The Senator is propounding that to me as a question. I did understand from the testimony that Mr. Selig-

mann, a man whom I do not know and never had any correspondence with, had withdrawn a certain letter he had written to the committee. I gathered together a large bunch of letters and had them introduced, perhaps without paying any particular attention to this particular letter. I did not understand, and I do not now understand, that the Racine Manufacturing Co. had withdrawn what they said, but I do understand from the Senator that they withdraw what they say about the information from Mr. Seligmann.

Mr. OLIVER. I beg pardon, Mr. President; the Racine Manufacturing Co.'s letter was written before Mr. Seligmann's letter was written, as the Senator will see from its date in the testimony, and it had no bearing upon it at all, and was not called forth by it. In fact, the Racine Co.'s brief or proposition to the Ways and Means Committee, as far as I have seen, is the only one that was voluntarily submitted by a manufacturer to the Ways and Means Committee. All the rest were submitted by importers, and, as Mr. Fordney stated, they in distinct terms withdrew their statement to the prejudice of this company about exportations.

But that is not all. I have stated that the Senator quotes very freely from the testimony of Mr. Davis, with a view of showing that that gentleman admitted acts of apparent wrongdoing on the part of his company, but he invariably selects out the point which suits him and omits to insert Mr. Davis's explanations which always follow. For instance, on page 3712, the Senator inserts a colloquy between Mr. Palmer and Mr. Davis referring to the trade agreement between the Canadian company and the European companies, but omits Mr. Davis's statement which immediately follows and which is in the following language:

But, as I say, that contract has no relation whatever to the United States, and so far as the United States business is concerned it is a decided detriment from our standpoint.

Mr. PALMER. Why?

Mr. DAVIS. Because these people have got a certain amount of surplus to dump and this is the only place to dump it, the United States, and that is where they send it.

Again referring to the same Canadian-European agreement, the Senator from Iowa inserts a long dialogue, from the reading of which an opinion prejudicial to the Aluminum Co. must be formed, but omits that which immediately follows. I read:

Mr. PALMER. Against the Sherman law for a company in America to make an agreement with a European company?

Mr. KENYON. What page of the record or of the hearings, if the Senator please, is he reading from?

Mr. OLIVER. I will state that I can not inform the Senator, but it follows shortly afterwards.

Mr. KENYON. The Senator does not happen to have the page of the hearings?

Mr. OLIVER. I have not the page of the hearings. I am sorry that I have not.

Mr. KENYON. All right; I will try to find it.

Mr. OLIVER. I have them all marked in my book of the hearings, but unfortunately have not the book at hand at this moment.

Mr. PALMER. Against the Sherman law for a company in America to make an agreement with a European company?

Mr. DAVIS. Well, I am not enough of a lawyer to tell whether it might be so construed, but we wanted to be absolutely on the safe side and be absolutely a law-abiding company. So we not only made no attempt to make an agreement—

Mr. PALMER (interposing). You made up your mind that you would do nothing that could possibly be construed as a violation of the laws of the United States?

Mr. DAVIS. Yes, sir.

Mr. PALMER. But you have a pretty accurate understanding with those companies over there about the price at all times, have you not?

Mr. DAVIS. Absolutely none, sir. If we had we would consider that we would be violating the law. I do not think there is a great deal of difference between a secret contract and a written one.

Mr. PALMER. They have made a contract for all the European markets and the Canadian markets between all the manufacturers of aluminum except yourselves, and you now say you are practically competing against a combination which is world-wide?

Mr. DAVIS. No, sir; you mean competing in the United States?

Mr. PALMER. Yes.

Mr. DAVIS. No, sir; because none of these companies have any connection with each other so far as the United States is concerned. Each of them operates quite independently and without the knowledge of the others at all.

Mr. PALMER. And with no understanding about price?

Mr. DAVIS. Absolutely none.

Mr. PALMER. Is there, in fact, any competition as to price for the American market as between those European companies?

Mr. DAVIS. Absolutely the most open and free, and from every standpoint the most virulent.

Another instance—on page 3712, the Senator from Iowa inserts the following:

Mr. RAINEY. Of course, you do not expect your Canadian company to furnish much competition, do you?

Mr. DAVIS. In this country?

Mr. RAINEY. Yes.

Mr. DAVIS. No, sir; naturally not.

But the Senator omits the following:

Mr. RAINEY. And on account of the agreement of your Canadian company with all of these other foreign companies you would not expect the foreign companies to furnish much competition for you, would you?

Mr. DAVIS. We not only expect it, but we have it. As I tried to explain, this agreement distinctly excludes the United States, and every company under the agreement is at perfect liberty to sell as much as it pleases in the United States and at whatever price it pleases.

Mr. RAINEY. Including the Canadian company?

Mr. DAVIS. Oh, yes; of course, including the Canadian company.

Mr. RAINEY. You do not expect them to do it, do you?

Mr. DAVIS. No; we naturally do not expect them to do a great deal; but there are, I think, 11 other companies which are free to import into the United States, and the figures show that they do import into the United States.

Then I skip a few paragraphs.

Mr. RAINEY. Is it not true that your Canadian company and these foreign companies are on such amicable and friendly relations that it leads to a gentlemen's agreement by which the foreign companies will not interfere with you very much in the United States?

Mr. DAVIS. Absolutely not, sir. I have already answered that question to Mr. Palmer and would like to reiterate it again to you that there is absolutely nothing of the sort and, in fact, just the reverse.

Mr. RAINEY. Does the fact that your Canadian company has a perfect agreement with all of the foreign companies produce a feeling of unfriendliness toward you?

Mr. DAVIS. It produces the keenest competition in this country, because this is the only country in which they can sell. The old saying is that "the proof of the pudding is in the eating of it." Now, the matter of fact is that they imported into this country last year 30 per cent of what we make, which does not look as though there was very much of a gentlemen's agreement.

I will pause here to say that I think even the Senator from Iowa will admit that Mr. Davis in his testimony acted toward the committee with the utmost frankness. He not only showed no effort to conceal anything, but he voluntarily gave the committee the fullest possible information with regard to his business, concealing nothing.

Mr. President, I have cited these instances and inserted these extracts to show—and I think I have shown—that the Senator from Iowa throughout the whole of his speech was actuated more by the zeal of a prosecutor than by a desire of fair and impartial discussion of the merits of the question before the Senate.

I will now turn to the point on which the Senator plays his high card, and upon which he evidently relied more than on anything else to produce in the minds of his hearers a feeling of resentment against this company. I refer to the famous Swiss agreement, denominated—I know not why—the A. J. A. G. agreement. In presenting this agreement he charges that its provisions are "so infamous as to constitute business treason." He says that "in this agreement the foreign company absolutely refuses to sell aluminum, directly or indirectly, to the United States Government." Now, I say, Mr. President and Senators, that nowhere within the lines of this agreement is there any mention whatever made of the United States Government, and that never, at its inception or during its existence, were sales to the United States Government contemplated or considered by either of the parties thereto or by anybody who had any connection therewith.

Mr. KENYON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Iowa?

Mr. OLIVER. I do.

Mr. KENYON. I do not want to interrupt the Senator, but—

Mr. OLIVER. I like to be interrupted.

Mr. KENYON. All right. On page 16 of the contract of the Aluminum Co. of America with the Swiss company this is set out—

Accordingly the A. J. A. G. will not knowingly sell aluminum directly or indirectly to the United States of America and the Northern Aluminum Co. will not knowingly sell directly or indirectly to the Swiss, German, and Austria-Hungarian Governments.

Is not "the United States of America," in connection with the entire language of that clause, clear?

Mr. OLIVER. The United States Government was never thought of when the agreement was made.

Mr. KENYON. How does the Senator know the United States Government was never thought of?

Mr. OLIVER. Because the agreement shows it, and the result shows it.

Mr. KENYON. The language shows what it is, and not what the Senator may know.

Mr. OLIVER. I am going to undertake a hard task. I am going to undertake to persuade the Senator from Iowa that it never was thought of.

Mr. KENYON. I am willing to be persuaded, if the Senator has that intimate knowledge which differs from the plain language of the contract.

Mr. SHIVELY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Indiana?

Mr. OLIVER. I yield to the Senator.

Mr. SHIVELY. The language of the contract does not mention the United States Government.

Mr. OLIVER. I understand that.

Mr. SHIVELY. It does mention the United States of America. Now, that is different; and is it not even broader, agreeing that they would not only not sell to the United States Government, but they would not sell to the people of the United States?

Mr. OLIVER. Mr. President, I agree with everything the Senator says, and I am going to allude to it. There is in the agreement a clause by which the Swiss company agrees not to sell to the United States of America, and that means the whole United States, and that includes the United States Government. But I think now, if the Senator will listen to me, he will be convinced—and I think even the Senator from Iowa will be convinced—that under these regulations of the Swiss, Austrian, and German Governments there was an element, as far as it related to the Swiss company, that showed that the sales to the Government of the United States were not considered at all when it came to the Aluminum Co. of America.

I will ask the Senator from Indiana to listen to what I have to say within the next five minutes, and I will be very glad then to have him ask me any question he pleases.

I must say that if this contract had been entered into between any two companies which monopolized or controlled, or sought to monopolize or control, the aluminum business, it would be in the highest degree reprehensible, and under our laws would be criminal; but when you come to consider that the agreement is between only 2 out of 14 companies, or, eliminating the Aluminum Co. of America, 2 out of 13 companies, all engaged in the same lines of business and all competing with each other, it must immediately appear that there was some reason for its existence other than that of controlling sales, prices, or territory. The whole thing is easily explained.

The Northern Aluminum Co., manufacturing aluminum in Canada, was entering the foreign field and had established selling agencies in Great Britain and South America. The Swiss company, which was the largest European producer of aluminum, but whose output amounted to only about 20 per cent of the total European product, had its agencies established in Continental Europe. These two companies, therefore, as a measure of business economy, to save selling expenses, agreed between themselves that their selling agencies would mutually represent each other in their respective territories and that the products so sold would be divided according to the percentages stipulated in the agreement. The Swiss company, however, insisted that as it would naturally have the preference in selling to the Swiss, German, and Austro-Hungarian Governments, there should be no allotment to the Northern Co. so far as sales to those Governments were concerned; that is, that the sales which the Swiss company made to those Governments should not be included in the percentages of the sales named in the contract. Then follows the stipulation that sales in the United States were reserved to the Aluminum Co. of America, which was the parent company of the Northern company making the contract. This refers to all sales in the United States, and sales to the Government were not mentioned, and as I think I can conclusively prove were not considered, in making the agreement. I do not by any means defend this stipulation with regard to sales in the United States, and I believe that if the Aluminum Co.—I am referring to all the sales in the United States—has done anything that is a violation of the Sherman Act it is in this instance; but in making the agreement it was not guilty of the "business treason" with which the Senator charged it, for there were 11 other companies then and now in existence who were not only potential but actual competitors for the Government business, and for all business in the United States of America then and since, as I shall now show.

Mr. SHIVELY. Mr. President, right there, do I understand that the Senator contends that at the time this agreement was made and for some time subsequent thereto there were 11 other companies in competition with the Northern Aluminum Co.?

Mr. OLIVER. There were 11 other companies in competition, through their agencies in the United States, with the Aluminum Co. of America. They not only competed, but they did business in the United States; they competed for Government business. They not only competed for it, but they got it. They not only got it, but they got all of it during the whole three years that this agreement was in force. The Aluminum Co. of America during the whole three years never sold a pound to the United States Government, but what the Government bought was imported aluminum. I have the record here for that.

Mr. SHIVELY. If the Senator please, all of these companies, however, at that time were in these written agreements with the Northern Aluminum Co.

Mr. OLIVER. Not at all. This agreement of the Northern Aluminum Co. was only with the Swiss company.

Mr. SHIVELY. Let me call the Senator's attention to what Mr. Davis said. I think the Senator must have overlooked that. His testimony is found on page 1502 of the hearings.

Mr. OLIVER. I know, and I have explained that. That is an agreement of the Northern Aluminum Co. with the other companies, and I think the Senator will find that it is dated long after this agreement; it is an entirely distinct and different thing; it is an agreement between the Northern Aluminum Co., the Canadian Company—it is a syndicate agreement, a cartel—and the various European companies, and includes all of them, by which they divided up, in accordance with the European custom, all of the aluminum business of the world outside of the United States of America; but the business in the United States of America is open to competition with every one of them, and not only open to competition, but last year they sold 70 per cent as much in this country as did the Aluminum Co. of America.

Mr. SHIVELY. The Aluminum Co. is itself a frequent importer.

Mr. OLIVER. The Aluminum Co. is an importer of raw ingot aluminum, of which it takes, I suppose, the surplus product of its Canadian plants, and pays the duty on it. If it has occasion to export any manufactured material, it receives a drawback, but so far as American business is concerned, there are 14 companies in the world competing for it to-day. There is only one manufacturer of this article up to date in the United States of America, but there soon will be two. So far, however, as sales and business are concerned, the business is as free and open as the air we breathe. I have anticipated a little what I intended to say, but I will now go on. I should like the Senator from Indiana to listen, and also for the Senator from Iowa to listen.

This Swiss agreement took effect on October 1, 1908. It was terminated by notice—I want the Senator from Iowa to hear what I have to say.

Mr. KENYON. I am listening.

Mr. OLIVER. I beg pardon; I did not see the Senator.

Mr. KENYON. I would not miss a word for anything.

Mr. OLIVER. It was the Senator from Indiana [Mr. SHIVELY] to whom I was more particularly referring. I want the Senator from Indiana to listen to this, because I think he is a fair man, and I think I can convince him. I repeat that this Swiss agreement took effect on October 1, 1908. It was terminated by notice in August, 1911, which, by the way, was considerably more than a year before the Government suit was brought.

The Senator from Iowa, in order to show how necessary aluminum is to the Navy, submitted a list of purchases of the Navy Department during the years 1910, 1911, and 1912. I am now able to add the year 1909 to his list, and to give a list of all the purchases by that department during the three years or less in which this Swiss agreement was in force.

I will not go over all the figures, but I ask that the table be published in the RECORD.

The PRESIDING OFFICER. There being no objection, that order will be made.

The table referred to is as follows:

Schedule.	Date.	Quantity.	Unit price.	Contractor.
963.....	Mar. 9, 1909	200 pounds....	\$0.55	Baer Bros.
1361.....	June 29, 1909	2,000 pounds..	.21	The Nassau Smelting & Refining Works.
1380.....	July 6, 1909	1,000 pounds..	.185	Do.
1405.....	July 13, 1909	1,000 pounds..	.217	Do.
1493.....	Aug. 10, 1909	4,000 pounds..	.224	Illinois Smelting & Refining Works.
1635.....	Sept. 14, 1909	3,000 pounds..	.2249	Columbia Smelting & Refining Works.
1663.....	Sept. 21, 1909	1,000 pounds..	.2125	Nassau Smelting & Refining Works.
1736.....	Oct. 12, 1909	64 sheets.....	10.00	J. H. Jolly.
1741.....	.....do.....	1,000 pounds..	.22125	The Nassau Smelting & Refining Works.
2036.....	Jan. 4, 1910	800 pounds....	.215	Great Western Smelting & Refining Co.
2133.....	Jan. 25, 1910	1,500 pounds..	.2175	Nassau Smelting & Refining Works.
2718.....	Aug. 2, 1910	2,000 pounds..	.2299	Berry & Aikens.
2759.....	Aug. 9, 1910	3,000 pounds..	.219	Nassau Smelting & Refining Works.
3021.....	Nov. 8, 1910	3,000 pounds..	.2175	General Metals Selling Co.
3583.....	May 31, 1911	5,000 pounds..	.2015	Pope Metals Co.

Mr. OLIVER. This table shows that beginning with March 9, 1909, and ending May 31, 1911—and this includes everything that was purchased by the Navy Department from the 1st of October, 1908, until the date in August, 1911, when the Swiss agreement was terminated by notice—there were 15 purchases of aluminum made by the Navy Department. The total amount of all these was 28,500 pounds. The total value was less than \$7,000.

Mr. SHIVELY. Can the Senator state the average price per pound the Government paid?

Mr. OLIVER. I will state that the unit price is given opposite every one, and it runs from 18½ cents a pound up to about 23 cents a pound—there is one small shipment of 200 pounds made at 55 cents a pound, probably some highly finished article made of aluminum.

Mr. SHIVELY. If I may interrupt, does the Senator know whether that 18½ cents a pound was the price of the ingot aluminum?

Mr. OLIVER. It must have been, because plates and the more highly finished articles would undoubtedly sell higher than that.

Is it likely that two companies of the magnitude of these two companies, whose gross contracts would amount probably to \$20,000,000 a year, would go to the trouble of crossing the ocean to enter into an agreement to cheat the United States Government, whose purchases in three years only amounted to \$7,000? As a simple proposition what is the likelihood of this occurring? But I will go further than that. I will read the names of those who furnished this material. The firm of Baer Bros., filled one out of the 15 contracts.

Mr. GALLINGER. Where are they located?

Mr. OLIVER. They are New York importers. The Nassau Smelting & Refining Works filled seven of them; the Illinois Smelting & Refining Works filled one; the Columbia Smelting & Refining Works filled one; J. H. Jolly filled one; the Great Western Smelting & Refining Co., one; Berry & Aikens, one; the General Metals Selling Co., one; and the Pope Metals Co., one.

There is not one of these concerns in which the Aluminum Co. has any interest whatever; there is not one of them that is a customer of the Aluminum Co., except occasionally, when they can not get aluminum elsewhere. They are all importers. I have information—I want the Senator from Iowa to hear this—that the Nassau Smelting & Refining Works, which filled seven of these orders, obtained the material supplied to the United States Government directly from a bonded warehouse. I acquit the Senator from Iowa of intentional deceit in this matter, but surely a critical examination ought to show him or any reasonable man that the controlling intention of a contract between only 2 out of 13 competitors could not possibly be the control or monopoly of the business, and his charge of any intention to control Government orders or to shut out competition for such orders must be dismissed as childish when we consider that during the whole life of the agreement the supposed beneficiary neither directly nor indirectly sold one pound to the Government of the United States—to the Navy Department, at all events. I have not been able to obtain the records from the War Department, but the sales to that department are negligible; they use very little. This effectually disposes of the charge of "business treason."

Now let us see, Mr. President, who will be the principal beneficiaries from the removal of this duty; or, rather, who are those who ask for it, for I hold that it will benefit nobody but the foreign manufacturer and the importing middleman. In the first place the use of aluminum is largely confined to those who are able to pay for it. It is from its nature an industrial luxury. Except where it is used as an alloy in the manufacture of steel, it goes chiefly into fine houses, intricate and high-priced machinery, and fine automobiles. As a general proposition I would say that a reduction of 1 or 2 or 3 cents a pound in the price of the aluminum ingot would bring about no change whatever in the prices charged for a vast majority of articles into which it enters.

Among the answers to interrogatories propounded to manufacturers by the Committee on Finance, I find on page 52 a communication from the Ford Motor Co., of Detroit, Mich. Interrogatory number 2 reads as follows:

What are the raw materials used in the production of the commodity you produce? State exact nature of material used.

The Ford Motor Co. answers as follows:

In such manufacture, among other raw materials, we use large quantities of aluminum, purchasing same in ingots.

Further on they say:

We use approximately 11 pounds of aluminum per automobile.

You will note that this company ignores entirely all such trivial matters as engines, steel, electrical apparatus, tires,

glass, leather, springs, commutators, magnetos, and what not—in fact, all of the almost innumerable items of raw material entering into the manufacture of automobiles—and mentions only the 11 pounds of aluminum used in each car. The same company also filed with the Finance Committee a brief upon the subject of aluminum. It is found upon page 453 of the briefs and statements filed with the Finance Committee. In this brief the Ford Co. states that—

It was obliged since October 1 to import upward of 2,000,000 pounds of aluminum owing to the inability of the Aluminum Co. of America to supply its wants, and that it paid therefor \$0.2685 per pound f. o. b. Detroit.

I will here call attention to the fact that while the Aluminum Co. was unable to supply the wants of all of its customers during the latter part of 1912, it never advanced the price beyond 22 cents per pound during that period, which would be substantially 5 cents per pound less than the Ford Co. says it paid for imported aluminum. This, it seems to me, is a complete answer to the charge made by the Senator from Iowa that the Aluminum Co. held its price at a figure substantially 7 cents per pound, or the full amount of the duty, above the price of imported metal.

Let me say a few words about this Ford Motor Co. One of the chief counts in the indictment of the Senator from Iowa against the Aluminum Co. is that "this monopoly has made enormous profits." I quote his very words. Now, whatever profits were made by the Aluminum Co., the greater part of its accumulations arose during a period when it was absolutely protected by the patent laws of the United States. This can not be said of the manufacturers of automobiles, with whom patents, as a rule, have been mere incidents.

I have made some inquiry about the Ford Motor Co. and have received some little information concerning it. I find that the company was organized on June 17, 1903, just about 10 years ago, with an authorized capital stock of \$150,000, of which, however, only \$100,000 was paid in. I have since been informed that of this \$100,000 there was only \$60,000 paid in in cash, but that the other \$40,000 was issued for patents. I am not quite certain about this, however, and will give them the benefit of the doubt, and say they started out with a cash capital of \$100,000. This was all the cash that was ever paid in on their capital stock. All subsequent additions and all the dividends were from profits. Five years afterwards, on October 22, 1908, the capital stock was increased to \$2,000,000, and in November, 1908, the treasurer of the Ford Co. made the statement that the increase from \$150,000 to \$2,000,000 was all paid in by stock dividend from accumulated surplus—\$1,850,000 accumulation in five years, and that is only the beginning.

Their statements for the last four years show the following net surplus over and above all liabilities:

Aug. 1, 1909	\$3, 208, 000. 00
Sept. 30, 1910	5, 581, 772. 02
Sept. 30, 1911	10, 375, 145. 28
Sept. 30, 1912	16, 745, 095. 57

Mr. LODGE. Is that the annual profit?

Mr. OLIVER. Oh, no; the accumulation.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Utah?

Mr. OLIVER. I do.

Mr. SMOOT. Does the Senator know whether the report is true that the company, while making these profits, also pay Mr. Ford \$100,000 per month as salary?

Mr. OLIVER. I will state that I have heard that, but I do not know whether it is true. I am coming to that.

The earnings deducible from the above figures are as follows:

For the year ending—	
Sept. 30, 1910	\$2, 375, 772. 02
Sept. 30, 1911	4, 793, 373. 26
Sept. 30, 1912	6, 369, 950. 29

In addition to this, during all this period the company was declaring large dividends. I have no direct information about the amount of these dividends, except as to the last one, to which I will allude, but they undoubtedly amounted to many millions of dollars, so that the earnings I have above stated are in addition to whatever amount the company has seen fit to divide among its stockholders in the meantime. It will be seen from this that the earnings for the year ending September 30, 1912, were over 6,000 per cent on the capital invested nine years preceding, while the undivided surplus amounted to nearly 17,000 per cent on the original capital, and the total investments in the business amounted to 20,000 per cent of the original capital.

About one month ago the company paid a cash dividend of 500 per cent on its capital of \$2,000,000. The dividend amounted to \$10,000,000 in cash paid out in one lump. Computed on the

actual cash capital of \$100,000, which was originally paid in, this one dividend would amount to 10,000 per cent.

I am told that this company pays Mr. Henry Ford, its president, a salary of \$100,000 a month—not \$100,000 a year, \$100,000 a month; but I learn this only from hearsay, and will not vouch for the truth of the statement.

According to my information, the Ford Co. last year produced 75,000 automobiles. I understand that this year they expect to turn out something like 250,000; and this is borne out by their statement to the Finance Committee, in which they say that they use annually about 2,500,000 pounds of aluminum, which, allowing 11 pounds for each car, would furnish 227,272 cars. If 75,000 cars enable them to scatter dividends of \$10,000,000 every once in a while, what will 227,000 cars do for them? Figure it out by the rule of three. It actually makes one dizzy to deal with such figures. Alongside of them the accumulations of the Aluminum Co. look like the traditional "30 cents."

Now, I am not begrudging these earnings to the Ford Co. I understand that Mr. Ford, the head of the company, was practically the first man to conceive the idea that the automobile was destined to become an article of general use and not simply a pleasure vehicle for the rich; that he is a great engineer; and that he bent his mind toward the devising of a car which could be built at as low a cost as possible, consistent with good workmanship. As I understand, he has come nearer to solving this problem than any man living, and he has met with the success he so richly deserves. He is getting only what is coming to him. But I do say that he and his company are by no means objects of sympathy, and that it little becomes them, and others like them, to complain of this duty, the removal of which would only tend to swell their already overgrown budget of enormous profits.

Mr. LODGE. During the period when this victim of the Aluminum Co. of America was making these enormous profits it itself was receiving a protection, I believe, of 45 per cent.

Mr. OLIVER. Forty-five per cent; yes. That does not count, though, in these days.

Mr. BRISTOW. Mr. President—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Kansas?

Mr. OLIVER. Certainly.

Mr. BRISTOW. Did not a representative of the company say, however, that it did not need any protective tariff at all for its business; that it could sell abroad in competition with any other manufacturers?

Mr. OLIVER. I have heard that statement, but I do not think it appears in either of the briefs which were filed.

Mr. BRISTOW. It may not appear in the briefs, but that statement has been printed time and again.

Mr. OLIVER. I should not think it needed any.

Mr. LODGE. They have not suggested the removal of any duties except other people's duties.

Mr. BRISTOW. Oh, no; I think the Senator is mistaken about that.

Mr. LODGE. Not in anything that appears here.

Mr. BRISTOW. The Ford Co. has maintained that it does not need any protective duty. As a matter of fact, there are more Ford automobiles in Europe than any European build to-day.

Mr. OLIVER. It needs the removal of duties only on what it buys, I suppose.

The Ford Co. in its communication to the Finance Committee states that it uses approximately 11 pounds of aluminum on each automobile. Taking this at an average rate of 18 cents per pound it would mean that they spend for aluminum a little less than \$2 on each automobile. Assuming for the moment that they are compelled by reason of the tariff to pay an additional price equal to the whole duty—7 cents per pound—the cost to this company under the present law would be 77 cents for each automobile, and under the proposed duty of 2 cents per pound it would amount to only 22 cents per automobile, and still they come in here and complain. I really think, Mr. President, that, so far as this one company is concerned, in justice to this downtrodden industry, grunting and sweating as it does under the burden of this aluminum monopoly, perhaps this duty ought to be removed. Let them have their 22 cents—they need the money.

I have already said enough, perhaps too much, about the Aluminum Co. of America. I will now, in as few words as possible, discuss the abstract merits of the paragraph before us and the amendment proposed by the Senator from Iowa.

The duty on aluminum—that is, aluminum ingots—under the present law is 7 cents per pound. It is proposed by the Finance Committee to reduce this to 2 cents per pound, and this proposition has received the sanction of the Senate. The amendment of the Senator from Iowa proposes to abolish the duty alto-

gether, not only upon the aluminum ingot but upon all articles made therefrom. Now, I would like Senators for the time being to dismiss from their minds all thought of the Aluminum Co. of America and to assume that this is a competitive business, as it really is so far as the sale of the product is concerned, and undoubtedly will be in a year from now with regard to its manufacture, for by that time the Southern Aluminum Co. will be about ready to operate its plant.

First let us take the question of revenue:

The Government during the fiscal year ending June 30, 1912, derived a revenue from imports of this product amounting to \$1,122,252.87, and during the fiscal year of 1913 the amount was \$2,190,555.03. At the proposed duty of 2 cents per pound on ingots and 3½ cents per pound on plates—even assuming that the imports would not increase under the reduced duties—the revenue to be surrendered by placing it upon the free list would be \$638,393.24. It would be no less than a crime to surrender this revenue unless there was a crying reason therefor.

Now, let us look at the question from the standpoint of even competitive protection. Aluminum is really a unique product in that it is commonly accepted to be a raw material in the same sense as zinc or copper, but in reality it is a highly finished product and should be classed with an automobile or a piece of furniture so far as its cost and real value are concerned as compared with the cost and value of the raw materials from which it is evolved. The cost of producing aluminum is practically altogether labor. Different from most other highly finished products, aluminum is produced from cheap and common raw materials—bauxite, coal, salt, and petroleum coke. It requires about six tons of bauxite, six tons of coal, one-quarter ton of salt, and one ton of petroleum coke to make one ton of aluminum. These quantities of bauxite, coal, and salt in the ground and the petroleum coke at the refinery are not worth at the outside \$15, and yet they produce a ton of aluminum which is worth (at 18 cents a pound) \$360, and all of this value, with the exception of a comparatively small amount of supplies, is added to these raw materials in the form of labor.

Bauxite, the native ore, is first made into alumina. The labor in producing aluminum naturally divides itself into that required in making alumina, that required in making carbon electrodes, and the direct labor required in the process of smelting aluminum from alumina. The bauxite, the coal, and the salt—the salt being first made into soda ash—are put together in a complicated chemical process to produce alumina.

The Aluminum Co. of America manufactures a part of its own alumina, but it also purchases a very large quantity from outside manufacturers at a cost of 3 cents per pound. It takes 2 pounds of alumina to make 1 pound of aluminum, so that with alumina at 3 cents per pound the cost per pound of aluminum for alumina only is 6 cents.

With the exception of minor supplies, the entire cost of alumina is in labor, either in making the salt into soda ash or getting the coal out of the ground and under the boiler or in the direct labor required in the process. At the East St. Louis plant of the Aluminum Co. of America they employ 1,000 men and pay from \$1.75 to \$2.25 per day, with the skilled artisans at much higher wages. The relative wages paid for such kinds of labor in France are too well known to require comment—in addition to which the greater number of the men employed at the East St. Louis plant work only 8 hours a day, while in France all of this work is done on 12-hour shifts.

It takes about three-fourths of a pound of carbon electrodes to make 1 pound of aluminum. Carbon electrodes are made from petroleum coke by grinding and baking, and are worth on the market about 3 cents per pound—2½ cents would be a very close market price. Petroleum coke at the ovens is worth about one-fourth of 1 cent per pound, and the difference between this price and a finished price of 2½ cents per pound is nearly all direct or indirect labor. At 2½ cents per pound the carbon electrode cost per pound of aluminum would be 1½ cents.

The other principal item besides direct labor in the manufacture of aluminum is electric power. Here the French manufacturer has a decided advantage because of the high falls which are available on the west slope of the Alps and the north slope of the Pyrennees—and the bauxite lies between these two ranges on the Mediterranean shore, as do also coal deposits. The French water powers not infrequently have a drop of 2,000 feet, while the water powers of the United States run from 30 to 150 feet on the average. The cost of a water power is almost altogether labor. The digging of canals and flumes and building of dams, and so forth, all involve a very large amount of labor, which is reflected in the cost of a horsepower.

The French thus have the advantage of not having so much dirt to move or so wide dams to build on account of handling so much less water, as they get the power from a high drop, which

otherwise must be made up in volume of water; and, secondly, they get the advantage of cheap labor in digging their canals, building their dams, and so forth, as compared with our labor. The ordinary hydroelectric development in the United States is considered cheap at \$100 per horsepower. An average cost would be nearer \$120 per horsepower. Foreign aluminum manufacturers would not even consider a power which would cost more than \$70 per horsepower, and the cost of \$50 per horsepower is not at all uncommon.

One horsepower will produce about 450 pounds of aluminum a year. A fair price for electric power in this country is \$18 per horsepower per annum, and a close price is \$15. At \$15 per horsepower per annum the cost of electric power per pound of aluminum is $3\frac{1}{4}$ cents.

When it comes to direct labor in the smelting process, the French manufacturer has a very decided advantage because in this process dexterity does not cut much figure. No amount of dexterity or skill can increase the quantity of metal electrolytically deposited. It is hot, hard work, and the American plants run three shifts and pay an average of \$2 per caput, or \$6 per day, while the French pay 80 cents per caput for two shifts, or \$1.60 per day. I have no hesitancy in saying that on direct labor in the smelting process alone the French have an easy advantage of at least 1 cent per pound.

The French also have a natural advantage of contiguity of bauxite and water power, so that the transportation item is practically altogether eliminated in their costs. To make 1 ton of aluminum the Aluminum Co. of America is compelled to transport 6 tons of bauxite from Arkansas to East St. Louis, a distance of over 500 miles, at the rate of \$2 per ton, and then to transport 2 tons of alumina from East St. Louis either to Niagara Falls or Massena—an average distance of about 1,000 miles. The rate to Niagara Falls is $12\frac{1}{2}$ cents, and the rate to Massena is $17\frac{1}{2}$ cents per hundred, so that the average is 15 cents per hundred, or \$3 per ton, making a total freight charge of \$18 per ton of aluminum, or nine-tenths of a cent per pound, to get the bauxite to the water power. It will thus be seen that out of a protection of 2 cents per pound one-half of it is exhausted at once in overcoming this natural French advantage in the matter of transportation alone, and the entire duty of 2 cents per pound is absorbed in the two items of transportation and labor in smelting before the aluminum reaches the refinery.

I have compared the United States with France, because the principal exports of aluminum to the United States come from France. About one-half of the aluminum made in Europe is made in that country, and the home consumption of France is only about one-third of the capacity of its aluminum plants. But other countries besides France are practically as well located. Large and cheap water powers are available on the coast of Norway, and good water powers are to be had in Italy and Switzerland; and inasmuch as the French bauxite is on the seacoast, transportation of bauxite to Norway and Italy is a trivial proposition.

In addition to this, French bauxite is obtained from an enormous mountain of that material carrying a percentage from 63 to 65 per cent of bauxite, while the American deposits are contained in pockets, rendering the mining very much more expensive, and when obtained the percentage of bauxite runs only about 53 or 54 per cent. This difference in the quality of the ore, or rather in the quantity of bauxite per ton of ore, assumes great significance when you consider that it requires just as much heat and just as much labor to smelt a ton of the inferior material as is necessary in the reduction of the richer ores of France.

Taking into consideration all the advantages enjoyed by the French manufacturer—smaller investment, superiority of bauxite, saving in transportation charges, cheaper and better water power, and cheaper labor—I am convinced that he can produce aluminum ingots at a cost at least 4 cents a pound less than the most favored American plant. To lay any lower duty on the article will be an injustice not only to the American manufacturer but to the 7,000 workmen who depend on this industry for their bread, and it will be an absolute embargo against any future competition on this side of the ocean. To place it on the free list would be a crime against the revenues of the United States.

Mr. KENYON. Mr. President, I do not wish to take much of the time of the Senate, but I do wish to reply to one or two of the things said by the distinguished Senator from Pennsylvania [Mr. OLIVER], who certainly has illuminated this subject very much.

The Senator complains that I presented the case against the Aluminum Co. of America as a prosecutor, or with the zeal of a prosecutor. Possibly that is one of my faults, Mr. President—that I am overzealous in a cause in which I believe.

But if I presented it with the zeal of a prosecutor, he certainly has presented the other side of it with the zeal of a counsel for the defense.

I did not intend to say any unfair things about the Aluminum Co. of America. I had to go to the record for my facts. There may be some mistakes in some of those purported facts. I had nowhere else to go. I did not enjoy a confidential relationship with the officers of the Aluminum Co. of America. I was not on any boards of directors with them. I could get my information nowhere else. Even after all his speech, and the array of figures he has so splendidly arranged, I still reiterate what I said before, that the facts and quotations in my speech are substantially correct.

Mr. President, it is unfortunate for the Aluminum Co. of America that they could not be represented in court by the distinguished Senator from Pennsylvania as they have been represented here and before a committee of the Senate and a committee of the House; because although they agreed there, and it was found in the decree that they were a substantial monopoly, the distinguished Senator from Pennsylvania has showed that that is not true, evidencing a far better knowledge of the affairs of the Aluminum Co. of America than the aluminum company itself and its attorneys.

Mr. OLIVER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Pennsylvania?

Mr. KENYON. I do.

Mr. OLIVER. I rather think the Senator will concede that I have proved that they are not a monopoly, as far as the sale of this product is concerned.

Mr. KENYON. No; I will not concede it at all. But I do say that if the Senator had appeared in court, representing these people, as he appears here and makes this argument, he might have secured a different kind of decree. It is amazing to me that high-priced lawyers, able in their particular line, should ever consent to this decree if they had all the knowledge the Senator from Pennsylvania seems to have about it.

He says this is a weak bill in equity; that the Government did not have the facts; that the Government had no case; that the contracts terminated before the suit was brought. Mr. President, it is amazing that if the Government had no case, and if the allegations of their petition were not true, the counsel for this company conceded, according to the recital of the court in the decree, that they were a monopoly. I could not go any further than that. I thought that was sufficient. Yet the distinguished Senator criticizes me for saying that the Aluminum Co. of America had this monopoly.

Mr. OLIVER. Mr. President, if the Senator will allow me, I do not think that anywhere in my speech I criticized the Senator for saying that. I can not recollect it; and if I did, I withdraw it, because I acknowledge myself that it is a monopoly.

Mr. KENYON. The Senator criticized me for so many things that possibly I was wrong about that. Inasmuch as the Senator acknowledges that the Aluminum Co. of America is a monopoly, there is no use in referring to the decree.

Mr. President, I introduced this amendment in the best of faith, because I believed in the principle it represents. I did not know anything in particular about the affairs of the Aluminum Co. of America. It was not to strike at them at all, but it was as an illustration of the principle for which I have contended—that where goods are the subject of a monopoly or trust control the tariff ought to be taken off.

The Democratic Party has favored that doctrine. The distinguished Senator from Indiana [Mr. KERN], who honors his State and the Senate by his presence, was a candidate for Vice President upon a platform declaring for exactly that proposition. Fifteen or sixteen years ago in my State that was placed in our Republican platform.

That is what I had in mind. I did not mean to strike at the friends or the pets of the Senator from Pennsylvania at all. It was simply a fair illustration of the proposition—

Mr. OLIVER. Mr. President, I think I ought to protest against such language.

Mr. KENYON. I will withdraw anything that the Senator protests against.

Mr. OLIVER. I think it would be well for the Senator to do so.

Mr. KENYON. I sat here and listened to the Senator's criticisms and arraignments of me for putting in letters and deceiving the Senate, and I did not raise any particular objection; but I withdraw the statement if he desires.

Mr. OLIVER. I accused the Senator of nothing that he did not do; and I do not think it is in order for a Senator to come in here, when another Senator stands on the floor defending his constituents, to talk about their being his "pets," and using language of that sort.

Mr. KENYON. I think probably that language should not be used, and I will withdraw it. But the Senator went before a committee of Congress and presented the cause of these people when they were seeking to get power sites on the St. Lawrence River.

Mr. OLIVER. Mr. President, I went before the Commerce Committee of the United States Senate, of which I was a member, to introduce the representatives of this company. I have no recollection of ever having gone before a committee of the House, although just now I will not say that I did not do so; but I rather think I never went before any committee except the Committee on Commerce. However, I had a perfect right to do both, and I will do it again if occasion arises.

Mr. KENYON. I do not doubt the Senator will.

Mr. President, there was not any particular reason that I could see for the Senator from Pennsylvania to become so excited over this proposition. Something was said here the other day by the distinguished Senator from Kansas [Mr. Bristow] that had better be borne in mind by the Senate. He said that out upon the stump we talk about doing something against the trusts and combinations, and then when we come here we seem to forget it. We do talk in that way as candidates for Congress and for the Senate; and then when we get here, somehow or other it seems impossible to get anything done with relation to the trusts.

I know that possibly I am subject to criticism for being overzealous on this question; but we raise constitutional objections, we think of something else that is better to be done, and so on. The distinguished Senator from Nebraska [Mr. Hitchcock] a few days ago had a proposition that commanded large support on this side, but received no support on the other side except his own vote. I have reached a point in my mental calculations—and I may be all wrong—where it is a conviction with me that the trust problem is more important than anything else; and if it can be hit in any reasonable way I am willing to try it and to follow it out.

Mr. GALLINGER. Mr. President—

The PRESIDING OFFICER (Mr. PITTMAN in the chair). Does the Senator from Iowa yield to the Senator from New Hampshire?

Mr. KENYON. With pleasure.

Mr. GALLINGER. There is one phase of the trust problem that has troubled me all along. I have no sympathy with trusts and combinations; but is it not rather remarkable that we should be legislating in an extreme way against an American trust while we are permitting the importation of goods into our country from foreign trusts?

Mr. KENYON. Of course we can not stop a foreign trust. A number of foreign countries view the trust question very differently from the way in which we view it. They encourage trusts and believe in trusts.

Mr. GALLINGER. To make it more specific, suppose there is an aluminum trust in England—I do not know whether there is one or not. We legislate against a similar combination in this country, but the product of the British trust is poured into our market without any import duty being placed upon it. Is that quite fair?

Mr. KENYON. If that argument is good, I suppose we can not do anything with trusts in this country.

Mr. GALLINGER. I am not so sure about that.

Mr. BRANDEGEE. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Connecticut?

Mr. KENYON. I do; but I do not want to start this whole trust question. We have argued it here for a number of days. I simply want to close with one observation. I yield to the Senator from Connecticut, however.

Mr. BRANDEGEE. I do not want to start the trust question either, but the Senator is discussing it, and this occurred to me: The Senator is proposing a remedy, as I understand, to be applied where a product in this country is controlled by a trust. If it is controlled by a trust, and if that trust is competing with a foreign trust, what good does it do to take off the duty on the product?

Mr. KENYON. That question was asked here the other day. It is a very pertinent question.

Mr. BRANDEGEE. I did not hear the answer. What benefit is it to the consumer, or how does it operate to help anybody, to take the duty off a product in which the foreign trust is competing with the domestic trust?

Mr. KENYON. Here is a situation, in this very instance, where fabricators of aluminum wares are compelled to go to the Aluminum Co. of America to get their aluminum. That company controls it. If the fabricators can not get it from the Aluminum Co. of America—and they have subsidiary companies, and may not be willing to sell to them—they have to go

abroad and buy it. Then they have to pay the manufacturer's price abroad and whatever additional the tariff may be. In that particular instance it would be a help. In many instances it would be no help at all.

Mr. BRANDEGEE. Shall we leave our people absolutely in the hands of the foreign trust and then let them raise the price to wherever they please?

Mr. KENYON. Oh, we do not do that.

Mr. BRANDEGEE. I am not saying that we do. I say that where a product—

Mr. KENYON. The Senator is putting a good many "ifs" in it.

Mr. BRANDEGEE. I am putting only one "if" in it. I am saying that if a product is controlled by a trust in this country which is competing with a trust which controls the product in a foreign country, what remedy would it be to us to put the article upon the free list so that we can freely import it from the foreign trust?

Mr. KENYON. I have said before, in answer to that question—which, of course, the Senator assumes is a very conclusive question—that there is a moral side to this question. I have said that where men have built up monopolies behind tariff duties in this country—and I do not suppose the Senator will agree with me that tariff duties are conducive in any way to monopoly—they ought not to be permitted to enjoy that protection, whatever it may be, where they have entered into these illegal organizations.

Mr. BRANDEGEE. Whatever the moral question may be, if the foreign trusts are encouraged by their Governments and our trusts are discouraged by this Government and put out of business and the business turned over to the foreign trusts, it seems to me the moral question will rapidly become a practical question in this country as to whether we are going to produce anything in this country, or go humbly to the foreigner and pay whatever price his foreign trust, backed by the Government, wants to exact.

Mr. NORRIS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Nebraska?

Mr. KENYON. Yes.

Mr. NORRIS. On that question I think the Senator from Connecticut assumes what may or may not be true; that is, that if we put the product on the free list the American trust will necessarily have to go out of business. If that were true, we would perhaps be subject to the foreign trust. If that were not true, they might still remain in business. The usual reason why a trust controlling an article in Europe and a trust controlling the same article here can both make so much money is because of an agreement between them to divide up the world's territory.

Mr. BRANDEGEE. What I am assuming is nothing except that the foreign trust, the foreign company, the foreign producer is able to produce its product cheaper than the domestic producer, because if it is not it will not get into this market.

Mr. KENYON. Why does the home trust want any protective tariff on the product, then?

Mr. BRANDEGEE. I am not saying whether that is so or not. I am simply saying that if a corporation in this country is competing with a corporation in another country, and each one practically controls the product in its respective country, I wonder how effective a remedy it will be to put the one in this country out of business, if it can be put out of business by its foreign competitor, which can produce cheaper.

The Senator says there are several "ifs" there, which both he and I have introduced into this discussion. I agree with him that there are two "ifs" now. I introduced one and he introduced another. But I have simply assumed—and I have not heard it denied by anybody—that the cost of production is lower abroad in the case of most of these competitive products. If it is not, I do not see how the public is to be benefited in the line of a cheaper cost of living by putting these products on the free list.

Mr. KENYON. I am not going into any discussion on that point. I went into it the other day, and I have taken enough time on it. I only want to say that in the Democratic platform in 1912 our Democratic friends said:

Articles entering into competition with trust-controlled products and articles of American manufacture which are sold abroad more cheaply than at home should be put upon the free list.

We denounce the action of President Taft in vetoing the bills to reduce the tariff in the cotton, woolen, metal, and chemical schedules and the farmers' free-list bill, all of which were designed to give immediate relief to the masses from the exactions of the trusts.

The Senator from Pennsylvania has conceded that this is a monopoly; the courts have held that it is a monopoly; and consequently under the Democratic platform it ought to be put on the free list.

Mr. OLIVER. I conceded it was a monopoly, Mr. President, in the sense that when one manufacturer makes everything of a certain article that is made in the country he must necessarily have a monopoly of its manufacture. But I never conceded that it was anything in the nature of what is termed a trust. Its monopoly arose not as intimidated by the Senator under the protection of the tariff. It arose under the protection of the patent laws of the United States. That is what gave it its start and what gave it a large part of its accumulated profits. Since 1909 it has had a monopoly in the manufacture solely because nobody ever started to manufacture in competition with it, but one great reason why nobody ever started to manufacture in competition with it is because it was already having a strong competition with foreign manufacturers.

Mr. KENYON. As it has developed in the article the Senator put in the Record that this aluminum producer has now become very powerful and very strong in two of the Southern States, that may account for the fact that the protective tariff is retained on it at this time.

Mr. WALSH. Mr. President, as the consideration of this matter has led us back to the amendment offered by the distinguished Senator from Iowa a short time ago, I desire to submit some observations in relation to that amendment.

I will take occasion to say that I have the deepest sympathy with the end which the esteemed Senator seeks to accomplish through this amendment. To indicate how fully I enter into the spirit of it, I have myself studiously endeavored to frame an amendment intended to effect exactly the same purpose and along the lines attempted by the Senator. I simply desire to give him the benefit of the reflections that occurred to me in connection with the matter and to refer to some of the obstacles, seemingly insurmountable, which I encountered in an attempt to make a general provision covering these cases.

In the first place, Mr. President, the amendment proposes to put upon the free list every commodity adjudged by a court to be controlled by a combination in violation of the Sherman antitrust act. Section 1 of that act provides that—

Every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade or commerce among the several States or with foreign nations is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy shall be deemed guilty of a misdemeanor, and on conviction thereof shall be punished by fine, etc.

As in the act hereto.

Section 2 provides that—

Every person who shall monopolize or attempt to monopolize or combine or conspire with any other person or persons to monopolize any part of the trade or commerce among the several States or with foreign nations shall be deemed guilty of a misdemeanor, etc.

As in the act hereto.

The amendment proposed by the Senator from Iowa provides that—

Whenever it shall be found by a court of competent jurisdiction, either Federal or State, and said finding is unchallenged either by appeal or writ of error, or if challenged and said decision is sustained by the court of last resort, either Federal or State, that any article or commodity upon which a duty is levied under this act is under the control of a monopoly or combination formed or operating in violation of the act of July 2, 1890, or substantially under such control, no further duty shall be levied or collected on such article or commodity, and the same shall therefore be admitted free of duty.

The difficulty about the matter is, Mr. President, that the court makes no such adjudication in any action prosecuted under the provisions of the Sherman Antitrust Act. Whether a monopoly actually exists or not, whether it controls in whole or in part the output of a certain commodity or not is a mere matter of evidence to establish whether the illegal combination condemned by section 1 exists or the monopolization referred to in section 2 has taken place.

To illustrate the point more clearly, I refer to the fact that before I came to the Senate I was engaged in the prosecution of a combination for the violation of this act, and I sought to have it adjudged to be a combination in contravention of the law, though I hoped to establish that it controlled no more than 25 per cent of the commodity in which it dealt. Under the decisions I felt perfectly confident that if the other conditions existed a decree would be awarded.

The fact is, Mr. President, that in no one of the cases in which it has been adjudged that a combination does exist contrary to the provision of the act, at least in none of those which have gone to the Supreme Court, has there been a complete control in the hands of the offending corporation. In the work entitled "Concentration and Control," by President Van Hise, of the University of Wisconsin, published a year or so ago, he speaks of the various combinations and generally of the proportion of the product in which they deal controlled by them.

He starts with the Standard Oil and states, at page 104, that—

The Standard Oil Co., with its various affiliated concerns, handled 84.2 per cent of the crude oil which goes to the refineries in the United States. One refinery, that at Bayonne, N. J., consumed more crude oil than all of the independent plants of the country.

So, even in the case of the Standard Oil Co., it will be observed that other companies, not known at least to be associated with it in any way, handled 15.8 per cent of the entire product. That is a case where the product is practically under the control of this company, and it undoubtedly regulates the price. I speak of it, however, to show that even that company would not be found to be in entire control of the commodity.

Now, take the case of the steel company, which is to-day being prosecuted by the Government as being in existence in violation of this act. At page 119 this author tells us that independent companies control the following percentages:

	Per cent.
Pig iron, spiegel, and ferro	56.6
Steel ingots and castings	45.7
Rails	41.1
Structural shapes	53
Plates and sheets of all kinds	50.3
Black plate produced in tin mills	47.1
Coated tin-mill products	38.9
Black and coated sheets produced in sheet mills	61.1
Wire rods	32.7
Wire nails	44.5
Wrought pipe and tubes	61.8
Seamless tubes	44.7

Yet under this amendment should the Government obtain a decree it will be absolutely necessary to subject every independent competitor of the United States Steel Trust to the competition which would result by putting all the products of that great combination upon the free list.

Take the American Tobacco Co. At page 140 the author tells us:

This group of companies in 1909 controlled 92.7 per cent of the cigarette business of the country, 62 per cent of the plug tobacco, 59.2 per cent of the smoking tobacco, and in 1901, the first year it entered the snuff business, 80.2 per cent of the snuff. Later the American Tobacco Co. entered the cigar business, and by 1903 it had acquired about one-sixth of the cigar output of the United States.

So that while the American Tobacco Co., as recited in the decree of the Supreme Court of the United States, controls very largely this product, still there are independent competing companies. The principle of the amendment, I dare say, should hardly be applied with respect to tobacco. I venture to say that the distinguished Senator from Iowa himself would not seriously ask that all the importations of tobacco be put upon the free list in view of the adjudication of the Supreme Court of the United States in the Tobacco Trust case. I would like much to hear from him as to whether he believes that we ought to admit free of duty all tobacco from Cuba, from the Philippines, and from all foreign countries.

It was suggested in that connection, in the course of the discussion on this subject the other day, that a consumption tax might be placed upon tobacco. But, of course, a consumption tax operates upon the domestic product as well as on the imported product, and is levied upon all. The consumption tax is paid by the importer and by the independent producer as well.

Mr. SIMMONS. Does the Senator mean a consumption tax or a tax on production?

Mr. WALSH. A production tax would operate only on domestic products, and would leave the foreign importation to come in without any tax at all.

Mr. SIMMONS. I merely wanted to know that I understood the Senator correctly.

Mr. WALSH. I understood the Senator from Kansas [Mr. Bristow] to suggest the other day that the difficulty might be met by a consumption tax, tobacco going to the free list under the amendment. Of course, if a consumption tax were put upon the article, the domestic product would be upon the same footing with the imported product, unless you put a heavier tax upon imports than upon the domestic products, and then you would, in effect, have an import duty.

So, without detaining the Senate longer, I could go through the list—

Mr. KENYON rose.

Mr. WALSH. If the Senator will pardon me just a moment—I could go through the list and show you that in all these cases in which a combination has been adjudged to be a violation of the Sherman Antitrust Act a great wrong, as it seems to me, would, by the operation of the amendment, should it be adopted, be done to the independent competitors of the great trusts.

I had something further to say about this, but I would be very glad to answer the Senator.

Mr. KENYON. The Senator asked me a question about tobacco. I am not clear but that the Senator is right about that.

I wish to ask the Senator, Does he repudiate the Democratic platform in that respect?

Mr. WALSH. I was going to reach that in just a moment. I shall be very glad to give the Senator my views about the platform.

I was going on to say that one of these prosecutions was carried on against what was popularly known as the Whisky Trust. That there is a combination of the great distilleries in this country I apprehend no one will deny, and my own individual opinion about it is that it exists in violation of the act of 1890. Let us assume that the Government prosecutes successfully a suit against what is generally known as the Whisky Trust and it is adjudicated that it exists in violation of the act. Automatically, then, all the products of that great combination go upon the free list and whiskies are introduced in this country without any tax whatever. I apprehend very likely the Senator would not like to see that result ensue.

Now, I want to answer directly the question addressed to me by the distinguished Senator from Iowa. I was to no small extent responsible for the incorporation of the plank in the Democratic platform to which he alludes, and therefore I felt it my duty to endeavor honestly and earnestly, as I think the Senator from Iowa has done, to give it expression in the legislation that is now under consideration before this body. I attempted to frame an amendment that would commend itself to my own conscience and my own judgment and along the very lines that the Senator from Iowa is traveling, and I have reached the conclusion, Mr. President, that it is impossible to arrive at a correct solution of this matter by any general declaration in relation to the subject, or any general provision, and that that plank in the platform is to be carried out and can be carried out only by having in mind its principles in framing the free list.

For instance, it was adjudicated in the case of the United States *v.* The Standard Oil Co. (121 U. S., 1) that the Standard Oil Co., largely in control of the production of petroleum in this country, is a combination in violation of the act, and we have put petroleum on the free list.

It was adjudicated in the case of the United States *v.* Swift & Co. (196 U. S., 375)—

Mr. SIMMONS. In connection with what the Senator has said about the Standard Oil Co. I will say that the Standard Oil Co. is also producing asphalt, and we have put asphalt on the free list.

Mr. WALSH. It was adjudicated in United States *v.* Swift & Co. (196 U. S., 375) that the Beef Trust was a combination in violation of this act, and all meats are by this very bill put upon the free list.

It was adjudicated in United States *v.* The Addystone Pipe Co. (175 U. S., 211) that that organization, engaged in the manufacture of cast-iron pipe, was a combination in restraint of trade, and we have put its principal product upon the free list.

In the case of Nelson *v.* The United States (201 U. S., 92) was presented for consideration the operations of the Paper Trust and whether it was a combination in violation of this act, and we have put print paper upon the free list.

So likewise lumber is upon the free list, a combination engaged in the production and sale of lumber being charged with being a combination in violation of the act.

A prosecution is now being carried on by the Government, as my understanding is, against the American Sugar Refining Co., alleging that it is a trust and that it controls in large part the sugar that is sold to the American people. Let me assume that that prosecution is successfully carried on and it is so adjudged by the court. The amendment offered by the Senator from Iowa, I recall, had the earnest support of the esteemed Senator from Kansas [Mr. BRISTOW], who I see sitting near him at the present time. I apprehend if that prosecution is carried on successfully and sugar automatically, under this amendment, goes upon the free list, it would not meet the entire approval of the esteemed Senator from Kansas, who has been earnest and persistent in his efforts to get the duty upon sugar reduced, but still to keep it at a figure which he thinks it ought to bear, about \$1 a hundredweight.

Mr. BRISTOW. Mr. President—

The VICE PRESIDENT. Does the Senator from Montana yield to the Senator from Kansas?

Mr. WALSH. I yield.

Mr. BRISTOW. I wish to say that to put sugar upon the free list is in the interest of the trust concerning which the Senator is now speaking, and I am not going to cast any vote in the interest of that organization, if I know it.

Mr. WALSH. Exactly; and that is the situation which I desire to present to the distinguished Senator from Kansas. He assumes, and I agree with him to a very great extent, that to put sugar on the free list would be to the interest of the

American Sugar Refining Co. as to its refining business. In fact, I apprehend that proposition can not be disputed by anybody; and yet if the amendment offered by the Senator from Iowa means anything, it means that just as soon as a favorable decree is arrived at in that suit automatically that commodity must go to the free list.

So, Mr. President, I submit that the only possible way in which you can carry out the spirit of the amendment offered by the esteemed Senator from Iowa—the plank in the Democratic platform and the plank to which he alludes in the Republican platform of his State adopted many years ago—is to pick out these various commodities that are controlled entirely or largely by the trust, to single them out and throw them into the free list, wherever greater evils will not be the result. I am satisfied that you can not reach the end in the other way.

I have not yet listened to any debate upon this floor in which it has been asserted that any particular commodity found upon the dutiable list is entirely or very largely in the control of a trust except aluminum, the free listing of which is urged by the esteemed Senator from Iowa. That presents a peculiar condition, inasmuch as the product—at least such I understand is the contention of the Senator from Iowa—seems to be controlled abroad as well as here by one and the same trust. To put it on the free list would seem to me to be in the interest of a foreign trust. Thus, although possibly the language of the platform is violated in that instance, there is no violation whatever of the spirit of it by getting whatever revenue will be derived from a duty upon that product.

I am desirous of being helpful to the Senator from Iowa in the solution of this question, and if it is possible to frame a general amendment to this bill which will accomplish the result at which he is striving, overcoming these difficulties to which I have thus briefly alluded, I assure him that he shall have my cooperation in any effort he may make to have it adopted as a part of this act.

Mr. McCUMBER. Mr. President, I waited with considerable interest to see whether the Senator from Montana [Mr. WALSH] would suggest a single instance in which taking the tariff off of a trust-made product would not also take it off of some of the same kind of products produced by those who are independent of a trust, and until he gives us one or two instances of that kind I will assume that it is impossible to apply that particular provision of the Democratic platform. But it seems to me, Mr. President, that where he has attempted to apply it in these so-called trust-produced articles he has applied it without discrimination to those who would be least able to bear it. There may be a meat trust that would justify putting meat upon the free list. However, I think the Senator will find that in the neighborhood of 60 per cent of the meat produced is entirely outside of any trust. Therefore, if he is taking off the tariff on meat because of a meat trust he is affecting 60 per cent of the business that is not interested in any degree in it.

I also find no instance in which there has been a trust in the production of cattle in the United States, and yet I find that we have placed cattle upon the free list. I have looked in vain to find an egg trust, or a poultry trust, or a wheat-producing trust, or a potato trust, and yet these articles that are produced by so many of the people in the United States, amounting to 33,000,000, who are interested in their production, are all placed upon the free list irrespective of the matter of trust and when, as a matter of fact, they are almost the cheapest things produced in the United States.

Mr. SIMMONS. Mr. President, the Democratic Party in the United States Senate and in Congress has not been oblivious to the declaration of the Democratic Party in its national platform that trust-controlled products should be put upon the free list; but we have not thought that that meant that we should pass a general statute in the language of the platform declaring that trust-controlled products should go upon the free list. We have interpreted that declaration to mean that when we come to deal with the tariff, which places articles upon the dutiable list or upon the free list, we should carry out the Democratic declaration as far as possible in favor of putting articles that are controlled by a trust on the free list. The committee of this body having charge of that matter, and I think the committee of the House having charge of that matter, have tried, in framing this tariff bill, to carry out that declaration of the Democratic Party.

Of course, as the Senator from Montana [Mr. WALSH] has said, there are circumstances under which it is practically impossible, without doing the greatest injustice, to put a product which is in part under the control of a monopoly upon the free list. In addition to that, of course, we have to consider the revenues of the Government. But wherever in the framing of this bill we have found that an article was controlled by a trust we have put that article upon the free list unless there

were some compelling reasons growing out of the circumstances of its manufacture and the fact that the Government had to have revenue, which intervened and made that impracticable or unwise.

The Democratic Party in its platform laid out a well-defined program of legislation. It declared in favor of a revision and a reform of the tariff, it declared in favor of a revision and a reform of our currency and financial legislation, and it declared against the continuance of combinations in restraint of trade. The Democratic Party has undertaken to carry out these platform pledges.

We have begun with the tariff. This special session was called for the purpose of carrying out our pledges with reference to the tariff. The tariff bill is before the Senate; we have been engaged in its consideration now for over five weeks; it will soon, I am sure, become the law of the land. When it becomes the law of the land, I think that it will be received as a fair interpretation of the pledges and promises of the Democratic Party with respect to that subject, and will meet the conditions which confront us.

Notwithstanding it involves sacrifices on the part of the individual Members of Congress, making it necessary for us to stay here during the whole summer, and probably during the whole fall and into the winter, we are preparing to carry out our pledge with reference to financial legislation. When we have finished that, Mr. President, the Democratic Party will take up the trust question.

We will enter upon that question and the question of the regulation of transportation rates and deal with the questions in a broad, comprehensive way—and we are now dealing with the question of the tariff, and as we will deal with the question of currency, in a broad, comprehensive way.

We do not wish to inject into the tariff bill now pending before the Senate the trust question or the railroad question. They should be dealt with separately. There is no more reason why we should inject the trust question or the railroad question into this tariff bill than that we should inject the financial question into it. All four of them are great questions. They can only be dealt with effectually as separate measures.

When we reject an amendment to this bill dealing with the trust question, it does not mean we are opposed to the principle of the question. When we reject an amendment dealing with the railroad transportation question, it does not mean that we are opposed to that. When we reject an amendment to this bill dealing with the currency question, it does not mean we oppose that provision; but it means we do not propose to deal with these different questions in this particular bill, and that we desire, as far as possible, to confine this bill to matters pertaining to the tariff.

The Democratic Party will carry out the pledges of its platform, but it will do it in an orderly way. It will not attempt in one bill to cover the whole field of promised reform. It will deal with the questions separately and effectually, and when we are finished the country will be satisfied that we have done the best we can to carry out our pledges to the people with respect to all great questions embraced in our platform declaration.

Mr. President, I presume the matter before the Senate is the amendment of the Senator from Iowa [Mr. KENYON] with reference to aluminum.

Mr. KENYON. Yes; that is it.

Mr. SHIVELY. Mr. President, the subject under immediate consideration is paragraph 145. The question is, What rates, if any, shall be placed on aluminum? The present law fixes 7 cents a pound on ingot aluminum and 11 cents a pound on aluminum in sheets, plates, strips, and rods. The junior Senator from Pennsylvania [Mr. OLIVER] manifestly believes these rates should be maintained. The senior Senator from Iowa [Mr. CUMMINS] has offered a series of amendments to the metal schedule, in which he fixes 6 cents a pound on aluminum in ingots and 9 cents a pound on aluminum in sheets, plates, strips, and rods. The bill as it came from the House fixed a flat ad valorem rate of 25 per cent, which, at present prices, is equal to about 4 cents a pound on ingot and between 6 and 7 cents a pound on the further advanced forms of the metal. The Finance Committee has reported an amendment fixing the rates at 2 cents a pound on ingot and 3½ cents a pound on sheets, plates, bars, and rods. The rates prescribed by the senior Senator from Iowa are 200 per cent above and the amendment of the junior Senator from Iowa 100 per cent below the rates submitted by the committee.

Now, Mr. President, in all this contest and confusion as to what the rates should be the issue is far less one of fact than of policy. There is no wide disagreement as to the facts. Aluminum has taken its place beside iron and steel as one of the great metals of civilization. It has become an indispensable

in many industries and a highly desirable material in many others. There is no substance in what has been said about overproduction. The use of aluminum is limited only by limitations on its supply. Nothing can prevent the multiplication of its uses save difficulty and uncertainty as to supply. If American industries can be assured of reliability and steadiness of supply, there is practically no limit on the demand.

What are the conditions of supply? To this time there has been, and now is, just one producer of aluminum in the United States. Projects for production of the metal are being carried forward in North Carolina which, it is alleged, will create competition and increase production. Whether the new project means real competition remains to be seen. But down to 1909 the Aluminum Co. of America had complete control of production in this country by virtue of the Hall patent. About the time that the Hall patent was issued a Frenchman named Heroult discovered and applied the same process of separation of the aluminum from the bauxite, or clay, in which it is found, and production of the metal went forward contemporaneously and by the same process in Europe and the United States. It follows that while, by virtue of its patent, the Aluminum Co. of America had exclusive control of production within this country nothing but the tariff or other artificial influences could put that company in exclusive control of the domestic market.

That under the protective rates in the acts of 1897 and 1909 the Aluminum Co. of America attempted to build up and maintain monopolistic control of the market there can be no well-founded doubt.

Mr. OLIVER. Mr. President, if the Senator from Indiana will allow me, I should like the Senator to give some specifications on that charge.

Mr. SHIVELY. I shall furnish the Senator with specifications, though it is not my purpose to dwell at length on the voluminous and incontestable evidence before us. The Aluminum Co. of America went into court. It filed its answer. Then it permitted a decree to be taken against it.

Mr. SMITH of Arizona. The Senator from Indiana says this company went into court. Does he mean that they voluntarily went into court, or that they were carried there by the Government itself by a suit brought against the company?

Mr. SHIVELY. The Government brought its suit in the western district of Pennsylvania, making the Aluminum Co. of America party defendant. In its complaint the Government set out copies of a series of written agreements and charged a series of acts, all in violation of the antitrust act of 1890. The company filed its answer, denying the allegations of the complaint. Then it went into court, and without awaiting the presentation of evidence on the merits, consented to a decree nullifying the agreements and prohibiting the acts of which the Government complained. These agreements and these acts were all in interruption and restraint of the supply of aluminum to the industries in this country dependent in whole or in part on this metal.

The junior Senator from Pennsylvania inquires for evidence in support of the charge of effort on the part of this company at monopolistic control. Not long prior to the expiration of its patent the Aluminum Co. of America organized the Northern Aluminum Co. under Canadian law and established a plant on the Canadian side of the St. Lawrence River. The Aluminum Co. of America then owned and now owns every dollar's worth of stock of the Northern Aluminum Co. For all the purposes of market control the latter was and is a part of the former. The president of the Aluminum Co. of America then went to London and negotiated the agreements between the Northern Aluminum Co. and the European producers of aluminum. This was to resolve the producers of the whole world into a single organization.

Mr. OLIVER. Mr. President—

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Pennsylvania?

Mr. SHIVELY. I do.

Mr. OLIVER. The Senator knows very well that all of those agreements related to business and sales outside of the United States of America. Those agreements were not only submitted and unfolded to the Committee on Ways and Means, but they were submitted to the Department of Justice of the United States. They not only related solely to business outside of the United States, but business in the United States is expressly excepted; and, if the Senator is not aware of the fact, I can inform him that it is to-day and always has been subject to the freest and most open competition, and the record shows that fact. The Northern Aluminum Co., the Canadian company, entered into those agreements because that is the way in which business is transacted in other countries, and the only way.

Mr. SHIVELY. The Senator went over all that ground in his speech this afternoon. The idea that all these pains should be

taken by the Aluminum Co. of America, a corporation organized under the laws of Pennsylvania, to draw all outside producers of aluminum into an organization without reference to control of or influence on the price of aluminum in the United States is strangely novel. The market in the United States had a protection of 7 cents and 11 cents a pound. Arthur V. Davis, of Pittsburgh, Pa., was then and is now the president of the Aluminum Co. of America. He projected and supervised the organization of the Northern Aluminum Co. of Canada. Having completed that organization, he went to London and negotiated the agreements with the European producers of aluminum. Mr. Davis appeared before the Committee on Ways and Means of the House last January in support of the rates on aluminum in the present law.

On page 1502 of the hearings before that committee occurs the colloquy on this point between Mr. Davis and Representative PALMER, as follows:

Mr. PALMER. What companies are connected with your Canadian company in a contract? Where do they operate?

Mr. DAVIS. There is a company in Italy, a Swiss company, with plants in Switzerland, Germany, and Austria; two companies, I think, in Norway; some five or six companies in France; two companies in England; and another company in Switzerland independent of the one first spoken of. I think that is all.

Mr. PALMER. That comprises about all the aluminum manufacturers on the Continent?

Mr. DAVIS. Yes, sir; all aluminum manufacturers on the Continent.

Mr. PALMER. Then your Canadian company has a contract with all of the aluminum manufacturers?

Mr. DAVIS. Yes, sir.

Mr. PALMER. Which contract regulates the prices?

Mr. DAVIS. Yes, sir.

Mr. PALMER. What is the price in Canada to-day?

Mr. DAVIS. The price in Canada to-day?

Mr. PALMER. Yes. Is it the same as it is here?

Mr. DAVIS. Yes; the same as it is in England or Italy. Just now it is abnormally high. It has averaged about 12 or 14 cents until just within the last two or three months.

Mr. PALMER. Is there real competition abroad between these various companies which you have mentioned?

Mr. DAVIS. There has been.

Mr. PALMER. Is there now?

Mr. DAVIS. Not now; no, sir.

Mr. PALMER. Why not?

Mr. DAVIS. On account of this contract that I speak of.

Mr. PALMER. Well, I mean in the foreign market is there real competition?

Mr. DAVIS. This contract covers the foreign market.

Mr. PALMER. As well as the Canadian market?

Mr. DAVIS. Yes, sir.

Now, mark the fact that these agreements were negotiated by the Northern Aluminum Co., which is a subsidiary and factotum of the Aluminum Co. of America, and that the agreements were made and perfected by the president of the latter company. Are we asked to believe that all this was done without the intention and effect of influencing the price of aluminum to American consumers? The world price of aluminum has advanced since that time. In the agreements was an assignment of territory to the world's producers. In the agreements it is expressly provided that "the sales in the United States of America are understood to be expressly reserved to the Aluminum Co. of America," and then to assure the European parties to the contract of assignment of territory and distribution of product, of full compliance with its terms, the agreement further says that "the Northern Aluminum Co. engages that the Aluminum Co. of America will respect the agreements hereby laid upon the Northern Aluminum Co."

Of course, these agreements looked to a world control. No other inducement could exist for making them. And whatever rise ensued in the world's markets it will be found on a study of foreign and domestic prices that the Aluminum Co. of America through all the years substantially has absorbed the duty on aluminum in a correspondingly advanced price to the consumers of this country. Not only did the agreements result in increase of prices abroad, but that increase is also absorbed in the domestic price plus what protective rates our tariff assures to the domestic producing monopoly at home. The artificial contrivances with foreign producers only aggravated the exactions from domestic consumers.

The question, therefore, presents an industrial side as well as a revenue side. What claim has the protectionist for the maintenance of the present rates? That which is to-day the Aluminum Co. of America started as the Pittsburgh Reduction Co., with a capital of \$20,000. This capitalization was subsequently increased to \$1,000,000, and then to \$1,600,000, and thereafter to \$3,800,000, on which capitalization a stock dividend of \$20,000,000, or over 500 per cent, was declared. This was in December, 1909, and in 1912 its surplus again amounted to over \$12,000,000. All this was in addition to whatever of cash dividends had been distributed through the years of its operation. Allowing nothing for these cash dividends we have capital and surplus of over \$35,000,000 on an original investment which, after including several hundred thousand dollars for the patent,

amounted, on Mr. Davis's statement at the House hearings, to a sum not exceeding \$1,810,000.

Down to 1909 the Aluminum Co. of America had produced about 160,000,000 pounds of the metal. That \$20,000,000 of stock dividend represented a profit of 13½ cents per pound on its total production. Doubtless much of the product of this company is carried forward by its subsidiary companies into sheets, plates, bars, rods, castings, cooking utensils, novelty articles, and other fabrications of aluminum. But it all eventuates in the profits realized by the parent company.

The facts on which these conclusions are based are not drawn from sources unfriendly to this company. Without exception, they come from the written agreements entered into by the company through its subsidiary and the voluntary statements of the president of the company. Viewed from the industrial side, the undisputed and indisputable facts leave no excuse, even from the standpoint of the protectionist, for the rates in the existing law.

At this point is projected into this debate the proposition to place all articles on the free list which by a court of competent jurisdiction are found to be the subjects of trust control. The weakness of this proposition is that when the court so finds it becomes the duty of the court to dissolve the trust agreements and annul the devices by which competition has been strangled and thus reestablish competition in the market. If the decree of the court is effective, the import duty would continue as long as the monopoly continues and end only when competition is established.

In the execution of Democratic platform pledges the pending bill places on the free list a long series of articles which common observation shows to be the subjects of artificial manipulation, and this is done without reference to judicial action in relation to them. The special cases of judicial decree, or cases in process of litigation, were enumerated a few moments ago by the junior Senator from Montana [Mr. WALSH] in his statement with admirable clearness and conciseness. In a majority of these cases it is palpable that the duties produce no revenue and that the rates are employed only to establish and maintain artificial prices at home, while selling the like domestic product at lower and competitive prices abroad. The pending measure makes intelligent application of the free list as a corrective of restraints on trade as far as the principle is capable of effective operation.

It will serve no good purpose to unduly magnify the free list as a factor in the eradication of trusts. Legislation on the tariff can broaden the field of competition and thus nullify the domestic arrangements for market control. But each case is dependent on its own facts. If the control be international, the case is exceptional and calls for action in a situation where the tariff may be without influence. Regrading, forestalling, engrossing, and monopolizing are not new things. They were denounced at common law and punished as crimes two centuries ago. The devices of to-day to strangle competition and exploit society are only varying forms of these old offenses against the law. There is not an American lawyer but who knows, or certainly should know, that when he assists clients to perfect their schemes to strangle competition he is acting in the teeth of the letter and spirit of the common law and in the teeth of the plain spirit, if not the express letter, of the antitrust act of 1890.

If the act of 1890 confers the necessary power to make its decree efficacious to destroy the evil, and the power is employed, that is sufficient. If the power conferred and the duty enjoined by the act are so used that the trust or monopoly avoids, evades, flouts, and treats with contempt the decrees of the court, then manifestly a solemn duty is imposed on the Department of Justice and the court to take appropriate action to enforce respect for the decrees of the court and compel correction of the wrongs which the act denounces and prohibits. If the act of 1890 is inadequate to meet any case that has arisen or that may arise, then the duty is on Congress to enlarge, supplement, and reenforce the act of 1890. If the act of 1890 is sufficient, enforce it. If it is not sufficient, reenforce it by appropriate legislation.

Now, Mr. President and Senators, your committee reports in favor of an amendment fixing the rate at 2 cents and at 3½ cents a pound. These rates are reductions of 72 per cent on the rates in the present law. There have been importations of aluminum. Whatever may have been the effect of the decree of the court in the case against the Aluminum Co. of America, there was an importation for the fiscal year ended June 30, 1913, of approximately 28,000,000 pounds.

The demand for the metal is so great that the conspiracies among producers can not prevent its use. The Aluminum Co. of America is itself an importer. On the basis of last year's

importations the rates prescribed by the committee will yield a revenue to the Government of at least from \$500,000 to \$600,000. This is a consideration we are not authorized to overlook. At the same time we release the American consumers from the remorseless exactions and heartless vexations practiced on them under the present law.

The Senator from Pennsylvania refers to the Ford Automobile Co. and the cost of aluminum per machine. He points to the large capital and large profits of that company. The consumers of aluminum are not all Ford companies. These consumers include hundreds of modest manufacturers, to whom this metal is necessary and to whom the high prices and uncertain supply are positive hardships. The \$20,000,000 of stock dividends were in large part contributions by these consumers under the compelling force of the present tariff law. These consumers ask no special privilege. They only ask that the taxing power of the Government shall not be used to bind them hand and foot in the market, while a favorite of the taxing power despoils them of their substance and puts to hazard their business. The rates prescribed are reductions of nearly three-fourths of the present rates. The rates proposed leave low revenue duties. Such rates are manifestly not destructive to the producer, are equitable to the consumer, and will contribute somewhat to meet the fiscal necessities of the Government. I trust the committee amendment may be adopted.

Mr. KENYON. I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Hitchcock	Oliver	Smith, Ariz.
Bacon	Hollis	Overman	Smith, Ga.
Bankhead	Hughes	Page	Smith, S. C.
Borah	James	Penrose	Smoot
Bradley	Johnson	Pomerene	Stephenson
Brady	Jones	Ransdell	Sterling
Bristow	Kenyon	Reed	Stone
Catron	Kern	Robinson	Swanson
Chamberlain	Lane	Root	Thomas
Clark, Wyo.	Lewis	Saulsbury	Thompson
Colt	McCumber	Shafroth	Vardaman
Crawford	Martin, Va.	Sheppard	Walsh
Dillingham	Martine, N. J.	Shields	Warren
Fletcher	Myers	Shively	Williams
Gallinger	Norris	Simmons	Works

The VICE PRESIDENT. Sixty Senators have answered to the roll call. A quorum of the Senate is present.

The question is on the amendment proposed by the Senator from Iowa [Mr. KENYON] to the amendment of the committee in paragraph 145.

Mr. REED. I wish to say just a word on this matter before the vote is taken.

We are told that aluminum is controlled by a world monopoly. However that may be, a considerable amount has been imported into the United States, and upon that amount a revenue of some magnitude has been derived by the Government. If it be true that there is a world-wide monopoly in this product, and we were to take off the tariff entirely, we would put in the pockets of this monopoly just the amount of money it now, for some reason, pays to the Government, because it does import.

If I were convinced that this is an American monopoly and that there is possible a substantial competition from abroad, I should desire to vote to place aluminum upon the free list, because by doing so I should stimulate the competition between the foreign producer and the domestic monopoly; and just in proportion as that competition was stimulated the consumer in this country would obtain benefit. But it is charged and not substantially denied—indeed, it is alleged by my very good friend, the author of the amendment—that the entire production, or substantially the entire production, is under the control of one great monopoly, having its headquarters in this country.

If that contention be sound and well taken, then every dollar of revenue we get at the customhouse is a tax levied upon the monopoly, and taking away that revenue seems to me to be in the interest of the monopoly, because it relieves it of that much taxation.

I desired to say that much before the vote should be taken.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 42, line 15, beginning with "Aluminum," strike out all down to the word "barium," on line 18, and insert: "That aluminum, aluminum scrap, aluminum in plates, sheets, bars, strips, and rods, shall be admitted to this country free of duty."

Mr. KENYON. I ask for the yeas and nays upon the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. McCUMBER (when his name was called). Announcing my pair with the senior Senator from Nevada [Mr. NEWLANDS], I withhold my vote.

Mr. REED (when his name was called). I transfer my pair with the senior Senator from Michigan [Mr. SMITH] to the senior Senator from Oklahoma [Mr. OWEN] and will vote. I vote "nay."

Mr. THOMAS (when his name was called). I make the same transfer as heretofore announced and will vote. I vote "nay."

The roll call was concluded.

Mr. CHILTON. I announce my pair as on former occasions, make the same transfer to the junior Senator from Nevada [Mr. PITTMAN], and will vote. I vote "nay."

Mr. BRYAN. I have a pair with the junior Senator from Michigan [Mr. TOWNSEND], which I transfer to the senior Senator from Tennessee [Mr. LEA] and will vote. I vote "nay." I am requested to announce that the senior Senator from Tennessee [Mr. LEA] is necessarily absent.

Mr. SMOOT. I desire to announce that the senior Senator from Delaware [Mr. DU PONT] is detained from the Senate on account of illness.

Mr. SUTHERLAND. I inquire if the senior Senator from Arkansas [Mr. CLARKE] has voted?

The VICE PRESIDENT. He has not.

Mr. SUTHERLAND. I withhold my vote, owing to my pair with him.

Mr. SAULSBURY (after having voted in the negative). Has the junior Senator from Rhode Island [Mr. COLT] voted?

The VICE PRESIDENT. He has not.

Mr. SAULSBURY. Then I desire to withdraw my vote.

Mr. LEWIS. I desire to transfer my pair with the junior Senator from North Dakota [Mr. GRONNA] to the junior Senator from Virginia [Mr. SWANSON] and will vote. I vote "nay."

Mr. SWANSON entered the Chamber and voted.

Mr. LEWIS. I am compelled to announce that I will withdraw my vote, the junior Senator from Virginia [Mr. SWANSON], to whom I temporarily transferred my pair, having voted. I being in pair with the junior Senator from North Dakota, I should not have voted, and I wish to withdraw my vote.

The result was announced—yeas 12, nays 55, as follows:

YEAS—12.

Brady	Clapp	Kenyon	Poin Dexter
Bristow	Crawford	La Follette	Sterling
Catron	Jones	Norris	Works

NAYS—55.

Ashurst	Hughes	Perkins	Smoot
Bacon	James	Pomerene	Stephenson
Bankhead	Johnson	Ransdell	Stone
Bradley	Kern	Reed	Swanson
Brandeggee	Lane	Robinson	Thomas
Bryan	Lodge	Root	Thompson
Chamberlain	Martin, Va.	Shafroth	Thornton
Chilton	Martine, N. J.	Sheppard	Tillman
Clark, Wyo.	Myers	Shields	Vardaman
Dillingham	Nelson	Shively	Walsh
Fletcher	Oliver	Simmons	Warren
Gallinger	Overman	Smith, Ariz.	Weeks
Hitchcock	Page	Smith, Ga.	Williams
Hollis	Penrose	Smith, S. C.	

NOT VOTING—28.

Borah	du Pont	Lewis	Pittman
Burleigh	Fall	Lippitt	Saulsbury
Burton	Goff	McCumber	Sherman
Clarke, Ark.	Gore	McLean	Smith, Md.
Colt	Gronna	Newlands	Smith, Mich.
Culberson	Jackson	O'Gorman	Sutherland
Cummins	Lea	Owen	Townsend

So Mr. KENYON's amendment was rejected.

Mr. STONE. The question is on the committee amendments now, is it not, Mr. President?

The VICE PRESIDENT. The committee amendments have been agreed to heretofore.

The SECRETARY. The next paragraphs passed over are on page 87, paragraphs 295 and 296.

Mr. STONE. I think they were disposed of, Mr. President.

Mr. WARREN. They were disposed of for the time being; yes.

Mr. STONE. The Senator desired to be heard on them, and was heard.

Mr. WARREN. Yes.

Mr. STONE. The amendments to those paragraphs have been agreed to.

The SECRETARY. The next paragraph passed over is on page 99, paragraph 332.

Mr. THOMAS. Mr. President, I desire to refer back to paragraph 297, and ask unanimous consent for its reconsideration, for the purpose of offering an amendment which I send to the desk. I presume it will have to be reconsidered.

The VICE PRESIDENT. The amendments to paragraph 297 will be reconsidered.

The SECRETARY. On page 88, paragraph 297, line 10, before the word "all," it is proposed to insert "gloves and mittens."

The amendment to the amendment was agreed to.

The SECRETARY. In line 14 it is proposed to strike out "50" and insert "40."

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The question now is on the amendment as amended.

The amendment as amended was agreed to.

The SECRETARY. The next paragraph passed over is paragraph 332, on page 99.

Mr. SMOOT. Mr. President, the Secretary has missed one paragraph—paragraph 326, on page 96, which covers "woven fabrics, in the piece or otherwise."

Mr. THOMAS. Yes. We ask to have that paragraph passed over for the present. We probably shall be ready to report on it some time to-morrow morning.

The SECRETARY. Paragraph 326, on page 96, was passed over on the request of the senior Senator from Utah [Mr. SMOOT].

Mr. SMOOT. I should like to refer to paragraph 267 and call the attention of the Senator from Georgia [Mr. SMITH] to that paragraph. I notice that the statement I made on the floor of the Senate in relation to cords and tassels does not conform to what the present law is. I think there should be a comma after cords.

Mr. SMITH of Georgia. The terms really ought to be used, "cords, tassels, and cords and tassels."

Mr. SMOOT. So as to read:

Bandings, beltings, bindings, bone casings, cords, tassels, and cords and tassels.

Mr. SMITH of Georgia. That is correct. That was the first suggestion we made and we yielded on it, but after a reinvestigation of the subject I am satisfied that those terms ought to be used. When we returned to the cotton schedule we were going to suggest that change, but as it has been brought to the attention of the Senate now, I move for the committee that that modification be made.

The VICE PRESIDENT. It will be stated.

The SECRETARY. In paragraph 267, on page 80, line 21, after the word "tassels," insert "cords and tassels."

Mr. SMOOT. But I want to strike out the word "and" and insert a comma there.

Mr. SMITH of Georgia. The object is to have a separate phrase of cords, and tassels, as well as cords and tassels.

The SECRETARY. On page 80, line 21, after the word "tassels," in the amendment agreed to, and the comma, insert the words "cords and tassels" and a comma.

Mr. SMOOT. Then I want the word "and" stricken out.

The VICE PRESIDENT. There is none in.

Mr. SMOOT. My print shows there is, but if there is none no action need be taken.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. THOMAS. I ask unanimous consent to reconsider paragraph 318. I wish to offer an amendment to it.

The VICE PRESIDENT. Without objection, the paragraph will be reconsidered. The amendment will be stated.

The SECRETARY. In paragraph 318, page 91, line 19, strike out the words "plush or velvets" and insert the word "fabrics."

Mr. SMOOT. "Fabrics" is a new designation in tariff legislation.

Mr. THOMAS. No.

Mr. SMOOT. What I mean is outside of the general basket clause, which refers to fabrics of all classes. This is dealing with the wool schedule.

Mr. THOMAS. But "such fabrics." The Senator will notice that we have already inserted an amendment relating to woven figured upholstery goods. The words "plushes or velvets" might not be sufficiently comprehensive to embrace goods made of that material.

The VICE PRESIDENT. The amendment will be agreed to, without objection.

Mr. THOMAS. One moment. Let it read "such plushes, velvets, or other fabrics."

Mr. SMOOT. I suggest that it be made to read "in chief value of such plushes, velvets, or other similar fabrics."

Mr. THOMAS. Instead of the amendment offered I move to amend by striking out the word "or" in line 19, and inserting after the word "velvets" "or other fabrics."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 91, line 19, after the word "plushes," strike out the word "or," and after the word "velvets" insert "or other fabrics."

The amendment was agreed to.

Mr. BRANDEGEE subsequently said: Let me have the attention of the Senator from Colorado for just a minute, if possible.

Mr. THOMAS. I beg the Senator's pardon.

Mr. BRANDEGEE. I suggest to the Senator from Colorado to be kind enough to have the Secretary read once more the amendment on page 91, which was just agreed to. I want to make sure that it is correct.

Mr. THOMAS. Certainly.

The VICE PRESIDENT. The Secretary will read as requested.

The SECRETARY. Paragraph 318, page 91, as amended, reads as follows:

318. Plushes, velvets, and all other pile fabrics, cut or uncut, woven or knit, whether or not the pile covers the entire surface, and woven-figured upholstery goods, made wholly or in chief value of wool or of the hair of the Angora goat, alpaca, or other like animals, and articles made wholly or in chief value of such plushes, velvets, or other fabrics, 40 per cent ad valorem.

Mr. BRANDEGEE. Is that what the Senator wants?

Mr. THOMAS. Yes. If it is not correct, however, I should like to be informed in what respect it is wrong.

Mr. BRANDEGEE. I am not sure that I am correct. I am asking for information. The language as adopted would cover articles made wholly or in chief value of any fabric.

Mr. THOMAS. No; "of such plushes, velvets, or other fabrics."

Mr. BRANDEGEE. The word "such" was not stricken out by the Senator?

Mr. THOMAS. Oh, no; I do not understand that the word "such" was eliminated.

Mr. BRANDEGEE. If the word "such" modifies the words "other fabrics," the Senator is correct.

Mr. HUGHES. I ask unanimous consent to return to paragraph 347 for the purpose of making a change in the punctuation. I desire to strike out the semicolon, in line 21, and change it to a comma. In reading it over we think there is something in the contention that as it stands the qualifying language may be in conflict with the first part of the paragraph.

Mr. SMOOT. After the word "agate," in line 21?

Mr. HUGHES. Yes.

Mr. SMOOT. I think the semicolon is right.

Mr. HUGHES. I do not think there can be any possible doubt about it if the semicolon is changed to a comma.

Mr. CLARK of Wyoming. Then should not the comma be dispensed with after the word "ivory"?

Mr. SMOOT. I wish to say to the Senator, if that applied only to the last bracket he would be correct, but it applies to all the balance of the paragraph and therefore a semicolon is the proper punctuation. A comma would be all right if it applied simply to that part of the bracket preceding it, but this applies to "all the foregoing and buttons not specially provided for in this section, 40 per cent ad valorem."

Mr. HUGHES. But 40 per cent ad valorem is not supposed to apply to anything beyond the beginning of line 18. Further up in the paragraph there are certain rates provided for various classes of buttons.

Mr. SMOOT. If that is the object of the paragraph the Senator is correct, and it should be a comma.

Mr. HUGHES. That, of course, is the object of the paragraph.

Mr. SMOOT. The amendment is correct if that is the object.

The VICE PRESIDENT. The question is on agreeing to the amendment changing the punctuation as suggested. Without objection, it is agreed to.

Mr. LA FOLLETTE. I wish to offer an amendment in the nature of a substitute for the cotton schedule. I ask to have it printed and laid on the table.

The VICE PRESIDENT. That action will be taken.

Mr. SMOOT. I have an amendment to offer to paragraph 326, but I understand the Senator from Colorado to say that they are considering the paragraph.

Mr. THOMAS. Yes; we will bring it up to-morrow.

The SECRETARY. The next paragraph passed over is paragraph 332, on page 99.

Mr. JOHNSON. The committee wish to offer an amendment to the committee amendment. On page 99, line 22, I move to strike out the words "or its solution" and in lieu thereof to insert the word "leaf," so as to read:

Papers wholly or partly covered with metal leaf or with gelatin or flock, etc.

Mr. McCUMBER. The Senator from Massachusetts [Mr. LONGE] left the Chamber a moment ago and wanted to be sent for when this paragraph was reached. He is in the room of the Committee on Naval Affairs. I have sent for him. I will ask that the vote be delayed for one moment upon this matter until he can return to the Chamber.

The VICE PRESIDENT. The paragraph has not yet been read. The Chair suggests that the paragraph be read.

The SECRETARY. The amendment of the committee is to strike out from line 3, on page 99, to line 21, in the following words:

Papers, including wrapping paper, with coated surface or surfaces, or with the surface wholly or partly covered or decorated with a design, fancy effect, pattern or character whether produced in the pulp or otherwise, all of the foregoing not specially provided for, whether or not wholly or partly covered with metal or its solution or with gelatin or flock or embossed or printed except by lithographic process, cloth-lined or reinforced paper, parchment papers, and grease-proof and imitation parchment papers which have been supercalendered and rendered transparent, or partially so, by whatever name known; all other grease-proof and imitation parchment papers, not specially provided for in this section, by whatever name known; bags, envelopes, printed matter other than lithographic, and all other articles composed wholly or in chief value of any of the foregoing papers, not specially provided for in this section, and all boxes of paper, papier maché, or wood covered with any of the foregoing paper, 35 per cent ad valorem.

And in lieu thereof to insert from line 21, on page 99, to line 16, on page 100, as follows:

Papers wholly or partly covered with metal or its solution or with gelatin or flock, papers with white coated surface or surfaces, hand dipped marbled paper, and lithographic transfer paper, not printed, 25 per cent ad valorem; all other papers with coated surface or surfaces not specially provided for, whether or not embossed or printed except by lithographic process, 50 per cent ad valorem; uncoated papers, gummed, or with the surface or surfaces wholly or partly decorated or covered with a design, fancy effect, pattern, or character, whether produced in the pulp or otherwise except by lithographic process, cloth-lined or reinforced papers, parchment papers, and grease-proof and imitation parchment papers which have been supercalendered and rendered transparent or partially so, by whatever name known, all other grease-proof and imitation parchment papers, not specially provided for in this section, by whatever name known, bags, envelopes, and all other articles composed wholly or in chief value of any of the foregoing papers, not specially provided for in this section, and all boxes of paper or papier-maché or wood covered with any of the foregoing papers or covered or lined with cotton or other vegetable fiber, 35 per cent ad valorem.

Mr. LODGE entered the Chamber.

The VICE PRESIDENT. The Secretary will state the amendment to the amendment proposed by the committee.

The SECRETARY. On page 99, line 22, after the word "metal," strike out the words "or its solution" and insert the word "leaf."

Mr. LODGE. That does not concern me. The part I am interested in is the last provision.

The amendment to the amendment was agreed to.

Mr. JOHNSON. In line 23, after the word "surfaces," I move to insert the words "calender plate finished."

The amendment to the amendment was agreed to.

Mr. JOHNSON. In line 23, on page 99, after the word "paper" and the comma, I move to insert the words "parchment paper."

The amendment to the amendment was agreed to.

Mr. JOHNSON. In line 24, on page 99, I move to strike out the comma following the word "paper."

The amendment to the amendment was agreed to.

Mr. JOHNSON. In line 25, I move to strike out the words "all other."

The amendment to the amendment was agreed to.

Mr. JOHNSON. In line 25, after the word "surfaces," I move to insert the words "suitable for covering boxes."

The amendment to the amendment was agreed to.

Mr. JOHNSON. On page 100, line 2, after the semicolon following the words "ad valorem," I move to insert the words "all other paper with coated surface or surfaces not specially provided for in this section" and a semicolon.

The amendment to the amendment was agreed to.

Mr. JOHNSON. On page 100, in lines 6 and 7, I move to strike out the words "parchment papers" and the comma.

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee as amended.

Mr. SMOOT. The effect of the last amendment is, I suppose, to reduce the rate on parchment paper from 35 per cent ad valorem to 25 per cent.

Mr. JOHNSON. The parchment papers are changed from 35 to 25 per cent. Looking at the present law I find that they bear a duty of about 25 per cent, or a little less than that; but there seemed no place to put them. I think 22 per cent was the ad valorem equivalent. We placed them in that lower classification of 25 per cent. The imitation parchment papers under the present law bear a duty of about 65 per cent ad valorem.

Mr. SMOOT. The two classes of papers combined carry an equivalent ad valorem of 49 per cent.

Mr. JOHNSON. We made the separation. I am not talking about the two combined. We looked into that pretty carefully. It is the imitation parchment papers which, under the present law, bear a duty of about 65 per cent. We left them under the 35 per cent bracket, and the parchment papers we carried to the 25 per cent bracket.

Mr. SMOOT. That is what I said the effect of the amendment was, to take parchment papers from the 35 per cent bracket and place them in the 25 per cent bracket.

Mr. JOHNSON. That is true.

The VICE PRESIDENT. The question is on agreeing to the amendment as amended.

The amendment as amended was agreed to.

The SECRETARY. The next amendment passed over was, in paragraph 332, on page 100, line 18, after the word "purposes," to insert the words "25 per centum ad valorem."

The amendment was agreed to.

The SECRETARY. The next amendment passed over was, in paragraph 332, on page 100, line 20, before the words "per cent," to strike out "25" and insert "15," so as to read:

Plain basic papers for albuminizing, sensitizing, baryta coating, or for photographic or solar printing processes, 15 per cent ad valorem.

Mr. LODGE. Mr. President, plain basic papers have been heretofore included with the others. The House put them under a rate of 25 per cent. Now they have been separated, and I should like to know why these particular papers, which are important and valuable papers for the photographic business, should have been separated and the duty on them so much further reduced?

Mr. JOHNSON. Mr. President, the reason was this: We placed photographic films upon the free list and we gave the papers here a reduced rate of duty for that reason, reducing them from 25 per cent to 15 per cent.

Mr. LODGE. But you have left the rate on albuminized and sensitized paper the same as it was in the bill as it came from the House, while you have made a distinction between the two photographic papers.

Mr. JOHNSON. The Senator will notice that the papers which may be used for albuminizing, sensitizing, and baryta coating are at 15 per cent, but after they are sensitized and albuminized they are then placed at 25 per cent—a little higher rate of duty.

Mr. LODGE. Mr. President, I am not going to take time over it, but I think that is a very severe reduction. The duty is 30 per cent in the existing law on these basic papers, and the House put it at 25. Now, the Senate committee have separated them and reduced them to 15 per cent. It seems to me a pretty severe reduction. The men who are engaged in making those papers have short hours and high wages, and this reduction of duty will put a great burden on that business. I would be glad if the duty could be left at the same rate as in the present law.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the committee.

The amendment was agreed to.

Mr. JOHNSON. Mr. President, before going to the next amendment passed over, which is in paragraph 341, I wish to revert to paragraph 335 and to ask that it now be taken up for consideration.

The VICE PRESIDENT. Paragraph 335 will now be considered.

Mr. JOHNSON. The committee wishes to offer an amendment to paragraph 335, on page 104. After the word "flat," in line 3, the committee propose to strike out the words "plain, bordered, embossed, printed, tinted, decorated, or lined," and to insert the words "not specially provided for in this section."

The VICE PRESIDENT. The amendment proposed by the Senator from Maine on behalf of the committee will be stated.

The SECRETARY. In paragraph 335, on page 104, line 3, after the word "flat," it is proposed to strike out "plain, bordered, embossed, printed, tinted, decorated, or lined" and to insert "not specially provided for in this section."

Mr. SMOOT. That would effect envelopes other than plain, folded, or flat, and place upon them a higher rate of duty.

Mr. JOHNSON. That is true, because they are provided for in paragraph 332. This was in conflict.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Maine on behalf of the committee. The amendment was agreed to.

Mr. BRANDEGEE. Mr. President, while we are on this subject I want to call the attention of the Senator in charge to paragraph 335. I have a letter here from the Meriden Gravure Co. asking that an amendment be inserted on page 104, after the words "ad valorem," to strike out the period and to insert "articles composed wholly or in chief value of paper printed by the photogelatin process, and not specially provided for in this act, 3 cents per pound and 25 per cent ad valorem." They state in their letter:

As far as we can determine the Underwood bill makes no provision for the industry in which we are engaged, namely, photogelatin printing. In the act of 1909, Schedule M, paragraph 412, photogelatin printed matter is excepted and provided for in paragraph 415. In the new

bill the same exception is made under paragraph 412, but no separate provision given.

As we read the text, it would therefore come in at 15 per cent ad valorem as "printed matter."

A large part of the paper used in this industry comes from Germany, on which the duty is 25 per cent. It surely can not be the purpose of the bill to assess raw material at 25 per cent and the finished product at 15 per cent. Our presses are all imported under a duty, our gelatine likewise. With the tariff of 1909—3 cents per pound and 25 per cent ad valorem—we are in many lines in the closest competition with the German product. The new bill as it stands will simply hand the market over to our foreign competitors and close most of the shops in this country.

The process is of German origin, and in that country between 200 and 300 houses are engaged in it. It was brought to the United States in the early seventies. Although protected to the extent of 25 per cent, its growth was slow because of the German importations, and it was not until the act of 1909 that we were in a position to attempt to meet this competition at all. Before the passage of this act there were, to our best knowledge and belief, five concerns in the country engaged in this work. Since that time, wholly because of the ability given by the increased protection to meet the Germans on somewhere near even footing, some nine new houses have been established. Even now approximately 75 per cent of the photogelatin prints used in the country are imported. The 25 per cent footing we have gained will be wiped out under the new bill.

Labor and paper are the two large items in our cost of production. Wages for corresponding men are in Germany from one-third to one-half that ruling on this side. On the paper we are to pay a tariff of 25 per cent. On the machinery to produce the work—none is made in this country—35 per cent.

I am free to say, Mr. President, that I do not at all understand the technicalities of this industry, and so I am compelled to rely upon this firm, the members of which are constituents of mine.

Mr. LODGE. If the Senator will allow me, my attention was called to that matter also, and I meant to bring it up. I am very glad the Senator has done so. There is no question that the articles the Senator has mentioned, so far as I can make out, are not provided for anywhere in the bill.

Mr. JOHNSON. Mr. President, photogelatin papers are surface-coated papers, and in the amendment which I offered these words appear:

All other papers with coated surface or surfaces not specially provided for in this section.

And they bear a duty of 35 per cent.

Mr. LODGE. The Senator thinks that the expression "surface-coated paper" would cover photogelatin paper?

Mr. JOHNSON. It would cover the photogelatin paper.

Mr. LODGE. That is all right.

Mr. JOHNSON. It is also provided in that same paragraph that envelopes made of photogelatin paper or of any paper shall bear the same rate of duty as the paper from which they are made, which would be 35 per cent.

Mr. LODGE. If that is the case it is all right, of course.

Mr. BRANDEGEE. I would not have taken up so much time of the Senate if I had known that; but, as I have said, I was not familiar with the situation. A duty of 35 per cent, as I understand, will be an increase over the existing rate, if these papers now bear that duty.

Mr. THOMAS. Mr. President, I find that I omitted to offer an amendment recommended by the committee in one of the paragraphs in Schedule C, namely, paragraph 152. I ask leave to return to that paragraph. On behalf of the committee, I propose an amendment in paragraph 152, page 44, line 10, by striking out "10" and inserting "6."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In paragraph 152, on page 44, line 10, after the word "metal," it is proposed to strike out "10" and insert "6."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

The SECRETARY. The next amendment passed over is paragraph 341, page 105, which was passed over at the request of the Senator from New Jersey [Mr. HUGHES].

Mr. HUGHES. Mr. President, I move to amend paragraph 341, page 105, line 22, by striking out the words "fabrics, wearing apparel, trimmings" and inserting, before the word "curtains," the words "lamp fringes"; and after the word "articles," in line 23, by inserting the words "not embroidered nor appliquéd and."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In paragraph 341, page 105, line 22, before the words "curtains," it is proposed to strike out "fabrics, wearing apparel, trimmings" and to insert "lamp fringes"; and, in line 23, after the word "articles," to insert "not embroidered nor appliquéd and," so as to make the paragraph read:

341. Beads and spangles of all kinds, including imitation pearl beads, not threaded or strung, or strung loosely on thread for facility in transportation only, 35 per cent ad valorem; lamp fringes, curtains, and other articles not embroidered nor appliquéd and not specially pro-

vided for in this section, composed wholly or in chief value of beads or spangles made of glass or paste, gelatin, metal, or other material, 50 per cent ad valorem.

The amendment was agreed to.

Mr. SMOOT. Mr. President, the amendment strikes out the words "wearing apparel and trimmings." I have not had time to look back over the bill to find out whether or not those particular articles are taken care of in another paragraph.

Mr. HUGHES. They are provided for in paragraph 368, I will say to the Senator—the embroidery paragraph.

Mr. SMOOT. That is all I wanted to ask the Senator. I have been looking through the bill, but I have not had time as yet, inasmuch as the amendment has just been offered, to make certain as to the matter. Of course if they are not taken care of, we should not strike them out of this paragraph.

Mr. HUGHES. Undoubtedly; and if it turns out that they are not taken care of there will be no objection to reverting to the paragraph, I imagine.

The SECRETARY. The next paragraph passed over is paragraph 355, on page 109.

Mr. LODGE. Is that the match paragraph?

The VICE PRESIDENT. It is.

Mr. SIMMONS. Mr. President, I was just trying to find the amendment suggested by the Senator from Massachusetts to that paragraph.

Mr. HUGHES. I want to ask the Senator from Massachusetts, if he will permit me, if he has examined the law on this subject?

Mr. LODGE. I have, with great care.

Mr. HUGHES. And the Senator is of the opinion that this provision will repeal the prohibition against the importation of white phosphorus matches under the existing law?

Mr. LODGE. This is the later act of the two.

Mr. HUGHES. That is the theory upon which the Senator is proceeding?

Mr. LODGE. Certainly. I think we would run the risk of having it said that this provision repealed that act, and therefore I suggested an amendment to the chairman of the committee in order to preserve the white phosphorus match legislation; that is all.

Mr. SIMMONS. On behalf of the committee I offer the amendment to paragraph 355 which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 109, after the words "ad valorem," at the end of paragraph 355, it is proposed to insert:

Provided, That in accordance with section 10 of "An act to provide for a tax upon white phosphorus matches, and for other purposes," approved April 9, 1912, white phosphorus matches manufactured wholly or in part in any foreign country shall not be entitled to enter at any of the ports of the United States, and the importation thereof is hereby prohibited; *Provided further*, That nothing in this act contained shall be held to repeal or modify said act to provide for a tax upon white phosphorus matches, and for other purposes, approved April 9, 1912.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. SMOOT. Now, Mr. President, I want to call attention to one rate in this paragraph. In lines 20 and 21 it is provided that matches—

when imported otherwise than in boxes containing not more than 100 matches each, one-fourth of 1 cent per 1,000 matches.

The duty in the present law is one-half of 1 cent. The ad valorem equivalent under the present law is only 8.44 per cent, which is a very low rate indeed. I am not going to discuss the question any further than to say that even if the decreases from the present law are made upon all the other classes of matches, it does seem to me that that grade of match should carry at least one-half instead of one-quarter of a cent. With one-quarter of a cent the duty is only 4.22 per cent equivalent ad valorem. If the Senator does not feel justified in accepting the suggestion, I am not going to detain the Senate by an argument, but I shall ask to have certain correspondence put in the Record in connection with this item.

I think if the Senator will examine that particular item he will come to the conclusion that to-day there is the most severe competition. As I say, the equivalent ad valorem upon them is only 8.44 per cent under the present law.

Mr. HUGHES. I can only say to the Senator that we have given the most thorough and exhaustive consideration to this item. It has given us a great deal of trouble. We have been furnished with all sorts of arguments and briefs and an abundance of information, but nothing was laid before the subcommittee or the members of the full committee that seemed to justify them in interfering with the rates made by the House.

Now, I want to call the Senator's attention to something very peculiar in that particular bracket. The Senator will find that the average unit of value in 1912 was 7.3 cents, and it is admit-

ted that matches that fall under that classification are sold in this country for much less than that. I call the Senator's attention to the fact that in 1910 we find them at 4.4 cents. I asked some of the gentlemen who appeared before me why they were so much afraid of foreign competition when the foreign unit of value was so much higher than the market price of matches in this country.

Mr. SMOOT. That is very easily explained. The reason is that the matches of this class sent to this country under the present rate are, of course, the very highest-priced matches of that grade that are made.

Mr. HUGHES. I will say to the Senator that the gentlemen who are interested in raising this rate did not make that explanation. They said there was something wrong with the classification and some other kind of match was coming in here; but all the way across the unit of value seems to me to leave a good deal to be explained.

Mr. SMOOT. The Senator certainly is not going to take that class of match and try to show that the unit of value is as given in this report. There is something wrong, because not only is it higher than the foreign value, but it is higher than the local value. So there is certainly something wrong in relation to the unit of value.

Mr. HUGHES. That point was never satisfactorily explained to me. It may very well be that they are making and selling matches in this country, put up in this way in these large boxes containing more than 100, for less than they are able to put them up in that way and sell them for abroad. That would seem to be the obvious explanation.

Mr. SMOOT. I have before me a letter from Austin Nichols & Co. (Inc.), of New York, importers of foreign matches, addressed to the Fred. Fear Match Co., of New York City, N. Y. The letter is a partial explanation of this situation. They recommend that orders be placed now for these matches, claiming that they can not be made in this country except at certain times of the year, and that since the duty is going to be cut 50 per cent there is no question that the foreign manufacturers will control this market.

As I say to the Senator, the equivalent ad valorem upon this class of matches is only 4.22 per cent. I said I would ask that these papers go into the RECORD. I will not even encumber the RECORD with them. If the Senator has made up his mind that there is no need of making the change, I will say no more, and simply let it rest with the protest I have already made.

Mr. GALLINGER. Mr. President, this is one instance where I very strongly favor a low rate of duty—in the interest of conservation, however. The desolation that the Diamond Match Co.,—and perhaps other match companies—are creating in the forests of the United States, destroying pine timber not much larger than my thumb, is appalling. I am not going to worry over an increased importation of matches if it will tend to save the small trees in our forests, which are now not regarded by these great match corporations.

Mr. SIMMONS. I think the Senator from New Jersey has failed to call attention to the fact that in line 22 the word "fuses" is used, when it ought to be "fusees."

Mr. HUGHES. Yes; I had overlooked that.

The VICE PRESIDENT. That is a matter of spelling. Another "e" should be put in it.

Mr. HUGHES. I move to amend by adding an additional "e," so as to make the word "fusees" rather than "fuses." I ask unanimous consent to make that amendment.

The VICE PRESIDENT. That correction will be made.

The SECRETARY. On page 110, paragraph 357, on August 26, was recommended to the committee on the request of the junior Senator from New Jersey [Mr. HUGHES].

Mr. HUGHES. I ask the Secretary to read the proposed amendments down to the proviso.

The SECRETARY. In paragraph 357, page 110, line 10, after the word "manner," the committee proposes to insert "and not suitable for use as millinery ornaments."

The amendment was agreed to.

The SECRETARY. In line 11, after the word "and," it is proposed to strike out the word "other."

The amendment was agreed to.

The SECRETARY. In line 13, after the word "feathers," it is proposed to strike out the comma and insert "suitable for use as millinery ornaments, artificial and ornamental."

The amendment was agreed to.

The SECRETARY. In line 14, after the word "leaves," it is proposed to insert "grasses" and a comma.

The amendment was agreed to.

Mr. BRANDEGEE. What paragraph is this?

The VICE PRESIDENT. Paragraph 357.

The SECRETARY. In line 19, after the word "other," it is proposed to strike out "materials or articles" and insert "material."

The amendment was agreed to.

The SECRETARY. In line 22, after the word "plumes," it is proposed to strike out the comma and the words "and the feathers, quills, heads, wings, tails, skins or parts of skins, of wild birds, either raw or manufactured, and not for scientific or educational purposes."

Mr. HUGHES. I am directed by the committee to move to lay the committee amendment on the table, thus restoring the original language of the bill.

Mr. GALLINGER. The committee amendment should be disagreed to, then.

The VICE PRESIDENT. The question is on agreeing to the committee amendment.

The amendment was rejected.

The SECRETARY. On page 110, line 25, after the word "prohibited," it is proposed to strike out "but this provision shall not apply to the feathers or plumes of ostriches or to the feathers or plumes of domestic fowls of any kind."

Mr. HUGHES. I move that the committee amendment in that regard be not agreed to.

The amendment was rejected.

The VICE PRESIDENT. The RECORD will show that the committee has rereported paragraph 357.

The SECRETARY. The next paragraph passed over is paragraph 358.

Mr. THOMAS. Mr. President, I ask unanimous consent to recur at this time to paragraph 116, for which the committee offers a substitute, which I send to the desk.

The SECRETARY. On page 33 the committee offers a substitute for paragraph 116, in the following words:

116. Round iron or steel wire; wire composed of iron, steel, or other metal except gold or silver; corset clasps, corset steels, dress steels, and all flat wires and steel in strips not thicker than seven one-hundredths of 1 inch and not exceeding 5 inches in width, whether in long or short lengths, in coils or otherwise, and whether rolled or drawn through dies or rolls or otherwise produced; telegraph and telephone wires; iron and steel wire coated by dipping, galvanizing, or similar process with zinc, tin, or other metal; all other wire not specially provided for in this section, and articles manufactured wholly or in chief value of any wire or wires provided for in this section; all the foregoing, 15 per cent ad valorem; wire heddles and heads; wire rope; telegraph, telephone, and other wires and cables covered with cotton, silk, paper, rubber, lead, or other material; all the foregoing and articles manufactured wholly or in chief value thereof, 25 per cent ad valorem; woven wire cloth made of iron, steel, copper, brass, bronze, or other metal, 30 mesh and above, 30 per cent ad valorem.

Mr. SMOOT. The amendment, as nearly as I could follow it, simply takes cable wires out of the 15 per cent ad valorem bracket and puts them in the 25 per cent bracket.

Mr. THOMAS. Cables and all covered wire; yes. It also broadens the woven-wire-cloth paragraph by including "iron, bronze, or other metal."

Mr. SMOOT. Yes; I was going to refer to that item also.

The amendment was agreed to.

Mr. THOMAS. I should like to inquire whether paragraph 106 has been acted upon. I think it has.

Mr. SMOOT. No; it went over.

The SECRETARY. Paragraph 106, on page 30, was passed over at the request of the junior Senator from Michigan [Mr. TOWNSEND]. It has been read.

Mr. THOMAS. The committee has no amendment to present to that paragraph.

The VICE PRESIDENT. It has not yet been agreed to. It has been read, but it has not been agreed to.

The SECRETARY. On page 30, line 8, after the word "manufactured," the committee proposes to strike out "12" and insert "10."

The amendment was agreed to.

The SECRETARY. On page 111, paragraph 358, all the amendments have been agreed to.

Mr. SMOOT. I believe all the amendments in that paragraph have been agreed to. I asked that the paragraph be passed over, for the purpose of offering an amendment. I will suggest the amendment now, to correct the paragraph as I suggested at the time that I asked to have the paragraph go over.

I move that the words "or repairing" be inserted after the word "dyeing," on line 7, page 111. It would then read:

Furs dressed on the skin, not advanced further than dyeing or repairing, 20 per cent ad valorem.

Mr. HUGHES. I should like to have that amendment pending and ask that the paragraph may be passed over again. There is a proposition before the committee that has not yet been acted upon.

Mr. SMOOT. I will say to the Senator, as I said before, that the word "repairing" has a well-known meaning and has been

passed upon by the courts as designating an article between the raw fur and the manufactured fur. If the Senator desires, I will call his attention to the case.

Mr. HUGHES. I ask that the paragraph may be passed over.

The VICE PRESIDENT. The paragraph will be passed over for the present.

The SECRETARY. On page 114 paragraph 368 was passed over at the request of the junior Senator from New Jersey [Mr. HUGHES].

Mr. HUGHES. I am directed by the committee to offer a substitute for the paragraph, which I should like to have read.

The SECRETARY. In lieu of paragraph 368 it is proposed to insert the following:

368. Laces, lace window curtains not specially provided for in this section, coach, carriage, and automobile laces, and all lace articles of whatever yarns, threads, or filaments composed; handkerchiefs, napkins, wearing apparel, and all other articles or fabrics made wholly or in part of lace or of imitation lace of any kind; embroideries, wearing apparel, handkerchiefs, and all articles or fabrics embroidered in any manner by hand or machinery, whether with a plain or fancy initial, monogram, or otherwise, or tamboured, appliqued, or scalloped by hand or machinery, any of the foregoing by whatever name known; nets, nettings, veils, veillings, neck ruffings, ruchings, tuckings, flouncings, flutings, quillings, ornaments; braids, loom woven and ornamented in the process of weaving, or made by hand, or on any braid machine, knitting machine, or lace machine, and not specially provided for; trimmings not specially provided for; woven fabrics or articles from which threads have been omitted, drawn, punched, or cut, and with threads introduced after weaving, forming figures or designs, not including straight hemstitching; and articles made in whole or in part of any of the foregoing fabrics or articles; all of the foregoing of whatever yarns, threads, or filaments composed, 60 per cent ad valorem.

The VICE PRESIDENT. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The SECRETARY. The next paragraph passed over is on page 118, paragraph 378.

Mr. LODGE. Has it been read?

Mr. GALLINGER. Before that is reached I desire to ask the Senator from New Jersey in reference to paragraph 368. Was the material I called attention to when the matter was discussed some time ago inserted?

Mr. HUGHES. That was discussed and considered by the committee, and the phraseology was changed so as to take into consideration that particular material, which undoubtedly belongs in that paragraph.

Mr. GALLINGER. The Senator has no doubt but that it is taken care of in the amendment as proposed by him?

Mr. HUGHES. I am as certain as I can be of anything of the kind. It is a very complicated paragraph.

Mr. GALLINGER. The amendment, suggested, I think, by a Government expert, was that the words "loom woven and ornamented and in process of weaving" should be inserted.

Mr. HUGHES. That is the language which has been inserted.

Mr. GALLINGER. It has been inserted?

Mr. HUGHES. Yes, sir.

Mr. GALLINGER. I thank the Senator. That is all I cared to have inserted in the paragraph.

Mr. SMOOT. I should like to ask the Senator from New Jersey whether the change made takes care of edgings, insertings, and galloons that were stricken out of the paragraph by the committee? It was hard to follow the amendment as it was read. I ask whether those items were taken care of in the substitute just offered?

Mr. HUGHES. I will say to the Senator they have been taken care of.

The SECRETARY. In paragraph 378, page 118, line 9, after the word "rates" and the colon, the committee report to strike out "India rubber or gutta-percha, 10 per cent ad valorem," and to insert:

Manufactures of India rubber or gutta-percha, commonly known as druggists' sundries, 15 per cent ad valorem; manufactures of India rubber or gutta-percha, not specially provided for in this section, 10 per cent ad valorem.

The amendment was agreed to.

The SECRETARY. The next paragraph passed over is 379.

Mr. LODGE. The paragraph just read includes the item horn combs. It is not a great industry, but the factories which make it have been established for a long time, for periods ranging from 60 to 30 years. Individually they are small concerns. The comb which they make is retailed universally for either 5 or 10 cents, and the reduction in duty on the foreign comb would have no effect at all on the price to the ultimate consumer. There could be no gain in revenue because of the reduction, as there is now a very large importation of combs in competition with ours made at home. To get as much revenue at 25 per cent as is now obtained they would have practically to wipe out the product in this country. There-

fore, there will be a loss of revenue. As a matter of fact, at this rate I do not believe it would be possible for the horn-comb industry to survive.

In line 18, page 118, paragraph 378, I shall move to strike out "25" and to insert "40" before "per cent," and I ask leave to print with my remarks certain statements from two or three of the makers of combs.

The VICE PRESIDENT. Without objection, the matter referred to will be included in the Record.

The matter referred to is as follows:

Among the 4,000 articles covered by the tariff bill now before Congress, horn combs constitute an item of minor importance, and it is probable that it has not received the consideration necessary to a proper understanding of all the facts.

Believing that if the matter was clearly understood the proposed change from 50 per cent to 25 per cent in the Underwood bill would be greatly modified, we therefore ask your careful attention to the following statements which bear on "Combs, composed wholly of horn or of horn and metal," Schedule N, paragraph 383.

If the change is made as proposed, viz, 25 per cent, it will be—

(a) No advantage to ultimate consumer. (See (a), p. 2.)

(b) Great loss to workman. (See (b), p. 2.)

(c) No gain in revenue to Government unless the home industry is destroyed. (See (c), p. 2.)

(d) A severe blow to manufacturers. (See (d), p. 2.)

(e) Great benefit to foreign manufacturers. (See (e), p. 3.)

In outlining its policy in the preparation of the new tariff bill the Democratic Party, through its leaders, has announced the following purposes:

First. "To introduce in every line of industry a competitive tariff basis providing for a substantial amount of importation."

Second. "The attainment of this end by legislation that would not injure or destroy legitimate industry."

In the proposition to reduce horn combs from 50 per cent to 25 per cent we think you will clearly see that these principles have been ignored.

Under the present duty of 50 per cent the importations of horn combs for the fiscal years 1911 and 1912 (see official figures of Department of Commerce and Labor) have averaged \$143,000 duty paid per year. The estimated average United States production for the same period was \$550,000, making a total consumption of \$693,000. The importations therefore are more than 25 per cent of the United States production and more than 20 per cent of the consumption, which amount clearly shows a "substantial amount of importation" and thus conforms to the first principle, even with the 50 per cent duty.

It is clear, in view of this, that cutting the duty squarely in half places our industry absolutely at the mercy of the foreign manufacturers.

In the synopsis on page 1 we state that the change to 25 per cent would be—

(a) NO ADVANTAGE TO THE ULTIMATE CONSUMER.

Horn combs are almost universally retailed for either 5 or 10 cents, principally the latter price, and this would continue regardless of a change in the wholesale price. This condition is largely brought about by the influence of the syndicate stores, now completely covering the country, who have established these uniform prices notwithstanding the fact they purchase the goods at greatly varying prices at wholesale. We therefore claim that the ultimate consumer will not be benefited by the change.

(b) GREAT LOSS TO THE WORKINGMAN.

The percentage of labor cost in making horn combs is very large, being between 40 per cent and 50 per cent of total cost, the other expenses, together with the raw material, horn, which is less than 45 per cent, making up the total. As the cost of materials, including horn, is fixed by the markets, the only opportunity of reduction in cost would be in the wages paid for labor. The wages in Scotland, our principal competitors, are not exceeding one-third those paid in our factories, so that with such a low duty it is clear the workmen must either suffer from a lower rate of wages or from loss of occupation altogether.

(c) NO GAIN IN REVENUE TO GOVERNMENT.

As under the proposed reduction to 25 per cent it will be necessary to double the importations to secure the present amount of revenue, in order to secure any considerable increase of customs duties the importations must be increased very much beyond this total. If this greater total of importations is brought into the country, is it not very clear that the industry will suffer beyond recovery?

(d) A SEVERE BLOW TO THE MANUFACTURERS.

The various firms engaged in horn-comb manufacturing have been established from 30 to 60 years. They are composed of men of respectability, standing well in their communities. They have all been industrious and inventive and devoted to their business, and have none of them accumulated more than a reasonable competence out of the business. In most cases their all is invested in the business, and their income and living depends on a continuation of the same.

(e) GREAT BENEFITS TO FOREIGN MANUFACTURERS.

The only benefit we can discover in the change of duty proposed will be an enlargement of the business of the foreign manufacturers, particularly the British Comb Trust, who are waiting eagerly for the final decision on this rate of duty and are looking forward to greatly increased sales of their manufactures in this country.

No doubt importers who handle the foreign goods will reap increased profit due to the large increase of importations, all of which will displace goods made by American workmen, who will by this be thrown out of employment.

We recognize that the present administration interprets their call to power as being based in part at least on a new tariff bill with downward revision, and in common with many other industries we would expect to share somewhat in the reductions to be made. We submit, however, in view of all the facts heretofore set forth, and particularly the present large importations, that to reduce the duty one-fourth of the present rate of 50 per cent to 37½ per cent would under the circumstances be a very large reduction, and one which would increase the already large percentage of importations, but still give the American manufacturers and workmen a fighting chance. We assure you the above reductions would give us the hardest kind of a fight.

This would then be in harmony with the words of President Wilson spoken at the opening session of Congress. "It would be unwise to move forward toward this end headlong, with reckless haste, or with strokes that cut the very roots of what has grown up amongst us by long process."

"It does not alter a thing to upset it and break it and deprive it of a chance to change. It destroys it. We must make changes in our laws, whose object is development, a more free and wholesome development, not revolution, or upset, or confusion."

Respectfully submitted.

FRANKFORD, PHILADELPHIA, PA.

JACOB W. WALTON SONS.

NEWBURYPORT, MASS., May 6, 1913.

GENTLEMEN: The foregoing letter of Jacob Walton Sons has been submitted to us for consideration and comment.

We have carefully read and considered every paragraph, and wish to add our indorsement as to the correctness of each statement.

We think that the importations under the present rate of duty is conclusive and unanswerable evidence as to the fairness of a rate of 50 per cent.

The large percentage of imports also meets the rule of "a substantial amount of importation" laid down by President Wilson and Chairman UNDERWOOD.

In addition to the foreign competition just referred to, the domestic competition has been very severe and aggressive. It has therefore been absolutely necessary for us to maintain a high state of efficiency in order to compete successfully.

We appreciate the difficulty of a committee in trying to reach the truth relating to 4,000 items in so short a space of time, and believe that a fuller knowledge of the horn-comb industry will lead to a modification of the duty, so that the industry will not be wholly at the mercy of the foreign manufacturers.

We particularly call attention to the quotation from President Wilson's address to Congress, quoted in the letter of Waltons.

We also call the attention to the speech of Hon. OSCAR W. UNDERWOOD in reporting the new bill, in which he stated that it was "not the intention to injure or destroy legitimate industry."

We respectfully urge upon you that the proposed duty of 25 per cent be increased to 37½ per cent to conform to the above-quoted views.

G. W. RICHARDSON Co.,
G. W. RICHARDSON, Treasurer.

NEWBURYPORT, MASS., May 6, 1913.

JACOB W. WALTON SONS.

Frankford, Philadelphia.

GENTLEMEN: Your letter of the 5th is at hand. We have gone over this letter very thoroughly and fully agree with all the statements you make.

It seems to us that if it can only be fully understood by all the Members of Congress that the wages of the American comb workers are at least three times those paid by our foreign competitors that they would at once acknowledge that a duty of 50 per cent was only a fair duty and not a prohibitive one, as under the present 50 per cent duty the imports of horn combs are 25 per cent of the domestic manufacturers. Now, if this duty is to be reduced it certainly means that the workmen will be obliged to receive less for their labor or the factory closed entirely, as the raw material for the combs is bought in the same market, at the same prices, both by the foreign manufacturers and ourselves.

Yours, truly,

W. H. NOYES & BRO. CO.

NEWBURYPORT, MASS., January 13, 1913.

HON. HENRY CABOT LODGE,

Senator, Washington, D. C.

DEAR SIR: As hearings in relation to a new tariff bill are now under way, we desire to give you the following information in regard to horn combs, dutiable under section N, which section is set for hearing on the 29th instant.

The duty on this article was raised from 30 per cent to 50 per cent ad valorem by the present tariff.

That this advance in rate was fully justified by conditions is clearly shown by the following results:

First. That no advances in price have since been made by any of the domestic manufacturers.

Second. The importations since the increase in rate have been as follows:

Year ending June 30, 1911, \$155,265, duty paid.

Year ending June 30, 1912, \$130,272, duty paid.

These figures are from the official reports of the Department of Commerce and Labor.

The value of importations in each year was fully 25 per cent of the estimated domestic production—the sales in 1912 showing a falling off in common with that of many other manufactured products.

It is not possible to make a comparison with importations under previous tariffs as the present bill is the first one to make a separate classification of this article, but the above large percentage of importations shows very clearly that the present rate is far from being prohibitive.

The conditions existing in this industry are highly competitive, both from domestic and foreign sources.

The manufacturers in this country have factory capacity in excess of production and each is therefore striving keenly to secure more business.

The foreign competition comes principally from Great Britain, France, Germany, and Italy, all countries with a very low wage scale.

The competition of the Aberdeen Comb Co., of Aberdeen, Scotland, is particularly difficult to meet, and we are constantly undersold by them on many styles, they having imitated some of our most important combs, and are making strong efforts to increase their trade in this country.

The above company is a consolidation of all of the important horn-comb factories in Great Britain, and if located in this country would be designated as a trust.

Most of the horn combs sold in this country are retailed at either 5 cents or 10 cents. Owing to this trade condition a change of duty either upward or downward would have no effect on the consumer.

Any reduction in the rate would therefore be solely to the advantage of the foreign manufacturers or to the importers. Such action would necessarily be distinctly to the disadvantage of the domestic manufacturers and to their employees.

As it has been shown that the manufacturers in this country did not take advantage of the increase of duty to raise prices, and as the increased and steadily rising wage scale since the present law was passed makes it even more difficult now to compete with the low wage scale of Europe, we most earnestly hope that the present rate may not be changed.

Yours, very truly,

G. W. RICHARDSON Co.,
G. W. RICHARDSON, Secretary.

LEOMINSTER, MASS., July 24, 1913.

Senator H. C. LODGE, Washington, D. C.

DEAR SENATOR: We have written to Congressman PETERS, as you suggested, who is on the Ways and Means Committee, in regard to the reduction of tariff on manufactured horn goods, which come under section 378 of Schedule N, of an act passed by the House.

We also had the Democratic town committee of Leominster, as well as the Lieutenant governor, write Mr. PETERS, as they were familiar with the conditions here in this industry, against the reduction from 35 per cent ad valorem to 20 per cent ad valorem on the goods manufactured of horn which are imported to this country.

Messrs. B. F. Blodgett & Co. and the Goodhue Co., of Leominster, Mass., manufacture horn machete handles. They are used on a machete knife that is exported to other countries, none of them to my knowledge being used in this country.

We obtained figures from the Treasury Department through the customs service in New York. The amount of these horn handles which are imported to this country under the present tariff of 35 per cent is approximately 250,000 pair of handles, or about one-third of the horn handles used in the country, and B. F. Blodgett & Co. and the Goodhue Co. manufacture the other two-thirds; that is, about 500,000 pair of handles.

Now what would be the result if the tariff on these handles is reduced 15 per cent when the price at present is so near the price of the goods which are manufactured here? It seems to us that the foreigners will take all the business, and there can be no good result from it to anyone. The Government will not receive much more income, and we shall practically lose all our business, and we feel that something ought to be done to exempt these goods manufactured of horn included in section 378 of Schedule N.

We feel that it only does great harm to us and our little business and is not doing the country or any of its citizens any good. There seems to be no wrong to be righted in this matter, but simply makes a sweeping thing of a lot of different little items that are manufactured here and help make up the industries of our town and give employment to our people.

We wish you would look into this on its merits. We dislike very much to trouble you, as we know that the cares and anxieties of a Senator at a time like this are very great, but we feel that this matter is of vital importance to us, and we hope if our wishes are carried out it will be of some benefit to the town and the community.

Hoping to hear from you, we are,

Very truly, yours,

B. F. BLODGETT & CO.
THE GOODHUE CO.
EDWARD F. BLODGETT.

LEOMINSTER, MASS., April 8, 1913.

Senator H. C. LODGE,
Washington, D. C.

DEAR SIR: We have just been informed that there is a prospect of reducing the tariff on manufactured horn goods to 15 per cent, and also on celluloid. This will hit Leominster very hard, as it is all we can do now to compete with foreign countries on these manufactured goods. Would especially call your attention to the reduction on horn machete handles, which we manufacture and have for years.

The large concern which takes our entire output, the Collins Co., Collinsville, Conn., have kindly shown us invoices of horn machete handles shipped from England. Under the present tariff their prices are about \$2 per hundred less than ours. If they can compete with us at the present rate of tariff, what will happen if the tariff is reduced to 15 per cent? It will simply put us out of business, as far as machete handles are concerned. Machete handles are manufactured here in competition with B. F. Blodgett & Co. There is no trust in this matter and only a fair profit is made from same. We are very willing to submit our books, invoices, etc., to the proper persons for inspection in confirmation of what we have written above.

Trusting that you will do what you can to keep the present duty as it is and that we shall have your close cooperation and influence in this matter, we remain,

Yours, very truly,

THE GOODHUE CO.,
By J. A. GOODHUE.

Mr. LODGE. In line 18, before the words "per cent," I move to strike out "25" and insert "40," so as to read:

Combs composed wholly of horn or of horn and metal, 40 per cent ad valorem.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Massachusetts.

The amendment was rejected.

The Secretary read paragraph 379, as follows:

379. Ivory tusks in their natural state, or cut vertically across the grain only, with the bark left intact, 20 per cent ad valorem; manufactures of ivory or vegetable ivory, or of which either of these substances is the component material of chief value, not specially provided for in this section, 30 per cent ad valorem; manufactures of mother-of-pearl and shell, plaster of Paris, papier-mâché, and vulcanized india rubber known as "hard rubber," or of which these substances or any of them is the component material of chief value, not specially provided for in this section, 25 per cent ad valorem; shells engraved, cut, ornamented, or otherwise manufactured, 25 per cent ad valorem.

Mr. HUGHES. I am directed by the committee to offer an amendment to paragraph 379. On page 119, line 2, I move to strike out the numeral "30" and to insert the numeral "35," making the rate 35 per cent ad valorem.

Mr. SMOOT. That is the present rate?

Mr. HUGHES. Yes; the present rate.

The amendment was agreed to.

The SECRETARY. The committee report an amendment to this paragraph on page 119, line 6, by striking out, before "per cent," "25" and inserting "15," so as to read:

Or of which these substances or any of them is the component material of chief value, not specially provided for in this section, 15 per cent ad valorem; shells engraved, cut, ornamented, or otherwise manufactured, 25 per cent ad valorem.

Mr. HUGHES. I am directed by the committee to ask that the amendment be disagreed to.

The amendment was rejected.

Mr. BRANDEGEE. Mr. President, at the time this paragraph was passed over I put in the RECORD a letter from a constituent of mine in relation to ivory tusks in their natural state. The substance of the letter was that ivory in the natural state, the entire tusk, had always been upon the free list. Of course it is not produced in this country. The constituent who wrote me was very heavily interested in the piano business, and it is a leading industry in my State. Piano keys are made from this ivory.

The letter I put in the RECORD, which I will not attempt now to bother with reading in its entirety, made the point that if this duty is put upon this product on the theory that ivory is a luxury in this business, it is a mistaken theory, that the great mass of the pianos made are sold upon the installment plan to people of very moderate means, and the 20 per cent duty levied by this paragraph would certainly result in the raising of the price on these articles and hurt their business.

In this connection I offer an amendment which I send to the desk, and at the same time I offer an amendment to go in on page 139 at the end of line 22. If this duty should be taken off of course the second amendment would be necessary to restore it to the free list. I will ask the Secretary to read both amendments.

The SECRETARY. In paragraph 379, page 118, line 22, strike out the words "in their natural state, or," so as to read:

Ivory tusks cut vertically across the grain only, with the bark left intact, 20 per cent ad valorem.

On page 139, line 22, after the word "unmanufactured," insert:

Ivory tusks not sawed, cut, or otherwise manufactured.

The amendment was rejected.

Mr. PENROSE. Mr. President, the paragraph relating to horn combs was passed over when this schedule was originally under consideration and the understanding was that it should not be taken up in my absence. Inadvertently the paragraph was agreed to and an amendment offered by the Senator from Massachusetts [Mr. LODGE] was voted down while I was temporarily absent from the Chamber. I ask unanimous consent to make just a brief statement and to have some papers printed in the RECORD.

This is a small industry. I think there are only two or three concerns of the kind in the United States. One is located at Frankford, in Philadelphia. Another is located elsewhere in Pennsylvania. These combs are made out of the horns of cattle and are sold very cheaply to the consumer. It is impossible to understand how he can in any way be benefited by a reduction of the duty on the article. The industry, in my opinion, will be absolutely wiped out by this reduction. The competition is so keen with England and other parts of Europe that this little industry, giving employment to a few industrious and deserving mechanics, will have to be closed.

The comb works at Aberdeen are a principal competitor of the American article. The comb makers are the lowest paid skilled workers in Aberdeen. It is 14 years since they had an increase in wages. They have had to submit to insulting conditions, petty tyrannies, and a system of fining, such as no other workers have to endure. For instance, the workers have to pay for broken windows, even though they have not broken them.

I have here a circular of the Aberdeen Comb Makers' Society giving notice of a demonstration to be held on Castle Street, Thursday, June 26, 1913, at 8 p. m., in support of the workers on a strike. The notice goes on to state that addresses will be given by David Palmer, president of the trades council, Joseph F. Duncan, and others, and the notice invites all to "Come and hear the truth about the comb works." It goes on to say: "Support the workers in the fight they are making for tolerable conditions and reasonable wages." That is the condition of the labor element, Mr. President, in Aberdeen, against which the American workman is invited to enter into competition.

I have a letter here from Mr. John Walton, of the firm of Jacob W. Walton Sons, at the head of the horn-comb industry in Philadelphia, with a copy of a brief which he filed with the Ways and Means Committee of the House. I ask to have the letter and the brief incorporated in the RECORD, if there is no objection.

The VICE PRESIDENT. Without objection, that will be done.

The matter referred to is as follows:

JACOB W. WALTON SONS,
Frankford, Philadelphia, April 14, 1913.

HON. BOIES PENROSE,
Washington, D. C.

MY DEAR SIR: Below I submit some statements of the effect of the change of duty on horn combs from 50 per cent to 25 per cent ad valorem. If given opportunity, I can prove the truthfulness of each statement.

1. No advantage to consumer.
2. No advantage to workingmen.
3. No advantage to Government.
4. Severe blow to manufacturers.
5. Advantage only to foreign manufacturers.
1. Horn combs in large proportion retail at 5 and 10 cents, and this will not be changed by the new proposed duty.
- No advantage to consumer.
2. To meet foreign competition employees will either be required to accept lower wages or loss of occupation.
- No advantage to workingmen.
3. Unless the American manufacturers are utterly unable by cheapened methods and lowered wages to meet the competition of foreign manufacturers and are driven from the field altogether, there will be slight increase in the custom receipts.
- No advantage to Government.
4. The various firms engaged in comb manufacturing have been established from 30 to 60 years, all men of respectability, standing well in their communities. They have all been industrious and inventive and devoted to their business; and have none acquired wealth out of the business. In most cases their all is invested in the business, and their income depends on profit in manufacturing.
- A severe blow to manufacturers.
5. The only profit we can discover in the change of duty will be an increase of profit to importers who handle foreign goods due to enlarged purchases and the foreign manufacturers who are waiting eagerly for the final decision on this duty and are looking forward to greatly increased sales of their manufactures in this country, all of this increase displacing goods made by American workmen, any trade that may be retained being under very severe destructive competition.
- Advantage only to foreign manufacturers.

Very truly, yours,

JOHN WALTON.

NEWBURYPORT, MASS., April 12, 1913.

HON. OSCAR W. UNDERWOOD,

Chairman Ways and Means Committee.

DEAR SIR: We have just learned with great surprise that your committee proposes to cut the duty on horn combs squarely in halves.

The announced purpose of the Democratic Party has been to revise the tariff along the following lines:

- First. To insure effective competition.
- Second. Not to injure business.

If these principles are carried out no one can have any reasonable ground for objection.

We appreciate the difficulty of a committee in trying to understand the facts and the special circumstances which affect any industry, particularly when it is called upon to adjust so many items in so short a time.

Full information is on file with the committee. We wish, however, to again call your attention to the facts on horn combs, bearing on the above principles.

First. Competition: Under the present rate of 50 per cent the imports of horn combs for fiscal years 1911 and 1912 (see official figures of Department of Commerce and Labor) have averaged \$143,000 duty paid. The estimated average United States production for the same time is \$550,000, making a total of \$693,000. The foreign combs therefore comprise slightly more than 20 per cent of the total consumption under the present tariff, and we submit this clearly shows that effective competition already exists.

Second. Injury to business: Under these conditions it must be clear that when competition to this extent is possible with a duty of 50 per cent a reduction of one-half in the duty would place the industry absolutely at the mercy of the foreign manufacturer.

The labor cost in horn combs is a very large per cent of the total cost, and as the Scotch, German, and Italian workers receive only about 40 per cent of the American wage, and are not hampered by short working hours, a liberal measure of protection is absolutely essential.

If the committee had cut the duty one-fourth, or to 37½ per cent, we would, under the existing circumstances, have "taken our medicine" with the best grace possible, but a cut of one-half is destructive.

Allow us to call your attention to the following quotation from the address of President Wilson on the tariff at the opening of the special session of Congress:

"It would be unwise to move toward this end headlong, with reckless haste, or with strokes that cut at the very roots of what has grown up amongst us by long process."

"It does not alter a thing to upset it and break it and deprive it of a chance to change. It destroys it. We must make changes in our laws, whose object is development, a more free and wholesome development, not revolution or upset or confusion."

Have we not every right therefore to assume that this was an honest statement, and that the tariff measure would conform to the principles thus stated?

We appeal to your sense of justice and to your sense of honor to "make the performance square with the facts," and ask that you modify the schedule on horn combs so that the industry will have a fighting chance and not be destroyed.

To men who have given 30 to 40 years of hard work to the business and whose property is largely tied up in the industry, the proposed duty of 25 per cent is heart-breaking.

Very truly, yours,

GEO. RICHARDSON CO.
W. H. NOYES & BRO. CO.

Mr. PENROSE. I took a particular interest in this industry four years ago, and with the help of the senior Senator from Massachusetts [Mr. LODGE] we were enabled to have what has proved to be an adequate duty inserted in the Payne bill. During the four years in which the industry has enjoyed the pro-

tection of that duty it has flourished in a reasonable way. A very large number of combs are imported.

It seems to me that this little industry, which will undoubtedly be stricken down when this bill becomes a law, is furnishing as good an illustration as is possible of the unnecessary and wanton effects of the pending tariff bill in many respects.

It is absolutely impossible to see how the American consumer can be benefited to the least extent. There is in the whole tariff bill no greater contrast between the low-grade conditions of labor abroad and the happier conditions of labor in the United States than is exhibited in this industry.

I have here, Mr. President, some copies of briefs heretofore filed by the gentlemen representing this industry, together with some affidavits as to labor cost and other facts pertaining to the industry. I will ask to have these statements also incorporated in the RECORD.

The VICE PRESIDENT. Without objection, that will be done.

The matter referred to is as follows:

JACOB W. WALTON SONS,
Frankford, Philadelphia, July 13, 1913.

Hon. BOIES PENROSE, Washington, D. C.

MY DEAR SIR: I send you herewith a copy of our printed brief and also copy of the typewritten brief which was placed in the hands of the Finance Committee chairman and of which I think I sent you one copy before. You will find on the first page of either of these papers a synopsis which will refresh your memory, I think, on the whole subject.

In addition to these papers I desire to state several facts. First, the experience of the horn-comb manufacturers during the past year has been that, though we have a duty of 50 per cent, the importations of the foreign comb manufacturers have kept prices of horn combs down to the point where our factories have been compelled to run practically with no profits. Our own concern in Frankford, Philadelphia, has scarcely paid the living expenses of the firm let alone interest on investment or other earnings. We can not possibly see how, with the reduction of duty, it will be possible to continue the business against foreign competition.

To refresh your memory, allow me to refer to the following facts: Prior to the last Congress, when the Payne-Aldrich bill was passed, the foreign horn-comb manufacturers had just begun for a few years to engage in aggressive competition with the horn-comb manufacturers of this country. They did not make the styles we used. They did not understand our market, and as a consequence under the old 30 per cent duty in the Dingley bill their competition was not seriously felt. When, however, about six or seven years ago they sent their agents into this country to study the market, and in some instances had opportunity of studying our methods, they took home with them samples of the best selling goods in this country and at once began to undersell us on our own distinctive lines. This they were enabled to do, because the cost of labor in horn combs is quite large and the cost of their labor compared to ours in much less than one-third.

It is sometimes said "that the workmen in these foreign countries are not as efficient as the American workmen." If that were true, our troubles would not be so great; but unfortunately those who work in the comb shops in Aberdeen, Scotland, and other competing countries are men, women, and boys who are thoroughly trained in this particular industry, and because of the necessity to work hard in order to earn their low rate of wages they become very quick and efficient workmen. This we know not by hearsay, but because in the last several years there have come to our factory men who had worked in the Aberdeen shops seeking employment, and we have found them very efficient workmen.

According to the newspapers from Scotland, there is at present a strike on in the comb factories, asking for an increase of 15 per cent in wages, the granting of which seems to us to be remote, and on this subject we inclose you a letter from our New York agents. If, however, they would grant this full increase in wages of 15 per cent, it would not raise the wage of the foreign workmen to much above 33½ per cent of our wage rate.

In view of the fact that whatever the price of the combs may be, the great mass of them are sold at 10 cents apiece, and therefore the ultimate consumer gets no benefit; and also that if there is an increase of importations, it surely throws just so many workmen out of employment, and that in all probability it would utterly destroy the industry before there would be any appreciable gain in revenue to the Government, we can not understand why the change should be made.

If necessary to reduce the duty, why could they not at least give us 37½ per cent, under which rate we might possibly continue in business, though without any profits?

If it will be of any avail, I shall be glad to go to Washington at any time at your suggestion and will see anyone you may desire me to in order to help this matter on.

Thanking you for your many favors, I remain,

Very truly, yours,

JOHN WALTON.

SYNOPSIS OF BRIEF.

Subject: Horn combs, made from cattle horn and used for hair dressing.

Schedule N: Paragraph 463, last clause.

Present duty of 50 per cent ad valorem advanced in the last bill from 30 per cent for reasons given in briefs presented to the Sixty-first Congress, extracts of which are attached herewith (pp. 1 and 2):

(1) This advance was based on the difference of cost of labor. (See pp. 3, 4, and 5.)

(2) The aggressive competition of foreign manufacturers made possible by their low rate of wages. (See p. 6.)

(3) The fact that most of our goods are sold in this country at either 5 or 10 cents, so that a change of duty would have no effect on the consumer. (See p. 7.)

As proof that this advance was justified and should be maintained, we submit the following:

1. Since the change there has been no advance in prices of horn combs by the domestic manufacturers.

2. The importation of foreign combs has continued large. (See p. 8.)

3. The horn-comb business is affected by sharp competition both at home and from the foreign manufacturers. (See p. 9.)

In view of the fact that the duty of 50 per cent ad valorem did not make possible an advance in prices, and the further fact that we have a steadily rising scale of wages since the last tariff bill, and the further fact that according to all advices we receive there has not been any advance in foreign wage scale, we feel justified in urging that the present duty shall not be changed.

EXTRACT FROM BRIEFS SUBMITTED TO PREVIOUS COMMITTEE ON WAYS AND MEANS.

Horn combs are made of cattle horns, and some years ago the production in this country supplied us with all our raw material at a moderate price; but owing to the breeding of short-horn cattle and the process of dehorning, the quantity and quality of American horns have fallen so low that it has been necessary for some years for American manufacturers to buy a large part of their material in European markets where the foreign manufacturers have the advantage of being on the ground.

The product of the foreign comb manufacturers has always found a market in this country, but under present conditions there is an increase in the number of sizes and styles, many of them copies of our makes, which enter our market and drive out the domestic goods. This competition is more keen and difficult to meet each year, particularly in view of the fact that the scale of wages we are required to pay has advanced.

A very considerable item of comb imports consists of fine handmade combs, which sell in all the department stores and among the dealers in better goods. Some of these goods manufactured in France are made in a manner that we could not presume to have sufficient tariff to enable us to compete. In these goods the item of hand labor figures very largely. While in France, in 1904, I was informed by horn brokers and other men familiar with the business that it is the custom of the large manufacturers to prepare the horn stock up to a certain point and then farm it out to families, who take the work home and there put upon it the fine hand labor which produces the superior article. For this work the families, consisting of father, mother, and several children—sometimes five or six—receive the equivalent of about \$5 for a full week's work. This statement had previously been made to me by Frenchmen in this country who were familiar with the comb industry in France.

There is also a line of very cheap combs coming here from Italy, Scotland, and the Netherlands, which we can hardly expect to compete with. Among these are pocket combs in cases, which are delivered in New York for \$1.25 per gross, duty paid, or of a line of fine-teeth combs at ridiculously low prices.

While thousands of dollars of these goods are continually shipped here, we do not advocate such protection as would give the American manufacturers a monopoly in this market.

The burden of our plea is that the tariff should be high enough to enable the American manufacturer, paying decent wages to workmen, to make reasonable profits and retain the market which legitimately belongs to them.

While there has been a large increase in the consumption of horn combs in this country, the industry has not advanced correspondingly. The decline in the cleared horn line of dressing and fine-teeth combs is particularly marked, the foreign manufacturers having this field practically to themselves, although most of our factories are equipped for the work, and if it were possible to compete could give employment to a goodly number of workmen.

If a change were made in the tariff schedule, either lowering or increasing the rate, it would not change the price of the combs to the consumer, except in a limited group of the article. The price that is charged for the comb at retail in this country for probably 75 per cent of the combs sold is 10 cents. The only effect of lowering the duty would be to enrich the dealer at the expense of the manufacturer and by the increase of importations reduce the output of our factories, which would result in the employment of less workmen and possibly the retirement of the industry, in which case the foreigner would undoubtedly increase his prices to this market.

On the other hand, an increase of duty would not increase the price to consumers, the revenue to the Government would probably not be materially diminished, and there would be an enlargement of the industry, which would give employment to more American labor.

Mr. James W. De Graff, representing the Noyes Comb Co., of Binghamton, N. Y., writes:

"About 15 years ago there were 11 horn-comb factories in this country, and to-day there are about 4, as the inadequate duty of 30 per cent does not allow the American manufacturer sufficient protection to enable him to compete with the low wages paid in Aberdeen, Scotland, and in Germany.

"Most of the importations into this country come from one horn-comb works in Aberdeen, Scotland. Our factory obtained a United States patent on a metal-back comb, where the backs extended over the ends, forming the end teeth, which patent expired a number of years ago, and the fair market value for this article is \$7.25 net; but the competing comb offered by the Aberdeen Comb Works can now be landed in New York City, freight and duty paid, for \$5.70; and beg to say that this comb can not be made in America to meet the foreign price mentioned above. Taking 100 as a unit, the wages amount to 45 per cent and a superintendent's charge of 5 per cent. Notwithstanding the fact that foreign combs are brought into this market at the price mentioned above, the consumer pays exactly the same price at retail for his goods as he does for ours, as the comb can not be retailed for 5 cents, and is universally sold at 10 cents, so that the difference in cost to the wholesale merchant is absorbed by him and the retailer at the expense of American labor.

"The wage scale in the Aberdeen Comb Works, Scotland, of which we have positive information, as per attached sworn affidavit, is as follows: Managers receive salaries not exceeding \$15 per week; foremen, from \$6 to \$7.50 per week; the best workmen, from \$4 to \$6.50 per week. Women earn an average of from \$2 to \$3, and boys, who must be 14 years old, start at \$1 per week, and they receive this rate for a considerable period.

"As comb making is not considered a man's work in Scotland, outside of manager, foremen, machinists, and a few men for very hard work, the larger proportion of employees are women and minors.

"On the contrary, our labor is principally men, whose wages are about four times as large as the women who do similar work, and the boys employed by us receive at least four times as much as boys abroad.

"A conservative estimate of the relative amount of the labor cost as between the foreign and domestic manufacturers is that the foreign wages for the same amount of labor would be less than 33½ per cent of the American wage cost. These figures relate particularly to Scotland, and are well within the facts. In other countries the rates would probably be lower."

COPY OF AFFIDAVIT.

FRANKFORD, PHILADELPHIA, PA., December 31, 1908.

I, John Rogers, of 4151 Paul Street, Frankford, Philadelphia, Pa., was in the employ of the Aberdeen Comb Works Co., Aberdeen, Scotland, for 42 years. During this time I worked in the various departments, and for a number of years I was employed as a foreman.

The rates of wages paid by this firm at the time my employment with the said firm ceased were as follows:

Managers, average wages not over 60s., or about \$15 per week.
Foremen, average wages not over 25s. to 30s., or about \$6 to \$7.50 per week.

Men, average wages not over 16s. to 27s., or about \$4 to \$6.50 per week.

Women, average wages not over 8s. to 12s., or about \$2 to \$3 per week.

Boys, average wages not over 4s. to 5s., or about \$1 to \$2 per week, this latter rate gradually increasing as the boys reach manhood.

I have been in constant correspondence since I left Aberdeen with employees of the comb works, who are my old friends and neighbors, and I am sure that rates have not advanced, but rather have decreased since that time.

JOHN R. ROGERS.

John Rogers, being duly sworn according to law, deposes and says that the facts set forth in the above statement, to which he has attached his signature, are true to the best of his knowledge and belief.

JOHN R. ROGERS.

Sworn and subscribed to before me this 31st day of December, 1908.
[SEAL.] THOS. B. FOULKROB,

Notary Public.

(Commission expires January 27, 1909.)

G. W. Richardson Co. and Wm. H. Noyes & Bro. Co., of Newburyport, Mass., write as follows:

"This industry is principally carried on in the States of Massachusetts, Pennsylvania, and New York, and although the various parties engaged in same have given strict attention to the details of the business and have been energetic and ingenious in inventing labor-saving devices, the business has not kept pace with the growth of the country.

"This is largely due, in our opinion, to the strong competition of the foreign manufacturers, notably those of Great Britain, France, Italy, and the Netherlands, who are sending large quantities of combs to this country and underselling us, notwithstanding the present duty.

"We consider that the low wage scale and also low cost of supplies abroad is the secret of their ability to do this, and the cost of the above items is fully 50 per cent of the total cost.

"The supplementary brief recently submitted by Mr. Walton gives facts in relation to the wage scale in Scotland which are of great importance when considering what is a fair measure of protection, and we call your especial attention to same.

"As women perform much of the heavy work in Scotland, for which we employ men at a rate of \$10.50 to \$13.50 per week, it is clear to us that the total labor cost in Aberdeen would not exceed 80 to 33½ per cent of what it is in this country.

"One of our principal items is a 7-inch metal-guard tooth comb, with a metal back of nicolene. This comb has been copied by the Aberdeen people and is now sold in this country by them at \$5.70 per gross, duty and freight paid.

"A fair price for this is from \$7 to \$7.50 per gross. The comb retails at 10 cents.

"ILLUSTRATION.

"On the basis on cost prices in Scotland a tariff of 50 per cent would merely meet the difference in wages alone on the class of combs in general use in this country.

"As stated by us in the briefs submitted to the Ways and Means Committee and printed in their Tariff Hearings, No. 36 (pp. 5395-5397), and in No. 47 (pp. 7075-7077), the proportion of labor cost in the medium goods (most commonly used) of horn combs in America, is about 50 per cent of the total cost.

Take a comb that will cost in America, as example, say, per gross.....	\$6.00
The labor cost would be 50 per cent.....	\$3.00
The labor on same article in Scotland.....	1.00

Which would give advantage to foreigner of.....	2.00
---	------

And make their cost only.....	4.00
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To equal the American cost we must add 50 per cent.....	2.00
---	------

6.00

"You will note that this relates to the medium grade of goods, which are made with considerable machinery; but for high-priced goods, which require more handwork, this percentage would be inadequate."

While formerly the foreign manufacturers confined themselves to the peculiar styles of their own countries which were salable here only in limited quantities for perhaps a decade, they have made a careful study of our market and methods of manufacture, and have gradually imitated our largest sellers and, though their product is still somewhat crude, have made great inroads on the business of American manufacturers.

This, of course, is only made possible by the low wage rate they pay. In one style of comb, known in the market as the metal end tooth comb, a comb with a nicolene (nickel-plated zinc) back and end teeth, which material they purchase lower in Europe than we can buy it here, their competition has been especially keen.

The factory of the Aberdeen Comb Co., Aberdeen, Scotland, which is a combination of the factories of Great Britain, and in this country would be denominated a trust, is especially active and determined to capture the American market.

The custom now firmly entrenched in the United States, and very largely brought about by the syndicate stores, of selling small wares at 5 or 10 cents has a determining influence on the prices the comb manufacturers can get for their goods. Except for a few styles especially well made and sold in limited quantities to a select trade, it would be suicidal for us to attempt to ask prices that would not permit the goods to be retailed at 10 cents.

Owing to this trade condition a change of duty either upward or downward would have no effect upon the consumer.

In Europe we found the prices at retail varied very much, running from the equivalent of our 5 cents up to a franc (20 cents) and shilling (about 25 cents), and in most instances, especially in the cheaper combs, the retail prices are equal to our American prices.

From these facts we can fairly assume were the American driven out of business from lack of sufficient duty to meet wage differences, it would not be long before the foreign prices would be advanced, and the

consumer here be compelled to buy inferior goods for 5 to 10 cents, or pay higher prices.

The importations of horn combs have been quite large.

According to reports of the Department of Commerce and Labor, which were handed to the writer, the importations were as follows:

Duty paid year ending June 30, 1911.....	\$155,265
Duty paid year ending June 30, 1912.....	130,272

During the latter years domestic manufactures were reduced in their sales in about the same proportion. These figures would indicate imports in excess of 25 per cent of the domestic manufactures, which clearly indicates that the present rate of duty is by no means prohibitive.

Owing to the fact that horn combs were not classified in previous tariff bills, but were imported under the general head of the "Manufactures of horn," which included many other articles, it is impossible for a comparison with former years to be made with any accuracy. We are inclined to believe, however, that because in the particular combs which sell most largely the foreign manufacturers lowered their prices sufficiently to meet the difference in the rate of duty the sales have been approximately as large.

The equipment of the horn-comb manufacturers for a number of years back, while it has not been materially increased, is sufficient to produce an excess of production, and each manufacturer is necessarily seeking more business continually. Of course the effect of this is to produce sharp competition; sometimes it takes the form of improved quality, and at other times is a question of price, so that at home we have competition that would prevent any serious advance in prices. In view, however, of the large imports, and the fact that our foreign competitors are aggressive, the American manufacturer is compelled to sell as cheaply as possible in order to maintain business enough to keep the factories going.

The countries from which we find competition, all of which have the low wage scale, are Great Britain, France, Germany, and Italy.

The Aberdeen Comb Co., of Aberdeen, Scotland, who are especially aggressive, and are making very strenuous efforts to capture the trade of this country, and who imitate our goods more than the others, are the sharpest competitors we have from foreign sources.

Some years ago all of the important horn-comb factories in Great Britain formed a consolidation which would be denominated a trust if located in this country.

In view of all these facts which show that our present duty is not prohibitive, that the consumer is not overcharged, and that a change of duty could not benefit the consumer, but would injure the industry very seriously, compelling either loss of occupation or lower wages to the workman, we trust that the present duty will be retained.

Mr. PENROSE. Mr. President, of one thing I am certain, that the enactment of this paragraph into law means the shutting down of this industry in Philadelphia and in Massachusetts without benefiting any man, woman, or child in the whole United States.

The SECRETARY. On page 120, paragraph 386 was passed over.

The committee proposes to strike out the paragraph as printed in the House text and to insert a new paragraph, as follows:

386. Paintings in oil or water colors, engravings, etchings, pastels, drawings, and sketches, in pen and ink or pencil or water colors, and sculptures not specially provided for in this section, 25 per cent ad valorem, but the term "sculptures" as used in this paragraph shall be understood to include only such as are cut, carved, or otherwise wrought by hand from a solid block or mass of marble, stone, or alabaster, or from metal, and that are the professional productions of a sculptor only, and the term "painting" as used in this paragraph shall be understood not to include such as are made wholly or in part by stenciling or other mechanical process.

Mr. LODGE. This amendment is interwoven with the one in the free list, and properly they would have to be taken up together.

Mr. SIMMONS. The committee have amendments that may possibly reach some of the objections of the Senator.

Mr. LODGE. I would be very glad to hear them stated.

Mr. SIMMONS. The amendments will be submitted by the Senator from New Jersey.

Mr. HUGHES. I am instructed by the committee to offer an amendment. In line 4, on page 120, the first line of the paragraph, I move to strike out the word "engravings."

The amendment to the amendment was agreed to.

Mr. HUGHES. In line 5, I move to strike out the word "etchings" and the comma.

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment as amended.

Mr. BRANDEGEE. Is that the entire amendment made to the amendment, I ask the Senator?

Mr. HUGHES. Yes; that is the entire amendment to the amendment.

Mr. LODGE. Those are the only changes?

Mr. HUGHES. The only changes.

Mr. LODGE. I am very glad that change has been made and that engravings and etchings have been put back where they have always been. They are on the free list in the existing law.

Mr. SMOOT. By striking them out of paragraph 386 they fall back into paragraph 337 at 15 per cent.

Mr. LODGE. Under what paragraph did the Senator from Utah say they will now come?

Mr. SMOOT. Paragraph 337, which provides:

Blank books, slate books and pamphlets, engravings, photographs, etchings, maps, charts, music in books or sheets, and printed matter, all the foregoing, wholly or in chief value of paper, and not specially provided for in this section, 15 per cent ad valorem.

Mr. LODGE. It puts them in that paragraph with a duty of 15 per cent.

Mr. SMOOT. Yes; it puts them back into paragraph 337.

Mr. LODGE. Under the existing law they are on the free list. In the paragraph where engravings or etchings are now placed, as I understand, in paragraph 337, page 104, it is provided:

Blank books, slate books and pamphlets, engravings, photographs, etchings, maps, charts, music in books or sheets, and printed matter, all the foregoing, wholly or in chief value of paper, and not specially provided for in this section, 15 per cent ad valorem.

The chief value of an engraving or an etching is not the paper; it is the marks on the paper made by the artist who etched or engraved the plate. It seems to me little short of absurd to put engravings or etchings in that paragraph and put a duty on them because they consist "wholly or in chief value of paper."

Mr. BRANDEGEE. What would be the price of that etching?

Mr. LODGE. Of course, the paper is practically of no value. The whole value of the etching is in the etching and the whole value of the engraving is in the engraving, and here they are classed in the paper schedule with slate books and pamphlets "wholly or in chief value of paper."

Mr. McCUMBER. Mr. President, I should like to ask the Senator from Massachusetts why he objects to the other side of the Chamber maintaining everlasting harmony in this bill?

Mr. LODGE. Why, Mr. President, I do not, as a rule, object to their making the bill in any way they desire; but etchings and engravings are works of art. They have hitherto been free. I feel strongly that it is of very great value to education in this country that etchings and engravings should come in free, as do other works of art. I deplore their being made dutiable. The imposition of a duty on them seems to me a very backward step. As I understand, the House had them under that queer heading at 15 per cent, and the Senate committee has raised the duty to 25 per cent. I wish they could be put back to their old place.

Mr. BRANDEGEE. Mr. President, I do not want to interrupt the Senator, if he objects—

Mr. LODGE. It does not interrupt me at all.

Mr. BRANDEGEE. I was going to ask the Senator if he did not think that this language which he is criticizing would place them on the free list unless the chief value of them was in the paper of which they are composed?

Mr. LODGE. If that is the case, this puts them back on the free list.

Mr. BRANDEGEE. I am not sure what it does; but I wanted to suggest to the Senator that unless an engraving was wholly or in chief value of the paper in its composition it would not seem to be provided for.

Mr. JOHNSON. Mr. President—

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Maine?

Mr. LODGE. I do.

Mr. JOHNSON. If the Senator will yield to me, I desire to make a motion to amend. In paragraph 337, page 104, line 16, after the word "foregoing," I move to strike out the words "wholly or in chief value of paper" and the word "and," at the beginning of line 17.

Mr. LODGE. Mr. President, before the Senator enters on that amendment, I wish to say that the arrangement about these articles is somewhat confused. They appear in the free list with a 50-year limitation, as I understand; that is, all etchings and engravings more than 50 years old come in free.

Mr. SMOOT. There is also a limitation as to certain institutions.

Mr. LODGE. This paragraph would cover, if I am right, etchings and engravings less than 50 years old whose chief value is paper.

Mr. SIMMONS. The Senator from Maine [Mr. JOHNSON] has just moved to strike out those words.

Mr. LODGE. I understand that; but that will leave the duty on them at 15 per cent, while they are now on the free list, as I understand.

Mr. President, I am glad that so much has been done for engravings and etchings—that they have been freed from a duty of 25 per cent—but I regret the increase that has been made over the House rate, which, I believe, is a repetition of the present law, if I remember rightly. I regret still more the extension of the term to 50 years, but that comes up more naturally in connection with the free list; so I shall not detain the Senate further at this point than to say that I think it is a great pity to increase the duty on paintings and sculpture. I think it is to the interest of the whole country that the duties on articles of this character, if they are to be made dutiable, should be very low. Art museums, which are established for the pleasure and benefit of the general public, are springing up

all over the country from Texas to Maine. They are places of great resort and great pleasure to the people of every town where they are located.

The paintings that are brought in by private individuals are sure to find their way sooner or later to those public museums. Of course, I am aware that public museums can bring these articles in free now, but I think it is a great mistake in public policy to increase the duty on works of art. I wish that this amendment could be defeated and that the House rate could remain.

Mr. JOHNSON. I find on referring to paragraph 416 of the present law that engravings and etchings are made dutiable at 25 per cent ad valorem, and the same language is used in the present law as is used in the pending measure, namely, "all the foregoing, wholly or in chief value of paper." I have moved to strike out those words. We simply followed the existing law in that particular. Under paragraph 337 of the pending bill these articles will be dutiable at 15 per cent.

Mr. LODGE. It was the repetition of a very foolish description, I think, to apply to etchings and engravings.

Mr. JOHNSON. I fully agree with the Senator. It seems to me the amendment which has been offered is necessary.

Mr. LODGE. I think so.

Mr. JOHNSON. The value is not in the paper, of course; it is in the skill of the artist or workman.

Mr. LODGE. I am one of those who were responsible for that law, and I am free to say that that was a piece of folly that I did not know was in it.

Mr. THOMAS. That is not the worst piece of folly in it.

Mr. ROOT. May I suggest to the Senator from Maine that striking out those words from paragraph 337, which corresponds to paragraph 416 of the old law, might involve some difficulty regarding the other articles enumerated in the section. If there were nothing but engravings and etchings, it would be quite simple, but paragraph 337 covers "blank books, slate books, and pamphlets, engravings, photographs, etchings, maps, charts, music in books or sheets, and printed matter."

The limitation "wholly or in chief value of paper," I suppose, would bear a pretty important relation to a good many articles. For instance, a bound book comes in. That book might be classified quite differently, according as the chief value is in the binding or the chief value is in the paper. A book may come in which has a certain amount of engraving, little vignettes or engraved title pages or incidental engravings or etchings.

Mr. JOHNSON. I suggest to the Senator from New York that the words to which he refers would not apply to books, because that part of the paragraph which relates to books is cut off by a semicolon. The qualifying words "wholly or in chief value of paper" relate only to "blank books, slate books, and pamphlets, engravings, photographs, etchings, maps, charts, music in books or sheets, and printed matter." It seems to me the criticism made by the Senator from Massachusetts as to engravings and etchings would apply to music in sheets. The value would not be in the paper, but must be in the music and in the skill and art of the composer, and as to a map or a chart that would also be true.

Mr. ROOT. Still there are many things in the paragraph which are subject to the suggestion which I have made.

Mr. JOHNSON. The blank books and slate books—

Mr. ROOT. Pamphlets—

Mr. JOHNSON. And possibly pamphlets.

Mr. ROOT. And possibly maps and charts.

Mr. JOHNSON. It seems to me that with respect to a pamphlet it would be the written matter, the thought of the author, which gives it value and not the paper upon which his thoughts are printed.

Mr. ROOT. That may be, but not necessarily so. I know there is a practical line of distinction in the application of the customs laws on account of these words. Although my memory about it is very vague, I know it exists, and I think the Senator had better not strike out those words now on the floor without further consideration.

Mr. JOHNSON. I shall be very glad to take the suggestion of the Senator and pass the paragraph over.

Mr. ROOT. It is perfectly clear that the chief value of an etching, an engraving, a map, or a chart can not be in the paper on which it is printed. The limitation "wholly or in chief value of paper" could be taken away from etchings, engravings, maps, and charts and applied to blank books, slate books, and pamphlets.

Mr. JOHNSON. I suggest that the amendment may be adopted. Then we can look into it, and, if necessary, recur to it again.

Mr. ROOT. Certainly; the Senator could rephrase it in a few moments so as to make it meet those objections.

The VICE PRESIDENT. The question is on agreeing to the committee amendment as amended on page 120, paragraph 386.

The amendment as amended was agreed to.

The SECRETARY. The next amendment passed over is on page 124, paragraph 403½, alizarin, etc.

Mr. SMOOT. In that paragraph, in line 20, I move that the comma between "alizarin" and "anthracene" be stricken out.

Mr. LODGE. What has become of paragraph 386 and the amendment to it? We have suddenly changed the subject to anthracene.

The VICE PRESIDENT. The amendment was agreed to as amended.

Mr. LODGE. I did not hear the question put.

Mr. ROOT. Mr. President, the agreement to the amendment in paragraph 386 was made through my own inadvertence without my observing it. I should be glad to have put in the RECORD an expression of my strong desire that the duty upon works of art should not be increased. I sincerely hope that in conference the House—

Mr. SIMMONS. I will state to the Senator from New York that we have not been able to hear what he has said over here because of the confusion.

Mr. ROOT. I was expressing a very strong desire that the duty on works of art should not be increased. I think the importation of all the things which are enumerated in this section and which were to be admitted under the House provision at 15 per cent ad valorem, the duty on which is raised by the Senate committee amendment to 25 per cent ad valorem, contributes materially and generally to the happiness and improvement of our people. I think it is a great mistake to increase the duty upon them. The way in which paintings and sculptures get into our museums is by reason of their having come to this side of the Atlantic. They do not stay here very long before they find their way into the places where all of our people can see them, and there are millions of people who themselves can not afford to have works of art who in all of our important cities have an opportunity to see them. I think it is a great pity that we should take a step backward, and I am sorry to see the Senate do so.

Mr. THOMAS. Mr. President, this paragraph has brought into discussion the action of the committee in reference to works of art somewhat prematurely, but perhaps it is as well here as at any other time that I should express my views upon that subject, inasmuch as it is directly connected with paragraph 386.

The committee placed certain works of art upon the dutiable list after full consideration and much disagreement, and provided that they should be free listed under certain circumstances, which are enumerated in paragraphs 657, 658, and 659, as I remember, and which, when complied with, will produce all of the good consequences which are predicated of free listing all works of art, as that term is understood.

There is no question about the educational value of all works of art. There can be no dispute about the fact that in proportion to the extent to which they can be enjoyed and viewed by the public they should be made as free as possible. They appeal to the best that is in human nature among all classes and conditions of men. The desire to have them freely exposed to the public view, thus being practically the property of all men, through their privilege of seeing them at all times, is perfectly natural. But we know that a great many of the most valuable paintings, statuary, antiquities, and other works of art are acquired at enormous prices and brought to this country by many of our very wealthy people for their private collections, immured from all public inspection, and restricted to themselves and to their immediate friends and admirers as something acquired to satisfy a taste or a fad, and to which the public are denied all access.

The prices which are paid for these articles are of secondary importance to those desiring and able to buy them. The fact that they are in the possession of these people is of itself a sufficient gratification of the purpose for which they have been secured. In other words, they are acquired for just the same reasons that beautiful carpets, furniture, and other decorations of the houses and palaces of the very wealthy are acquired.

It is true that in many instances, perhaps in most of them, these collections ultimately reach public institutions, art galleries, and other places for public exhibition and to which all have access. It is true, also, that they are frequently acquired directly by these institutions, and thus go to them at once, in which event there is no duty or the duty is refunded. The theory upon which these paragraphs were finally agreed upon by the committee is, as far as possible, to make these works of art public property and to do away, if possible, with, by discouraging the custom, making private collections of them, in

which event they disappear from the galleries of the Old World and are immune to all but the few after they reach our shores.

Personally, I consider it a great misfortune that any of the great works of art, justly celebrated in all ages and everywhere, should become the private property of any individual or individuals; because just in proportion as they are so acquired and pass into private collections, just in that proportion does the public suffer, and just in that proportion is it deprived of something to which it is not only entitled, but to which these articles are almost a necessity.

We have provided that whenever any work of art or any collection of paintings, statuary, or similar articles, within a period of five years after the time the work or the collection may be secured, are either given or sold or otherwise transferred to any public institution whose doors are open to the public without charge for at least four days a week for eight months in the year the duties which this bill place upon these articles when purchased will be refunded, and when purchased directly by or for these institutions they are admitted duty free. In other words, if an individual to-day obtaining possession, at whatever price, of a painting, a piece of sculpture, or other work of art either presents or sells it to any such public collection or public institution the amount of the duty which has been paid is refunded. We offer, as far as we can, a premium to the liberal spirit—the public spirit, if you please—of those whose means enable them to acquire and to become the owners of these valuable collections and who may desire to become public benefactors as well. Hence, art is not penalized so long as publicity with reference to its objects becomes possible. But wherever these articles are to be secured and collected simply as a matter of personal pride or vanity or self-gratification, and then segregated, so to speak, from the public gaze, I do not know of any principle which justifies the nation that such acquisitions should be permitted without the imposition of a duty, thereby giving a revenue to the Government.

Senators on the other side have bitterly opposed many of the provisions of this measure affecting the various necessities of life, and have tearfully prophesied disaster to certain industries dealing in commodities that are essential to human existence because we propose to relieve them of duty. Now, when we come to articles, in so far as private ownership is concerned, which are absolutely luxuries in their nature, the same gentlemen as tearfully protest, and insist that we are practically levying a tribute upon a means of public education, diverting and perverting the power of taxation from its legitimate uses and applying it to something that should always be exempt from its operation.

Mr. President, the fad or habit of investing in beautiful and valuable paintings and sculptures and other works of art, both ancient and modern, with little regard to expense, has become so common with a certain class of wealthy Americans that the production of their imitations has become an established and recognized industry in the countries of the Old World. Spurious imitations of every conspicuous and famous work of art known to civilization, and of many that were never heard of, are manufactured on an extensive scale and palmed off upon the careless, the unsuspecting, and the ignorant. These are brought here, and will be brought here, free of duty—if present conditions continue—by the credulous and the ignorant purchaser. So that it is now almost a byword that the average American millionaire, eager for his art collection, invests his hundreds of thousands in pictures and in sculptures, and in other so-called works of art, and may or may not have acquired what he thinks he has obtained.

Shall such spurious products be admitted into this country free of duty? Shall we practically place a premium upon the manufacture and sale of these imitations, upon the theory that the genuine works should be admitted free of duty because they tend to elevate and uplift and idealize all sorts and conditions of men?

The purpose of this duty is to penalize, as far as a revenue tax will do so, that industry, which is constantly growing and will continue to grow so long as the acquisition of works of art simply to gratify the personal vanity of those who obtain them continues to be one of the recognized fashionable and popular methods of spending money in large quantities by rich Americans in Europe.

Wherever and whenever any commodities included within this and the other paragraphs relating to the subject are brought to this country by or for public halls and galleries, and are placed where the public can have access to them, no man, Democrat or Republican, would, I think, care for a moment to discuss, much less to insist upon, the assessment of a duty. As a consequence, we have said or propose to say in this bill that while acquisitions of that sort are to be encouraged and made free, private purchasers shall be required to pay a duty upon

what they may purchase and bring here, and to that extent contribute to the revenues of the Federal Government.

A very distinguished Republican statesman some years ago expressed himself so much better upon this subject than it is possible for me to do, and covered the ground so much more fully than I can be expected to cover it upon the impulse of the moment, that I desire to read an extract from his remarks in the House of Representatives on the 22d day of March, 1897. On that occasion Representative Dingley, of Maine, then chairman of the Committee on Ways and Means, whose name the tariff bill of that year bears, and which bill, like ours, included in the dutiable list this sort of property, said:

Inasmuch as there is some criticism of the committee in transferring paintings and statuary from the free list, where they were placed in 1894, to the dutiable list, except where such articles are imported for an established art gallery which has free days for the public, it is proper that the reasons should be presented for the transfer, for when these reasons are carefully considered the critics will, for the most part, see that the change is necessary to cut off abuses.

The subject was brought to the attention of the committee by the president of the Board of General Appraisers, at New York, who pointed out that under the "free-art" provision, so called, about \$4,000,000 in value of these articles had been imported free of duty, and that not 10 per cent of them had gone into any art gallery or anywhere else that the public could reach them. Generally they had gone into private houses.

Let me digress here for the purpose of suggesting that a similar report upon the same subject made to-day would doubtless disclose a similar discrepancy between the number of these articles brought into this country for private collections and the number which have been placed in public institutions.

Mr. Dingley proceeds—and I commend this to the careful consideration of Senators on both sides of the Chamber:

The committee could see no reason why a millionaire should be able to import free of duty hundreds of thousands of dollars' worth of paintings and statuary for the decoration of his own house—not for the cultivation of the general public taste—while every humble citizen of the country is contributing his part toward the expenses of the Government. Therefore, while still allowing the free importation of art articles, paintings, statuary, etc., for museums or galleries or other institutions where the public may reach them, we have so modified this paragraph as to make other importations dutiable.

So far as articles of this class are, when imported, used in such a way that the public may reap the fruits of them, your committee are perfectly willing that they should be admitted free, but they do not think that in the present exigency of the Treasury such articles should be kept upon the free list when they cease to be public educators of the esthetic tastes of the masses of the people.

Of what value to the public are the great collections of some of the wealthy denizens of the leading cities of this country, immured like prisoners in dungeons in their own private collections, to which no man or woman, save by their gracious permission, can have access? Why should we permit importations of that sort to be made free of duty when we levy large tribute, and must do so, upon everything entering into the affairs and daily transactions and affecting the very existence of a hundred millions of people? It seems to me that if a single commodity can be named that ought to bear a duty, and perhaps a prohibitive duty, it is a great and valuable work of art when purchased and retired from the active world by some wealthy and selfish individual.

Futhermore, it is reported by the administrators of the law that there have been abuses of an extensive character. It is the testimony of the appraisers of the customhouse that under this innocent provision, conceived for an excellent purpose, appropriate within its legitimate sphere, there have been imported, under the guise of paintings, fans, worth from five hundred to a thousand dollars, with painted designs on them. These have been admitted free on the ground that they were paintings for the purpose of cultivating the æsthetic tastes of the people of the country.

Articles like these, which are conspicuous, perhaps, as necessities in public and private social gatherings where turkey trots and similar dances form the chief methods of modern enjoyment, Senators contend that works of art like these, dangling from the waists of women and worth thousands of dollars, must forsooth be permitted to come into this country free of duty as necessities, while bread and meat and other necessities of life go there only over the protests of Senators who are so much concerned about the protection and salvation of the æsthetic tastes and desires of the country.

Now your committee believe that in the present condition of the Treasury all articles which are simply for personal adornment, for personal use, for furnishing the houses of individual citizens—whether these articles be called paintings, statuary, or what not—should pay the same duty as similar articles under other conditions, but that where these articles are to be placed in an institution or art gallery, in order that the people of the country may have free admission to them, at least on some day, for the cultivation of æsthetic tastes, it is entirely appropriate that they should be admitted free; but we believe that such admissions should stop here and should not extend further.

That was both Republican and Democratic doctrine then. It is Democratic doctrine now. Let me read further from Mr. Dingley's speech:

Let me call your attention to the fact that under the provision allowing the free importation of antiquities and souvenirs "antiquity" and "souvenir" establishments have been set up in various parts of

Europe manufacturing furniture in antique form, draperies, and other articles of that kind, and these have been admitted free of duty, while other people are paying duty upon the articles which they chose to import.

It is time that some of these abuses should be cut off. The original intention was all right, but in matters of revenue it is found that when the camel's nose gets into the tent for an appropriate purpose the body sooner or later follows and takes possession of the tent.

The truth of the last sentence is obvious and applicable to every industry to which the principle of protection has been extended.

Rich Americans are called "Johnnies" in art purchases, but the June number of the Strand for this year has an article by F. Frankfort Moore, an English collector, which shows that "art dupes" are not confined to the millionaires of the United States. High art has come to be a most artful dodge throughout the world, and the esthetic taste of the people is everywhere fed upon spurious paintings and fake drawings. It is narrated by Moore that a fine-art dealer sold an early Rubens to an English major for \$30 in the frame. A brother officer called and wanted one just like the other, but to cost no more. The dealer told him it could be arranged, but that he would need a day to get Rubens No. 2. He then said, "If you will take a pair of the same Rubens, I might shade the price." A tradesman bought some "old Dresdens" which a leading English magazine of art catalogued as real "Dresden gems." The pictures got into court under some process and every one of them was proven spurious. It may be that the tradesman recouped his loss by working them off on rich Americans, and that they were admitted duty free under the spurious guise of educating the public taste.

But, Mr. President, the hour of 6 o'clock has arrived, and I shall not detain the Senate by a further discussion of the subject. Suffice it to say that the matter has been fully considered and disposed of along the line of the Dingley bill. Where we find a precedent from any source which addresses itself to our sound judgment we accept it, and we have accepted that part of the Dingley bill which declares that art shall be free when it is free in fact, but that it shall be dutiable when the subjects to which it relates are simply garnered as a means of gratifying the vanity and the ostentation of the idle rich.

The VICE PRESIDENT. The question is on the amendment proposed to paragraph 403, to strike out the comma.

Mr. SMOOT. I should like to have the paragraph passed over until to-morrow, because I have another amendment to follow that. It is now after 6 o'clock.

Mr. SIMMONS. I ask that the bill be laid aside for the day. The VICE PRESIDENT. The bill will go over.

EXECUTIVE SESSION.

Mr. BACON. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After five minutes of executive session the doors were reopened, and (at 6 o'clock and 6 minutes p. m.) the Senate adjourned until to-morrow, Thursday, September 4, 1913, at 11 o'clock a. m.

CONFIRMATIONS.

Executive nominations confirmed by the Senate September 3, 1913.

POSTMASTERS.

COLORADO.

M. J. Brennan, Leadville.
William A. White, Holyoke.

ILLINOIS.

John H. McGrath, Morris.

MISSISSIPPI.

R. L. Broadstreet, Coffeeville.

WASHINGTON.

George P. Wall, Winlock.

HOUSE OF REPRESENTATIVES.

WEDNESDAY, September 3, 1913.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

O Thou, who art the All in All, the Alpha and Omega, our God, and our Father, in whom are life, truth, justice, mercy, love; Thou knowest the beginning and the end.

"Behold! we know not anything;

We can but trust that good shall fall

At last—far off—at last, to all,

And every winter change to spring."

Sometimes we stumble and fall, but that is proof of strength. Sometimes we doubt, but that is the evidence of faith. Sometimes we despair, but that is the evidence of hope. Sometimes we even dare to hate, but that is evidence of love. Impart

unto us more strength, more faith, more hope, more love, that we may be what we ought to be, what we all long to be. For Thine is the kingdom, and the power, and the glory forever. Amen.

The Journal of the proceedings of yesterday was read and approved.

CALENDAR WEDNESDAY.

The SPEAKER. This is Calendar Wednesday, and the Clerk will call the roll of committees.

The Clerk proceeded with the call of committees.

Mr. FERRIS (when the Committee on the Public Lands was called). Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. FERRIS. Are we entitled to have the unfinished business disposed of on the California Hetch Hetchy bill under the call of committees? If so, I would like to have it laid before the House at this time, the previous question having been ordered on yesterday.

Mr. MANN. That will come up automatically.

Mr. BARTLETT. The previous question being ordered, it is the first thing in order after the reading of the Journal.

Mr. MANN. I say it will come up automatically.

Mr. FERRIS. When there are 9 or 10 bills on the calendar?

Mr. MANN. It will undoubtedly come up on the call of committees when Calendar Wednesday is disposed of.

The SPEAKER. The question seems to be this, whether or not this bill, being in the state it was in, would be brought up under the call of committees when the Committee on Public Lands is reached.

Mr. BARTLETT. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. BARTLETT. While it is true, Mr. Speaker, that ordinarily, where the previous question has been ordered upon a bill and the House adjourns with the previous question attached, it would come up immediately after the reading of the Journal, yet that is not so with reference to Calendar Wednesday, according to the rulings that I understand have heretofore been made.

The SPEAKER. The gentleman is correct in that.

Mr. MANN. My recollection is, Mr. Speaker, that the present Speaker has ruled that when the previous question has been ordered, the bill comes up the first thing on Calendar Wednesday; but regardless of Calendar Wednesday, whether it does or not, this bill will undoubtedly soon be up automatically.

Mr. FITZGERALD. Mr. Speaker, the rule provides that a bill must be either on the Union Calendar or the House Calendar. This is unfinished business.

Mr. FERRIS. It is on the Union Calendar.

The SPEAKER. It is on the Union Calendar until disposed of. However, it can be reached speedily anyway.

Mr. FERRIS. I do not care to raise the question, Mr. Speaker.

GREAT NORTHERN RAILWAY CO.

Mr. BURKE of South Dakota (when the Committee on Indian Affairs was called). Mr. Speaker, I desire to call up Senate bill 2711, No. 15 on the Union Calendar, and I ask that the bill may be considered in the Committee of the Whole.

The SPEAKER. The Clerk will report the bill by title.

The Clerk read as follows:

An act (S. 2711) to provide for the acquiring of station grounds by the Great Northern Railway Co. in the Colville Indian Reservation, in the State of Washington.

The SPEAKER. The gentleman from South Dakota [Mr. BURKE] asks that the bill be considered in the House as in Committee of the Whole. Is there objection?

Mr. FOSTER. Mr. Speaker, is the gentleman authorized by the committee to call up this bill?

Mr. BURKE of South Dakota. I am not, but the chairman of the committee [Mr. STEPHENS of Texas] is absent, and I know he is very desirous to have the bill considered.

Mr. FOSTER. I think unless the gentleman from South Dakota is authorized to make this request the bill can not be called up.

The SPEAKER. There is no question about that, if anybody raises the point.

Mr. BURKE of South Dakota. I ask unanimous consent that the bill may be considered. I have no interest in it. I am simply doing this in the absence of the chairman of the committee.

Mr. FITZGERALD. Unless the gentleman is authorized by the committee—

Mr. BURKE of South Dakota. I am not authorized.

Mr. FITZGERALD. I do not think the gentleman ought to make the request.

Mr. MANN. The gentleman from Texas [Mr. STEPHENS] stated a day or two ago that he was extremely anxious to have the bill passed. It will probably take but a moment. It is a right of way bill.

Mr. FITZGERALD. It grants rights in excess of those granted by the general act. It may involve considerable discussion in the Committee of the Whole House on the state of the Union.

Mr. BURKE of South Dakota. I have no interest in it, Mr. Speaker.

Mr. FITZGERALD. Then I hope the gentleman will not press it at this time. I am anxious to get to the consideration of another bill.

The SPEAKER. If objection is made, the Clerk will proceed with the call of committees.

The Clerk resumed and completed the call of committees.

HETCH HETCHY.

The SPEAKER. The gentleman from Oklahoma [Mr. FERRIS] is recognized.

Mr. FERRIS. Mr. Speaker, I call up the Hetch Hetchy bill (H. R. 7207) as unfinished business, and I ask that it be disposed of at this time.

The SPEAKER. The Clerk will report the bill by title.

The Clerk read the title of the bill (H. R. 7207) granting to the city and county of San Francisco certain rights of way in, over, and through certain public lands, the Yosemite National Park, the Stanislaus National Forest, and certain lands in the Yosemite National Park, the Stanislaus National Forest, and the public lands of the State of California, and for other purposes.

The SPEAKER. The question is on the engrossment and third reading of the bill.

Mr. MANN. Mr. Speaker, I think that was ordered.

The SPEAKER. The gentleman is mistaken about it. The Chair has examined the Record and it confirms his own memory. The gentleman from Minnesota [Mr. STEENERSON] made his demand just as the Speaker was going to put the question. He did it prematurely, of course, but that did not make any difference. He did it, and that was the end of it temporarily.

Mr. STEENERSON. My recollection was that the Speaker had put the motion, but I do not think it will do any harm to put it over again even if he had.

The bill was ordered to be engrossed and read a third time.

The SPEAKER. Does the gentleman from Minnesota withdraw his demand for the reading of the engrossed bill?

Mr. STEENERSON. Is the engrossed bill here?

The SPEAKER. It is right here, at the Clerk's desk.

Mr. STEENERSON. Then I do not insist on the reading of it. [Laughter.]

The bill was read a third time by title.

Mr. MURDOCK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MURDOCK. On yesterday the gentleman from Minnesota [Mr. STEENERSON] demanded the reading of the engrossed bill.

The SPEAKER. Yes.

Mr. MURDOCK. Inasmuch as the House has largely dispensed with the practice of reading engrossed bills, I would like to ask what is the material difference between an engrossed bill and an ordinary bill.

The SPEAKER. The engrossed bill is a clean copy of the bill in exactly the form in which it is going to leave the House.

Mr. STEENERSON. As I understand it, the engrossed bill contains all the amendments up to date.

The SPEAKER. Of course it does.

Mr. STEENERSON. And no other copy of the bill does contain them?

The SPEAKER. That is correct.

Mr. MURDOCK. A parliamentary inquiry, Mr. Speaker.

The SPEAKER. The gentleman will state it.

Mr. MURDOCK. There is no difference between the bill at the time the House passes it and the engrossed bill.

Mr. FITZGERALD. There is a very great difference. The engrossed bill embodies all the amendments which have been agreed to.

Mr. MANN. There is only one copy of the engrossed bill. There may be a thousand copies of the other print.

The SPEAKER. The engrossed bill is taken as embodying the result of the action of the House on the bill, including the amendments.

Mr. MANN. The engrossed bill is the one copy which, if the House passes it, goes to the Senate of the United States, and is the official copy upon which the other body acts.

The SPEAKER. That is true.

Mr. MANN. It is the copy from which the bill is finally enrolled.

The SPEAKER. That is correct.

Mr. MANN. It is the only official copy.

Mr. STEENERSON. A parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. STEENERSON. As I understand it, there is no available way in which I could compare the reading of this bill, even if I insisted on the reading of it at length. That is the reason I withdraw the demand.

The SPEAKER. The only way in which the gentleman could compare it would be to have in his hand a desk copy of the bill, together with the amendments, and as the Clerk proceeded with the reading of the engrossed copy, if the gentleman could read the amendments into it, then he would get the same result exactly, if the bill was correctly engrossed. But, anyhow, the request is withdrawn. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. STEENERSON) there were 99 ayes and 15 noes.

Mr. STEENERSON. Mr. Speaker, I make the point that there is no quorum present.

The SPEAKER. The gentleman from Minnesota makes the point that no quorum is present, and the Chair will count. [After counting.] One hundred and forty-three Members present, not a quorum. The Doorkeeper will close the doors, the Sergeant at Arms will notify absentees, and the Clerk will call the roll.

The question was taken; and there were—yeas 183, nays 43, answered "present" 9, not voting 194, as follows:

YEAS—183.

Abercrombie	Doughton	Kent	Seldomridge
Adamson	Dupré	Kinkaid, Nebr.	Sells
Alexander	Dyer	Kinkaid, N. J.	Slms
Allen	Edmonds	Kirkpatrick	Sinnott
Asbrook	Evans	Lafferty	Slemp
Aswell	Fergusson	Lazaro	Smith, J. M. C.
Austin	Ferris	Leshner	Smith, Md.
Bailey	Fitzgerald	Lever	Smith, Minn.
Baltz	Flood, Va.	Lewis, Pa.	Smith, Saml. W.
Barkley	Floyd, Ark.	Lindquist	Smith, Tex.
Barton	Foster	Linthicum	Sparkman
Bathrick	French	Lloyd	Stafford
Bell, Cal.	Gallagher	Logue	Stedman
Bell, Ga.	Gard	McAndrews	Stevens, Cal.
Blackmon	Garner	McDermott	Stevens, N. H.
Booher	Garrett, Tenn.	McKellar	Stone
Borchers	George	McKenzie	Stringer
Borland	Gittins	McLaughlin	Summers
Broussard	Goodwin, Ark.	Mann	Switzer
Brown, W. Va.	Greene, Mass.	Mapes	Taggart
Bryan	Greene, Vt.	Montague	Tavener
Buchanan, Tex.	Hammond	Moon	Taylor, Ala.
Burgess	Hardwick	Murdock	Taylor, Ark.
Burnett	Hardy	Murray, Okla.	Taylor, Colo.
Byrns, Tenn.	Harrison	Nelson	Temple
Callaway	Hay	Norton	Ten Eyck
Carlin	Hayden	Oldfield	Thompson, Okla.
Carr	Hayes	Padgett	Thompson, Ill.
Church	Heflin	Page	Tuttle
Claypool	Henry	Payne	Underwood
Clayton	Hensley	Pepper	Vaughan
Connelly, Kans.	Hinebaugh	Peterson	Volstead
Connelly, Iowa	Holland	Phelan	Walters
Cooper	Houston	Platt	Watkins
Covington	Hughes, Ga.	Plumley	Watson
Cramton	Hulings	Post	Weaver
Crisp	Hull	Pou	Webb
Cullop	Humphrey, Wash.	Prouty	Whaley
Curry	Humphreys, Miss.	Ragsdale	Williams
Davenport	Jacoway	Raker	Wilson, Fla.
Davis	Johnson, Ky.	Rayburn	Wingo
Decker	Johnson, S. C.	Rogers	Woodruff
Dent	Johnson, Utah	Rubey	Woods
Dickinson	Johnson, Wash.	Rucker	Young, N. Dak.
Donovan	Kelster	Russell	Young, Tex.
Doolittle	Kelly, Pa.	Sabath	

NAYS—43.

Adair	Dixon	Kennedy, Iowa	Reilly, Wis.
Beakes	Eagle	Kitchin	Scott
Britten	Elder	Konop	Sisson
Burke, Pa.	Esch	Lieb	Sloan
Burke, S. Dak.	Faison	McClellan	Steenserson
Burke, Wis.	Garrett, Tex.	MacDonald	Stephens, Miss.
Clive	Gillett	Madden	Talcott, N. Y.
Collier	Gray	Maguire, Nebr.	Thomas
Cox	Helgesen	Mitchell	Willis
Deltrick	Helm	Rauch	Witherspoon
Dillon	Hinds	Reed	

ANSWERED "PRESENT"—9.

Barnhart	Candler, Miss.	Guernsey	Morrison
Bartlett	Fields	Lewis, Md.	Moss, Ind.
Browning			

NOT VOTING—194.

Aiken	Baker	Buchanan, Ill.
Ainey	Barchfield	Bulkley
Anderson	Bartholdt	Butler
Ansberry	Beall, Tex.	Byrnes, S. C.
Anthony	Bowdle	Calder
Avis	Bremner	Brumbaugh

Cantrill	Good	Lee, Pa.	Riordan
Caraway	Gordon	L'Engle	Roberts, Mass.
Caraw	Gorman	Lenroot	Roberts, Nev.
Carter	Goulden	Levy	Roddenbery
Cary	Graham, Ill.	Lindbergh	Rothermel
Casey	Graham, Pa.	Lobeck	Rouse
Chandler, N. Y.	Green, Iowa	Loneragan	Rupley
Clancy	Gregg	McCor	Saunders
Clark, Fla.	Griest	McGillcuddy	Scully
Conry	Griffin	McGuire, Okla.	Shackelford
Copley	Gudger	Mahan	Sharp
Crosser	Hamill	Maher	Sherley
Curley	Hamilton, Mich.	Manahan	Sherwood
Dale	Hamilton, N. Y.	Martin	Shreve
Danforth	Hamlin	Merritt	Slayden
Dershem	Hart	Metz	Small
Dies	Haugen	Miller	Smith, Idaho
Difenderfer	Hawley	Mondell	Smith, N. Y.
Donohoe	Helvering	Moore	Stanley
Dooling	Hill	Morgan, La.	Stephens, Nebr.
Doremus	Hobson	Morgan, Okla.	Stephens, Tex.
Driscoll	Howard	Morin	Stevens, Minn.
Dunn	Howell	Moss, W. Va.	Stout
Eagan	Hoxworth	Mott	Sutherland
Edwards	Hughes, W. Va.	Murray, Mass.	Talbot, Md.
Estopinal	Igoe	Neeley	Talbot, N. Y.
Fairchild	Jones	Nolan, J. I.	Thacher
Falconer	Kahn	O'Brien	Towner
Farr	Keating	Oglesby	Townsend
Fess	Keiley, Mich.	O'Leary	Treadway
Finley	Kennedy, Conn.	O'Shaunessy	Tribble
FitzHenry	Kennedy, R. I.	Palmer	Underhill
Fordney	Kettner	Parker	Vare
Fowler	Key, Ohio	Patten, N. Y.	Walker
Francis	Kiess, Pa.	Patton, Pa.	Wallin
Frear	Kindel	Peters	Walsh
Gardner	Knowland, J. R.	Porter	Whitacre
Gerry	Korbly	Powers	White
Gillmore	Kreider	Quin	Wildner
Glass	La Follette	Raney	Wilson, N. Y.
Godwin, N. C.	Langham	Reilly, Conn.	Winslow
Goeke	Langley	Richardson	
Goldfogle	Lee, Ga.		

So the bill was passed.

The following pairs were announced:

For the session:

Mr. BARTLETT with Mr. BUTLER.

Mr. SLAYDEN with Mr. BARTHOLDT.

Mr. HOBSON with Mr. FAIRCHILD.

Mr. SCULLY with Mr. BROWNING.

Mr. METZ with Mr. WALLIN.

Mr. FIELDS with Mr. LANGLEY.

Until further notice:

Mr. GRAHAM of Illinois with Mr. MOSS of West Virginia.

Mr. BYRNES of South Carolina with Mr. BARCHFIELD.

Mr. GORDON with Mr. KENNEDY of Rhode Island.

Mr. BOWDLE with Mr. KELLEY of Michigan.

Mr. CANTRILL with Mr. CAMPBELL.

Mr. HOWARD with Mr. ANDERSON.

Mr. MCGILLICUDDY with Mr. GUERNSEY.

Mr. DALE with Mr. AVIS.

Mr. BUCKNER with Mr. HAWLEY.

Mr. RICHARDSON with Mr. FREAR.

Mr. MCCOY with Mr. STEVENS of Minnesota.

Mr. FOWLER with Mr. MILLER.

Mr. TALBOTT of Maryland with Mr. MERRITT.

Mr. FRANCIS with Mr. PARKER.

Mr. CANDLER of Mississippi with Mr. HAMILTON of New York.

Mr. GERRY with Mr. FESS.

Mr. J. I. NOLAN with Mr. GOULDEN.

Mr. AIKEN with Mr. AINEY.

Mr. BAKER with Mr. ANTHONY.

Mr. BEALL of Texas with Mr. BROWNE of Wisconsin.

Mr. BUCHANAN of Illinois with Mr. CARY.

Mr. CARAWAY with Mr. DANFORTH.

Mr. CLARK of Florida with Mr. COPLEY.

Mr. DIES with Mr. DUNN.

Mr. DIFENDERFER with Mr. FARR.

Mr. DOREMUS with Mr. FORDNEY.

Mr. EDWARDS with Mr. GRAHAM of Pennsylvania.

Mr. ESTOPINAL with Mr. GRIEST.

Mr. FINLEY with Mr. HAUGEN.

Mr. GLASS with Mr. HOWELL.

Mr. GODWIN of North Carolina with Mr. HUGHES of West Virginia.

Mr. GOEKE with Mr. KIESS of Pennsylvania.

Mr. GREGG with Mr. KREIDER.

Mr. GUDGER with Mr. LA FOLLETTE.

Mr. HAMLIN with Mr. LANGHAM.

Mr. KEATING with Mr. MCGUIRE of Oklahoma.

Mr. KORBLY with Mr. MANAHAN.

Mr. LEE of Georgia with Mr. MARTIN.

Mr. LEE of Pennsylvania with Mr. MONDELL.

Mr. LEVY with Mr. POWERS.

Mr. MORGAN of Louisiana with Mr. CHANDLER of New York.

Mr. PALMER with Mr. VARE.
 Mr. PATTEN of New York with Mr. SHREVE.
 Mr. PETERS with Mr. ROBERTS of Massachusetts.
 Mr. RAINEY with Mr. SMITH of Idaho.
 Mr. REILLY of Connecticut with Mr. SUTHERLAND.
 Mr. SHACKLEFORD with Mr. TREADWAY.
 Mr. SHARP with Mr. WILDER.
 Mr. SMALL with Mr. WINSLOW.
 Mr. STEPHENS of Nebraska with Mr. MOTT.
 Mr. STEPHENS of Texas with Mr. MOORE.
 Mr. WALKER with Mr. MORIN.
 Mr. WHITE with Mr. PATTON of Pennsylvania.
 Mr. DRISCOLL with Mr. PORTER.
 Mr. KEY of Ohio with Mr. ROBERTS of Nevada.
 Mr. SHERLEY with Mr. RUPLEY.
 On this vote (on Hetch Hetchy bill):
 Mr. BROWN of New York (in favor) with Mr. TOWNER (against).
 Mr. CARTER (in favor) with Mr. GREEN of Iowa (against).
 Mr. KAHN (in favor) with Mr. THACHER (against).
 Mr. MURRAY of Massachusetts (in favor) with Mr. GOOD (against).
 Mr. J. R. KNOWLAND (in favor) with Mr. ROUSE (against).
 The result of the vote was announced as above recorded.
 On motion of Mr. FERRIS, a motion to reconsider the vote by which the bill was passed was laid on the table.
 A quorum being present, the doors were opened.
 Mr. STEENERSON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD upon the bill which has just been passed.
 The SPEAKER. Is there objection?
 There was no objection.
 Mr. TALCOTT of New York. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD upon the bill which has just been passed.
 The SPEAKER. Is there objection?
 There was no objection.
 Mr. HAYES. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD, but not upon the bill which has just been passed.
 The SPEAKER. Is there objection?
 Mr. BORLAND. Mr. Speaker, reserving the right to object, I would like to ask the gentleman upon what subject he desires to extend his remarks in the RECORD?
 Mr. HAYES. Upon the subject of woman suffrage.
 The SPEAKER. Is there objection?
 There was no objection.

THE PREVIOUS QUESTION.

The SPEAKER. Respecting the point of order which was partially raised, but withdrawn, and therefore not passed upon, during the discussion a short time since, in regard to the order of business where the previous question had been ordered upon a bill upon Tuesday, the Chair desires to state that since that time he has examined the decisions upon the subject and finds that the present occupant of the Chair had occasion once before to pass upon the question, and at that time held that where the previous question had been ordered upon a bill on Tuesday the bill went over until Thursday. The Chair has not before him at this time what was said upon that occasion, but the reason for that ruling is very plain. If the ruling were otherwise, something might occur in respect to the matter which would consume two or three hours of Calendar Wednesday. The ruling of the Chair was and is and ever will be, until it is overruled, that where the previous question is ordered upon a bill on Tuesday the bill automatically goes over until the following Thursday.

KILLING OF ANGELO ALBANO.

Mr. FLOOD of Virginia. Mr. Speaker, I ask unanimous consent to take up the bill (H. R. 7384) to authorize the payment of an indemnity to the Italian Government for the killing of Angelo Albano, an Italian subject, and to consider it in the House as in the Committee of the Whole.

The SPEAKER. The gentleman from Virginia asks unanimous consent to take up the bill (H. R. 7384) to authorize the payment of an indemnity to the Italian Government for the killing of Angelo Albano, and asks unanimous consent that the bill be considered in the House as in Committee of the Whole. Is there objection?

Mr. MANN. Mr. Speaker, reserving the right to object, I desire to state that my understanding was that it was another bill that the gentleman desired to call up. I shall have to object to this bill.

The SPEAKER. Does the Chair understand the gentleman from Illinois to object?

Mr. MANN. Mr. Speaker, I shall object, and at the proper time I shall make the point of order that the bill in question is not upon the proper calendar.

Mr. FITZGERALD. The bill which the gentleman from Virginia is calling up is one ordering an indemnity to be paid for the killing of an Italian.

Mr. MANN. Not an indemnity, but to extend a gratuity under very peculiar circumstances, which are not explained anywhere.

Mr. FLOOD of Virginia. Mr. Speaker, they are very justifiable circumstances, and I will say to the gentleman that I shall take pleasure in explaining the circumstances. It would take only two or three minutes.

Mr. MANN. Oh, no; it would take a great deal longer than two or three minutes. I will say to the gentleman.

Mr. FLOOD of Virginia. Will the gentleman withhold his objection for a few minutes?

Mr. MANN. Certainly, if the gentleman desires to make a speech upon it, and then perhaps I shall want to make a speech giving the reasons for objection. I think I had better object.

The SPEAKER. The gentleman from Illinois objects.

Mr. FLOOD of Virginia. Mr. Speaker, I will say to the gentleman that this is a bill to provide an indemnity—

Mr. MANN. Oh, I know what the bill is.

Mr. FLOOD of Virginia. For the killing of a man by a mob when he was in the hands of two deputy sheriffs of Hillsboro County, Fla., on suspicion of having committed a murder.

Mr. MANN. Killed under circumstances where the deputy sheriffs plainly took him to a place to be killed, and under such circumstances that if anybody ought to pay it should be the county of Hillsboro or the State of Florida.

Mr. SPARKMAN. Mr. Speaker, I have just come into the Chamber, and, as Hillsboro is my county, I desire to ask the gentleman from Virginia what it is that is under consideration?

Mr. FLOOD of Virginia. Mr. Speaker, in September, 1910, an Italian was suspected, in Tampa, Fla., of having been implicated in the murder of a bookkeeper in a cigar store. He was arrested under a warrant by two deputy sheriffs. While he was being conveyed from his home, where he was arrested, in West Tampa to the jail in Tampa he was set upon by a mob, taken from the deputy sheriffs, and hanged. The authorities of Hillsboro County undertook to ascertain the members of the mob and to bring them to punishment, but were unable to ascertain who had committed the offense. No punishment was ever inflicted upon the members of this mob.

Mr. GILLET. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman from Massachusetts will state it.

Mr. GILLET. Under what order are we now proceeding?

The SPEAKER. Under the order of the gentleman from Virginia asking unanimous consent to consider this bill in the House as in Committee of the Whole, and the gentleman from Illinois [Mr. MANN] objected and then withheld his objection.

Mr. MANN. Oh, I did not withhold the objection.

The SPEAKER. Then we are proceeding out of order.

Mr. SPARKMAN. I will say, so far as I am concerned—

The SPEAKER. The Chair will recognize the gentleman from Virginia [Mr. HAY] to move to go into the Committee of the Whole House.

Mr. FITZGERALD. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 7898, the urgent deficiency bill. The call of committees has been completed and, as it has been completed, even on Calendar Wednesday this preferential motion is in order.

The SPEAKER. The Chair knows, but the Chair has just recognized the gentleman from Virginia.

Mr. FITZGERALD. But I insist that this is a preferential motion at this time. The Clerk finished the call of committees, and the gentleman from Virginia did not call his bill up on the call of committees.

The SPEAKER. The Chair will inquire of the gentleman how he makes it that his motion to go into the Committee of the Whole House on the state of the Union is preferential over the motion of the gentleman from Virginia to go into the Committee of the Whole House?

Mr. FITZGERALD. But, Mr. Speaker, the call of committees has been completed.

The SPEAKER. The Chair knows it has.

Mr. MANN. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MANN. Under what rule of the House is the gentleman from Virginia in order at all to make a motion to go into the Committee of the Whole House, his bill not being a privileged bill, the call of committees having ceased, and he having failed to call up his bill on the call of committees?

The SPEAKER. The call of committees has been exhausted, and even if it had not been exhausted the motion to go into the Committee of the Whole House at the end of 60 minutes is in order if he can get the floor.

Mr. FITZGERALD. Mr. Speaker, I think the Chair has not looked at the rule carefully. The rule provides—

Mr. MANN. Mr. Speaker, I make the point of order.

The SPEAKER. What point of order does the gentleman from Illinois make?

Mr. MANN. I make the point of order that the gentleman from Virginia is not in order, because H. R. 7384 is improperly on the Union Calendar and should be on the Private Calendar. This is a private claim, a bill to give a gratuity because of the death of a man, which is a private claim under the rules of the House, and hence the bill referred to the Union Calendar should have been referred to the Private Calendar.

The bill provides for the payment of an indemnity to the heirs, or for their benefit, of Angelo Albano, an Italian subject, said to have been killed by a mob. It is plainly a private bill, and should be on the Private Calendar.

Mr. FLOOD of Virginia. Mr. Speaker, this is an appropriation to the Italian Government, to be distributed among individuals as that Government sees fit. It is not a private claim. It is a claim against this Government in favor of the Italian Government. Mr. Speaker, there are a number of precedents for bills of this kind going on the Union Calendar.

Mr. MANN. The gentleman can not produce them, I think.

The SPEAKER. The Chair will hear the gentleman from Virginia. It seems like a conflict of two rules.

Mr. FLOOD of Virginia. Mr. Speaker, the bill says:

That there is hereby authorized to be paid, out of any money in the Treasury not otherwise appropriated, out of humane consideration and without reference to the question of liability therefor, to the Italian Government, as full indemnity to the heirs of Angelo Albano, an Italian subject, who was killed by an armed mob at Tampa, Fla., on the 20th day of September, 1910, the sum of \$6,000.

This bill provides for an appropriation to the Government of Italy, not to any citizen.

The facts in the case are as follows:

Angelo Albano was born in Italy on January 11, 1886.

When he was a boy his father came to this country, but never took any steps to renounce his allegiance to the Italian Government and become an American citizen.

The son, Angelo Albano, followed in his father's footsteps in this respect and never became a citizen of this country.

In September, 1910, he was suspected at Tampa, Fla., of having murdered the bookkeeper in a cigar factory at Tampa.

On the 20th of that month he was arrested on this charge, and while in the custody of two deputy sheriffs of Hillsboro County, Fla., he was seized by an armed mob and killed.

The authorities of Hillsboro County, though diligently endeavoring to do so, were never able to apprehend and punish the members of this mob.

As a consequence, the Italian Embassy, in the name of the Government of Italy, appealed to the sense of equity and justice of this Government for some settlement of this case, and has requested that an indemnity of \$6,000 be granted to that end.

On June 26 of this year the President of the United States recommended that, as an act of grace and without reference to the question of liability of the United States, Congress comply with the request of the Italian Government, the amount appropriated to be distributed by the Italian Government in such manner as it may deem proper.

There are many precedents for the course this bill has pursued.

On March 11, 1895, the corpse of A. J. Hixon, an American saloon keeper, was found in the coal field of Rouse, Colo. A coroner's jury found that he was murdered by an Italian miner named Andinino, who was immediately taken to Walsenburg, 7 miles away, and lodged in jail. Four other Italian miners implicated by the inquest were arrested and held, and on their way to Walsenburg, under the escort of two deputy sheriffs, they were intercepted by half a dozen men on horseback. One of the Italians was killed; another escaped with a wound, but was recaptured and lodged in jail in the cell with Andinino. The other Italians fled. The following night seven masked and armed men got into the jail and killed Andinino and his companion. The Italians who fled were afterwards found wandering in the mountains frostbitten so that their feet had to be amputated. Although the authorities of Colorado cooperated with the Italian consul in his efforts to secure the prosecution of the offenders, various causes contributed to prevent the institution of proceedings. The Italian ambassador formulated a claim, and on June 30, 1896, Mr. Olney reported that the facts were without dispute and suggested that they be submitted to the consideration of Congress.

On February 3, 1896, the President in a message to Congress recommended that without discussing the question of the liability of the United States either by reason of treaty obligations or under the general rules of international law Congress consider the propriety of making prompt and reasonable pecuniary provision for those injured and for the families of those who were killed. The deficiency act approved June 8, 1896, carried a provision for the payment to the Italian Government for full indemnity to the heirs of three of its subjects "who were riotously killed, and to two others who were injured, in the State of Colorado by residents of that State, \$10,000."

This was treated as a public and not a private bill.

In 1896 three persons of Italian origin, who were being held on a charge of homicide, were lynched by a mob at Hahnville, La. Upon the assumption that the unfortunate men were Italian subjects the Government of Italy sought the mediation of that of the United States with the State of Louisiana, to the end of investigating the occurrence, and if the facts warranted making provision for the families of the sufferers. The State of Louisiana promptly instituted an inquiry, expressing regret and a purpose to seek out the offenders. An independent investigation, set on foot by the Department of State, disclosed that all normal precautions for the safety of the prisoners had been taken by the local officers, and that no blame could justly attach to them by reason of the sudden outbreak of mob violence against these three men against whom there was convincing evidence of murder. The investigation further disclosed the fact that the lynched men by participating in the political affairs of this country and voting at its elections appeared to have in effect renounced their allegiance to their native land. It was established that one of the victims of the mob had taken the preliminary steps to abjure Italian allegiance, and it was but natural to presume that the others had also forfeited Italian citizenship, since by domicile and sharing in the electoral franchise they had acquired lawful citizenship of the State of Louisiana, a privilege inuring only to such as could show their declaration of intention to be naturalized. The Italian ambassador complained of a failure of justice in the case, and Congress, in the deficiency act of July 19, 1897, appropriated the sum of \$6,000 to be paid "out of humane consideration and without reference to the question of liability therefor to the Italian Government, as full indemnity to the heirs of three of its subjects."

This was treated in its reference, its report, and its course through this House as a public and not a private bill.

On July 21, 1899, five persons of Italian origin were lynched by a mob at Tallulah, La. The outrage originated in a quarrel concerning a goat which belonged to one of the Difatta brothers, who conducted a grocery business at Tallulah. It seems that the goat was in the habit of climbing on the balcony of the house of a Dr. Hodge, who, becoming annoyed, shot it. The following day Carlo Difatta accosted Dr. Hodge in the street and struck him a blow with his fist. The doctor shot him, and when he fell put his foot upon him, apparently intending to fire again. Giuseppe Difatta then shot at the doctor from a gun loaded with bird shot. A rumor having spread that Dr. Hodge had been killed, a mob quickly collected and went in search of Carlo and Giuseppe Difatta, who had succeeded in getting away and concealing themselves, while the sheriff arrested three other Italians and lodged them in jail. It was stated that two of the men had taken no part in the affair. Carlo and Giuseppe Difatta were found by the mob and were hanged, and the mob then went to the jail and took the other three Italians and hanged them also.

The authorities of the State and a representative of the Italian Embassy having separately investigated the occurrence, with discrepant results, particularly as to the alleged citizenship of the victims, and it not appearing that the State had been able to discover and punish the violators of the law, an independent investigation was conducted through the agency of the Department of State. President McKinley in his annual messages of December 3, 1899 and 1900, strongly urged upon Congress the desirability of enacting legislation making offenses against the treaty rights of foreigners domiciled in the United States cognizable in the Federal courts. Congress appropriated \$5,000 as indemnity in this case.

This was treated as a public and not as a private bill.

On July 15, 1901, the Italian Embassy at Washington urgently presented to the department the case of three Italians, two of whom were killed and the third wounded at Erwin, Miss., and asked (1) that the matter be officially investigated, (2) that the guilty parties be arrested and punished, and (3) that steps be taken to secure to Italians in the locality in question the protection to which they are entitled by treaty. The case was referred to the governor of Mississippi for appropriate action. It

seems that the crime was committed under cover of darkness, and the identity of the criminals was not discovered either at the coroner's inquest or at the subsequent investigation by the grand jury. The Italian Embassy protested against what was pronounced to be "a denial of justice, a flagrant violation of contractual conventions, and a grave offense to every humane and civil sentiment," and referring to the omission of Congress to confer jurisdiction in such cases on the Federal courts, as recommended by the President, declared that until such a measure should have been adopted the Italian Government would not only "have grounds of complaint for violation of the treaties to its injury," but would "not cease to denounce the systematic impunity enjoyed by crime and to hold the Federal Government responsible therefor."

This protest was transmitted to the committees of the Senate and House of Representatives having under consideration the President's recommendation that indemnity be paid to the families of the victims and that legislation be enacted to give the Federal courts original jurisdiction of treaty offenses against aliens.

By the act of March 3, 1903, the sum of \$5,000 was appropriated to be paid "out of humane consideration, without reference to the question of liability therefor to the Italian Government," as full indemnity to the heirs of the men who were slain and to the one who was injured by an armed mob at Erwin, Miss., on July 11, 1901.

There can be no doubt, Mr. Speaker, that this is a public bill and is properly on the Union Calendar.

The SPEAKER. From what committee was it reported? What calendar was it on?

Mr. FLOOD of Virginia. Some of these bills have been reported from the Appropriations Committee and some from Foreign Affairs.

Mr. MURRAY of Oklahoma. Will the gentleman yield?

Mr. FLOOD of Virginia. I yield to the gentleman from Oklahoma.

Mr. MURRAY of Oklahoma. The gentleman, Mr. Speaker, is mistaken as to the 11 Italians in New Orleans. They were all American citizens, with the exception of three. It is true they were all Italians, but there were only three of them who were Italian subjects.

The SPEAKER. That does not make any difference as to the present question.

Mr. MURRAY of Oklahoma. Well, what I wanted to ask was this: Is the gentleman aware that this Italian for whom he is trying to get this appropriation was an Italian subject?

Mr. FLOOD of Virginia. There is no doubt about the fact that he was an Italian subject. There has been a question, I will say to the gentleman from Oklahoma—

Mr. BARTLETT. May I interrupt the gentleman a moment?

Mr. FLOOD of Virginia. Just as soon as I answer the gentleman from Oklahoma. There has been a question in all of these cases, with the exception of one of them, as to whether the party who was killed was an Italian subject at the time of the killing or not. There is absolutely no question in the case the committee has here reported. The evidence that he was an Italian subject is absolutely clear. There is no dispute or question about it. In the case at New Orleans there was a question as to whether the men who were lynched were Italian subjects, and in the Mississippi case and the Colorado case the same question arose. Notwithstanding this fact, this Government, as a matter of grace and without reference to its liability, made an appropriation to pay the Government for killing those about whose citizenship there was no question.

Mr. MURRAY of Oklahoma. I want to state, Mr. Speaker, that if this man is an Italian subject it occurs to me that the appropriation would be just. I merely asked the question in order to know whether he had become naturalized or was at the time of his death an Italian subject.

The SPEAKER. The question at issue is a point of order raised by the gentleman from Illinois [Mr. MANN] as to what calendar this bill ought to be on, not what committee has jurisdiction of it or anything else about it. The question is which calendar it ought to go to.

Mr. BARTLETT. Mr. Speaker, will the gentleman yield?

The SPEAKER. Does the gentleman from Virginia yield to the gentleman from Georgia?

Mr. FLOOD of Virginia. I do.

Mr. BARTLETT. Mr. Speaker, it seems to me that this is not a bill to go upon the Private Calendar. It is true that there are instances where the citizens of foreign countries have filed and presented claims, or where claims have been presented by Members of Congress in their behalf, which have been referred to the Committee on Claims. But time and time again claims which foreign governments have presented to our Government and which were referred to the Congress by the President and

which were endeavored to be settled by reason of our foreign relations have generally, though not always, gone to the Committee on Foreign Affairs and have been reported by that committee.

This is the substance of a statement which you will find in the fourth volume of Hinds' Precedents, which reads:

The Committee on Foreign Affairs has exercised a general but not exclusive jurisdiction over projects of general legislation relating to claims having international relations.

The Committee on Foreign Affairs has jurisdiction. That is the section which defines the duties of committees. Of course, if this bill went to the Committee on Foreign Affairs and was reported from that committee, it would be by reason of its jurisdiction over foreign affairs, which generally does not apply to claims. But—

The Committee on Foreign Affairs has exercised a general but not exclusive jurisdiction over projects of general legislation relating to claims having international relations.

Now, as I understand the situation this bill is in, it grows out of the fact that the President has submitted to this Congress a message calling the attention of Congress to the fact that a citizen of Italy was killed in Florida and asking that the United States make reparation for it, just as Italy did with respect to certain claims that American citizens had growing out of certain matters some time ago; and the President submitted that message, which was referred to the Committee on Foreign Affairs, not as a private claim—because if it had been a private claim the Speaker would have referred it to the Committee on Claims, and they would have considered it—and the Speaker recognized that it was not a private claim, but that it was a claim that affected our international relations with a foreign country, and therefore sent it to the Committee on Foreign Affairs, to be dealt with by that committee, not as a private claim, not to return to or to pay to the individual the money, but as a bill to respond to a claim of the Italian Government in behalf of one of its citizens who had been killed in the United States, and appropriating money therefor.

Now, it seems to me, Mr. Speaker, if the precedents are examined I think you will find that to which the gentleman from Virginia [Mr. Flood] has called attention. I remember some of those cases since I have been here. You will find that the Committee on Foreign Affairs has, time and time again, reported bills of this sort, and those bills have gone on the Union Calendar and have been considered, not as private claims but as bills to discharge a public duty which the Government of the United States owes to a foreign country in the matter of our international relations. Certainly a bill affecting our international relations with a foreign country can not in any sense be considered a private bill. That is all I have to submit at this time.

The SPEAKER. Does the gentleman from Illinois [Mr. MANN] desire to be heard any further?

Mr. MANN. Mr. Speaker, the third clause of Rule XIII, dealing with the subject of calendars, provides:

Third. A Calendar of the Committee of the Whole House, to which shall be referred all bills of a private character.

Now, what are bills of a private character?

The SPEAKER. What was that citation?

Mr. MANN. That is clause third of Rule XIII.

The SPEAKER. All right.

Mr. MANN. Referring to Hinds' Precedents, volume 4, section 3285, for the definition of a private bill, it is there stated:

A private bill is a bill for the relief of one or several specified persons, corporations, institutions, etc., and is distinguished from a public bill, which relates to public matters and deals with individuals only by classes.

The statutes of the United States provide:

The term "private bill" shall be construed to mean all bills for the relief of private parties, bills granting pensions, and bills removing political disabilities,

And so forth.

To be a private bill it must not be general in its enactment, but for the particular interest or benefit of a person or persons.

Now, what is this bill? It provides for the payment of money to the Italian Government as full indemnity to the heirs of Angelo Alvano, and plainly means that it is a bill to give to the heirs of this deceased Italian the amount of money appropriated by the bill, just as much so as though it had plainly said that it was to pay to the persons specified as the heirs the sum of money stated. The fact that they are not specified by name does not prevent it being a private bill. The fact that the money is paid to the parties through the hands of the Italian Government does not change its character, because this is a bill for the payment of a sum of money as full indemnity to the heirs of a particular person. I do not see how any bill could be more of a private bill than that is.

Mr. FLOOD of Virginia. Mr. Speaker—

The SPEAKER. The Chair does not care to hear anything from the other side, if gentlemen will pardon the Chair.

One of the most difficult things, and one of the most unsettled things, that the Speaker has to deal with is the reference of bills to the committees and to the calendars. There are exceptions all along the line. Sometimes two or three committees have more or less claim to a bill, or the Speaker might refer the bill to any one of three committees with some propriety; sometimes possibly to any one of four. The Chair never found one of that sort, but frequently there are bills which the Chair might refer to either one of two or three committees. The most striking example of it that I remember since I have been Speaker was this: Somebody introduced a bill to fix the dimensions of an apple barrel. The Committee on Interstate and Foreign Commerce claimed that it had jurisdiction of that bill, because it related to barrels that were to be used in interstate commerce. That was the only justification that committee had. The Committee on Coinage, Weights, and Measures claimed the bill on the ground that they were authorized to fix measures. The Agricultural Committee claimed it on the ground that nobody raised any apples except people who were engaged in agriculture. After a good deal of wrangling about it the Speaker referred the bill.

Ordinarily a bill taking money out of the Treasury ought to be referred to the Union Calendar; but there is no doubt that this bill was properly referred to the Committee on Foreign Affairs. It is a matter with a foreign Government. The other day the gentleman from Virginia [Mr. Flood] introduced into the House a bill to appropriate \$100,000 to pay the expenses of Americans getting out of Mexico.

The Speaker referred that bill to the Committee on Appropriations. Ordinarily it ought to have gone to the Committee on Foreign Affairs and would have gone to that committee, and the gentleman from Virginia [Mr. Flood] strenuously insisted that the Committee on Foreign Affairs ought to have charge of it; but the quickest way to get that money was to refer the bill to the Committee on Appropriations, because that committee is going to call up an urgent deficiency bill right away, and the quicker those people get the money the better it will be for them. So the Speaker referred that, as an exception to the general rule, to the Committee on Appropriations.

This bill which the gentleman from Virginia [Mr. Flood] is endeavoring to bring before the House looks on its face very much like a private bill, and in one sense it is a private bill, but in another sense it is a matter of international comity, and it is important because the Italian Government has thought it of enough importance to make it a question with our Government. Therefore the Chair overrules the point of order raised by the gentleman from Illinois [Mr. Mann].

Mr. FITZGERALD. Mr. Speaker, I desire to be heard on the question whether the gentleman's motion is preferential to the one submitted by myself.

The SPEAKER. The Chair will hear the gentleman.

Mr. FITZGERALD. Paragraph 7 of Rule XXIV provides:

On Wednesday of each week no business shall be in order except as provided by paragraph 4 of this rule unless the House by a two-thirds vote on motion to dispense therewith shall otherwise determine. On such a motion there may be debate not to exceed five minutes for and against. On a call of committees under this rule bills may be called up from either the House or the Union Calendar, excepting bills which are privileged under the rules; but bills called up from the Union Calendar shall be considered in Committee of the Whole House on the state of the Union.

Paragraph 4 of the rule provides:

After the unfinished business has been disposed of the Speaker shall call each standing committee in regular order, and then select committees, and each committee when named may call up for consideration any bill reported by it on a previous day and on the House Calendar, and if the Speaker shall not complete the call of the committees before the House passes to other business he shall resume the next call where he left off, giving preference to the last bill under consideration.

To-day, under the rule, business was taken up as provided by the rule under paragraph 4, Rule XXIV. The Speaker called the committees. It would have been in order to call up any bill on either the House or the Union Calendar which was not privileged under the rule. This bill could have been called up when the Committee on Foreign Affairs was reached. It was not called up. The call of committees having been completed, business, as provided for under paragraph 4, Rule XXIV, is ended; and it being ended, the motion to go into Committee of the Whole House on the state of the Union for the consideration of appropriation bills, as a highly preferential motion, is privileged over a motion of the gentleman now to consider a bill which at this time has not a privileged status.

The SPEAKER. The Chair will ask the gentleman if he is contending that you can not go into Committee of the Whole on Calendar Wednesday after the call of committees is finished?

Mr. FITZGERALD. The only way a bill can be considered on Calendar Wednesday is on call of committees.

The SPEAKER. But suppose you get through in 15 minutes, has the House got to adjourn?

Mr. FITZGERALD. Not at all; other business which is appropriate may be called up.

Mr. MANN. Any business in order.

Mr. FITZGERALD. Upon the call of committees on Calendar Wednesday a bill on the House Calendar or the Union Calendar may be called. If there were no privileged business and nobody desired to call up bills upon either calendar, there would be nothing else for the House to do but to adjourn.

The SPEAKER. The Chair will state, in justice to the gentleman from Virginia [Mr. Flood], that he misled the gentleman from Virginia. The two rules are hard to remember. When you have the ordinary call of committees you are not permitted to call up bills on the Union Calendar, but when you have the call on Wednesday, strange to say, you can. The truth is the two rules ought to be remodeled. So the gentleman from Virginia came to the Speaker's desk and asked about it and got the opinion that he could not do it under the call of committees, but could do it after the call was over. So really the Chair was to blame about it. The practice is when there is a call of committees and the business runs 60 minutes, then if any gentleman gets the floor he can move to go into Committee of the Whole House on the state of the Union, or if the call of committees does not last 60 minutes, when the call is over it is considered to be 60 minutes.

Mr. FITZGERALD. Mr. Speaker, the rule is specific on that. The morning hour is 60 minutes.

Mr. MANN. If the Speaker will read paragraph 5 of Rule XXIV, he will find that it is not a matter of practice, but it is the rule:

After one hour shall have been devoted to the consideration of bills called up by committees it shall be in order, pending consideration or discussion thereof, to entertain a motion to go into Committee of the Whole House on the state of the Union.

That is, on any day when there is a call of committees except Calendar Wednesday. That rule, paragraph 5, Rule XXIV, does not apply to Calendar Wednesday, because it is expressly provided otherwise.

The SPEAKER. On page 389, in section 800, I find these words:

The words of the rule "after one hour" have been interpreted to mean a less time in case the call of committees shall have exhausted itself before the expiration of one hour.

Mr. MANN. That is conceded; but, Mr. Speaker, let us look at the rule. Calendar Wednesday rule provides:

On Wednesday of each week no business shall be in order except as provided by paragraph 4 of this rule, unless the House by a two-thirds vote on a motion to dispense therewith shall otherwise determine.

That refers, now, only to paragraph 4. Paragraph 4 is the paragraph that controls business on call of committees, not the one that authorizes going into Committee of the Whole after 60 minutes. No business shall be in order except under paragraph 4, and then the further provision that Union Calendar bills are permitted.

On Calendar Wednesday it is not in order at the end of 60 minutes to take a committee off the floor and move to go into the Committee of the Whole on another bill.

The SPEAKER. That is true. No one has ever claimed that.

Mr. MANN. But that is what the Speaker is claiming now.

The SPEAKER. Oh, no.

Mr. MANN. The Speaker stated a moment ago, and I think he did it erroneously, that because we had had a call of committees it was therefore in order to move to go into the Committee of the Whole House on the state of the Union at the end of 60 minutes or at the end of the call of committees; but that motion is not in order on Calendar Wednesday because, if it were in order on Calendar Wednesday, then, at any time where a committee had occupied the floor for 60 minutes, paragraph 5 of Rule XXIV would authorize that motion to be made.

The SPEAKER. Then how does the gentleman from New York come in with his motion?

Mr. MANN. Under the rule providing that it is in order at any time for the Committee on Appropriations to move to go into the Committee of the Whole House on the state of the Union for the consideration of a general appropriation bill.

The SPEAKER. Does the gentleman contend that as soon as the Journal is read on Calendar Wednesday the gentleman from New York has a right to move to go into the Committee of the Whole House on the state of the Union to consider his appropriation bill?

Mr. MANN. I do not; but Calendar Wednesday has been practically disposed of by a full call of the committees. Nothing has been called up. The committees have all been called, and the Chair has heretofore ruled that if there were no busi-

ness on the calendar, no bill on the calendar that could be called up, or that the call of committees be completed, then Calendar Wednesday dispenses with itself, without a motion. The call of committees has been completed and under the ruling of the Chair heretofore Calendar Wednesday is ended. It is then in order for a privileged bill to be called up by a motion to go into the Committee of the Whole House on the state of the Union; but the bill which the gentleman from Virginia [Mr. Flood] calls up is not a privileged bill. If he were moving to go into the Committee of the Whole House on the state of the Union to consider the annual diplomatic appropriation bill, it would be in order.

Mr. FITZGERALD. Mr. Speaker, I call attention to this fact: If, instead of attempting to move to go into the Committee of the Whole House on the state of the Union to consider a bill on the Union Calendar, the gentleman had attempted to call up a bill on the House Calendar, he would not have been in order. The only way he can call up a bill on Calendar Wednesday is under the call of committees, and unless his committee is under call he has no standing to call up a bill from either calendar. The object of Calendar Wednesday—and it brings back the whole philosophy of the rule—was to meet the demand that there be an opportunity at some definite time for Members to call up, without interference, bills on either the House or the Union Calendar. So the rule was framed in such a way that when a committee was called it could call up a bill on either calendar, and it could not be deprived of its place on the floor at the end of an hour, when considering a bill on the House Calendar, by the intervention of a privileged motion to go into the Committee of the Whole House on the state of the Union. The committees have been called, and they are never called twice in one day. Having been called, the business in order under paragraph 4 of Rule XXIV, which is for the call of committees, is ended. The motion to go into the Committee of the Whole House on the state of the Union to consider an appropriation bill is one of the most highly privileged motions and was only cut out earlier in the day until the call of committees had been completed under this rule affecting Calendar Wednesday.

The SPEAKER. The Chair is of opinion in respect to these two sections about having a call of committees that they should be remodeled and consolidated, because they cause confusion all of the time. That, however, has nothing to do with this question.

The motion of the gentleman from New York, even if the motion made by the gentleman from Virginia were in order, is undoubtedly preferential, because it is privileged, and the Chair therefore recognizes the gentleman from New York.

Mr. FITZGERALD. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 7898), making appropriations to supply urgent deficiencies in appropriations for the fiscal year 1913, and for other purposes. Pending that motion, I ask unanimous consent that general debate be limited to four hours, two hours to be controlled by the gentleman from Massachusetts [Mr. Gillett] and two hours by myself.

Mr. MANN. Mr. Speaker, reserving the right to object, may I ask whether the four hours are likely to be occupied or whether it will be the intention to proceed with the consideration of this bill under the five-minute rule to-day?

Mr. FITZGERALD. No; it would not. When the four hours are occupied I will move that the committee rise.

Mr. MANN. After the general debate is concluded does the gentleman intend to move to rise if that should occur before 5 o'clock? I think the House ought to know whether we are going into the bill under the five-minute rule to-day.

Mr. FITZGERALD. It depends upon how early we conclude. If the gentleman expects to use all the time on that side I am quite certain that the two hours will be used on this side.

Mr. Gillett. I will say to the gentleman I hope we can get through on this side with something less than two hours.

Mr. FITZGERALD. How much less?

Mr. MANN. We want two hours if you do.

Mr. Gillett. Of course we do not waive the two hours, but I mean it is quite possible we may not use it all.

Mr. HINEBAUGH. I want half an hour.

Mr. Gillett. That is taken care of.

Mr. MANN. The House will have to meet to-morrow evening to finish the bill; why not have an understanding?

Mr. Gillett. I have no objection to having an understanding that at the conclusion of the general debate to-day the committee shall rise.

Mr. EDWARDS. Will the gentleman from New York yield for a question?

Mr. FITZGERALD. Certainly.

Mr. EDWARDS. How much of the two hours on this side is spoken for already?

Mr. FITZGERALD. Well, the gentleman from Maryland [Mr. Lewis] wants from 45 minutes to an hour, and the gentleman from Missouri [Mr. Borland] is in the same position; I think he wants an hour.

Mr. EDWARDS. It is practically all spoken for. I have no objection.

Mr. FITZGERALD. Those are the only requests that have been made for time.

Mr. ADAMSON. Mr. Speaker, I assume there will be sufficient liberality under the five-minute rule so that important matters can be discussed.

Mr. FITZGERALD. There are some matters which will arise during the consideration of the bill of considerable importance, and so far as I am concerned Members will have opportunity to discuss them within reasonable limits.

Mr. MURDOCK. When does the gentleman expect to get through with this bill?

Mr. FITZGERALD. It depends upon the ability of Members to curb their desire to discuss items.

Mr. MURDOCK. Does the gentleman expect to conclude it by Friday?

Mr. FITZGERALD. I should like to conclude to-morrow night, so far as my personal convenience and comfort are concerned.

Mr. MURDOCK. It all depends, I will say to the gentleman, on how liberal he is under the five-minute rule, for if continued extensions are given—

Mr. FITZGERALD. If Members are interested very deeply in items in the bill or in those which are eliminated, I doubt if it would be proper to try arbitrarily to decline to give opportunity to such Members to discuss such matters.

Mr. MURDOCK. I think the gentleman is right about that.

Mr. FITZGERALD. I think important matters should be discussed liberally.

Mr. MURDOCK. When we reach a matter of the magnitude of the Commerce Court I do not think it is fair to hold Members down to the five-minute rule.

Mr. FITZGERALD. I do not either, and I believe we should arrange liberally to have matters fully discussed.

The SPEAKER. Before the Chair puts that motion the Clerk will read the following change of reference.

Mr. FITZGERALD. Is there objection to the request?

The SPEAKER. No.

CHANGE OF REFERENCE.

The SPEAKER. If there be no objection, the Committee on Railways and Canals will be discharged from the further consideration of the bill (H. R. 6854) to provide for the purchase or condemnation of the Chesapeake & Delaware Canal, and the same will be referred to the Committee on Rivers and Harbors. Is there objection?

Mr. MANN. Mr. Speaker, reserving the right to object, I would like to ask whether this change of reference is made at the request of the two committees?

The SPEAKER. It is made at the request of Mr. Moore, of Pennsylvania, who introduced the bill.

Mr. MANN. Well, it plainly was referred to the correct committee in the first instance.

The SPEAKER. The gentleman from Pennsylvania [Mr. Moore] informs the Chair that sometimes that kind of a bill has been referred to the Committee on Rivers and Harbors, although the Chair can not see why—

Mr. MANN. The Rivers and Harbors Committee does not have jurisdiction, and if it reported the item in the river and harbor bill it would be subject to the point of order, although I do not care who has the bill.

Mr. SPARKMAN. I think the proper reference of a bill like that is to the Committee on Rivers and Harbors. We have had that matter up quite a number of times, and I think the precedents of late years certainly are in that direction.

The SPEAKER. Is there objection to the change of reference? If not, it stands.

There was no objection.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted as follows:

To Mr. DIES, for two days, on account of sickness.

To Mr. MORGAN of Louisiana, for two weeks, on account of important business.

URGENT DEFICIENCY BILL.

The SPEAKER. The gentleman from New York moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 7898, and pending that motion he requests that general debate be limited to four hours, he to control one half of that time

and the gentleman from Massachusetts [Mr. GILLET] the other half. I suppose the gentleman from Massachusetts has some arrangement with the gentleman from Kansas [Mr. MURDOCK] as to their division of time. Is there objection? [After a pause.] The Chair hears none.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 7898, the urgent deficiency bill, with Mr. FLOOD of Virginia in the chair.

The bill was reported by title.

Mr. FITZGERALD. Mr. Chairman, I ask unanimous consent to dispense with the first reading of the bill.

The CHAIRMAN. The gentleman from New York [Mr. FITZGERALD] asks unanimous consent that the first reading of the bill be dispensed with. Is there objection? [After a pause.] The Chair hears none.

Mr. FITZGERALD. Mr. Chairman, I yield 45 minutes to the gentleman from Georgia [Mr. BARTLETT].

Mr. BARTLETT. Mr. Chairman, I yield to the gentleman from Maryland [Mr. LEWIS] 45 minutes, or so much thereof as he may desire. [Applause.]

The CHAIRMAN. The gentleman from Maryland [Mr. LEWIS] is recognized for 45 minutes.

Mr. LEWIS of Maryland. Mr. Chairman and gentlemen of the committee, I had not anticipated that it would be necessary for me to revive the discussion of the subject of parcel post in the Sixty-third Congress. My apology for doing so this afternoon lies in the fact that greatly misinformed attacks have been made upon the Postmaster General for his administrative acts in the development of the great parcel-post service, one of which was made in the other Chamber and one here. I consider those attacks to be most unfounded, and therefore unjust. But in order to test their merit it will be necessary, with the patience of the committee, that the whole subject of the parcel post and its functions should be reviewed.

Gentlemen, we are living in a time when the workman is perhaps receiving higher wages than ever before and yet finds it increasingly difficult to make both ends meet on pay day. The condition responsible for this is known as the "high cost of living," especially in the vital necessities, which have about doubled in price in the past dozen years.

The problem is here to be solved, if possible. The Democratic Party has promised to solve it, and this promise is accepted as sincere by a majority, although many who do not distrust our purpose doubt our prospects of success. I believe the reform of our tariff laws will, in some instances, work in that direction, but I believe, too, that more than one instrumentality will be necessary for relief, and I now propose to discuss what I consider to be a very direct and substantial instrument. While the facts in connection with the high cost of living are pretty well known, they will bear, I think, a little further statement in the interest of analysis.

The report of the Secretary of Agriculture for 1910 gives the following as the percentages of the prices paid by the consumer which the farmer received for the foodstuffs named:

	Per cent.
Poultry.....	55.1
Eggs, by the dozen.....	69.0
Celery, by the bunch.....	60.0
Strawberries, by quart.....	48.9
Oranges, by dozen.....	20.3
Melons, by pound.....	50.0
Potatoes, by bushel.....	59.3
Watermelons, singly.....	33.5
Turkeys.....	63.4
Cabbage, by the head.....	48.1
Apples, by bushel.....	55.6
Apples, by barrel.....	68.0
Onions, by peck.....	27.8
Green peas, by quart.....	60.0
Parsnips, by bunch.....	60.0
Turnips, by bunch.....	60.0

The following table, giving the prices of six of the vital necessities as sold by the farmer, by the wholesaler, and the prices finally paid by the consumers, is based on the quotations of the Washington market some time back for a single day:

Country produce sold in Washington Aug. 5, 1913.

Article.	Sold to consumer for—	Wholesale price.	Farm price.	Parcel post.
Eggs (2 dozen).....	\$0.56	\$0.40	\$0.32	\$0.07
Dressed chicken (3½ pounds).....	.77	.56	.42	.03
Butter (3 pounds).....	1.05	.75	.60	.07
Country sausage (3 pounds) (as of October, 1911).....	.54	.33	.24	.07
Country ham (10 pounds).....	2.20	1.20	.90	.15
Apples (half bushel).....	(1)	.40	.25	.24

1 65 to 80 cents.

The only function performed by commerce in this case was to convey these articles from producer to consumer, for which it employed three broken acts of transportation and as many or more necessarily costly processes of commerce. For these the prices are made to jump from \$2.73 at the farm to about \$5.82 to the consumer. We shall see later that the cost of direct transportation from the farm to the kitchen need be actually almost inconsiderable. There are no actual data showing the gross figures for prices at the farm or the total paid by the consumers for these table necessities, but the following estimate is probably not far from the mark for farm products as a whole:

Last year's agricultural products were worth \$9,000,000,000 to the farmers. The Government used farm values in getting figures for this total. Assuming that the farmers kept one-third of the products for their own use, the consumers paid more than \$13,000,000,000 for what the producers received \$6,000,000,000. The cost of getting the year's products from producers to consumers amounted to the enormous sum of \$7,000,000,000. The real problem to deal with is not high cost of living. It is high cost of selling. (B. F. Yoakum, chairman St. Louis & San Francisco Railroad.)

That is to say, the farm surplus products were sold by the farmer at a sum about equal to half the value of our railways, but cost the consumers twice that much, or a sum about equal to the market value of the railways as a whole.

Gentlemen, I call your attention to a significant circumstance in this connection. With rare exceptions, the necessities we use on our tables are originally produced on the farm in retail quantities; that is, in quantities small enough to suit the needs of the consumer as a retail purchaser. The eggs, butter, hams, sausage, chickens, etc., are retail and not wholesale products on the farm before entering the roundabout processes of commerce. Nearly all the vital necessities begin in retail quantities on the farm, but at present go to (a) the selling agent, who converts them into wholesale quantities for (b) the wholesale market, which passes them on in wholesale units to (c) the retail market, which reconverts them into retail quantities and passes them to (d) the consumer, the fourth buyer, at a price which about doubles that paid by the first buyer to the grower. Here are three broken acts of transportation and four costly processes of commerce which must all be charged up in the final price.

Can the fourth buyer, the consumer, now become the first buyer? Yes; when the farmer brings his supplies to town and sells direct from the street. But this method of distribution, even when possible, and it can not be used for the cities, entails such wastes of effort and maledconomy for the farmer that the price to the consumer is little, if any, better than the cumulative commercial one. At the same time the mere cost of transportation, if it were direct, would be inconsiderable.

DIRECT TRANSPORTATION.

The difficulty now lies in the absence of a transportation conduit which will receive the small shipment at the farm and convey it, like a letter, direct to the consumer. And as a result when the article leaves the farm, its ultimate consumer being unknown, it goes into commerce instead of to him; is converted into wholesale or commercial forms, only at last to reach the consumer as the third or fourth buyer at double cost. The additional price is the payment, not necessarily too large, which the consumer must pay to commerce for its troublesome and costly processes. If our manufacturers had to secure their coal as fourth instead of first buyers, the accumulated price would bring many of their industries to a stop. But, thank Providence, they can buy direct. Why? Because they buy in wholesale quantities, according to their needs, direct from the mine, and have the railway conduit to ship such wholesale purchases direct to the factory. If the consumer had a like conduit for his retail purchases direct from the farm to the kitchen, he could phone or write the farmer direct and have the articles sent him direct at their first price, and fresher in the bargain. The first order would grow into a standing order, where the articles, their prices, and payment proved satisfactory, and permanent supply relations would develop, with the consumer having his regular farmer or trucker as he now has his doctor, and with the wastes of commerce—the high cost of living—largely removed.

Why should not the retail purchaser have the same privilege of buying from the retail producer which the manufacturer has to buy from the wholesale producer? He has, and would, but he lacks the transportation facilities to bring him his retail purchase. Do the facilities exist? Yes; they are all here, and he is paying now for their maintenance and service.

I do not mean to contend that all retail forms can thus be made the subject of direct sale and transportation between producer and consumer. One qualification that suggests itself is that at long range, where producer and consumer were strangers, the article would have to be standardized; i. e., it would have to possess known characteristics of value and adaptability to the intended service to enable them to deal

direct. How far the standardization of manufactured products has progressed I do not undertake to say, but it is clear that the consumer will not purchase direct from the producer, even at a lower price, without definite conviction that the article will measure up to his requirements. But where the commodity is such—i. e., where it is standardized—it is equally clear that the consumer and producer ought to deal direct. They are under an obligation to society to accomplish the act of exchange or distribution in the most economical way. And in the cases of the standardized retail forms, adequate direct transportation being provided, the intermediate economical processes only add burdens to the price, and in the case of farm products deterioration to their quality. Another qualification to this direct-dealing program is found in those products that are produced in wholesale forms which the merchant must cut into retail forms to suit his patron's needs. And to these must be added such retail forms as, traversing great transportation distances, can only be economically transported in wholesale lots. Commerce in these cases performs a distinctly valuable function. The direct-to-consumer proposition does not imply the destruction of the true business of the merchant or any interference with the natural fields of commerce where the merchant performs a useful and worthy service for society.

With these explanations I hope to be understood when I use the expression "the retail shipment" as having in view those standardized forms of production and consumption which are produced in forms and sizes suited to the needs of the ultimate consumer or the ultimate unit of purchase. And now I call attention to another significant circumstance in connection with this retail product. It is that we are practically without any means of transportation for it; without any present agency adequately performing the function of moving it to its market. Let me take time to illustrate this statement by the facts of American transportation.

THE RAILWAYS AND THE RETAIL SHIPMENT.

When we think of transportation, naturally we turn first to the railways of the country. I call attention to this circumstance in that connection. The railways are doing now, have always done, a wholesale business, as distinguished from a retail business. The ultimate unit of purchase, the consumer, rarely goes to a freight depot for his supplies. The railway minimum unit of shipment is a hundred pounds and its minimum charge is 25 cents. But the consumer rarely requires a hundred pounds of anything, certainly not of meat, butter, eggs, or the other vital necessities. So the railway does not handle the shipment in sizes small enough for him, and thus the shipment takes its way from the producer, not to the consumer, but by reason of its wholesale size it goes into the commerce of the country.

It may seem that the railways are acting arbitrarily in thus drawing the line on a hundred-pound shipment and the 25-cent charge. Let me say that when you come to investigate railway practices you will find that the hundred-pound minimum and the 25-cent fee are reasonable enough from their standpoint. When you consider the acts of attention which a railway must give a shipment, be it large or small, be the journey short or long, you will find there are 20, which all must bear alike. I insert a list of them compiled by a railway traffic expert:

The railway company employee—

- (1) Unloads article from consignor's vehicle.
- (2) Loads article in car.
- (3) Ascertains rate to be paid.
- (4) Makes out bill of lading.
- (5) Makes out waybill and sends copy to auditor and the train conductor.
- (6) Receiving agent, destination, receipts to conductor—
- (7) Sends notice to consignee.
- (8) Unloads package from car.
- (9) Takes receipt of consignee.
- (10) Loads it on consignee's wagon.
- (11) Agent gets money for shipment—
- (12) Copies bill of lading into record of freight forwarded.
- (13) Copies bill of lading into record of freight received.
- (14) Sends statement of freight "sent" to auditor.
- (15) Sends statement of freight "received" to auditor.
- (16) Auditor checks bill of lading against records of sending agent—
- (17) Checks bill of lading against record of receiving agent.
- (18) Advises treasurer of money due by each agent.
- (19) Makes statistical report from bill of lading.
- (20) Calculates, per bill of lading, amount payable the different railways.

Of those 20 acts of "transportation attention," 15 are at this moment replaced by the postage stamp in the carriage of the shipment by the postal system. On the large shipment the hindrance of their cost is not so great, and it can move; but their effect on the small shipment is to penalize it out of the transportation of the country.

Here are 20 acts of service which the railway—and mutatis mutandis the express company—must perform for the shipment

whether the weight or journey be great or small. Their total cost constitutes nearly the whole expense when the journey is the shortest or the weight is the lightest, while this expense tends to lessen correspondingly with the increase of the weight and the journey.

Railway tariffs frequently show rates per 100 pounds of 8, 7, and 6 cents for short distances; and we shall see later that the average rate, sixth class, for 36 miles is but 9 cents and for 100 miles but 11 cents; in fact, nearly all minimum distance rates for all the classes are below 20 cents per 100 pounds. Yet the railways must decline to carry for this published tariff and require instead a minimum fee of 25 cents however low the rate may be, even when 6 cents a hundred; and in the same way they refuse to charge the shipper on less than 100-pound lots however much less the actual weight may be. This fee of 25 cents may be said to be the irreducible minimum in freight charges.

Speaking relatively, railway accounting practices are designed and fitted for the large and not the small consignment; for the large buyer rather than the little and ultimate buyer. The desirable business of the railway comes from the wholesale unit rather than the final unit of trade or the ultimate purchaser. Accordingly the transportation practices and processes through which every shipment goes, before going in the car, while in transit, after leaving the car, and before its receipt by the consignee, are the relatively necessary incidents of the large shipment, the cost of which it can reasonably bear. But when they are applied to the small shipment or the retail unit under 100 pounds their cost has driven it out of transportation commerce.

THE EXPRESS COMPANY AND THE RETAIL SHIPMENT.

When we think of the "small" shipment, we think of the express company. It ought to carry this shipment, at least between the railway towns and cities, and meet such needs as the parcel post. It does not, and for two reasons, neither of which can it remedy: First, it does not reach the farm or country store either to receive or deliver the shipment; second, it does not carry it on sufficiently economical terms. It is burdened down with the same condition of "transportation accounting" that prevails with the railways. I insert a list of express processes, 11 in number, which are replaced by the postage stamp in the postal carriage of the shipment:

The express company—

1. Ascertains the rate to be paid.
2. Makes out waybill.
3. Copies waybill into record of shipment "forwarded."
4. Copies same into record of shipments "received."
5. Makes statement of "shipment sent" to auditor.
6. Makes same of shipment "received."
7. Auditor checks waybills against record of "sending" agent.
8. Auditor checks same against record of "receiving agent."
9. In case of "through" waybills, previous items repeated.
10. Auditor makes division of percentages going to express company and the railway or railways.
11. In case of "through" waybills, auditor makes like divisions of percentages between express companies and railways.

The above acts alone account for an immense proportion of the expenses of the express companies, and are fatal to the making of a rate proportioned to the small shipment.

No railway or express company has so far ventured an experiment of elimination of these accounting practices. It is, perhaps, not too broad a statement to say that railway and express transportation accounting are necessary to intercorporate dealings and the large shipment, and can not be dispensed with by either. As long as the individual railway and express companies are our agencies of transportation for the small shipments we can not complain at paying for the practices they find necessary, and neither is institutionally qualified to economically handle the small shipment.

I think it is sufficiently obvious that the express company can not be made to reach the farm or the country store. This circumstance renders it incompetent to discharge at least half its functions, for farm-to-town traffic in retail shipments would constitute at least half the potential traffic. But the express company is unable to fully perform its function of moving the potential traffic even between railway points; and this because its rates are relatively prohibitive.

PROHIBITIVE EXPRESS CHARGES.

We should expect express charges to be higher per ton here than abroad—as much higher relatively as our freight-per-ton charges. But no necessary economic cause is known which justifies a substantially higher proportion or ratio of the express to the freight charges here as compared with other countries. The average express charge per ton here is shown to be \$31.20, while the average freight charge is \$1.90 per ton, giving a ratio of the express charge to the freight charge of 16 (16.42) to 1. This express charge includes the cost of such collect-and-delivery service as is rendered, covering, it is thought, about 90 per cent of the traffic. In the table now inserted the element of the expense of the express companies for collecting and de-

livering, amounting to 11.50 per cent, is excluded, because many of the countries do not include this factor of cost. The table embraces 10 countries, while the specific data upon which the ratios are based are set forth in Senate Document No. 379, page 64, Sixty-second Congress. All countries have been included where the express data are clearly distinguishable from general freight statistics.

Ratios of average express charges to average freight charges in 11 countries.

Countries.	Average express charge per ton.	Average freight charge per ton.	Ratios of average express to freight charges.
Argentina.....	\$6.51	\$1.95	3.2 to 1
Austria.....	3.77	.74	5.0 to 1
Belgium.....	14.92	.53	19.3 to 1
Denmark.....	5.49	.87	6.3 to 1
France.....	6.88	.95	7.2 to 1
Germany.....	3.80	.76	5.0 to 1
Hungary.....	3.68	.93	3.9 to 1
Netherlands.....	2.43	.67	3.6 to 1
Norway.....	1.90	.49	3.8 to 1
Prussia.....	4.32	.86	5.0 to 1
Average for 10 countries.....			5.23 to 1
United States.....	27.61	1.90	14.53 to 1

¹ Belgium and Denmark deliver parcels.

From this table it appears that while Argentina charges three times, Austria five times, Belgium nine times, Denmark six times, France seven times, Germany (including Prussia) five times, Hungary, the Netherlands, and Norway about four times as much for carrying a ton of express as of freight, the express companies of the United States charge nearly fifteen times as much, excluding the cost of their collection and delivery.

No further statement need be made to show that the charges of American express companies are prohibitively excessive and such as to disqualify this service as a transportation agency. The instances given represent matter carried by passenger trains in all instances. The abnormal and prohibitive effect of American express rates are only too marked. In the 10 countries referred to the rates are such as to permit the movement of 1 (1.06) per cent of the total rail traffic by express, at a gross charge of about 6 (5.89) per cent of the general freight revenues. In the United States the express matter moved amounted to only one-half (0.517) per cent of the total freight tonnage, but for it the express companies collected a gross sum equal to about 8 (7.776) per cent of the railway freight revenue, or a charge equal to 316 per cent of the normal rate as indicated in these 10 countries.

REGULATION OF EXPRESS RATES.

It may be suggested that such inhibitory high charges may be remedied by the regulatory action of the Interstate Commerce Commission. While the express reports show that the profits of the companies are clearly out of all proportion to the investment, they also show that these profits were but 8.44, 9.17, and 6.70 per cent of the gross receipts, or the average express charge, for the years, respectively, of 1909, 1910, and 1911. If all the profits were taken away the rate would not be substantially reduced, while of course no such reduction would be asked of or considered by a Government tribunal. A simple illustration of the regulatory function at work on a transportation rate will suffice to show the inapplicability of that method to the present express business. To illustrate: The weight of the average package in 1909 was 33 (32.52) pounds, which brought a gross rate of 51 cents. Of this 47.50 per cent was paid to the railways, leaving a net profit to the express company of 4.25 cents in 1909, and 4.50 and 3.35 cents in 1910 and 1911, respectively, on the average package, or a general profit on the business of 8.43 per cent, 9.17 per cent, and 6.70 per cent for the years named, but yielding the companies more than 100 per cent returns on the real investment for each year. What does all this mean? Simply that, although securing utterly egregious returns on the investment, they must rely for their profits on a percentage of the rate, or a margin so small that they can not safely make it smaller and be sure of any net return. The arithmetical margin of one-half of 1 per cent would, if it came, give the 10 per cent return, but the slightest unfavorable perturbation of the traffic might convert this favorable margin into an unfavorable one, i. e., from a profit to a deficit.

It has been proposed that the express company be abolished and the railway companies compelled to do its work. Obviously, the railway could not be expected to articulate with the farm or nonrailway points any better than the express company. But even so, it is doubtful whether converting 14 express com-

panies into as many companies as there are operating railways, perhaps 700 in all, would help matters. The probable result of such a change is, perhaps, not overstated in the following extract from a letter of the president of one of our largest railway systems. He says:

It is gravely to be doubted if the railways, as a rule, could transact the (express) business so as to net as much out of it as the express company pays them.

Assume that the roads radiating from Chicago should cancel their contracts with the express companies and organize to handle small packages, the first result would be an enormous economic waste in the duplication, triplication, and quadruplication of terminal expenses. At present the collection and delivery for a dozen roads is in the hands of one agency. Multiply this by the hundreds of cities and towns where the same conditions would prevail and it is easy to see that the \$11,000,000 of profit the express companies secure might readily fall short of what the railroads would lose should they discard the agency.

THE REMEDY.

And now it is asked if neither railway or express company does or can discharge the function of transporting this retail shipment, why does not our parcel post do it? This is a fair question, and upon its answer, I think you will agree, depends the whole solution of the problem.

Gentlemen, it is exactly true to say that our parcel post does not discharge the function, only because it is not permitted to do so; only because of restrictions upon its free operation, which can be administratively removed. I make these strong statements only with the object of proving them. Sirs, the restrictions upon the parcel post which prevent its achieving its great function are:

(a) The weight limit, 11 and 20 pounds, which prohibits it from moving a normal shipment.

(b) The pound rates, which, excepting on the first 150 miles, are prohibitively high and many times as high as the cost of the service.

On the rail zones the pound rates, excepting the charge on the first pound, are:

On the 300-mile zone, three and one-half times the cost of service.
On the 600-mile zone, two times the cost of service.

As a matter of fact, except for 150 miles, the pound rates only correspond with the cost of service at 2,900 miles, where the rate is 12 cents a pound; which is, of course, a prohibitive rate and distance.

I will insert a chart (Chart "A"), showing graphically the disparity between the present rates, express rates, and the rates indicated by the costs of service. Since the chart was made the rates for 150 miles have been reduced from 3 and 4 cents to 1 cent a pound. (See p. 4160.)

In an appendix I set out the three-day test reports for the 50 largest cities doing, as experience has shown, one-half the ordinary postal business of the country. This shows the average weight of the shipment to have been just 1 pound, or, omitting the old fourth-class matter from the computation, the new shipments average but 3 pounds each. Now, since the shipment by express averages over 32 pounds, it is not difficult to see how the weight limit and utterly irrational rates operate by their restrictive influences to prevent the parcel post from giving relief from abnormal express charges, as well as an agency for direct-to-consumer transactions.

Gentlemen, if these restrictions—I mean the weight limit and irrational rates—are removed from the operation of the parcel post, I confidently predict substantial relief to the consumers of the country.

Gentlemen, I congratulate the country that the Wilson administration is in a position to remove these restrictions, and thus to provide a system adequate to meet our great need of direct transportation. The legislation provided by the last House (Congress) is ample to enable the postal system to fully achieve this great result. And it can do it without an additional line of legislation by administrative process.

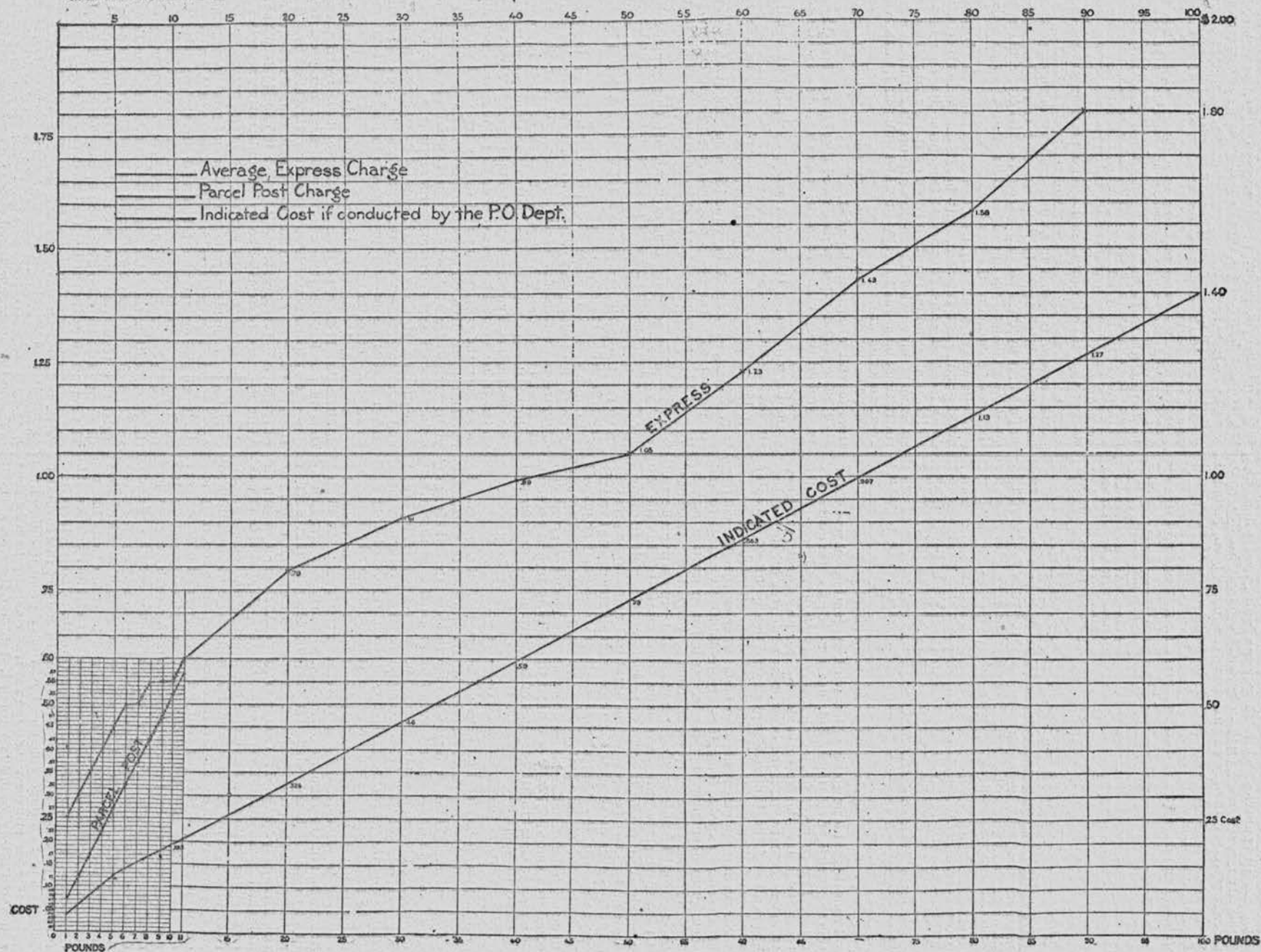
SUBJECT EXPERIMENTAL AND CONSTRUCTIVE.

To begin, I should say that the work of establishing and conducting this service is essentially experimental and constructive in character, and this fact was distinctly recognized in the act itself. Congress clearly saw that the task of adjusting the features and processes of the service—i. e., the weight limit, the classification, the zones, and other conditions—to the various requirements of commerce could not well be encompassed by legislative regulation, and so it charged the responsibility in this respect to the administration of the Post Office Department. The act provides that if the Postmaster General—

find on experience that the classification of articles mailable as well as the weight limit, the rates of postage, zone or zones and other conditions of mailability or any of them are such as to prevent the shipment of articles desirable, or to permanently render the cost of the service greater than the revenue, he is hereby authorized, subject to the consent of the Interstate Commerce Commission, to reform from time to time such classification, weight limit, rates, zone or zones or conditions (of mailability) or either in order to promote the service to the public or to insure the receipt of revenue adequate to pay the cost thereof.

Chart "A"

CHART SHOWING AVERAGE EXPRESS RATES, AND PRESENT PARCEL POST RATES, FOR 1 POUND UP TO 100 POUNDS, FOR A DISTANCE OF 300 MILES, AS COMPARED WITH THE INDICATED COST OF THE PARCEL POST SERVICE.



And now, Mr. Chairman, comes the more particular occasion for my address this afternoon. I am sure the older Members will remember the circumstances attending the passage of the parcel-post measure in the last Congress, a copy of which I will append to my remarks. On the part of the House I am sure the feeling was that the rates included in the measure as it passed the Senate were utterly inordinate and extravagant as compared with the cost of the service. The House realized, as I believe all men will realize who give this subject a common-sense and businesslike investigation, that, after all, the making of transportation rates is not a legislative function. In all the history of this body it has never assumed to make transportation rates. The subject of railway freight rates is referred to a tribunal specially constituted with reference to qualifications to do that work well. So, too, of the express rates. This body has never attempted to formulate express rates. Therefore the House wisely, in my judgment, inserted in the bill which it passed, and which I had the honor to prepare, a provision giving the Postmaster General the power to make these changes of the rates, the weight limits, the zones, the classification, and all the conditions of mallability. He therefore enjoys over that subject matter the same power that a railway president and its board of directors enjoy over the making of transportation rates, with, however, the same qualifications that such changes in rates, and so forth, must secure the approval of the Interstate Commerce Commission. If this power were denied to the Postmaster General he would be the only shipper, not to say the biggest shipper, in the United States who could not go to the Interstate Commerce Commission to have wrong rates righted.

In quarters inimical to this legislation, or especially to the acts of the Postmaster General in extending the weight limit and in rationalizing the rates, it is suggested that the power in this bill as it passed the House was an utterly unprecedented power. I beg to make correction of that statement. The English parcel-post act contains the same power, if not in the same words, and the whole schedule of rates and weight limit of the English parcel post had to be revamped by the Postmaster General almost before a pound of traffic moved. At first the weight limit was 7 pounds. It is now 11 pounds by administrative revision. The rate was 4 cents a pound. It is now made 2 cents a pound by the same process. In Austria, in Hungary, in Belgium, and in other countries the same power has been given to the administrative officer, because the function itself is administrative and therefore can be exercised wisely only in that way.

I will claim as much as any man ought to claim for the wisdom of this body and the other body of Congress, but there is one thing that distinguishes the multitude from the specialist, or the tribunal constituted in small numbers. The multitude will act upon principles as reflected in general feelings and general ideas, with, perhaps, the best attainable results; but the multitude is not organized for performing the operations of algebra or of fractions. And in this sense Congress is a multitude. Indeed the necessity for having this work done administratively will appear, I am sure, when we come to analyze the functions of a transportation rate.

What must a rate do? Pardon me if I am repeating a mere truism. A transportation rate has two things to do. First, it ought to move the potential traffic. If it does not move the potential traffic it is a mere paper script, utterly valueless, and might as well be written for the planet Mars as for our own people. The rate therefore must move the traffic in order to be a rate. But at the same time it must protect the Treasury, because transportation will soon cease if it must be conducted with recurring deficits or permanently at a cost less than operative expense.

Now, the delicate task of adjusting the rate to perform the maximum of service in moving this potential traffic at the same time that it conserves the Treasury is, I submit, not one that could be well performed by a legislative body. There are plenty of men in the United States who, with some instrumental aids, can look at the sun to-day and tell us within five seconds the time of the day; but we, with all our wisdom, would hardly be able to duplicate that work. And I submit that the illustration is none too strong for the question of the rates necessary in order to make our parcel post a success.

Now, there was another criticism made. It was that the rates instituted by the Postmaster General were too low to pay the cost of the service. I believe the gentlemen who made those criticisms will be willing to reform their views upon that point upon further minute and painstaking study upon this subject and join the rest of the country in its just applause of a loyal and capable Postmaster General, who after generations of neglect is engaged in building up, upon sound foundations, a postal express system as promised in the Baltimore platform, with the

greatest of profit at the same time to the postal system and the people.

The assertion was also made that this power had not been considered except in conference. I have already disposed of that statement. The power was the principal feature in the House bill.

Mr. MURDOCK. Mr. Speaker, will the gentleman yield?

Mr. LEWIS of Maryland. Certainly.

Mr. MURDOCK. I confess that I have never heard the explanation, and if it will not take too long I would like to hear it at this time.

Mr. LEWIS of Maryland. What explanation is that?

Mr. MURDOCK. The gentleman said that this discretion which had been granted the Postmaster General did not originate in conference.

Mr. LEWIS of Maryland. It originated in the House. The Senate passed one bill without this power, a bill I think it a duty to characterize as a mockery of the parcel-post institution. That bill came over to the House, and at the request of Leader UNDERWOOD I prepared a substitute measure. The substitute bill passed this House and contained these powers. In conference all of the principles of the House bill, the inclusion of farm and factory products, the right of insurance, the C. O. D. privilege, and others, without the House rates, were adopted, and the rates of the Senate bill were temporarily adopted, but only accepted on the part of the House because these powers retained in the bill were ample to correct the excessive and impossible rates the Senate had seen fit to impose.

Mr. Chairman, the Postmaster General, then, subject to the corrective examination of the Interstate Commerce Commission, has been placed under responsibility for the constructive development of this great service; and the act gives him plenary power to meet that responsibility.

In this work of construction let us notice briefly the elements most essential to a complete structure:

ELEMENTS ESSENTIAL TO AN ADEQUATE SYSTEM.

- (a) Simplicity and universality.
- (b) A public-service motive.
- (c) Expert administrative, and not rigid, law-made rates.
- (d) Rates insuring mobility of traffic. Passenger and fast-freight express.
- (e) Business weight limit; and classification permitting movement of desirable traffic.
- (f) Rate of railway compensation just to railways, and to the potential traffic. Collect and delivery.
- (g) Administrative efficiency.

UNIVERSALITY AND SIMPLICITY.

Gentlemen, the postal service sustains relations to the world of men and of business interests, perhaps the most direct, simple, and universal of all economic if not all human institutions. I will not enlarge upon this theme except to say that its transportation network reaches where no other extends—to the farm, with over a million miles of rural conveyance, over our railways 250,000 miles in extent, across every sea and ocean, and by co-ordination with the postal systems of other countries, it embraces every hamlet on the globe, with a universality of manual service practically coextensive with the human family. It covers all this mass of complexity with the fewest and the simplest rules. Ask the child on the street how to send the smallest of shipments, the mail piece, to a person and a place unknown to him, even to Timbaktu, and he will tell you what to do, and correctly. But make that shipment 12 pounds, and you may be lucky to find an acquaintance who knows how to ship it outside your own country. The postal system possesses almost perfect universality in the way of extension, but it possesses besides the highest simplicity of method and process; and with these a directive force and intelligence to match its ubiquity. Seventeen billions of mail pieces last year traversed 2,000 railway systems as if they were but one, such is the postal faculty for converting the complex into the simple. And, need I repeat it, it is just this kind of simple and therefore economical treatment that the small package requires.

SIMPLICITY—ZONES AND RATES.

On the Prussian railway system, which moves nearly 400,000,000 tons of traffic, or nearly half the traffic of the railways of the United States, the class traffic travels on a rate schedule not larger than one's hand and nearly simple enough to carry in one's memory, while the freight rates of the United States are said to number 800,000,000,000, counting place-to-place rates. In Prussia, the shipper, by ascertaining the class, weight, and distance of his shipment, can inform himself exactly what the cost of shipment will be. The express rates of the United States are said to fill, like books, 120 feet of shelving in the offices of the Interstate Commerce Commission, and number probably not

less than thousands of millions. No shipper can ascertain what his rate may be without appealing to the express agent, and such is the complexity and confusion of the rates that, off the beaten lines of traffic, even the agent in practice can not measurably well quote them with accuracy. The individual railway or express company can not correct this great evil for want of that uniformity of relation to the subject which alone permits of simplicity; and yet the trouble burdens of rate finding are often as serious, economically considered, as the resulting excessive rates themselves.

Gentlemen, it is patent that the parcel-post zones now in use fail to meet the great public need for simplicity. There is no constancy of extent in the zones, and no such constancy in the pound charge as to enable one to determine the progressive rate for increasing distances without a rate sheet. After the local, the zones are now 50, 150, 300, 600, 1,000, 1,400, 1,800 miles and above, while the pound rates are 1, 3, 4, 5, 6, 7, 9, 10, and 12 cents. Now, all this irregularity and complexity is without, as we shall see later, any necessity or justification in the actual costs of conducting the service.

But the postal system has no purpose to serve in having a complex rate structure. It is only under one limitation in the effort of making a simple rate, and that is that the rate shall not be less than the cost of service. And that condition involves but two factors, the circumstances of weight and distance. We shall see later that these factors permit of a rate for all weights and distances of—

(a) Three cents for the first pound the first 100 miles carried;

(b) Plus one-half cent for each additional pound for each 100 miles of distance.

This simplicity is attained by merely getting sufficiently acquainted with the facts of cost, and letting such facts express themselves in a generalization to make the rate. Here the rate units are almost self-memorizing, the zone always 100 miles, the rate always a half-cent per pound per zone, and the equally constant charge of 3 cents for the initial pound.

THE PUBLIC-SERVICE MOTIVE.

In institutions, as with individuals, motive is everything. The motive to serve one's self is the common motive, and to impose sufficient restraint upon its operation when too unsocial is, stated in a broad way, the principal object of government. There is much illogical complaint in this respect against what are called "public utilities." Their owners, who have invested their money with the purpose of gain, are expected to behave differently from investors in general. Of course they do not, but why should we expect them to? Because they have a monopoly, it is argued. Well, this may impose an inferential duty, yet who will say that it can have any decisive influence upon the normal motive of the investor to gain all he can?

Where public needs and social considerations, as in this instance, become the principal and dominating purpose, where imperative public service is the object, the world naturally has not yet found the restricted private motive adequate to the work. Now, besides proficient rate makers and elastic rates to move the traffic, something else is required in order to get the best results out of this small-shipment traffic. I hope I shall not be misunderstood when I suggest that the private motive has shown itself to be inadequate. Suppose you go to an express company to-day and say, "You moved 4,000,000 tons of express last year, and your gross receipts were \$132,000,000, and your profits were \$11,000,000. Cut your rates in two this year and the traffic will amount to 8,000,000 tons. Your profits may be less, but the service to the public will be doubled." What would an express company do?

It would do just what the average individual would do—act on the natural private motive, retain the higher profits and the smaller business. But you go to a public-service institution like the postal department and you find a wholly different motive. The postal system would say, "If cutting the rate in two will double the service, I will take my chances with the profits." That is exemplified in the reduction of postal rates throughout their history.

Even a small deficit for experimental purposes would be justified, especially if the rate were elastic and the postal department could protect itself by adjustments of the rate. If, for example, you were to start out with the assurance that the service would be doubled, but that there would be a deficit of 1 per cent, to ultimately disappear with the development of the traffic, a public-service agency like the post office would be more than justified in such a step, because in that instance while it is losing 1 per cent in one pocket it is making 100 per cent in the other pocket—the people and the postal system being identical terms.

Now, the express companies constitute the most irrefragable monopoly; and where monopoly obtains rates can be made relatively high or low, within limits, according as you wish to regard the dividend. An English railway some 60 years ago had the question presented to it as to how to graduate its passenger rates to secure the best dividend. Much as one adjusts his opera glass in the theater to obtain the clearest line of vision, these railway officers adjusted the passenger rates. They tried rates all the way from 6 cents a mile to one-half cent a mile, and found that as the rate was $3\frac{1}{4}$ cents a mile or one-half cent a mile, the higher charge produced 6 per cent and the lower charge, with much greater traffic, only 5 per cent dividends; and acting on the private motive they rejected the rate which produced the greater public service. But in such a case all would say that a system in which we all are stockholders, like the postal department, would be foolish to prefer the 3-cent rate and kill so much useful traffic. Like the attendant at the theater, proficient rate makers in postal transportation would adjust their rates to move the greatest amount of traffic consistently with the cost of the service, and in order to reduce the average cost of each shipment the greatest possible amount of traffic should be moved.

PROFICIENT RATE MAKERS AND ELASTIC RATES.

One of the boasts of American railway administration has been that in spite of obstacles and the admitted evils of discrimination, taking their freight rates in a larger view, they have been made so as to move the products of the farm and the factory to their natural market, when once gotten to the rail, and usually with a profit to the producer. In order to do this there has been for two generations an adaptation of the rate to what the article will bear and move to its natural market. They could not have accomplished this measurably well, as they have, either on flat rates or mileage-distance rates, nor yet by charging each shipment a quantitative proportion of the cost of the whole service. To adopt rates that an article can not pay and move to its market with a profit is, in effect, to deny the article the right of transportation. Any universal rate, i. e., law-made rate, incapable of change with changing conditions must, on this account, with respect to a large part of the traffic, be prohibitive. The express companies have yielded somewhat to this consideration, for they have rates which will permit some articles to move as to which their merchandise rates would be mere destruction. It is patent enough that law-made rates would be too rigid, even if first rightly made.

It is only once in a generation that Congress commonly gives its attention to a noncurrent subject, and as traffic conditions would require almost constant adaptation of the rates in the interest of the service and the public served, an administrative agency is wisely charged with the duty of making rates and determining the many other minutiae of the system. In no country where government ownership of railways obtains are the rates legislatively made. The subject is one calling for administrative rather than legislative attention. Congress in practice would either make the rates too high, the actual parcel-post situation, and inhibit the potential traffic, or make them too low, like second-class mail, and work a needless deficit on the department, saying nothing of the special-rate privileges thus created and always hard to dislodge. With the progress of government and civilization, Congress, without rate making, will have more than enough general legislative work to do, and it is only the dreamer and toy maker who should wish to impose a nondepartmental and equally inexpert and unadapted rate condition upon the commerce of a country. With our long distances and corresponding dependence on adequate transportation conditions, the argument for real competency in the rate makers, rather than a "bill writer," becomes unanswerable. Congress has never undertaken to make freight or express rates. It assigned the work instead to the commission, which has a like corrective power under the parcel-post law.

There is as much reason for leaving it there and as little for taking it away under the proposed system as the present.

RATES TO MOVE POTENTIAL TRAFFIC TO ITS NATURAL MARKET.

Speaking categorically, gentlemen, the function of transportation tariffs is twofold:

(a) The function of the whole body of rates, taken collectively, is to produce sufficient revenue to pay the costs of the service, including capital charges.

(b) The function of the individual rate is to move the potential traffic to its natural market.

If the body of rates is so low as to defeat the first object, transportation will soon cease; if it is so high as to prevent the movement of shipments in the amount demanded by normal needs, then to that extent transportation can not take place at all. This is what has happened with our parcel post. It has

been prevented from moving the potential traffic by the weight limit and the excessive rates, which, as we shall see presently, simply amount to economic robbery of the shipper when compared with the costs of the service. I shall now proceed to discuss in detail the economics of these restrictions, as well as some subsidiary incidents, together with the changes necessary to be made.

THE WEIGHT LIMIT.

Gentlemen, there is a gap in the transportation of this country between the 100-pound minimum of the railways and the 11 and 20 pound maximum of the present parcel post. It is a gap which the express company can not fill, because its service does not reach the country, about one-half of our population, and because its rates are prohibitive for the larger part of the potential traffic even where its service obtains, as I have shown at an earlier point in my remarks.

With respect to the weight limit for the parcel or express post service the practices of different countries differ somewhat, not for any formal or stated reason, but more probably from the accidents of legislative growth, when not as the result of transportation conditions that render the higher postal weight limits unnecessary. Principal among these reasons, as in Great Britain, is the circumstance that the railway itself provides a weight limit so low as to enable the smaller shipments to move. The railway rates of England are graduated down to 2 pounds, with a collect-and-delivery service attached which embraces all the class traffic. All the continental railways give a weight limit, or rather graduate their rates down to a weight minimum, as low as 22 pounds, and have in fact an organized collect-and-delivery service, conducted by "spediteurs," which assembles the small shipments into wholesale or carload lots, insuring thus not only a door-to-door service for the small shipment, but the lowest transportation rates. In the United States the parcel or retail shipment function so far as discharged is in the hands of the express company, our de facto parcel post. They have no maximum weight limit, but justly leave that incident elastic to the exigencies of the shipment and to the effectual limitations imposed by the burden of the higher rates exacted as compared with fast freight. That the railway minimum of 100 pounds is not frequently exceeded in the express traffic is shown by the circumstance that less than 5 (4.94) per cent of the aggregate number and but 24 (24.21) per cent of the total weight of express shipments exceeded this 100 pounds in 1909, while the average weight of shipments was 33 (32.80) pounds. In Austria there is in fact no parcel-post weight limit, while other countries give a weight limit of 110 pounds or more, as follows:

	Pounds.
Germany.....	110
Belgium.....	132
Switzerland.....	110
Hungary.....	110
Russia.....	120
Roumania.....	110
Luxemburg.....	110
Sweden.....	110
Norway.....	110

That the comparative expensiveness of the rate can be relied upon to effectually exclude the weightier shipments from the postal service is recognized by our own postal statutes. The postal law, as to weight limits, provides as follows:

First class.....	No weight limit.
Second class.....	No weight limit.
Third class.....	No weight limit on single books.
Franked matter.....	No weight limit.

It may fairly be asked, What is the logic of fixing a weight limit on fourth-class matter—parcels—when there is no limit on first class, second class, franked matter, or on indivisible articles, such as single books, in the third class?

Mr. KELLY of Pennsylvania. I would like to ask the gentleman a question. The rate is now on a limit of 20 pounds?

Mr. LEWIS of Maryland. Within 150 miles.

Mr. KELLY of Pennsylvania. What was the reason for fixing that limit at 20 pounds in the 150-mile zone?

Mr. LEWIS of Maryland. The reason was a trivial one, apparently, and yet one absolutely obligatory in character. The post-office system did not have scales weighing more than 20 pounds, and it would take five or six months to get them.

Mr. KELLY of Pennsylvania. I would like to ask the gentleman a question along that line, as to where the responsibility rests as to putting in scales that would weigh only 20 pounds when the obligation reaches 100 pounds or more?

Mr. LEWIS of Maryland. I do not know.

Mr. Chairman, two conflicting requirements are to be considered, it seems to me, in determining the weight limit, requirements that, however, can be reconciled. The first calls for a weight limit high enough to enable the system to discharge its function of transporting the retail shipment when called upon.

The second calls for a weight and size limit restricting the shipment to a form which may be economically handled by postal agencies; that is, a form calling only for the usual facilities employed for such handling. It would not be economical to equip every post office, and certainly not the rural routes, with the unusual trucks and implements necessary to handle the exceptionally heavier and unusual weights. I believe the express companies do not commonly so equip themselves even where they undertake such deliveries, but hire as occasion requires, or leave the act of collection and delivery in such cases to the consignor or the consignee. Such a rule imposes no serious hardships upon the shipper or impediment to commerce not now borne with freight. Now, the difficulty of handling these greater or unusual weights would not be met while the shipment was on the rail; and it is therefore suggested that any weight limit fixed upon should apply only to such shipments as the postal authorities undertook to collect and deliver, and not to those delivered direct to or taken direct from the postal termini at the railways.

Let the rule then be 100 pounds limit where collect or delivery service is extended, with no weight restriction where the shipment is delivered to or taken from the railway, as in the case of funerals, by the shipper. Such a regulation would protect the postal administration from unusual and therefore costly and uneconomical pick-up and delivery labors, while extending the service extensively enough to discharge the full function of providing transportation for the retail shipment of all weights and sizes direct from producer to consumer.

Assuredly the 11-pound weight limit is an unnecessary denial of a necessary privilege to the farm, where the express company can not go, and seems quite unnecessary in the towns where the wagon delivery service now is working and capable of delivering the 100-pound shipment as well as the others. A constituent writes me that she sent her son John a turkey, 10 pounds, but that the one designed for Henry was rejected because it weighed 12 pounds. Of course, the weekly market basket filled with a worth-while load must exceed the 11-pound limit in nearly all cases, and what with the irrational and economically unjustifiable parcel rates, which I will discuss later, can only have the effect of preventing the movement of farm products direct to the consumer.

A rather pathetic illustration of the occasion for relief from the weight limit and express charges is found in the shipment of corpses, a case falling exactly within the rule of no weight limit for cases of delivery to and collection from the railway termini, where both services are customarily performed by funeral agencies and not by the express companies. Their charge for this service, mere rail transportation, is twice the first-class passenger rate; that is, about 6 cents a mile, with a minimum charge of \$5 for the shortest distance. The express-railway contracts, however, provide that the railway may carry the corpse as baggage at the rate of one first-class fare, coupled with the condition another first-class fare is bought by a passenger—i. e., a friend of the deceased, who will make the journey to the destination. Obviously it costs no more in service to carry the remains by express without a coincident passenger on the train, and just as obviously it costs no less for the railway if there be such a passenger. I understand the fact that railway rates are necessarily taxes, but the double charge of the express companies is not taxation; it is a mere case of wanting the money and of taking advantage of the dearest emotions and holiest sentiment to extract it. Assuredly a merely arbitrary weight-limit restriction should not be permitted to prevent express-post relief in such cases, when the citizen is facing the most necessitous situation of his life.

THE SIZE LIMIT.

Gentlemen, with the enlargement of the weight limit would have to come some modification of the size limit; and this is a feature involving some difficulty to resolve by any single rule.

Mr. MURDOCK. In the change made by Postmaster General Burleson he increased the weight from 11 to 20 pounds. Did he do anything with the maximum physical dimensions of the package?

Mr. LEWIS of Maryland. The size limit was not changed, but the power to make the change applies equally to size limitations, and the size limits will doubtless be raised as the service expands. Plainly, the size limit of 72 inches in length and girth combined, now imposed, would work injustice to higher weights; and yet when the question is asked, what shall be the size limit for 50 or 100 pounds, no self-evident answer is vouchsafed. Obviously, there should be some relation of the rate to specially bulky shipments, to cover increased cost in space consumption and handling. The railways meet the problem by highly differential classifications, and especially by placing the "set-up" articles in a higher rate class than the "knocked-

down" article. We could not, however, well copy them, because it would lead to a complexity and confusion of rules more expensive in trouble and time consumption economically for the public than of profit to the Government.

The marine rule is to treat 40 cubic feet as equal to a ton, i. e., 50 pounds to the cubic foot, when the shipment does not weigh more; and in stage-coach days their rate formula treated the cubic foot as weighing 20 pounds, a rule that obtained railway adoption in the beginnings of railway tariffs.

The express companies have a rule of minimum weights, determined by "exterior measurement," i. e., the length, width, and height added together, when, if the shipment does not weigh more, it should be rated as weighing—

	Pounds.
Over 70 inches to 75 inches.....	30
Over 75 inches to 80 inches.....	40
Over 80 inches to 90 inches.....	50
Over 90 inches to 100 inches.....	60
Over 100 inches to 110 inches.....	70

Such a rule works out at about 3 pounds per cubic foot, and has the merit, at least, of protecting the service from exorbitant space demands until, looking forward to administrative experience, a simpler guide could be evolved sufficiently conservative of economic interests.

The 3 pounds per cubic foot formula, or 5 pounds, as I should suggest, could be graduated down to the initial cubic foot, and applied to the size of the shipment, by the simple expedient of a tape, with figures, giving the imputed weight equivalents for the different dimensions, in ordinary sizes, of the various shipments. Meanwhile, the greatest length limit, approximately 70 inches at present, would require modification; and here express practices, e. g., as to hand implements, ought to afford a reasonable guide.

PACKING AND SHIPPING REGULATIONS.

Mr. MURDOCK. What has the development of parcel post been on the rural routes of the country?

Mr. LEWIS of Maryland. The data are not yet sufficient to answer that question. Under the old rates it was very disappointing. The hope which the House had that rural products might be moved was disappointed, but the new rate ought to move that traffic.

Mr. MURDOCK. What was the development under the old rate within a given city?

Mr. LEWIS of Maryland. Per capita?

Mr. MURDOCK. As compared with parcels which moved out of one town into another.

Mr. LEWIS of Maryland. The indications were that we were carrying about two parcels per capita for the whole country. The statistics are not in such order that you can differentiate city from farm traffic.

Mr. MURDOCK. Then as the parcel post was applied to the postal system of the country under the old rates, not the new ones, the larger development was in the larger cities?

Mr. LEWIS of Maryland. Oh, yes; because high-priced manufactures, like a suit of clothes or a hat, could very well afford to pay those higher rates, while a lot of potential traffic, like butter and eggs, could not afford to pay rates of 4 or 5 cents a pound.

Gentlemen, I shall not enter into these packing and shipping methods with any particularity. The present parcel regulations for packing look mainly to the mail bag for the test of fitness. I think it well that this should be so where the character of the shipment readily permits, for the reason that the mail bag can be craned, or let off and taken on the car, while the train is in motion; but in other cases the department should adopt the rules and practices which the express companies have found necessary to let the traffic move; and I can not fancy any reason against doing so. These rules may be found in the express classifications, and have the merit of having been tested out as actually adapted to the requirements of the traffic.

MISCELLANEOUS.

Just a word of the C. O. D., of insurance, and the shipment of money. I can not take time to do more than suggest that the postal department, as an arm of the Government, with its splendid personnel, is peculiarly qualified to give an efficient, safe, and economical service by the mere extension of its present processes.

THE CLASSIFICATION.

The privileges of classification, or right of admission of the parcel to the mail, justifies the same reasoning applied to the weight limit. When the House passed its parcel post bill, which I had the honor to prepare, the classification was made to cover—

1. Fourth-class matter;
2. Farm and factory products;
3. Books; and
4. All matter shipped by express.

The Senate conferees omitted the third and fourth elements so that now books can not go at all as parcels, but must pay a flat rate of 8 cents a pound, no matter how short the journey. It is true that the exclusion of books is the most serious defect in the present classification. Yet there are doubtless many other important omissions. But the trouble does not end with the articles excluded. Some historical fourth-class articles, above 4 ounces in weight, are denied the old flat rate of a cent an ounce, and treated as a pound in weight. The effect is to withdraw a rate which was amply compensatory to the Government, and subject them to higher and discouraging rates. Members, I am sure, have all received complaints because of the disturbance of the old fourth-class rates—a disturbance which would have been avoided had not the Senate conferees stricken down the House provision that the rate should in no case exceed 12 cents a pound of actual weight.

Mr. OLDFIELD. Mr. Chairman, will the gentleman yield? Mr. LEWIS of Maryland. Certainly.

Mr. OLDFIELD. I had an experience this morning which I desire to relate. I wanted to send a book to New York. It was a small book, containing probably 200 pages. I found when I sent it to the post office in the House Office Building that they claimed they could not send the book by parcel post.

Mr. LEWIS of Maryland. How much did it weigh?

Mr. OLDFIELD. The postage upon it was 16 cents. I could not tell how much it weighed.

Mr. LEWIS of Maryland. Did it weigh over 4 pounds?

Mr. OLDFIELD. Oh, no. It was a small book. It was 6 by 9 or 8 by 10 inches and weighed probably 2 pounds.

Mr. LEWIS of Maryland. Now, the gentleman has raised a question which illustrates the utter absurdity of leaving these administrative points to a legislative body. The House did include in its bill a provision that books should be carried by parcel post. The Senate conferees had that provision stricken out. The state of affairs to-day is this, which may not be generally known to the country, but it is a fact, however, that books and all third-class matter above 4 pounds in weight are shippable by parcel post. Books below 4 pounds in weight are not now shippable by parcel post, but I may say I know the Postmaster General has under advisement a proposition to extend the service to include books; so the gentleman's difficulty, I think, will soon be removed. Above 4 pounds all articles of the third class unquestionably have the parcel-post right now. The Postal Department will not deny this.

Mr. BURKE of South Dakota. Will the gentleman yield?

Mr. LEWIS of Maryland. With pleasure.

Mr. BURKE of South Dakota. Will the gentleman state in what respect the Postmaster General has made rates or increased the weights over what the law provided? He stated, I believe, as to the compensation.

Mr. LEWIS of Maryland. The principal change made by the Postmaster General is the change of the weight limit from 11 to 20 pounds within a zone of 150 miles. The rate was 5 cents for the first and 3 cents for succeeding pounds for 50 miles and 6 cents for the first and 4 cents for succeeding pounds for 150 miles. Those two rates have been reduced to 1 cent a pound, with the charge of 5 cents for the first pound, and for local and rural delivery now a half a cent a pound and 5 cents for the first pound charge.

Mr. OLDFIELD. Will the gentleman yield for one other question? In accordance with the gentleman's answer, a man might send a book weighing 5 or 6 pounds by parcel post.

Mr. LEWIS of Maryland. Yes.

Mr. OLDFIELD. You can send that book cheaper than you can a book of 2 pounds under the ordinary rate.

Mr. LEWIS of Maryland. Absolutely so within the 150 miles. The books weighing 6 pounds would cost 10 cents. A 2-pound book costs 16 cents under the third-class privilege. Those are the incongruities that will inevitably develop when legislative attention only is given to a subject of so much detail. I wish to say I am authorized, I think, to say that the change in the rate made by the Postmaster General is not intended to represent at all a completed scheme of thought. When the extension was limited to 20 pounds and 150 miles, under the new rate, it was done merely to try out the postal machine and see what his personnel would be able to accomplish, face to face with any novelties the new situations might create, and be able to conquer them. He wished to try his machine out section by section before adopting the complete function of the parcel post, which he himself has proclaimed to be the 100-pound weight limit.

Mr. NORTON. Will the gentleman state briefly what, if any, is the reason for excluding from the parcel post books weighing less than 4 pounds?

Mr. LEWIS of Maryland. The gentleman will have to ask his Father in Heaven or the Senate conferees for an answer to that question. I can not give it to him.

Gentlemen, I suggest that the remedy to apply is that the Postmaster General change the classification for parcels by restoring the old fourth class with its rates and creating an additional parcel class to be known as "fourth class No. 2," to include parcels of—

- (a) All classes of mail, when desired.
- (b) Farm and factory products.
- (c) Matter shipped by express.

With reference to the first element (a), I wish to say that the inclusion of all classes of mail matter in the parcel privilege would work no reduction of postal revenues, even from the first class, except in a possible few cases where the application of the first-class rate is simply outrageous. It would, however, develop a line of first-class traffic for nondelivery offices that ought to prove highly profitable to the department and advantageous to the public. Let us take the case of a candidate for public office. Perhaps in half of his district the mail is sent to nondelivery offices where a drop-letter 1-cent rate obtains. If he could send his pouch of letters to that point as a parcel with 1-cent stamps on each individual letter, paying only the parcel rate on the pouch, he would use the mails in a half dozen cases where he may not do so in one at the 2-cent rate. These observations apply with even greater vigor to the commercial advertiser. Meanwhile there is no conceivable reason why the second or third classes should be debarred from the parcel service when in parcel form. The exclusion simply means less business and less revenue.

Mr. FAISON. Mr. Chairman, will the gentleman tell us why seeds for planting are not allowed to go under the parcel-post rate?

Mr. LEWIS of Maryland. The gentleman will also have to ask a higher power or the Senate conferees about that.

Mr. FAISON. What is the difference in their nature between seeds for planting and seeds for food?

Mr. LEWIS of Maryland. I have never heard it explained.

Mr. Chairman, it is submitted that every form of parcel mail should enjoy the parcel privilege, on demand, the postal revenues being amply protected by the rates imposed. The legal power to make such provision is clearly given. The statute reads:

Fourth-class matter shall embrace all other matter, including farm and factory products, not now embraced by law in either the first, second, or third classes, etc.

But—

If the Postmaster General shall find, on experience, that the classification of articles mailable * * * or other condition of mailability are such as to prevent the shipment of articles desirable * * * he is hereby authorized, subject to the consent of the Interstate Commerce Commission, to reform from time to time such classification * * * or condition (of mailability) in order to promote the service to the public, * * * etc.

Since "all other matter" not included in the first, second, or third class is now embraced within the parcel classifications, it is clear the present classification can operate "to prevent the shipment" of only such "articles" as are now included or confined within the first, second, and third classes, as to which the Postmaster General may "reform" the "classification" or "condition of mailability," "in order to promote the (parcel) service to the public."

Gentlemen, the change suggested, the restoration of the old fourth class and its rates, and the creation of a supplementary or second fourth class to which all mail parcels and express matter should, with proper exceptions, be admitted, would, I submit, end all the troubles of the post office with the people as to mailing privileges.

COLLECT AND DELIVERY.

The collect and delivery service of our postal agency extends to-day throughout more than a million miles of rural routes, serving twenty millions of our farming population, as to which no other organized transportation exists, or is at all likely to exist. The service will cost the coming year some \$40,000,000 and will continue to extend. The cheap autotruck seems ready to replace the horse and wagon, and what with this and the three or twice a week service on less fertile routes, practically every farm and country store will eventually be reached. Substantially every element of expense involved in extending the entire postal express function to nonrailway points is now being paid in the maintenance of the rural service. It is only when the carrier may have to enlarge his conveyance or shorten his trip by reason of the increased traffic and only to such extent that additional cost might be incurred, but before such line has been reached it is likely that the whole service will be rendered self-sustaining by the profits of the added traffic. These routes are now yielding less than a fifth of the

cost of service. With rates and weight limits permitting the movement of the natural traffic from farm to town and town and country store to farm it is highly probable that the service would be self-sustaining. Meanwhile the augmented traffic must at least reduce the deficit in proportion to its own increase.

Besides the rural collection and delivery there is the well-known carrier service in the towns and cities. This is now supplemented by the parcel-post wagons, which are restricted now to the delivery of the 11-pound parcel, but which could handle it up to 100 pounds as well. Here no new organization would be required, but simply such added conveyances as traffic developments would justify. Congress has authorized experiments in mail delivery in towns of 1,000 population; and, in fact, it may be stated that the postal agency is now organized nearly completely for the most extensive collect-and-delivery service. The express companies give this service to towns of about 5,000 population and up, while the railways do not give it at all, except in a few eastern cities. What is obviously required is a service as extensive as the postal system, and for this, especially in the matter of rural delivery, we can look only to the postal organization.

Mr. KELLY of Pennsylvania. Will the gentleman yield?

Mr. LEWIS of Maryland. Certainly.

Mr. KELLY of Pennsylvania. Regarding the method of procedure in purchasing and sending packages by parcel post, is not it an awkward system, and should not there be a better one of getting the purchaser and shipper in communication?

Mr. LEWIS of Maryland. If the gentleman refers to the failure of the Post Office Department to adequately collect the parcels, I agree with him; but when it comes to it it will do the collecting service, as it does the other, in the most efficient way in the world. [Applause.]

Gentlemen, coming to the matter of the costs of collection and delivery, I have collected together the obtainable experience throwing light upon the subject; and for the purpose of clarity I now insert a table giving progressively the cost lines indicated by these experiences for shipments from one-fifth of an ounce up to a ton in weight:

Collection and delivery costs. [Collated from various experiences.]		Cents.
Per letter.....	-----	1.2
4-pound parcel (postal cost).....	-----	2.1
4-pound parcel, Chicago delivery.....	-----	2.7
Up to 11 pounds, Merchants' Transfer & Storage Co.....	-----	5.0
Average New York merchants' delivery, all weights, no limit.....	-----	5.0
Massachusetts Institute of Technology, parcel delivery, no weight limit, all weights.....	-----	5.0
33 pounds average express company shipments.....	-----	7.0
67 pounds, Connecticut Express Co.....	-----	11.6
Average Baltimore & Ohio Ry. delivery: 100 pounds.....	-----	10.0
500 pounds.....	-----	50.0
Furniture delivery, all weights, Massachusetts Institute of Technology.....	-----	35.0
Ton of coal, Massachusetts Institute of Technology.....	-----	71.0

RATES OF POSTAL RAILWAY COMPENSATION.

Mr. Chairman, having discussed the costs of postal handling of parcels, I come now to the next element of expense involved in the postal shipment—that is, railway compensation for its part of the service. I shall not go into the merits of the rate of postal pay to railways at this time beyond a brief description of existing conditions.

Mr. HELGESEN. I presume that the attention of all of us has been called by the railroad people to the statement that they are not treated fairly under this parcel post—that they are carrying the parcel post under the weighing of four or five years ago, which is only 5 per cent. When you speak of the actual cost to the Government, what is your basis for railway carrying charges?

Mr. LEWIS of Maryland. The basis is the regular rate of railway pay paid the railways in 1912, before parcel post began. It is true they are not being actually paid for much of this new traffic, but I have no doubt, pending a final determination of the rate of railway pay for postal-express matter, the Postmaster General will find a way to right this delinquency.

Mr. STEENERSON. The gentleman has stated that under the law railroad companies are only receiving 5 per cent additional for the increased traffic involved in the parcel post, and he has further stated that the increase in pounds of the postal business by reason of the parcel post is very much more than that 5 per cent; and, as I understood him, the railroads would be entitled to more pay. And he further stated—

Mr. LEWIS of Maryland. I hope the gentleman will be considerate. I have just a moment left.

Mr. STEENERSON. I know, but we will get an extension of the gentleman's time. This is very important. The gentleman further stated that he thought the extra revenue from the

parcel post would be about \$7,000,000 to \$10,000,000. Now, the railroad companies claim they have lost about \$30,000,000 by reason of losing the traffic from the express companies. If you compensate the railroad companies for what they say they have lost beyond the 5 per cent, how much will you have left of the \$7,000,000 extra received from the sale of parcel-postage stamps?

Mr. LEWIS of Maryland. I can not go fully into that subject. The claim of the railroad companies may be correct, and yet the inference the gentleman draws is entirely incorrect. While the post pays the railways 8 cents a ton-mile and the express companies average but 7 cents a ton-mile, the post pays it as a broad average, without distinction as to the particular weight of the parcel. It is different with the express companies. They do not pay according to weight, but pay one-half the rate, which works out as follows:

Table showing rates of compensation per ton-mile paid the railways by the express companies on the contractual average bases of 47.5 per cent of the express "merchandise" rates, according to weight of package and distance carried.

Miles.	5 pounds.	10 pounds.	20 pounds.	30 pounds.	40 pounds.	50 pounds.	60 pounds.	70 pounds.	80 pounds.	90 pounds.	100 pounds.
36.....	\$1.42	\$0.86	\$0.42	\$0.36	\$0.29	\$0.25	\$0.23	\$0.20	\$0.18	\$0.16	\$0.14
62.....	1.09	.59	.31	.25	.21	.18	.18	.16	.14	.12	.11
100.....	.68	.40	.22	.18	.15	.14	.13	.12	.11	.09	.08
144.....	.54	.32	.18	.14	.12	.11	.11	.10	.09	.08	.07
196.....	.41	.25	.15	.12	.10	.09	.09	.08	.08	.07	.06
255.....	.35	.21	.13	.10	.08	.07	.07	.07	.06	.06	.06
320.....	.30	.19	.12	.09	.07	.06	.06	.06	.06	.05	.05
402.....	.26	.16	.10	.08	.07	.05	.05	.05	.05	.05	.05
484.....	.24	.16	.10	.08	.07	.06	.05	.05	.05	.05	.05
576.....	.21	.14	.09	.07	.06	.05	.05	.05	.05	.05	.05
677.....	.19	.13	.09	.07	.06	.05	.05	.05	.05	.05	.05
787.....	.16	.11	.08	.06	.05	.05	.05	.05	.04	.04	.04
905.....	.15	.10	.07	.06	.05	.04	.04	.04	.04	.04	.04
1,030.....	.12	.09	.06	.05	.05	.04	.04	.04	.04	.04	.04
1,151.....	.12	.09	.06	.05	.05	.04	.04	.04	.04	.04	.04
1,287.....	.11	.09	.06	.05	.05	.04	.04	.05	.05	.05	.05
1,450.....	.10	.08	.06	.05	.05	.05	.05	.04	.04	.04	.04
1,597.....	.10	.07	.06	.05	.05	.04	.04	.04	.04	.04	.04
2,500.....	.06	.05	.05	.05	.04	.04	.04	.04	.04	.04	.04
3,130.....	.05	.05	.04	.04	.04	.04	.04	.04	.04	.04	.04
3,652.....	.04	.04	.04	.04	.04	.04	.04	.04	.04	.04	.04

Down to the line drawn diagonally across the table the express railway pay on merchandise packages exceeds the amount which the Government would have to pay under present postal railway compensation laws. Below the line, a parcels traffic being added, the Government would have to pay 8 cents a ton-mile, and the express companies' as much less as the figures in the table indicate.

From this it can be seen that although we should be paying a normal rate, yet in confining our traffic to 11 pounds we are taking from the express companies what pays the railways rates as high as a dollar a ton-mile and leaving the low-priced traffic. Thus a 5-pound package by post from Washington to Baltimore would pay the railway just 8 mills, while by express the railway would get 12 cents out of the 25-cent charge. The obvious permanent remedy for the railway is to dispense with the express company, when all express matter would go by post, and the railway receive an equal rate of 8 cents a ton-mile from all the postal express traffic, instead of the 3 and 4 cents it is getting now on the larger weights and longer distances from the express companies. If the railways would cooperate with the Postmaster General for the attainment of this object they would be promoting alike their own and the public interests. I know of no other remedy for their situation, for even when the mails are reweighed they must still lose heavily if the post is to do only the small-package and short-journey and the express company the heavy-package and long-journey business. They would be, as now, getting only the thin end of the stick from the divided business.

Nobody seems to be satisfied with the present amount or method of railway payment, and this is necessarily true; perhaps not so much because the railways are overpaid or underpaid in the aggregate as, unfortunately, because there exists no formula or standard for determining just what is the right rate of compensation. It is not a difficulty peculiar to postal railway rates, but results from the circumstance common to all railway rates, namely, that the expenses of a particular railway service can not be allocated to such service with enough precision to determine its real cost. Under these circumstances a conflict of opinion is unavoidable and only general comparisons can be employed.

EXPRESS-POST RAILWAY PAY.

Gentlemen, in the 10 countries reporting express statistics the ratio of the express to the freight charge has been shown to be about 5 (5.23) to 1; and in those countries the railway performs

the whole and not merely the locomotive part of the service. In the United States the railways receive as a whole for the locomotive act alone nearly eight (7.80) times their charge for the average freight shipment; or, stated in the concrete, the railway receives \$1.90 and \$14.82 for the average ton of freight and express matter, respectively. In the other 10 countries the like average charges are, by freight, per ton, \$0.87, and by total express rate, \$4.37. In the absence of a satisfactory cost standard, these comparisons indicate that our railways receive nearly twice what they should for their part of the express service. But domestic conditions may differ enough to measurably impair this reasoning. However, the census of 1890 shows the express traffic to have been 1,646,273 tons, while that of 1909 was 4,248,355 tons, with railway pay of \$19,327,280 and \$64,032,126, respectively, representing an increase in the rate of express railway pay of 26 per cent. During the same period the average freight charge declined about 5 per cent per ton-journey, and the passenger rate per mile declined 6 per cent. Meanwhile the freight traffic increased in volume 32 per cent more than the express traffic and the passenger mileage quite as much, clearly indicating the inhibitory effect of increased rates upon the potential traffic, an effect as unfavorable to gross railway revenues as to express commerce.

On the assumption of a 200-mile haul, the freight haul being over 250 miles, the railways received for hauling express matter in 1890 about 6 (5.87) cents per ton-mile, and 7 cents for the same service in 1909. The Interstate Commerce Commission has ordered reductions in express rates which the express companies say equal 25.6 per cent, but which the commission estimates at 17.5 per cent. Taking the commission's estimate as correct, the effect on the amount paid by the express companies (47.53 per cent of express revenues), the railway ton-mile rate of pay would be reduced from 7 cents to 5.77, or about the rate paid them in 1890. The diversion of the very small shipment to the parcel post would likely further reduce this ton-mile rate to 5 cents.

The joint effect of these comparisons would suggest that, waiting the time when cost determination can be applied to postal railway pay, a rate of 5 cents a ton-mile, excluding the weight of equipment, would not be unjust to the railways as an aggregate payment; while such a rate in connection with postal-service economics would permit the making of postal express rates with concessions to the mobility of the potential traffic that would save three-fourths of it, now penalized out of transportation commerce by prohibitive express tariffs. It may be confidently asserted that the railway would not suffer by such a change in its rate of pay, for it would convert from five to fifteen millions of tons of relatively lower-priced freight traffic into the postal, the highest-paying railway freight, with little added cost of plant or locomotion.

Gentlemen, the ton-mile standard is the ideal one for Government purposes. Its parcel-express rates are all predicated on weight and distance; and if it is to know how much to load such rates to pay the railways for their service, such service must be measured in terms of weight and distance. If this standard should be replaced by a car-space standard alone, it would require years to learn the conversion values or convertible ratios of parcel weights with parcel-space consumption. Meanwhile, the loading for railway pay, without definite standards, must either be too high or too low, with attendant effects disastrous to either the potential traffic or the Treasury; but this weight-distance standard, so ideal for the Government, is quite as unideal for the railways. If paid only by the weight and distance carried, the railway company having a line of full-car traffic would receive two or three times the compensation for moving its car a mile as would the small railway company moving a car one-half or one-third full. And yet it is obvious that the expensiveness of the services to both railways would be substantially the same. What a railway company does in the mail, express, or passenger service is to move the car; and whether it is empty or partly empty or loaded slightly affects the expense of movement. We have thus two contradictory interests here in the matter of standards or units of service. What is absolutely necessary to the Government in its rate making, the weight-distance unit of pay, would mulct the small railways with half or one-third pay; while the car-mile standard, the only measure of costliness of railway service, would be quite impracticable for postal-express or parcel purposes.

Now, with all modesty on a subject so inherently difficult, I make this suggestion as a solution. Let us apply both standards—the ton-mile unit to make certain the amount the Government shall pay the railways, and so intelligently load its rates for parcel service to the public, and the car-foot mile unit, to effect a just relative distribution of the fund thus derived

among the railways according to the amount of car-foot mileage service rendered by each. The details of this proposal, briefly, are these:

(a) The postal department would make notations of the weight and zone findings for each parcel, which occur in determining the rates to be charged the shipper. The gross weights of such parcels, in each zone, when multiplied by the average mile journey of the respective zones would, by a simple computation, give the total ton mileage of parcel matter receiving railway transportation. Let this ton mileage be multiplied by the rate to be paid per ton-mile, say, 5 cents, and the gross sum due the railways as a whole is obtained.

(b) The total sum thus payable to the railways would then be divided by the total number of car-foot miles of car movement performed by the railways as a whole, which would give the common car-foot rate payable, when each railway company would be paid this rate for the car-foot mileage service performed by it, under orders from the Post Office Department. Now, the postal car mileage is a matter of easy ascertainment and record for any railway—while the weight-distance parcels statistics, in the larger offices at least, can be automatically recorded in the act of weighing, and elsewhere by pencil notation, as now, upon blanks having columns for the several zones. These latter data are necessary in postal administration for other important purposes, and can be obtained with practically no expense. I am informed that the present Auditor for the Postal Department, Mr. Kram, has perfected an invention by which these notations may be carded by the local postmaster, and thus totaled by machine.

LETTER RAILWAY PAY.

It is obvious that more than one rate of pay will be necessary to fit the widely different services rendered by the railways in the carriage of letter as distinguished from express matter. No single rate could be just to both lines of traffic. Stated in terms of ton-miles, the letter mail would tend to consume much greater car space than that consumed for the like weight of express matter. Anyone who suggests but one rate of railway pay for these differing services must have neglected to give sufficient time to the problem to understand its conditions.

Now, it is suggested that for the carriage of the ordinary mails—that is, other than express matter—the same methods above proposed might be employed, with a change in the amount of the rates, and in two or three of the incidents to meet the circumstance that the weight-distance journey of each letter and paper could not be economically ascertained, and that the rate of railway pay ought to be higher per pound for such matter. The total weight of the railway-moving mails, including equipment, was ascertained to be 887,278 tons for 1908. Postal receipts increased 28.34 per cent in 1912 over 1908. This would indicate the total weight of mail and equipment for 1912 to be 1,138,692 tons, which, divided into the gross railway pay for 1912, gives a rate of \$43.65 per ton, or on the experience of the average mail journey in 1908 (620 miles), 8 (8.12) cents a ton-mile. Assuming that this rate be continued—I do not here discuss its justice—all nonparcel or express mail during the weighing period would be pouched in bags by itself and weighed at the post office before going to the railway. These weights totaled into tons for the country would give the gross amount of service rendered, and multiplied by the ton-rate agreed to be paid the railways, say, \$43.65 per ton, as now, would give the total fund payable to the railways for this branch of the service, which should be, then, distributed among the railways according to the car-foot-mile basis employed for the payment of express transportation.

We should thus have a rate of 5 cents a ton-mile for postal express matter, excluding the weight of equipment, and of 8 cents a ton-mile for the other mails, equipment weight included. These bases of compensation and methods of distribution having been legislatively established, I should provide that either the Postmaster General or the railways should have access to the Interstate Commerce Commission to make any changes necessary to move the potential traffic, or to meet future contingencies in railway operating costs. In consideration of the lowered rate proposed for express-post railway pay, the burden of delivering the mails from the depot to the post office should be shifted from the railway to the local postmaster. This general plan would have signal advantages for all the interests concerned. For the Government it would save the great expense of the railway weighings and provide it with simple standards for determining its obligations to the railways. For the shipping public, through reduced postal express rates, it would provide a means by which the potential traffic in life's necessities could be moved direct from producer to consumer, and lower our aggravated price levels. And for the railways it offers the great ad-

vantages of distributing postal transportation compensation equitably between them, of paying them for the actual weights carried rather than the outdated weighings, while assuredly doubling and probably quadrupling the volume of their highest-priced traffic.

Gentlemen, this problem must be settled, and should be considered with a view to the interests of all concerned. I submit the plan just outlined as an earnest proposal to reconcile all the interests involved.

PRESENT PARCEL RAILWAY COMPENSATION.

The preceding discussion has been a diversion into a question of prospective legislation. But parcel-post development need not and surely should not await its uncertain contingencies. Gentlemen, the present cost of postal transportation by rail, stated in terms of weight and distance, or ton-mile units, is sufficiently known and definite to enable the postal authorities to ascertain the necessary loading of parcel rates for transportation pay.

Mr. HAUGEN. Mr. Chairman, I would like to ask the gentleman how he ascertains the cost of carrying the mails by the railways.

Mr. LEWIS of Maryland. That is ascertained, I will say, by the weighings of the mails. The mails are weighed every fourth year. Not only is the weight of the mail taken, but the distance it traverses. The mail traffic is therefore convertible into ton-miles, and the ton-miles being divided into the total amount of money paid the railroads, gives you the ton-mile rate which I have quoted.

Mr. HAUGEN. Yes, exactly; the average cost per pound being 4 cents a pound. I was curious to know who had made this calculation and who had ascertained the annual cost of carrying the mail matter.

Mr. LEWIS of Maryland. The figure the gentleman quotes of 4.06 cents per pound covers the average journey of 620 miles, and excludes the weight of equipment. If the equipment be included, the figure is 2.49 cents per pound.

Mr. HAUGEN. Well, I would like to have the gentleman answer the question as to who ascertained the facts.

Mr. LEWIS of Maryland. The postal authorities ascertained the facts in the following manner: The ton-mileage was officially determined in 1908 (486,130,773 ton-miles), and adding to it the increase of 28.34 per cent indicated by the postal revenues for 1912, and dividing the increased ton-mileage (622,783,951) into the total railway pay for the latter year (\$50,703,323), we should have 8 (8.12) cents a ton-mile as the necessary loading for transportation. However, under the present law the pay declines as follows:

Table showing compensation for carrying mails, excluding car-space compensation.

	Annual compensation per mile of line.	Equaling a rate per ton-mile of—
For daily weight of (pounds)—		
211.....	\$42.75	\$1.13
499.....	63.27	.70
999.....	84.64	.475
1,999.....	127.39	.36
3,000.....	141.93	.26
4,000.....	156.46	.217
4,999.....	170.14	.189
6,000.....	180.74	.167
7,040.....	191.30	.15
8,000.....	201.05	.14
9,000.....	210.80	.13
10,000.....	221.35	.123
11,000.....	231.10	.117
20,000.....	322.45	.09
30,000.....	423.95	.078
40,000.....	525.45	.073
48,000.....	606.67	.07
60,000.....	722.11	.067
100,000.....	1,106.91	.06
200,000.....	2,068.91	.057
300,000.....	3,030.91	.056
400,000.....	3,992.91	.055
500,000.....	4,958.91	.054

In reducing these rates of compensation to a ton-mile basis I have adopted 360 days as constituting the average number of days for all railway routes upon which the mails were hauled, as on some of the lines of small traffic no Sunday service obtains. In practice this scale, with car-space pay added, works out a ton-mile rate of 7 (6.97) cents on routes of 25 tons traffic per day, and of 6½ (6.42) cents on routes of 236 tons daily traffic, as in the instances of the Charlotte to Atlanta and New York to Philadelphia routes. The average for all

routes in 1912 was 8.12 cents per ton-mile. I believe it is beyond doubt that a great increase in weight of the mails, as the addition of express matter, would reduce gross railway pay to an average of less than 7 cents a ton-mile for mail and equipment weights—so that parcel rates loaded for railway pay at the rate of 8 cents a ton-mile, or its equivalent, a cent per pound for each 250 miles of journey, would provide a margin sufficient to cover the weight of the parcel equipment and an element of profit besides. The equipment constitutes about 20 per cent of the ordinary letter and paper mail, railway weights. It is judged that it would not be more than 7 per cent of the express mail, leaving at the loading proposed about 7 per cent of the railway pay loading as a margin of profit.

The postal regulations make ample provision for such train and terminal service as may be needed.

Mr. MURDOCK. Mr. Chairman, I would like to ask the gentleman this: Does his table, which he is to print in the Record, giving the cost accounts of the parcel system, include the increase in the amount of space it will take to take care of the parcel post? I ask that for this reason: Recently I was in the post offices at New York and Boston. I saw that the parcel post had called for one thing that I do not think the House foresaw when the bill was under consideration, and that is an immense amount of room for the handling of parcels. Parcels can be handled with facility only by keeping them separate. That is, you can not pile a great lot of them together and handle them with facility; you must keep them separate, so that all addresses are visible. Does the gentleman take that into account in his table, because it seems to be of major importance?

Mr. LEWIS of Maryland. The cost elements to be stated include the railway post-office pay, as well as the ton-mile pay, and to the extent that space pay is involved in railway post offices, which is about 10 per cent of the total pay, that factor is included.

Mr. MURDOCK. Does the gentleman take into consideration the space at the terminals, which seems to be an important matter?

Mr. LEWIS of Maryland. Yes. It takes into consideration all of the elements of postal expense. It is not based upon a suggestion of the mere additional expense, but upon the facts as to the entire economic expense involved in the service.

Mr. Chairman, the postal regulations make ample provision for such train and terminal service as may be needed. Section 1186 of the regulations reads:

The specific requirements of the service as to due frequency and speed, space required on trains or at stations, fixtures, furniture, etc., will at all times be determined by the Post Office Department, etc.

The postal laws compensate the railways for the "transportation" of the mails. The act to regulate commerce defines the word "transportation" to include—

all instrumentalities and facilities of shipment or carriage, irrespective of ownership or of any contract, express or implied, for the use thereof, and all services in connection with the receipt, delivery, and handling of property transported.

With the passing suggestion that this clause invalidates the exclusiveness of all contractual express rights to railway facilities, whether on the train or in the railway terminals, I stop to say that postal and railway practice has given to the word "transportation" the same meaning as given it by the interstate-commerce act.

THE PROPOSED RATE.

Gentlemen, starting with the fact that there are two elements of expense, the transportation pay and the postal handling, to be covered by the loadings for the parcel rate, we have adduced the amounts of these elements and found them to be (a) for transportation by rail, 8 cents a ton-mile; (b) for postal handling, collect and delivery, and so forth, less than 2 cents for the first pound, running to 15 cents for 100 pounds.

Of course the loadings for postal handling must be treated as the same for all distances, since the slight variances in actual costs are negligible and incapable of computation. But the loading for railway transportation, 1 cent per pound per 250 miles, is a mathematically constant factor, progressing arithmetically with the distance of the parcel journey.

And now, having gathered our facts together and analyzed them, let us organize them into rates for the respective weights to be carried and distances to be covered. In a preceding table the experiences in costs of collection and delivery were given. To these expense elements I now add the cost of railway pay, giving the total costs of the service for the weights, stated within a zone of 100 miles. There is added a column showing the proposed rates and another giving the margin of profit contained in the proposed rates above the total cost of the service.

Table showing costs (in cents) of service and proposed rates for the first zone of 100 miles.

Weight.	Cost of handling (experience).	Railway pay (1 cent per pound for 250 miles).	Total cost of service.	Proposed rate.	Margin of profit.
1.....	¹ 0.017	0.002	0.019	0.03	0.011
4.....	¹ .030	.01	.040	.05	.010
10.....	¹ .050	.02	.070	.08	.020
20.....	² (.06)	.04	.11	.13	.02
30.....	² .07	.06	.13	.18	.05
40.....	² (.08)	.08	.16	.23	.07
50.....	² .10	.10	.20	.28	.08
60.....	² (.11)	.12	.23	.33	.10
70.....	² .12	.14	.26	.38	.12
80.....	² (.13)	.16	.29	.43	.14
90.....	² (.14)	.18	.32	.48	.16
100.....	² (.15)	.20	.35	.53	.18

¹ Economic postal costs.

² Figures in parentheses are estimates of economic cost.

³ Out of pocket expense costs of private companies.

To get the rate for longer distances add one-half cent per pound for each additional zone of 100 miles, and to ascertain the cost of such added service add 4 mills per pound for each 100 miles to cover railway transportation (the only extra service), which equals 1 cent per pound for each 250 miles of journey.

It will be observed that the additional rate for each successive 100-mile zone, one-half cent per pound, is 20 per cent greater than the added cost, four-tenths of a cent, for transportation. But since postal distances are direct lines and mail-rail distances are computed on the usual roundabout routes of the railways, 10 per cent of the excess rate will likely be consumed in covering the distance lost through the indirection in rail routes. This would leave some 10 per cent margin of profit for each additional 100-mile zone besides the margin of profit contained in the first zone. In practice the average journey of the shipment will fall halfway between the termini of the zone to which consigned. Thus in the first zone of 100 miles the average journey will be 50 miles; in the second zone of 200 miles the journey will average 150 miles, and so on for each additional zone. In like manner the actual weights will fall below those charged by a half pound in each shipment except the first. Two pounds will average but 1½ pounds, 3 pounds but 2½ pounds, and so on for each weight with the pound unit, giving another small but constant margin of profit out of the loading for railway pay.

We have in these cost elements, then, the bases for a formula giving the rates for all weights and distances. Succinctly stated, it is:

(a) Three cents for the first pound and a half cent for each additional pound in the first zone.

(b) Plus one-half cent per pound for each subsequent zone of 100 miles.

This formula contains indicated margins of profit in each rate of 25 per cent and upward.

Gentlemen, this rate and zone system commends itself not alone because of its comparative simplicity, although it is the simplest in the world, but rather because, taking full cognizance of the cost of service, it fully covers all its elements and leaves a substantial profit margin besides. But its recommendation does not stop with these virtues. It gives actual relief to all shippers from the abnormal express charges now prevalent and, from almost equally abnormal law-made parcel-post rates. And here I shall introduce a table giving the rates proposed in comparison with the rates of the express companies and the present parcel-post rates for distances of 100 to 1,000 miles, embracing an area within which 85 per cent of the parcel traffic now takes place.

Comparison of rates proposed with present parcel rates and rates by express.

Pounds.	First zone, 100 miles.	Second zone, 200 miles.	Third zone, 300 miles.	Fourth zone, 400 miles.	Fifth zone, 500 miles.	Sixth zone, 600 miles.	Seventh zone, 700 miles.	Eighth zone, 800 miles.	Ninth zone, 900 miles.	Tenth zone, 1,000 miles.
1 pound:	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.
Proposed.....	3	4	4	5	5	6	6	7	7	8
Present.....	5	7	7	8	8	9	9	9	9	9
Express.....	16	16	16	16	16	16	16	16	16	16
2 pounds:	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.
Proposed.....	4	5	6	7	8	9	10	11	12	13
Present.....	6	12	12	14	14	16	16	16	16	16
Express.....	25	30	30	30	30	35	35	35	35	35

If prepaid.

Comparison of rates proposed with present parcel rates, etc.—Continued.

Pounds.	First zone, 100 miles.	Second zone, 200 miles.	Third zone, 300 miles.	Fourth zone, 400 miles.	Fifth zone, 500 miles.	Sixth zone, 600 miles.	Seventh zone, 700 miles.	Eighth zone, 800 miles.	Ninth zone, 900 miles.	Tenth zone, 1,000 miles.
3 pounds:										
Proposed.....	Cts. 4	Cts. 6	Cts. 7	Cts. 9	Cts. 10	Cts. 12	Cts. 13	Cts. 15	Cts. 16	Cts. 18
Present.....	7	17	17	20	20	20	23	23	23	23
Express.....	30	35	35	35	40	45	45	45	45	45
4 pounds:										
Proposed.....	5	7	9	11	13	15	17	19	21	23
Present.....	8	22	22	26	26	26	30	30	30	30
Express.....	30	35	40	40	45	50	55	55	55	60
5 pounds:										
Proposed.....	5	8	10	13	15	18	20	23	25	28
Present.....	9	27	27	32	32	32	37	37	37	37
Express.....	35	40	45	45	50	55	60	60	60	70
6 pounds:										
Proposed.....	6	9	12	15	18	21	24	27	30	33
Present.....	10	32	32	38	38	38	44	44	44	44
Express.....	35	45	50	50	55	60	70	70	70	80
7 pounds:										
Proposed.....	6	10	13	17	20	24	27	31	34	38
Present.....	11	37	37	44	44	44	51	51	51	51
Express.....	35	45	50	55	55	60	70	70	70	80
8 pounds:										
Proposed.....	7	11	15	19	23	27	31	35	39	43
Present.....	12	42	42	50	50	50	58	58	58	58
Express.....	40	50	55	55	60	70	75	75	75	90
9 pounds:										
Proposed.....	7	12	16	21	25	30	34	39	43	48
Present.....	13	47	47	56	56	56	65	65	65	65
Express.....	40	50	55	60	60	70	75	75	75	90
10 pounds:										
Proposed.....	8	13	18	23	28	33	38	43	48	53
Present.....	14	52	52	62	62	62	72	72	72	72
Express.....	40	50	55	60	60	70	75	75	75	90
11 pounds:										
Proposed.....	8	14	19	25	30	36	41	47	52	58
Present.....	15	57	57	68	68	68	79	79	79	79
Express.....	40	55	60	65	65	75	85	85	85	100

Gentlemen, before continuing further with the above table, it may be well to notice its comparative significance. In the third, fourth, and fifth zones, embracing altogether 500 miles of distance, the present parcel-post rates are about two and one-half, and the express rates three and one-third, times as high as the rates proposed, as deduced from a cost study of the subject. It is not difficult to understand how rates three times as high as the cost of service have failed to permit the movement from producer to consumer of the necessities of life, saying nothing of the restrictive influence of the weight limit of the parcel post. The first zones, equaling 500 miles, have been selected to illustrate the preventive and destructive effect of these rates, because it is within such an area that the potential traffic mainly lies.

And now, resuming the rate comparison, let us see the relation of the proposed rates to the averaged express rates of the country for weights from 20 up to 100 pounds.

Comparative table of average express rates and proposed parcel-post rates.

Pounds.	First zone, 100 miles.	Second zone, 200 miles.	Third zone, 300 miles.	Fourth zone, 400 miles.	Fifth zone, 500 miles.	Sixth zone, 600 miles.	Seventh zone, 700 miles.	Eighth zone, 800 miles.	Ninth zone, 900 miles.	Tenth zone, 1,000 miles.
20 pounds:										
Postal.....	\$0.13	\$0.23	\$0.33	\$0.43	\$0.53	\$0.63	\$0.73	\$0.83	\$0.93	\$1.03
Express.....	.46	.60	.79	.83	1.01	1.09	1.24	1.26	1.30	1.40
30 pounds:										
Postal.....	.18	.33	.43	.63	.78	.93	1.08	1.23	1.38	1.53
Express.....	.56	.73	.91	1.05	1.23	1.33	1.54	1.52	1.61	1.78
40 pounds:										
Postal.....	.23	.43	.63	.83	1.03	1.23	1.43	1.63	1.83	2.03
Express.....	.64	.82	.99	1.12	1.35	1.54	1.83	1.80	1.90	2.25
50 pounds:										
Postal.....	.28	.53	.78	1.03	1.28	1.53	1.78	2.03	2.28	2.53
Express.....	.74	.95	1.05	1.15	1.40	1.59	1.86	1.79	1.99	2.35
60 pounds:										
Postal.....	.33	.63	.93	1.23	1.53	1.83	2.13	2.43	2.73	3.03
Express.....	.82	1.08	1.23	1.33	1.68	1.90	2.24	2.24	2.36	2.79
70 pounds:										
Postal.....	.38	.73	1.08	1.43	1.78	2.13	2.48	2.83	3.18	3.53
Express.....	.89	1.22	1.43	1.61	1.96	2.22	2.61	2.61	2.75	3.26
80 pounds:										
Postal.....	.43	.83	1.23	1.63	2.03	2.43	2.83	3.23	3.63	4.03
Express.....	.89	1.28	1.58	1.82	2.24	2.53	2.98	2.98	3.14	3.72
90 pounds:										
Postal.....	.48	.93	1.38	1.83	2.28	2.73	3.18	3.63	4.08	4.53
Express.....	.89	1.30	1.80	1.91	2.52	2.85	3.35	3.35	3.54	4.19
100 pounds:										
Postal.....	.53	1.03	1.53	2.03	2.53	3.03	3.53	4.03	4.53	5.03
Express.....	.89	1.30	1.77	2.18	2.78	3.12	3.70	3.73	3.93	4.63

For a clearer elucidation of the above comparisons between the express rates, the present parcel post, and the rates pro-

posed, I now insert chart B, the upper line representing the express, the middle representing the present parcel post, and the lower line the rate indicated by the costs of service, embracing the expenses of railway pay, postal handling, and collection and delivery. Since the chart was prepared the rates up to 150 miles have been reduced from 4 and 3 cents to 1 cent a pound. (See p. 4170.)

It may be instructive to see how the rates feasible here compare with foreign parcel rates on the different weights. The comparison can only be made between the first zones of each of the countries, because of their varying sizes. This is, in the main, a fair method of comparison, for other postal rates are as low here as abroad, while postal costs are generally lower here per mail piece handled.

Table comparing first-zone rates of various countries with first-zone costs and rates proposed for United States.

Country.	Weight (pounds).												
	1	2	5	11	22	33	44	55	66	77	88	99	110
Indicated costs.....	Cts. 1.9	Cts. 2.2	Cts. 4	Cts. 7	Cts. 12	Cts. 15	Cts. 18	Cts. 22	Cts. 25	Cts. 29	Cts. 32	Cts. 35	Cts. 40
Proposed rate in United States.....	3	4	5	8	14	19	25	30	36	41	47	52	58
Austria.....	(1)	(2)	5	8	14	19	25	30	36	42	48	54	60
Belgium (ordinary).....	(1)	(5)	10	12	14	16	18	20	22	24	26	28	30
Belgium (special).....	(1)	15	19	23	29	35	41	47	53	59	65	71	77
Germany.....	(1)	(2)	6	12	18	24	30	36	42	48	54	60	66
Hungary.....	(1)	(5)	6	12	18	24	30	36	42	48	54	60	66
Luxemburg.....	(3)	3	5	10	15	20	25	30	35	40	45	50	55
Switzerland.....	3	(2)	5	8	14	19	25	30	36	41	47	53	59
Foreign average.....	3	4	5	8	13.5	17	23.7	30	37	41.6	43	49	53
United States proposed rate.....	3	4	5	8	14	19	25	30	36	41	47	52	58

¹ These countries do not graduate the parcel rates below 11 pounds, but charge the 11-pound rate for lower weights.

² The first zone in Austria, Germany, and Hungary covers a distance of 46 miles.

³ The Belgian and Luxemburg rates cover any distance; and so the Swiss up to 44 pounds; beyond 44 pounds the rates given are for 62 miles, a half a cent a pound being added for each additional 62 miles.

⁴ The Luxemburg rates are subject to an additional charge for delivery of about 2 cents for weights up to 50 pounds and of 4 cents up to 110 pounds.

Mr. Chairman, attention is invited to the comparisons of average European rates for the different weights with the indicated costs of service for the same in the United States, and then with the rates proposed. At no point does the cost of service exceed 75 per cent of the proposed rate, while on 100 pounds the cost of service is indicated as but 65 per cent of the rate. While the proposed rate is the mere result of a formula seeking to obtain a general rule expressing the closest approximation to the costs of service, it is interesting to observe that its application to the first zone results in the same coincidence with European parcel rates that our letter rates show. Comparisons can not be made for subsequent zones, because of their variety and dissimilarity. This is not of serious moment, however, because increasing distances involve only the element of railway pay, which we have seen is constant in effect at 8 cents a ton-mile, or 1 cent per pound for 250 miles. The foreign zones do show an increase of the rate, however, for increasing distances of about a half cent per 100 miles per pound. There is, however, a circumstance in the parcel-weight rate minimum of some of the countries—Belgium, Austria, Hungary, and Germany—which calls for special remark. These countries have failed to graduate the rate for weights below 11 pounds. This is a very serious omission, because of its deterring effect upon the potential traffic in the smaller weights, as is shown in a comparison of the Swiss and German parcel traffic. The Swiss graduate their rate down to 3 cents for the first pound, and under their rates eight (7.97) parcels per capita moved the last year. Germany fails to graduate below 6 cents for 11 pounds, and but four (3.91) parcels per capita moved there. In Great Britain, where the minimum rate is 6 cents and the weight limit but 11 pounds, less than three (2.64) parcels moved.

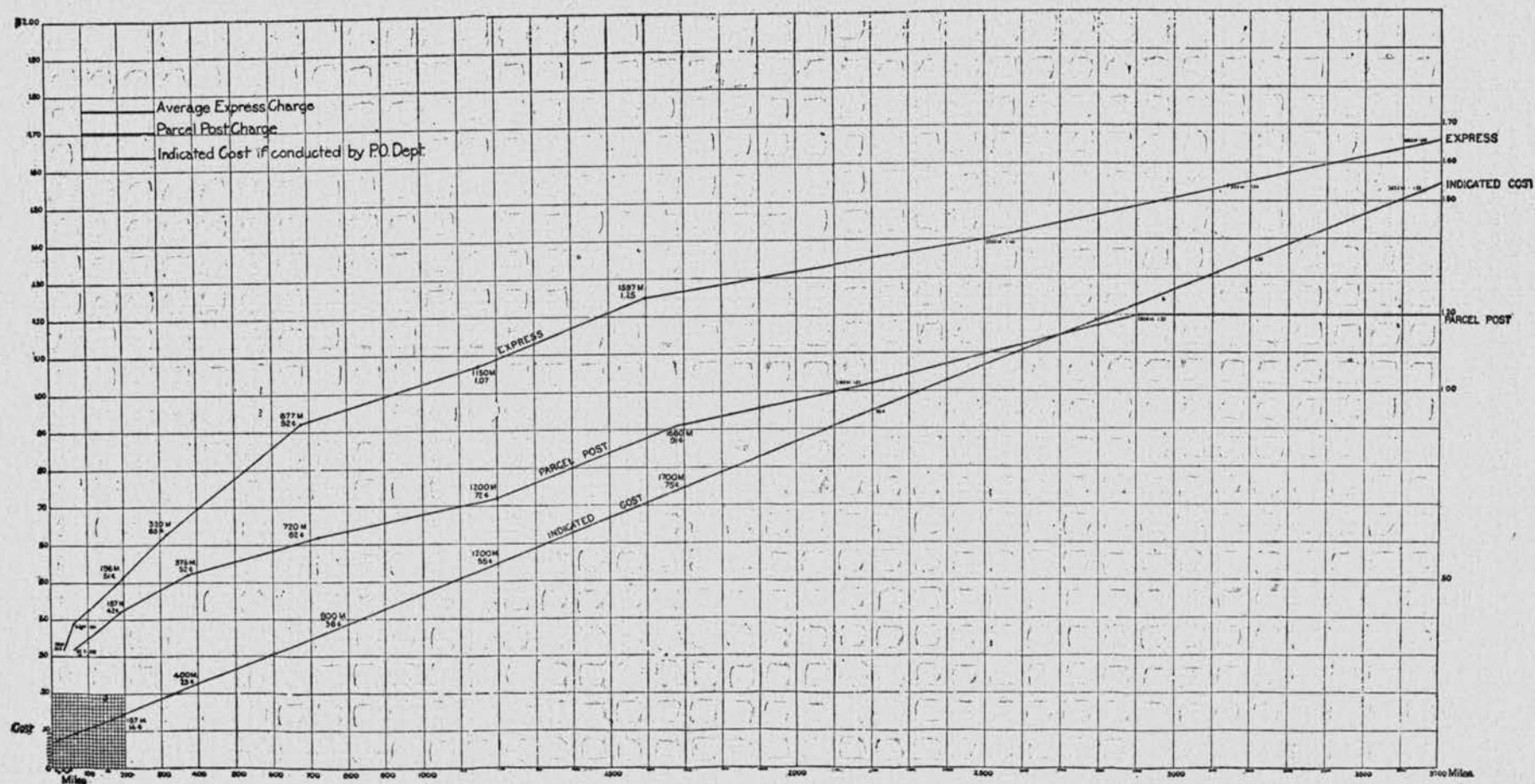
The legislative dabbler in rate making was of course thinking of the Treasury in making these minima. It is optically visible. Unfortunately the potential traffic has not been optically visible to him or the express company in the United States, and so this great public service is now denied us, and has been denied us for generations.

THE POSTMASTER GENERAL'S ORDER.

Mr. Chairman, we have seen that there are two main factors in instituting a parcel-post rate. One of those factors is what it is going to cost us to pay the railway for carrying the matter, and on the longer distance and heavier weights that fac-

Chart "B"

CHART SHOWING AVERAGE EXPRESS RATES AND THE PRESENT PARCEL POST RATES ON A 10-POUND PACKAGE, FOR ALL DISTANCES UP TO 3,700 MILES, AS COMPARED WITH THE INDICATED COST OF PARCEL POST SERVICE ON PRESENT RATE OF POSTAL RAILWAY PAY.



tor will be almost the entire element of expense. Now that is a fact which is well understood by students of the subject. The average cost of paying our railways, including the weight of equipment, for carriage of the mails in 1912, is ascertained to be 8.12 or 8 cents per ton a mile. Eight cents a ton a mile would mean a cent a pound for every 250 miles the pound is carried.

Very well, the next element; what will that cost? We come back to the mail piece and we ascertain that the average piece in 1912 cost about 1½ cents. About 22 per cent was for railway, so we have 1.12 cents as the cost of handling a letter.

Now a letter represents the same processes of attention and of postal handling that a parcel does except one very material one. That process is the act of delivering it to the addressee. Experience shows that when the parcel exceeds 2 pounds in weight it is necessary to employ a wagon at the delivery offices of the country, and experience also shows in the most definite fashion that the cost of special delivery by wagon or vehicle of these parcels above the 2 pounds has been 4.14, or 4 cents per parcel, as will appear in an appendix of such experience I am adding to my remarks. The Postal Department has reported to the parcel-post commission, of which I am a member, that the cost of postal handling per parcel for all the new traffic was just \$0.0153, or a cent and a half per parcel of all weights, excluding railway pay. Thus we have the cost of postal handling plus the cost of delivery well ascertained and we therefore only have to add these two cost items together in order to constitute our rates.

Now, let us apply these elements to what the Postmaster General and his parcel-post committee have so wisely done, in my opinion. They were slightly referred to here the other day as inferior to corner-grocery clerks. I wish here to say of that committee that in the year of its experience with this subject it has displayed more and better knowledge of express economics than the express companies have ever shown. The Postmaster General found an ensemble of legislatively made rates. For example, a charge of 6 cents on the first pound for 150 miles, plus 4 cents on each additional pound. I want to say to the House, with all the sense of responsibility I should feel, that this rate was more scandalous than the express rates. Four cents a pound literally represents five times the cost of service for that 150-mile journey, for, when you come to think of it, 150 miles represents the extreme exterior to which a shipment can go. On the average it will go just halfway from the point of origin to the point of extreme distance, or not more than 100 miles, considering roundabout distances. In short, its tendency will be to travel about 100 miles, and so you have a charge for transportation of certainly not over 8 cents for 20 pounds for a journey of 150 miles.

Put these two factors together.

For a 20-pound parcel you would have to charge 8 cents for the railway and not more than 6 cents pay for postal handling. That is 14 cents. As the parcel-post charge on 20-pound parcel within 150-mile zone is 24 cents, it is certain that we stand to make from 8 to 10 cents on the average 20-pound parcel to be shipped under the Postmaster General's order.

And yet in that case he has reduced the rates from 46 cents to 15 cents on 11 pounds, and from 82 cents to 24 cents on 20 pounds, and is giving the public a service that it is true has been granted in nearly all other countries of the world, but which would not have been granted in this country had not this body had the wisdom to insert in the bill the provision giving Postmaster General Burleson the administrative power he has so wisely exercised for the public good. [Applause.]

Mr. TAYLOR of Colorado. Does the gentleman have any information of whether it is in contemplation to extend this zone or allow this service to apply to other zones in the near future?

Mr. LEWIS of Maryland. I only have the information, for discussion here, which the Postmaster General has given the country. It is that he means, and the chairman of the Interstate Commerce Committee joined with him in the statement, to carry it forward to 100 pounds, as experience warrants the extension—

Mr. TAYLOR of Colorado. And have it extend all over the United States?

Mr. LEWIS of Maryland. Surely. The rate now, for example, in the next zone, 300 miles, is 5 cents a pound. Now, that is three times the cost of service; and let no one deceive himself with the idea that the Treasury is getting the profits of such an excessive and abnormal rate. The Treasury is not getting the rate at all. The excessive rate is simply killing that traffic.

Mr. HELGESEN. Will the gentleman yield?

Mr. LEWIS of Maryland. Yes.

Mr. HELGESEN. After doing away with the parcel-post stamp, has the department any system by which they can keep

track of the expenditures of the parcel post—that is, what the parcel post costs?

Mr. LEWIS of Maryland. Yes; and they do it accurately by postal methods. The stamp was valueless, because it did not distinguish between the fourth-class revenue which was new and that which was old. It threw no light upon the distance or the size of the shipment or anything of the kind. It did not show the parcel revenue and threw no light on the expense. The stamp was another illustration of legislative impotency when it endeavors to encompass administrative details.

Mr. Chairman, we have taken from the express companies in our parcel-post service about 50,000,000 shipments below 11 pounds in weight, and about 10 per cent of their revenues, judged by former years. But we are actually carrying 150,000,000 shipments, not merely the 50,000,000 taken from the express service; all of which goes to prove the original statement that the express rates were prohibitive. Two-thirds of the potential traffic was being killed by their rates. So it is in this 300-mile zone, with a charge of 5 cents per pound; the shipper simply desists from shipping in, perhaps, two cases out of three, if not even more. And a rational rate means revenue to the Treasury, when it is moving the potential traffic. There is a point at which the rate can be such as to yield 10 to 20 per cent profit, say, to the agency, and at the same time move the potential traffic. And the Postmaster General has found it for the 150-mile service—

Mr. BURKE of South Dakota. Can the gentleman tell us whether or not the operation of the parcel post has yet had any effect in delaying the movement of trains by reason of the increased quantity of mail and packages that move as parcel post?

Mr. LEWIS of Maryland. I am not able to answer that question, but I am able to answer one I esteem of greater importance: Has the parcel post paid? It has paid, and paid handsomely. We shall assuredly have a surplus of from seven to ten million dollars at the end of the year, due to the introduction of the parcel post, a continuing surplus for the future.

Mr. AUSTIN. Mr. Chairman, in that connection, will the gentleman tell us how many parcel-post packages have been handled by the Government, and how much the sale of stamps has amounted to?

Mr. LEWIS of Maryland. The indications are that we shall handle some 200,000,000 shipments this year. This is about 2 per capita, which is only about one-half the number handled in Germany and only about one-fourth the number handled in Switzerland.

Mr. AUSTIN. Now, will the gentleman give us the revenue from that?

Mr. LEWIS of Maryland. The revenue for six months was \$14,000,000, of which \$8,000,000 was from parcel post and \$6,000,000 from the old fourth-class mail.

Mr. HAUGEN. Will the gentleman yield?

Mr. LEWIS of Maryland. I will yield for a simple question.

Mr. HAUGEN. The surplus that the gentleman has referred to is due to the fact, is it not, that the railroad companies have not been paid in full; the postmasters and carriers have not been paid for the services that they have performed?

Mr. LEWIS of Maryland. Assuredly not. The express companies of this country earned 2 cents per shipment on 33 pounds last year. The Government is earning from 2 cents on the pound shipment to 40 cents profit on the 11-pound shipment in the 300-mile zone, where it gets this extortionate 57-cent rate. It is killing potential traffic in other directions, however, and would make more profit by having a reasonable rate.

Mr. HINEBAUGH. Mr. Chairman, as I understood the gentleman, he said we said we had too many merchants, too many distributors. I would like to ask the gentleman if he believes that the extension of the parcel post will have an effect on the country merchant; and if so, what effect it will have?

Mr. LEWIS of Maryland. I am glad the gentleman asked that question. There are two kinds of commercial processes. The kind I described were those roundabout processes between the farm and the kitchen which seemed to me to be unnecessary, because farm products are standardized, are retail in form, and might go direct. There are many other commercial processes which require the services of the retail dealer, and especially the country store. Articles that are not standardized can not safely become the subjects of sale between strangers at a distance, and articles produced in wholesale forms require the services, too, of the home retailer, whom we trust for his integrity and knowledge of the relative value of the article. It is here that the retailer plays a most useful part, and especially the country retailer, whom I have found to sell more cheaply than the city store.

I ask the gentleman to follow me in this analysis of the country store. I have gained the facts from experience itself.

The country store is frequently a crossroads store. Often there is competition, too. That country store serves a community, let us say, of three or four hundred persons scattered within an available distance around it. Now, those three or four hundred persons have the same number of needs and probably the same kind of needs that 300,000 people have in the city of Washington. If the country storekeeper were to keep in stock sufficient goods to meet the needs of these 300 farmers around him he would have to carry a stock of at least \$100,000. Obviously he could not carry such a stock. He could not pay insurance. The community could not sustain the interest and other charges. What happens? The House will pardon me for the simplicity of the illustration I am going to employ. David gets the notion that he will propose to Mary, on the adjoining farm. He wants to trim up for the purpose, and he goes to the country store to get a natty hat or pair of shoes. They are not there. The merchant can not carry so varied a stock as the haberdasher. What happens? David loses a day to go to the nearest town or city and the country store loses the transaction in the hat and pair of shoes. But if he had transportation for this retail shipment—the pair of shoes and hat would weigh not more than 4 pounds, would cost just 8 cents for postal transport—the local merchant would save the transaction by taking the size of David's head and foot and writing or telephoning to his supply house to send the shoes and hat direct to his patron. The patron would save his day's work and the country merchant would save his transaction. Indeed the country merchant—I am talking about the real country merchant—could thus couple up with a million-dollar stock, perhaps a day or two late and 40 or 50 miles distant, but couple up with it none the less, and be able to serve his customers and retain his local trade. We can trust the country store to realize this advantage, and in a short time make more use of this method of transportation than anyone else. He has had no transportation in the past.

And, Mr. Chairman, I want to add, anyone who opposes improved transportation, cheapened transportation, in the name of modern commerce mistakes the fundamental object of commerce itself. Its function is to cheapen or lower prices by bringing the producer and consumer together and performing the exchange of products more cheaply for them than the producers could do it themselves.

In our days of wayward and shifting fashions the merchant's problem is to vary his stock enough to satisfy demands, and yet keep his total investment down to a point that will permit some profit on his possible sales. The leaders in mercantile affairs advise more frequent purchases, adapted to the specific demands of the trade as they arise, in small orders. This the prohibitive express rate largely prevents in the towns, and the nonextension of the express service to the country wholly prevents for the country store. Nor will the retailer, as a class, necessarily suffer by the loss of his trade in the farm products. What the workman saves on these he will be enabled to spend with the retailer on other things in his store. It is a mistake to suppose that no transportation, or deficient transportation, is an advantage to any class, and surely no one stands to benefit more than the merchant by reasonable express rates and a wider extension of the service. Think of what the half cent a pound rural route may mean for the country store in making daily deliveries for him to his farmer patrons who have phoned him their orders.

Mr. HINEBAUGH. Mr. Chairman, just one other question, if the gentleman will yield. Assuming that the crossroads man in the little place you mention has been eliminated and the buyer or consumer goes to the town of 10,000 and gets his shoes there, what will prevent the elimination of that merchant in time by the man still higher up, with still larger capital, who can furnish the same shoes to the consumer at a lower price?

Mr. LEWIS of Maryland. The great Lord above us gave the consumer, at least, when he is a laborer, rights that are primordial and superior to the rights of any kind of commerce. The man who earns his dollar in the sweat of his face is entitled to get the produce of the other laborer with as little of intermediate commercial addition to the price as is possible. The plate-glass front, the electric lights, the immense extravagances that now attend the conduct of the commercial business in our large cities are self-imposed additions to the price, and commerce has no right to call upon the simple laborer at the end of the week to sacrifice half his wages on these futilities. The true function of commerce is to cheapen and not exaggerate the prices of merchandise. [Applause.]

Mr. BARKLEY. Will the gentleman yield there? Does the gentleman know of any concerted action upon the part of country merchants to petition Members of Congress to endeavor to pass some sort of a law taxing interstate commerce that goes through this parcel post, in order to cripple it?

Mr. LEWIS of Maryland. That subject has been brought to my attention.

Mr. BARKLEY. The reason I ask that question is because I have received several petitions, which were gotten up somewhere in Iowa, but sent to my district to be signed and mailed to me by local merchants, asking that a law be passed taxing all this commerce that goes by parcel post, which in effect would cripple the service if any such attempt was made. I wanted to find out about it.

THE SHORT AND THE LONG DISTANCE PARCEL RATES.

Mr. LEWIS of Maryland. Gentlemen, it is apparent that on full passenger train service rates at 8 cents a ton-mile the rates swell beyond the utilizable for distances above 400 miles where they exceed \$40 per ton of traffic. Even with a changed rate of railway pay for this express post service, say 5 cents a ton-mile, not more than about 700 miles could be encompassed by a traffic-moving rate, and of course, even less so at 12 cents a pound or \$240 a ton, although we are bound, if we can consistently with the cost of service, to organize a governmental institution like the postal agency with a view to extending its service to all persons and places within the Republic.

I do not mean by this any flat or nonself compensatory system of rates. The necessary effect of that must be to centralize, and thus monopolize production at the points of greatest natural fertility by adding to their natural advantages an utterly artificial advantage; a transportation subsidy abhorrent to every principle of justice, of sound economics, and our ultimate social welfare. The natural advantages of place and the tariff are doing too much of this now—centralizing our industries and diverting our young manhood from the health and vigor and independence of the farm to the nickelodeon civilization and dependency of the cities.

But what I do mean is that the citizen in one part of the Republic should have for his single shipment some form of utilizable transportation to any other citizen. Rates which mean \$240, or at the best which can be hoped \$160, a ton for coast-to-coast traffic merely constitute a denial of transportation. We have heard much of the railway taking all the traffic it would bear. But a rate of 12 or 8 cents a pound would not tax; it would simply prohibit the traffic from moving at all, except in negligible instances. It does not boot to say that the express rate is as high or higher; for it does not move, but simply aborts traffic in its womb. We shall have to look in some other direction than the passenger-train service for utilizable transportation rates for these long distances. But before doing so, let us see what can be accomplished under the rates feasible and proposed for the passenger express post. To begin with, the great volume of the freight and express traffic of the United States has its substantial flow within an area of less than 500 miles from the point of consignment. This is shown in the fact that the average journey of all railway freight is but 253 miles, and that of express about 200 miles; and yet the freight haul includes journeys of the export grain traffic flowing largely from the interior of the country. As a broad proposition, it may be stated that rates competent to move the potential traffic within an area 500 miles from its center will move nearly every article of traffic in the higher prices from its place of production to its natural market. Supposing this traffic for the 100, 200, 300, 400, and 500 mile zones to average for the whole as if in the 300-mile zone, as does freight at 253 miles, then the average charge would be 1½ cents per pound, or \$30 per ton; a charge nearly all of the domestic necessities, except coal, potatoes, and so forth, could easily bear, and a charge that would rarely exceed 5 per cent of the prices now paid by consumers. To illustrate, I will recur to the half dozen articles referred to in the beginning of my remarks, with their prices on the farm as compared with the Washington retail market something over a year ago, and will add the proposed rates to the farm prices to compare the direct-to-consumer price with the roundabout commercial price.

Country produce sold in Washington Aug. 5, 1913.

Article.	Sold to consumer for—	Wholesale price.	Farm price.	Parcel post.
Eggs (2 dozen).....	\$0.56	\$0.40	\$0.32	\$0.06
Dressed chicken (3½ pounds).....	.77	.56	.42	.03
Butter (3 pounds).....	1.05	.75	.60	.08
Country sausage (3 pounds) (as of October, 1911).....	.54	.33	.21	.08
Country cured ham (10 pounds).....	2.20	1.20	.90	.15
Apples (half bushel).....	.65	.40	.25	.24

A shipment of the following, weighing with container 20 pounds, would cost for transportation from the farm over the rural mail route and by the railroad to the city, up to 150 miles of direct distance (possibly 225 miles by railroad) and then delivered by the city mail carrier, 24 cents:

Article.	Farmer gets.	Whole-sale price.	Consumer pays.
Eggs (2 dozen)	\$0.32	\$0.40	\$0.56
Chicken (3 pounds) .....	.36	.48	.66
Butter (2 pounds) .....	.40	.50	.70
Ham (10 pounds) .....	.90	1.05	2.20
Add container (2 pounds)	1.98	2.43	4.12

All of which means that even now the Washington consumer, other things being equal, might order these necessities direct at a total cost of \$2.22, as against \$4.12, price levels remaining static.

All but the very largest cities can be supplied with farm necessities within the area of the first zone, it being 31,416 square miles in extent, or over 20,000,000 acres. Within the second zone of 200 miles, covering 125,664 square miles, at a cent a pound, every city, except possibly New York and Boston, might derive such table necessities, while even those cities might depend on the land included in the area of the third or 300-mile zone, having 282,744 square miles of surface, with a total transportation charge of but a cent and a half per pound to add to the price at the farm, or \$3.60 for the direct order, as against \$5.75 for the indirect transaction with the producer.

In instances where the farmer and consumer were unknown to each other a small charge of from 3 to 5 cents would have to be added to pay the cost of collecting the price and remitting it to the farmer. But where established custom obtained even this charge would not be necessary, as periodic settlements would take the place of the C. O. D. practice. A line in the local paper would inform the consumer as to prices and producer, and a postal card or a phone call would inform the producer of the consumer's wants. The postal conduit would then pass the article direct and collect and remit the farmer the price, if required. The latter would not, as an intelligent constituent writes me, have to leave his farm to market a small allotment, when, as he explains:

It sometimes happens that on the day that I must go to market a field is in ideal condition to be prepared for planting a crop or to cultivate a growing crop, or a field of hay or grain is ready to be put in the mow; but I must go to town to dispose of my produce.

FAST FREIGHT POST.

Manifestly, there will be many instances covering a large part of the potential traffic where the article can not pay the relatively high-priced transportation rates provided by the passenger express post when subjected to a very long haul; such articles, for example, as are relatively low priced in relation to their bulk or weight, and for which when weighing less than 100 pounds the railways provide no proportional rate, or in any instance articulation with nonrailway points. What I have already said as to the cost of postal handling, including collection and delivery, may be taken as applying to such cases, the railway transportation economies of which I shall now proceed to discuss.

A shipment now goes by express rather than by freight in order to—

- (a) Obtain highest expedition of movement.
- (b) Obtain security and delivery.

But it often goes by express to obtain a lower rate, where the 100-pound minimum rate of the railways, e. g., the coast to coast first-class traffic with a 100-pound minimum rate is \$3.70, while the express charge for 5 pounds is 85 cents, 10 pounds \$1.54, 20 pounds \$2.89.

Then, too, a very large proportion goes by express because the minimum express and railway rates are the same for short distances and light packages, while the express grants additional facilities. The scientific rate maker has an axiom that rates should be—

- (a) Sufficiently low to enable the shipment to move to its natural market with a profit, and yet
- (b) Sufficiently high to pay all the out-of-pocket expenses of the services, and as large a share of the fixed charges as the fiscal exigencies of the carrier may require.

Our railways have gone a long way to gratify the first element—mobility—with respect to the larger articles of commerce, but their practices have, in effect, condemned the small, low-priced consignment to commercial immobility. The Germans

have worked out the possibilities of transportation in this respect. They have not only the parcel post, available to 110 pounds, at a rate which works out at \$13.67 per ton on 13-pound packages for 225 miles, but have also the passenger express at rates four times the freight rate, and what is here called the "fast freight" commanding just twice the freight rate. The latter service makes the rate concession necessary to enable any package, small and cheap, or larger shipment requiring speed, to move to the markets.

I come now to discuss this method of fast transport, which obtains in Prussia and perhaps in Austria. It is a mixed fast-freight service supplemented by passenger train on the branches. When the place of consignment or destination does not coincide with a fast-freight stopping place, the shipment is expedited either to such point or from such point by the accommodation passenger train. The rate for this service is twice the freight rate, according to its class, while the rate for passenger-train express is four times such freight rate. The conditions obtain for the adoption of this fast-freight express in the United States. On all our trunk lines fast-freight service exists, with an average speed of from 20 to 25 miles per hour. Speaking generally it is only on the branches that this fast service is wanting where, of course, the accommodation passenger train may always be found.

The system works quite simply in Prussia. There the class traffic by which the rates are determined travels on a rate formula literally comprised in a single page, and by which the weight and distance of destination of the shipment being stated, the rate can be computed by the application of the formula.

This simplicity of rates does not obtain in the United States. As we have seen, its existence is necessary to a feasible rate for small consignments.

Since in both ordinary and secondary express we shall substantially always be dealing below the 100-pound line the "transportation-accounting" burden will be present if either be conducted by private corporations. The practices must be kept up by them in their individual relations to the package and each other and they can not dispense with this accounting. Accordingly, under present railway and express conditions rates proportioned to the diminished weight of the package can not reasonably be asked of the railway or express company, while rates based on the necessary minimums of the railway and express company operate to prohibit, perhaps, more than half of such shipments. The act of moving the small package grows relatively less costly with its weight. The complex series of acts looking to its fiscal relation to the company grow relatively egregious as the weight of the shipment and the journey on any weight approaches the minimum. The latter is then the problem to be solved if we are to secure a feasible package rate.

To solve it adequately, the shipment must be divorced completely from the "transportation-accounting" practices of the transportation company. It can be stated that the only instance in which this divorce is now accomplished is in the case of packages carried in the mail, of which no record is kept and no accounting takes place. The railways trust the Government to pay them for carrying those packages upon bases of aggregate weights and the volumes of traffic; and while there is some complaint both from the public and the railways that these bases are unjust, neither would think of resorting to the piece-accounting method of the express company for computing the service rendered. Such a method would weigh down the whole Railway Mail Service with accounting expense.

The parcel rate would have to be picked out from the 800,000,000 place-to-place rates (Stickney), an act (off the beaten lines of traffic) so expensive in its character, saying nothing of its fallibility, as to eat up the fiscal loading which the small article might bear and still move. Moreover, with a feasible rate for the diminutive consignment, the whole character of rate finding would likely change. Now an immense proportion is on beaten lines familiar to the freight agent, and in quantities large enough to sustain the cost of the "rate hunt" when otherwise. Accordingly, fast-freight express, as adopted here, in the interest of a feasible rate and the operating economy of the carrying railway, would have to have a rate formula as simple as the Prussian.

THE CLASSES.

In ordinary express, most articles being treated as of the first class or higher, we were not required to consider a question now before us. It is, How many classes for rate purposes should be adopted? Simplicity makes a very natural, if uninstructed, appeal for one class. But I think the conditions render such a treatment either insufficient or impracticable. To adopt rates exclusively based on the rail charge for carrying the sixth-class freight traffic would be unjust to the railways, and result in

largely diverting the higher classes of traffic from the railways to the secondary express. To adopt rates based wholly on the first or higher classes would be, in effect, to deny admission of lower-class shipments to the secondary express service. The conclusion reached is that the German method should be followed and class rates made, recognizing all classes. This would require the postal officials on receipt of the shipment to ascertain the class to which it belonged in the uniform classification, not an expensive task. The article would have in a general way the same adaptation of the rate to the ability of the article to bear it, and move with a profit to its natural market, which freight rates possess.

DISTANCE RATES AND DECLENSION OF RATES.

I call attention now to the Talcott formula with reference to freight rates. Broadly stated, it means that the cost of freight carriage tends to increase, not in arithmetical proportion to the increase of mileage, but in proportion to the increase of the square root of the added mileage; or, less technically stated, the cost tends to double as the distance quadruples. There has been an instinctive recognition of this truth by the rate makers in the express traffic, as well as in freight. There is now given a table comprising the average of nine representative rates for the first and sixth classes, and for distances running from 36 to 900 miles, covering all sections of the United States. It shows that, substantially, the Talcott law holds good for both classes (and doubtless for all classes) up to 900 miles. Data is wanting for greater distances, but it is probable that the rate curve from 900 miles up tends to decline at a lessening rate. For the purpose of this discussion it is treated as flat, i. e., as nondeclining, after 900 miles.

Table of first and sixth class freight less-than-carload rates based on averages of 9 actual rates for each distance, compared with rates by the Talcott formula.

[Per 100 pounds.]

Distance (miles)—	Square root.	First class.		Sixth class.	
		Actual rate.	Talcott formula.	Actual rate.	Talcott formula.
25.....	5				
36.....	6	\$0.205	\$0.205	\$0.09	\$0.09
100.....	10	.302	.371	.115	.15
196.....	14	.461	.477	.163	.18
324.....	18	.56	.613	.217	.27
484.....	22	.725	.75	.28	.33
676.....	26	.969	.886	.369	.40
900.....	30	1.102	1.023	.418	.45
1,024.....	32	1.297	1.091	.547	.48
1,156.....	34	1.357	1.169	.577	.51

As a matter of fact, the sum total of the formula rates for the two classes slightly exceed the sum total of the actual rates up to 1,024 miles, so that the Talcott law may be said to hold good on the whole for that distance.

The above table is given with a view to ascertain what zones are practicable in harmony with existing railway freight rates. It is beyond argument that in a country like ours a considerable number of zones would be necessary. My own impression is that there should be about 24, both for the purpose of correlating express rates with the freight as well as adapting the rate measurably to the service involved. This condition would not involve us in any complexity, for what can be made simple may be so regarded ab initio.

The above elaborate statement is essential to an understanding of the first difficulty in formulating a feasible rate for small packages, for the elements of such are not merely (a) that it be high enough to produce sufficient revenue to pay all the cost of the service, but also (b) that the rate be low enough to enable the article to move with a profit to its natural market.

Gentlemen, the work of the Postal Department in the proposed secondary express would be that of receiving or collecting shipments less than 100 pounds in weight and assembling them into carload lots, to be transported by the railways to fast-freight stopping points, where the department would receive them and deliver them to the respective consignees, using the branch-line passenger train when necessary. The weight limit should not exceed 100 pounds, for from that point up the railway company now provides a service with rates graduated to the actual weight carried. Now, the railways give what is called carload-lot rates to shippers, when they ship under one bill of lading weights aggregating from 15 to 25 tons, such rates being from one-half to two-thirds only of the rates charged for less than carload shipments. In official-classification territory

81.63 per cent, in southern 65.61 per cent, and in western 70.50 per cent of the class articles are given such carload-lot ratings by the railways. It is in consideration of the fact that the railway is released from the large accounting burden involved in the small shipments and the great number of stops it has to make for way or accommodation freight that these lower rates are given. Since the Post Office Department as an assembler on the trunk lines would be furnishing carload quantities it ought to pay only carload rates, and this as an abstract statement the railway interests will all admit. But when we come to apply it we find such a complexity of rules as would effectually deny the right. For example, there are numerous classes in the official classification which are somewhat different in the western classification and yet different in the southern. Now, there is no distinctive carload-lot class, but there are numerous classes for the different 100-pound shipments. Thus agricultural implements may be class 1 and in carload lots class 5, while crated berries or fruits would fall in class 1 in 100-pound lots and class 4 in carload lots, respectively, for these different services, while typewriters fall in first class and have no carload rating at all. Nor does the complexity end here. Another rule is that the carload shipment shall take the carload rate appropriate to the highest carload tariff of any article in the car. These rules have been made to protect the railway revenues from the assembler for private profit who otherwise might contrive to capture all the less-than-carload traffic, and, converting it into carload form, reap the difference in rates as a profit for his cunning.

It is submitted, gentlemen, that such protective practices do not apply to an effort of the Post Office Department to secure transportation for the less than 100-pound shipment, and that instead of loss of revenue, the railways could only gain increased revenue through the admission of this shipment to transportation. And I do not anticipate that the railways would make opposition to a reasonable program, having in view such simplification of carload rate conditions as would enable the department as an assembler to utilize their fast-freight service for the transportation direct from producer to consumer, and otherwise, of shipments now largely denied transportation by the 100-pound minimum, and denied it wholly for rural shippers. It is not proposed that these carload rates should be reduced. They are low enough. But it is desired that they should be rendered available to move a line of potential traffic otherwise lost to the public and the railways, namely, traffic in less than 100-pound lots.

I confess, sir, that it is far from easy to form a rule that will meet the situation without working substantial interference with the rate structures of the trunk lines, and yet a remedy is necessary if we would attain a great public object. Without such a rule the specific railway rate on each diminutive shipment in the assembled carload would have to be ascertained, a task so costly as to wholly defeat the object; and moreover, a process that would only defeat the granting of the carload rate.

Gentlemen, although the task is difficult, I believe it can be accomplished if the Interstate Commerce Commission and the railways undertake it in a truly public spirit, and with the idea of suggestion only, I propose the following plan:

A POSTAL CARLOAD RATE.

The great railways know the weight volume of the traffic in each article and class, and thus the percentage of the class traffic which moves on their respective roads, or can readily learn it by an inspection of their bills of lading. Let them treat the Government carload as composed of such percentages of each article and class, and affixing to each such percentage its carload rate on a given route, compound such rates to secure a composite carload rate on all postal traffic carried on their fast-freight lines, which shall be treated as composed of like percentages. Let us suppose that this average would approximate its third-class (less than carload) rate in a greater number of cases. In such case the postal carload rate would be taken as the third-class rates on all its lines. In this way it is designed to work out for each trunk line a joint or merged carload rate approximating the collective revenue which it would derive under its rates as separately applied. The same disposition could be made of postal less-than-carload traffic. In such case the railway would haul the cars, take account only of the gross weight of their contents, and submit its bills periodically to the department for payment. The department and the railways would be saved the impossible expense of rate hunting and accounting on multitudinous shipments, and the department secure the carload rates its traffic both needed and deserved, while it could ignore, as if some foreign language, the minutia and diversity of the various and contradictory classifications and literally innumerable tariffs, in formulating a rate

system for the patrons of the service. Such compound rates should be given only to the Government, and considering the peculiarities of the traffic I do not think it would constitute a "preference."

Of course it is not to be expected that every railway manager would, upon the mere request of the Postmaster General, file such a postal tariff. We are deterred from such a hope by the example of the few railways ever present, recalcitrantly preventing the adoption of a uniform classification. But the Interstate Commerce Commission has jurisdiction, and the Postmaster General as a shipper, or the Government as a body politic, can invoke its powers to establish such rates and practices as may seem just and necessary. A petition to the commission making all the trunk lines parties and asking for the establishment of the desired rates is the method of solution of this problem which anyone would suggest. I should greatly prefer it to being obliged to force a legislative solution upon the railways, as we do for postal pay.

FAST FREIGHT POST RATES.

Having purchased from the railways the transportation in wholesale quantities, when the weights justified, the Post Office Department would sell it to the public in retail quantities of 100 pounds and less, at uniform rates, compounded from averages of the 100-pound rates of the railways for the different distances. To do this it should have zones, as in the passenger-train express post. But it should also establish classes approximating as nearly to those of the railways as practicable.

There is one difficulty in the work to which I will now specifically refer at the risk of being unduly tedious. Railway revenues ought not be impaired through the use of the carload rate; and so I believe the rates to the public ought not be made so low as to divert important or substantial traffic from the railway. The purpose is to secure for the less than 100-pound shipment the right to move at proportions of the 100-pound rates, plus the costs of postal handling, in order to articulate the railways with the farm and secure transportation that will move all standardized forms of retail production direct to consumer. To formulate such rates uniform rates for the entire country, which are not so high as to prohibit and yet not so low as to seriously divert from the railway its accustomed traffic, is, I own, a laborious but yet far from an unfeasible task.

In an appendix I give an expository table showing the rates which are feasible by the proposed fast-freight express. For the first class they begin for the shorter distances at about half of the present express charge, decreasing gradually with the distance, until at 3,600 miles they are but one-third. For the sixth class they begin also at one-half, but decline to about one-eighth of the express charge for the longest distances. It is easy to see the influence which such rates would have in moving the Florida and California market basket. There would be a very great margin of profit for the Government in such rates. The difference between the carload rate which it would pay and the proportions of the 100-pound rates which it would charge would, I think, give it a profit of not less than one-third of its gross receipts.

Gentlemen, I think that in two, at most in three, years by energetic action the postal authorities might have this fast-freight post in operation. Meanwhile all the subordinate problems of postal handling would be worked out in the development of the passenger-train postal express service.

ADMINISTRATIVE ECONOMY AND EFFICIENCY.

The problem is to get the package rate somewhere as diminutive as the package. In order to do this the simplification and not the multiplication of processes and agencies is the great essential. And we have seen also in the treatment of "transportation accountings" that a small package is now penalized to comparative extinction by the complexity of processes and agencies, unavoidable in intercorporate relations, and which only a unification of the agencies and simplification of the processes can remove.

Gentlemen, speaking of simplification of processes, I make bold to say that if the practices applied by the express companies to the small shipment were applied by the Post Office Department to its small shipment, the mail piece, our letters would cost us at least 6 cents, and, taking into account the resultant diminution of the traffic, perhaps even 10 cents apiece. What do the express companies do? They actually burden down this small shipment with the same accounting processes applied by the railway to carload lots. Simply affixing the stamp replaces all these processes in postal transportation. The thoughtful man will surely see that the problem before us is to reduce the cost of handling, and with it the rate for this small shipment to something like its own size. To do this,

manifestly we should apply letter and not carload transportation practices to it.

There is one transportation agency in the United States which is able to divorce the package from the accounting burden. It is the postal system. It is doing so now. If we except the stamp account of the local postmaster with the department, absolutely none of the express accounting described takes place. It is the only transportation institution which has accomplished this distinction. And this statement is not made with the purpose of invidious comparison with other transportation agencies. The condition results from its uniformity, universality, and consequent simplicity of relation with other transportation agencies and the world at large.

It may be urged that some of these accounting items are necessary safeguards against the loss of the shipment by theft. At present the postal system finds it more economical to locate and punish actual thieves than to keep watch over all its employees in an obviously vain enterprise of preventing the occasional miscreant. For those articles of traffic especially susceptible to this danger, such as money and other valuables, adequate protective processes and insurance indemnification should be provided, to be specially paid for.

Gentlemen, we have seen the superiority of postal over express methods in administrative practice. It remains to inquire the relative working efficiency of the postal personnel.

WORKING EFFICIENCY.

There has been a disposition among a certain order of writers to refer the conceded excellency of the operation of public utilities in Germany to the military spirit or to the alleged presence there of a class accustomed to command and a working class equally accustomed to obey. Obligated to admit that Germany's experience with public functions has been satisfactory, these writers insist that our democracy precludes any such hope in America. They do not speak of mere irregularities here, although these are what they hold up as evidence for inefficiency, and since such irregularities in foreign countries do not get into our press, a kind of unfavorable impression is made. Talk of postal deficits is indulged in as if such deficits were not merely definite statements of the amount of service given the public for which it is not called upon to directly pay; but the point of efficiency involves a wholly different element—the amount of service rendered by the employees. The table shows this service and its extraordinary advancement during a generation, notwithstanding the added burdens, notably the rural free delivery.

Comparative table of the number of pieces of mail matter handled per employee in England, France, Germany, and the United States at different periods.

Countries.	Average number of pieces of mail matter handled per employee in—					
	1890	1895	1900	1905	1908	1912
England.....	22,230	28,775	28,646	31,945	31,117	.....
France.....	34,590	45,700	38,309	41,958	38,241	.....
Germany.....	17,287	15,638	20,552	22,160	25,901	.....
United States.....	24,611	26,235	32,569	42,739	51,591	60,504

These averages were reached by dividing the total number of employees engaged in the postal service into the total number of pieces of mail matter for the years given. In the cases of France and Great Britain the number of employees was diminished by one-fourth, the estimated number employed in the telegraph and telephone service; in the German figures the same reduction for the telegraph and telephone employees is also made, but is raised to one-third in 1908. The statistics are found in the *Union Postale Universelle Statistique Générale*, published at Berne, Switzerland.

There are, of course, some slight differences of conditions in the work done by the respective postal plants. Postal savings and parcels are all the subjects of more extensive service in the foreign examples; but it is believed that these are much more than made up in the United States service by its low density of population, entailing greater railway mail, free rural delivery, and other work expenditures upon the average mail piece. The marked extent of this condition is shown by the mere statement of the population per square kilometer of area: Eight for the United States, 73 for France, 146 for Great Britain, and 112 for the German Empire.

Agreeably different from the express service, this postal efficiency has shown itself in the decline of the service cost per letter to the patrons of the postal system, progressively, for a generation.

Comparative unit cost of postal system, 1886-1912.

Year.	Number of employees.	Estimated number of pieces mailed, including foreign matter.	Number of mail pieces per employee per annum.	Cost per average mail piece in cents.	Cost per average mail piece in cents, excluding assignable cost of Rural-Delivery Service.
1886.....	122,698	3,474,000,000	28,313	1.44	.....
1887.....	127,288	3,495,100,000	27,458	1.49	.....
1888.....	134,112	3,576,100,000	26,665	1.55	.....
1889.....	129,295	3,860,200,000	29,855	1.58	.....
1890.....	153,857	4,005,408,206	26,033	1.61	.....
1891.....	162,855	4,369,900,352	26,833	1.63	.....
1892.....	171,780	4,776,575,076	27,806	1.57	.....
1893.....	178,018	5,021,841,058	28,209	1.57	.....
1894.....	183,916	5,919,000,000	26,746	1.67	.....
1895.....	189,671	5,134,281,200	27,069	1.64	.....
1896.....	194,533	5,693,719,192	29,268	1.64	.....
1897.....	199,846	5,781,002,143	28,927	1.67	1.57
1898.....	208,873	6,214,447,000	29,752	1.60	1.50
1899.....	215,904	6,576,310,000	30,459	1.47	1.47
1900.....	224,029	7,129,990,202	31,826	1.44	1.43
1901.....	235,327	7,424,390,329	31,549	1.48	1.46
1902.....	246,524	8,085,446,858	32,797	1.47	1.42
1903.....	256,673	8,887,467,048	34,625	1.49	1.40
1904.....	268,685	9,502,459,535	35,366	1.53	1.40
1905.....	272,034	10,187,505,889	37,449	1.56	1.36
1906.....	278,058	11,361,090,610	40,770	1.49	1.28
1907.....	278,010	12,255,666,367	44,083	1.48	1.26
1908.....	283,481	13,173,340,329	46,469	1.50	1.25
1909.....	288,036	14,004,577,271	48,620	1.49	1.25
1910.....	291,820	14,850,102,559	50,975	1.47	1.22
1911.....	291,113	16,900,552,138	58,054	1.23	1.12
1912.....	290,701	17,588,658,941	60,504	1.34	1.10

If further evidence were desired as to the adaptability and the capacity of the system to assume and discharge the work in mind, then assuredly the experience of the last eight months supplies it. The duty of handling an express traffic which promises to exceed in number of shipments if not in volume that of the express companies, has been accepted and discharged with admirable success and unprecedented profit. In my judgment the efficiency of our postal system is without comparison in small-shipment transportation.

The plain people of the United States have an abiding confidence in the service value of the American post office; and this is not because of patriotism, but of appreciation of what it does for them. It is the one great transportation institution whose single purpose is "servamus"; and this purpose it does accomplish in a truly wonderful way. Taking a postal card half around the planet for a penny. How this strikes the imagination. But does it pay? Perhaps not. But what other institution will render such a service to the beggar, and for a beggar's mite? Where others fail, it mounts. Where private initiative and private capital, acting on the instinct of self-preservation, refuse to go, it harnesses the dog and the reindeer, and there it goes, carrying the mother's missive and bringing back the filial succor of the explorer's new-found gold. In individuals this would be but ephemeral heroism, and bring certain failure. But the postal system grows with it, and seems to thrive. Last year, after giving a subsidy of nearly half its service to educational publication, it made the 2-cent stamp furnish revenue to pay for the whole service.

All this, of course, is not a mere product of patriotism; but it is the joint product of unification of function and a motive to render the utmost service. There is the individual motive, first, to serve yourself, and thus serve others. There is the social motive, practicable in a limited number of cases, and it is the motive which, acting under conditions of complete coordination of functions, explains the truly incomparable service of our postal organization.

THE EXPRESS POST AND SUBURBAN GARDENER—A NEW INDUSTRY.

I have had an intelligent farmer go over the incidental products of his farm, which, when delivered in less than wagonload quantities, can only be marketed at terrific economic expense. His list includes the following, as to which, if the service included the collection of the price when required, he says he would ship by the postal van and save the value of his presence on the farm:

Eggs, butter, dressed poultry, meat (country cured), celery, tomatoes, fruits, berries (various), cauliflower, cabbage, turnips, apples, pears, string beans, string peas, carrots, parsnips, beets, sweet corn, salsify, and honey.

I do not undertake to describe in detail the manifold effects economically and socially involved in such a system. One of the very important results would be the establishment of a *modus operandi* for the truck farmer and suburban gardener to connect with his patron.

Mr. MURDOCK. Originally they had great hope of moving farm products. Now, have they moved them to any appreciable degree?

Mr. LEWIS of Maryland. They are beginning to move under this new rate, as I happen to know.

Mr. MURDOCK. Are they moving from the farm in the original shape, such as a roll of butter, to the town?

Mr. LEWIS of Maryland. To a certain extent. But it will take time to develop the new practice, because you have to deal to a certain extent with psychological factors. One of the problems is to secure the packing containers sufficiently cheap and yet sufficiently reliable to carry products safely from the consignor to the consignee. The canning trade has accomplished this. Such containers are now made, but the cost of them is rather high, and indeed it will require time to put this new agency through the gamut of human factors before it reaches its fruition. I may say that our hopes are not likely to be disappointed, for in other countries where they have a rational parcel post these things move from the farm to the kitchen, notably in Germany.

THE AGRICULTURAL POST.

In the present state of things the truckster and farmer must devote considerable time to marketing; that is, to the transportation of his product, however little it may be, to the place of demand. He must also for this purpose provide himself with transportation facilities, however small his business. These involve a horse and its maintenance and care, and a barn, and the expense of both during the unproductive period. And yet in a socio-economic sense his work and expense of transportation is the smallest element in his service to the public, although it requires the maximum of upkeep and expense, if not of capital. The proposed postal collect and delivery eliminates all these, and would enable the truck farmer and suburban gardener to enter the business on a minimum of capital and pursue it on a minimum of labor and expense. The field service of a horse he could hire as occasion might require. Thus the truck-farming industry would receive a necessary impetus, and the cost of such foods be greatly reduced to the consumer, saying nothing of the advantage in quality coming from a speedier forwarding to the market by daily allotments instead of the delays now incurred to gather a worth-while load.

On the margin where the railway terminates and the great rural and agricultural supplies begin there are transportation conditions, or want of conditions, which seem to be vital to the economic prosperity of the country. Take a coal miner at about 60 years of age. He is still an athlete, but his lungs have become incapacitated to breathe the vitiated air of the coal mines. His arms are good and strong, and he is willing to work, but under present conditions he finds himself unable to shift from the mines to another employment. He may be able to raise \$300 or \$400 to buy a few acres—and there is nearly always plenty of land available for truck farming near the coal mines—and a little cottage to shelter himself and his wife.

But that is not all he would have to buy to-day in order to go into truck farming—raise the necessities of life for himself and his wife and sell the excess to those who needed it in the city. Outside of the land and cottage, as things are now, he would have to buy himself a transportation system—a horse and wagon, a barn, and hay. He would have to maintain this transportation system throughout the year, however short the period of actual employment. Moreover, since the excess production available for sale would be very small, he would be taking a great deal of time wagoning his small allotments to the town and looking for a market. But articulate the railway and the city with the country through the means already in existence—a structure almost complete at this moment—the rural free delivery. The miner could then go into the truck business. He would not have to buy a transportation system and maintain it; he would not need to rush to the town with every 10-pound load at great expense of time and labor and with very little economic benefit to the public. Every day, or every other day, or every third day, as might be feasible, the postal van would pass his little truck farm and receive his allotment packed according to regulations.

Let me say that this is no dream. I know it is the situation presented to nearly every coal miner at some period of his life. How far it would be true of men who have tired of the city, of the laborer who has been thrown on the scrap heap, unable to secure his old employment there; to what extent he would want to become a small truck farmer—poor, perhaps, but independent and self-sustaining—I can only have a speculative opinion. But ought not the opportunity be present?

Even under the largely impossible conditions of land values in Great Britain, this result has largely worked itself out. The vital necessities can be obtained fresh from the suburban

gardener and farmer with the certainty and the celerity of the mail. Besides creating a new industry here—suburban gardening—where land is plenty for this purpose, it should introduce another element of great desirability. Now, the consumer has no one to blame for bad butter, and so forth. The producer or the time of production he does not know. In the new situation the producer has a personal relation with his customers, who can hold him responsible, and, if necessary, punish delinquency with loss of trade.

PENNY POSTAGE.

Gentlemen, there is spreading through the country a demand for 1-cent postage. It is true that the 2-cent rate is nearly universal, but in terms of European price levels we really have 1-cent postage now; for our 2 cents represents but half the labor that it does beyond the seas. Of course the proposition, if feasible, is desirable, and so raises nothing but a question of financial feasibility. The reduced rate ought to be granted if with it the Post Office Department can be made to pay its way. The proponents of it rely mainly on the argument that the letter pays greatly in excess of its cost of service, and is subjected to a 2 instead of a 1 cent charge mainly because the second-class newspaper, periodical, and magazine are charged but a cent a pound, when they average a cost of about 7 cents per pound. But admitting the facts, their argument does not surely follow. The average mail piece, including all kinds of mail, in 1911 cost the department \$1.41 per 100; and the department deduces a cost of \$1.24 per 100, or over 12 mills each, for the letters; which at 2 cents yield a profit of 39 per cent, while the proposed reduction amounts to 50 per cent. It is no answer to say that the second class should pay its proportional or economic cost of service, say, \$1.41 per 100 pieces. It could not. It would simply disappear, leaving as little revenue for what remained of it as we secure at present, with a reduced expenditure for railway pay, say, of less than \$10,000,000, but a postal organization the expense of which would remain practically unredressed. As much could be gained by conserving this second-class traffic at the rate of 2 cents a pound, recommended by the commission, with Justice Hughes as chairman, to which the whole question was referred, yielding about ten millions of yearly increase in revenue without, it is thought, a material reduction of the traffic.

Such, however, is the insistency that penny postage can not long be delayed and will come, and under such circumstances the postal authorities would do well to cast about for repulsive revenue. The second class can not be made self-compensatory, although it may be required to help somewhat, as indicated. Now, there is another service alike unremunerative, which similarly no one would destroy—it is the rural free delivery, yielding revenues of about one-sixth of its cost. Can it be made remunerative or nearly so? It is costing this year about \$47,000,000. Gentlemen, I believe that ultimately it can be made to pay its way through the simple expedient of opening the rural wagon to farm and factory products, by removing the restrictive rates and weight limit which now prevent the movement of the potential traffic in factory and farm products from town and country store to the farm, and from the farm to town and city consumers. If this expectation be realized a new revenue equal to from twenty to forty millions would result. Meanwhile a fully developed passenger, express, and fast-freight posts should add as much more as the added rate on second class and the fully utilized rural service. If all these hopes, very speculative it is true, should be measurably attained, an increment of from forty to eighty millions of dollars might be secured to meet the immediate deficit in postal revenues sure to follow the introduction of 1-cent postage.

And now, as to the extent of that deficit. What would it be? Our only definite experience is that of the reduction from 3 to 2 cent postage in 1883-84. The net decrease of the total revenues of one-third in the rate was 12.80 per cent. Assuming that the percentage of loss would be proportional for a 50 per cent or one-half reduction, the loss in 1912 would have been 19.20 per cent of the total revenues, or \$49,424,000; say, \$50,000,000. This reasoning assumes that the reduced rate would have effects in all respects proportional to the experience of 1883-84, i. e., in increasing the first-class traffic in the matter of railway pay, and in the matter of the cost of the increased postal personnel, an assumption that is logical and probable, so far as I can see.

I am not here advocating the penny postage idea. In discussing it I am simply recognizing inevitable tendencies. It is going to come, and as an advocate of sound business economics in the Post Office Department I have merely been pointing out the ways in which the shock of its accompanying deficit can probably be met. Unless that deficit is to be met by the highly unjust and uneconomic methods of indirect taxation it can

only be met by allowing the postal system to recoup from the profits of its passenger and fast-freight express traffic, together with the increment which must arise from a full utilization of the rural routes when the weight limit and the absurd rate restrictions on the traffic have been removed.

RECAPITULATION.

Object: To reduce the cost of living and express rates.
Means: Provide adequate transportation for retail shipments, i. e., in sizes to suit consumers' needs, direct from producer to consumer.

Example: Farm products are usually produced in retail form—eggs, chickens, butter, hams, etc., but no direct transportation existing to carry them direct from producer to consumer—from the farm to the kitchen—they now must go into the roundabout processes of commerce, which double the price to the consumer.

Retail transportation: There is now no transportation for retail shipments. The railway is engaged only in the wholesale or commercial business. Its minimum weight is 100 pounds—too high for retail purchasers. Besides, it does not articulate with the farm. The express company does not articulate with the farm; and its rates are three times normal, and prohibitive. Transportation accounting burdens prevent both railway and express companies from making rates proportional to the weight of diminutive shipments.

Parcel post: The natural agency to carry retail shipments. Does not do so now, because of two restrictions upon its operation—the prohibitive weight limit, and abnormal pound rates—from four to six times the cost of service on short distances.

Remedy: The Postmaster General has legal power, with consent of the Interstate Commerce Commission, to reform the rates, weight, limit, zones, classifications, and "other conditions of mailability," or the committee on a general parcel post may report necessary bill.

Costs of service and service conditions warrant the following changes:

Raise the weight limit to 100 pounds.

No weight limit on shipments delivered to the railway terminal by the consignor and collected from it by the consignee.

A zone system of 100 miles to each zone, including the local zone.

A rate of 1 cent per pound for each such zone plus the initial charge of 3 cents, arbitrary, for the first pound.

An improvement of classifications to include books, etc.

Results: Farm and standardized products can be marketed direct to consumer at 1 cent a pound in the first zone, embracing an area of 20,106,240 acres; at 1 cent per pound in the second zone, with additional area of 60,318,720 acres; and 1½ cents a pound in the third zone, with additional area of 100,531,200 acres.

Suburban gardening: A new industry will develop, such transportation being provided through the utilization of rural delivery, and the possible trucker being released from the necessity of buying and maintaining an independent transportation system of his own.

Farm outlet: The articulation of railways through the rural delivery with the farms.

Express rates cut in two.

And now, gentlemen, I shall take the time briefly to epitomize the restrictions on the parcel post which should be removed in order that it may be free to discharge its function; I mean its function of moving the retail shipment from producer to consumer and lowering the prices of the necessities of life. Categorically expressed, I should recommend that the Postmaster General—

(a) Remove the restriction of the weight limit on shipments below 100 pounds.

(b) Remove all restrictions of the weight limit on shipments delivered to or collected from the railway termini by the consignor or consignee.

(c) Establish a simple system of zones, namely, 100 miles to each zone, the first (the local) zone to include a distance of 100 miles.

(d) Establish a rate about 20 per cent above the cost of service—i. e., a rate of 3, 4, or 5 cents for the first pound, plus a half cent for each additional pound in the first zone, and for subsequent zones an additional half cent per pound for each additional zone of 100 miles; no charge to exceed 12 cents per pound.

(e) Restore the old fourth-class rates and establish a supplemental parcel or express fourth class, admitting express matter generally, with proper exceptions, to which the zone rates shall apply.

(f) Reform the packing regulations so that articles carried by express may be carried in containers when necessary. Re-state the insurance and C. O. D. rates to correspond with the quantitative values of shipments.

(g) Take the steps necessary before the Interstate Commerce Commission to utilize the fast-freight service for less than 100-pound shipments, thus extending the benefits of this relatively low-priced service to farm and country store through rural delivery.

Gentlemen, does this seem a too difficult task? I do not think so. Obviously, with regard to the weight limit and these percentages of the rates which are so clearly excessive, the task is merely one of rationalizing the system by removing anomalies and abnormal restrictions from the service. But does it seem too large a program? Let us see what the program is:

(a) Reduce express rates by one-half, through a system of postal express.

(b) Lay the foundations for a new industry: The suburban gardener, who can utilize the system to market his products,

relieved of the largely prohibitive burden of purchasing and maintaining an uneconomic system of his own.

(c) Clear out a "stopped-up" conduit through which, when cleared, farm and other standardized products may flow direct from producer to consumer, giving the consumer the benefit of farm and factory prices, plus the mere cost of transportation, by merely ordering direct, and furnishing thus a competitive determinant of market-price levels for such products approximating farm and factory prices, plus transportation costs.

Mr. ESCH. Will the gentleman yield?

Mr. LEWIS of Maryland. Yes.

Mr. ESCH. I was not here when the gentleman began his interesting address, and if he has covered the ground he will say so. What effect will the recent order of the Interstate Commerce Commission reducing express rates have upon the parcel-post traffic in the first and second zones?

Mr. LEWIS of Maryland. It will have no effect, I may say to the gentleman from Wisconsin. These express rates ordered by the Interstate Commerce Commission are very much higher than the parcel-post rates on the lower weights and within the 150-mile limit. It is only when you come to the longest distances—say, from 1,200 miles and upward—and on 100-pound shipments that the proposed express rates would be as low as the postal rates which are feasible to the Postmaster General even now and under the present law as to railway pay. It seems to me impossible that even now the postal system will not take practically every shipment of 20 pounds and under that has not more than 150 miles to traverse. Let me say to the House that when the weight limit goes to 100 pounds it will have covered 90 per cent of the total express business. Less than 5 per cent of the shipments carried by the express companies exceed in weight 100 pounds, and although the express companies should be eliminated, as I think will follow the further extension of this service, the post office could take care of its whole traffic, restricting the weight limit to 100 pounds, where delivery or collection was involved, by giving the shipper the privilege of shipping, as the express company now does, in any weight, provided he deliver the shipment to the railway and collect it from the railway.

Now, I have repeatedly stated here this afternoon that the postal system is destined to discharge the whole express function. The express company has been in the past our de facto parcel post, discharging this part of the postal function from the beginning of its history. Now, what situation does it meet to-day? Tried before the bar of actual economic efficiency it means a situation like this: Out of its 25-cent charge for a 5-pound shipment it is doubtful whether it makes a cent. It certainly does not make more than 1 cent, for it only makes 2 cents on its average shipment of 51 cents—33 pounds—and yet at this very moment the postal system is making 2 cents profit out of its 5-cent charge for a 1-pound shipment. Now, the law of efficiency is as old as human history, and its sway accounts for the fact that we have any civilization at all. There are no exceptions. What is that law? It is that the inefficient must give way. For centuries the less efficient man has given way to the more efficient machine. If this law has no exception for the breadwinner and the right of God's creatures to earn their bread in the sweat of their faces, why should its operation be suspended in favor of the express companies that have been rendering only half service for generations and collecting double pay? [Applause.]

Gentlemen, let me ask again, Does this seem too large a program? Well, sirs, it is just the program which the Democratic Party at least pledged the administration to accomplish. Its platform assuredly promised a "parcel post or postal express" system—I use its exact words. The President emphasized this promise by himself declaring in his speech of acceptance, "We must add to our present post office a parcel post as complete as that of any other nation." And for what purpose? Assuredly to give the people relief from abnormal express charges; and in the words of the Democratic platform again, to secure "the development of a modern system of agriculture and a systematic effort to improve the conditions of trade in farm products so as to benefit both the consumers and producers."

And now, sirs, it appears that these great purposes can be advanced by merely removing some anomalous restrictions upon the normal action of our great postal system. What human institution may be called upon for such a purpose, if it be not this greatest and most efficient of cooperative societies—the one great business organization in which all are actual corporators and from which all receive just and equal service. Yes; it is a great program. But it was the President who said:

We have set ourselves a great program, and it will be a great party that carries it out. It must be a party without entangling alliances with any special interest whatever. It must have the spirit and the point of view of the new age.

Mr. Chairman, I ask unanimous consent that these charts may be inserted in my remarks and that I may have permission to revise and extend.

The CHAIRMAN. The gentleman from Maryland asks unanimous consent to print certain charts in his remarks and to revise and extend. Is there objection?

There was no objection.

APPENDIX.

PARCEL POST BILL PASSED BY HOUSE OF REPRESENTATIVES, SIXTY-SECOND CONGRESS.

SEC. 8. That the Postmaster General is hereby directed to establish in the United States, including its Territories and the District of Columbia, an experimental parcel post, which shall embrace fourth-class mail matter, farm and factory products, and books and matter commonly shipped by express companies, not exceeding 15 pounds in weight nor 72 inches in length and girth combined, nor in form likely to injure the person of any postal employee, and subject to such packing and shipping regulations as the Postmaster General may prescribe for the protection of the mail equipment and mail matter. The Postmaster General shall make provision by regulation for the indemnification of shippers, for shipment injured or lost, by insurance or otherwise, and, when desired, for the collection on delivery of the postage and price of the article shipped, fixing such charges as may be necessary to pay the cost of such additional services.

That the rates of postage on such parcels shall be as follows: For parcels shipped to any point within the county where mailed, or to a point in a contiguous county not more than 100 miles distant, hereby designated as the "local" zone, 5 cents for the first pound or fraction thereof and 1 cent for each additional pound or fraction thereof; for parcels shipped beyond points included in the foregoing local zone, 6 cents for the first pound or fraction thereof, and at the rate of 2 cents for each additional pound of actual weight for the first 150 miles or less, and an additional cent a pound for each additional 150 miles of distance from the point of mailing or consignment to the point of destination: *Provided*, That for no distance shall the charge exceed a rate of 12 cents a pound for the actual weight shipped, and that the rate for shipments of 4 ounces and less shall remain as hitherto established by law.

The point of consignment, except in the local zone, shall be taken as the county seat of the county in which the parcel is mailed, and the point of destination as the county seat of the county to which the parcel is consigned, and measurements of distance between such points shall be made by radial measurement on maps to be provided by the Postmaster General. The word "county," as used in this section, shall include a parish and similar political divisions.

That the classification of articles mailable, as well as the weight limit, the rates of postage, and other conditions of mailability under this section, shall be treated as experimental only, and if the Postmaster General shall find on experience that they or any of them are such as to prevent the shipment of articles desirable, or to permanently render the cost of the service greater than the receipts of the revenue therefrom, he is hereby directed to re-form from time to time such classification, weight limit, rates, or conditions, or either, in order to promote the service to the public or to insure the receipt of revenue from such service adequate to pay the cost thereof.

That in order to the more economical administration of this section, the President is hereby authorized, subject to the consent of the Senate, to appoint three persons expert in transportation matters at salaries of \$5,000 per annum, respectively, to act as board of experts under the direction of the Postmaster General, in the execution of this section, and for the efficient conduct of the service hereby established.

That the Postmaster General shall have power from time to time to cause to be weighed the matter shipped by the express companies by post road common carriers, by rail or water, and ascertain the rate of compensation per pound or ton-mile payable therefor by such express company to such post road common carrier, by rail or water, on shipments, and thereupon it shall be the duty of such post road common carrier, at the request in writing of the Postmaster General, to transport and carry parcels mailable under this section, for the Post Office Department, at the rate of compensation per ton-mile thus determined: *Provided*, That if there be a dispute as to the substantial accuracy of such weighing and computations by the Postmaster General, such post road common carrier shall be entitled to appeal from the request or order of the Postmaster General to the Interstate Commerce Commission, which shall thereupon have power to determine the facts in controversy.

That the Postmaster General shall have power by regulation to determine from time to time the points at which collection and delivery shall be established for such parcels, and the weight limit thereof, to correspond with the facilities of the Postal Department for rendering such service, and he shall provide such special equipment, maps, stamps indicating weight of shipment and distance traversed, directories, and printed instructions as may be necessary for the administration of this section; and to supplement existing appropriations, including the hiring of teams and drivers and other vehicles, there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$750,000.

That the establishment of this experimental parcel post shall go into effect two months after the passage of this act, and that all acts or parts of acts in conflict with this section are hereby repealed.

That for the purpose of a complete and full inquiry and investigation into the feasibility and propriety of the establishment of a general parcel post, or system of postal express, a joint committee of six persons (Members of Congress), three of whom shall be appointed by the Speaker of the House of Representatives and three by the President of the Senate, is constituted, with full power to appoint clerks, stenographers, and experts to assist them in this work. They shall review the testimony already taken on the subject of parcel post and postal express by Senate and House committees and take such other testimony as they deem desirable. That the Postmaster General and the Interstate Commerce Commission shall furnish such data and otherwise render such assistance to the said committee as may be desired or available. For the purpose of defraying the expenses of this committee the sum of \$25,000 is hereby appropriated out of the moneys in the Treasury not otherwise appropriated. The committee shall report fully to Congress on the first Monday in December, 1912.

Information requested by committee appointed under Postmaster General's Order No. 6941, with reference to fourth-class mail, based on a count and weighing Apr. 16, 17, and 18, 1913.

Weight of parcel.	Number of parcels—										Total weight of parcels.		Total amount of postage.
	Local delivery.	First zone, 50 miles. ¹	Second zone, 150 miles. ²	Third zone, 300 miles. ³	Fourth zone, 600 miles. ⁴	Fifth zone, 1,000 miles. ⁵	Sixth zone, 1,400 miles. ⁶	Seventh zone, 1,800 miles. ⁷	Eighth zone, over 1,800 miles. ⁸	Total.	Pounds.	Ounces.	
1 ounce.....	42,877	53,919	122,410	170,063	230,241	153,141	52,642	51,023	41,536	917,852	54,785	8	\$9,231.27
2 ounces.....	17,626	30,257	59,355	64,296	65,501	46,627	17,338	10,441	8,322	319,813	39,388	14	6,304.36
3 ounces.....	9,197	18,966	28,740	31,260	28,944	22,164	7,907	4,737	4,682	156,597	29,084	2	4,751.26
4 ounces.....	10,244	15,817	27,062	29,176	35,073	20,251	10,014	6,216	5,221	168,074	41,684	1	6,770.86
5 ounces.....	5,092	8,072	10,825	9,783	9,460	7,090	3,766	1,412	1,379	57,479	17,987	14	4,128.89
6 ounces.....	3,498	6,349	13,361	10,997	9,973	7,840	3,393	1,684	1,802	58,837	21,871	2	4,346.80
7 ounces.....	1,978	5,568	8,479	8,249	6,921	5,052	2,043	1,247	1,178	40,725	17,739	7	2,926.08
8 ounces.....	2,487	6,691	9,744	10,613	12,655	8,671	2,743	1,579	1,618	56,801	28,115	7	4,197.05
9 ounces.....	1,512	3,416	6,042	5,514	5,157	5,182	2,053	1,402	934	31,212	17,529	10	2,379.29
10 ounces.....	1,898	4,391	7,318	6,546	6,426	4,607	2,026	1,013	1,003	35,228	21,609	3	2,606.50
11 ounces.....	1,172	2,715	4,729	4,556	4,556	2,600	1,784	898	860	24,292	17,175	3	1,903.66
12 ounces.....	1,625	4,227	7,691	7,044	6,109	4,501	2,120	1,084	1,085	35,486	26,145	11	2,631.20
13 ounces.....	959	2,462	4,214	3,760	3,564	2,964	1,539	747	729	20,638	16,812	5	1,575.43
14 ounces.....	1,243	3,178	5,439	4,611	4,306	3,021	1,622	820	806	25,046	21,819	11	1,848.88
15 ounces.....	898	2,259	3,499	3,471	3,299	2,385	1,958	1,639	3,810	23,218	21,866	15	1,973.78
1 pound.....	4,027	9,814	16,205	15,680	14,059	12,387	7,197	3,255	4,723	87,347	90,359	13	6,795.70
2 pounds.....	9,730	27,039	54,269	47,902	46,241	36,356	17,778	7,855	8,464	255,634	503,568	9	33,426.05
3 pounds.....	4,725	15,322	20,861	28,450	30,463	24,125	10,389	5,336	5,138	153,809	460,087	8	29,635.93
4 pounds.....	2,463	8,484	16,577	16,088	20,185	13,305	7,003	3,344	3,043	90,492	358,247	5	22,581.42
5 pounds.....	1,539	5,110	9,998	10,176	13,075	10,238	3,830	1,743	1,790	57,499	285,447	3	17,690.65
6 pounds.....	1,084	3,203	6,408	6,051	8,165	5,994	2,472	1,287	967	35,631	212,511	10	13,604.00
7 pounds.....	726	1,935	3,625	3,777	3,711	3,306	1,157	795	718	19,750	141,316	9	8,289.54
8 pounds.....	528	1,266	2,319	2,529	2,792	2,003	743	490	656	13,326	106,170	15	6,380.50
9 pounds.....	277	762	1,561	1,612	1,889	1,759	675	356	385	9,276	83,194	12	5,121.19
10 pounds.....	200	621	1,150	1,187	1,399	1,047	443	298	295	6,510	64,947	5	4,004.57
11 pounds.....	203	369	722	925	1,043	959	448	219	302	5,280	57,896	6	3,773.41
Total.....	127,808	242,112	461,543	504,708	575,207	416,885	165,133	110,920	101,536	2,705,852	2,757,363	.....	208,285.03

¹ Average haul, 25 miles air line.

² Average haul, 225 miles air line.

³ Average haul, 800 miles air line.

⁴ Average haul, 1,600 miles air line.

⁵ Average haul, 100 miles air line.

⁶ Average haul, 450 miles air line.

⁷ Average haul, 1,200 miles air line.

⁸ Average haul, 2,500 miles air line.

Average weight per parcel, 16.3 ounces; 1.02 pounds.

Average postage per parcel \$0.0771.

Number of insured parcels included in these statistics, 24,706.

Statement showing shipments and weights per zone and percentages of the same.

[Based on preceding table.]

Zone.	Number of packages.	Per cent packages to each zone.	Weight of packages.	Per cent weight to each zone.	Average miles of travel.	Pound-miles.	Ton-miles.	Per cent of ton-miles.
Local.....	21,475	0.0328	73,818	0.036	.....	.....	.....	.....
First.....	64,011	.0974	218,548	.103	25	5,463,700	2,732	0.0047
Second.....	126,490	.1924	430,285	.190	100	43,028,500	21,514	.0372
Third.....	118,667	.1806	415,616	.185	225	93,513,600	46,757	.0808
Fourth.....	128,963	.1962	469,733	.210	450	211,379,850	105,690	.1820
Fifth.....	109,092	.1660	361,477	.132	800	289,171,600	144,588	.2493
Sixth.....	44,938	.0684	158,103	.075	1,200	189,831,600	94,916	.1635
Seventh.....	21,723	.0330	79,589	.033	1,600	127,363,400	63,632	.1098
Eighth.....	21,848	.0332	80,267	.036	2,500	200,667,500	100,334	.1729
Total.....	657,207	1.0000	2,287,526	1.000	.....	1,160,419,750	590,161	1.000

The old fourth-class piece averaged 5 ounces. The new or parcel post business is probably embraced in the figures above for pieces of 2 pounds and up. On this basis the new parcel business would be as follows, for the period and places given:

Number of pieces 2 pounds and over.....	647,207
Number of pieces less than 2 pounds.....	2,058,645
Weight, 2 pounds and over (average weight 3.52 pounds).....	pounds.. 2,275,388
Weight less than 2 pounds (average weight 3.74 ounces).....	pounds.. 481,975
Receipts, 2 pounds and over (average per parcel \$0.222).....	\$143,847.56
Receipts, less than 2 pounds (average per parcel \$0.0313).....	\$64,437.52
Average journey, air-line (excluding local traffic).....	miles.. 507

Reports of parcel-post business from Apr. 14 to 19, 1913, inclusive, at city delivery post offices, by States.

State.	Total number of packages delivered.	Proportion delivered without vehicles.	Delivered by motor vehicles.				Delivered by horse-drawn vehicles.				Delivered by other conveyance.	Delivered by all other means.
			Number of packages.	Hire of vehicles.	Cost for carriers.	Average cost per package.	Number of packages.	Hire of vehicles.	Cost for carriers.	Average cost per package.		
Alabama.....	37,221	Per cent. 51.01	117	\$1.50	\$2.10	\$0.03	15,769	\$106.77	\$133.81	\$0.015	2,346	18,989
Arkansas.....	14,773	67.67	.....	.....	.....	.....	4,735	39.10	55.78	.02	40	9,993
Arizona.....	3,137	39.56	.....	.....	.....	.....	1,467	23.00	31.20	.086	429	1,241
California.....	114,262	72.58	9,117	467.45	256.60	.079	17,270	243.55	361.80	.035	4,933	82,942
Colorado.....	47,893	77.05	217	3.00	.90	.012	7,186	94.16	157.53	.035	3,485	36,905
Connecticut.....	64,615	72.58	3,213	64.54	30.40	.035	13,534	210.23	233.88	.032	964	46,994
Delaware.....	5,032	77.92	.....	.....	.....	.....	1,111	12.85	17.70	.027	.....	3,921
District of Columbia.....	26,690	78.77	5,664	216.13	70.24	.05	.....	.....	.....	.....	.....	21,026
Florida.....	16,932	72.28	.....	.....	.....	.....	1,149	11.39	22.56	.028	3,543	12,240
Georgia.....	42,079	76.22	1,100	75.00	21.36	.087	7,084	90.91	125.24	.028	1,220	32,075
Hawaii.....	1,559	49.96	.....	.....	.....	.....	.....	.....	.....	.....	272	779
Idaho.....	11,173	79.97	.....	.....	.....	.....	1,556	15.52	35.28	.032	681	8,936
Illinois.....	300,684	83.20	2,112	60.83	29.60	.042	44,789	451.76	605.70	.028	3,593	250,190
Indiana.....	102,226	80.42	5,904	222.79	121.48	.057	11,356	118.47	174.10	.025	2,660	82,216
Iowa.....	79,018	76.81	5,148	87.53	71.88	.03	12,191	101.80	210.84	.025	983	60,696
Kansas.....	51,239	79.87	1,828	32.75	42.20	.041	8,310	50.77	115.34	.019	184	40,917

Reports of parcel-post business from Apr. 14 to 19, 1913, inclusive, at city delivery post offices, by States—Continued.

State.	Total number of packages delivered.	Proportion delivered without vehicles.	Delivered by motor vehicles.				Delivered by horse-drawn vehicles.				Delivered by other conveyance.	Delivered by all other means.
			Number of packages.	Hire of vehicles.	Cost for carriers.	Average cost per package.	Number of packages.	Hire of vehicles.	Cost for carriers.	Average cost per package.		
		<i>Per cent.</i>										
Kentucky.....	39,058	80.96	95	\$4.00	\$1.50	\$0.057	7,323	\$119.98	\$128.24	\$0.033	18	31,622
Louisiana.....	21,478	74.45	4,133	138.80	70.20	.05	814	9.70	15.90	.031	540	15,991
Maine.....	30,879	62.05	669	18.00	13.80	.047	10,573	105.75	131.10	.022	475	19,162
Maryland.....	50,149	74.83					11,553	220.05	174.02	.034	1,065	37,531
Massachusetts.....	254,983	68.33	4,724	153.28	94.31	.052	74,085	1,274.10	1,591.67	.038	1,936	174,238
Michigan.....	147,545	70.61	22,063	786.47	324.40	.05	18,319	204.36	283.66	.026	2,970	104,193
Minnesota.....	71,686	77.31	4,297	132.95	55.95	.043	10,456	96.62	173.10	.025	1,510	55,423
Mississippi.....	15,053	70.07					4,505	54.38	73.50	.028		10,548
Missouri.....	125,503	81.29	5,383	360.29	87.65	.083	17,654	198.56	331.11	.03	435	102,031
Montana.....	13,946	57.94	1,392	14.58	28.12	.03	4,018	40.55	56.20	.024	455	8,081
Nebraska.....	29,436	87.51	21	1.00	.30	.061	2,422	43.23	68.82	.046	1,233	25,760
Nevada.....	1,840	9.21					1,234	10.25	21.30	.025	437	169
New Hampshire.....	23,474	83.38					2,990	51.95	44.88	.032	910	19,574
New Jersey.....	106,419	73.92	2,126	105.81	34.13	.065	21,090	300.85	348.32	.03	4,529	78,774
New Mexico.....	3,867	52.08					558	4.50	6.32	.017	1,295	2,014
New York.....	608,344	82.49	27,102	1,058.75	397.14	.083	75,556	1,169.64	1,268.05	.032	3,805	501,881
North Carolina.....	27,655	66.70	1,012	15.56	14.40	.029	5,429	58.70	78.03	.025	2,706	18,448
North Dakota.....	8,869	70.44					2,621	35.13	54.80	.026		6,248
Ohio.....	198,262	77.51	18,388	828.11	408.74	.066	22,222	381.06	377.92	.034	3,976	153,676
Oklahoma.....	28,727	79.52	1,377	39.20	16.35	.04	4,200	46.33	61.50	.025	304	22,846
Oregon.....	26,331	74.37	1,619	57.69	20.25	.048	3,052	21.51	43.96	.021	2,077	19,583
Pennsylvania.....	314,578	80.00	26,770	1,069.59	351.40	.053	31,148	465.27	551.16	.032	4,989	251,671
Porto Rico.....	1,859	86.22					245	3.00	1.80	.02	11	1,603
Rhode Island.....	26,885	62.82	631	1.60	22.80	.038	7,007	67.67	152.81	.031	2,357	16,890
South Carolina.....	22,436	78.74	694	28.38	15.00	.062	3,060	15.75	39.40	.017	984	17,668
South Dakota.....	13,155	79.55					2,545	26.63	67.60	.033	145	10,465
Tennessee.....	42,942	78.80	5,172	124.00	40.40	.031	3,893	44.26	44.90	.022	38	33,839
Texas.....	74,453	64.40	3,647	71.58	85.30	.043	20,833	196.92	458.37	.031	2,025	47,945
Utah.....	11,438	75.84					2,058	20.30	54.80	.036	705	8,678
Vermont.....	14,113	63.96					4,806	39.47	45.49	.017	280	9,027
Virginia.....	37,674	81.97	708	5.10	19.50	.034	5,959	68.10	125.60	.032	123	30,884
Washington.....	43,424	87.70	583	5.05		.008	3,754	48.80	59.20	.028	1,001	38,086
West Virginia.....	22,532	74.85	898	2.00		.002	3,403	13.75	10.20	.006	1,358	16,843
Wisconsin.....	99,187	83.13	3,946	59.86	52.55	.028	11,678	164.50	229.98	.034	1,106	82,457
Wyoming.....	2,397	55.98	978	20.25	12.00	.032					77	1,342
Total.....	3,479,080	77.17	173,038	6,333.42	2,832.95	.052	549,708	7,197.85	9,424.19	.03	71,268	2,685,063

Compiled from statistical exhibits of the Interstate Commerce Commission filed in the recent express investigation.

[Based on analysis of 1 day's business.]

Parcels weighing not more than—	Ratio to gross revenue earned. ¹	Ratio to total number of pieces carried. ²	Ratio to total weight carried. ³
1 pound.....	0.013	0.028	0.0007
2 pounds.....	.034	.049	.0027
3 pounds.....	.028	.041	.0034
4 pounds.....	.027	.034	.0038
5 pounds.....	.022	.027	.0038
6 pounds.....	.023	.024	.0041
7 pounds.....	.018	.018	.0037
8 pounds.....	.020	.019	.0043
9 pounds.....	.011	.009	.0025
10 pounds.....	.020	.019	.0056
11 pounds.....	.009	.007	.0023
1 to 11 pounds, inclusive.....	.2275	.275	.0369
12 pounds.....	.014	.013	.0044
13 pounds.....	.008	.007	.0025
14 pounds.....	.011	.009	.0038
15 pounds.....	.014	.012	.0060
16 pounds.....	.009	.008	.0035
17 pounds.....	.007	.005	.0025
18 pounds.....	.010	.008	.0043
19 pounds.....	.004	.003	.0017
1 to 19 pounds, inclusive.....	.3045	.343	.0658

¹ This shows separately the ratio to the total gross revenue of the revenue derived from packages weighing 1 pound, 2 pounds, etc., up to 19 pounds, inclusive; also from all packages weighing 1 to 11 pounds, inclusive; also from all packages 1 to 19 pounds, inclusive.

² This shows separately the ratio to the total number of pieces of express matter carried of those parcels weighing 1 pound, 2 pounds, etc., up to and including 19 pounds; also all packages from 1 to 11 pounds, inclusive, and all packages from 1 to 19 pounds, inclusive.

³ This shows separately the ratio to the total weight of all express matter carried of those parcels weighing 1 pound, 2 pounds, etc., up to and including 19 pounds; also of all packages weighing from 1 to 11 pounds, inclusive, and of all parcels weighing 1 to 19 pounds, inclusive.

PARCEL-POST DELIVERY COSTS.

A computation of their expenses in this service shows that it costs the express company an average of about 5½ cents per package of 32.80 pounds which, allowing for the proportion not collected or delivered, I place for its pick-up and delivery service at 7 cents. Other experience on the subject is that of the New York merchants given at the 1911 hearing of the House Postal Committee (pp. 104-105 and 301), to the

effect that it costs them an average of from 3½ to 4 cents per package, size and weight not limited, to deliver their sales within an area of 20 to 30 miles around the city.

The familiar ice and milk agencies probably show the lowest cost at which this service can be performed, with the value of article delivered included in a 4 or 5 cent charge, and without return traffic.

To this may be added the experience of the Merchants Transfer Co. of Washington. (Senate parcel-post hearings, 62d Cong.) This company proffered to make deliveries of postal parcels up to 11 pounds at 5 cents each, and within a zone of 15 miles at 10 cents. Its president, Mr. Newbold, stated that on city private delivery they aimed to secure 6 cents per parcel up to 25 pounds, with three daily deliveries, including C. O. D. service; and that an expert delivery man and his assistant could handle 375 parcels per day, of such shipments, if the loads should run evenly; but that 225 deliveries per day was a high normal; adding that the collect service from merchants constituted but 10 per cent of the total cost.

There is also the very definite experience of the Connecticut company for the month of January, 1913. For the 7 cities of New Haven, Bridgeport, Meriden, Waterbury, New Britain, Stamford, and Hartford it collected and delivered 20,506 packages, weighing 1,364,662 pounds, the average shipment weighing 67 (66.98) pounds. Its cost of service per package for collection and delivery was less than 12 (11.6) cents per shipment, with no weight or size limit on the traffic. To these data may be added the cost of collection and delivery of class freight by the railways serving Baltimore and, until recently, Washington. Their experience is that it costs from platform to store sidewalk, and vice versa, \$1 per ton; that the average shipment collected and delivered covers 500 pounds to the bill of lading embracing 5 pieces of 100 pounds each, costing, thus, each 5 cents (per 100-pound piece) for collect and a like amount for delivery, or 10 cents per 100-pound piece for the combined services. It is to be noted that this involves 5 packages, aggregating 500 pounds, delivered at each stop, a numerical condition as likely to occur in postal collections, if not in the same degree, for its deliveries.

In Germany delivery charges for packages per post on schedule trips are 2½ cents for urban up to 11 pounds and 3½ cents up to 110 pounds, while rural delivery is 2½ cents for 5½ pounds and 5 cents up to 110 pounds, with 22 cents for special rural delivery and 10 cents for special urban delivery. In France the delivery charge is 5 cents for packages up to 22 pounds. And now we come to the postal experience itself. It is such as to supply a guide up to 11 pounds, and from 5 ounces to 11 pounds; this experience being initiatory, it probably indicates a line of cost that will be substantially reduced with the enlargement of the traffic and perfection of the service.

Before giving it I wish to say there are two standards to be kept in mind in considering the costs of postal handling with collection and delivery. The first I denominate the "economic" cost, which charges to each service its proportion of the total cost of postal service, including those expenses which would have been incurred even if the parcel service were not added. The second I denominate the "out-of-pocket" standard, which includes only those elements of cost made necessary by the new or added service. It is important to keep these distinctions in mind, not in order that rates should be made below the economic standard, but that we may feel as safe as we should in hewing as close to the economic line as we should in formulating the rates necessary to promote the public service. Unless we can have this feeling there will be a tendency to overstate the rates, and thus inevitably kill the potential traffic, a result nearly as much to be deplored in a public-service agency as a deficit in operating accounts.

The economic costs of handling, including collection and delivery (but excluding railway pay) were found by the postal authorities to be as follows:

Class.	Costs.	Weight.
	<i>Cents.</i>	<i>Ounces.</i>
First.....	0.0199	0.355
Third.....	.01237	1.870
Departmental, free.....	.01462	2.980
Second.....	.01185	3.333
Fourth.....	.01392	5.063
Fourth, parcel.....	.02502	16.004

Thus we have, as the full economic cost, excluding railway transportation, a progression, for increasing weight and size, from 12 mills for the letter weighing seven-twentieths of an ounce, to 16 mills for the parcel weighing a little more than 5 ounces, and 25 mills for 16 ounces, the average weight of the fourth class in the 50 largest cities since the introduction of the parcel post. This 16-ounce datum does not embrace the inexpensive postal experience of such post offices as do not have any collect or delivery service, so that 25 mills is likely a too high economic cost figure for present fourth-class matter.

The out-of-pocket expense of the Chicago post office with parcel post, for six weeks commencing with March 3, was as follows:

Number of parcels delivered.....	1,076,914
Average cost per parcel for delivering.....	\$0.0034
Cost per auxiliary carrier (14,183) per piece.....	\$0.0430
Cost by wagon and driver, at \$1,054 per annum (106,737 parcels), per parcel.....	\$0.0147
Cost of same, with auxiliary carrier added.....	\$0.0123
Cost of same (4½-pound parcel) with driver and auxiliary together.....	\$0.0270
Number of parcels delivered by wagon per day.....	232

Analyzed, the Chicago experience means that one-third of the 1,076,914 parcels represents the old business, leaving 717,943 parcels of the new, which divided into the new expense would mean a delivery cost of 4 mills per package instead of 3 mills. We have 14,183 delivered by auxiliary carriers alone, and 106,737 by wagon, driver, and auxiliary in combination; and charging to these 120,920 parcels the total delivery expenses of \$3,230.74 we should have a cost per 4½-pound parcel of 27 mills, treating the other 600,000 parcels as small enough to be delivered without added cost by the usual carrier service. Again, the special deliveries, 120,920 parcels, weighed 4½ pounds each; add 8 mills for collection and general postal attention, we should have 3½ cents as the economic cost of a 4½-pound parcel, barring railway pay. In one of the largest delivery districts, saying nothing of the large population in towns and country with no collect and delivery, where such expense would not obtain. The Chicago experience shows, too, that only parcels exceeding 2 pounds require the vehicle form of delivery, the lower weights being absorbed by the regular carrier service; so that the 3½-cent parcel cost experience applies only to shipments of 3 pounds and upward.

It should be kept in mind that this service is entirely new and is in its most expensive stage. One suggestion seems very strong. It is that the auxiliary with an auto for long-haul deliveries could probably reduce the expense by a quarter or a third for light traffic. Meanwhile, it is to be noted that a performance of 232 deliveries per day, as in Chicago, compares well with the 225 deliveries of which President Newbold, of the Washington Merchants' Transfer Co., speaks. With the restrictions off, and thus a normal flow for the postal traffic, the maximum number of 375 stated by Mr. Newbold might be reached with two persons to the vehicle.

Thus postal experience gives the economic cost of the fourth-class average weight of 1 pound as 25 mills where delivery takes place. From this point, 1 pound to 100 pounds (for urban service), we have the experience of the express companies, which shows a cost of about 7 cents for delivering and collecting the average package of 33 pounds, while the experience of the railways in the cities named shows a cost of 25 cents for shipments averaging in weight 500 pounds, for the act of collection, and the like amount for the act of delivery, five separate packages being embraced in each such shipment. From all these we have a line of progressive expense for increasing weights, beginning with 12 mills for the letter, 16 mills for the 5-ounce parcel, 25 mills for 1 pound, 7 cents for 33 pounds, 11.6 cents for express collect and delivery of 67 pounds, and 100 mills, or 10 cents, for the 100-pound weight, as representing the economic cost experiences relevant to the retail-shipment delivery function, from its smallest unit to 100 pounds, and a ton.

Table of analyses of expenses and performances of cities in delivery of parcels for six days in April, 1913.

City.	Added cost per piece total fourth class.	Per cent vehicle deliveries to total fourth-class deliveries.	Delivery cost per piece by auto.	Delivery cost per piece by wagon.	Number of deliveries per hour by auto.	Number of deliveries per hour by wagon.	Population per piece of mail delivered.
	<i>Cents.</i>		<i>Cents.</i>	<i>Cents.</i>			
1. Seattle.....	0.0027	11	0.0230	.....	23.0	633
2. Chicago.....	.0034	13	.0257	.....	22.2	1,114
3. Pittsburgh.....	.0036	8	.0430	.....	16.2	1,900
4. Nashville.....	.0038	21	0.0178	.....	45.0	.....
5. Worcester.....	.0047	14	.....	.0345	.....	13.3
6. Des Moines.....	.0054	27	.0210	.....	25.0	434
7. New York.....	.0054	14	.0576	.0196	15.7	36.3	
8. Denver.....	.0055	12	.....	.0379	.....	11.7
9. Spokane.....	.0055	16	.....	.0339	.....	14.6
10. Salt Lake City.....	.0059	15	.....	.0322	.....	9.8
11. Toledo.....	.0059	29	.0205	.0263	30.4	22.0	
12. Portland.....	.0061	12	.0551	.0185	26.8	22.6	
13. Syracuse.....	.0068	12	.0638	.0500	17.7	11.0	
14. St. Paul.....	.0070	25	.0283	.0271	30.4	19.0	
15. Milwaukee.....	.0071	19	.....	.0368	.....	14.1
16. Louisville.....	.0071	18	.....	.0405	.....	18.0

Table of analyses of expenses and performances, etc.—Continued.

City.	Added cost per piece total fourth class.	Per cent vehicle deliveries to total fourth-class deliveries.	Delivery cost per piece by auto.	Delivery cost per piece by wagon.	Number of deliveries per hour by auto.	Number of deliveries per hour by wagon.	Population per piece of mail delivered.
	<i>Cents.</i>		<i>Cents.</i>	<i>Cents.</i>			
17. New Haven.....	0.0072	18	.....	0.0400	.....	16.3	711
18. Richmond.....	.0079	25	.....	.0316	.....	13.3	600
19. Rochester.....	.0081	20	0.0400	.0392	24.2	13.0	464
20. Brooklyn.....	.0083	16	.0537	.0470	24.1	15.2	1,505
21. Hartford.....	.0084	30	.....	.0277	.....	18.8	390
22. Baltimore.....	.0086	24	.....	.0354	.....	19.8	696
23. Newark.....	.0089	20	.0448	.....	.....	.....	1,174
24. Minneapolis.....	.0090	28	.0573	.0182	19.4	23.6	529
25. Providence.....	.0100	34	.....	.0300	.....	13.6	430
26. Bridgeport.....	.0100	19	.....	.0521	.....	10.5	1,226
27. Washington.....	.0107	21	.0506	.....	24.2	.....	701
28. Los Angeles.....	.0121	19	.0748	.0500	9.6	9.0	818
29. Philadelphia.....	.0124	22	.0563	.....	23.9	.....	812
30. Memphis.....	.0125	34	.0419	.0288	34.8	29.3	345
31. Dallas.....	.0125	34	.0440	.0223	9.9	17.8	310
32. New Orleans.....	.0135	27	.0503	.....	21.7	.....	1,300
33. St. Louis.....	.0138	26	.0834	.0346	17.6	13.4	586
34. Columbus.....	.0149	27	.0547	.....	12.2	.....	726
35. Oakland.....	.0154	27	.0754	.0333	12.0	.....	900
36. Atlanta.....	.0154	33	.0957	.0293	17.1	12.0	490
37. Springfield.....	.0154	25	.0661	.0312	11.3	18.5	517
38. Boston.....	.0177	38	.0488	.0378	19.1	13.6	152
39. San Francisco.....	.0178	23	.1481	.0424	6.6	12.8	800
40. Indianapolis.....	.0185	32	.0611	.....	13.3	.....	.....
41. Cincinnati.....	.0229	38	.1441	.0283	16.4	26.2	376
42. Scranton.....	.0245	33	.....	.0754	.....	7.3	915

Average of private experience, from data of Massachusetts Institute of Technology. number of auto deliveries per hour, 22.4; number wagon deliveries per hour, 16.

Table of actual freight rates per 100 pounds, in first and sixth classes, on nine different routes, for distances to 1,156 miles.

Routes.		Classes.		Railway system.
Shipped from—	Shipped to—	Distance in miles.	First. Sixth.	
			<i>Cents.</i> <i>Cents.</i>	
Boston, Mass.....	Taunton, Mass.....	36	16 7	(o) N.Y., N.H. & H.
New York, N. Y.....	Oscawanna, N. Y.....	36	17 6	(o) N. Y. C. & H.
Pittsburgh, Pa.....	New Galilee, Pa.....	36	9.5 6	(o) Pa. Co.
Chicago, Ill.....	Elgin, Ill.....	36	21.1 8	(i) C. M. & St. P.
Do.....	Coleman, Ill.....	36	21.1 8	(i) Ill. C.
St. Paul, Minn.....	Eggleson, Minn.....	36	17.9 7	(w) C. M. & St. P.
Louisville, Ky.....	Elizabethtown, Ky.....	36	32 16	(s) L. & N. A.
Knoxville, Tenn.....	Oliver Springs, Tenn.....	36	29 14	(s).
St. Louis, Mo.....	Bunker Hill, Ill.....	36	21.12 9	(i) Big Four.
Average charge, 63 miles.....			20.5 9	
Boston, Mass.....	Middletown, R. I.....	64	20 7	(o) N.Y., N.H. & H.
New York, N. Y.....	New Hamburg, N. Y.....	64	20 7	(o) N. Y. C. & H.
Pittsburgh, Pa.....	Leetonia, Ohio.....	64	15.5 6.5	(o) Pa. Co.
Chicago, Ill.....	Kingston, Ill.....	64	24.8 9.5	(i) C. M. & St. P.
Do.....	Kankakee, Ill.....	64	24.1 9	(i) Ill. C.
St. Paul, Minn.....	Wabasha, Minn.....	64	24.7 10	(w) C. M. & St. P.
Louisville, Ky.....	Frankfort, Ky.....	64	20 11	(s).
Knoxville, Tenn.....	Jellico, Tenn.....	64	40 15	(i) Ill. C.
St. Louis, Mo.....	Litchfield, Ill.....	64	26.6 10	(i) Big 4.
Average charge, 64 miles.....			24.0 9.4	
Boston, Mass.....	North Eastham, Mass.....	100	22 11	(o) N.Y., N.H. & H.
New York, N. Y.....	Tivoli, N. Y.....	100	23 8	(o) N. Y. C. & H.
Pittsburgh, Pa.....	Canton, Ohio.....	100	24.5 8	(o) Pa. Co.
Chicago, Ill.....	Forreston, Ill.....	100	30.8 12	(i) C. M. & St. P.
Do.....	Paxton, Ill.....	100	31.6 12	(i) Ill. C.
St. Paul, Minn.....	Minnesota City, Minn.....	100	30.6 12	(w) C. M. & St. P.
Louisville, Ky.....	Lexington, Ky.....	100	28 10	(s).
Knoxville, Tenn.....	Johnson City, Tenn.....	100	50 22	(s).
St. Louis, Mo.....	Pana, Ill.....	100	30.9 11	(i) Big 4.
Average charge, 100 miles.....			30.2 12	
Boston, Mass.....	Waterbury, Conn.....	144	29 14	(o) N.Y., N.H. & H.
New York, N. Y.....	Albany, N. Y.....	114	26 9	(o) N. Y. C. & H.
Pittsburgh, Pa.....	Custaloga, Ohio.....	144	26 8.5	(o) Pa. Co.
Chicago, Ill.....	Savanna, Ill.....	144	35.3 13	(i) C. M. & St. P.
Do.....	Tuscola, Ill.....	144	36.1 14	(i) Ill. C.
St. Paul, Minn.....	Montevideo, Minn.....	144	37.5 15	(w) C. M. & St. P.
Louisville, Ky.....	Portland, Tenn.....	144	55 30	(s) L. & N.
Knoxville, Tenn.....	Mountain City, Tenn.....	144	69 31	(s).
St. Louis, Mo.....	Charleston, Ill.....	144	35 13	(i) Big 4.
Average charge, 144 miles.....			38.8 16.3	

Table of actual freight rates per 100 pounds, etc.—Continued.

Routings.		Dis- tance in miles.	Classes.		Railway system.
Shipped from—	Shipped to—		First.	Sixth.	
Boston, Mass.	New York, N. Y.	196	32	15	(o) N. Y., N. H. & H.
New York, N. Y.	Fonda, N. Y.	196	30	16	(o) N. Y. C. & H.
Pittsburgh, Pa.	Crestline, Ohio.	196	32	9.5	(o) Pa. Co.
Chicago, Ill.	Kilbourn, Wis.	196	50	16	(w) C., M. & St. P.
Do.	Effingham, Ill.	196	39.1	15.5	(i) Ill. C.
St. Paul, Minn.	Milbank, S. Dak.	196	57	23	(w) C., M. & St. P.
Louisville, Ky.	Nashville, Tenn.	196	38	15	(s).
Knoxville, Tenn.	Jacksonville, Ala.	196	78	34	(s).
St. Louis, Mo.	Terre Haute, Ind.	196	32.5	9	(o) Big 4.
Average charge, 196 miles.			43.1	16.3	
Boston, Mass.	Campbell Hall, N. Y.	256	35	15	(o) N. Y., N. H. & H.
New York, N. Y.	Rome, N. Y.	256	34	12	(o) N. Y. C. & H.
Pittsburgh, Pa.	Lima, Ohio.	256	38.5	11	(o) Pa. Co.
Chicago, Ill.	Sparta, Wis.	256	50	17	(w) C., M. & St. P.
Do.	Centralia, Ill.	256	42.3	16	(i) Ill. C.
St. Paul, Minn.	Bristol, S. Dak.	256	70	28	(w) C., M. & St. P.
Louisville, Ky.	Paris, Tenn.	256	69	25	(s).
Knoxville, Tenn.	Louisville, Ky.	256	76	30	(s).
St. Louis, Mo.	Indianapolis, Ind.	256	38	10.5	(o) Big 4.
Average charge, 256 miles.			50	18.2	
Boston, Mass.	Roscoe, N. Y.	324	38	15	(o) N. Y., N. H. & H.
New York, N. Y.	Lyons, N. Y.	324	35	13	(o) N. Y. C. & H.
Pittsburgh, Pa.	Fort Wayne, Ind.	324	41	12	(o) Pa. Co.
Chicago, Ill.	Minneapolis City, Minn.	324	50	18	(w) C., M. & St. P.
Do.	Cobden, Ill.	324	45.9	18	(i) Ill. G.
St. Paul, Minn.	Ipswich, Minn.	324	83	35	(w) C., M. & St. P.
Louisville, Ky.	Cleveland, Tenn.	324	96	41	(s).
Knoxville, Tenn.	Augusta, Ga.	324	73	31	(s).
St. Louis, Mo.	Muncie, Ind.	324	41	12	(o) Big 4.
Average charge, 324 miles.			56	21.7	
Boston, Mass.	Norwich, Conn.	400	38	15	(o) N. Y., N. H. & H.
New York, N. Y.	Akron, N. Y.	400	39	13	(o) N. Y. C. & H.
Pittsburgh, Pa.	Hamlet, Ind.	400	44.5	14.5	(o) Pa. Co.
Chicago, Ill.	St. Paul, Minn.	400	60	20	(w) C., M. & St. P.
Do.	Paducah, Ky.	400	50	20	(s).
St. Paul, Minn.	Mohrbridge, S. Dak.	400	105	45	(w) C., M. & St. P.
Louisville, Ky.	Holly Springs, Tenn.	400	98	39	(s).
Knoxville, Tenn.	Memphis, Tenn.	400	84	32	(s).
St. Louis, Mo.	Bellevue, Ohio	400	46	15	(o) Big 4.
Average charge, 400 miles.			62.7	23.7	
Boston, Mass.	West Monroe, N. Y.	484	40	15	(o) N. Y., N. H. & H.
New York, N. Y.	Westfield, N. Y.	484	45	15	(o) N. Y. C. & H.
Pittsburgh, Pa.	Chicago, Ill.	484	45	15	(o) Pa. Co.
Chicago, Ill.	Liberly, Mo.	484	80	27	(w) C., M. & St. P.
Do.	St. Paul, Minn.	484	114	47.5	(w) C., M. & St. P.
St. Paul, Minn.	S. Dak.	484	98	41	(s).
Louisville, Ky.	Montgomery, Ala.	484	106	48	(s).
Knoxville, Tenn.	Jesup, Ga.	484	52.5	16	(o) Big 4.
St. Louis, Mo.	Shelby, Ohio.	484	52.5	16	(o) Big 4.
Average charge, 484 miles.			72.5	28	
Boston, Mass.	Depew, N. Y.	576	44	15	(o) N. Y., N. H. & H.
New York, N. Y.	Perry, Ohio.	576	50	17	(o) N. Y. C. & H.
Pittsburgh, Pa.	St. Louis, Mo.	576	56	18	(o) Pa. Co.
Chicago, Ill.	Lincoln, Neb.	576	85	135	(w) C., B. & Q.
Do.	Memphis, Tenn.	576	85	31	(s).
St. Paul, Minn.	Griffin, N. Dak.	576	133	155	(w) C., M. & St. P.
Louisville, Ky.	Macon, Ga.	576	103	43	(s).
Knoxville, Tenn.	St. Louis, Mo.	576	114	44	(s).
St. Louis, Mo.	Painesville, Ohio.	576	55.5	17	(o) Big 4.
Average charge, 576 miles.			80.5	30.5	
Boston, Mass.	Erie, Pa.	676	50	17	(o) N. Y. C. & H.
New York, N. Y.	Sandusky, Ohio.	676	59	20	(o) N. Y. C. & H.
Pittsburgh, Pa.	Rock Island, Ill.	676	69	23.5	(o) P. & L. E.
Chicago, Ill.	Holdrege, Neb.	676	144	162	(w) C., B. & Q.
Do.	Terry, Mont.	676	157	179	(w) C., M. & St. P.
St. Paul, Minn.	Mobile, Ala.	676	90	35	(s).
Louisville, Ky.	Philadelphia, Pa.	676	100	40	(s).
Knoxville, Tenn.	Westfield, N. Y.	676	56.5	18.5	(o) Big 4.
St. Louis, Mo.			90.6	36.9	
Average charge, 676 miles.			90.6	36.9	
Boston, Mass.	Toledo, Ohio.	784	59	20	(o) N. Y. C. & H.
New York, N. Y.	Edgerton, Ohio.	784	68	23	(o) N. Y. C. & H.
Pittsburgh, Pa.	St. Paul, Minn.	784	95	29	(o) P. & L. E.
Chicago, Ill.	Culbertson, Neb.	784	157	167	(w) C., B. & Q.
Do.	Jackson, Miss.	784	118	49	(s).
St. Paul, Minn.	Heritage, Mont.	784	180	190	(w) C., M. & St. P.
Louisville, Ky.	New Orleans, La.	784	90	35	(s).

1 Fifth-class rates.

Table of actual freight rates per 100 pounds, etc.—Continued.

Routings.		Dis- tance in miles.	Classes.		Railway system.
Shipped from—	Shipped to—		First.	Sixth.	
Knoxville, Tenn.	Rochester, N. Y.	784	100	40	(s).
St. Louis, Mo.	Bergen, N. Y.	784	66.5	22	(o) Big 4.
Average charge, 784 miles.			103.7	41.7	
Boston, Mass.	Sturgis, Mich.	900	72	24	(o) N. Y. C. & H.
New York, N. Y.	La Porte, Ind.	900	72	24	(o) N. Y. C. & H.
Pittsburgh, Pa.	Akron, Colo.	900	180	167	(w) C., B. & Q.
Chicago, Ill.	New Orleans, La.	900	110	41	(s).
Do.	Ryegate, Mont.	900	202	101	(w) C., M. & St. P.
St. Paul, Minn.	North Adams, Mass.	900	82	27	(o) Big 4.
Knoxville, Tenn.	Utica, N. Y.	900	100	40	(s).
St. Louis, Mo.	Canastota, N. Y.	900	79.5	26	(o) Big 4.
Average charge, 900 miles.			110.2	42.1	
Boston, Mass.	Elkhart, Ind.	1,024	72	24	(o) N. Y., C. & H.
New York, N. Y.	Mattoon, Ill.	1,024	83	28	(o) N. Y., C. & H.
Pittsburgh, Pa.	Tulsa, Okla.	1,024	170	174	(w).
Chicago, Ill.	Denver, Colo.	1,024	180	67	(w).
Do.	Pan Handle, Tex.	1,024	176	192	(w).
St. Paul, Minn.	Lombard, Mont.	1,024	225	113	(w) C., M. & St. P.
Louisville, Ky.	Boston, Mass.	1,024	82	27	(s).
Knoxville, Tenn.	Portland, Me.	1,024	100	40	(s).
St. Louis, Mo.	Albany, N. Y.	1,024	84	28	(o) Big 4.
Average charge, 1,024 miles.			129.7	54.7	
Boston, Mass.	Geneva, Ill.	1,156	78	26	(o) N. Y., C. & H.
New York, N. Y.	St. Louis, Mo.	1,156	88	29	(o) N. Y., C. & H.
Pittsburgh, Pa.	Oklahoma City, Okla.	1,156	180	182	(w).
Chicago, Ill.	Pueblo, Colo.	1,156	180	167	(w).
Do.	Bovina, Tex.	1,156	189	199	(w).
St. Paul, Minn.	Deer Lodge, Mont.	1,156	225	113	(w) C., M. & St. P.
Louisville, Ky.	Portland, Me.	1,156	82	27	(s).
Knoxville, Tenn.	Montreal, Quebec.	1,156	116	46	(s).
St. Louis, Mo.	Springfield, Mass.	1,156	94.5	31	(o) Big 4.
Average charge, 1,156 miles.			136.9	57.7	

1 Fifth-class rates.

The classification territory is indicated by initials preceding the name of the railway system used—"o" for Official, "w" for Western, "i" for Illinois, and "s" for Southern.

Expository fast-freight express rates, first and sixth classes, and actual express rates.

Distance.		Classes.					Square root.
		10 pounds.	20 pounds.	30 pounds.	40 pounds.	50 pounds.	
Miles.							
25	Express	\$0.32	\$0.32	\$0.41	\$0.44	\$0.48	5
	First	.12	.15	.16	.19	.21	
	Sixth	.12	.15	.16	.19	.21	
100	Express	.42	.46	.56	.64	.74	10
	First	.14	.21	.25	.31	.36	
	Sixth	.12	.17	.20	.23	.27	
196	Express	.51	.60	.73	.82	.95	14
	First	.16	.23	.29	.36	.43	
	Sixth	.13	.18	.21	.25	.29	
324	Express	.63	.79	.91	.99	1.05	18
	First	.18	.26	.33	.41	.49	
	Sixth	.13	.19	.23	.27	.32	
484	Express	.79	1.01	1.23	1.35	1.40	22
	First	.19	.30	.38	.48	.58	
	Sixth	.14	.21	.25	.30	.35	
676	Express	.92	1.24	1.54	1.83	1.86	26
	First	.21	.34	.46	.58	.70	
	Sixth	.15	.22	.27	.34	.40	
900	Express	.97	1.30	1.61	1.90	1.99	30
	First	.22	.37	.49	.63	.76	
	Sixth	.16	.23	.29	.36	.42	
1,296 ¹	Express	1.18	1.72	2.40	3.02	3.25	36
	First	.28	.49	.67	.87	1.07	
	Sixth	.17	.27	.35	.43	.52	
1,600	Express	1.25	1.90	2.63	3.35	3.74	40
	First	.31	.54	.75	.97	1.19	
	Sixth	.19	.30	.39	.49	.59	
1,800	Express	(²)	(²)	(²)	(²)	(²)	
	First	.33	.59	.82	1.07	1.31	
	Sixth	.21	.32	.41	.53	.68	
2,100	Express	(²)	(²)	(²)	(²)	(²)	
	First	.37	.66	.93	1.22	1.50	
	Sixth	.21	.35	.46	.58	.70	
2,500	Express	1.40	2.60	3.87	4.47	5.58	50
	First	.42	.76	1.08	1.41	1.74	
	Sixth	.23	.38	.51	.66	.80	

¹ Rates for distances above 900 miles are calculated in arithmetical proportions of the 900-mile rates for first and second classes.

² Figures not obtained.

Expository fast-freight express rates, etc.—Continued.

Distance.	Classes.	10 pounds.	20 pounds.	30 pounds.	40 pounds.	50 pounds.	Square root.
<i>Miles.</i>							
2,700.....	Express.....	(1)	(1)	(1)	(1)	(1)	
	First.....	\$0.44	\$0.81	\$1.15	\$1.51	\$1.86	
	Sixth.....	.24	.40	.55	.69	.84	
3,136.....	Express.....	1.54	2.89	4.28	5.70	6.88	56
	First.....	.50	.92	1.32	1.73	2.14	
	Sixth.....	.26	.44	.60	.77	.94	
3,300.....	Express.....	(1)	(1)	(1)	(1)	(1)	
	First.....	.52	.96	1.37	1.80	2.23	
	Sixth.....	.27	.46	.64	.82	1.00	
3,600.....	Express.....	1.65	3.00	4.47	5.95	7.44	60
	First.....	.55	1.03	1.48	1.95	2.41	
	Sixth.....	.28	.54	.66	.85	1.04	
	Loadings to above weights:						
	Passenger train.	.01	.02	.03	.04	.05	
	Collect and delivery.....	.05	.07	.08	.09	.10	
	General expense.....	.05	.05	.05	.05	.05	
		.11	.14	.16	.18	.20	
Distance.	Classes.	60 pounds.	70 pounds.	80 pounds.	90 pounds.	100 pounds.	Square root.
<i>Miles.</i>							
25.....	Express.....	\$0.53	\$0.53	\$0.54	\$0.54	\$0.54	5
	First.....	.23	.25	.27	.29	.31	
	Sixth.....	.23	.25	.27	.29	.31	
100.....	Express.....	.82	.89	.89	.89	.89	10
	First.....	.41	.46	.51	.56	.61	
	Sixth.....	.30	.33	.36	.39	.42	
196.....	Express.....	1.08	1.22	1.28	1.30	1.30	14
	First.....	.49	.55	.61	.68	.74	
	Sixth.....	.33	.36	.40	.43	.47	
324.....	Express.....	1.23	1.43	1.58	1.80	1.77	18
	First.....	.57	.64	.72	.79	.87	
	Sixth.....	.36	.40	.44	.48	.52	
484.....	Express.....	1.68	1.96	2.24	2.52	2.78	22
	First.....	.67	.76	.85	.95	1.04	
	Sixth.....	.40	.45	.47	.54	.59	
676.....	Express.....	2.24	2.61	2.98	3.35	3.70	26
	First.....	.81	.93	1.05	1.16	1.28	
	Sixth.....	.45	.51	.57	.63	.68	
900.....	Express.....	2.36	2.75	3.14	3.54	3.93	30
	First.....	.90	1.02	1.15	1.28	1.41	
	Sixth.....	.48	.54	.61	.67	.73	
1,296.....	Express.....	3.69	4.53	5.17	5.82	6.46	36
	First.....	1.26	1.45	1.64	1.83	2.02	
	Sixth.....	.60	.68	.76	.84	.92	
1,600.....	Express.....	4.33	5.18	5.90	6.66	7.40	40
	First.....	1.40	1.62	1.83	2.05	2.26	
	Sixth.....	.69	.78	.87	.97	1.06	
1,800.....	Express.....	(1)	(1)	(1)	(1)	(1)	
	First.....	1.55	1.79	2.03	2.27	2.51	
	Sixth.....	.73	.84	.86	1.05	1.15	
2,100.....	Express.....	(1)	(1)	(1)	(1)	(1)	
	First.....	1.77	2.05	2.33	2.60	2.88	
	Sixth.....	.82	.94	1.05	1.17	1.29	
2,500.....	Express.....	6.65	7.76	8.87	9.98	11.08	50
	First.....	2.04	2.39	2.72	3.04	3.37	
	Sixth.....	.93	1.07	1.21	1.34	1.48	
2,700.....	Express.....	(1)	(1)	(1)	(1)	(1)	
	First.....	2.21	2.56	2.91	3.26	3.61	
	Sixth.....	.99	1.13	1.29	1.43	1.57	
3,136.....	Express.....	8.71	9.68	10.95	12.32	13.69	56
	First.....	2.64	2.95	3.35	3.76	4.16	
	Sixth.....	1.11	1.27	1.44	1.60	1.77	
3,300.....	Express.....	(1)	(1)	(1)	(1)	(1)	
	First.....	2.65	3.07	3.49	3.92	4.34	
	Sixth.....	1.15	1.33	1.50	1.68	1.85	
3,600.....	Express.....	8.92	10.44	11.90	13.39	14.87	60
	First.....	2.87	3.33	3.79	4.25	4.71	
	Sixth.....	1.24	1.43	1.61	1.80	1.99	
	Loadings to above weights:						
	Passenger train.	.06	.07	.08	.09	.10	
	Collect and delivery.....	.11	.12	.13	.14	.15	
	General expense.....	.05	.05	.05	.05	.05	
		.22	.24	.26	.28	.30	

¹ Figures not obtained.

The expository rates above given for first class start at about one-half the express average rates and decrease gradually until at 3,600 miles they are about one-third the express charge.

The rates suggested under sixth class begin at about one-half also, but decrease more rapidly. At 3,600 miles they are nearly one-eighth of the average express rate.

NOTE.—The distance up to 100 miles may be accomplished about as cheaply at postal rates for first class as by the combination of fast freight (75 miles) and postal (25 miles) service. Thus 100 pounds, at postal rates for 100 miles, would be 40 cents, which, added to "collect and delivery" and "general expense" (20 cents), makes a rate of 60 cents the first-class rate for the combination.

Comparative express data.

(Compiled by DAVID J. LEWIS, M. C.)

Weight of express packages carried, 1890, 3,292,546,000 pounds	1,646,273
Weight of express packages carried, 1909, 8,496,710,000 pounds	4,248,355
Average number pounds per package, 1890	32.54
Gross express revenue, 1890	\$45,783,123.32
Estimated proportion from money orders (5 per cent)	\$2,289,156.66
Rate per average package, 1890	\$0.443
Increase of rate, 1909 over 1890	14.2
RAILWAY PAY.	
Total amount of railway pay, 1890	\$19,327,280.49
Railway pay, 1890	per pound—\$0.00587
Railway pay, 1909	do—\$0.00740
Increase in traffic, 1909 over 1890	per cent—258
Increase in freight traffic, 1890 to 1910	do—290
Decline in freight rate per ton-journey	do—7.3
Increase in express rate, 1909 over 1890	do—14.2
Increase in express railway pay, 1909 over 1890, per cent	26

Mr. BORLAND. Mr. Chairman, I will ask the gentleman from Massachusetts to use some of his time now.

Mr. GILLET. Mr. Chairman, I wish to occupy a few minutes in discussing the much-vaunted Democratic policy of economy, as illustrated by this deficiency appropriation bill. Of course this bill does not represent the administration. It does not as yet represent the House. It represents only the Committee on Appropriations. It is their report and conclusion, and I wish at the beginning to admit frankly that I think the committee has exercised a wise judgment in passing upon the estimates sent them by the administration. I wish also to say at the outset that the chairman who conducted the hearings evinced in his examinations toward this friendly administration practically the same kind of scrutiny which he did last session toward a hostile administration. I admit I was somewhat surprised; I was not entirely prepared for it; but I think it is only fair to say that he subjected the representatives of the administration of his own party to the same rigid and rigorous cross-examination that he did those of the opposing party in the last Congress, and this bill in the main, although there are some things in it which I criticize, is characterized by an impartial spirit of economy.

But, Mr. Chairman, we have before us not only the bill reported by the committee but we have the estimates which exhibit what this Democratic administration—this administration of simplicity and economy—desires. It is the first exhibition we have had under the new administration of how they were going to carry out their pledges. I presume you all have in mind the clause of the last Democratic platform upon this subject, which is as follows:

We denounce the profligate waste of the money wrung from the people by oppressive taxation through the lavish appropriations of recent Republican Congresses, which have kept taxes high and reduced the purchasing power of the people's toll. We demand a return to that simplicity and economy which befits a democratic government, and a reduction in the number of useless offices, the salaries of which drain the substance of the people.

That is the pledge which we have a right to expect this Democratic administration will carry out. Those of you who were here in the Sixty-first Congress will remember with what a boastful manner the chairman of the present Democratic caucus, the then chairman of the retrenchment committee, came before the House and showed the economies which they were going to accomplish here, and the much greater economies they were going to compel in the various departments of the Government. It is but fair to say that I think Mr. PALMER's committee did at the outset accomplish very useful reforms in this House. I think they cut off a vast number of superfluous offices, offices which would never have been gotten rid of except through a change of administration, and in that way they rid Congress of the charge which could fairly have been made against us, of being the most extravagant branch of the United States Government. You will remember that he said they were going to save in this House \$88,000 in salaries, and I rather think they did it. I think the trouble with that committee was that it did not go far enough. If they really had wished to accomplish permanently their economic purpose, and put it upon a stable perpetual foundation, they ought to have put it under some kind of civil service. As it was, they left it just as it had been, that each Member of the House should have his certain amount of patronage.

I understand the way they arranged was to add up the salaries of all the different officers of the House and divide the amount by the number of Democratic Congressmen, and the quotient was the amount of patronage which came to each Congressman. I notice that the day before yesterday, according to the press, they had a caucus upon that subject, and apparently, having

left it under the old system. It has already come back to plague them. The Washington Post of the day before yesterday had in it an article respecting that caucus, which reads as follows:

HARD TO DIVIDE THE JOBS—HOUSE DEMOCRATIC CAUCUS GIVES UP PATRONAGE PROBLEM IN DESPAIR.

After a two-hour discussion of the patronage question, the House Democratic caucus adjourned in despair late yesterday. One of the Members said that the trouble was solely one of mathematics.

The committee having charge of the distribution of plums reported that there are 236 available jobs, worth in the aggregate \$278,000; that these must be divided between 232 Members, but that already all of them but 94 have been handed around, and yet there are 114 Members who have not received anything. The fortunate ones are holding tight to their patronage, and the caucus was unable to find a way to divide 114 evenly into 94.

It will make another attempt Tuesday night.

So that although they established, as I am free to admit, a useful economy they did not put it upon a permanent footing by taking away from Members the patronage. The result is that now every one of you Democrats has a personal motive to increase both the salaries and the number of the employees of this House, because the more they are the more patronage you get; and as long as that condition exists we can not expect a real, permanent economical administration here.

Mr. LLOYD. Will the gentleman yield for a question?

Mr. GILLET. Certainly.

Mr. LLOYD. What instance can the gentleman point to where we have increased salaries of the House employees or increased the number of the House employees except—

Mr. GILLET. Oh, yes; there have been a number of cases—

Mr. LLOYD (continuing). Except those employees which are necessary for the increased membership of the House.

Mr. GILLET. That is a very elastic term, of course.

Mr. LLOYD. And the necessity for the use of the Maltby Building.

Mr. GILLET. There were various necessities springing up, and I have no doubt in the future, as the gentleman expresses it—

Mr. LLOYD. The gentleman wants to be fair.

Mr. GILLET. I do.

Mr. LLOYD. The membership of the last House was 391 or 392 and now it is 435. There is considerably more work in the folding room than there was before. There is more elevator service needed than before. There is quite a good deal more work necessary to be performed because of the greater number of Members, and it is no reflection upon the economy and efficiency of this side of the House that they are furnishing the men necessary to meet those needs.

Mr. GILLET. Certainly it is not, and I have not affirmed so, although I think there were in the last Congress a few increases aside from those of which the gentleman speaks. But all I am asserting is that you gentlemen in the future will not be relieved from the temptation to break down your plan, and I believe it will be broken in the future.

Mr. LLOYD. I want to call the attention of the gentleman to the fact that there is no increase in the number of employees after we did cut them off except in one instance, and that was one to the minority leader.

Mr. GILLET. There is one case, and there always will be an excuse offered, as the gentleman now offers one, on account of the increased membership. I will admit I am surprised they have not been larger up to date, and I believe under the practice you have adopted of patronage to the Members there will be a constant increase, because there is a constant temptation to increase.

The gentleman from Pennsylvania [Mr. PALMER], when he made the speech in which he explained with much partisan exultation this saving of \$88,000, made this remark:

Every platform of the Democratic Party during the past 16 years has contained a ringing denunciation of the waste, the extravagance, and the profligacy which has entered into every department of the Government.

And then he quotes from the Democratic platform:

Large reductions can easily be made in the annual expenses of the Government without impairing the efficiency of any branch of the public service. We favor the enforcement of honesty in the public service, and to that end a thorough and rigid investigation of those departments of the Government already known to teem with corruption, as well as other departments suspected of harboring corruption.

And the gentleman from Pennsylvania said that this reduction in the House was only the first step, and we were to see similar reductions in all the various departments of the Government. Then he said:

It is no secret, and I am divulging no secrets, either of the committee which named the majority members of the committees of this House in the first instance or the caucus which adopted its recommendation, when I say that this House and this Congress is deliberately organized, as far as its committee assignments are concerned, with an eye single to putting into force that principle of democracy which we know is economy in the public expense.

That is the declaration which met us at the beginning of the control of this House by the Democratic Party. I admit that in the affairs of this House they have accomplished that \$88,000 reduction, but what have they done to offset it in this House? Why, immediately they put to work committees of investigation to find out, apparently, these facts which he speaks of, "the departments of the Government already known to teem with corruption." They appointed other committees to investigate other departments and cut down there the corruption and the expense.

And what was the result there? This House in the last Congress had a bigger contingent fund than ever before in the last 20 years. They saved \$88,000, to be sure, right here by cutting off these offices, and yet in the one item of the contingent fund they expended \$60,000 more than the previous Congress. There goes so much of your boasted saving. And what was the result of it? You have investigated those departments "which were known to be teeming with corruption," but you have not found the promised corruption, and you have not made the promised reduction of expenses. You spent money lavishly; you gave curiosity free scope. The contingent expenses of this House were largely increased, but you have produced nothing at all commensurate with your efforts, your expectations, or your predictions. The reason is obvious. The departments of the Government are under civil-service rules. If they were not, if the ordinary impulses of selfishness had there the same free play that they had in this House, I presume similar results would have followed and you would have found then what you apparently expected—corruption, demoralization, and extravagance.

Those various committees have done nothing commensurate with the amount of money which they have spent. Here and there a little valuable information has been doled out to the people, but apparently the great purpose was to spend money and to use up in some way this \$88,000 which it must have been so distasteful to a great part of that side of the House to give up. That is the first accomplishment which they made.

Now, there are a number of things that happened in the last hours of the last Democratic Congress which we have not had an opportunity to discuss. I read to you the statement of the gentleman from Pennsylvania [Mr. PALMER], that it was "no breach of confidence to say that this House and this Congress is deliberately organized, as far as its committee assignments are concerned, with an eye single to putting into force that principle of democracy which we know as economy in the public expense." There was one committee of the House which is the one of all others liable to extravagance.

There is one committee over which the Democratic Party, organizing, as the gentleman from Pennsylvania says, its committees for the purpose of economy, must have exercised the most careful scrutiny. That is the Committee on Public Buildings and Grounds. That is the committee which is generally known as the "pork" committee. That is the committee where the interests of individual Members come up against the interests of the great public. There, then, is the best test of the genuineness of this economical purpose of which the gentleman from Pennsylvania boasted. Now, let us look at the test and see how the Democratic Party carried out this boastful assertion of their chairman that their committees were organized along the lines of economy. I did not know at the time that bill was reported, and probably very few knew, its details. I found out about it recently from the annual tabulated statement of the expenses of the last Congress. You remember that when the Committee on Public Buildings and Grounds made its report it was stated that the bill probably carried at the outside \$30,000,000—probably much less than that. This tabulated statement, which was recently prepared, shows that the authorizations in that bill alone amounted to \$45,000,000, half as much again as the outside estimate which was put before us by the committee. And not only that, in addition they appropriated for over 130 sites of buildings. Every one of those sites involved a building in the future. It is not an authorization. I do not blame them for not counting that in the expense which they estimated, but, after all, we all know that it is just as much a burden on the country to put in the purchase of a site, as if they put in at the same time the building, because it necessarily involves the subsequent construction of a building. So on those 130 sites, admitting that they only put the smallest and least expensive buildings on them which they ever erect, which is \$50,000, there are \$6,500,000, which, added to \$45,000,000, makes over \$51,000,000, which is practically burdened upon the Treasury by this committee which was selected by the Democratic caucus so carefully in order to carry out the Democratic principles of simplicity and economy.

And the details of that bill, as you investigate them, make it even more of a monstrosity than the mere figures themselves. Personally, I do not believe that it is economy or that it is wise

for this Government to put up a public building in any place of less than 100,000 inhabitants, certainly in a town of less than 50,000 inhabitants. When you look at the interests of the Government and not to the interests of the individual, not to the desire to make ourselves popular in our locality, to ornament and adorn a town, in these small towns of 2,000 or 3,000 or 4,000 inhabitants, the construction of a Government building, costing as they do \$50,000, is an outrageous extravagance. How much does it cost in those towns before the Government building goes up, do you suppose, on an average, to rent a suitable, commodious, proper post office? The statistics show somewhere from \$200 to \$1,000. From that sum all the annual expenses of the post office are paid. What does it cost after you put up a building costing \$50,000? It costs between \$2,500 and \$3,000 just to run the building—the expense to the Government. Before they only had to pay on an average \$500 for rent and fuel and light and janitor service and everything. Now, besides the interest on the building, you have to pay about \$3,000 for simply running the building—six times as much as you paid before for everything.

And then the interest in the building, say at 3 per cent, adds \$1,500 more per year, so that there is an annual expense of \$4,500 as against the previous annual expense of \$500.

It is preposterous. No business concern, no business enterprise would ever think of erecting a building at a cost of \$50,000 in any of these small towns, where they do not need it, where it is merely an ornament, where it is entirely out of keeping with all the other buildings in the place. Why, as soon as you go into one of these towns at once you are struck by the contrast between the United States building and all the other buildings of the place.

Of course it is argued that that is an incentive to patriotism. I think the probable result on the people is just the contrary. I think the probable result is for them to say: "There is certainly something easy in Washington. If we can get a building like this for our little town, what else can we not get from that overflowing Treasury?" And it constantly inculcates and encourages a feeling throughout the country, which unfortunately is too rife already, that the United States Treasury is simply a huge grab bag, and that anybody who wants to can get his hand in it. It also brings pressure to bear upon all of us, a constant pressure from our constituents, to get something for them out of the Public Treasury. So that instead of looking out for the welfare and the benefit of the United States, there is a constant impulse upon us to look out for the selfish good of the locality. To spend \$50,000 for a post office in a little town of 1,000 or 2,000 or 3,000 inhabitants is an outrageous extravagance, and yet that is the policy of this committee, so carefully selected for economy.

Now, of these 120 sites that are authorized over 100 are in towns which do not have annual postal receipts of \$10,000, towns of 1,000 to 3,000 inhabitants. Up to this present Democratic, economical administration it was the rule that no place which had less than 1,000 inhabitants and \$10,000 of postal receipts should have a public building.

Mr. LLOYD. If the gentleman will permit, the rule was 10,000 inhabitants or \$10,000 of postal receipts.

Mr. GILLET. I thought it was 1,000 inhabitants and \$10,000 of postal receipts.

Mr. LLOYD. No. It was 10,000 inhabitants or \$10,000 of postal receipts.

Mr. GILLET. I thought it was the other way. But it makes no difference. This committee violated that rule in over 100 places. Yet the committee itself recognized the value of that rule. They thought apparently that that was a proper limit, because at the end of the bill they put in a provision that in the future, after their looting of the Treasury had passed by, after the Democratic simplicity had fully illustrated itself, no place with less than \$10,000 postal receipts should be allowed a building. They admitted by their very language that they were violating what they thought was a proper principle. Yet this was the committee which was selected with such care to carry out this Democratic fundamental purpose of a simple, economical government. The result was the most indefensible distribution of "pork" Congress has ever perpetrated.

There was another illustration which happened at the very end of the last Congress, to which I should like to allude. Those of you who were here in the Sixty-first Congress will remember that one of the most tempestuous and violent contests on this floor—a contest in which the Democratic Party was aligned most solidly, and in which they showed a violence and fury quite disproportionate to the size of the appropriation involved—was over an increase of salary for the Secretary to the President. The subcommittee of which I was chairman

reported that provision favorably. There was then a Republican President and a Republican Secretary to the President.

That side of the House selected that item for a most tremendous assault. Anybody who did not know the Democratic Party would have thought they were certainly sincerely and genuinely in earnest that time. They denounced that proposed increase as an unjustifiable extravagance. They said the Secretary to the President was not entitled to any such sum; that he had enough already; that they would never allow it when the bill came back from conference, and they fought it as violently and as vigorously and bitterly as possible.

If there ever was a method by which a party could show its sincerity, it was the way in which the Democratic Party as represented in Congress made that assault upon the increase of salary to the Secretary to the President. In the next Congress, when they had a majority, they were at first consistent, and they really imposed on me and led me to think for a while that they were sincere; for the committee, of which I was still a member, although a minority member, reported the salary back and cut it down from \$7,500 to its old figure. But they were magnanimous. They said, "It shall be \$7,500 until the 4th of March, when the term of the present Secretary to the President shall have expired," but they provided that after the 4th of March it should revert to its previous figure.

When they reported that they did not know who was going to be President after the 4th of March. That was before the election. They put the salary back to its former figure after March 4, and I thought they were magnanimous and generous in allowing the Republican Secretary to the President to continue to receive the raised salary throughout the remainder of his term. But they declared that after his term was ended no such extravagant and indefensible appropriation should be allowed.

And yet what happened, Mr. Chairman? Last winter, after a Democratic President had been elected, after his Secretary had been selected, despite all their argument and denunciation, there was smuggled into the appropriation bill, and went through at the very end of the session, a little clause providing that the salary of the Secretary to the President should be \$7,500 again. And not only that, but instead of leaving it as it had been before, simply a clause of an appropriation bill, they made it permanent law, and so insured themselves that they should have it for the next four years.

Mr. FITZGERALD. Will the gentleman yield?

Mr. GILLET. Certainly.

Mr. FITZGERALD. The gentleman does not want to be unfair?

Mr. GILLET. I certainly do not.

Mr. FITZGERALD. The gentleman says this matter was smuggled into the appropriation bill. Now, the fact is that the House passed the legislative bill with the salary of the Secretary to the President at \$6,500.

Mr. GILLET. Yes.

Mr. FITZGERALD. The Republican Senate increased it to \$7,500 and made it a permanent provision.

Mr. GILLET. Yes.

Mr. FITZGERALD. And when the bill came back to the House the Republican leader moved to concur in the amendment; and in view of the fact that a Republican Senate and the Republican minority leader, with knowledge of who was to be Secretary to the President, were insisting that he should have \$7,500, the Members of the House, on a record vote, decided to acquiesce in that, and adopted the amendment.

Mr. GILLET. I will admit—

Mr. FITZGERALD. I do not think the gentleman can fairly say that the Democratic Party was guilty of an impropriety when it made at least one concession to the Republican minority and to the Republican Senate.

Mr. GILLET. I will admit that I made a mistake when I said it was smuggled in, because I was not aware of the fact that there was a vote on it. I was not present. I never knew that the provision had gone through until afterwards, and I assumed that there was no vote on it.

Mr. FITZGERALD. The gentleman from Illinois [Mr. MANN] moved to concur in the Senate amendment.

Mr. GILLET. In view of the gentleman's statement I have no doubt of that. I do not question the gentleman's statement at all, and therefore I retract my statement that it was smuggled in. But, Mr. Chairman, that does not alter the fact that that side of the House opposed it vigorously and violently so long as a Republican was to receive the benefit, but when a Democrat was to receive the fruits of it they acquiesced.

The Republican side was always consistent. We thought \$7,500 a proper salary for the office and we voted for that sum

whether the beneficiary was a Republican or a Democrat. But the last House was overwhelmingly Democratic, and though the Republican leader might have made the motion it could only be carried by Democratic votes. I only allude to it as a good illustration of the sincerity of the Democratic platforms and pledges and boasts about economy.

Mr. JOHNSON of South Carolina. I wish to call the attention of the gentleman to the fact that the salary of the Secretary to the President was reduced from \$10,000 to \$7,500 in the legislative bill.

Mr. GILLET. Oh, no; you are mistaken. It never was \$10,000.

Mr. JOHNSON of South Carolina. It was in the legislative bill. The gentleman and I made up that bill and brought it into the House.

Mr. GILLET. Certainly, and it was \$7,500.

Mr. JOHNSON of South Carolina. The legislative bill for this year carries the salary at \$7,500.

Mr. GILLET. Yes.

Mr. JOHNSON of South Carolina. The change was made in the Senate, in the sundry civil or deficiency bill.

Mr. GILLET. It was made in the deficiency bill.

Mr. JOHNSON of South Carolina. So far as the people who were responsible for the original reduction are concerned, they have been consistent, and they voted against the increase.

Mr. GILLET. Mr. Chairman, this being consistent is very easy when it does not accomplish anything. But the Democratic majority was not consistent. They opposed it with violence and unanimity when they were in a minority and there was a Republican President, but when there was a good Democratic majority the Democratic House concurred in an amendment allowing to their man what they would not allow to us. I am perfectly aware that the Republican Senate put it in. But does anybody doubt where the suggestion came from that it should be put in? Does anybody doubt what the influence really was that carried that through this House?

Mr. DONOVAN. Will the gentleman permit an interruption?

Mr. GILLET. I will permit a question.

Mr. DONOVAN. This is not exactly a question.

Mr. GILLET. Then I can not yield. The gentleman can get time from his own side.

Mr. DONOVAN. Perhaps I am on the gentleman's side. [Laughter.]

Mr. GILLET. How much time does the gentleman want?

Mr. DONOVAN. Oh, eight seconds or a minute.

Mr. GILLET. Very well.

Mr. DONOVAN. If the gentleman will stop to think, he will see that the occasion of it was to reward virtue; that in giving the increased salary the gentleman mentions they were following the dictates of nature, because the present secretary has six or seven children and the other one had none. It was really an honorable act to do—to reward nature, to reward virtue, to reward humanity—and I am surprised that the distinguished gentleman from Massachusetts should find error in it.

Mr. GILLET. Oh, I am not finding error in it. On the contrary, I believe that the Secretary to the President is well entitled to \$7,500. I would have voted for it under any administration, and I did vote for it when it came up in a Republican administration, not because the secretary was a Republican, but because I believed that the office ought to have it. I thoroughly believe that the gentleman who now holds the place is worth that salary, and I am very glad that the House passed it.

The gentleman from Connecticut misconceives my remarks if he thinks I am criticizing the size of the salary or the work of the gentleman who holds the position. What I am criticizing is not that the Democratic Party increased the salary, but I am criticizing the humbug, the hypocrisy, of that side of the House in violently and ferociously attacking that salary when it was for a Republican, and then when they have a big majority and one of their own party is going to draw the salary swallow their own words, reverse their conduct, and provide for their own secretary what they had most solemnly insisted he ought never to receive.

Mr. HELGESEN. Will the gentleman yield?

Mr. GILLET. Yes.

Mr. HELGESEN. Is it not a fact that this question was settled by a party vote, the Democrats voting for it and the Republicans not voting at all?

Mr. GILLET. I was not aware of it.

Mr. HELGESEN. I think the record will show that, and that they are as hypocritical now as they were then.

Mr. GILLET. There is another clause in the bill that I wish to advert to, and that is the appropriation of \$39,000 for the Civil Service Commission to conduct examinations of the

fourth-class postmasters. I appreciate how dear that appropriation must be to that side of the House. We know why it is given. It is given to remove Republican postmasters. It is given because the President two or three months ago issued an order by which all fourth-class postmasters should be examined, and that by the result of that examination it will be determined whether they shall hold their offices.

We know, of course, the purpose of that provision. The purpose of it is to give the Democratic Party as many fourth-class post offices as possible of those covered into the civil service partly by President Roosevelt and partly by President Taft. It seems to me that if there was any class of officers that were entitled not to be interfered with it was the fourth-class post offices.

When I came to Congress 20 years ago it was generally understood that whereas most of the clerical offices had been taken out of the patronage spoils class, the postmasters throughout the country were still a matter of congressional patronage. If there was a vacancy in my district and I wanted to fill it, all I had to do was to send a recommendation and that settled the question. If I wanted to get rid of a postmaster, all I had to do was to suggest it and he was removed.

That was the generally accepted position up to that time. President Roosevelt made a great change in that when he sent word to Congressmen that in future when a postmaster's term of office expired, or when he was to be removed, it would not be simply a question of the volition of the Congressman, but the question would be what criticism could be made upon the service of the man as postmaster. As I remember the language which we used to receive it was that the term of such and such a man has expired and that the records of the department show that he has rendered satisfactory service. Then the question came, Have you any reason to submit why he should not be continued in office? And, unless we could give reasons—not political reasons, but charges against his efficiency—that man was continued in office; and that has been the custom for the last 10 years.

Mr. LLOYD. Was that the custom immediately following the election of William McKinley in 1896?

Mr. GILLET. Oh, no; it was not. I said it was not.

Mr. LLOYD. The Republicans waited until they had secured all of the post offices in the United States, and had Republican postmasters filling them, and then they were willing to have the civil service apply to them, and now they are disposed to complain when the Democrats say that there shall be a genuine civil-service examination, and that the man filling the office shall fill it because he has attained it under that examination.

Mr. GILLET. Mr. Chairman, I am complaining of what I believe is a device under which the men in a large section of the country, many of whom are now in office, can be removed.

Mr. BARKLEY. Is it not also a fact that the order of Mr. Taft covering 40,000 fourth-class postmasters into the civil service was a device to keep them in office as a reward for assisting him to be nominated as against Mr. Roosevelt at Chicago? [Applause on the Democratic side.]

Mr. GILLET. No; it was not. It was not the fourth-class postmasters who were active in politics, but it was the postmasters higher up.

Mr. BARKLEY. They were active in proportion to their importance.

Mr. GILLET. They were not important enough to be active.

Mr. BARKLEY. They were important enough to be rewarded by being retained in the civil service.

Mr. GILLET. That is just what they were not.

Mr. BARTLETT. How long did it take President Roosevelt after he came into office to realize the importance of putting these fourth-class post offices into the civil service?

Mr. GILLET. The gentleman is not referring to what I have referred to.

Mr. BARTLETT. It was after President Taft had been elected in 1908, was it not?

Mr. GILLET. No; it was long before that.

Mr. BARTLETT. I have the date of the order. I have a copy of the order in my hand.

Mr. GILLET. I am not talking about the order. That is where the gentleman has not followed me.

Mr. BARTLETT. I am sorry that I have not.

Mr. GILLET. I will speak about the order at this time.

Mr. BARTLETT. I have a copy of it in my hand.

Mr. GILLET. Then President Roosevelt, later, as I say, after preventing Congressmen from using the offices as a mere matter of patronage, classified all of the offices north of the Ohio, I think, and east of the Mississippi.

Mr. BARTLETT. Does the gentleman know what the date of that was?

Mr. GILLETT. The date does not make any difference.

Mr. BARTLETT. It was November 30, 1908, after the Republican candidate had been elected to the Presidency.

Mr. GILLETT. Then that was not to keep them from Democratic changes, was it?

Mr. BARTLETT. Oh, no.

Mr. GILLETT. That would be the intimation the gentleman would seem to indicate.

Mr. LLOYD. It was Mr. Taft who was elected?

Mr. GILLETT. Yes; it was Mr. Roosevelt's own choice that had been elected.

Mr. LLOYD. He regretted it afterwards?

Mr. GILLETT. Yes, certainly; but at that time his best friend had been elected to office. He had no personal ambition to gratify, no personal devotion to reward, and at that time he said that in future in that section of the country the fourth-class postmasters should be under the civil service.

Mr. LLOYD. Is it not true, as a matter of fact, that Mr. Roosevelt wanted to retain his own friends in office, and that that is the reason he made that order at that time?

Mr. GILLETT. I do not think it is.

Mr. LLOYD. So that Mr. Taft, when he came in after the 4th of March, could not change these postmasters?

Mr. GILLETT. I do not think it is, Mr. Chairman. I do not believe Mr. Roosevelt was actuated by any such purpose. I believe he and Mr. Taft were at that time most intimate friends, and I believe his purpose was a genuine belief in the civil-service principle and a belief that it would improve the administration of the fourth-class postmasters. He extended the service in the same way all previous extensions had been made.

Mr. LLOYD. Is not—

Mr. GILLETT. Please let me finish this. I want to state further that at the time, I confess, I thought he made a mistake.

Now, I have been a thorough believer all my life in the civil service, and I did not believe that the fourth-class postmaster was an official who could be best selected by an examination; but in this case, as in various cases where the system had been extended and where theoretically a man would say that an examination would not get the best man, in this case as in the other cases I think experience has proven that it was a good way and it got a better service than under the old system of patronage. Now I will yield to the gentleman.

Mr. LLOYD. Is it not true that where Mr. Roosevelt parted company with Mr. Taft was in the fact that Mr. Taft failed to keep the men in office that Mr. Roosevelt had in office, and he failed to carry out the policies which Mr. Roosevelt had said to the country he would carry out?

Mr. GILLETT. Mr. Chairman, I am not going to enter here into that question, for I think neither the gentleman nor myself knows the secret cause of the lamentable breach between those two distinguished men; I do believe that President Roosevelt issued that order, not for any partisan or selfish purpose, but he issued it for what he thought was for the good of the service.

Mr. BARKLEY. Will the gentleman yield?

Mr. GILLETT. I will.

Mr. BARKLEY. Is it the gentleman's opinion that these fourth-class postmasters were appointed originally as a reward for their political activities?

Mr. GILLETT. I think a good many of them were and a good many were not.

Mr. BARKLEY. Does not the gentleman think that the real spirit of the civil service put into effect will eliminate those who are not qualified and bring about a higher standard of service in those offices?

Mr. GILLETT. They can be eliminated to-day; there is no trouble about it if a man is not a proper official.

Mr. BARKLEY. I wish the gentleman would indicate to me how it can be done.

Mr. GILLETT. The gentleman shows his zeal—

Mr. BARKLEY. I want it done in a way so that it will give good service to the people and not be a reward for political services.

Mr. NORTON. Will the gentleman yield?

Mr. BARKLEY. The gentleman from Massachusetts has the floor.

Mr. NORTON. Has the gentleman talked to Postmaster General Burleson recently?

The CHAIRMAN. To whom does the gentleman yield?

Mr. GILLETT. I guess I will keep the floor myself.

Mr. BARTLETT. May I interrupt the gentleman?

Mr. GILLETT. Oh, yes.

Mr. BARTLETT. At the time President Roosevelt issued that order, on November 30, 1908, placing fourth-class postmasters in certain sections of the country north of the Ohio

under the civil service, what good reason was there for withholding from the operation of this beneficent law those down south of the Potomac?

Mr. GILLETT. Now, Mr. Chairman, I do not care to go into that [laughter on the Democratic side], because it is a delicate question, and of course I do not know President Roosevelt's reasons, and I will simply say I believe that it was out of a consideration for the South that he did it and not from any selfish or partisan consideration.

Mr. BARTLETT. I think so, and I think he did it out of consideration of the fact that the delegates to the Republican convention generally consisted of fourth-class and other postmasters.

Mr. GILLETT. I think the gentleman is mistaken there. I do not believe the fourth-class postmasters throughout the country or in the gentleman's region are very thoroughly partisan. I think they are by no means all Republicans who hold fourth-class postmaster places in Democratic States.

Mr. BARTLETT. Not when they get them, but they very often become Republicans afterwards.

Mr. GILLETT. That does not seem plausible; if they got them as Democrats, I think they will stay so.

Mr. BARTLETT. They are not very loyal Democrats in a great many instances.

Mr. GILLETT. One of the good results of President Roosevelt's policy, followed by President Taft, was that it made the postmasters less partisan and made their tenure depend on efficiency and not on partisan activity.

Mr. BARKLEY. You made the statement a moment ago that you did not think a better class of men could be obtained by holding these examinations than by covering them into the service without an examination. Now, will the gentleman explain how that can be done, and just what he meant by that?

Mr. GILLETT. What I meant by that was that the men who are now in the offices have the benefit of experience. The poor ones can be removed at any time by the Postmaster General. It does not require any new authority for that to be done, and the men who are in there now have had experience. Now, Mr. McIlhenny, the man who is going to carry out this scheme—

Mr. BARKLEY. Does the gentleman realize that vacancies are constantly occurring in these fourth-class post offices, and to fill these vacancies examinations are now being held under the civil service?

Mr. GILLETT. I appreciate that; and that obviates the need, so far as that goes, of any of those new powers. But Mr. McIlhenny, the chairman of the Civil Service Commission, when before the committee said that the rules contemplate that the actual test of fitness be given during the first few months of service as a probation. That is to say, the best test of a man's fitness is his experience in the office, and these men who have been holding these offices now for 10 years, under the rule of President Roosevelt that you could not displace a man for partisan purposes, have had that experience. Whether, under the rules, the Postmaster General will allow that experience to weigh heavily, I am not sure. I have great confidence and admiration for the Postmaster General as a wise and high-purposed man, but all of us who have been associated with him in this House know that he has that sense of partisanship which I am sure will endear him to that side of the House. I expect he is one of the men who wants the very best men in the service of his country, but he thinks the best men are to be found among the Democrats.

Mr. BARTLETT. He is a wise man.

Mr. MONDELL. There is no question that the appropriation the gentleman is discussing, of \$30,000 for examination, will give the Democratic brethren an opportunity at the fourth-class post offices. That is what it is intended for.

Mr. GILLETT. I suppose so.

Mr. MONDELL. It is practically admitted, as a matter of fact. Is not this a fact, that any one of the three highest names on the list may be appointed? There must be at least three Republicans better fitted for the office, according to the examination, than any Democrat in order that a Republican may be appointed under these rules?

Mr. GILLETT. That sounds logical.

Mr. LLOYD. That sounds logical, does it not, because that is the way it has been enacted heretofore?

Mr. GILLETT. They have not had the examination heretofore.

Mr. LLOYD. Prior to the 4th day of March, when you provided for the examination east of the Mississippi and north of the Ohio, did you not make the certification of the three to the Congressman and he chose from the three?

Mr. GILLETT. The Congressman never had anything to do with it, in my district at least.

Mr. MONDELL. Oh, no; we did not do that. That is what is being done now. The gentleman assumed that because it is being done now we did it under the Republican administration, but that is not true.

Mr. GILLETT. Mr. Chairman, will you kindly tell me how much time I have remaining?

The CHAIRMAN. The gentleman has consumed 50 minutes.

Mr. LLOYD. I want to make one observation with reference—

Mr. GILLETT. I can not yield to that.

Mr. LLOYD. With reference to the Postmaster General.

Mr. GILLETT. If the gentleman wishes to make an observation, I wish he would make it in his own time.

Mr. LLOYD. You made the statement yourself, and I do not think you wish to be unfair to the Postmaster General.

Mr. GILLETT. Certainly not.

Mr. LLOYD. The Postmaster General is undertaking fairly and honestly to administer the civil-service regulations in his department, and you will see that that is being done, if you will make inquiry, in reference to the post-office inspectors. There were 15 division inspectors and 1 chief inspector who were nearly all Republicans; he is now making an equal division, showing that he is endeavoring fairly and honestly to administer the law.

Mr. GILLETT. I have as much confidence and admiration for the Postmaster General as the gentleman has.

Mr. HARDWICK. Will the gentleman yield?

The CHAIRMAN. Does the gentleman from Massachusetts yield to the gentleman from Georgia [Mr. HARDWICK]?

Mr. GILLETT. I will.

Mr. HARDWICK. Does the gentleman think it right, or does it accord with his idea of propriety, that thousands of fourth-class postmasters who never stood an examination in their lives, and who are all Republicans, should be covered in and allowed to stay there?

Mr. GILLETT. Why, Mr. Chairman, that is exactly what has always been done in extensions of the civil service by both parties, as the gentleman well knows.

Mr. LLOYD. Exactly. Does the gentleman think that ought to be allowed to stand?

Mr. GILLETT. Yes; I do. For 10 years those men have been there.

Mr. LLOYD. The Republicans have been there all the time.

Mr. GILLETT. By no means all Republicans.

Mr. BARTLETT. Permit me to say that the gentleman ought to have gone down during Mr. Hitchcock's administration and endeavored to get one appointed in his district, as I did, and see how many he could have appointed.

Mr. GILLETT. I do not suppose the Postmaster General consulted the gentleman any more than he did myself. I understand those appointments had ceased to be a matter of Congressional patronage.

Mr. BARTLETT. I will say to the gentleman that the Postmaster General did not consult me, but he did consult some one whom he called a "referee," who did not live in my district.

Mr. STEENERSON. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. GILLETT. Yes.

Mr. STEENERSON. Is not the difference in this, that under the Republican administration the civil-service machinery was not used to create a vacancy in the fourth-class offices, but only to fill the vacancies, and that the rule that the gentleman spoke about, where the Congressman could show cause why the incumbent should not be reappointed was limited to appointments to presidential offices?

Mr. GILLETT. I am not sure about that.

Mr. STEENERSON. I believe that is correct.

Mr. GILLETT. Now, Mr. Chairman, there are some other items to which I wish to allude in further illustration of this Democratic simplicity and economy. The bill here, which the committee reports, is pretty good evidence of the administration's attitude. This new Democratic administration asks for something over \$8,000,000.

Mr. FITZGERALD. Nine million dollars.

Mr. GILLETT. The committee has granted something over \$3,000,000. Throughout this bill I have looked in vain for some indication by the Executive of obedience to the command of the Democratic platform that these useless offices should be eliminated. Not one has been suggested in the recommendations that have come to us. Instead of that, many increases have been suggested, from, I think, all the departments. The Treasury Department asks for a very large increase of force. In the Interior Department there was a modest request of \$50,000 for a board of lawyers outside of the civil service, to be

appointed as a board of appeals—an excellent opportunity for patronage. In the Department of Commerce they asked for \$100,000 for agents, to be appointed outside of the civil service, and the committee very generously, and unwisely, as I believe, gave them \$50,000.

Mr. BARTLETT. Mr. Chairman, may I ask the gentleman a question?

The CHAIRMAN. Does the gentleman yield?

Mr. GILLETT. I have not the time. I am sorry. I have only a moment more.

Mr. BARTLETT. That was in pursuance of an act of Congress that we appropriated that money.

Mr. GILLETT. Oh, no.

Mr. FITZGERALD. I will say to the gentleman that that is not outside the classified service.

Mr. GILLETT. I understand it is outside the classified service. I took the pains to telephone to the department, and found out that it was.

Mr. FITZGERALD. The official who informed the gentleman to that effect was probably some incompetent Republican holdover. [Laughter.]

Mr. GILLETT. Then I do not suppose he will hold over long. [Laughter.]

Mr. ELDER. He ought not to.

Mr. GILLETT. I suppose this force is intended to carry out the extraordinary suggestion which Secretary Redfield made, to the effect that in the hard times coming under a Democratic tariff if any Republican manufacturer goes to the wall the Secretary will send out one or more of his agents to ascertain that the manufacturer did not suffer on account of the Democratic tariff, but for lack of skill and economy and unscientific management in the administration of his business affairs. I have no doubt these agents selected outside of the civil service will always be able to find explanations for any business failure which will exempt the Democratic administration from responsibility. I think it is a wasteful appropriation, but it is a good illustration of the fact that this administration is increasing and not reducing offices, as pledged by its platform.

The Department of Commerce also wanted for its solicitor exactly the same force that it had before, although the Department of Labor has been taken away with all its bureaus. I was rather amused to note that one of the duties that this solicitor said he was performing was framing bills for Congress. As I remember, in the last administration great indignation was expressed in Congress because the administration undertook to frame bills and submit them to Congress for enactment.

But that is another instance where the Democratic Party has changed its point of view, for we have certainly seen enough already under this administration of Executive influence on Congress to close the mouths of that side of the House from any such criticism.

The Attorney General, among other requests, wished to increase the salary of an assistant from \$7,000 to \$9,000. The committee gave it to him. No reductions of salaries were anywhere recommended, only increases. There are many of these appropriations which I do not criticize. I think they are wise. I think this for the Attorney General was wise, and I voted for it; but the purpose of my comments is to point out the inconsistency of the conduct of the Democratic Party after election and before election, the absolute refusal on their part to follow the promises which they made in their platform, and which they gave us in the House, and the apparent absolute indifference of the administration to any economies which might be suggested.

Take the Department of Labor. The administration recommended to us that we grant to the Department of Labor two automobiles; \$5,000 for the Secretary and \$2,500 for an electric automobile for the family. Personally I was in favor of giving the Secretary an automobile. I believe that is the modern mode of conveyance; but I recognize that it is a little more consistent for that side of the House, after all the denunciations we have heard them make in the past about the abuses by Republican officeholders with carriages and horses, not to vote an automobile for the new department. So the Secretary of Labor must be content with the old system of horses and carriages.

As I say, I do not criticize many of the requests of the administration in this bill, but what I wish to point out and enforce is that so far there has not been a single suggestion by the administration that it was paying any attention to the pledges on which it was elected. As Mr. PALMER quoted in his speech from all the Democratic platforms of the last 12 years, they have claimed to be the party of simplicity and economy, and so I looked for this administration, in this first opportunity, to show some evidence that they stood on their platform pledges, and that they are not merely a humbug and pretense; but as in so many other cases I suspect that after they have been elected

the platform is forgotten, and they will continue to perpetrate and probably exaggerate the very abuses for which they have so fiercely and tempestuously reviled us. [Applause on the Republican side.]

Mr. FITZGERALD. Mr. Chairman, the gentleman from Massachusetts [Mr. GILLET] covered so much ground that I have no doubt it was purely through inadvertence that he omitted to call attention to a very striking illustration of this administration effectively performing promises made to eliminate useless offices. On page 419 of the hearings before the Committee on Appropriations, while Mr. Harris, the Director of the Census, was being interrogated, the following occurred:

Mr. BARTLETT. I have heard that there was a \$3,000 official in the Census Office who did not do any work, and that you dispensed with his services?

Mr. HARRIS. When I took charge of the bureau I found that Mr. Allen was drawing a \$3,000 salary, and I could not find that he had done any work for two years. He never reported there. Of course we dispensed with his services the first week.

The CHAIRMAN. What was his position?

Mr. HARRIS. Mr. Allen was a patent expert. He had been occupied in regard to the bureau's mechanical appliances and in a lawsuit the Government had with the people who claimed that their patent rights had been infringed.

The CHAIRMAN. The tabulating machines?

Mr. HARRIS. Yes; but that had been settled for some time, and I saw no necessity for his services.

Secretary REDFIELD. Mr. Harris, did you find a man employed in New York as a special agent?

Mr. HARRIS. We found that one of the divisions in the office was in charge of a Mr. Hourich, who lives in New York, and he would come down one or two days. He was supposed to have charge of the work connected with mines and mining. In fact, he did not wish his division chief to have anything to do with it; he wished to manage it directly.

The CHAIRMAN. Is that the man who wrote a book in which he compiled and condensed the report of the Immigration Commissioner?

Mr. HARRIS. Yes.

The CHAIRMAN. He was supposed to be employed in the Census Office?

Mr. HARRIS. Yes. Since then I have proposed to enter into a contract with him to complete that work for a certain amount instead of leaving it to him to say what time he should work and what pay he should receive for expenses, etc. He was also allowed a stenographer.

Secretary REDFIELD. You found that he was doing business in New York?

Mr. HARRIS. Yes.

Mr. BARTLETT. And drawing pay from the Government?

Mr. HARRIS. Yes; for this extra work. He was allowed to work on Sundays.

Mr. GILLET. Was he paid a salary or a per diem?

Mr. HARRIS. A per diem. He was doing the work there and we had no way of telling just what he was doing.

Mr. BARTLETT. How long did Mr. Allen continue without doing any work?

Mr. HARRIS. There is no record in the office to show that he did anything for two years.

Mr. HASTINGS. He worked in connection with an invention for improved mechanical appliances.

Mr. BARTLETT. There was no report from him?

Mr. HASTINGS. No written report whatever.

Mr. HARRIS. That had been settled two years before. I could not find that he had done anything for two years.

Secretary REDFIELD. His services were dispensed with?

Mr. HARRIS. Yes, sir.

Mr. Chairman, I know it was purely a matter of inadvertence that the gentleman from Massachusetts, in his very instructive speech, omitted to call attention to this very significant conduct of the Census Office under the recent Republican administration.

Mr. DONOVAN. Is the Mr. GILLET mentioned there the Member of Congress from Massachusetts?

Mr. BARTLETT. Oh, yes; he was a member of the subcommittee.

Mr. DONOVAN. It was the same Mr. GILLET, of Massachusetts?

Mr. FITZGERALD. The same gentleman. [Laughter.]

I yield the remainder of my time to the gentleman from Missouri [Mr. BORLAND].

Mr. BORLAND. Does the gentleman from Illinois [Mr. HINEBAUGH] wish to use 10 minutes?

Mr. HINEBAUGH. Yes.

Mr. BORLAND. I want to yield five minutes first to the gentleman from Georgia [Mr. BARTLETT] and then I will ask the gentleman from Illinois [Mr. HINEBAUGH] to use a part of his time.

Mr. BARTLETT. Mr. Chairman, I intended to wait later in the discussion of this bill under the five-minute rule to say something in reference to this civil-service proposition regarding fourth-class post offices. This matter I regard as a kind of deception and a snare, and as far as I am concerned I do not hesitate to declare that instead of appropriating \$39,000, as we do in this bill, to hold examinations to determine whether men are fit to be appointed to the position of fourth-class postmasters, by the Civil Service Commission and post-office inspectors, I would revoke the order made by President Roosevelt on November 30, 1908, and the Executive order by President Taft, October 15, 1912, and the modification of that order by

President Wilson, and have these postmasters appointed on the recommendation of Congressmen.

I give gentlemen on this side and on the other side notice that they will have an opportunity to vote for the repeal of these orders, because it is in order on this bill, and we will save the Government \$39,000. It is true that President Roosevelt inaugurated it on the 30th of November, 1908, after Mr. Taft had been elected, at the very time Postmaster General Hitchcock, who had conducted the campaign and was on the Republican national committee, was Postmaster General. He remained Postmaster General until the 4th of March, 1913. I say it without fear of successful contradiction that, so far as my part of the country is concerned, the post offices and other Federal offices were used as machinery to obtain delegates to the Republican national convention in the years that the Republican Party was in power.

I have instances of it where postmasters requested to be appointed, indorsed by the patrons of the office, were turned down and refused appointment, and the only reason finally given was that one of the delegates from that district to the Republican national convention had recommended another, and that delegate, in order to be held in line in Chicago, had to be placated by the appointment of the person he had recommended.

It is true that Mr. Roosevelt inaugurated it in order to have Mr. Taft nominated in 1908, and he himself had been the beneficiary, under the skillful guidance of the Postmaster General, who was at the time the chairman of the Republican national committee. Then when the prospect of defeat in 1912 was so clear that he who ran might read and the wayfaring man, though a fool, could not have erred therein they placed the 36,000 fourth-class postmasters under civil service, and the only opportunity that we will have to have men who represent the people appointed is under the modification of this order by President Wilson.

As far as I am concerned, I am ready now to vote, as I have voted before, to revoke the whole business and put the appointment of the fourth-class postmasters where it belongs, in the hands of the Postmaster General, and I will go further and say upon the recommendation of the Representatives of the people in Congress. [Applause.]

Mr. BORLAND. Mr. Chairman, I understand the gentleman from Illinois is entitled to some time in opposition, and I will ask him to use some of that time.

The CHAIRMAN. The gentleman from Illinois is in control of one hour which the minority has.

Mr. HINEBAUGH. Mr. Chairman, I will yield 10 minutes to the gentleman from Pennsylvania [Mr. KELLY].

Mr. KELLY of Pennsylvania. Mr. Chairman, I have listened with great attention to the labored argument of an hour's duration by the learned gentleman from Massachusetts [Mr. GILLET], in which he laid down the proposition that the Democratic Party at the present time has thrown down all doctrines of economy and is embarking on an extravagant and wasteful career. We also listened to the distinguished gentleman from Georgia quoting Scripture in his effort to show that the Republican Party when in power did exactly what the Democratic Party is doing now, and we are willing to admit both contentions. The subject matter of this bill is a different proposition, however. It is not a matter of party history, because both parties have degenerated in a large degree from the real purpose of parties in this country, and instead of a government through parties they uphold a government by parties and for parties. We are simply hearing the results of that attitude in this debate to-day. The title of this bill is that it is to make appropriations to supply urgent deficiencies in appropriations, and yet I notice in one part of the bill, on page 18, there is a matter which seems to me is not for urgent deficiencies, but is a matter of new legislation and added expenditure. It comes under the heading "Department of Justice," and the paragraph is as follows:

Office of the Attorney General: For salary of the Assistant to the Attorney General, which is hereby fixed at the rate of \$9,000 per annum; in addition to the \$7,000 heretofore appropriated, for the fiscal year 1914, \$2,000.

That is an item inserted in this deficiency appropriation bill. It is not a matter of party procedure, and the gentleman from Massachusetts [Mr. GILLET] in all his argument only endeavors to prove that the Democratic Party is doing exactly what the Republican Party had done and would do again. It is not a matter of one party's action. I want to point out that it is a matter of tendency and has been the consistent tendency from almost the time of the establishment of the Government. Let us take the Attorney General's office, for example, and see the increases in salary. It gives the key to all of the extravagance to be charged against successive administrations. I role

that in 1789 the first law was passed regarding the salary for the Attorney General of the United States, which was fixed at \$1,500 a year. That amount lasted only until 1791, when the salary was made \$1,900 a year. Then it was made \$2,300 a year in 1792, and in 1797 it was increased to \$2,800. In 1799 it was made \$3,000 and in 1819 it was increased to \$3,500, and on February 26, 1907, the increase was to \$12,000, making the increase in salary from \$1,500 at first to \$12,000 at the present time. In this bill we have an Assistant Attorney General's salary raised to a point where it is more than the amount the Attorney General received in toto in the first case. The increase alone in this bill is more than the entire salary that the Attorney General received in the days when this Government was being formed. That is true not alone of the Attorney General's office, because I would have you notice that in the Secretary of State's office the increases have been from the first original amount of \$3,500 a year up to \$12,000 a year through various salary grabs at different times. The salary of the Secretary of the Treasury has been increased from \$3,500 to \$12,000, the Secretary of War from \$3,000 to \$12,000, the Secretary of the Navy from \$3,000 to \$12,000, and the Postmaster General from \$1,000 to \$12,000.

Mr. BARTLETT. Mr. Chairman, will the gentleman yield?

Mr. KELLY of Pennsylvania. Certainly.

Mr. BARTLETT. It is true that up to 1908, or rather up to March, 1908, the salaries of Cabinet officers were \$8,000?

Mr. KELLY of Pennsylvania. The bill was passed on the 26th of February, 1907, making it \$12,000.

Mr. BARTLETT. I thought it was 1908.

Mr. KELLY of Pennsylvania. In 1907; and that was continued in every department.

Mr. BARTLETT. Except the Secretary of State's office; and the Secretary of State at that time was allowed to receive \$8,000 during the term to which he had been elected to the Senate, and the change was made as to the Secretary of State's salary with the understanding that it was not to be an increase, but as soon as the term to which he had been elected to the Senate expired the Republicans increased the salary to \$12,000.

Mr. KELLY of Pennsylvania. Certainly; and that was only a measure of deception.

Mr. BARTLETT. I for one did not vote for any of these things.

Mr. KELLY of Pennsylvania. However, that has nothing to do with it. Individual judgment is not under consideration, but the result of such legislation is, and that legislation was continued by giving the Secretary of State and every other Cabinet officer a salary of \$12,000 a year. The Secretary of the Interior, an office created at a later date, was increased in salary from \$6,000, in 1849, to \$12,000, in 1907.

Mr. GARNER. But the gentleman does not give the connecting link between \$6,000 and the \$8,000. Cabinet officers received \$8,000 for a number of years.

Mr. KELLY of Pennsylvania. Yes; in 1853 a bill was passed making the salary \$8,000. I did not give those connecting links, but in all the departments there were links connecting the successive increases. Also the Secretary of Commerce and Labor was given \$8,000 in 1903 when the department was created, and his salary was raised to \$12,000 later.

Mr. GARNER. Mr. Chairman, will the gentleman yield for another question?

Mr. KELLY of Pennsylvania. Certainly.

Mr. GARNER. Does the gentleman believe that now Cabinet officers are receiving more money than they should receive?

Mr. KELLY of Pennsylvania. Certainly I believe they are, Mr. Chairman, in spite of the fact the distinguished premier of the Cabinet and the peerless leader of the Democracy can not live on the sum of \$12,000 a year. I note in the hearings on this "urgent" deficiency bill that the argument advanced by Attorney General McReynolds for the increase of the salary of his first assistant from \$7,000 to \$9,000 is on the same ground, that he can not live on \$7,000 in the city of Washington. I would like to know what the standard of measurement is to be concerning a living wage in Washington officialdom.

Mr. JOHNSON of Washington. Will the gentleman from Pennsylvania state what he thinks to be a fair salary for the Secretary of State?

Mr. KELLY of Pennsylvania. I would assure the gentleman from Washington that I have my own opinion. I said in answer to the other question that \$12,000 was more than sufficient salary. I would not want to set any definite figure, but I would set the figure considerably under \$12,000 a year.

Mr. BARTLETT. From the foundation of the Government, with very rare exceptions, we have gotten the head of the profession in the United States in the office of the Attorney General at this small and at smaller salaries.

Mr. KELLY of Pennsylvania. Yes, sir; that is absolutely correct.

Mr. BARTLETT. From Randolph down to P. C. Knox.

Mr. KELLY of Pennsylvania. It was not a matter of cash payment for their service, but because they could serve with faithfulness and patriotism the country they loved, and therefore were willing to sacrifice something instead of clutching at every dollar they might grab from the Public Treasury.

Mr. BARTLETT. Esteeming it an honor to belong to a noble profession, they illustrated their patriotism in serving their Government.

Mr. KELLY of Pennsylvania. I thank the gentleman from Georgia for putting the matter so clearly and well. I am making the point that after all we have to recognize the relation between salaries of those in high official circles and the average man down on the street who is compelled to face the cost of living just as well as the First Assistant Attorney General. When the Attorney General comes before a committee of this House and says that his assistant can not live on \$7,000 a year, and when the Secretary of State publishes that he can not live on \$12,000 a year, we have the right to say that the cost of living is a question facing others than themselves.

Mr. BARTLETT. If the gentleman will allow me to interrupt him again. Of course I understand the gentleman's position, but it is a fact, however, that these salaries of heads of departments, Cabinet officers, were \$8,000 for quite a number of years and were changed by a Republican administration upon a vote that most of the Democrats voted against. That is true.

Mr. KELLY of Pennsylvania. Certainly; without a doubt. No one can deny that proposition; but you see the situation to-day, when conditions are reversed.

Mr. BARTLETT. I understand the gentleman's position.

Mr. KELLY of Pennsylvania. I want to say that this tendency is one of all parties. It is not an offending of the Republican Party alone or the Democratic Party alone. It is an ever-increasing tendency down through all departments of government, and that is the point that is worthy of our consideration. It is not only in the case of these executive departments, but also in the legislative department, because the salaries of the Members of this House, formerly \$6 a day and only while they were in active service, now amount to \$7,500 a year. There have been increases in the judicial department—Chief Justice from \$4,000 to \$13,000 and associates from \$3,500 to \$12,000. In the executive department the salary of the President has been raised from \$25,000 to \$75,000 a year and with \$25,000 additional for expenses. The Vice President's salary has been raised from \$5,000 to \$12,000.

Mr. BARTLETT. If the gentleman will pardon me again, that \$25,000 salary was accorded on a kind of promise, or it was held out, at least, that the \$25,000 increase in salary would be in lieu of \$25,000 for traveling expenses, and I am an offender again in that particular, as I voted against both propositions.

Mr. KELLY of Pennsylvania. The gentleman deserves congratulation, it seems to me, on that stand. But that has nothing to do with the fact that the result comes back to the people of this country. They are facing the cost of living just as much as the Secretary of State and the Assistant Attorney General. The income of the average man in this country who works with his hands and does the labor of this land is \$435 a year, and yet we dare stand before them, the men who give this Nation its strength and its riches, and tell them it is impossible to live on \$7,000 a year. It is brazen effrontery to say the least.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HINEBAUGH. I yield five minutes more to the gentleman.

Mr. ROBERTS of Nevada. Will the gentleman yield?

The CHAIRMAN. Does the gentleman from Pennsylvania yield to the gentleman from Nevada?

Mr. KELLY of Pennsylvania. I do.

Mr. ROBERTS of Nevada. I would like to know of the gentleman if he is in favor of cheap labor and a grape-juice administration. He said some time ago that the Attorney General was allowed \$1,500. That was at the beginning of the Government, was it not?

Mr. KELLY of Pennsylvania. Certainly.

Mr. ROBERTS of Nevada. The gentleman knows how much the Government has increased up to this time, does he not? At that time we had very few people, while at this time we have nearly 100,000,000 people.

Mr. KELLY of Pennsylvania. I do not know anything about the "grape-juice" administration that is spoken of, but I was talking of the cost of living as applied to the average man more than to those individuals in high office who are drawing \$1,000 a month.

The average man in this country to-day, as you know, has an income of \$435 a year, and that is including all wage earners as tabulated in the census report. They make less than \$40 a month, and are brought face to face with the statement in their lawmaking body that the Secretary of State can not live on \$12,000 a year, and the Assistant Attorney General can not live on \$7,000, but must have the \$9,000 which is provided in this bill. I simply want to draw attention to the fact that all of these salary grabs are paid by the people. We talk of the Treasury of the United States as though it was some kind of a golden stream, and all that is necessary is to tap it and draw out a certain amount. And we bring in a deficiency bill of \$3,000,000, and it is passed without attention. Let me say to you, gentlemen of the committee, that every dollar that goes into that Treasury comes out of the pockets of the people in some way or other. You can not possibly, by mere ledger-deman or hocus-pocus, draw money out of the Treasury without putting it in there through tax or some way or other first. Yet new burdens are laid on the people to pay salaries which are exorbitant in every degree. The Members of the House should remember that the salary grabs of the past have only led to added increases, and that they are setting up a standard, as suggested by the gentleman from Georgia, to which others will be brought. If you pay this \$9,000 salary to the first assistant, you will raise other salaries. You have a solicitor in that department who is drawing \$10,000 a year, which is more than all members of the Cabinet drew when Washington became the first President. Therefore, it seems to me in all justice this paragraph should be stricken out. This new legislation which is asked to be inserted in here should be stricken from this bill, and the amount left at \$7,000, which is more than fair.

Mr. BARTLETT. The gentleman will do the committee the justice of saying that, while we were appealed to to grant about \$9,600,000 worth of claims as deficiencies, we reported only about one-third of the demand upon the committee?

Mr. KELLY of Pennsylvania. Yes; and that is worthy of credit.

Mr. GARNER. The gentleman will observe that the rules of the House give him the power to prevent this increase.

Mr. KELLY of Pennsylvania. If it is possible to introduce an amendment to strike this out, I will be glad to do it.

Mr. GARNER. I think a point of order against the increase in salary, under the rules of the House, will be sufficient to take it out of the bill.

Mr. KELLY of Pennsylvania. Regardless of the point of order which might be raised against it, as a matter of individual decision every Member of this House ought to put the purpose of fair dealing and justice in legislation at the front and vote as his conscience dictates on this item.

It is only justice, for there are other things to be considered than a declaration that a man can not live on \$7,000 a year. I count of vastly more importance the situation which is due in part to these high salaries, a situation where the average man of the most powerful and wealthy Nation in the world can not keep his family in a manner befitting an American citizen; can not educate his children as they should be educated; can not lay up a penny for the days of old age.

I am convinced that the men who are forced by bitter necessity to practice the closest economy in their homes will not stand much longer for the burdens imposed by governmental extravagance. To-day the average family contributes \$50 a year in taxes to the support of the Government, and that means more to the average family than to the average executive department official.

But even that is not enough, for here is a deficiency bill appropriating more than \$3,000,000, and this one paragraph adds \$2,000 to one salary. Little wonder that there is perpetual need for deficiency bills.

It is time to call a halt on reckless expenditure of public funds. The sphere of government will without doubt be widened in the coming years. Instead of a policeman's club it will become an instrument for the promotion of the general welfare; instead of trying always to cure evils it will enter upon the field of prevention.

That is all the more reason why every dollar should be wisely spent and why in fixing salaries some regard should be paid to their relation to the income of the average man, whose social condition and opportunities and standard of living, after all, set the mark for the Nation.

Mr. BORLAND. Mr. Chairman, I understand the gentleman from Illinois [Mr. HINEBAUGH] wants to yield time to the gentleman from Washington [Mr. HUMPHREY].

Mr. HINEBAUGH. Yes. I yield 30 minutes to the gentleman from Washington [Mr. HUMPHREY].

The CHAIRMAN. The gentleman from Washington is recognized for 30 minutes.

Mr. HUMPHREY of Washington. Mr. Chairman, I desire to thank the gentleman from Missouri [Mr. BORLAND] for his courtesy in permitting me to speak now.

When the Diggs-Caminetti case was under consideration a few days ago my colleague, Mr. BRYAN, took advantage of the 20 minutes that was extended to him to make a speech in regard to the disturbance that recently occurred in Seattle between the Industrial Workers of the World and soldiers and sailors and certain citizens of Seattle. He has given this speech wide circulation, sending out thousands of copies into the State of Washington. I greatly regret that he has seen fit to take this action. In my judgment, his speech was most untimely, ill-tempered, and uncalled for. I can not believe that any good will come from giving this wide publicity to the affair. It was not a matter that in any way concerned Congress. I can see no justification for this speech, unless it was to furnish the mayor of Seattle the opportunity to defend himself by circulating it at Government expense. I doubt if a Member of this House is ever justified in doing this for anyone, and especially about a matter not before Congress. However, this is a question that must be left to the sense of propriety and judgment of each Member.

While such utterances as my colleague made has no effect here, where their value and their purpose is well understood, yet often they may, to a certain extent, mislead the public. I am convinced that the wide circulation given this speech has done great harm. It has attracted wide attention to the affair. It has increased and intensified local feeling in Seattle. The delivery of this speech is especially to be regretted, because it has led those industrious patriots, the Industrial Workers of the World, to believe that they have a champion and defender in the Halls of Congress. This can but encourage them to further acts of lawlessness and treason. These disreputable agitators have an insane desire for notoriety, and the delivery and circulation of my colleague's speech has flattered and pleased them greatly.

My colleague devoted a large part of his speech to attacking certain persons in private life, some of whom were in no way whatever connected with the trouble. But he was especially unbridled in his denunciation of Col. A. J. Blethen, owner of the Seattle Times. He also published, as a part of his remarks, a long letter attacking Col. Blethen written by the mayor of the city of Seattle.

Although he asserted many times, as he always does, that he wanted to be fair, my colleague did not give nor attempt to give but one side of the controversy. Inasmuch as these attacks are not only personal upon Col. Blethen, but attempt to fix the responsibility for the riots upon the articles published in the Times, common fairness demands that the other side of the controversy be made public.

If this is a matter that must be paraded before this House, then both sides should be heard and Congress should know the truth.

A resolution has been introduced both in the House and in the Senate to investigate the affair. Those who claim to have lost property as a result of the disturbance are asking damages against the Government, and their representative is on his way here to press these claims. I am absolutely convinced that the only result of the introduction of these resolutions will be to encourage these unsavory agitators and give them a much-desired publicity, and I believe that this was the main purpose of the introduction of these resolutions. Yet this has been done, and it places upon me the duty, however unfortunate or distasteful, of placing before Congress, in so far as I can, the facts in the matter.

Now, Mr. Chairman, I ask unanimous consent to extend my remarks by inserting in the Record certain newspaper editorials and items in regard to the affair.

The CHAIRMAN (Mr. ALLEN). The gentleman from Washington [Mr. HUMPHREY] asks unanimous consent to insert certain matters in the Record. Is there objection?

There was no objection.

Mr. HUMPHREY of Washington. Mr. Chairman, I very much regret that my colleague [Mr. BRYAN] is not present. I dislike to deliver a speech of this character in his absence. But inasmuch as he is not here and a good portion of this speech refers to local conditions, I shall ask unanimous consent to extend that portion of my speech in the Record.

The CHAIRMAN. The gentleman from Washington [Mr. HUMPHREY] asks unanimous consent to extend another matter in the Record in connection with his speech. Is there objection?

Mr. FOSTER Is that in reference to the gentleman from Washington [Mr. BRYAN], the gentleman's colleague?

Mr. HUMPHREY of Washington. It refers to his speech.

Mr. FOSTER It is nothing more than that?

Mr. HUMPHREY of Washington. It refers to his speech and to certain attacks which he made on people residing in the State of Washington.

Mr. FOSTER Is this a personal attack upon the gentleman's colleague?

Mr. HUMPHREY of Washington. It is not a personal attack.

Mr. FOSTER It is just an answer to his speech?

Mr. HUMPHREY of Washington. Yes.

The CHAIRMAN Is there objection?

Mr. HUMPHREY of Washington. I regret very much the gentleman's absence, but I do not feel like taking up the time of the House in discussing a personal matter unless the gentleman concerned is here.

Mr. FOSTER The only objection is to putting any matters of that kind into the RECORD in the absence of the Member concerned.

Mr. HUMPHREY of Washington. If the gentleman from Illinois has any objection I will not read it. I am simply asking this because my colleague is not here, very much to my regret.

Mr. FOSTER I shall not object.

The CHAIRMAN The gentleman from Washington may proceed.

Mr. HUMPHREY of Washington. As to the action of my colleague in attacking various persons in private life here upon the floor of the House, where he has the protection of the Constitution thrown about him and can not be called to account elsewhere for what he may say, one of the highest privileges that the Government can confer, I do not care to comment. Such action is perhaps justifiable when a Member has been personally attacked, and it is to be commended if it is necessary in the public interest to prevent or secure legislation. But under ordinary conditions, for mere political purpose, or personal animosity, or to defend some one else, should a Member, under the protection given him, denounce and assail a citizen in private life? This is a question that each Member is called upon to decide for himself, and it must be left with the House and the people of the country to judge whether it is a courageous thing, a manly thing to do, and whether or not it commands their admiration and respect.

It was with great regret that I found that in order to defend the mayor and the Industrial Workers of the World my colleague found it necessary to assail and denounce almost everything and almost everybody in the State of Washington. He found it necessary to attack the Democratic Party and the Republican Party. He found it necessary to reflect upon the good name of his State. He found it necessary to blacken the reputation of the city of Seattle. He found it necessary to declare that the courts of the State of Washington were corrupt. He found it necessary to denounce private citizens. He found it necessary to condemn the men that the people had honored by electing them to office. He found it necessary to reflect upon the soldiers and sailors of the United States. He found it necessary to insinuate that the Secretary of the Navy had made an ill-tempered speech. He found it necessary to denounce almost everything and everybody, except the Industrial Workers of the World and their sympathizers. These noble patriots, preachers of social justice and followers of the red flag, alone escaped his wrath.

He would have you believe that Seattle has been worse than the wicked cities of old that by divine decree were blotted from the face of the earth for their iniquities, and that the State of Washington for years has been controlled by a band of crooks and grafters. He charges in so many words that the courts of Washington have been corrupt and controlled by corporations and money; that the governors have been dishonest and the pliant tools of the same interests sitting ever ready to pardon any criminal that might, as he says, be by "judicial accident" convicted. He says that United States Senators have been bought and sold. What monstrous charges these are if not true.

Is it true that the people of Washington have been so stupid or dishonest that they have elected scoundrels or weaklings from the time it became a State up until a few months ago, when in a moment of moral regeneration and mental awakening they elected my colleague? Let me read the honored names of some of the distinguished men who have received the people's confidence in the State of Washington.

The governors have been Elijah Ferry, John H. McGraw, John R. Rogers, Albert E. Mead, and Samuel G. Cosgrove.

These are the men that the people of the State of Washington have honored by electing them to the office of governor. Henry McBride and Marion E. Hay came into office by the death of the elected governor. The men that I have mentioned are the men that my colleague would have you believe were ever ready to favor the criminal that a corrupt court might by accident permit to be convicted.

I challenge the history of this Republic to show a more splendid line of governors in any State of the Union. These men were of that grand type of pioneers that have made the Pacific coast the marvel and the admiration of the modern world. They were men of courage and of patriotism and of devotion to their State, men of the highest reputation and unblemished integrity. Never until it was uttered on the floor of this House by my colleague did I ever hear friend or foe reflect upon their honor. I challenge the gentleman now to point to a single blot on the record of any man that ever sat in the governor's chair in the State of Washington. I ask him to give the name or the names of those who were ready to carry out corrupt bargains by peddling pardons. I ask him in the name of justice to the two now living, and the four that were elected and have passed beyond, to name the crooks that have disgraced and dishonored the governor's chair in the State that has honored him and honored me.

He says that United States Senators have been bought and sold, and by specifically excluding from this list the present junior Senator he by implication includes all the others. Who are the men that my colleague, with his cry for "fair treatment" and his demand for "justice for all," has upon the floor of this House asserted have been bought and sold? Is it the Hon. WESLEY L. JONES, who was for many years an honored and esteemed Member of this body; a man as universally respected as any man that was ever a Member of either the House or the Senate; a man that has given as conscientious and honest service to his country as any living public servant; a man whose public and private life is as clean as that of any man that ever walked beneath the Dome of this Capitol? Has he been bought and sold?

Who are the others? Watson C. Squire, Levi Ankeny, Addison G. Foster, Samuel H. Piles, distinguished Republicans. George H. Turner, a distinguished Democrat.

These men are still living and are capable of defending themselves and need no eulogy from me.

Two men who have served my State in the Senate are no more and can only speak through those who live:

The Hon. John B. Allen, a man of great ability and spotless reputation. Surely no man would defame him.

The Hon. John L. Wilson, a man of great talent and tremendous energy and industry, and I never heard his integrity questioned before or since his death by personal or political friend or foe except here upon the floor of this House by my colleague, Mr. BRYAN. Which of these men that are dead were bought and sold? Let the name be given and not blacken the memory of both.

I feel that I should mention two other names of the many public men that have served my State with distinction and highest honor. One was Judge R. O. Dunbar, who was a member of the supreme court from the time of its admission as a State until his death a short time ago—a just judge, an honest man, a true servant of the people, and universally respected and mourned.

The other, my late colleague, the loved and brilliant Francis W. Cushman. I never knew a man that revered his country more or more faithfully or with a higher purpose served his State and country.

I have given the names of the men who have been indicted by the insinuations of my colleague when he says, referring to the State of Washington, that United States Senators were bought and sold, pardons were peddled, and that the public men of Washington were dishonest and corrupt. I ask him to be specific in his charges. I ask him to give the names of the men that have disgraced and betrayed the people of my State. I demand that he do this or apologize for his statements. I appeal to him in the name of common justice and common decency, in the name of the memory of the dead and fairness to the living, to give the names and not cast over the reputation of all these men that the State of Washington has loved and honored the putrid filth of slimy insinuation.

My colleague should remember that he has been honored by the State of Washington by a seat in the highest legislative body in the world. He must realize that his words, owing to his position, have a certain weight throughout the country. This responsibility should sober him, and he should not in a moment of hysteria or political frenzy, in order to protect his

friends, make such unbridled accusations against the people of his own State and the men that they have honored unless he stands ready to produce the facts.

My colleague would have you believe that the whole body politic in the State of Washington for years was a malignant cancer and a festering mass of corruption. When the people have an opportunity to express themselves directly it is not often that they for any length of time select men that do not represent the average intelligence and honesty of the voters. If they do, then popular government is a failure. During the time when he would have you believe that graft and dishonesty completely dominated the politics of that State Hon. W. L. Jones and the late Francis W. Cushman represented that State for 10 years in this body. For six years of that time I also had the honor to be sent here by the powers of crookedness and corruption. If W. L. Jones and Francis W. Cushman were crooked and corrupt; if they represented the powers of "pillage and special privilege"; if they were enemies of the people and a disgrace to the State, then I ask the odium of being placed in the same class. No doubt my colleague can explain how a State so completely in the power of darkness, so absolutely controlled by the forces of evil, could elect such men as they did for governor and Members of Congress. This State, so boss ridden and money controlled; so absolutely dominated by the influences opposed to liberty, to decency, and independence; so crushed by the foul and criminal hand of special privilege, at the very moment it touched the uttermost depth of infamy gave to Theodore Roosevelt the largest majority, according to population, of any State in the Union.

According to my colleague, Col. Roosevelt is the sinless saint of American politics, the anointed prophet of the people, the sanctified emblem of purity and holiness.

How could the people in the State of Washington be so depraved in many things and so divine in one?

Another thing. During most of these years of political depravity the Republican Party controlled the State of Washington. My colleague was a member of that party and held office in it. Why did he not denounce it then as he does now? Is it possible that while he was a member of the Republican Party his moral perception was so dulled that he did not see any of this universal corruption, and that he had attached himself to a salary and an office in another party before he was able to realize this awful condition?

For 20 years I have been a resident and a citizen of Seattle. I am proud of that fact every day that I live. During these two decades the growth and development of Seattle has been one of the marvels of the modern world and not surpassed in all the records of civilization. The growth of our schools and churches and all that is best in Christian civilization has kept pace with our material development.

Seattle is the cleanest and the healthiest city in America, and spends more per capita to educate her children than any city in the world. Seattle does not have to-day, and never has had, a slum section—a proud distinction of which few cities in this world can boast. Seattle was not built upon a foundation of corruption and dishonesty.

Seattle, all conditions considered, has been as well governed and as free from vice and crime as any city in America. Such achievements are not the triumphs of crooks and grafters.

Many of the very best men and women that the world could furnish have been attracted to our country. No State in the Union ever had better citizens of higher average intelligence and integrity and honor than has the State of Washington. No State has had courts freer from corruption or dishonesty or improper influence.

The gentleman proudly prates about the primary law and equal-suffrage law. They are both upon our statute books, but the only thing his party ever had to do with them or with any other law in the State of Washington was to loudly try to claim credit for those that were popular after the Republican Party had passed them. It is true that the State of Washington has upon its statute books as many laws for the general good, and especially in the interest of the weak and poor and of the laboring classes, as any State in the Union. In fact, I believe that it is true that in the true sense of the word that the State of Washington has more progressive legislation upon her statute books than any State in the Union, but not a word or line of any one of these laws was written there by the so-called Progressive Party. Not one.

I have known my colleague for many years and we have always been friends and I have always had great respect for him. I regret most sincerely that what he has said has made it necessary for me to reply. I assure him that there is nothing personal in these remarks whatever. But I would be ashamed

to go home to the people that so long have honored me with their trust and confidence and would feel that I was too cowardly to associate with them if I did not resent this unfortunate and wholly unjustifiable attempt to blacken the reputation of my city and my State and that of the many public men that have served it with distinction and honor.

Now, I wish for the benefit of the committee to dwell for just a moment on the cause of the Seattle riots. All this shouting and tumult about who caused the Seattle riot is sham and pretense. There is no chance to be mistaken about it. The frothy ravings of the Industrial Workers of the World and their sympathizers on the streets of Seattle was the cause. For weeks and months every night these Industrial Workers of the World, despised alike by those who labor and by those who employ labor, stood on the streets of Seattle and denounced and condemned the Government and the law. For months they had assailed the soldiers and sailors of their country and poured forth their filth and slime upon every man that wore the United States uniform. They had circulated literature containing most indecent and defamatory attacks upon them. They cursed the flag that the soldiers and sailors were taught to honor, and defamed the country that they were sworn to defend. Finally this vilification and abuse was followed by assaulting and badly beating several soldiers. What the circumstance of this assault was is of little importance. It was simply the culmination of a series of offenses by these disreputable agitators. Certain it is that if these defamers of our country's institutions and our country's defenders had been kept off the streets of Seattle no riots would have occurred. These enemies of society placed themselves outside of the law and taunted the soldiers and sailors to practice what they had been preaching. When this was done, and force was used against these advocates of force they whined for the law that they had defied to protect them. If there is anything about one of these lazy soap-box performers larger than his mouth it is his streak of yellow.

The sailors did take the law into their own hands. They were wrong; but they did it under provocation so great and under circumstances so extenuating that many good citizens condoned their action, and very few, if any, have any sympathy for their Industrial Workers of the World victims. It is to be regretted, of course, that in wreaking their vengeance upon the Industrial Workers of the World that some innocent ones also suffered. The conditions in Seattle had grown intolerable, and, as is always the case, one lawless act led to another.

I shall place in the Record a statement from the soldiers and sailors themselves that gives their reasons for their actions. So far as the Secretary of the Navy is concerned, I read his speech as it has been reported. I approve every sentence and every word that he uttered [applause], and so do the people of Seattle. His words were the words of a patriotic American citizen, and as a Republican I am proud of such a Democrat in the Cabinet. I pay to him the tribute of my admiration. If the conditions of my city were such that a brilliant and patriotic speech eulogizing the flag and praising our country and denouncing those who would destroy our institutions caused a riot, then I thank God that such speech was made. [Applause.] If this be true, it should have been made sooner. If there is any other spot in this Nation where such a speech will start a riot, then I trust that before another day dawns that some man will have the patriotism and the courage to make one there.

What was the cause of the riot in Seattle? The same cause that almost daily causes business disturbances, strikes, riots, and murder in some part of our country. It is the liberty and license shown to the Industrial Workers of the World under the misguided cry of "free speech." These enemies of society have become a menace to the Nation. These men will not work themselves, nor permit others to do so if they can prevent it. These defamers of their country and their country's flag, who defy the law and denounce the courts, who scoff at religion and curse the church, who sneer at the family relations and revile all that is honest, decent, and respectable; these men who vilify all who wear the uniform of their country; these preachers of force and destruction, of anarchy and treason, of lawlessness and murder, of the riot and the torch, had been permitted for many months to stand on the streets of Seattle and indulge in their filthy and violent harangues, disgusting, irritating, and insulting to all decent people. These agitators are always a menace to the community and are constantly inciting riot and bloodshed. These loathsome human parasites were the cause of the riots in Seattle. But for these men my colleague finds no word of condemnation; not even by insinuation does he blame them.

In his universal denunciation no word is to be found against these men. To them alone he gives the praise of his silence. If we are to believe his speech then all other classes are to blame for the shame and humiliation that has been brought upon the city of Seattle, and these immaculate soap-box saints alone stand innocent and without fault. [Applause.]

I will now insert clippings from the Seattle Times, Post-Intelligencer, the Argus, Town Crier, the Pacific Naval Monthly giving the sailors' own version of the trouble, and from the Bremerton News an article giving the report of the naval board on the affair and the order of the Secretary of the Navy based thereon.

These articles, together with those from the Seattle Sun, which have already been inserted in the RECORD by my colleague, Mr. BRYAN, give most of what has been published about the controversy, and I trust will aid Congress in ascertaining the facts about the unfortunate occurrence and enable them to judge as to where the fault lies for its happening.

[From the Seattle Times, Friday, Aug. 18, 1913.]

I. W. W., DENOUNCED BY HEAD OF NAVY, ATTACK SOLDIERS AND SAILORS—WHILE DANIELS AROUSES PATRIOTISM OF RAINIER CLUB DINERS BY SPEECH, ANARCHISTS ATTACK WEARERS OF BLUE—SCORES EXECUTIVE WHO FOSTERS LAWLESS MOBS—HIS BRILLIANT CASTIGATION OF UN-AMERICAN MAYORS EXCITES UNPARALLELED DEMONSTRATION OF ENTHUSIASM.

Practically at the very moment a gang of red-flag worshipers and anarchists were brutally beating two bluejackets and three soldiers who had dared protest against the insults heaped on the American flag at a soap-box meeting on Washington Street last night, Secretary of the Navy Daniels, in the great banquet hall of the Rainier Club, cheered on by the wildly enthusiastic and patriotic Americans present, flayed as a type the mayor of any city who permits red-flag demonstrations in the community of which he is the head.

Frantic with delight over the Secretary's bitter denunciation of the conditions which have so long disgraced Seattle, the members of the Rainier Club and their guests of the Army, Navy, and National Guard cheered themselves hoarse, climbing on their chairs to wave napkins at the speaker and give tongue to regular rebel yells of approbation and pleasure.

Three times Mr. Daniels was compelled to stop and wait until his audience had grown tired of applauding his fierce arraignment of a man who would hold the chief office in the gift of an American city and permit insults to his country and its honor by the display of red flags in the streets.

What the Secretary's expression of contempt and disgust with methods which permit the fostering of anarchy by the means employed in Seattle and the almost simultaneous assault on the country's uniform by the "reds" of the city in which he was then speaking will mean to Seattle can not yet be forecasted. That neither the Secretary of the Navy nor the Secretary of War will pass the insult by is sure enough, but whether the outrageous occurrence will mean injury to Seattle's hopes for further naval exploitation and the cancellation of Secretary Garrison's plans to visit this city is not yet known.

SITUATION EXCEEDINGLY SERIOUS.

The situation is exceedingly serious because of Mayor Cotterill's repeated refusal to interfere with the "reds," the various "red-flag" incidents occurring during his term of office and his permitting the anarchistic soap-box meetings of the last few months, which led as directly to last night's assault on the soldiers and sailors as water falls over the precipice to the pool below.

The most representative gathering of the business and social interests of Seattle ever assembled in one room partook of the Rainier Club's dinner to the Secretary. From the beginning the occasion was auspicious and tremendously patriotic in tone. Mr. Daniels was visibly impressed with the immense American flag that covered the entire ceiling and greatly pleased to find his own flag of office covering the wall back of his seat of honor.

The Secretary was welcomed by Mayor Cotterill, who, also a guest of the club, spoke for the city of Seattle. Thomas M. Vance, a former attorney general of this State, aided Judge R. B. Albertson, the toastmaster, in extending the greetings of the North Carolinians who now live in Washington. Judge George Donworth spoke brilliantly on the prosaic subject of the Keyport torpedo station. Admirals Reynolds and Cottman spoke straight to the point on subjects nearest their hearts. After an ovation lasting several minutes, Judge Richard A. Ballinger spoke of the resources and artificial difficulties of this State and Alaska.

Finally Judge Albertson presented the Secretary of the Navy, who was warmly received. Mr. Daniels spoke to the toast "Our Country," digressing to many personal topics of interest to the club and its guests. He repeated his promises that the whole battle fleet of the United States would soon be in Seattle Harbor, and hinted at other naval affairs of importance to the community. Then, reaching his peroration, he pointed to the American flag over his head and began his denunciation of American executives who permit the display of red flags in their streets and the fostering of anarchistic ideas in their communities.

"This country has no place for the red flag and it has no place for the believers in the red flag," he exclaimed.

Instantly the first great demonstration for the Secretary and his patriotic beliefs began. Members of the club and their guests of the Army and Navy cheered, stamped, laughed, and yelled. When order was restored, Mr. Daniels began the story of the mayor of Boston, who jailed the red-flag paraders first and found a law to fit the case afterwards. The second demonstration followed at once, longer and more enthusiastic than before.

Warning to his topic, the Secretary proceeded with a merciless denunciation of the cowardly un-American who, occupying the highest position in the gift of an American city, fosters anarchy in the streets by permitting the display of the red flag and the demonstrations of its adherents.

DEMONSTRATION UNPARALLELED.

It was then that the audience rose in the third demonstration, one never before paralleled in the history of the Rainier Club. The previous demonstrations seemed weak by comparison, the noise continuing

until the members and their guests were worn out. The Secretary was much gratified by the enthusiasm he had invoked, little thinking that at almost the same instant the "reds" permitted to exist in Seattle by Mayor Cotterill were beating and stabbing soldiers and sailors of the United States for expressing sentiments far weaker than his own.

Directly following the dinner, impromptu jubilation parties were held all over the Rainier Club by the members, who as a body are noted for their patriotism.

Maj. Harold E. Cloke, commanding officer at Fort Flagler, to-day started an investigation into the assault of the three soldiers and two sailors. A board of inquiry will be called together to make a careful and thorough inquiry into the circumstances of the outrage.

WILL BE PUT UP TO MAYOR.

It was stated that if preliminary reports absolving the men in uniform from all blame for the attack were borne out by the inquiry, the entire matter would be put up squarely to Mayor Cotterill and an explanation demanded from the city for the unprovoked insult offered Seattle's guests. Col. C. J. Bailey, commanding officer of the three forts of which Flagler is one, could not be reached to-day, but it was understood that he would assume direct charge of the matter upon his arrival at Fort Worden.

Patrick Coyle, A. E. Wallace, and a Third Artillery man who refused to make known his identity, comprised the trio of soldiers; while Frank Brady, sailor from the submarine tender *Fortune*, and George Becker, of the cruiser *Chattanooga*, were the sailors involved. Coyle was gashed under the eye. Wallace was stabbed and bruised, while the third soldier was badly cut about the head and otherwise injured. The two sailors, who, according to eyewitnesses, put up a plucky fight against overwhelming odds after they had rushed to the assistance of the soldiers, wore the skin completely off their knuckles, but were otherwise uninjured.

That fatal injuries to the men would have resulted had some one not turned in a riot call and brought Capt. L. J. Stuart, the emergency squad of patrolmen and three motorcycle police to the scene was the belief of all who saw the outrage. As it was, the men were rescued with difficulty after the mob had been dispersed, and the ringleaders escaped only because none of the injured could identify their assailants.

SOLDIERS' UNIFORM INSULTED.

The three soldiers, following the military parade of the afternoon and the aeroplane flights, were strolling down Washington Street when they were spotted by an I. W. W. speaker occupying a soapbox near the Occidental Avenue corner and immediately attention was called to them, their uniform being derided and the service to which they have given their lives insulted.

"Don't be a soldier, be a man," shouted the speaker, amid the jeers of the I. W. W. Works. Although stung to the quick by the insults which followed, the soldiers appeared to pay no attention to them until the speaker made way for a woman, who began to pour out coarse epithets directed at the enlisted men. Her words lashed the horde into a fury and a near-by I. W. W. struck at the three as they were passing him. Wallace received the blow and his comrades rushed to his assistance.

Immediately the mob of several hundred pressed about the struggling group, with cries of "Kill 'em!" "To h— with the flag!" and similar expressions. Coyle was seized by two heavy lumberjacks, one of whom grabbed the soldier around the neck and forced him to his knees, while the other smashed him in the face, cutting a gash under one eye.

Another I. W. W., armed with a small knife, gashed Wallace in several places. Finally, all three men went down and members of the mob jumped on them with their heavy shoes.

BECKER PUT UP FINE FIGHT.

Brady, who, all agree, is "some scrapper," and Becker ran to the aid of the soldiers. They managed to work their way toward the soapbox and Brady, it was asserted, laid out a score of the I. W. W. Works before he was downed. Becker was not far behind him.

Sergt. Joe Mason, who was in the vicinity, did what he could with the mob, and when the emergency squad arrived in response to the riot call, the men in uniform were pulled from under the feet of their assailants and taken to the city hospital. After their wounds had been dressed the men left and reported to their respective forts or vessels.

Widespread condemnation of the insult was expressed on every hand this morning. Col. W. M. Inglis, commanding the Second Regiment, Washington National Guards, declared that severe measures ought to be adopted toward disciplining the I. W. W.'s.

"The participants in last night's outrage ought to be rounded up and driven out of town," he asserted.

Among the most outspoken in their disapproval of the outrage were local veterans of the Spanish-American War. These former soldiers, as members of the military order of Serpents, will lead to-night's Potlatch parade across Washington Street and past the scene of the attack.

"If they start anything with us," one of the prominent leaders of the organization asserted, "they will meet something they never did before. Our men will be armed with everything from bolos to head axes, and we will be ready for them."

TROUBLE BREWING FOR I. W. W.

The police were notified through underground channels late last night and again this morning that a large force of enlisted men in the city on leave would circulate about the I. W. W. headquarters this evening. The prediction was freely made that any stigma cast on either their uniforms or the flag will meet with speedy and decisive answer.

Several soldiers declared that they had never before heard of authorities in an American city permitting public insults to be directed toward defenders of the Nation or its flag.

Maj. Cloke said this morning that he had been assured that all three of the soldiers assaulted were sober and were conducting themselves in a gentlemanly manner.

This statement was borne out by eyewitnesses to the disgraceful affair.

[From the Seattle Times, Saturday, August 10, 1913.]

MAYOR MAKES FUTILE ATTEMPT TO SUPPRESS PUBLICATION OF TIMES—IN EFFORT TO SHIFT RESPONSIBILITY FOR LAST NIGHT'S RIOTING TO PAPER, EXECUTIVE ISSUES REPRESSIVE ORDER.

Refusal of police officers to obey the order of the court this afternoon resulted in Cotterill and Chief of Police Bannick being arrested and hustled before Judge Humphries on bench warrants. They were ad-

vised to promptly change their attitude. This they agreed to do without delay. After their session with Judge Humphries a telephone message was sent to headquarters by Bannick to rush a man with all haste to the Times office and remove the guard.

The Times was issued practically on time, and its appearance was greeted with cheers by hundreds who had assembled near the Times building.

Mayor George F. Cotterill, in a puerile attempt to clear his own skirts of blame for last night's clash between I. W. W.'s and the soldiers and sailors they had vilified and insulted, this morning assumed charge of the police department and ordered the Times to suspend publication of all its issues for to-day and to-morrow. At the same time he ordered the closing of all saloons and the breaking up of all street meetings. As an afterthought, the executive made the brilliant suggestion that the Times might publish, as usual, provided proofs of all matter to appear in its columns be submitted to his eye for censoring.

Satisfied of the illegality of such an order, the publishers of the Times took the matter before Judge John E. Humphries in an application for a temporary restraining order. In a few moments the application had been granted and Cotterill in turn had been suppressed by a peremptory order that he and his subordinates refrain from interference with the Times or its affairs.

That there might be no mistake, Judge Humphries stated from the bench that the order was made to be obeyed, and that any violator would be committed immediately for contempt. Thus Cotterill, the person responsible for last night's disturbances through his policy of fostering the growth of the anarchistic colony in Seattle as a result of his policy of "hands off," finds himself between the horns of a dilemma created by himself.

Instead of shifting the blame for the soldiers' and sailors' attack on the I. W. W. and every other red flag headquarters in Seattle, Cotterill, who has assumed control of the police department, must shoulder the blame for any trouble growing out of his impertinent interference or his known partiality toward the incendiaries who a year ago trampled the Nation's emblem in the streets and finds the blame for the occurrences of last evening placed squarely back on his shoulders, where it belongs.

The action of the sailors was the direct result of the affair of Wednesday night when red-flag adherents on Washington Street attacked several enlisted men, one of whom was stabbed.

The sailors were entirely orderly last night with the exception of their attack on the Reds. Every I. W. W. headquarters in the city was raided and wrecked, and every anarchist and I. W. W. who offered resistance was roughly handled.

Those who witnessed the destruction of I. W. W. headquarters and literature assert that the leaders of the attacking force were continually warning their followers against the mistake of too much zeal, and especially against the use of liquor in any form.

STATEMENT BY DANIELS.

Secretary of the Navy Josephus Daniels, interviewed in Tacoma this morning concerning last night's disturbance, said:

"I have only just heard of what happened in Seattle last night. I understand it was provoked by trouble between the I. W. W. people and sailors or soldiers the night before. If the sailors made the attack without provocation it was not right."

"I have been told there were many more civilians in the party than naval men. If Army and Navy men or civilians destroy property, they should be punished. I have no doubt the authorities will face the responsibility."

"Respect for the law and respect for the flag are the basic principles on which America rests."

Cotterill, planning his extraordinary course, was in his office at the city hall at 9 o'clock, despite the sign announcing that he had declared to-day a legal holiday in Seattle. His perennial loquaciousness, however, did not extend to the Times.

"Could I see the mayor?" queried a Times reporter of Private Secretary Frederic B. Chandler, who quit work on a proclamation long enough to approach the mayor in the adjoining room.

"The mayor says he has nothing to say to the Times," Chandler replied upon his return.

"The Times would be glad to publish any statement that the mayor may have to make regarding the affair of last night," insisted the reporter.

"The mayor says he has nothing to say," reiterated Chandler, as he resumed work on his proclamation.

MAYOR'S OFFICIAL PROCLAMATION.

The text of the official proclamation follows:

PROCLAMATION.

THE CITY OF SEATTLE, EXECUTIVE DEPARTMENT.

Whereas a condition of riot, tumult, and violent disturbance of public order, accompanied by destruction of property and endangering of human life, prevailed in the city of Seattle for several hours last night (Friday, July 18, 1913); and

Whereas there is imminent danger of a renewal of such lawless and rioting outbreaks in the present excited state of the public mind, with great liability of further destruction of property and probable loss of life by reason of the crowded conditions of our streets during the closing day and night of the Potlatch Festival: Now, therefore,

I, George F. Cotterill, mayor of the city of Seattle, acting pursuant to the power and duty imposed and vested in me by virtue of section 2, article 5, of the city charter, do hereby assume control for the time being of the police force of the city of Seattle.

Proclaimed at 9 a. m. this Saturday, the 19th day of July, A. D. 1913.
GEORGE F. COTTERILL, Mayor.

JUDGE HUMPHRIES'S ORDER.

The text of Judge Humphries's restraining order follows:

In the Superior Court of the State of Washington, in and for the county of King.

Times Investment Co., a corporation, plaintiff, v. George F. Cotterill, as mayor of the city of Seattle and individually, Claude G. Bannick, as chief of police of the city of Seattle and individually, defendants. No. —. Temporary restraining order and order to show cause.

This matter having come on duly for hearing upon the application of the plaintiff herein for a temporary restraining order and an order to show cause, and it duly appearing to the court from the complaint herein and the affidavit in support thereof that an emergency exists and that this is a proper case for the issuance of a temporary restraining order, and that irreparable injury will be done to property and

property rights and to business interests without the issuance of said temporary restraining order:

It is therefore hereby ordered, adjudged, and decreed that the defendant, George F. Cotterill, as mayor of the city of Seattle and individually, and the defendant, Claude G. Bannick, as chief of police of the city of Seattle and individually, and each of them and all officers and employees of the city of Seattle subordinate to said defendants, and all servants and agents and employees of the said defendants, or either of them, or the said city of Seattle be, and they are hereby, enjoined and restrained from in any manner enforcing that certain order made by the said George F. Cotterill and referred to in the complaint herein, dated the 19th day of July, 1913, and which order provides as follows:

"Inasmuch as the exaggerated, false, and perverted publications which have been made by the Seattle Times, and particularly the issue of Friday evening, July 18, 1913, included a plain and willful inciting of the riot which followed and indicated on the part of those responsible for that publication a knowledge of the lawless and riotous intentions which were consummated that night, you are hereby directed to stop the issuance, sale, circulation, or any form of distribution within the city of Seattle of the Seattle Daily Times during this day (Saturday, July 19, 1913) and to-morrow (Sunday, July 20, 1913), unless the proprietors of such paper shall have first submitted to me the entire proofs of any proposed issue and it shall have been found and certified to you by me as containing nothing calculated to incite to further riot, destruction of property, and danger to human life."

And are enjoined and restrained from taking any action or doing anything whatever to interfere, obstruct, or impede the printing, publication, distribution, and circulation of the Seattle Daily Times in the city of Seattle on Saturday, the 19th day of July, 1913, and on Sunday, the 20th day of July, 1913, or on any other day or days until the further order of this court, and said defendants and each of them are hereby ordered to appear on the — day of July, 1913, in department No. — of this court, then and there to show cause why a temporary injunction should not issue continuing in force this restraining order pending the trial of this case upon the merits.

This temporary restraining order to be in force upon the filing by the plaintiff of a bond conditioned according to law in the sum of \$5,000.

Done in open court this 19th day of July, 1913.

JOHN E. HUMPHRIES, Judge.

PROCLAMATION SERVED ON EDITOR.

The first notification of George F. Cotterill's latest bumptious dive into the sea of impertinence and illegality came when Chief of Police Claude G. Bannick and a plain-clothes officer, acting on instructions from the self-constituted head of the police department, appeared at the office of Col. Alden J. Blethen, editor in chief, and served the executive's proclamation.

Immediate communication was established with the Times' attorneys, and within the space of a very short time Attorney Walter Fulton appeared in superior court before Judge John E. Humphries with an application for an order restraining Cotterill in his pernicious effort to shoulder blame for last night's disturbances on the Times.

After hearing the circumstances Judge Humphries signed the order, at the same time declaring with finality: "This order is made to be obeyed, and anybody violating it will be promptly dealt with."

Later in chambers the court announced that any effort to go behind the literal meaning of the order restraining Cotterill and his newly-kidnaped minions from interfering with the Times and its publication will mean immediate arrest and commitment for contempt of court.

Judge Humphries then notified the sheriff's office of the issuance of the restraining order and at the same time served official notice on Sheriff Ed Cuddehe that he would be held responsible for seeing that the order was carried out to the letter. As a result, a sufficient force of deputies was ordered to be on hand in the sheriff's office to arrest anyone from Mayor Cotterill to the city hall janitor who might attempt to interfere with the publication of the Times.

Before press time, when it appeared that Cotterill might see fit to pit his egotism against the majesty of the law and attempt interference, a squad of deputy sheriffs under Deputy Ted McCormick appeared at the Times office with instructions to jail anyone interfering in any manner with the publication of the paper.

Coincident with the taking over of control of the police department and his order suppressing the publication of editions of the Times to-day unless all proofs first were submitted to his august eye, Cotterill ordered the closing of all saloons.

In many cases the proprietors obeyed unquestioningly. Others, particularly down-town cafes and clubs, declined politely but firmly to permit their business to be interfered with, and the doors remained open.

As a result of defying Cotterill's plainly illegal order, G. F. Wilson, bartender at the Savoy Hotel, was arrested by Motorcycle Policemen D. M. Elaine and J. F. Heath. At the Rathskeller, the police found defiance, but a few moments later, on instruction from James Morrison, the bar was closed.

At the time of taking over control of the police department, Cotterill issued the following order to Chief of Police Bannick, taking for his authority section 2 of article 5 of the city charter:

ORDER ISSUED BY MAYOR.

To the Chief of Police:

Acting under the direct authority imposed upon me by the proclamation assuming control of the police force, of even date herewith, the following orders are hereby promulgated for the suppression of any further tumult and for the restoration of order:

(1) All general laws and ordinances shall be enforced in the ordinary and usual manner, as prior to the issuance of the emergency proclamation, except as set forth in the following emergency orders.

(2) As a safeguard and measure of protection against a renewal of disturbances of public order, you are hereby directed to cause all saloons and other places where intoxicating liquor is sold to be closed and to stop the sale of any intoxicating liquor in any form. The closure to continue throughout this day, Saturday, July 19, and the State law to be rigidly enforced through Sunday, July 20. Unless otherwise ordered, this emergency closure shall be superseded by the usual regulative provision of the license ordinance on Monday morning, July 21, 1913.

(3) Inasmuch as the exaggerated, false, and perverted publications which have been made by the Seattle Times, and particularly the issue of Friday evening, July 18, 1913, included a plain and willful inciting of riot which followed, knowledge of the lawless and riotous intentions which were committed that night, you are hereby directed to stop the issuance, sale, or circulation or any form of distribution within the city of Seattle of the Seattle Daily Times during the day (Saturday, July

19, 1913), and to-morrow (Sunday, July 20, 1913), unless the proprietors of such paper shall have first submitted to me the entire proofs of any proposed issue, and it shall have been found and certified to you by me as containing nothing calculated to incite to further riot, destruction of property, and danger to human life.

(4) During this day (Saturday, July 19) and to-morrow (July 20, Sunday) you will cause all and every character of street meeting and public speaking thereat to be suspended and stopped, that there may be no further exciting of the public mind which might lead to renewed riotous outbreaks or reprisals. This shall not apply to any religious meeting of a regular religious organization.

Witness my hand this 19th day of July, 1913.

GEORGE F. COTTERILL, Mayor.

Section 2 of article 5 of the city charter is as follows:

PROVISIONS OF CHARTER.

"The mayor shall see that all the laws and ordinances in force in the city are faithfully executed and shall direct and control all subordinate officers of the city, except in so far as such direction and control is by the provisions of this charter reposed in some other officer or board, and shall maintain peace and good order in the city. He shall have power at all times, in any emergency, of which he shall be the judge, to assume command of the whole or any part of the police force of the city. In case of riot, tumult, or violent disturbance of the public order the mayor shall have, as the exigency in his judgment may require, the right to assume control for the time being of the police force, but before assuming such control he shall issue his proclamation to that effect, and it shall be the duty of the chief of police to execute orders promulgated by him for the suppression of such tumult and the restoration of order."

I. W. W. TALKS AS MAYOR SUPPRESSES TIMES.

While Mayor George Fletcher Cotterill was busy this morning attempting to suppress the Times and taking charge of the police force of the city he permitted an I. W. W. street speaker to mount a soap box on the streets and there harangue away to his heart's content. Officer 243 watched the speaker for a time and then sauntered away. The "speech" was delivered near the alley between the Globe Building, on First Avenue, and the National Grocery Co. Building, on Western Avenue.

COURT PREVENTS MAYOR FROM CLOSING SALOONS.

Under the leadership of Joseph Goldie, of the Goldie-Klenert Distributing Co., representatives of the following liquor houses in the city presented themselves at Judge John E. Humphries' court to-day and obtained a temporary restraining order preventing the mayor or the chief of police from closing their places of business: James W. Morrison, president of the Rathskeller Co.; Goldie-Klenert Distributing Co.; Hyde & Co.; Samuel Hyde; The Savoy Hotel; Bollong Liquor Co.; Merchants' Café; Transfer Co.; Jaffe & Co.; Gill & Gill; Mission Liquor Co.; Pioneer Exchange; Germania Café; P. E. Sullivan; Berhl & Rooney; The Stratford (Inc.).

After granting injunctions Judge Humphries ruled that all that was necessary for the enforcement of the court's mandates was the posting of the injunction on the doors of the establishments securing them. Judge Humphries assured the saloon keepers it would not be necessary to consult mayor or chief of police before reopening their doors.

Their complaint alleges that as to-day is neither a Sunday nor a holiday, neither the mayor nor the chief of police has a right to interfere with their business. The temporary order was made returnable before Judge Humphries next Wednesday morning.

ANARCHY IN SEATTLE STAMPED OUT WHEN SAILORS GET BUSY.

Anarchy, the grizzly hydra-headed serpent which Seattle has been forced to nourish in its midst by a naturalized chief executive for 18 months, was plucked from the city and wiped out in a blaze of patriotism last night. Hundreds of sailors and artillerymen, who carefully planned the entire maneuver yesterday morning, led the thousands of cheering civilians to the attack and successfully wrecked the Industrial Workers of the World headquarters and "direct-action" Socialist headquarters in various parts of the business district.

That the attackers were determined to stamp out the evil itself rather than to inflict personal injury on its unfortunate adherents was indicated by the fact that the only casualty reported was that of an Industrial Worker of the World, whose nose was broken. Squads of police who hovered about the scene of eradication handled the situation in such a manner that no trouble resulted.

The causes of the onslaught was the unprovoked attack made by a mob of Industrial Workers of the World on three artillerymen and two sailors at Washington Street and Occidental Avenue Thursday night. Patrick Coyle and A. E. Wallace, of Fort Flagler, together with another, whose name was not learned at that time, were thrown down, trampled on, and stabbed by the infuriated red-flag adherents. The matter is now being made the subject of an inquiry at Fort Flagler.

Fired with patriotic enthusiasm and armed only with small American flags, the men in uniform wrecked the Industrial Workers of the World headquarters on Washington Street, demolished the news stand of Millard Price at Fourth Avenue and Pike Street, cleaned out the Industrial Workers of the World headquarters in the Nestor Building on Westlake Avenue and the Socialist halls at the Granite Hotel, Fifth and Virginia, and in an old church at Seventh and Olive Streets.

The proceedings were thorough and determined. Red flags which were found in both the Industrial Workers of the World and Socialist offices were burned, literature was scattered over the streets or destroyed, furniture was smashed into kindling, and the American flag, triumphant, was placed above every nest of anarchists before the work was considered complete.

CIVILIANS CARRY ON WORK.

Even after the uniformed men had considered their work finished and left for the docks, the swarms of civilians carried it on. Some of the onlookers declared that the attack on the Nestor Building contained but a handful of military men and was engineered by residents of this city. Policemen, fire carts, and a provost guard from the warships in the harbor, followed the throng, but were unable to do more than take charge of the remains left by the wreckers.

Although the first signal for the attack had been given at 7.30 o'clock, some time before the evening pageant was due to appear the streets of the business section were jammed with a carnival crowd, which quickly took up the battle cry of the soldiers and sailors and left their places to join in. So huge was the crowd that the 9 o'clock interurban train from Tacoma, on the Puget Sound Electric Railway tracks, was forced to discharge its passengers at First Avenue and Jackson Street, several blocks below the station.

Various estimates placed the crowd actually participating from 5,000 to 20,000, while still another count placed the throngs on the street curbs and along the business thoroughfares at 200,000.

An indication of the sentiment of the crowds, outside of the cheering along the line of march, was manifested at the Potlatch grandstand, where spectators rose en masse with waving flags and shouts to greet the army as it went by.

RIOT CALL TURNED IN.

Industrial Workers of the World adherents were busy with a meeting on Washington Street west of Occidental, when the originators of the enterprise gave the signal at First Avenue and Yesler Way and started toward the headquarters on Washington Street. Quietly, but swiftly, the party rushed to the point of attack and were in front of the building before the onlookers realized what was going on.

A riot call was turned in and a squad of policemen appeared on the scene, but in the meantime the invaders had gained entrance to the headquarters and were carrying out their scheme of destruction. Desks, the property of local organizers and officers of the State organization, were smashed, chairs were hurled against the wall and broken into bits, and literature was thrown out of the windows to the crowd beneath.

Some one had informed the Industrial Workers of the World meeting of what was going on, and just as the last of the literature was going up in flames in the alley, the mob poured in to give battle to the sailors and soldiers. The struggle was brief, but spirited, and the sailors, all of them picked men, had no trouble in downing the "wage slaves." With their heads down and their arms shot back like battering rams, the jacks charged the crowd and pushed them back to such an extent that exit was easy.

By this time approximately 5,000 spectators had jammed about the scene. A caucus was held, and collection taken by passing the hat to buy a bugle and a flag. Cries of "Fourth and Pike" sounded, and the little vanguard, backed by a small number of excited civilians, shot up First Avenue, crossed over to Second at the double quick, east on Pike, and drew up at Millard Price's news stand.

While the crowds on the corner, unfamiliar with the earlier events, were wondering what was going on, half a dozen pairs of hands seized the Socialist news stand up against the curb and in a second papers and pamphlets filled the air.

SMASH EVERYTHING RED.

The stand emptied, the soldiers and sailors of the vanguard, numbering no more than a dozen, overturned the stand and began to demolish it. Willing feet made quick work.

The avengers had noted that the stand was painted red. "Smash everything that's red," shouted one of the party, as he laid the last whole board against the curb and descended on it with his No. 10's. In less than a minute the contents of the cart had been scattered broadcast and the cart was smashed to kindling.

From somewhere about the stand one of the soldiers plucked a red flag before the demolition was complete. This was torn to tatters. Matches were quickly applied and the odor of burning rags presently told of the destruction of the I. W. W. emblem.

A half dozen paces from the Socialist news stand stood a stand where daily newspapers are sold. While some of the party were smashing the Socialist stand a soldier ran over to the other cart and stuck an American flag among the papers in the top rack. When the willing workers made for that stand too, thinking it of the same breed as the one just smashed, they spied the flag and promptly moved back. Heads were bared and cheers for the flag drowned the roar of Pike Street traffic.

Throughout the scene Patrolman J. L. Crawford remained one of the interested spectators. So quickly had the little band descended on the news stand that a thoroughly efficient "Finis" had been written before the policeman could stem the tide. Every time he thrust back a participant the crash of a board or the flying of a handful of papers told of effective work by others. And all the while a crowd that grew larger every second cheered the workers lustily. Taking no part themselves in the demonstration, the witnesses, by shouts and cheers and exclamations of glee, clearly showed that they thought so, too.

ON TO RICHMOND.

The party at Fourth Avenue and Pike Street having been successfully concluded with the burning of the fragments of the red flag the little band broke into a run down Pike Street to Third Avenue, thence north toward the Socialist headquarters at 1909 Fourth Avenue. By this time a crowd of more than 1,000 civilians trooped along to see the fun.

The headquarters escaped with a broken window. When a soldier, loudly applauded by the crowd that choked Fourth Avenue in front of the building climbed with an American flag to the sill to place it over the window, he kicked loose the bottom of the heavy glass. It fell inside with a crash. There were cheers. With more room to work, the soldier fastened the flag above the window amid more cheers.

The little band now headed south to Olive Street, and at Olive Street broke into a run eastward. The crowd that followed now was blocks long and included men, women, and children. Automobiles brought up the rear.

The parade terminated at 711 Olive Street. At that place stands a dilapidated old church, said to be used as branch headquarters of the "direct-action" Socialists. The soldiers and sailors were sure of it. The nature of the material found within and destroyed supports their belief.

HEADLINER AT OLIVE STREET.

At the Olive Street place occurred the principal event of the demonstration in the north end of town. Rushing up the shaky steps of the building, three or four of the leaders leaned against the old door, and it crumbled like a rotten shingle. A moment later the remains crashed over the banister into an excavation on the lot adjoining.

Things began to happen quickly. The door smashed in, there was presently heard the crashing of glass in a half dozen places simultaneously, and the crowd in Olive Street saw showers of it descend into the excavated lot. Much of the work was done with chairs or whatever came to hand, but when one of the more completely smashed windows burst out a protruding foot told how the deed was done. Everybody cheered for the foot. A second later another pane crashed, and at the open window appeared a soldier with an American flag.

CARRIED UNANIMOUSLY.

Waving the flag wildly, he shouted, "Hurrah for the American flag; down with the I. W. W.'s." There was not a dissenting vote.

The windows in the main floor smashed, the progress of the band downstairs could be easily followed by the crowd outside by the smashing of the basement windows. It was a hard day for glass. Not a window escaped.

Apparently the windows were the only inviting objects in the basement, for the little knot was soon upstairs again. Two or three presently rushed out, to return a moment later with an 8-foot section of pipe. Then followed such a chorus as Olive Street probably has never heard before. The smashing of chairs and tables, the rending

of yielding timbers, the creaking and groaning of sundered walls, and, above the rest, the crash of glass of the windows on the east side all blended together in one grand Wagnerian cacophony. And all the while the crowd outside just howled and cheered. It was almost more joy than they could stand.

The chorus of crashing and smashing was presently interrupted by a movement that resulted in a deluge of pamphlets and leaflets from the front door. Persons occupying ringside seats were almost covered. The storm lasted until the last of the offending literature had been pitched out.

TORCH FOR RED FLAG.

Then came the finale. Dragged by two of the enthusiastic dramatic personae, a red flag presently came through the yawning doorway. Hisses for the red flag and more cries of "Down with the I. W. W.'s." Straight to the middle of the street they carried the rag. There was no dearth of matches. It seemed as if everybody wanted to lend the match that would destroy the emblem of the malcontents. Making a circle, the crowd stood around and cheered the soldiers and sailors heartily while the rotten cloth smoldered and smoked.

Bent on further vengeance, the party now turned into Seventh Avenue and headed south. At University Street the crowd turned west and marched past the Labor Temple, straight to Second Avenue. There they appeared for a moment to have been swallowed in the throngs that lined the pavement waiting for the parade. The crowd quickly regained its coherence, however, and in a few seconds was running past wondering crowds on its way to Washington Street. This was at 8.45 o'clock, just 35 minutes after the beginning of the demonstration at Fourth Avenue and Pike Street.

By the time the crowd—now swelled into a veritable legion—had reached the I. W. W. headquarters a second time several reds had gathered to defend their nest. Although the sailors and soldiers expressed themselves as perfectly competent to handle these anarchists, the police held back the mob until the red-flag adherents had clambered away.

Sailors climbed the fire escape into the hall, but there was little left to demolish; and other avengers scouting about discovered the little gospel mission near Occidental and Washington Streets. Not realizing its character, they rushed into it, but the religious appointments convinced them of their error, and they retreated with bowed heads.

One of them said, "Boys, we're in wrong," and the banners which had been torn from the walls were replaced carefully before they left the mission.

Still determined to stamp out the last vestige of anarchy, the leaders turned again for a march toward Pike Street; and the mob poured down Third Avenue, cheering and waving flags. Near Pike Street the provost guard, which had been hustled from the warships on urgent appeal from Chief Claude G. Bannick, met the on-coming crowd. The bluejackets disappeared silently in the crowd behind them, and the night's work was pronounced complete.

A smaller crowd of sailors and civilians had remained near the Socialist headquarters on Fourth Avenue, and toward these the provost guard hurried. One sailor, named Kemp, of the U. S. S. *Oregon*, was captured before he could make his get-away. He was the only one arrested during the evening.

While the planners of the affair had contemplated attacking the I. W. W. headquarters only, the presence of red flags in both Socialist halls led them to include those places as well. The Socialist headquarters on Seventh Avenue near Union Street, which has not affiliated with the direct-action element, was unharmed, although the mob at one time halted before it. One of the leaders, a sailor, discovered its character and told the others to go on.

"Pipe down, boys," he ordered. "This is a Socialist hall. The people of Seattle are with us as long as we stick to the I. W. W.'s, so leave this place alone."

At the headquarters on Fourth Avenue several guests who were stopping in the hotel adjoining were roused by the attack, but were quieted. One woman, a visitor from Hastings, Nebr., fainted, but was quickly revived.

[From the Sunday Seattle Times, Sunday, July 20, 1913.]

MAYOR COTTERILL ATTEMPTS THE RÔLE OF CZAR—PUTS 20 MEN AROUND TIMES BUILDING TO PREVENT ANY PUBLICATION UNLESS EDITOR WOULD SUBMIT ALL COPY TO MAYOR—HIS PROFFER REJECTED, SPURNED, AND REPUDIATED AND THE POWER OF THE COURTS INVOKED—THE JUDGE TELLS COTTERILL THAT HE HAS COMMITTED A HIGH-HANDED OUTRAGE—WILL BE SUED FOR \$25,000 DAMAGES BECAUSE OF HIS OUTRAGEOUS, ILLEGAL, AND UNPRECEDENTED USURPATION OF AUTHORITY.

George F. Cotterill has again demonstrated his unfitness to be mayor of Seattle.

The denunciation of the "red flag" and the men who stand for it by the Secretary of the Navy was too much for Cotterill's disposition.

He therefore seeks revenge on the Times because this was the only paper that printed what the Secretary said.

Without a shadow of justification in law this despised man—the advocate of anarchy and the leader of the red-flag gang—undertook to suppress the publication of the Seattle Daily and Sunday Times.

There is not a precedent for such an attempt in the United States anywhere except in times of war.

This chagrined and discredited "red-flag" sympathizer—unfortunately the mayor of the city—tried to suppress the Times because he claimed it had produced the "riots" of Friday night.

And yet this despoiler of the English language knew that the attack of the dynamic leaders and the Industrial Workers of the World on the soldiers and sailors on Thursday night produced the riots.

If the Times had not published the scathing denunciation of the red flag and every public official who stands for the flag by permitting it to be carried through the streets of any city this man Cotterill would never have dreamed of doing the dastardly thing he attempted to do and successfully did do for a few hours.

As soon as he had served his autocratic notice on the editor of the Times the powers of the courts were invoked and this man enjoined, together with his chief of police and every man on the force, from carrying out his attempted suppression of this publication.

For more than one hour after the court had issued the order for Cotterill and his chief of police and the force in general to quit their interference with the operation of the regular affairs of this publication this discredited, dishonest, and loathed mayor of Seattle dodged and kept away, until a complaint was made for his arrest for contempt of court, when he went before Judge Humphries, who issued the injunction, and demanded a modification of the order.

But instead Cotterill met at the hands of Judge Humphries the most scathing denunciation for his unwarranted and contemptible conduct that was ever before administered to a public officer in the State of Washington.

Judge Humphries told him that instead of the Times inducing riot by publishing the truth as spoken by the Secretary of the Navy, it was such men as Cotterill, who stood for the things he does and who attempts to commit the wrongs he did, that caused riots.

Moreover, Judge Humphries told Cotterill that unless he called his police off at once the court would not only enforce his order by arresting every man connected with it, but that he would see to it that the punishment for such conduct would be ample.

Sheriff Cudibee was requested by the editor of the Times and a county commissioner to swear in 500 deputies, if necessary, to protect the Times in the publication of its various issues, both Saturday and Sunday—the period in which this would-be czar attempted to interdict the publication.

While undoubtedly the city of Seattle is responsible for the loss of the first edition of the Times on Saturday, nevertheless no action will be brought against the city for damages.

Instead, the moment that Judge Humphries be through with this injunction the Times Printing Co. will bring a damage suit against this loathsome whelp, who sits in the office of the mayor and attempts to destroy property, in the sum of \$25,000.

And the Times will do this in spite of the fact that it will probably be illustrating the old adage, "Sue a beggar and catch a louse."

The time has come when this would-be autocrat and czar should be deposed from the office of mayor.

While the Times has been opposed to the recall law, it believes in it now and will help enforce it to the limit.

The Times calls on the business men of this city to join with it immediately to establish headquarters, to formulate charges, and inaugurate a canvass that will secure not only the legal number of names for recall of this wretch, but the Times will subscribe \$1,000 to help put the campaign through.

The time has come when this city should be freed from "Cotterillism" and all that that odorous word implies, and do it forthwith.

Let the law-abiding citizens of Seattle, who have been handicapped for more than two years by a most wretched condition of affairs, get rid of this obstacle of progress, and get rid of him forthwith.

[From the Seattle Times, July 20, 1913.]

SECRETARY DANIELS DENOUNCES THE RED FLAG.

Hon. Josephus Daniels, Secretary of the United States Navy in the Cabinet of President Wilson, spent four days of last week in Seattle under most agreeable circumstances and made a deep impression upon those whom he met.

When the Potlatch was fully organized President Foster appointed a special committee to look after Naval and Army exploitation during the week of the Potlatch.

The chairman of that committee solicited the help of the editor of the Times and the editor of the Post-Intelligencer in securing from the Secretary of the Navy and the Secretary of War the desired exploitations.

Secretary Daniels, being a publisher and an editor of the leading newspaper in North Carolina, gave careful attention to the request of the editors from Seattle, and not only granted all that was asked, but accepted an invitation to be the guest of the Potlatch during its session.

Secretary Daniels kept his word in every particular, not only granting all that was asked, but came with Mrs. Daniels to the Potlatch and stayed four days.

The Rainier Club decided to invite Secretary Daniels to a banquet to be prepared especially for him, and the invitation was accepted and the banquet occurred on Thursday night.

There were able speakers like Judge Donworth, former Secretary of the Interior Ballinger, Hon. Thomas Vance, of Olympia, with Judge Albertson, of the superior court of King County, as toastmaster. There were other speakers, including the mayor of the city.

One hundred and seventy-one covers were turned, and the banquet lasted until midnight.

When Secretary Daniels rose to speak he must have been impressed with the great national flag that covered the ceiling above his head, for he promptly launched out into a most patriotic speech, one that would have done honor to the veterans of the Civil War, although spoken by a man who was born in the South and who of necessity is imbued with every southern idea.

He suddenly reverted to the red flag of anarchy, and for fully five minutes not only denounced the flag as an emblem of the traitors to this country—to civil government and to law and order everywhere—but he denounced every public official who sympathized with that flag.

In eloquent words he pictured the scene in Boston the other day where an anarchist carrying the red flag was seized by an officer of the law and taken to jail.

Growing eloquent over his subject, the Secretary denounced the head of every city that would permit the red flag to be carried or its soap-box orators to be tolerated.

One would have thought from the speech of the Secretary that he had been familiar with conditions prevailing in Seattle since Cotterill has been mayor, but as a matter of fact no human being had uttered a word to him about the matter.

The speech, the occasion, the incident of the red flag, seemed to be as spontaneous as the Secretary's overwhelming patriotism, but never before in such a place or upon any rostrum have the followers of the red flag, and especially public officials who will protect them, been so scathingly rebuked.

[From the Seattle Times, July 20, 1913.]

"I BELIEVE IN FREE SPEECH AND A FREE PRESS AS THE BULWARKS OF OUR LIBERTY"—JOSEPHUS DANIELS, SECRETARY OF THE NAVY.

(By C. B. Blethen, managing editor of the Times.)

Here is a brief account of the futile attempt made by a foreign-born American mayor to suppress an American newspaper for its defense and championship of the American flag.

Shortly after George F. Cotterill became mayor in 1912 his attention was called to the anarchistic street meetings held on many corners of the city—notably by the Times Building—where disloyalty, treason, and destruction was nightly preached to whoever cared to stop and listen. The mayor gave no heed. His attention was called to the situation again—and more forcefully. He was reminded that Mayor William Hickman Moore had prevented attacks on the American flag during his

term of office and had kept the red emblem from display in Seattle's thoroughfares.

This time the mayor answered. In a burst of Thomas Rot and worse he told us tax-paying citizens of Seattle that all men were free and equal and that the anarchists and I. W. W. could go as far as they liked. If we didn't like what they said and did, we could go hold soap-box meetings of our own.

Naturally the Reds got hold of this fine piece of information. We all remember what followed—the parade of the red flag up Second Avenue under the protection and sanction of Mayor Cotterill, the mayor's treasonable utterances about the rights of the red flag and its followers, the fight in upper Second Avenue, and the destruction of the anarchistic rag.

From that day to this the struggle between the Times on one side and the mayor and his Reds on the other has gone on night and day. The Times has waged a single-handed fight for Old Glory, gladly standing on the firing line for the honor of the flag and our country.

What this fight against the enemies of America has meant to the Times and the Blethen family all those who remember the fire of the morning of Thursday, February 13, know well. Our building was destroyed, but our flag flew through the fire unscorched. We don't know that the enemies of the flag and the country did this thing, but so fiendishly was the fire kindled that it has never seemed within the bounds of reason that it could have been commenced in any other way than at the hands of the Reds.

But our flag stayed up. They could destroy our building—they even might destroy the paper's heads—but the Times is an institution greater than all the men contained in it, a living thing that shall go on forever laboring in the cause of right and justice, no matter what comes to individuals connected with it.

The battle continued. The red flag was flaunted again in the streets of Seattle, and again the Reds received, directly or indirectly, the assurances of the mayor that they would not be molested. The speeches became worse and the attitude of the enemies of society more brazen.

The Potlatch began and the Secretary of the Navy came into our midst. Standing under the great flag of the Rainier Club and before his own standard of office, Mr. Daniels made the resounding speech of Thursday night—made it in the pallid presence of the man he did not know he was denouncing, but who nevertheless felt at last and properly the lash of American opinion.

Almost at the very instant the mayor sat green and sweaty under the Secretary's terrible blast the Reds of Washington Street—permitted and encouraged to exist by Mayor George F. Cotterill—were stabbing and beating sailors of the Secretary's own ships; stabbing and beating them because they wore the uniform of the United States.

Friday night the sailors came ashore for revenge and got it. Never was a more dramatic nor poetic revenge. It was not right. Two wrongs can never make a right. But the sailors administered punishment where they felt punishment was due.

Saturday morning Mayor Cotterill awoke to find his folly beside him. The city had been disgraced by riots, reported throughout the press of the United States. His and his only was the blame for the flaunting of red flags, the stabbing of sailors, and the destruction of property that followed.

Then, apparently, the man went insane. His order making himself a dictator and king followed. He would prevent the Times from publishing its editions, close the saloons, stop the parades, prove to the world that he, George F. Cotterill, was master of the little puddle in which he squatted.

Digress here to note the proof of an unbalanced mind. The Reds had beaten and stabbed sailors, he reasoned. The Times was the enemy of the Reds and the defender of the American flag. The sailors had come back and destroyed whatever they could of Red property and everything they believed dangerous to their country. Therefore the Times was responsible for the riots because it had published what Secretary Daniels had said about the red flag and printed an account of the brutal attack on the sailors.

So, squatting in his little puddle of self-esteem, this foglike thing struck at the fundamental principal of American liberty—the freedom of the press.

But a strange thing happened—that is, strange to George F. Cotterill. His puddle ceased to be all his own. It became Seattle's, and turned from puddle to lake of popular disapproval and then to ocean of law's might and outraged dignity of the people.

For Mayor Cotterill was compelled by the courts to doff his self-adjusted crown. He was ordered to withdraw his police from the Times Building or go to jail. The police were withdrawn. Cotterill stayed out of jail.

And while the American flag still flies over the Times Building the waters of popular disapproval and disgust close over his head.

[From the Seattle Times, Thursday, July 24, 1913.]

TIMES' ACCOUNT OF OUTRAGE CONFIRMED BY VICTIM OF REDS—SERGT. ALFRED BOEHMKE, STABBED FIVE TIMES BY INDUSTRIAL WORKERS OF THE WORLD, GIVES SWORN STATEMENT OF SANGUINARY AFFAIR—ABUSED BY WOMAN AND THEN ATTACKED BY MEN.

In a sworn statement made to Col. C. J. Bailey, Coast Artillery Corps, commanding defenses of Puget Sound, Sergt. Alfred Boehmke, one of the soldiers set upon and stabbed by the Industrial Workers of the World in Washington Street last Thursday night, verifies the Times' account of the cause and the manner of the reds' vicious attack. Sergt. Boehmke declares under oath that as he and Sergt. Frank Santerre and Pvt. Patrick Coyle, Ninety-second Company Coast Artillery Corps, stood listening to the abuse heaped upon the Stars and Stripes and the Army and Navy by a woman orator, an Industrial Worker of the World, pointing out the three men to his companions, struck him a brutal blow in the face with his fist. Then, he says, the fight became general, with the red-flag followers outnumbering the soldiers 100 to 1.

During the struggle, Sergt. Boehmke asserts, he was cut under the eye, stabbed once in the back of the neck, twice between the shoulders, and slashed above the ear. The extent of his wounds is borne out by the report of the physician who attended him at the city hospital. Santerre and Coyle also were wounded and had great difficulty in making their escape.

MERELY INTENDED TO WARN.

A statement to the Times to-day by a private in the Fourteenth Infantry who was a participant in the raid on and sacking of the Industrial Workers of the World and Red Socialists' headquarters by the soldiers and sailors Friday night, declares at the outset that the Army and Navy men had rankled for a year under the insults Mayor George F. Cotterill has permitted the reds to direct at Old Glory; but that,

while their actions were more or less premeditated, it had been intended merely to warn the Industrial Workers of the World and their sympathizers that further abuse would not be tolerated.

The soldier asserts, further, that destruction of the Industrial Workers of the World headquarters probably never would have taken place but for the fact that the first sight to greet the soldiers and sailors upon their entrance to the Washington Street rooms was a picture of Abraham Lincoln draped with the red flag.

This, the man points out, was the last straw, the final aggravation, and the men no longer could be restrained.

The soldier also vouchsafes the information that while in the excitement of the raid they damaged property belonging to the "true Socialists," with whom they have no quarrel. Funds are now being raised to make restitution to this wing of the party.

"I was down at the boat and reported my departure on leave of absence, and with Sergt. Frank Santerre and Pvt. Patrick Coyle, Ninety-second Company Coast Artillery Corps, spent the evening at various places of amusement until approximately 11 o'clock p. m., when we started down for Chauncey Wright's restaurant to get something to eat.

"On our way to the restaurant there was a woman orator on the stand running the Army and Navy and national flag down by such remarks as:

"Do not enlist in the Army."

"They are no good, and none of them are worth anything."

"All of their mothers are washerwomen, and instead of being home working and helping them they join the Army just to lay around."

"I made the remark to Sergt. Santerre that after parading all afternoon that is all the credit we get. As I said that one of them turned around and said: 'Here are three of the ——— now.'"

"When I heard that I turned around, and without even a chance to say a word one of them struck me a blow in the face with his fist. After I was hit I struck back, and the fight started."

"They got us in the center, taking punches at us whenever they had the opportunity. The sailors were probably 5 or 10 feet back of us. They also took part in the fight. When I was in the center I saw the fight was hopeless on our part, being outnumbered one hundred to one, and Sergt. Santerre being unable to defend himself in any way and I was afflicted with knife wounds also and Pvt. Coyle almost put out, got out of it the best way we could from there on."

The statement of the Infantry private follows:

STATEMENT BY PRIVATE.

"The riot of last Friday evening, when soldiers and sailors sacked and burned Industrial Workers of the World and Socialist headquarters, was the culmination of more than a year's abuse of the American flag and the men who fought for it. That articles appearing in the Times were responsible in any way is ridiculous. Since May 1, 1912, soldiers and sailors who have been assigned here have been warned by their predecessors that they would be maltreated."

"This year the enlisted men decided to find out for themselves the conditions that existed here, and to that end two soldiers, two sailors, and two artillerymen held a conference a week ago last Wednesday and planned a trip through the Washington Street district to hear what was going on. It was arranged that the six should make the trip the next evening, Thursday, July 17."

"Accordingly they met Thursday evening, and three of the soldiers parted from their companions to walk leisurely up Washington Street. As they passed the Industrial Workers of the World headquarters, in front of which place a street meeting was in progress, a woman was addressing the throng and a man was standing beside the stand leading the cheering."

"As the soldiers passed they say the man shouted: 'There goes some of those ———. All they do is to lay around in bunks.'"

ARMED MAN LEADS MOB.

"Without waiting to see if the soldiers would respond in any way, a man brandishing a stiletto jumped out from the crowd and started for the men. Instantly the crowd closed in and all attacked the soldiers. One of the other three men had left the party and started up First Avenue, but the two remaining sailors dashed to the assistance of their comrades. The crowd sat upon them also. It was then the police arrived and dispersed the crowd."

"That was the climax. Friday morning word was passed around through underground channels that all enlisted men obtaining leaves of absence that evening would assemble at Pioneer Square at 8 o'clock. At this time no violence had been contemplated; but the sense of the meeting was that the reds should be warned that such outrages against the flag and the uniform of Uncle Sam must stop."

"The assembled men were divided into three brigades, one going down First Avenue to Washington Street and turning up Washington, the second down Occidental and down Washington, and the third going through the alley between First and Occidental Avenues."

"When they reached I. W. W. headquarters entrance was soon gained by means of the fire escape. Upon their entrance the first thing they saw was a picture of Abraham Lincoln, around which was draped a red flag. That was more than they could stand, and their peaceable intentions vanished into thin air. The work of demolition began and was completed in a short time in a masterful and thorough manner."

ASKED TO DISPLAY FLAG.

"From then on it was a question of visiting the other places, requesting them to show an American flag by the time they returned or suffer the consequences. In the other headquarters they found people assembled, but none heeded the warning, and on the next visit the furniture and literature was demolished. Had they displayed an American flag nothing would have been touched."

"As an example, after one Socialist nest had been seized and a flag hoisted, some civilian threw a stone through one of the windows. Instantly the men turned on him and made him kiss the flag on bended knee. It is true that in the excitement some property was destroyed that should not have been, and the boys are now taking up a collection to make restitution."

"We want it distinctly understood that the men who planned and executed the affair of Friday night were entirely sober. Most of the men take a drink when they want it, but to carry through an expedition of the magnitude of that one with only one man slightly hurt requires sober men, and they were plentiful."

"The trip to the city Saturday night was for the express purpose of 'seeing' Mayor G. F. Cotterill. Saturday morning he telephoned to the commanding officer of every post and by messenger to the ships asked that they have guards downtown that night, as he was afraid of another riot. According to rumor, the officers offered to keep every one on the reservation and if necessary to place them under arrest to avoid further trouble. 'Bring them down if you care to risk them,' the

mayor is reported to have said. The result was as could be expected. Every man who could get away was on the street in uniform, and all along the streets they were continually asking where the mayor was. Needless to say, he was not to be found.

"I want to say in conclusion that the men are more than delighted with the stand the Times has taken in this matter and they are all for it first, last, and all the time. Too vigorous methods can not be adopted to stamp out this red evil, and the next insult offered to the flag or the uniform in any public place will be speedily and effectually answered."

[From the Seattle Sunday Times, Sunday, July 27, 1913.]

WHILE DEFENDING HIMSELF AGAINST CHARGES OF MALFEASANCE COTTERILL MAKES MANY FALSE ASSERTIONS.

In a four-column statement published in Cotterill's "organ," in an effort to defend himself against charges of gross misconduct in office, many absolute falsehoods are made. Note the following:

Cotterill claims that the Times is the advocate of a vice syndicate and a defender of crime.

Every letter, syllable, and word contained in that statement is the blackest kind of a falsehood, and Cotterill knew that they were false when he uttered them.

Cotterill declared that the Times is in favor of "a wide-open policy," instead of the kind of administration that he is running.

The Times was never in favor of a wide-open town, and Cotterill knows that fact. If the Times had been in favor of a wide-open town, how did the following happen?

Why did the Times fight for years for "midnight and Sunday closing"? It did so fight, and at last succeeded, with but very little help from Cotterill.

If the Times is in favor of a vicious element indulging in liquor, why did it fight for high license and local option? The Times made that fight very nearly alone, but it won, and won without the help of Cotterill.

The "wide-open policy," inaugurated 20 years ago by Baldy Rogers and continued under the Humes administration, was fought day and night by the Times from August, 1896, when the present editor took charge, down to the close of that administration.

The Times is not in favor of "State-wide prohibition," has never been, and never expects to be, because it believes that that is a theory and not a practical problem.

Nothing short of Nation-wide prohibition will ever succeed in America.

The Times is opposed to the hypocritical administration which Cotterill runs, because he has substituted the bawdyhouse scattered throughout the city for a segregated district, and the Times believes that if vice can not be segregated it should not be tolerated.

It can not be eliminated by scattering, as Cotterill has continually done.

In his vicious attacks against the Times and its editor, Cotterill forgets that until the 10th day of May, 1912, he always sought to reach the public through the columns of this paper.

Indeed, his last visit occurred under circumstances that led the editor of the Times to believe that Cotterill was just as friendly as he had ever been, and within six weeks of that date Cotterill had expressed the strongest approval of all the Times had done for him through the primary canvass and the ultimate election which put Cotterill into the mayoralty chair.

It was only when Cotterill was compelled to choose between the flag of his country and the support of the Times on the one hand or his friendship for the dynamic Socialists and the followers of the red flag on the other that he began to imagine that "the Times was a vicious publication."

However, the Times is entirely satisfied as matters now stand, because it would rather have the honest and sincere support of the great body of business men and taxpayers than to have the sympathy and aid of any man who is ready to substitute some false and vicious emblem—one that has been known only as a signal of danger—for that of his country.

The single mistake that the editor of the Times made was trusting Cotterill at that last visit in May, 1912.

During the conversation the old indictments found by the Corliss grand jury and thrown out of court by Judge Ronald were discussed.

To show Cotterill, who was then believed to be friendly, how desperate Corliss and his sleuth, William J. Burns, had become, he was informed of a proposed piece of testimony to be introduced by the prosecution of a most damnable character.

The effort was to connect the editor of the Times with the vicious element of the tenderloin, with which the editor had never had the slightest relation—never having even stepped within its boundaries during its existence.

The testimony was an alleged photograph faked for the purpose, but representing the editor with a lewd woman under extraordinary circumstances.

When this information was brought to the editor he determined to be prepared to demonstrate to the court and jury how easily photography could be faked, and chose representative men to illustrate the fact.

Cotterill was informed of the circumstances under which this occurred—the name of the photographer who did the work, one of the most reputable in Seattle, and who would have testified to the methods employed to show how easily photography can be faked—and was also shown the pictures themselves.

The sole purpose, as Cotterill knows, was to demonstrate the viciousness of the Corliss-Burns gang, and to what ends they would go to convict an innocent man of crime.

No opportunity was presented for the use of the photographs for the simple reason that the State could not use the one reported to be had because the court dismissed the whole affair by directing a verdict for the defendant without his taking the stand.

These were the facts, and Cotterill knew them when he wrote his vicious story for his "organ" and afterwards delivered it to the Post-Intelligencer.

"Faked photographs" have been used to convict more than one innocent person—and on one occasion one was used to drive a leading minister of their city from its limits.

If any such photograph was in existence and the defendant had been compelled to take the stand in that infamous Corliss-Burns indictment without the ability to instantly annihilate it by showing how other prominent men could be put in the same attitude, no escape from its effects would have been possible.

And yet this man, who day after day misappropriates the city property to his personal use—this man who day after day violates his oath of office by permitting anarchy to be preached in the streets of the city—this man who does not hesitate to violate the Constitution of the

United States by declaring martial law—would try to make the people of Seattle believe that what the editor did in that case was a high crime and misdemeanor.

On the other hand, what the editor did was simply to prepare to defend himself against an outrage.

Cotterill's statement that the Times was "the organ of the vice syndicate and contributed money to recall him last summer" is on a par with all the rest of his statements. There isn't an iota of truth contained therein.

The Times not only refused to contribute one penny, but refused to give publicity until after those who were seeking Cotterill's recall should have taken some public step that made the act news.

Cotterill could have ascertained those facts from the men who conducted the campaign against him last year, provided he had desired to tell only the truth.

The Times had always been a consistent opponent of the "recall law" until it was made a constitutional provision and adopted by a majority of the people—when it took its place among the fundamental laws of the State, and should be enforced the same as any other fundamental law.

As soon, however, as attention was called to the fact that charter provisions made it possible for the council to remove the mayor under proofs of malfeasance in office, the latter plan was much preferred.

The foregoing is told in reply to Cotterill's tirade merely for informational purposes and to demonstrate how Cotterill by telling a "half truth" can tell a double lie.

[From the Seattle Times, Tuesday, August 5, 1913.]

RIOTS OF POTLATCH WEEK LAID AT DOOR OF MAYOR COTTERILL—COUNCILMAN GRIFFITHS, SPEAKING IN SUPPORT OF RESOLUTION CENSURING EXECUTIVE, MAKES PLAIN STATEMENTS—INACTIVITY AT START ALLOWED MOB TO RULE—OFFICIAL THEN WENT BEYOND HIS POWERS UNDER LAW IN ATTEMPT TO DECLARE MARTIAL LAW IN CITY OF SEATTLE.

Holding Mayor George F. Cotterill responsible for the rioting of Potlatch week and condemning that official for his arbitrary acts hours after the trouble was at an end, Councilman Austin E. Griffiths yesterday addressed the council in support of his resolution censuring the chief executive and voicing the disapproval of the council in the performance. Although the resolution was indefinitely postponed, the councilmen heard the mayor given full credit for the disturbance, Griffiths holding that executive inactivity at the time the trouble started alone was responsible for its spread.

Griffiths was supported in his contention by Councilmen John G. Peirce and Thomas A. Parish, while Councilmen A. J. Goddard, Charles Marble, A. F. Haas, Oliver T. Erickson, and Robert B. Hesketh voted to indefinitely postpone action, and thus ignore the mayor and his uncalculated usurpation of the powers of a czar.

Griffiths insisted that unless the council in some manner expressed dissent the action of the mayor will be taken by future inquirers or historians as having received the sanction of the council. In such way, he insisted, harmful and unlawful practices harden into binding precedents.

Councilman Griffiths at some length reviewed the incidents leading up to the destruction of property and the unlawful action of the mayor, declaring that anyone in authority who flinches through fear or sympathy before the gathering of a mob in a great city should be relieved from such place of responsibility. He declared that it is an error for any mayor after taking charge of the peace forces of the city to assume arbitrary powers or to suspend fundamental rights; that unlawful speaking on the streets or other places should be punished and that there is ample authority to arrest and punish unlawful street speaking now vested in the mayor and the other officials.

GRIFFITHS'S STATEMENT.

"The action of Mayor Cotterill so far as he attempted to set aside lawful private rights," said Griffiths, "should not be regarded as a useful or lawful precedent.

"It may be said the matter should be forgotten, but in fact a matter like this is not forgotten. It might be if a city were not making its own history and character. Unless the council in some manner expresses dissent the late action of the mayor will be taken by future inquirers or historians as having received the sanction of the council. In such way harmful, unlawful practices harden into binding precedents.

"Before coming directly to the act of the mayor which subverted fundamental liberties, let me advert to the preceding circumstances.

"Our Potlatch was a holiday making. We invited people from far and near. We invited one of the chief officers of the Nation. We earnestly desired detachments of the Army and Navy to add to the pleasure of the occasion.

"It was not assumed that anything out of the ordinary would occur. Yet our police was much strengthened. Also the mayor at any time may appoint any number of emergency police.

"On Thursday night the first disorder took place. The man or men who insulted the woman speaker and the men who injured the soldiers and sailors should have been promptly arrested. That is what police are for—to enforce the law, maintain order without fear or favor. If this had been done the sailors would have felt their comrades had received protection.

"The same night the Secretary of the Navy spoke. A Secretary who does not feel and express glowing, generous pride in the flag of his country is not fit for that high place. His remarks were reported in the press.

"The street disorder was also reported. This was right, but in my opinion the disorder was needlessly enlarged and probably exaggerated. We must realize that in large seaports the world over soldiers' and sailors' troubles and fights are liable to arise. For most of them civilians are to blame. Our men in uniform while on leave must be respected and protected, but if they are guilty of an offense they should be punished like anyone else, for the law makes no distinction between persons. Yet for the good of the service, if for no other reason, such occurrences should be temperately considered.

"Friday night came. Various warnings or intimations were given that reprisals and disorders might be expected. To anyone who knows the alacrity of sailors and soldiers, especially sailors and even students, to avenge an injury to one of their number no warning is needed. No police preparation was made. The rioting began in a small way and grew worse as immunity from the police became manifest. The rioters, a majority of whom were civilians, I am told, went from place to place sacking and burning the particular property they sought. In this they were watched by our police as interested spectators and followed by our fire department to put out the fires. Was ever a spectacle more humiliating? That more damage was not done was due wholly to the will of the mob.

PEACEFUL ON SATURDAY.

"The excuse for such supineness is that interference might have ended seriously. The most serious, the most dangerous menace to life and property is the mob spirit. That should be quelled instantly and, if necessary, by stern measures. A big city is a tinder box, the mob a spark. No one in authority dare risk his city in the hands of rioters. Anyone in authority who flinches through fear or sympathy before the gathering mob in a great city should be relieved from such place of responsibility.

"Assuming for the moment but not admitting that these two disorders were political or social in character, and that similar disorders may follow in this and other cities, it becomes all the more imperative that order be preserved. Order is the basis of everything we all seek. No greater task rests upon our cities than to maintain at all hazards law and order while our political or social changes are slowly worked out at the ballot box.

"Saturday morning found the city peaceful—occupations going on as usual and the multitude bent on their holiday. The tumult was over; order everywhere restored.

"One great power vested by charter in the mayor is to maintain peace in the city. To do so he may, in an emergency to be decided by himself, take personal command of the police force. Saturday morning he did so, after two disorders had been neither prevented nor stopped. In this he was within his clear, legal right, and also justified by the previous events.

"By this act, however, the mayor obtained the following authority: The personal obedience of the chief, of each member of the force, and the right to call upon every male person over 18 years of age to aid in the enforcement of the law of the State, and the ordinances of the city. He thus became active head of the physical police forces.

"If, with these forces at command, any mayor should find himself unable to prevent or suppress riots which threaten overthrow of law and order he should call upon the sheriff and governor. Riot is felony. Although a city possessing limited powers, we are as to law enforcement especially an integral part of the State. The governor alone has power to proclaim martial law. This is only proclaimed when the local and civil authorities are deemed powerless to preserve order. In this State I understand the law to be that the governor may quell disorder without the usual proclamation.

"Martial law may close the courts and suspend civil authority until order is restored. All the powers and functions of the city itself may be suspended during the supremacy of this law. Even our greatest protective right, that of habeas corpus, is unavailable.

"It must be apparent then, that under the charter and laws of the State, no mayor possesses such power nor any authority analogous to it. His authority to maintain peace extends to the enforcement of existing laws and ordinances and of such emergency legislation as the city council may then enact. Assuming personal command of the police gives no mayor military in place of civil authority, nor the power of a dictator. On the contrary, the purposes of the charter is to enable the mayor to enforce civil authority and thus enable the people to pursue their usual ways in peace. In doing this he may read the riot act, command the crowd to disperse—if they do not, the consequences are upon their own heads.

LAWS ARE AMPLE.

"It is error, then, for any mayor after taking charge of the peace forces of the city, to assume arbitrary power to suspend fundamental rights. This is true regardless of the motives or character of any mayor. Different mayors have different opinions, different friends, different prejudices. It is scarcely necessary to say that the right peaceably to assemble on the streets for lawful speaking thereon without obstructing travel or becoming a nuisance to property owners thereby, the right to publish and sell newspapers, even the right to conduct an orderly, lawfully licensed saloon are, in the absence of prohibitory legislation, legal or constitutional rights. However, saloons being regarded as trouble breeders, are often arbitrarily closed.

"But street speakers or editors who speak or publish sedition, criminal anarchy, or incite to violence, and saloon keepers who violate the law may be arrested and punished under existing laws.

"There is a distinction to be drawn between peaceably assembling on the streets for lawful speaking and unlawful speaking thereon. The former should be allowed, the other punished. The advocacy of sedition or criminal anarchy, especially upon public streets and places, should be sternly dealt with; but to do so should not interfere with or abridge the rights of others who keep within the law in the advocacy of their views. In this country, where manhood and, in some States, universal suffrage prevail, and in this State the initiative, referendum, and recall, all political, industrial, or social contentions may and must be settled at the ballot box. Therefore there can not be the remotest excuse for sedition or criminal anarchy.

"With this distinction in mind, there is, I maintain, ample authority to arrest and punish unlawful street speaking.

"Because this is a Government of laws and not men, because government by proclamation does not exist, because government rests upon fact, not fiction, the late action of the executive, so far as it attempted to set aside lawful private right, should not be regarded as a useful or lawful precedent.

"It may be said the council should not adopt the resolution because the council was not responsible for the action referred to. That is true, and for that reason such a declaration is the more desirable—particularly since it is the council which may be called upon to allow or disallow bills against the city claimed to be based upon wise or unwise, lawful or unlawful, executive action.

"In closing may I add that as to the disposal and conduct of the police and their allies, the firemen, soldiers, and marines, so far as I observed it during Saturday night, I have only good words.

"To me the lesson of this whole matter is that in dealing with local troubles, all alike, officials, newspapers, and people, should avoid undue alarm and not give to them undue importance."

[From the story as told by the sailors themselves—Pacific Naval Monthly, August, 1913.]

CAUSE AND EFFECT.

The attempt of the leaders of the I. W. W. and Red Socialists of Seattle to lay the blame for the recent patriotic uprising in Seattle during the Potlatch to an address of the honorable Secretary of the Navy or to officers of the fleet, and who have made more or less vague accusations, supported by their ready affidavits, to the effect that the swiftly occurring events of the night of July 18 were unofficially ordered and sanctioned by such officers, is most laughable and in strict accord with all emanations from their disordered intellects.

Here is the cause, admitted freely and without any desire to conceal, the real reason as told by the men themselves who took part and whom we are glad to call shipmates:

For over a year our men in uniform when passing Pioneer Square and vicinity, either alone or with but one or two companions, have been made the target for vile abuse by the I. W. W. soap-box orators, who have been permitted to overexceed the right of free speech in order to draw their hearers' attention to our marked men in uniform. They have called them vile names in front of crowds in order to gain the applause and derisive laughter of their grimy listeners. They have humiliated our decent-acting men in a hundred dirty ways, and not only in their speeches, but in their literature, have they abused and vilified the men who feel honored in wearing the Navy uniform. Their rotten literature has been sent to the yard and introduced aboard our ships, and there is not an issue of the foul stuff but what contains slanderous and scandalous attacks on our men and our service. For over a year the resentment of our men has been smoldering, and only their dislike of ungentlemanly conduct and the notoriety attending have prevented a thorough chastising of the scabby haranguers before.

They can blame no one for their punishment but their own vile-tongued orators, who brought a justly proper resentment of a year's standing to a white heat and quick action by their cowardly attacks on three soldiers and two sailors peaceably enjoying the carnival and wearing the uniform of Uncle Sam during their stroll past Anarchy Corner.

The above is the true cause and only reason for the happenings of July 18. Our men have sensitive feelings which the I. W. W.'s hurt. We can stand for a lot of vile abuse, insults regarding our social position ricochet harmlessly off when the source is considered, but when the red flag is hoisted to the accompaniment of vile epithets applied personally above the glorious banner we are sworn to support there is no man worthy of the name in our Navy but what will act and act promptly.

As to the I. W. W. statement that they had received warnings of the action of the Navy men on July 18 from members of their organization aboard vessels of the fleet, the lie is so apparent that it needs no refutation on our part. There are no I. W. W. members in the fleet, to anyone's knowledge. If so, they are keeping such fact mighty quiet, and also that they committed perjury when they took the oath and signed shipping articles.

[From the Seattle Post-Intelligencer, Sunday, July 20, 1913.]

THE CAUSE OF THE TROUBLE.

To try to put the responsibility for Friday night's disturbance on Secretary Daniels or any other agency is foolish. The blame lies squarely with the Industrial Workers of the World and such of the Socialists as maintain relations with them. The Industrial Workers of the World cheerfully assaulted a little batch of soldiers and sailors and sent them to the hospital. When the soldiers and sailors retaliated in kind it was simply the consequence of the first assault.

The Post-Intelligencer does not approve of the Friday night affair. Rioting and destruction of property is wrong at all times, as wrong for one person or set of persons as it is for another. This newspaper has denounced the Industrial Workers of the World when that organization indulged in lawlessness, and it is no more backward about voicing its disapproval of lawlessness even when it is done under the American flag.

But, at the same time, this newspaper has no hesitancy in saying that the Industrial Workers of the World brought this attack upon themselves. Under the plea of free speech they nightly denounce our Government, our flag, our police, our soldiers, and our sailors. They preach syndicalism and sabotage. They urge upon their followers just those tactics which the crowd indulged in Friday night. That is their own particular theory of government—government by mob, club, and torch.

Their conduct has been tolerated for long. Secure in their privilege of "free speech," with some real or fancied encouragement from the mayor, they have heaped insults and unreasoning abuse upon law-abiding citizens and men of the Army and Navy. When in a cowardly fashion they assaulted five men in uniform they brought retribution upon themselves.

Now, with a shameless inconsistency, they beg for protection from the very forces which they scorn, malign, and insult. They seek the rights of their despised citizenship; blame the police and call on Congress. They are fair-weather rebels, only to play the baby act when paid in their own coin.

And as for the Socialists' complaint that they had no part in the events which led up to Friday night's outburst, it is partly true and partly false. It is the misfortune of socialism that it is not clearly defined; that there are self-styled Socialists at least who are not a whit better than the most rabid of the Industrial Workers of the World syndicalists. There are always Socialists to rush to the rescue of the Industrial Workers of the World. The Socialists, in part, keep bad company. Other Socialists abhor the Industrial Workers of the World, as does every sane person. These law-abiding Socialists have reason to feel hurt, but they must recognize in all fairness that a crowd never makes fine distinctions.

However this may be, the entire incident is to be deplored from its inception to its conclusion. But by no possible twisting of syndicalist logic can the Industrial Workers of the World put the responsibility on anyone but themselves. They started the trouble with an unlawful assault, and that is all there is to it.

[From the Seattle Post-Intelligencer, Monday, July 21, 1913.]

MAYOR COTTERILL'S MISTAKE.

In the calmness and sobriety that comes with the lapse of time we may now discuss the part played by Mayor Cotterill in the much-exaggerated incidents of last week. The mayor made a mountain out of a molehill, and that is the most irritating and inexcusable blunder a man may make. In proclaiming a sort of martial law when there was absolutely no occasion for it, he demonstrated his incapacity to handle emergencies even when they are past and done with.

The conduct of the people in Seattle Saturday night proved conclusively how little occasion there was for hysterical executive action Saturday morning. The mayor and his advisers may save their faces by pretending to think that they had some repressive part in the general public conduct. If such gives them any consolation, we shall not take it from them.

Not for a moment does the Post-Intelligencer question the motives of Mayor Cotterill. He did what he did under the belief that it was the right thing to do; he did what he thought was his duty. But he did the wrong thing; he committed an egregious error of judgment. It is his hasty judgment that we deplore, not his purpose.

But this newspaper does object with all fervor and all seriousness to the damage foolishly done by the mayor. What was bad enough Friday night, told on every telegraph wire the country over and perhaps cabled across the ocean, was made many times worse Saturday morning by the mayor's proclamation. This proclamation and the regrettable orders that followed it, gave a serious importance to Friday night's trouble that even the mayor himself must now admit was grievously overrated.

To the outside world Saturday Seattle was under martial law. We know how ridiculous that was, with thousands upon thousands strolling the streets watching peaceful parades and otherwise enjoying themselves. Seattle's reputation has, however, suffered with the world at large and it will be difficult to repair it.

Then there is the matter of the many visitors from near and far. Their sniffs and sneers were hard to bear Saturday. Everywhere there were strangers commenting about the city sarcastically or scornfully, and even contemptuously. That is another damage that Seattle has suffered. Many left the city Saturday afternoon. Some credulous ones feared bloodshed, others suspected that the Potlatch fun was done for.

And who could blame them? Closing the saloons and suppressing newspapers are precautions ordinarily taken only when officials are confronted with a crisis—when there is danger to life and property; but he who could see a crisis Saturday morning was afflicted with a bogymen hallucination as pitiable as it was regrettable. Closing the saloons was a pious thought, especially as the saloons had not the faintest possible responsibility for Friday night's disturbance.

Friday night it was bad enough. There is no need to minimize it, but it was a definite demonstration for a definite purpose; and this purpose accomplished, the incident was closed. Had the mayor exercised ordinary common sense he and his chief of police would have looked to their preventive measures for Saturday night calmly and with circumspection. With the police force and the provost guards furnished by the ships, unheralded by proclamations, the peace of the city would have been safeguarded. If there was anything calculated to breed trouble, it was that miserable proclamation. That there was no trouble only brings into stronger relief the blundering fright of the mayor.

All this being admitted, or even if it be questioned or denied, there is now but one thing for us to do. Forget it. The incident is over, the blunder made, the damage done. Harping on it further will only make matters worse. In spite of it all, the Potlatch was a success. The people enjoyed themselves, with the spectacles, parades, and the noise. There will probably never be a repetition of this foolishness. Future executives will view this proclamatory fiasco and keep their senses. Future chiefs of police will see to it that there is no provocation for retaliatory riots.

So now let us all get down to our business, since our holiday is over. Seattle has many serious things to do and can not afford to waste time, energy, or patience holding post-mortems on what might have been. To those who are yet indignant we bespeak forgiveness and forgetfulness. The severest rebuke and the most effective is to consider the incident unworthy of further notice. So let us end the matter now once and for all.

[From the Seattle Post-Intelligencer, Tuesday, July 22, 1913.]

SOCIALISTS AND THE FLAG.

Without the least desire to excuse the assault made on the Socialists and the destruction of their property, the Post-Intelligencer respectfully calls their attention to the subjoined communication. It was printed in the Post-Intelligencer of March 25, 1912, and is signed by Bruce Rogers. The same Bruce Rogers wrote the statement to President Wilson which appeared in this newspaper Monday morning. Even the Socialists must see that there is a conflict of principles in the two statements.

In one Mr. Rogers frankly voices the Socialistic opposition to the American Government and to the American flag. In the other he takes an entirely opposite view of the Government and the flag. Here is what Mr. Rogers wrote a little more than a year ago.

TO THE EDITOR:

When a State committeeman of the Socialist Party in the Seattle convention of that party suggested adjournment until the United States flag be added to the decorations, he started a near riot, and his motion was overwhelmingly voted down.

The most rudimentary regard for the bourgeois intelligence of the community makes pertinent and unequivocal statements from the Socialist in the premises, and really there seems no need to beat about the bush or beg the question in any manner.

"We do not regard the American flag in any greater degree than we do the Russian, German, or English flags, or that of any other capitalist or feudal nation whose people depend in the main for their food, clothing, and shelter upon the capitalistic mode of production involving the essential exploitation of labor through a system of wage slavery. We propose to abolish all such systems and governments and to substitute therefor a manner of human society by cooperation and mutual aid."

"Pretty much like the present-day trusts, and based directly upon the industries. To be absolutely direct, we propose the entire overthrow of the Government of the United States and to establish an industrial Republic wherein all present-day political functions will become extinct."

In this view I am quite free to say that we may not be accurately regarded by whoever may be concerned as other than revolutionists. Such, indeed, is the case.

The Socialists are an international party, and as such we think infinitely more of our fellow workers in foreign countries than we do of the capitalists in our own country, say, for example, the workingmen of Canada, Mexico, or Timbuctoo, for that matter, than we do of the mine, mill, and factory owners of the United States who so readily send troops against us under the Stars and Stripes to jab their bayonets into the pregnant loins of our women, and whose police beat our wives across pulsing nursing bosoms.

"As an international we have chosen a flag—a blood-red banner, symbolic of the common ichor of the aspiring human heart."

It was the first flag raised in all the world and when the world was young. It was woven of the spangled rays of the first clear dawn of civilization. It was the daylight signal of our fathers who by night built their beacon fires on a thousand hills. It was the ensign of Spartacus and the rebelling gladiators. It inspired the early Christian communists, and in later days became the first standard raised in the American Revolution at Breda Hill, by Gen. Warren. The Moravian sisters of Bethlehem, Pa., wore a red silk flag and presented it to Count Putaski, and it was carried at the head of the continental cavalry, and the daring Pole was buried in its folds. We have chosen

it. To it alone are we loyal, and we will follow it until we have made a place fit to live of the wolf-den world when we have restored the earth and the machinery to labor.

BRUCE ROGERS,
State Committeeman Socialist Party.

MARCH 25, 1912.

Again, most emphatically denouncing all riots, assaults, and destruction of property, no matter by whom committed, or under whatever flag, there is still the matter of veracity, which must be maintained. Our Socialist friends have seen fit to weight down an otherwise just complaint with propaganda, which invites a harsher scrutiny than natural sympathy would otherwise accord it.

[From The Argus.]

MAYOR COTTERILL HAS DISGRACED SEATTLE.

As a rule there is nothing to be made by crying over spilled milk. Seattle has been disgraced and humiliated. It may be that it would be proper to forget all about it and start over again, and see if we can not do better next time. Unfortunately, however, it is necessary first to learn where to start, and this involves a free discussion of the humiliating incidents of last week. And in order to intelligently discuss them we must go some distance into the past.

Under Mayor H. Gill Seattle was run wide open. The people who objected to this course refused to take their medicine and Gill was recalled—and this recall was the first act in the drama which lead up to the exciting scenes of last week. At the next election Gill was a candidate. Had he been allowed to serve out his term he would not have been. And his candidacy made the election of George F. Cotterill, a man who is not fitted for the office he holds, possible.

So bitter was the feeling against Gill that even some saloon keepers who did not believe in a wide-open town voted and worked for Cotterill.

George F. Cotterill is a crank and fanatic. He does not possess a well-balanced mind. It is impossible for him to form an unbiased opinion on some subjects, and such a man is not to be trusted. It had been the policy of former administrations to discourage the followers of the red flag of anarchy. Mayor Cotterill was the recipient of the anarchistic and socialistic votes. Even card socialists voted for him—and a card socialist takes an oath to vote for none but a socialist.

In other words, we have a socialist for mayor of this city, and as humiliating as it is we may as well admit it.

Mayor Cotterill has allowed the red flag to be carried through the streets. He has allowed ignorant foreigners, who have been kicked out of their native countries, to hold forth nightly and curse the Government and all of our institutions in the public streets. There was but one way that his policy could terminate, and it was no occasion for surprise that a number of Industrial Workers of the World stabbed and beat United States soldiers and sailors simply because they wore Uncle Sam's uniform.

Mayor Cotterill attended the banquet tendered Secretary of the Navy Daniels. At that banquet Secretary Daniels made his speech berating the enemies of the American flag. And those present, knowing the situation and realizing the attitude Mayor Cotterill had assumed, applauded vociferously. Secretary Daniels, seeing that he was making a hit, went stronger, and the stronger he went the heartier the applause. Secretary Daniels, not understanding the situation, evidently made up his mind that he was in the most intensely patriotic crowd he had ever met and went the limit.

The feelings of Mayor Cotterill must be left to the imagination.

At the very time this speech was being made some of the Secretary's men were being manhandled by the very men he was giving their deserts. The man who was so badly injured went aboard his ship and told the story. An hour after he had arrived on board the plan of action which was later carried out was formulated, and the men on every ship in the harbor had been notified by "underground messages." In other words, 12 hours before the Times appeared on the street with its report of Secretary Daniels's speech, which was not one iota overdrawn, the retaliation had been planned.

The attempt to suppress the Times was the most highhanded outrage ever attempted in this community. It has made Seattle a laughing stock for the entire country. But it did not succeed, and therefore why not forget it?

Mayor Cotterill has encouraged, at least passively, the socialist, the anarchist, and the Industrial Workers of the World. When the situation got beyond his control he attempted to handle it by suppressing a daily paper and by closing the saloons which had paid big license fees besides thousands of dollars toward the celebration which was then in progress.

This, then, is the situation. And now, what are we going to do about it? A recall started the situation. A recall will not end it. The chances are that the mayor has learned a lesson. He has killed himself politically. It is much better to allow him to serve the remaining few months of his term and then forget him. After all little harm has been done individuals. It is the entire community which must bear the humiliation and disgrace. We have a council capable of passing laws to suppress street speakers. Leave the matter to it.

And after all Mayor Cotterill is not wholly to blame. He has done the best he could with the equipment that God has given him. In attempting to suppress the Times he was doubtless actuated by malice, although probably he did not recognize the motive. In attempting to close the saloons he doubtless thought he was doing his duty. At present the sentiment in this community is strongly anti-Cotterill, but just as sure as this silly recall agitation continues it will reelect him if he is a candidate to succeed himself.

[From the Town Crier, Seattle, Wash., Saturday, August 2, 1913.]

RESPONSIBILITY.

A characteristic four flush for the benefit of his disorderly friends is the best that can be said of Mayor Cotterill's attempt to make the city of Seattle settle with the Socialists for the damage done their property by the soldier-sailor-civilian mob. There is no doubt that the property was destroyed; the extent of the damage seems to have been moderately estimated, the total amount which the city was asked to pay being only about \$3,000—not much for taxpayers to worry about had it been a just claim.

The city of Seattle was host to the soldiers and sailors only by courtesy; they were really here in response to the invitation of the Potlatch management; here more directly as the result of orders from the War and Navy Departments, so it is difficult to fix any of that sort of responsibility, moral or financial, that a host is supposed to assume for the behavior of a guest. Street-corner anarchists, grown arrogant under the patronage of the mayor, started the ruction, but

the I. W. W., who seem to have no claim for damages, blame Secretary of the Navy Daniels for inciting the subsequent riot, and the mayor, in his frantic proclamation, blamed the Seattle Times and the saloons. Still we can not discover why the city should have been asked to foot the damage bills.

Mayor Cotterill, of course, attributed responsibility to the city for the reason, as he said, that the city's police failed to do its duty and prevent the destruction of the Socialists' property. Will the mayor O. K. claims for personal damages if they are presented by the soldiers and sailors who were beaten and stabbed in the first row, and who were given no police protection? Probably not. The fault really goes back to Mayor Cotterill's toleration and encouragement of the social disturbers of the city; he alone is responsible for the conditions that made the first mean assault and the retaliatory riots possible. If the Socialists or any others have any damages coming to them, why shouldn't they be paid by Mr. Cotterill out of the privy purse?

[From the Argus, Seattle, August 9, 1913.]

COTTERILL WANTS TO PAY.

Mayor Cotterill is of the opinion that the city should pay the Socialists and Industrial Workers of the World for the property which was destroyed by the sailors during the Potlatch, and has forwarded their claims, aggregating some \$3,000, to the city council. That body promptly rejected them.

The disciples of the red flag brought this trouble upon themselves. Not only are they morally bound to stand the consequences, but they are legally bound as well, which is about the only thing that counts with them.

These tramps and thugs have for months congregated nightly on the street corners and abused and vilified the constituted authorities. Some of the more zealous attempted to follow verbal abuse by manhandling the men of the Army and Navy. Those men retaliated in a manner which brought joy to the heart of every loyal citizen. And then when the police, whom they have abused so roundly, were unable to protect them, and they were unable to protect themselves from a mere handful of Uncle Sam's sailors who used nothing more deadly than their fists, they cry like a pack of whipped curs and want the Government which they have vilified to pay about three times what their property was worth.

A mayor who had a drop of red blood in his veins or a speck of patriotism in his constitution would have torn up the bill and thrown it in the faces of the creatures who presented it. It might not have been dignified, but one can not be dignified while cleaning out a sewer.

[From the Seattle Post-Intelligencer, Tuesday, August 12, 1913.]

FREE SPEECH A FALSE ISSUE.

The complaint of a coterie of citizens obsessed with the notion that they have a message to deliver, because the regents of the university decline to allow the campus to be used as a meeting place, is a false and a tricky one. If these "free speech" advocates can not see the falsity of their position they are in a condition wherein thought and not speech is desirable. But the probabilities are that they well realize the speciousness of their argument and are deliberately up to the old propagandist trick of raising false issues.

Barring speakers from the university grounds is no bar to free speech. Speak they can to their hearts' content in all the unoccupied places of the world and there is nothing to stop them. The regents merely say that the university grounds can not be used for speeches, picnics, or any other purpose than that for which they are intended.

The issue of free speech is in no manner involved in this. The question is one of occupancy. If the Post-Intelligencer, weary of paying rent, should install itself on the campus and assert a right to publish there under the guaranty of a free press, its claim would be greeted with derision and prompt eviction. Nor would any kindly ear hearken to the wall about curtailing the "liberty of the press."

The point at issue between the "free speech" advocates and the public is that the public regards these speakers as a nuisance, while the speakers, with an excess of vanity, deceive themselves into the belief that the public looks upon them as a "menace." There is a subtle flattery in the belief that one is a dangerous person; it inflates the feeling of importance and, above all, it gives vent to that human weakness to hear oneself talk. One can form "leagues," pass resolutions, and cherish a "cause," all of which is very dear to a certain type of mind.

That is all beside the point, however, which is that "free speech" within common-sense limitations is denied no one. If these leagues, socialists, single taxers, and what not are really desirous of free speech, let them turn their attention to securing a park, a lot, or a municipal hall, where speech will be as free as the air we breathe. The Post-Intelligencer will strive with them to get it, and can assure them of success. We fancy, however, that this suggestion will not meet with approval for the very obvious reason that "free speech" is not the issue. They want, more than anything else, opposition, which can best be secured by being a nuisance. And no one has a constitutional right to be a nuisance.

[From the Seattle Times, August 17, 1913.]

THE "RIGHT" TO FREE SPEECH.

Seattle could read with liveliest interest, because of its local application, an editorial appearing in the current issue of the Pathfinder, published at Washington, D. C., under the caption, "Right of free speech is limited."

Seattle has heard a great deal about the "right" of free speech during the past few months. Anarchy's friends have invoked it to incite and then to excuse riot-producing conditions.

The Pathfinder, speaking as though acquainted with the local misuse of the term "free speech," declares:

"Some people, hearing that freedom of speech is guaranteed by the Constitution, jump to the conclusion that they have a right to go to any extreme in that connection. But the use of a right is one thing and the abuse of it another.

"Liberty is not license, but license is anarchy, and anarchy is the enemy of all order and progress. The word 'anarchy' means simply 'without rule' or 'without law.' Anarchism makes the individual a law unto himself and allows him to do anything he pleases.

"Such an idea is diametrically opposed to the whole doctrine of free government; the two systems are wholly repugnant.

"As a matter of fact there is no constitutional guaranty of free speech. The Constitution simply says 'Congress shall make no law
* * * abridging the freedom of speech or of the press.'"

"The Federal Government, in other words, leaves these matters to State regulation.

"The orators and agitators who go about telling their audiences that free speech gives them the right to preach violence and revolution are barking up the wrong tree entirely.

This editorial enunciates the truth without malice and without favoritism. It will be distasteful to the apologists for anarchy, but not half so unpleasant as the Pathfinder's further pointed comment:

"Most of these anarchists and mischief-makers are foreigners, who have come to this country because conditions here are infinitely better than in their own country. And then they show their appreciation of the liberty we extend to them by abusing it.

"While damning the Constitution, the laws, and the flag, they at the same time appeal to these very things to protect them in their lawlessness. If any violence is used against them they are very prompt to cry out, thus proving that they are not willing to abide by the doctrines they themselves announce.

"No community can afford to tolerate anarchy in any form. Every government has a right to protect itself and every community is justified in using sufficient force to repress the enemies of law and order."

For saying only one-half as much as this eastern publication the Times came under the ban of a mayor who delights to apologize for anarchy.

An effort was and has been made to show that the Times enunciates a revolutionary doctrine in vigorously opposing anarchy and stands alone among the press of the country in fighting to uphold the flag, the laws, and the principles of patriotism.

Yet the publication quoted above, issued in conservative Washington, under the shadow of the Capitol and the White House, unhesitatingly and explicitly declares that a nation or a community menaced by social outlaws possesses a primary right to protect itself and its institutions.

[From the Seattle Post-Intelligencer, August 24, 1913.]

FREE SPEECH NOT ON TRIAL.

In the so-called "soap-box" cases recently heard in the superior court the issue was not "free speech," as has been widely stated. On the contrary, the issue was the ascertainment of just how far the individual may have the right to constitute himself a nuisance to his fellow citizens.

Certain business men protested against the blockading of their stores and consequent injury to business by crowds gathered to hear the arguments of street or "soap-box" orators. It was contended by business men that traffic-laden street intersections are not proper places for these impromptu discussions. When the permanent restraining order was granted it referred only to one city block and triangle on Fourth Avenue between Pike and Pine Streets.

It would seem that so elementary a question as the right of one individual to deprive another of the fruits of his industry, without compensation, could be settled with less judicial passementerie. The law, however, has thrown so many safeguards about the liberty of the citizen that his activities may not be permanently limited without full and fair presentation of all the facts surrounding the issue.

So impatient were the defendants in the "soap-box" cases to procure an immediate adjudication of their rights that the hearing for a temporary injunction, though only the second stage of the proceedings, was made the full and final hearing. The decision, it is stated, will be accepted without appeal and used for propaganda work among the masses to indicate the autocracy of the law and courts.

A permanent injunction is granted ordinarily after the deliberations of three court hearings. The "soap-box" cases ended with the second stage of the litigation by the agreement of the parties to the action.

Initial and emergency orders in proceedings of this kind may be obtained without notice to the defendants on an ex parte hearing. Then may follow the hearing for a temporary injunction and finally the hearing for a permanent injunction. The effect of the restraining order and the injunction is the same, except as to the limitation of time. The final order is granted only after exhaustive digestion of all the facts.

The issue is not one of free speech, but nuisance.

[From the Seattle Post-Intelligencer, July 21, 1913.]

A LESSON IN MOB RULE.

If the people who subscribe to the outlandish theories of the Industrial Workers of the World had the simple apparatus necessary for the generation of common sense, they would see in last week's little affair a complete refutation of all their logic. It was not the capitalistic class, directly or indirectly, that assailed them, burned their literature, and wrecked their furniture. It was, to use their own terms, the proletariat; it was the mob; it was the majority. Looking back at the incident calmly, it was for the most part an irresponsible mischief-making crowd. The soldiers and sailors, no doubt, were animated by a spirit of revenge, deplorable, but quite natural. The big number of the crowd, however, was looking for easy trouble and a release from the restrictions imposed by the laws of society. What it did to the Industrial Workers of the World it would have done to street cars if there was a street-car strike and what it would have done to mills or factories if there was some other form of industrial trouble. The mob is out for mischief mostly, without any preconceived notion of doing serious harm. But serious harm often comes from what is merely exuberance. And yet these now complaining Industrial Workers of the World members feel themselves aggrieved. They should not delude themselves with the hope that the law is near when mobs can be organized to do logical things and do justice. The mob that destroyed them reacted to exactly the same stimulus as they strive to utilize against the "capitalistic class." It was a beautiful example of class feeling, on patriotic rather than economic grounds. Mob rousing is a game that any number of people can play. The mob is not consistent, and it is just as likely to swoop down on the Industrial Workers of the World as on some millionaire. It is dangerous business always and a failure for governmental purposes. That is something for the brooding Industrial Worker of the World who hopes to lead an avenging army to think over. Human passion in the mass is to be stirred with extreme caution. To achieve anything abiding it must be done by reason, not by emotion. If the Industrial Workers of the World is half as intelligent as it pretends to be, it will see the point.

[From the Bremerton News, Saturday, August 23, 1913.]

FINDINGS OF THE BOARD—ABUSE OF ARMY AND NAVY AND GOVERNMENT AND LAXITY OF POLICE BLAMED FOR RECENT TROUBLE IN SEATTLE.

The board of inquiry appointed by Rear Admiral Reynolds, commander in chief of the Pacific reserve fleet, to investigate and report its findings regarding the destruction of I. W. W. and Socialist prop-

erty in Seattle on the night of July 18 has completed its work and filed its report. The board was composed of Commander Thomas Washington, of the cruiser *Charleston*; Lieut. Commander Henry N. Jensen, of the cruiser *Milwaukee*; Lieut. W. E. Whitehead, of the cruiser *St. Louis*, with Lieut. H. W. McCormack, aid to Admiral Reynolds, acting as recorder.

It is the evident opinion of naval authorities that the attitude of Mayor George F. Cotterill and the police force in allowing extreme license to soap-box orators who had nightly attacked the American flag, the Government of the United States, and men of all branches of service, is primarily responsible both for the assaults on the soldiers and sailors and the retaliatory movement of enlisted men on the following night.

The full report of the board and letters of Admiral Reynolds and Secretary of the Navy Daniels are here given, as follows:

FINDINGS OF BOARD.

"The board, after maturely deliberating upon the declarations above recorded, finds the following facts to be established:

"1. It appears that for some time it has been a practice of the police authorities of Seattle to permit Socialist and Industrial Workers of the World public speaking on the streets and elsewhere in the city of Seattle, and the attacks made upon the Navy in general and the enlisted men in particular by these public speakers have been continuous and apparently unchecked by the civil authorities, and the most objectionable and false charges and abuses have been freely made against and heaped upon those in the Army and Navy, and to a considerable extent also against the Government of the United States as well. No attempt apparently has been made to check this general abuse, and the enlisted men of the Army and Navy have been continually subjected to it, and particularly has it been applied to them when present and seen by any of the public speakers of their audiences.

"2. Apparently no overt action was taken by any of the enlisted men of the Army, Navy, or Marine Corps, notwithstanding the persistence of the abusive attacks upon them, until the night of Thursday, the 17th instant, when a party of five, consisting of three soldiers and two sailors, who were innocently and quietly listening to one of the Industrial Workers of the World street speakers, were set upon by a number of the people in the audience supposed to be members or adherents of the Industrial Workers of the World. This occurred on Washington Street, Seattle, Wash., about 9.30 p. m., and the men were severely handled. This attack upon the enlisted men was, so far as the board has been able to learn, entirely without provocation and was made solely because of their being in the uniform of the Army and Navy. Whether or not the police force afforded or attempted to afford protection to these enlisted men the board has been unable to determine. Certainly the police knowingly permitted and made no attempt to check the efforts of the speakers in using language which tended to raise the feeling of their adherents against our men. These enlisted men, it appears, when attacked by an overpowering number of the Industrial Workers of the World adherents, took refuge in a nearby drug store, where the wounds of some were attended to and from which place they were taken by the police to the police station and later in the evening discharged, no charge of any kind apparently being made by the police against them and apparently none, also, against the members of the Industrial Workers of the World people who had made this unwarranted attack upon them.

POLICE INDIFFERENT.

"3. At some time after 8 o'clock on the evening of the 18th instant, a number of enlisted men of the Navy and Marine Corps, variously estimated at from 20 to 30, with a number of civilians apparently residents of Seattle, many times as great, started from the water front, near the corner of First Avenue and Yesler Way, then proceeded toward the Industrial Workers of the World headquarters on Second Avenue south. These men were joined as they passed up the street by many others, some of whom were men from the ships and forts on liberty, but the vast majority being civilians, many of whom, from their dress and appearance, clearly belonged to the better class of citizens. The police of the city were in with and among this crowd of people and seemed to be as thoroughly aware of what may have been intended as were the civilians and enlisted men. No effort, or at least no determined effort, was made by the police to check or divert any action which might have been intended by the members of the crowd. It appears that the crowd was entirely orderly in all respects and behaved, so far as the board has been able to learn, orderly throughout the evening, except in so far as the destruction of the Industrial Workers of the World and Socialist headquarters and meeting places were concerned. It does not appear that any of the enlisted men of the Navy or Marine Corps who had come on liberty from the ships had, at the time of going ashore, any object of destruction of property of the Industrial Workers of the World or other people in view, nor is there anything to show that they, when landing from their ships, knew where the offices or rooms of the Industrial Workers of the World or Socialists were. Of the large number of men composing the crowd during the evening, approximately only 20 were enlisted men who were on the docks when the crowd began to gather in the streets for the movement against the Industrial Workers of the World. The movement appears to have been led, or at least guided, by citizens of Seattle, who constantly gave notice and passed information among the crowd as to where the various Industrial Workers of the World and Socialist offices and rooms were and to which place the crowd would, after visiting one place, proceed to the next. It appears that after arriving at each of these Industrial Workers of the World and Socialist places the citizens in the crowd took the lead in showing the men engaged either in wrecking these places or in taking out the furnishings and burning them in the street, where the entrances were and how the contents might be removed. Throughout this the police of the city were present and took no active part in stopping and may be said to have taken more than a passive part in assisting.

"4. As the crowd moved up Washington Street it was constantly increased by citizens of the city, who came from their places of business, hotels, etc., so that at its height it was possibly composed of as many as 200 enlisted men and many times that number of civilians. No resistance appears to have been offered by the enlisted men of the Navy or Marine Corps to the police nor does it appear that they had any intention whatever of taking part or joining in anything unlawful except so far as the property of the Industrial Workers of the World and Socialists was concerned. This small number of enlisted men could have easily been handled and checked by the police had the police so desired, but it was evident from their conduct that the police and citizens were in sympathy with the attacks by the crowd upon the Industrial Workers of the World and Socialist property. About 8 o'clock of the evening of the 18th instant, the chief of police of Seattle notified the commander in chief of the Pacific reserve fleet that it was possible

there might be trouble between the enlisted men and the Industrial Workers of the World, but that he did not wish to interfere with the liberty of the enlisted men. The commander in chief took immediate steps and sent a detail of about 35 men, with a commissioned officer in charge, to act as a patrol, and immediately upon the arrival of this patrol at the place where this large crowd was gathered the enlisted men of the Navy and Marine Corps left, and so far as the evidence shows took no further part in whatever action may have been taken later by the crowd of civilians. No resistance, however, was offered to the bluejacket patrol which leads the board to infer that none would have been offered to the police of the city had they desired to check or prevent the action of the men composing the crowd at its beginning or even later. There was no drunkenness, apparently no boisterous conduct, nor weapons carried by any of the men of the Navy or Marine Corps who may have been engaged with the work of the crowd, so far as the board has been able to learn.

"5. On July 17 the only unlawful and riotous action taken in which any of the enlisted men of the Navy and Marine Corps figured, was an unwarranted attack made upon two liberty men by members of the Industrial Workers of the World upon the public streets of Seattle. On the 18th instant occurred the attack made upon the Industrial Workers of the World and Socialist quarters by the large crowd, in which it is alleged that perhaps as many as 200 enlisted men of the Navy and Marine Corps formed a part. On the 19th instant no objectionable conduct on the part of the enlisted men had been reported, and the patrol landed from the ships reported no disturbance whatsoever.

"6. So far as the board has been able to learn no complaints against the enlisted men of the Navy and Marine Corps have been made by the police authorities of Seattle.

CONCLUSIONS.

"The board finds as follows: That for some time past the attacks upon the flag, the General Government, and particularly upon the Army and Navy, have been customary and general in the seaport cities of this coast by people calling themselves members of the Industrial Workers of the World society, and to a more or less extent by persons calling themselves Socialists. These attacks have been notorious among speakers who were allowed by the civil authorities to gather crowds and to make public speeches on the streets, thereby inciting and engendering ill feeling and hatred among certain classes of people against the members of the Army and Navy, and it was due to these public speakers that the attack upon three soldiers and two sailors in uniform was made on the night of the 17th instant.

"The board believes that this attack upon these men was an incident to the burning and destruction of the Industrial Workers of the World and Socialist property the following night. The board believes that the direct responsibility for the destruction of the Industrial Workers of the World and Socialist belongings upon the evening of the 18th instant was due in part only to certain enlisted men of the Navy and Marine Corps, but to a much larger extent to the civilians who seemed to lead and direct the crowd, which contained a small proportion of enlisted men, to the various places which were visited by the crowd. The board also believes the direct responsibility for the action of the crowd, which contained a small portion of enlisted men, was due to the fact that the police force of Seattle took no effective steps to prevent the destruction of property which they were present at and witnessed, and also to their sympathy with the movement and purpose of the crowd. The board has no reason for believing that the idea of the destruction of the Industrial Workers of the World and Socialist property originated with the enlisted men of the Navy and Marine Corps, and is inclined to the opinion that the movement is more properly attributable to the general sentiment of an important element against the Industrial Workers of the World society and to the general publicity and criticism given by the public press of Seattle to the doings and sayings of the Industrial Workers of the World and Socialists, and is furthermore inclined to the belief that the presence of the enlisted men ashore on the 18th instant and of the night attack made on the 17th instant on the enlisted men by the Industrial Workers of the World people, gave an opportunity to use the enlisted men simply as a means to assist in accomplishing a purpose which the public press had been leading up to and which the larger element of the people apparently encouraged and desired.

"Owing to the fact that no person who actually participated in the destruction of the property willingly would come forward and acknowledge the part taken by him, and of the general disinclination of one person to inform on another who may have been present, it has not been practicable for the board to have obtained but a limited number of witnesses; but from those who did appear and from the attached letters of reputable citizens of Seattle it is clear that the enlisted men of the Navy did participate in the destruction of I. W. W. property on the night of the 18th instant, but that such action was so shared in and conducted by citizens of Seattle as not to meet general public condemnation."

The letter of Admiral Reynolds conveying to commanders of all ships in the fleet the recommendations and orders of Secretary of the Navy Daniels reads:

LETTER OF REYNOLDS.

1. The following letter from the Secretary of the Navy on the above subject is forwarded for your information. This letter, together with the commander in chief's remarks, will be read to the officers and crews at muster:

DEPARTMENT OF THE NAVY.

Washington, August 13, 1913.

From the Secretary of the Navy to the Commander in Chief, Pacific Reserve Fleet, Seattle, Wash.:

Subject: Punishment of sailors connected with Seattle riot.

1. The report made by Rear Admiral Alfred Reynolds, United States Navy, commander in chief of the Pacific Reserve Fleet, of date July 24, 1913, as a result of the trouble in Seattle, Wash., on the nights of July 17 and 18, 1913, shows that some enlisted men and marines, in company with some soldiers and a large company of civilians of Seattle, who led the way, did cooperate in the destruction of property belonging to certain organizations having places of meeting in that city. The conduct of the parties who denounced the soldiers, abused the Army and Navy, reflected upon the flag, and made assault upon soldiers in the American uniform, is most reprehensible and deserving of condemnation. But their violence of language, unprovoked assault upon soldiers, and lawlessness does not justify retaliation in kind.

2. On the day after the disturbances in Seattle I gave out the following statement to the press:

"I believe in free speech and a free press as the bulwarks of liberty. Every evil that exists or that threatens our country can be righted by appeal to the judgment of the American people. The weapon is the

ballot. The man who resorts to violence to redress evil is bringing more evil into existence than he can hope to cure by violence.

"Obedience to lawful authority and respect for the flag must precede any reforms. The man who takes the law into his own hands imperils American institutions and jeopardizes the hope of securing relief from conditions against which he complains."

3. The splendid patriotism and courage of the men in the Navy is one of the most valuable national assets. It is because of the high standing and valor of the enlisted men that I regret they permitted any provocation to cause a number of them to forget, as they did on July 18, that they were specially charged with upholding the law. They are sworn to uphold the law and to use force only when ordered to do so by those in authority. They must stand for the majesty of the law that forbids any resort to lawlessness even under the most trying circumstances. The conduct of those sailors who took part in the destruction of property in Seattle is against the law of their country as well as against naval regulations. Their conduct can not be condoned or go without punishment.

ORDER FOR PUNISHMENT.

4. It is hereby ordered that the commander in chief of the Pacific Reserve Fleet send a copy of this letter to the commanding officers of the ships upon which the enlisted men and marines are serving who engaged in the unlawful action in Seattle, with instructions to have this letter read; and it is further ordered that the men engaged in this affair be punished for their conduct as the admiral may adjudge is adequate for the offense.

JOSEPHUS DANIELS.

2. The commander in chief, while agreeing with the Secretary that the conduct of the men who took part in the occurrence of July 18 was reprehensible and deserving of punishment, he, unfortunately, finds it impossible in this case to adjudge adequate punishment, as the names of but two men who were present are known, and there is not sufficient evidence to convict these two of direct connection with the lawlessness complained of.

3. The commander in chief hopes that the public reading of the Secretary's letter of condemnation will be a warning to all that they may not take the law into their own hands no matter what the provocation.

ALFRED REYNOLDS.

[From the Washington Post, Wednesday, August 13, 1913.]

TREASON OF THE INDUSTRIAL WORKERS OF THE WORLD.

The experience which the people of Minot, N. Dak., are undergoing with reference to the lawlessness of the Industrial Workers of the World is the same as other cities have had to endure within the past two years. The leaders of the Industrial Workers of the World are not the friends of labor. They are the enemies of the workingman, just as they are the enemies of the Government.

No one city, even with the determination that is in evidence at Minot, can crush the Industrial Workers of the World. This organization, which is preaching treason and sedition and trying to bring about a condition of anarchy, has become a menace to the United States Government itself, and the Government should deal with the situation.

The laws against treason and sedition should be invoked against the malcontents of the Industrial Workers of the World. They are implanting the seeds of hatred in the hearts of foreigners who came here with every intention of obeying our laws and who were well satisfied with conditions as they found them.

American workmen are rarely fooled by the agitators of the Industrial Workers of the World. In every city where these pests have appeared the American laboring man has shown his resentment and has aided in expelling them.

It is now to the ignorant immigrants that the agitators make their appeal. They carry with them Italian agitators to arouse the Italians, Swedish agitators to arouse the Swedes, and so on down the line. They are deliberately misrepresenting the aims and purposes of the United States Government. They are teaching that the laws are unjust to the workingman, that officials elected by the people have no right to enforce the laws, that unionism is a failure, and that the way to bring about an increase in wages is by threatening the lines and property of employers, terrorizing the community, and defying the authorities.

If the leaders of the Industrial Workers of the World are to continue on their lawless pilgrimage, leaving behind them a host of foreigners, unable to speak English, but converted to the cause of treason and preaching it to others, the laws against sedition should be enforced to send leaders of such a movement to the Federal jails for long terms.

The CHAIRMAN. The gentleman from Washington has used 12 minutes of his time.

Mr. HINEBAUGH. Mr. Chairman, how much time is there left on this side?

The CHAIRMAN. Does the gentleman from Washington [Mr. HUMPHREY] desire to give back the balance of his time?

Mr. HUMPHREY of Washington. Yes; I yield back the balance of my time.

The CHAIRMAN. There remain 33 minutes on that side.

Mr. BORLAND. Mr. Chairman, how much time have I remaining?

The CHAIRMAN. Fifty-one minutes.

Mr. BORLAND. Mr. Chairman, I am authorized to yield to myself the 51 minutes.

The CHAIRMAN. The gentleman from Missouri [Mr. BORLAND] is recognized for 51 minutes.

NATIONAL OLD TRAILS HIGHWAY FROM OCEAN TO OCEAN.

Mr. BORLAND. Mr. Chairman, during the next session of Congress I trust that some substantial progress will be made toward a branch of Federal activity which has long engaged the individual attention of Members of the House, but which as yet has reached no concrete form. I refer to the question of Federal aid to rural highways.

The House at last has recognized the importance of that subject by creating a Committee on Roads. At the request of the Daughters of the American Revolution I have introduced into

the House a bill for the purpose of marking, designating, and improving what are known as the national historic old trails highways from ocean to ocean.

The trails thus designated consist of the Braddock trail, from the seaboard to Cumberland, Md.; the Washington Road, from New York to Washington, D. C.; the Cumberland Road, or National Pike, from Cumberland, Md., to the Mississippi River; the Boones Lick Road, from thence to Franklin, in the central part of Missouri; the celebrated Santa Fe trail, from Franklin through Independence, Mo., to Santa Fe, N. Mex.; and the route of Gen. Kearny's march from Santa Fe westward to the Pacific coast. Added to this is the Oregon trail, which diverged from the Santa Fe trail near Gardner, Kans., and ran from there northwest to the Pacific Ocean at the Valley of the Columbia. To make the historic routes complete, the later cut-off of this trail has been added from Council Bluffs, Iowa, and also the Gold*Seekers trail, from Fort Hall on the Oregon trail to the gold fields of California. These roads form a continuous chain of historic highways crossing the continent by the easiest natural grades and through the most central portion of our country. They mark the progress of the American Nation in its conquest of the continent for civilization.

The Braddock Road really began at Portsmouth, Va., and extended into the Valley of the Ohio. It was the first pathway across the Allegheny Mountains and into the Valley of the Ohio at the time when the entire western slope of the mountains was in the actual possession of the French. It was the beginning of the national expansion westward, the first step of which was to dislodge the foreign power from the Ohio Valley. In October, 1753, Washington was commissioned by the governor of Virginia, in company with Gist, to make his way over the Allegheny Mountains into the Valley of the Monongahela to warn the French commander not to trespass upon English soil. He made this trip through an unknown country overrun with hostile savages who had been inflamed against the English and into the very heart of a wild region dominated by the French forts. After performing his duty with his usual quiet courage he returned to Virginia and made his report. His report indicated that England would have to fight for the possession of the Ohio Valley. The next year, 1754, he led a company over the same route and fought the French at Great Meadows. By the following year, 1755, the British Government had been aroused to the gravity of the situation and dispatched Gen. Braddock to the Colonies. Washington accompanied Braddock on his ill-fated and mismanaged expedition and suffered in the general defeat.

One of the earliest friends of good roads among our public men was that keen-witted Swiss immigrant, Albert Gallatin. Gallatin was a man of education and accomplishments, and the society of the gay capital of Richmond had great attractions for him. Nevertheless, in 1784, he crossed the Alleghenies to Monongahela County, Pa., to establish a home in the wilderness. It was supposed by his friends that he had buried himself and ruined a brilliant career, but out of that wilderness he created the mighty Commonwealth which, recognizing his genius as a constructive statesman, made him successively a member of the Pennsylvania Legislature, a leader in Congress, a Senator of the United States, a member of the Cabinet, and the greatest figure in American financial history. It was in the wilderness that he first met George Washington. Washington was seeking, with the aid of Indian guides, the most practicable route for a main highway across the mountains. After a day's exploring he had come to a hut in which Gallatin and other men were living, and was using Gallatin's rude bunk for a table while he made those elaborate notes of his doings which were so characteristic of Washington. Gallatin in the meantime was lying on the floor, having been evicted from his bunk. As Washington laboriously went over the reports of the different routes Gallatin, then a young man of about 18, and with a mind that worked with the speed of lightning, jumped up and exclaimed, "That is the only route." He says that Washington slowly took off his horned spectacles and gave him a look of severe disapproval in utter silence. After Washington had gone over the reports for over another hour, he finally turned to Gallatin, took off his spectacles again, and said, "Young man, you are right."

Gallatin was the real father of the Cumberland Road, although in later years Henry Clay managed to identify himself very thoroughly with its construction. The Cumberland Road was begun in 1806 by an act of Congress signed by Thomas Jefferson.

Mr. AUSTIN. If the gentleman will pardon me, what was the first appropriation?

Mr. BORLAND. The first appropriation was the 2 per cent fund. The country west of the Ohio River had no seaports;

therefore the proceeds of the public lands in those States were divided and 5 per cent was set apart for internal improvements in lieu of the Federal appropriations which the older States enjoyed for the improvement of rivers and harbors. That 5 per cent fund was devoted to the construction of common roads, and the first of that fund was 2 per cent out of the 5 per cent obtained from public lands in Ohio. Between 1806 and 1834 it was constructed under national authority, and by successive appropriations of Congress to a certain point in Indiana, and was surveyed by way of Vandalia, Ill., to Jefferson City, the capital of Missouri. About \$7,000,000 of public money was spent upon its construction, a part of which sum was the proceeds of a fund reserved for that purpose from the sale of public lands in Ohio, Indiana, Illinois, and Missouri. This national road during its existence of nearly 30 years played an important part in the expansion and development of the young Nation. It was worth many times its cost both commercially and politically. It was the great highway of commerce and travel between the States of the Atlantic seaboard and the growing communities in the Mississippi Valley. It furnished the necessary link between the two parts of the Nation which prevented sectional hostility and disintegration. Its decline in importance and its final abandonment was due to the rise of the steam-railway systems. As the railways began to extend the importance of the national highway diminished. The reliance of the people upon it became less complete and the hostility to it gradually forced its entire abandonment. About 1834 it was turned over to the States through which it ran, and it has been preserved, after a fashion, as State highways.

Mr. MADDEN. If it will not interrupt the gentleman, I would like to ask him a question.

Mr. BORLAND. I will yield to the gentleman.

Mr. MADDEN. Does the gentleman favor the construction of this coast-to-coast road in preference to the cooperation of the Federal Government in the development of roads in the States, without reference to whether it runs from coast to coast or not?

Mr. BORLAND. I am sorry that I can not go into that as fully as I should like. I favor the construction of national roads. I think this national road is one of the most comprehensive that can be pointed out; but I do not advocate it to the exclusion of other forms of Federal aid or cooperation.

That \$7,000,000 put into the old national roads, I am free to say, was the best investment of national money ever made. It paid the finest income commercially, increasing the taxing power of the Nation. It paid the finest dividend politically and socially that has even been paid by a similar expenditure of Federal money.

At that time, recollect, gentlemen, the country in the Ohio Valley and in the Mississippi Valley was in commercial relations with the port of deposit at New Orleans, which was under the control of a foreign nation. It was with great difficulty that the States west of the Alleghenies could be held in touch with the Union east of the Alleghenies. There was a constant disintegrating force which drew the two parts of the country apart.

The people west of the Allegheny felt that they had nothing in common with the tidewater settlements in the eastern part of the country. They felt that they were taxed without representation; that they had no share in the Federal protection; that their frontier was unprotected, except by the rifle, that silent sentinel of the fireside of every settler in that territory. They felt that there was but one link connecting them with the settlements, and that was the national road.

Henry Clay said after the national road was completed he could reach Washington seven days sooner than it took him before. How long it took him before I do not know. If gentlemen will go to that beautiful Hermitage, near Nashville, they can see the old coach in which Andrew Jackson used to ride, it is said, between his home and Washington. It is said that Jackson could make the round trip in 28 days between Nashville and Washington over the old national pike road, and Jackson was considered a strenuous driver.

At the Mississippi River the Cumberland Road would have met the celebrated Boone's Lick Road, the first highway to penetrate the wilderness west of the great stream. In 1797, while Louisiana was still Spanish territory, Daniel Boone, under a concession from the Spanish governor, settled a small colony of Americans about 40 miles west of the Mississippi River in what is now Warren County, Mo. This was the first invasion of American settlers into the great trans-Mississippi territory. In 1804, the same year that the American Government took possession of upper Louisiana, Daniel Boone's two sons established themselves at a salt lick more than 100 miles to the westward. They were engaged in the manufacture of salt, which was floated down the Missouri River in rawhide canoes. The rich-

ness of the territory in which they were located attracted a large number of enterprising pioneers, mainly Kentuckians. The country became known as Boone's Lick country. It was in the heart of the great Louisiana territory, and the birthplace of many of the famous pioneers and explorers of the West.

In 1815 a roadway was surveyed and built from St. Charles, Mo., to Old Franklin, in the Boone's Lick country. This road was known as the Boone's Lick Road, and was the highway over which the advancing army of pioneers entered the territory beyond the Mississippi. As Boone's Lick was the farthest outpost of American civilization, it was often referred to in derision by Henry Clay. He was very fond of calling Thomas H. Benton "the statesman from Boone's Lick," although Benton was a man of education and culture and really lived in St. Louis. It was from the vigorous and enterprising community of Boone's Lick that the start was made to open up the commerce of the great Southwest. Capt. William Becknell started from that point in 1821 on what is now believed to be the first successful trip on a trading expedition to Santa Fe, N. Mex. As long as Mexico was under the rule of old Spain the policy of the rulers jealously excluded American traders and, in fact, looked upon all Americans as intruders and spies. A few Americans who found their way into Spanish territory prior to 1821 suffered imprisonment, oppression, and robbery. In 1821, however, Mexico successfully established her independence from Spain. This made possible the beginning of commercial intercourse between the two countries. The policy of Mexico was the reverse of that of Spain. She welcomed and encouraged the American traders and even furnished them, as did our Government, with military aid as a protection against the Indians. Soon after the headquarters of the Santa Fe trade were moved westward to Independence, Mo., and from thence onward for more than a quarter of a century, until New Mexico became American territory, this great historic highway, known as the Santa Fe trail, led from the last outlying trading point in the Missouri Valley to the first great center of Spanish civilization in the Southwest. In 1824 Senator Benton had passed an act of Congress by which a survey was made of the Santa Fe trail from Fort Osage, in Jackson County, Mo., to Santa Fe, N. Mex. I can not pause to give even briefly the history of that wonderful highway and its tremendous influence upon the destiny of the American Nation. It was the safety valve of those turbulent forces which are as common to the youth of nations as they are to the youth of man. It is one of the great historic highways of the world marking the progress of civilization.

It was down this celebrated highway that Gen. Kearny and Col. Doniphan led their celebrated expedition in 1846, at the outbreak of the War with Mexico. This expedition resulted in the annexation to the United States not only of the New Mexican Valley but of all the vast golden land of California. As soon as American supremacy was established at Santa Fe, Gen. Kearny started westward for the Pacific coast, and the last great link in the chain of historic highways which takes the American people across the continent is the route over which Gen. Kearny marched from Santa Fe to Monterey, Cal. In 1841-42, after the Santa Fe trail had been well established, the Oregon trail came into prominence. The Oregon trail branched off from the Santa Fe trail at a point less than 100 miles west of Independence, Mo. It ran thence northwest up the valley of the Blue River into the valley of the Platte, and thence westward until it crossed the mountains at South Pass and led down into the valley of the Columbia River upon the Pacific slope. Over this highway the great prairie schooners pursued their laborious way, carrying American settlers into the Oregon Territory and reclaiming and holding for American occupation that wonderfully rich section of our land. This same great trail was used soon after by the gold seekers of 1849. The earliest route of travel for those destined to California was over the Oregon trail as far as Fort Hall, and thence diverging southwest to Sutters Mill, in California. By 1850 the continent had been crossed, and Benton, in his speech at St. Louis at the inauguration of the Pacific Railroad, pointed to the west and uttered his famous words, "There is the East. There lies the road to India."

Thus these great historic highways connect with one another in a complete chain across the continent. They furnish the most remarkable example in history of the victories of peace and the steady progress of civilization. Only in rare instances did they resound to the tread of martial hosts; but day after day, year after year, was heard the music of the creaking wagon and the lowing ox. All of the mighty host who crossed these highways were armed not alone with the rifle but with the ax and spade. They took with them not the ammunition wagon and artillery but herds of live stock and bales of household goods, implements of husbandry, and the women and chil-

dren—the evidences and guaranties of a future State, the earnest of permanent settlement and the basis of an American home.

Each of these great highways marks a crisis in the career of our country—an epoch in the history of the world. They show a virile young nation gathering with eager hands the fruits of the great Revolution—the conquest of a continent. Their purpose was homes—homes for the millions, homes for the humble, homes for the toilers—American homes that meant opportunity and a higher and purer civilization. Some day a genius will arise able to give to the world the epic of America, the poem of a nation whose whole history is a mighty symphony of civilization, touching strange chords and swelling with a power but vaguely understood. It will show a race which has subjugated nature, commanded fate, marshaled the forces of science, solved the problem of self-government, and written its autograph across a continent in the historic trails that marked the mighty movements of a people. [Applause.]

All honor to the Daughters of the American Revolution for the work their hands have found to do in preserving and perpetuating these great historic highways. [Applause.]

Mr. HINEBAUGH. Mr. Chairman, I yield 10 minutes to the gentleman from Kansas [Mr. MURDOCK].

Mr. MURDOCK. Mr. Chairman, this urgent deficiency bill is the first regular appropriation bill which the new Congress has regularly considered. Previously it has handled two other bills which had come over from a previous Congress because they had received the presidential veto. The most important provision in this bill unquestionably is that which abolishes the Court of Commerce. The creation of that court was originally designed by the special privilege seeking interests, and it was saddled upon the country largely through the circumstance that five new circuit judgeships were dangled above the heads of office-seeking politicians. Now, while the court is to be wiped out, we have in the present bill a very clear illustration of how the native hue of legislative resolution is sometimes sicklied o'er with the pale cast of thought.

This bill, which does the very commendable thing of abolishing the Court of Commerce, stops short of doing that which it ought also to do when it abolishes the Court of Commerce—that is, to abolish the five judgeships which Congress created for that court.

Mr. BARTLETT. May I interrupt the gentleman just a moment? If I take his time, I will give it to him from mine.

Mr. MURDOCK. Certainly; I will be glad to be interrupted.

Mr. BARTLETT. I want to say to the gentleman that there are some of us on this committee, and some of us in the House on this side and that side, who will very gladly vote for a proposition to repeal sections 1 and 2 of the act of 1910 that established this court. And I believe, as a lawyer, if we do that, we not only get rid of the court, but that everything in common that pertains to the office of judge will follow such repeal.

Mr. MURDOCK. I will say to the gentleman from Georgia that I rejoice in that expression from him, and it confirms me, not only in the belief I have long had in his deep legal learning, but in his position relative to the regulation of railroad rates in the interest of the people.

Mr. BARTLETT. One word more. I have some time, and I will yield to the gentleman all that I consume of his.

This Commerce Court bill came into this House and into the Senate originally, as a bill supposed to be drafted by the Attorney General in the interests of the great railroad corporations of this country, and but for the fact that the great Interstate and Foreign Commerce Committee of the House, and but for the fact that some of the Republican members of that committee joined with the Democratic members of the committee and with Mr. MANN, we would not have had the very fair bill that we had finally, and that we had to pass through the House with amendments, aided by the gentlemen on that side at the time.

Mr. MURDOCK. I fully concur with the gentleman that the bill was vastly improved in the House, and I think every Member of the House realized that at the time, but the gentleman also will say that in a way the Commerce Court was saddled on this body.

Mr. BARTLETT. And was passed by this body twice by tie vote. The gentleman from Georgia [Mr. ADAMSON] and myself opposed it, but we were defeated by a ball game, or something of that kind.

Mr. ADAMSON. Two or three times the tie was made by the chairman not voting, I think.

Mr. BARTLETT. And I want to say right now that if the gentleman will offer an amendment to repeal this, that I and my associates on the committee and on the subcommittee have reserved the right to vote to repeal the law that established the court, and do away with the officers as well as the court.

Mr. MURDOCK. I congratulate the gentleman on that statement, and I hope our view can prevail in the House.

I rose primarily for the purpose of showing how the House or Congress itself, in the course of legislation, often weakens from its original strong resolution and convictions—convictions usually in the beginning correct. I want to give, in illustration, a brief history of the attempt of the Congress to remove these judges from the roster of circuit judges in the United States. In June, 1912, the Appropriations Committee reported the legislative, executive, and judicial appropriation bill. In that bill was this proviso:

No circuit judge shall hereafter be appointed until the whole number of circuit judges shall be reduced to 29, and thereafter there shall not be more than 29 circuit judges.

Now, the gentleman from Georgia [Mr. BARTLETT] will remember that on the floor of the House that was stricken out and a much more definite provision inserted to take its place, accomplishing the same thing.

Mr. BARTLETT. In the Senate, you mean?

Mr. MURDOCK. In the House. Here is the amendment:

The five additional circuit judgeships provided for by the act of Congress approved June 18, 1910, and by chapter 9 of the act entitled "An act to codify, revise, and amend the laws relating to the judiciary," approved March 3, 1911, are hereby abolished, and the authority in said acts of Congress for the President, by and with the advice and consent of the Senate, to appoint five additional circuit judges is hereby repealed, and the number of circuit judges is hereby reduced to 29. So much of the act of June 18, 1910, and of March 3, 1911, as authorizes or directs the said five judges to preside in the circuit or district courts of the United States or in the circuit courts of appeals or to exercise any of the powers, duties, or authority of circuit or district judges or of said circuit or district courts or of said circuit courts of appeals is hereby repealed.

Mr. BARTLETT. May I interrupt the gentleman?

Mr. MURDOCK. Certainly.

Mr. BARTLETT. I think the gentleman is reading the Senate amendment.

Mr. MURDOCK. The gentleman is correct about that.

Mr. BARTLETT. The gentleman is reading the Senate amendment that was offered by Senator SMITH of Georgia. It came back to the House and the House disagreed en bloc to all the amendments. It was sent back and that part of it went out.

Mr. MURDOCK. That is true. That more definite amendment was a Senate amendment. Now, that part of the amendment went out; that is, the House and the Senate were agreeable to the abolition of the Commerce Court, but they left in the law the five judges who had been created to serve that court and who were not needed.

Now, after the passage in Congress of the law providing for the abolition of the court it was vetoed by the President of the United States, Mr. Taft. He said, in the course of his veto message:

I have read the arguments upon which this proposed legislation is urged and I can not find in them a single reason why the court should be abolished except that those who propose to abolish it object to certain of its decisions. Some of those decisions have been sustained and others have been disapproved or modified by the Supreme Court. I am utterly opposed to the abolition of a court because its decisions may not always meet the approval of a majority of the Legislature. It is introducing a recall of the judiciary, which, in its way, is quite as objectionable as the ordinary popular method proposed.

Now, Mr. Chairman, it seems to me that the Congress of the United States, which has the power to create five judges for a specific purpose, ought also to have the power to abolish those judges. These five judgeships are not needed in the courts of the United States.

Mr. BARTLETT. Mr. Chairman, will the gentleman permit me to say a word? I do not want to agree with the gentleman when he is talking about abolishing the judges, because that is not exactly accurate, in my opinion. The gentleman means to abolish the office that creates the judge?

Mr. MURDOCK. Yes; that is what I mean.

Mr. BARTLETT. Because there is a provision in the Constitution which declares that a judge when appointed shall hold during good behavior.

Mr. MURDOCK. But it would accomplish this: It would reduce the number of circuit judgeships in the United States to 29.

Mr. BARTLETT. When you abolish the office, everything that hangs to it is also abolished.

Mr. MURDOCK. I know; and I intended so to convey. The judiciary as one branch of this Government, in my opinion, is to-day under closer public scrutiny and criticism than it has ever been, and it will not add any to the mollification of that public criticism if the Congress of the United States, having created judgeships, shall not exercise also the power to abolish those offices when their use shall have passed. So, while I congratulate here this afternoon the Democratic Committee on

Appropriations for bringing in again this measure for the abolition of the court, I think the committee should have gone further and abolished these judgeships. I hope this amendment, when it is offered in the House, as it will be, will be adopted by the House, following out the line of complete and thorough action that the House had originally in mind in its proposal to do away with the Court of Commerce.

The CHAIRMAN (Mr. FLOOD of Virginia). The time of the gentleman from Kansas has expired.

Mr. BARTLETT. Mr. Chairman, does the gentleman desire any more time? Inasmuch as I took time from him, I will give him some time out of my own if he desires it.

Mr. MURDOCK. I thank the gentleman.

Mr. HINEBAUGH. Mr. Chairman, I will yield 10 minutes to the gentleman from Minnesota [Mr. STEENERSON].

The CHAIRMAN. The gentleman from Minnesota [Mr. STEENERSON] is recognized for 10 minutes.

Mr. STEENERSON. Mr. Chairman, the gentleman from Massachusetts [Mr. GILLET], the ranking Republican member of the Committee on Appropriations, made an able argument this afternoon to show that the Democratic Party had been inconsistent in carrying out their promises of economy. He showed that they had violated the spirit of those promises not only in expenditures but also in appropriations.

But the most important part of his speech, to my mind, was his arraignment of the Democratic Party in regard to the civil service. The gentleman who for so many years was chairman of the Committee on Reform of the Civil Service has always been an ardent advocate of the doctrine of civil service, and I realize how things appeared to his mind. His remarks on that subject created a good deal of interest on the other side, and brought to their feet many of the ardent members of the Democratic Party, especially his reference to fourth-class postmasters; and many of those gentlemen very frankly—and it is to their credit that they are frank—acknowledged that they do not believe in civil service as applied to fourth-class postmasters, and declared that "to the victors belong the spoils."

Mr. BARTLETT. I did not say that.

Mr. STEENERSON. No; the gentleman did not say that, but he might convince a listener that he believed in that doctrine. Perhaps he did not intend to carry it that far.

Mr. BARTLETT. If the gentleman will permit me to interrupt him, I do not belong to that school that pretends to believe we can not find within the ranks of the party in power men who are competent and efficient to discharge the duties of the offices while that party is in power.

Mr. STEENERSON. The gentleman defends the recent order of the Postmaster General in regard to the removal of fourth-class postmasters?

Mr. BARTLETT. You mean the order modifying the rule?

Mr. STEENERSON. Yes.

Mr. BARTLETT. I believe in that, and I would have approved it if the President had revoked it entirely.

Mr. STEENERSON. I thought so.

Mr. BARTLETT. There is no question about where I stand on it. I have reiterated it for the fourth time on the floor of this House and in the public prints.

Mr. STEENERSON. I understand that is the gentleman's consistent position. But the gentleman from Massachusetts [Mr. GILLET], in referring to this subject of fourth-class postmasters and other postmasters and their tenure and the manner of filling vacancies in the past, did not make it as clear, nor did he elaborate it as much as I should have liked to have him do, and therefore I have risen on this occasion to make these remarks, or at least to try to explain that practice.

During the administrations of Presidents Taft and Roosevelt there was a uniform practice, so far as I came in contact with the Post Office Department, to continue fourth-class postmasters in office indefinitely and until they were removed for sufficient cause. I have not a copy of the rule, but I believe there was a rule to that effect. I know when I was first elected to Congress, where there was a desire to remove a fourth-class postmaster, and I communicated that desire on the part of the people of that locality to the department, I received numerous letters from the Postmaster General stating that the practice of the Post Office Department was to permit fourth-class postmasters to serve until there was cause for their removal. And, as a matter of fact, there are fourth-class postmasters in my district to-day who are serving under appointments that they received during Cleveland's administration. We have never been able to remove a single postmaster in that district except for cause. I state that from personal knowledge.

It is true that during the Roosevelt administration an order was issued to include fourth-class postmasters in certain States in what is called the classified civil service, and I made it a

point to consult the Members of Congress from the State of Wisconsin, which adjoins my State, as to how that operated. I was advised—and I believe it is correct—that the only difference under the former practice and under the new practice was that where a vacancy occurred the Congressman would not, under the new rule, be consulted about filling that vacancy. Before that time, whenever there was a vacancy, caused either by death, resignation, or removal, upon the report of an inspector the Congressman was notified of the vacancy and requested to make a recommendation to fill the vacancy. But under the new rule no such notice was given, and the inspector, as a usual thing, recommended the successor, and he was appointed without regard to the wishes or recommendations of the Congressman. But the Congressman could not cause removal of a competent and faithful official.

Mr. PETERSON. Will the gentleman yield there for a moment? Were not the men who were appointed then under that order all Republicans?

Mr. STEENERSON. During the Roosevelt and Taft administrations?

Mr. PETERSON. Yes; and under McKinley.

Mr. STEENERSON. I do not think all of them were, but I think most of them were.

Mr. PETERSON. Is it not a fact that at the time the present administration went into power 95 per cent of all the fourth-class postmasters were Republicans?

Mr. STEENERSON. I can not say about that. I never made any investigation of it.

Mr. PETERSON. If that was the case, how would you account—

Mr. STEENERSON. I will not yield to the gentleman further now. I wish to finish my explanation.

The CHAIRMAN. The gentleman declines to yield.

Mr. STEENERSON. In Minnesota and those States that were not included in that order the practice has been up to the present administration that no fourth-class postmaster has been removed at the request or recommendation of a Member of Congress. The only removals were made upon the report of inspectors, resulting from complaints of misconduct against the postmaster. The vacancies resulting from death or resignation were filled upon the recommendation of the Member of Congress.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. HINEBAUGH. Mr. Chairman, I will yield five minutes more to the gentleman from Minnesota.

Mr. STEENERSON. In regard to the presidential offices the practice and the rule was, as stated by the gentleman from Massachusetts, that where the term of an incumbent expired the department notified the Member of Congress of the approaching expiration of the term of the incumbent, and further stated, if the fact was true, that the record of this postmaster, as far as known to the department good, that he had rendered acceptable service, and unless the Member of Congress could show cause for not doing so a reappointment of that incumbent would follow, or words to that effect.

That applied to presidential offices, and it was adhered to, to my certain knowledge, in my district, because I know of one instance where I received such a notice and I did not recommend a reappointment. I recommended another candidate, but the postmaster already in office continued and served, and I believe he is serving to this very day unless a change has been made within the last 10 days. That was nearly three years ago.

Now, the effect of the order that has recently been issued by the Postmaster General, which says that no person occupying the position of postmaster of the fourth-class shall be given a classified status under the provisions of the order heretofore issued unless he is appointed as the result of a competitive examination under previous regulations, will be that men who have served as fourth-class postmasters for years and years will be put out of office by means of this forced examination under the civil service.

The civil-service examination will be imposed upon incumbents who have been satisfactory for many years for the purpose, not of improving the service, but creating vacancies for Democratic Congressmen to fill. That is undoubtedly the object and purpose of gentlemen in favor of that order.

Now, I will say to the Democratic Members that, so far as a Republican State is concerned, like Minnesota, I think the effect of putting that order in operation will be disastrous to the Democratic Party. I am not objecting to it for that reason. I can understand why in the State of Georgia, or any Southern State strongly Democratic, where the postmaster now filling the position is out of tune politically with the patrons of his office, it may be satisfactory; but yet it is a device whereby you can create vacancies in the offices that have been satisfactorily

filled heretofore and fill them regardless of the civil service. It is a reversion to the old spoils system.

Mr. BARTLETT. May I ask the gentleman a question?

Mr. STEENERSON. Just a minute. That is the necessary result of the carrying out of the order, that it creates a vacancy which can be filled, and that is the only difference that it makes in the rules governing the subject. Now I will yield to the gentleman from Georgia.

Mr. BARTLETT. The gentleman speaks about the order of President Wilson of April, 1913, as being a device to permit Democratic Congressmen to select fourth-class postmasters. What does the gentleman say about President Taft's order of October 15, 1912, keeping people in office who had been appointed by a Republican administration without taking any examination at all?

Mr. STEENERSON. That order was superfluous, so far as my district was concerned. Fourth-class postmasters had been holding during good behavior up to that time. The innovation shows the hostility of the Democratic Party to civil service and their devotion to the spoils system. [Applause.]

Mr. BARTLETT. Mr. Chairman, how much time has the other side?

The CHAIRMAN. The gentleman from Illinois has eight minutes remaining.

Mr. HINEBAUGH. Mr. Chairman, I think we do not care to use any more time on this side, and I yield to the other side.

Mr. BARTLETT. Mr. Chairman, I am very much obliged to the gentleman. I now yield to my colleague from Georgia [Mr. ADAMSON].

The CHAIRMAN. How much time?

Mr. BARTLETT. As much time as he may desire.

Mr. ADAMSON. Mr. Chairman, I do not expect to consume much time. My attention was called by the gentleman from Kansas [Mr. MURDOCK], the distinguished leader of the half-way party in this House, to the language used by ex-President Taft in vetoing an appropriation bill in a former Congress because it incorporated within it the abolition of the Commerce Court. The distinguished ex-President said that he had read the arguments in favor of the abolition, but could not find a single reason urged against the court except that some people objected to its decisions.

I have no right to quarrel with the ex-President about his inability to find reasons. I am not responsible for the degree or quality of judgment which he brings to bear in trying to determine whether a reason is good or not. There is no quarrel about that; but I do wish most emphatically to dissent from any statement from any source, high or low, that the only argument urged against this court is that some of the decisions of the judges were wrong. I was in the fore front of the fight against the creation of that court at the time it was created and prior thereto, and I have opposed it consistently ever since. When the mistake was made by the dereliction of some Members in not being here, and a tie vote saved it two or three times, and it was passed, I set my face steadily to the front to help undo the wrong, and I have been at it ever since. I certainly never advanced any such argument myself, and I have never heard anyone else advance such an argument. The judgments of men, of course, are fallible, no matter where they are. Some of the few decisions rendered have been correct, but could have been correctly rendered in the regular courts. The objections to that court were based upon fundamental reasons, many and strong and valid. I ask permission right here, for I know gentlemen would prefer that I spare them the task of sitting here and listening to me read it, that I may incorporate in my remarks now a portion of a speech that I made upon that subject when the bill was up for consideration once before.

Mr. MURDOCK. Mr. Chairman, before the gentleman does that will he yield for an interruption?

Mr. ADAMSON. Certainly.

Mr. MURDOCK. Does not the gentleman think after his long and consistent record in opposing this court that now, having arrived at a point where the court is to be abolished he also ought to advocate the abolition of those five judgeships and relieve the country of that incubus also?

Mr. ADAMSON. Mr. Chairman, there are a great many good things that I would like to accomplish. We are all familiar with the dog which had a good morsel of beef in his mouth and saw the shadow in the water. He turned loose the morsel he had in his own mouth to obtain the shadow in the brook, but was disappointed in securing the shadow and lost the real.

Mr. MURDOCK. Why not make a full bite of this?

Mr. ADAMSON. I do not believe there is any danger of losing the beef this time. I believe that there is patriotism

enough in this House and in the Senate to abolish the court at this time and patriotism enough at the other end of the Avenue in the White House to approve the bill.

As to repealing the law itself and getting rid of the judges I have no quarrel with the gentleman. If I thought it could be as easily done as merely to abolish the court I would go right with him and vote to undo the whole mischief, because I have never seen any necessity for the additional judges or the additional court. I have never seen any Federal judges who worked half as hard as other mortals. I have never seen any pressure of business upon those who occupied those exalted positions that by diligence they could not handle. I have never seen the necessity for the creation of these five extra judgeships, and if the power lay with me alone I would not hesitate to vote to repeal the law creating those judgeships, but I merely rose to advise any who may have been misled by the statement of the ex-President to the effect that there were no reasons except that the decisions were wrong, that the distinguished ex-President was laboring under a very great hallucination, and that there are numerous valid reasons against the existence of the court; and that I had never heard used the one which he mentioned, for it, indeed, would be frivolous, simple, and silly. We have objected to the court for other reasons, some of which will be found feebly expressed by me in the quotation which I desire to append to these remarks, so that if any Member of Congress should inadvertently read the RECORD to-morrow morning he will find what I said at that time expresses my objection a great deal more clearly than I could do it now offhand.

The CHAIRMAN. The gentleman from Georgia asks unanimous consent to extend his remarks in the manner indicated. Is there objection?

There was no objection.

The remarks referred to are as follows:

"The argument for the Commerce Court has no foundation in any party authority.

"As we all know, the gentleman from Michigan [Mr. TOWNSEND] is the inventor of that, and entitled to whatever credit or discredit attaches to it.

"The Republican platform makes no mention of it, so no Republican nor near Republican of whatever degree or quality need halt and fear and tremble about that as the deliverance of cardinal Republican doctrine. If you insurge against anybody on that, it will be against the ipse dixit of the President alone on a bill appropriating Mr. TOWNSEND's court, prepared by the Attorney General at the request of the President and sent simultaneously to both Houses of Congress with orders to enact it into law.

"Congress considered that court six years ago and refused to adopt it. As now presented the proposition is much worse.

"It will be observed that the argument in behalf of the Commerce Court is not as enthusiastic and convincing as the usual arguments made by my distinguished chairman, the gentleman from Illinois [Mr. MANN]. In fact, it is so conspicuous from the evident weakness and scarcity of argument, that, knowing the gentleman's resources, we may conclude there are no arguments in its favor.

"His friends know that he was not originally in favor of the court, and believe that if he finally votes for that court it will be out of official deference to the President, substituting for his own conscience and judgment the imputed conscience and judgment of the President. If the gentleman from Illinois does make such a substitution, I do not believe he will substitute any better conscience and judgment than his own, and his real friends hope he will not do so.

"The argument for the Commerce Court fails to sustain it. The evidence on the hearings failed to sustain it. The use by the President of analogy to the Customs Court is very unhappy. The suggestion that it is like a patent court is not at all pertinent. The first question generally discussed here and elsewhere as bearing on the court has been that the court would entail great expense. On that point the question with me is, Is it a proper expenditure? If the court be necessary and proper, it ought to be created, regardless of the expense. If it is neither necessary nor proper, it ought not to be created at all, though it costs nothing or came accompanied by a large bounty. The evidence satisfies me that the court is entirely unnecessary. Decisions of the Supreme Court rendered since the President's message have clarified the situation and shown, according to the opinion of the commissioners, that the questions will be so much simplified by those decisions that business of that character will be much less in the future than in the past. There have been so few cases in the past as to create no necessity for the court. The circuit judges throughout the country are not dying from overwork nor resigning, so far as I can

learn. They are able to take care of all of that kind of business that may arise. It is not insisted by anybody that circuit judges will know any more while sitting in Commerce Court than when presiding on circuit.

"The demand for uniformity in decisions is little short of ridiculous. As long as God makes many men of many minds, as long as different environment, heredity, education, kinship, and financial interest produce different modes of thinking and different predilections, as long as this great country, stretching from ocean to ocean and from the frozen north to the tropic seas, teems with the thrifty sons of all nations of the world, with the body of the text and practice of the laws of all civilized nations, the idea of uniformity in anything is absolutely impossible, and our Supreme Court has so declared. The only possible tribunal that can be relied upon to harmonize and unify different theories, practices, and ideas, and declare what shall prevail is the Supreme Court of the United States, and though you create this court and a dozen other special courts there will still be, although fugitive cases, instances and forms of litigation in which all those questions may reach the Supreme Court from courts other than the Commerce Court, and the final unifier, if one can be found, will be the Supreme Court. A great objection to the court is that it specializes litigation touching particular lines of business. This is abhorrent to the American sense. The Customs Court referred to by the President in his message is a misnomer. It ought not to be called a court at all. It passes on cases arising under the collection of revenue, and it ought to be called a commission or a board of appeals.

"The judicial nomenclature ought not to be confused nor corrupted by calling such a board a court. When you seek a perfect analogy, it is safer to examine the substance rather than to sound the name. I object to the proposition to specialize all the commerce litigation so as to withdraw from lawyers over the country generally all the inducement afforded by hope of fees to become expert and accomplished in a branch of the law in which all of our people are interested. It smacks too much of the Dark Ages and the woes of a priesthood-ridden people to say that the leading subject of interest to the people, if not the greatest field of litigation, should be committed to a particular guild of lawyers, a class specially trained and devoted to that court, who shall take the emoluments to the exclusion of all others. Furthermore, those who insist that there will be business enough to engage that court unwittingly suggest the alternative idea that if you take away business from the circuit courts enough to engage that court, it will to that extent leave the circuit courts idle and congest the business in the Commerce Court. In this connection it is noted that the carriers have not raised any rough house against the creation of this court. They are utterly amiable about it and ready to submit gracefully to its establishment. Its establishment, with most of the business transacted at Washington, would enable them to make common agreements about employing lawyers, as well as transportation.

"Fewer lawyers with better fees and yet smaller contributions from each carrier would enable the same lawyers to represent all the carriers. It would be very economical to the railroads. Then, all business having to go through that court, due decorum being maintained as to taking testimony and everything else, the business would become clogged and stagnated and the carriers would secure that dearest boon to corporations, 'the law's delay.' The carriers can afford to submit, and they evidently think so themselves.

"Another peculiarity about that court is the way its personnel is to be constituted. The advocates of the court started out with the proposition that ordinary judges throughout the country do not know enough about the technical subject of commerce to make competent Commerce Court judges, therefore they desire to select the wisest and best and dedicate them entirely to that line of law. Mirabile dictu! The scene changes! And they propose not only to limit the time of service of the judges on the Commerce Court, but to appoint five new judges, assign them to initiate the court, and start it off as the first occupants of that peculiar bench. What goes with the idea of experience and training and expert judges? That is exceedingly plain to the man who wants to see. They are to receive their training in corporation law as corporation lawyers before being appointed circuit judges; and no man need doubt that when those five new judges are appointed they—or at least three of them—will be men who know more about commerce instrumentalities, commerce transportation, manipulation of stocks and bonds, consolidation of railroads, destruction of competition, and disregard of public right, through long training as corporation lawyers, than any other five circuit judges or all

circuit judges in the United States combined. If anybody doubts this, let him wait and see. Why, corporation lawyers are now regarded as best qualified for the Cabinet.

"On the hearings it was argued that the Chief Justice might not enjoy the task of assigning judges to fill the vacancies occurring annually on the Commerce Court. While the friends of the bill were 'scratching in the bark' instead of 'cutting to the heart of the tree,' 'straining at gnats and swallowing camels,' making a fuss about little things to divert attention from great big bad things, I felt sorry for them. Being naturally good-natured and kind-hearted, I wanted to help them; so in perfect innocence I suggested to the distinguished gentleman who drew the bill and sent it to us to pass that he could relieve both the Chief Justice and the President of the embarrassment and responsibility of assigning a judge each year by writing into the law that whenever a vacancy occurred the circuit judge holding either the oldest or youngest commission should fill the vacancy. Either way the law fixed it it would work automatically. Whether the law said the oldest or youngest commission, the eligible judge would know it and everybody would know who the next judge would be, because the eligible would stand, like the crown prince, waiting to take the vacancy when it occurred, and could devote his leisure to studying commerce law and the interests of investors. The gentleman did not seem to admire my proffered assistance, but said he was not looking for automatic things. I then told him what a good old Republican friend had suggested to me, that the President, having named five new judges to start the court, might just appoint another new one every time a vacancy occurred. He smiled at that and I quit trying to help him.

"I am too good-natured to suggest anything mean; I hate to tell it, even as bad as I believe it is going to happen; but I will tell you what could happen. Five new judges could be appointed and start off the Commerce Court with terms, respectively, one, two, three, four, and five years. Under the provisions of this substitute bill each man can be reassigned up to 1914. The court being organized in 1910, the one-year man can be reassigned in 1911 for a term ending in 1916, and so on up to the fourth man, whose term would expire in 1914, he can be reassigned up to 1919. That would hold a majority of the original appointees in office until 1917, or seven years, long enough to start a line of decisions, establish a line of precedents, and do lots of mischief to the cause of justice in the United States if everything worked out that way. But the hardest class of folks on the face of this earth to rely on for systematic wrong and corruption is the lawyers. They get in the habit of respecting the law and the courts and the civilization protected by those bulwarks, and though you find one occasionally inclined to go wrong or temporarily crooked from bad company or environment, it will not do to count on holding three corrupt lawyers together for seven years. In the nature of things it is utterly impossible. You do not find a Jeffries more than once in a century, and there never have been three of a kind at one time since the dawn of jurisprudence. If that scheme were possible and any of the plans which the reactionaries hope for under this bill were to receive the sanction of that court, the Supreme Court would reverse it with all the stinging and burning indignation compatible with the dignity of that august tribunal.

"The President is much more reliable and less likely to do wrong from his training and practice as a lawyer than from his accomplishments as a Republican politician. Whatever good he may develop or whatever evil he may refrain from will be due to his legal training and restraint and not to his efforts to meet the exigencies of Republican politics, but rather in spite of them. Furthermore, as a lawyer, I object to the name "Commerce Court," and so do the American people. They love justice and revere law; they like a law court, a court of justice; they know what that means and respect it; it has never been their idea that commerce should become the dominating principle and passion of the American people. This is intended to be a land of liberty and sentiment, and education, and religion, and morality, and refinement, and law, and order. We cultivate commerce as necessary to provide means of support. We do not intend to make it the dominating factor. Instead of securing unity and uniformity and simplicity, creating this court would further diversify our jurisdiction and practice, confound and confuse matters, and make our judicial system more unsatisfactory than at present, besides administering a rude shock to the sensibilities of our people. For these reasons, being a lawyer, I refuse to subscribe to the creation of that court. I love the law and honor the administration of justice as the sheet anchor of our social, industrial, and political fabric. I can not, as a lawyer, consent to reflect upon myself, my associates at

the American bar, and the exalted cause and science of jurisprudence by indorsing any such anomaly."

Mr. STEENERSON. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. BARTLETT. Mr. Chairman, I yield two minutes to the gentleman from Ohio [Mr. ASHBROOK].

Mr. ASHBROOK. Mr. Chairman, I was very much interested in the remarks of the gentleman from Minnesota [Mr. STEENERSON], who is just now leaving the Chamber, and I want to say that I have always entertained a very high opinion of the gentleman. I had the honor to serve upon a committee in the Sixtieth Congress of which he was chairman, and I do not question any statement that he made on the floor, but I do want to say that the conditions that prevail in Minnesota and the Northwest are very, very different from the conditions in the State of Ohio. I happened to be a postmaster under the Cleveland administration, and I had a little knowledge of what was going on at that time. I know that there was not a fourth-class postmaster in my county who held his job three months after the change of administration. I further know that in my district—the seventeenth—there is just one Democrat who is filling the office of postmaster at a fourth-class office, and that is in a small town where there are just five Republicans in the town and none of them would accept the office. Therefore so far as my district is concerned every post office is filled by a Republican, and I believe I am safe in making the assertion that there is not one fourth-class postmaster out of a hundred in the State of Ohio who is not a Republican. While I am on my feet I want to say that if this examination is ordered, as I believe it should be, that personally I would not feel disposed to disturb any old soldier or a woman if their services were satisfactory, but these fourth-class postmasters who have been given a life job, covered into these places by an Executive order without a competitive examination, ought to stand on all fours with others who may aspire for the office. In other words, I believe the most capable and most deserving men in the community should fill the office. It is a fraud and a snare to make life jobs out of these fourth-class offices, as it was by the Executive orders of President Taft and President Roosevelt, and I welcome the prospect of a clean-up. [Applause.]

Mr. BARTLETT. Mr. Chairman, I do not desire to use any more time, and therefore move that the committee do now rise. Is there any time remaining to the other side, Mr. Chairman?

The CHAIRMAN. Does the gentleman withdraw his motion that the committee do now rise?

Mr. BARTLETT. Yes.

The CHAIRMAN. Then the Clerk will read the bill.

The Clerk read as follows:

Be it enacted, etc., That the following sums be, and are hereby, appropriated, out of any money in the Treasury not otherwise appropriated, to supply urgent deficiencies in appropriations for the fiscal year 1913, and for other purposes.

Mr. BARTLETT. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to; accordingly the committee rose, and the Speaker having resumed the chair, Mr. Flood of Virginia, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 7898—the urgent deficiency bill—and had come to no resolution thereon.

ENROLLED BILL SIGNED.

The SPEAKER announced his signature to enrolled bill of the following title:

S. 2319. An act authorizing the appointment of an ambassador to Spain.

ADJOURNMENT.

Mr. BARTLETT. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 27 minutes p. m.) the House adjourned to meet to-morrow, Thursday, September 4, 1913, at 12 o'clock noon.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 1328) granting an increase of pension to John F. Thomas; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 1329) granting an increase of pension to William J. Doyle; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 2730) granting an increase of pension to Emil G. Herman; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 7285) granting a pension to Sarah B. H. Sawyer; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. LAFFERTY: A bill (H. R. 7904) to amend section 4884 of the Revised Statutes of the United States, relating to patents; to the Committee on Patents.

By Mr. HARRISON: A bill (H. R. 7905) to acquire and diffuse among the people of the United States useful information on the subjects connected with the marketing and distribution of perishable fruits and vegetables; to the Committee on Agriculture.

By Mr. RUBEY: A bill (H. R. 7906) amending the act of May 11, 1912, granting a service pension to certain defined veterans of the Civil War; to the Committee on Invalid Pensions.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BURKE of Wisconsin: A bill (H. R. 7907) granting a pension to Anna Windmeister; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7908) granting a pension to Samantha H. Farr; to the Committee on Invalid Pensions.

By Mr. CLANCY: A bill (H. R. 7909) granting a pension to Edward F. Zufelt; to the Committee on Pensions.

Also, a bill (H. R. 7910) to correct the military record of George Le Clear; to the Committee on Military Affairs.

By Mr. EDMONDS: A bill (H. R. 7911) granting an increase of pension to Benjamin Bortz; to the Committee on Invalid Pensions.

By Mr. FERRIS: A bill (H. R. 7912) to remove the charge of desertion from John H. McAtee; to the Committee on Military Affairs.

By Mr. HENSLEY: A bill (H. R. 7913) granting an increase of pension to Reuben J. Hamilton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7914) for the relief of the heirs of Sarah B. Matthews and Elijah B. Matthews, deceased; to the Committee on War Claims.

By Mr. PETERSON: A bill (H. R. 7915) granting a pension to Emma M. Heimlich; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7916) granting an increase of pension to Luman A. Fowler; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7917) to remove the charge of desertion from the military record of Francis M. Helm; to the Committee on Military Affairs.

Also, a bill (H. R. 7918) providing for the retirement of certain officers of the Philippine Scouts; to the Committee on Military Affairs.

By Mr. SPARKMAN: A bill (H. R. 7919) granting a pension to William Russell; to the Committee on Pensions.

Also, a bill (H. R. 7920) for the relief of C. C. Peck; to the Committee on Claims.

Also, a bill (H. R. 7921) for the relief of W. W. Carey; to the Committee on Claims.

Also, a bill (H. R. 7922) for the relief of the estate of Cyprian T. Jenkins, deceased; to the Committee on Claims.

Also, a bill (H. R. 7923) to remove the charge of desertion from the military record of William D. Jenner; to the Committee on Military Affairs.

By Mr. UNDERWOOD: A bill (H. R. 7924) for the relief of Levi Adcock; to the Committee on War Claims.

By Mr. WILLIS: A bill (H. R. 7925) granting a pension to William H. Dixon; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. BURKE of Wisconsin: Papers to accompany bill (H. R. 877) granting an increase of pension to Elizabeth Verhalen; to the Committee on Invalid Pensions.

By Mr. CURLEY: Petitions of the Federated Irish Societies of Massachusetts, Boston, Mass., protesting against any legislation to refer the question of free tolls to American shipping through the Panama Canal to an international arbitration tribunal for settlement; to the Committee on Interstate and Foreign Commerce.

By Mr. HOWELL: Petition of the Commercial Club of Salt Lake City, Utah, favoring the passage of legislation to prohibit the importation of the plumage of wild birds for commercial use; to the Committee on Ways and Means.

By Mr. STEPHENS of California: Petition of the Chamber of Commerce, Long Beach, Cal., and the Chamber of Commerce of San Diego County, Cal., favoring the passage of legislation making an appropriation for the construction of four new battleships and necessary auxiliary boats; to the Committee on Naval Affairs.

Also, petition of the Chamber of Commerce of San Diego County, Cal., favoring the passage of legislation for the formation of a naval reserve force; to the Committee on Naval Affairs.

SENATE.

THURSDAY, September 4, 1913.

The Senate met at 11 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

The Journal of yesterday's proceedings was read and approved.

HOUSE BILL REFERRED.

H. R. 7207. An act granting to the city and county of San Francisco certain rights of way in, over, and through certain public lands, the Yosemite National Park, and Stanislaus National Forest, and certain lands in the Yosemite National Park, the Stanislaus National Forest, and the public lands in the State of California, and for other purposes, was read twice by its title and referred to the Committee on Public Lands.

PETITIONS AND MEMORIALS.

Mr. WEEKS presented a memorial of the Federated Irish Societies of Massachusetts, remonstrating against the reference of the question of free tolls to American shipping through the Panama Canal to an international arbitration tribunal for settlement, which was referred to the Committee on Inter-oceanic Canals.

Mr. POINDEXTER presented a petition of the board of trustees of the Chamber of Commerce of Spokane, Wash., praying for the construction of four new battleships and for the formation of a naval reserve; which was referred to the Committee on Naval Affairs.

Mr. WARREN presented resolutions adopted by the Wyoming Bankers' Association, at Sheridan, Wyo., August 13, 1913, favoring the enactment of legislation looking toward the regulation of the currency system of the country, which were referred to the Committee on Banking and Currency.

REPORTS OF COMMITTEE ON THE LIBRARY.

Mr. LEA, from the Committee on the Library, to which was referred the bill (S. 2659) providing for a monument to commemorate the women of the Civil War, reported it without amendment.

He also, from the same committee, to which was referred the amendment submitted by Mr. WARREN on July 21, 1913, proposing to appropriate \$400,000 to make payment of a part contribution to the acquisition of a site and the erection thereon of a memorial in the District of Columbia to commemorate the service and the sacrifices of the women of the United States, etc., intended to be proposed to the general deficiency appropriation bill, reported favorably thereon and moved that it be referred to the Committee on Appropriations and printed, which was agreed to.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SHEPPARD:

A bill (S. 3077) providing for an exhibit by the Department of Agriculture at a Sixth National Corn Exposition at Dallas, Tex., in February, 1914; to the Committee on Agriculture and Forestry.

By Mr. McCUMBER:

A bill (S. 3078) granting a pension to Catharine Holbrook (with accompanying papers); and

A bill (S. 3079) granting an increase of pension to Frank J. King (with accompanying papers); to the Committee on Pensions.

By Mr. POINDEXTER:

A bill (S. 3080) providing for second homestead and desert-land entries; to the Committee on Public Lands.

A bill (S. 3081) to waive the age limit for admission to the Pay Corps of the United States Navy for one year in the case of Chief Commissary Steward Stamford Grey Chapman; to the Committee on Naval Affairs.

A bill (S. 3082) granting a pension to Samuel Rook; and

A bill (S. 3083) granting a pension to Emanuel Johns; to the Committee on Pensions.

By Mr. McLEAN:

A bill (S. 3084) granting an increase of pension to Mary Luce (with accompanying papers); to the Committee on Pensions.

THE CURRENCY.

Mr. WEEKS submitted the following resolution (S. Res. 179), which was read:

Resolved, That the report and recommendations of the Committee on Banking and Currency on the bill H. R. 7837, entitled "A bill to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes," be made to the Senate Tuesday, December 2, 1913.

Resolved further, That it is the sense of the Senate that immediately upon the making of the report and recommendations the chairman of the Committee on Banking and Currency of the Senate, or some member of that committee acting in his behalf, shall at once move that the Senate proceed to the consideration of the said report and recommendations, thereby making the report and recommendations the unfinished business of the Senate.

THE VICE PRESIDENT. Shall the resolution be referred to the Committee on Banking and Currency?

Mr. WEEKS. Mr. President, I assume that under the rules it would have to lie on the table and be taken up for consideration to-morrow. One member of the Committee on Banking and Currency, who wishes to be present when it is discussed, can not be here to-day. So far as I am concerned, I am willing that the rule should be followed, and that it should lie on the table and be taken up to-morrow for discussion.

THE VICE PRESIDENT. The resolution will go over, under the rule.

WOMAN SUFFRAGE.

Mr. TILLMAN. I present a letter, which I ask may be read and referred to the Committee on Immigration.

THE VICE PRESIDENT. The Secretary will read as requested.

The Secretary read as follows:

HOUSTON, TEX., August 28, 1913.

Hon. BENJAMIN R. TILLMAN,

United States Senate, Washington, D. C.

MY DEAR SENATOR: I have just been reading your speech in the Senate, in which you mention woman suffrage. I quite agree with you; yet you are all wrong. It is not woman suffrage at all, but the cause of it. What is the reason for woman suffrage? There are nine million reasons, and there are about that many who are forced to make a scant living in shops and mills and stores. Last year, 1,500,000 people—undesirables—were dumped on our American shores. Where will they go? The West is full; the South is full; the North is full; and the East is full. However, were they not full, we should keep out the almost millions of undesirables.

The great issue—the only live issue—is, What will we do with a million and a half undesirable foreigners a year on our hands?

The second issue is, What will a million and a half undesirables a year do with us?

Cordially, yours,

ARTHUR SIMMONS.

THE VICE PRESIDENT. The communication will be referred to the Committee on Immigration.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the Speaker of the House had signed the bill (S. 2319) authorizing the appointment of an ambassador to Spain, and it was thereupon signed by the Vice President.

CALLING OF THE ROLL.

THE VICE PRESIDENT. The morning business is closed.

Mr. GALLINGER. Mr. President, I suggest the absence of a quorum.

THE VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Chilton	Gallinger	La Follette
Bacon	Clapp	Gore	Lane
Bankhead	Clark, Wyo.	Hitchcock	Lea
Bradley	Clarke, Ark.	Hollis	Lippitt
Brady	Colt	Hughes	Lodge
Brandegge	Crawford	James	McCumber
Bristow	Cummins	Johnson	Martine, N. J.
Bryan	Dillingham	Jones	Norris
Cañon	Fall	Kenyon	O'Gorman
Chamberlain	Fletcher	Kern	Overman

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Penrose
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Shafroth
Sheppard
Sherman
Shields
Shively
Simmons
Smith, Ariz.
Smith, Ga.

Smoot
Stephenson
Sterling
Stone
Sutherland
Swanson
Thomas
Thompson

Thornton
Tillman
Vardaman
Walsh
Weeks
Williams
Works

Mr. JONES. I desire to announce that the junior Senator from Michigan [Mr. TOWNSEND] is absent for the day. He is paired with the Senator from Florida [Mr. BRYAN]. I make this announcement to stand for the remainder of the day.

Mr. HOLLIS. The Senator from Ohio [Mr. POMERENE] requested me to state that he is attending a meeting of the Committee on Banking and Currency.

Mr. McCUMBER. My colleague [Mr. GRONNA] is necessarily absent.

Mr. HOLLIS. The Senator from Delaware [Mr. SAULSBURY] requested me to state that he is detained by important public business.

The VICE PRESIDENT. Seventy-one Senators have answered to the roll call. There is a quorum present.

THE TARIFF.

Mr. SIMMONS. I ask unanimous consent that the Senate proceed to the consideration of House bill 3321.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes.

Mr. SHEPPARD obtained the floor.

Mr. PENROSE. With the permission of the chairman of the committee, I should like, if it does not interfere with his plans, to submit a very few remarks this morning on the chemical schedule.

The VICE PRESIDENT. The Chair had already recognized the Senator from Texas.

Mr. PENROSE. Oh, I did not understand that. I beg pardon.

The VICE PRESIDENT. The Senator from Texas will proceed.

Mr. SHEPPARD. Mr. President, the Republican Party may thank the doctrine of protection for its dissolution. No party, no nation, no man or group of men may permanently defy the truth. The Republican Party has been repudiated because protection is an infamy, a curse, a crime. The party that indorses such a doctrine must die; the government that practices it must fall. There is as much justice in taxing one man to feed and clothe another as in taxing one man to support the business of another. I believe that protection has been the source of more corruption and more woe in this Republic than any other agency outside of alcohol. Cherishing such a belief, I am against protection, both direct and incidental. I am against it wherever its envenomed head is lifted, whether in my own State of Texas or in some other State. I shall never subscribe to the proposition that as long as protection exists in Massachusetts or in Pennsylvania it must be preserved in Texas, or that as long as protection is kept on one article it shall be retained on another. I can never consent to the idea that as long as another man is permitted to steal I propose to steal also. If I could not destroy protection in Massachusetts or in Pennsylvania now, that fact would not deter me from making every effort to destroy it in Texas now or wherever else I could strike it. In the name of the people of Texas I denounce protection as one of the giant evils of the time, and in their name I would do what I could to wrest unholy tariff privileges from the favored few in Texas without regard to whether I could immediately reach the pampered class elsewhere, and I would never arrest my efforts to eradicate this evil from every foot of American soil. Happily, sir, this bill represents a general assault on protection from one ocean to the other, and when enacted into law will so impair the foundations of this vicious system that its doom may be easily foretold.

The Democratic Party has survived the defeats of 50 years because its sympathies are with the people. It has shown a vitality almost miraculous because it would translate human brotherhood into human laws. It has evidenced its loyalty to the American people, its love of justice, and its capacity for united and intelligent action in the tariff bill it now presents. What the Republican Party failed to do in 1909 the Democratic Party has done in 1913. The popular command for a substantial revision of the tariff taxes which the Republican Party disregarded in 1909 has been literally and courageously obeyed by the Democracy in 1913. The Underwood-Simmons bill carries more relief from excessive taxation for the American people than any other tariff measure in the 56 years since 1857. It does not attempt an entire overthrow of the protective system

at this time, the disease being so deeply seated that conservative treatment is required. It represents a reduction of present tariff burdens to an average extent of nearly 30 per cent, while many of the basic necessities of life and industry are entirely relieved of taxation. It is a measure in the interest of the hundred millions of people who compose the American Nation. It means lower taxes for every man, woman, and child beneath the American flag. The strength of the bill lies in the fact that it promotes the universal good. The taxes on chemical articles of general consumption, including almost all medicinal preparations, have been materially reduced.

The materials that enter into the construction of the American home have either been freed from taxation altogether, as in the case of lumber and cement, or have been given large reductions, as in the case of brick, tile, window glass, and the like. Iron ore, the basic product of perhaps our greatest industry, has been transferred to the free list, while notable decreases have been made in the finished articles of iron and steel. Indeed, such items in this class as cut nails, horseshoe nails, wire nails, spikes, horse and mule shoes, tacks and brads, barbed wire, other fence wire, baling wire, agricultural drills and planters, beet-sugar machinery, sugar-cane machinery, cotton gins, cultivators, harvesters, headers, horse rakes, mowers, plows, reapers, thrashing machines, tooth and disk harrows, wagons and carts, all other agricultural implements, steel rails, cash registers, linotypes and typesetting machines, sewing machines, and typewriters have been emancipated from all tariff rates whatever. Sugar, that universal necessity of the American table, has been delivered from crushing tariff duties because its domestic manufacture under present conditions has become such an expense to the American people that it must be compelled to stand on its own merits. The duties on the great bulk of agricultural products with which the Republican Party has so long deluded the American farmer are either removed or lowered. When once the American farmer sees by actual demonstration the emptiness of most of these duties he will no longer permit himself to be made the plundered partner of protection. The taxes on cotton cloths have been reduced from 42 to 26 per cent; on cotton handkerchiefs, from 59 to 25 per cent; on cotton underwear, from 60 to 30 per cent; on woolen blankets, from 72 to 25 per cent, the cheaper grades being free; on flannels, from 93 to 25 and 35 per cent; on ready-made clothing, from 50 to 30 per cent; on oilcloths for floors, from 44 to 20 per cent.

Print paper of the more common grades has been placed on the free list, while the rates on the more expensive grades have been substantially reduced. Copying paper, writing paper, photographic paper, common wrapping paper, paper bags, and envelopes have all experienced a distinct reduction. Bibles and other religious publications, all textbooks used in schools and other educational institutions, books for the blind, are put upon the free list, while on all other books there is a large decrease. Let me say here that the item of books for the blind was adopted partly in the interest of the Republicans, having in view the politically as well as the physically blind. Boots and shoes, harness and saddlery, hides, leather, tanned skins, binding twine, and cotton bagging are all on the free list. An income tax is provided which compels the wealth of the country to share the burdens of taxation. Such is only a partial description of the reductions in the new tariff law, but it will be sufficient to indicate the blessings it bestows on the American people.

Mr. President, bitter as have been the criticisms of this bill they have not been directed against its principal achievement. No opponent of the Democracy has dared to criticize the fact that this bill tremendously reduces the tariff burdens of the American people. Individual features have been denounced; the rates or absence of rates on particular articles have been condemned. And indeed, sir, the Democrats would have been more than human if they had been able to have adjusted the duty on every item among the 4,000 carried in this bill in such manner as to be proof against all objection. When it is remembered that the Democrats are not building a tariff system anew, but are compelled to begin the demolition of a high protective tariff that has been in operation for almost 50 years, and has become interlinked with the vital parts of many industries, it is almost a miracle that they are able to present a bill making such progress in the right direction.

When it is realized that the owner of no particular product has the right to insist that it be benefited by a tariff tax, but that the American people have the right to say where tariff taxes shall be placed from the standpoint of the general good, it will be seen that whatever inequalities may remain in the distribution of the incidental protective benefits of this bill are not the result of favoritism in any sense, but have been mini-

mized as far as possible and indeed outweighed by the deliverance brought to all the people from exorbitant taxation.

One of the items in this bill that has been subjected to especial denunciation is the removal of the duty on sugar after an interval of three years, during which there is to be a reduction of 25 per cent. It has been demonstrated that the maintenance of the sugar industry is costing the American people about \$125,000,000 every year, only \$50,000,000 of this going to the Government in the shape of revenue. The consumption in the United States in 1912 was in round numbers 3,500,000 tons, and the duty is 1.9 cents per pound, the conditions in this industry being such that the full duty is added to the price. The sugar consumed in the United States has the following sources of production:

TABLE A.		Tons.
Louisiana (raw)	-----	160,000
Texas (raw)	-----	10,000
Domestic beet (refined)	-----	604,045
Maple and molasses sugar (raw)	-----	15,155
Total continental United States	-----	789,200
From Hawaii, Porto Rico, and the Philippines (raw)	-----	943,789
From Cuba (raw)	-----	1,684,863
From other foreign sugar paying full duties (mostly raw)	-----	106,350

I now wish to submit a table giving a comparison of export prices of raw and granulated sugar at Hamburg and wholesale prices of the same at New York from 1900 to 1911, inclusive, a table taken from the able speech on this subject by Representative HARDWICK, of Georgia, chairman of the special committee of the House that investigated the entire sugar industry.

TABLE B.—Comparison of export prices of sugar at Hamburg and wholesale price of same at New York, 1900 to 1911.

Year.	Raw sugar.			Granulated sugar.		
	Export price, Hamburg.	Wholesale price, New York.	Difference between export price at Hamburg and wholesale price at New York.	Export price, Hamburg.	Wholesale price, New York.	Difference between export price at Hamburg and wholesale price at New York.
1900.....	2.24	4.56	2.32	2.64	5.32	2.68
1901.....	1.88	4.04	2.16	2.29	5.05	2.76
1902.....	1.43	3.54	2.11	1.79	4.45	2.66
1903.....	1.81	3.72	1.91	2.11	4.63	2.52
1904.....	2.14	3.97	1.83	2.55	4.77	2.22
1905.....	2.55	4.27	1.72	3.00	5.25	2.25
1906.....	1.87	3.68	1.81	2.31	4.51	2.20
1907.....	2.05	3.75	1.70	2.40	4.65	2.25
1908.....	2.29	4.07	1.78	2.63	4.95	2.32
1909.....	2.35	4.00	1.65	2.78	4.76	1.98
1910.....	2.74	4.18	1.44	3.22	4.97	1.75
1911.....	2.82	4.45	1.63	3.20	5.34	2.14
Average....	2.18	4.02	1.84	2.58	4.89	2.32

I take the liberty to quote from Mr. HARDWICK's analysis of these prices, as follows:

They show that during the 12 years for which the figures are given the average difference between the export price of raw sugar at Hamburg and the New York wholesale price of raw sugar averaged 1.84 cents per pound, whereas the tariff on raw sugar was 1.685 cents per pound, and the insurance and freight from Hamburg to New York 0.12 cent per pound, a total of 1.805 cents per pound. They also show that during this same period of years the average difference between the export price of granulated sugar at Hamburg and the wholesale price of granulated sugar at New York was 2.32 cents per pound, whereas the tariff during three-fourths of this period was 1.95 cents per pound and during the last three years 1.90 cents per pound, and the cost of insurance and freight from Hamburg to New York 0.12 cent per pound, to which should be added 0.18 cent per pound for difference in grade, making a total of 2.25 cents per pound. In other words, the table demonstrates conclusively that during the 12 years that it covers the American consumer paid every penny of the duty on sugar and could have bought his sugar almost 2 cents per pound cheaper but for the existence of the tariff tax.

Mr. HARDWICK then proceeded to show that from 1897 to 1912, inclusive, the people of the United States had consumed 43,274,605 long tons of refined sugar; that during 12 years of this period the Dingley rate of 1.95 cents per pound on refined sugar had been in force and during the last 4 years the Payne rate of 1.90 cents per pound; that the Dingley rate was equivalent to \$43.68 per long ton, while the Payne rate was equivalent to \$42.56 per long ton; that this sugar duty had consequently cost the American people during the above period two thousand millions of dollars, only eight hundred millions of which had gone to the Government as revenue, one thousand two hundred millions being pure tariff booty.

The exhaustive investigation by the Hardwick committee developed the fact that the cost of producing raw cane sugar in Louisiana is 3.75 cents per pound; in Java, 1.5 cents per pound; in the Philippines, 1.75 cents per pound; and in Porto Rico, Cuba, and Hawaii, about 2 cents per pound. It showed that the annual gross value of the Louisiana crop is about \$25,000,000. It showed that the 76 beet-sugar factories in the United States have a total capitalization of over \$141,000,000, representing from two to two and one-half times their actual value, and that on this excessive capitalization handsome dividends are regularly paid. It showed that without the tariff beet sugar could be produced here in competition with the world, partly on account of the interior location of the factories and the freight rates from the seaboard. Clearly it would be asking too much of the American people to submit to a further forced contribution of \$125,000,000 every year for the sake of a domestic industry three-fourths of which, beet sugar, can beyond question exist without any tariff, the other fourth, cane sugar, being produced to-day under such conditions that its advocates confess it must be maintained at public expense.

The other principal criticism of this bill is that there has been discrimination in favor of manufactured articles as against agricultural products. It is contended that the bill discriminates against the farmer in the interest of the manufacturer, that it discriminates against the South and West in favor of the North and East.

Mr. President, it is true that the principal farm products of the United States have been placed on the free list. It is true that the bulk of our manufactured products remains on the taxed list, although at a greatly reduced figure, and that, measured by percentages, the tariff reductions and removals are much greater as to farm articles than as to manufactured articles. But, sir, any bill that proposes, as does this Underwood-Simmons bill, to raise \$200,000,000 in revenue must necessarily put the larger portion of tariff taxation on manufactured products, and conditions are such that whatever duties are placed on the principal agricultural products can have practically no protective effect as to most of them and but little as to the others. Let me direct attention to 16 great farm articles, constituting in value over nine-tenths of all American farm products, and in the cultivation of which the overwhelming majority of American farmers still engages. These 16 articles are cattle, corn, cotton, cotton seed, cream, eggs, hay, horses, milk, mules, oats, poultry, potatoes, sheep, swine, and wheat. The total importations of similar articles amounted to less than one-fourth of 1 per cent of the total home value in the fiscal year of 1909-10, less than one-third of 1 per cent of the total home value in the fiscal year 1910-11, less than one-half of 1 per cent of the total home value in the fiscal year of 1911-12, less than one-third of 1 per cent of the total home value in the fiscal year of 1912-13. Fourteen of these articles—that is, all except cotton and cotton seed—are taxed under the Payne-Aldrich law at an average rate of about 27 per cent, and the entire 14 produced an average annual revenue during the last four fiscal years of less than \$4,500,000 as against a revenue of over \$234,000,000 produced each year during the last four fiscal years from manufactured goods, the Payne-Aldrich rates on which averaged over 40 per cent.

The small volume of importations competing with these 16 articles will occasion no surprise when it is stated that the surplus of said articles exported exceeded \$90,000,000 during the fiscal year of 1909-10, \$83,000,000 during 1910-11, \$80,000,000 during 1911-12, and \$145,000,000 during 1912-13, outside of cotton and cottonseed exports. Including the last two items, the exports of these articles have had an average during the last four fiscal years exceeding \$636,000,000. (For substantiation of these figures, see appendix.) The fact that so many of our agricultural products are sold abroad, and indeed must be sold abroad in competition with foreigners and the labor of foreigners on their own ground, is an added evidence of the superfluous and nominal character of tariffs on importations competing with most of our principal agricultural products when such tariffs are considered from the viewpoint of protection.

Mr. President, I reside in the foremost agricultural State of the Union, the State of Texas. Last year Texas took the lead among the States in the value of its agricultural output, although it had in cultivation only 27,000,000 of its 168,000,000 acres. The people of Texas know that on account of the smallness of competing importations, the complete supply of the home market, and the exportation of a surplus, conditions characterizing the principal agricultural products, the tariff on these products is insignificant from the standpoint of protection or of revenue when compared with the tariff on manufactured goods; that the price of the surplus of agricultural products that must be disposed of abroad generally regulates the price of the prod-

uct at home; that the effect of foreign competition is practically nullified when home production completely supplies the home market; and that the lower we make our American tariffs on foreign goods of all kinds the greater will become the value of our agricultural products which have a surplus, because such value depends in the final analysis on their exchangeability for foreign articles.

I am aware that on the remaining farm products not included in the 16 heretofore enumerated, without counting tobacco and wool, the Payne-Aldrich law raised a revenue of about \$32,000,000 in 1910. I am aware that on the remaining farm products not included in the 16 heretofore enumerated, without counting tobacco, wool being on the free list, and 12 of the 16 articles above mentioned being also on the free list—that is, all of the 16 except horses, mules, oats, and hay—the Underwood-Simmons bill is able to raise over \$21,000,000 in revenue, with an average tariff rate on its dutiable agricultural products of about 15 per cent. I am aware that wool and tobacco produce some \$36,000,000 in revenue under the Payne-Aldrich law, and that tobacco under the Democratic bill will produce about \$22,000,000. Adding the revenues from wool and tobacco, which articles represent in value less than 2 per cent of the total agricultural production, it will be seen at once that by far the larger portion of tariff revenue must of necessity come from manufactured goods, and that the duties on almost the entire mass of farm products represented by the 16 I have mentioned are of little significance. Since three-fourths of our manufactured products are made east of the Mississippi and north of the Ohio, the bulk of tariff taxation must of necessity be imposed on imports competing with the commodities of that section.

The Republican Party has secured the support of the farmer for the protective system by the maintenance of these agricultural duties, and has made him the instrument of his own spoliation. The high duties placed by Republicans on manufactured goods not only compel the farmer to buy his supplies in a domestic market dominated by combination and monopoly, while he must sell his own product in competition with the world, in spite of the meaningless duties on the insignificant volume of competing imports, but also impedes the sale of his surplus abroad, by reason of the high rates levied by other countries against all American products in retaliation against our own exorbitant tariff charges. Thus the farmer is fundamentally outraged by the Republican protective tariff. In view of these conditions, what could be more amusing than the spectacle of Republican Senators weeping for the farmer, whom Republican tariffs have robbed for 50 years? What really grieves them is not the removal of these deceptive duties from the farmer's goods, but the fact that the Democratic tariff bill will enable the farmer to see that his pretended friends are his enemies and his exploiters. If this bill does no more than demonstrate the true character of most agricultural tariffs, with which protection for manufacturers has been so cunningly buttressed, if it does no more than reveal to the farmer the protective conspiracy against him, it will have justified its enactment a thousand times over.

The reductions and removals of the tariff rates on hundreds of manufactured articles used by the farmer will far outweigh any loss that may result from the disappearance of certain agricultural duties. These reductions and removals will bring such prosperity to the people in general, such a saving on what they must expend for manufactured goods, that they will be in better position to purchase farm products, will be enabled to purchase more of them, and a relative but no less beneficent decrease in the cost of living will ensue.

The wisdom of placing wool and keeping hides on the free list is demonstrated by the fact that the tariff rates on woolen goods are enormously lowered and leather goods made free of tariff charge. The dissolution or circumvention of the Beef Trust, a menace alike to the cattle producer and the meat consumer, is as much a part of the Democratic program for a lower living cost as the revision of the tariff and will lead to lower prices of meat in the centers of population without reducing the price at the farm. A recent investigation by the Department of Agriculture developed the fact that the farmer receives on an average only 50 or 60 per cent of the prices paid for his product by consumers in the towns and cities. Already the new Democratic Secretary of Agriculture has begun a comprehensive study of marketing conditions, to the end that the farmer may obtain a larger share of the price paid for his product by the final consumer and that through the elimination of unnecessary expense and unfair handling charges the consumer may obtain a better article at a lower price. The profits absorbed by trusts and by combinations of middlemen and carriers from the farmer on the one hand and the consumer on the

other have been so enormous that it is entirely probable that the restoration of normal conditions will mean higher prices for the farmer, cheaper prices for the consumer, still leaving a decent profit to legitimate merchants, legitimate manufacturers, legitimate transporters, legitimate brokers.

Mr. President, agriculture flourished thousands of years before tariffs were devised to serve the power and the greed of man. It began with the first family of the human race, for it is said in Genesis of the sons of Adam: "And Abel was a keeper of sheep, but Cain was a tiller of the ground." To-day agriculture is the chief occupation of mankind. It would indeed be a blasphemous commentary on the wisdom of the Creator, whose own lips ordered humanity to the soil, if such a vocation depended on so vicious a human invention as that of taxing the many for the few.

The very fact that the multitudes of the earth are engaged in agriculture makes them the victims of special privilege, not its beneficiaries. The determining feature of special favors arising from tariff taxes is the impoverishment of the many for the enrichment of the few. The moment a benefit is divided among the great majority of men it loses the character of a special privilege. Agriculture had been in permanent and successful operation in America more than a hundred years, and surpluses were being sent abroad when the United States began in 1789, and the tariff of that year was designed particularly to inaugurate and encourage manufacture. If any man had proposed a division of duties between manufacture and agriculture at that time he would have been ridiculed from Savannah to Cape Cod. As agriculture was the principal source of wealth when this Republic began it necessarily sustained the burden of tariff taxation in order that manufactures might be established here. When manufacture became permanently rooted within our borders the protective rates were continued and agriculture was still exploited. From the beginning of the Republic to the present day there has never been an hour when agriculture could not have prospered without a tariff, as indeed it had prospered before our Government was organized, as it had prospered through all the prior ages of the world. Millionaire manufacturers have become so common as to excite no comment, while the agricultural masses have hardly a bare subsistence, the net earnings of the average farmer being about \$318 per year. And yet the Democrats are denounced as the enemies of the farmer because they have dared to take these treacherous duties from the principal products of the farm, have dared to show the farmer how he has been betrayed. The Democratic deliverance of the farmer from the grasp of protection might well have been in the contemplation of Ezekiel when he said:

And the tree of the field shall yield her fruit, and the earth shall yield her increase, and they shall be safe in their land, and shall know that I am the Lord when I have broken the bands of their yoke and delivered them out of the hands of those that serve themselves of them.

And they shall no more be a prey to the heathen, neither shall the beasts of the land devour them; but they shall dwell safely and none shall make them afraid.

Sir, there is nothing nobler in the range of human enterprise than the promotion of agriculture, the advancement of the farm.

"Ah! the city may lure and attract us,
But the country is God's. It is life
With the peace and the sanctified service,
Which mark what His angels call life."

And I can conceive of nothing more outrageous than this Republican tariff system which despoils the farmer while claiming to protect him.

I now desire to examine the principles that should govern the construction of a tariff act from the Democratic viewpoint. It has not been possible to make an unqualified application of these principles in the pending bill because we are confronted by abnormal conditions resulting from 50 years of Republican misrule and calling for gradual processes. In certain instances, however, where abuses have become so flagrant as to demand radical action, or where existing duties are without the semblance of excuse, we have not refrained from an immediate transfer to the free list. I shall now undertake to give my conception of the rules that should be followed in the enactment of a Democratic tariff law were we in position to wipe out all existing rates and put these rules into instant operation.

Before discussing these rules, however, let us examine briefly the nature of tariff taxes. Among the principal abuses arising from a protective-tariff system are privileges for the few, an unjust distribution of tax burdens among the many, extravagance and corruption in Government expenditure. It is possible to arrange tariff rates in many instances so as to modify the first evil until it reaches insignificant proportions. It is not possible to arrange tariff rates in so far as they affect prices in such manner as not to discriminate against the masses. A tariff tax is a tax on consumption, and the rich man need consume no more than the poor man in order to sustain life and

acquire its comforts. Rich and poor will, as a rule, contribute equally to the support of the Government under a system of tariff taxes. The discrimination is as inevitable as it is vicious. Moreover, the very fact that tariff taxes are levied indirectly lessens the legislator's sense of responsibility, breeds extravagance, and invites corruption. Even the benefits of the tariff from the standpoint of protection for producers are not capable of equal apportionment.

The benefits of a tariff tax depend on the amount and value of the importation on which the tax is levied and can not be apportioned like a property tax or according to the generally understood principles of taxation. For the same ad valorem tariff tax to confer equal benefits on two articles the corresponding importations must be practically identical with the articles with which they are respectively expected to compete, and each importation must be of sufficient volume to affect prices of the parallel home article to the same extent. For instance, raw wool from Australia may shrink only 52 per cent, while the raw wool with which it is supposed to compete here may shrink fully 80 per cent and may vary in weight, fineness, elasticity, strength of fiber, working quality, and so forth, to such an extent from the Australian article as to be adapted to a different use in cloth manufacturing and may not be affected in price by the advent of its supposed competitor, at least not to the extent of the duty.

On the contrary, the same tax may be levied on dress goods resembling the domestic article so clearly as to be an exact substitute and raise the price by the entire amount of the duty. That the volume of importation should be sufficient in both cases to affect the price and must continue so requires no explanation. For specific tariff taxes on two articles to give equal benefit the articles must be equal in value to begin with and must continue so. The articles on which ad valorem taxes are levied need not be equal in value to begin with to give the same proportionate benefits, but the initial proportion must continue. If a house goes down in value, the proper authorities will lower the property tax on proper proof. If an article on which a tariff is laid goes down in value, the machinery of government will not be stopped to adjust the tariff tax in reference to that article alone. Again the same conditions as to value must exist as to difference in cost of production at home and abroad. When we remember that there are 4,000 articles in the various tariff schedules, with varying volumes of competing importations, volumes varying from year to year, with varying differences in cost of production at home and abroad, that these articles are of varying value and of varying character and of varying susceptibility to the price-raising influences of the tariff, the impossibility of spreading tariff taxes over the class of protectable commodities in such manner that tariff benefits will be equally distributed becomes so evident as to require no further argument. Furthermore, the tariff tax, being levied on articles imported from foreign countries, not only raises the price paid by the actual buyer of the imported articles, but the price of every similar article used in this country, if it represents more than the difference in cost of production at home and abroad. The importer pays the excess occasioned by the tariff charge to the Government for revenue, while the owner of similar articles in this country puts the excess he is thus licensed to charge in his own pocket.

A direct property tax possesses no such characteristic. Let it be kept in mind that only a limited number of people in this country produce articles that are subject to the protective operation of a tariff tax. Consequently a tariff tax is a double evil, in that it tends to burden the poor equally with the rich, while in the very nature of things it can benefit only the class owning the articles that may be benefited by it, and, as we have seen, even these benefits are incapable of equal distribution among the privileged class. How empty, Mr. President, is the declaration we sometimes hear, "If the tariff is a blessing, let it be equally shared; if a burden, let it be equally borne." Neither the blessings nor the burdens of tariff taxation are capable of equal distribution. For this reason I would welcome the abolition of the tariff as a permanent system of taxation as soon as practicable. For these reasons I say that the true Democratic tariff act is the act that confines tariff evils within the smallest possible limit.

How, then, shall we levy tariff taxes so as to make them least burdensome to the people, least beneficial to the favored class, and at the same time productive of the needed revenue? Democrats believe that a tariff should be levied for revenue only, because the Government has not the right to take one penny of the people's earnings except for the expense of government economically administered. To achieve these ends I believe that the tariff taxes needed to produce a given amount of revenue should be distributed over all products capable of furnishing

revenue, except products which for particular reasons should be subjected to no tax whatever. The larger the number of articles we tax, the smaller becomes the tax that may be placed on each and the smaller becomes the element of protection. That celebrated Democrat, Robert J. Walker, in his first annual report as Secretary of the Treasury, in December, 1845, laid down the following rules for the preparation of tariff laws:

First. That no more revenue should be collected than is necessary for the wants of the Government economically administered.

Second. That no duty be imposed on any article above the lowest rate which will yield the largest amount of revenue.

Third. That below such rate discriminations may be made descending in the scale of duties; or, for imperative reasons, the article may be placed in the list of those free from all duty.

Fourth. That the maximum revenue duty should be imposed on luxuries.

Fifth. That all minimum and all specific duties should be abolished and ad valorem duties substituted in their place, care being taken to guard against fraudulent invoices and undervaluation, and to assess the duty upon the actual market value.

Sixth. That the duty should be so imposed as to operate as equally as possible throughout the Union, discriminating neither for nor against any class or section.

It will be observed that in rule 3 Walker holds in effect that discriminations may be made in the imposition of duties on various articles, even to the extent of placing some on the free list, while others remain on the taxed list, no duty, however, to be above the lowest rate that will yield the largest revenue. In rule 6 he asserts in effect that the duty on any particular article shall be so imposed as to operate as equally as possible throughout the Union, discriminating neither for nor against any class or section. In another part of this report he gives instances of duties in the Whig tariff of 1842 that were so laid as to operate unequally and with discrimination, and he evidently had such instances in mind when he announced rule 6. It will be best to use his own language:

Thus, by the tariff of 1842 a duty of 30 per cent ad valorem is levied on all manufactures of cotton; but the law further provides that cotton goods "not dyed, colored, printed, or stained, not exceeding in value 20 cents per square yard, shall be valued at 20 cents per square yard."

If, then, the real value of the cheapest cotton goods is but 4 cents a square yard, it is placed by the law at the false value of 20 cents a square yard and the duty levied on the fictitious value, raising it five times higher on the cheap article consumed by the poor than upon the fine article purchased by the more wealthy. Indeed, by House Document No. 306 of the first session of the Twenty-eighth Congress this difference by actual importation was 65 per cent between the cheaper and the finer article of the 20 per cent minimum, 131 per cent on the 30 per cent minimum, 48½ per cent on the 35 per cent minimum, 84 per cent on the 60 per cent minimum, and 84 per cent on the 75 per cent minimum. This difference is founded on actual importation and shows an average discrimination against the poor on cotton imports of 82 per cent beyond what the tax would be if assessed upon the actual value. The operation of the specific duty presents a similar discrimination against the poor and in favor of the rich. Thus, upon salt, the duty is not upon the value, but it is 8 cents a bushel, whether the article be coarse or fine, showing by the same document, from actual importation, a discrimination of 64 per cent against the cheap and in favor of the finer article; and this, to a greater or less extent, is the effect of all specific duties.

Rule 3 applies to the distribution of duties from the standpoint of benefits to producers, recognizing that lower rates may be placed on some articles than on others and that there may be a complete removal of the tariff on some articles, while others are still taxed. It is equally evident that rule 6 applies to the operation of a duty on consumers after it has been laid, holding that it shall not be imposed so as to discriminate against classes or sections. In the quotation I have used Mr. Walker shows how minimums and specific duties discriminate against the poor and against those sections where cheaper grades of the articles he describes may be most largely used. Considered in connection with rule 5, rule 6 is evidently intended to justify ad valorem duties as a substitute for minimums and specific rates.

Indeed, after discussing minimums and specific duties in the excerpt I have given from his report, he proceeds to show how a tax upon the actual value would be the most equal and could only be accomplished by ad valorem duties. It is astounding that the advocates of taxed raw materials within the Democratic Party should cite the Walker rules as a basis for the assertion that as long as a tax is placed on the manufactured article it should also be placed on the raw material. As we have seen, rule 6 has no application to the distribution of duties on various articles from the standpoint of protective benefits, but applies only to the operation of a duty among consumers on a particular article. Rule 3 applies to the apportionment of duties, and plainly recognizes that certain articles may be singled out for the free list while others bear a tax; that lower taxes may be placed on some articles than on others; discriminations among commodities being thus declared permissible, no duty, however, to be above the lowest point at which it will yield the largest amount of revenue.

Mr. President, there is a broad and just philosophy underlying the Democratic position that tariffs should be adjusted from the standpoint of the people as a whole. The welfare of the whole is superior to the welfare of the one or the few. All the people of the United States do not produce articles subject to protective benefit. Only a small part, comparatively speaking, produces such articles, whether raw materials or finished products. Not an individual in the class subject to protection has a right to ask the Government to place a tariff on the import competing with his own product, because to the extent that such a tariff is protective it is a license to plunder. The American people, however, have a right to place the tariff where it will be least burdensome to them.

It is now proper to discuss the reasons for placing certain articles on the free list. It is my conviction that the basic necessities of life and the basic necessities of industry should not be subjected to tariff taxation. Bread, meat, the more common grades of clothing, of headwear and footwear, fertilizers, agricultural implements, the principal seeds, medicines in general use, lumber, coal, iron ore, wool, hides, and the like should, in my judgment, go to the free list. A tax on such articles is a burden on the Nation's inhabitants and the Nation's industries at the very source of their existence. It is a handicap on the daily lives of the masses and on the development of our resources. We have been able to place most of these articles on the free list in the present Democratic bill; the rest will follow in due time.

The raw materials of manufacture should be placed on the free list because a lower duty may then be placed on the finished product than would be the case with taxed raw material and the protective element minimized as far as possible. That tax is lightest which is levied on an article in the finished shape because it is then in the stage of manufacture nearest the people. If the tax is levied on an article in its earliest stage of production interests and profits are added to the amount of the tax every time the article passes through different hands on its way to the people. And so the tax grows at a compound ratio as to interest and profit until the people are reached. Let us suppose that a tax is placed on iron ore and coal. The iron ore is converted into pig iron, pig iron is converted into steel, steel into cutlery, and the cutlery passes from manufacturer to jobber, from jobber to retailer, from the retailer to the people. Even if no intermediate taxes were levied, the original tax would probably have doubled through the compounding of interest and profit every time the original article changed hands in passing through the various processes on its way to the people. Suppose a tax is placed on hides. The hides go to the packer or the tanner, then to the various leather manufacturers, and then in finished form to the jobber, the retailer, the people, and the same process occurs. Clearly the tax should be placed on an article in the stage of development nearest the people in order to bear least heavily upon them.

There are additional reasons for putting raw materials of manufacture on the free list where foreign countries admit similar articles free of duty. For instance, England, France, Germany, Austria, Italy, and perhaps other countries whose woolen mills are the chief rivals of our own admit raw wool without a tax. The woolen mills of these countries could undersell American factories in America as well as in foreign markets with their raw material untaxed and ours taxed. Whatever advantage the American producer of raw material might derive from the tax would be more than overbalanced by the loss of his home market and the necessity of sending his goods abroad. In fact, the disappearance of factories here would stop importations of raw wool, and the tax would amount practically to nothing from the standpoint of revenue. It is to the immediate interest of the American woolgrower that nothing be done to impede the conversion of his raw material into the finished product in his own country. A tax on raw wool alone would amount to the completest kind of protection for the foreign manufacturer. With taxed raw material and no compensating duty on the finished product the manufacturer would not only be helpless here against foreign competition, but still more helpless abroad. Raw material is useless unless it can be converted into the finished product; both finished product and raw material are valueless unless the finished product can be advantageously sold at home and abroad. The proper compensation of the manufacturer for the tax on raw materials involves a larger tax on the finished product on account of interest, profits, and charges connected with carrying the raw-material duty. To place the manufacturer in the same position as if he had free wool in order to put him on the same basis in this regard with foreign competitors he must be reimbursed for interest on the amount expended for and the loss connected with

carrying the duty on the raw material, and so the initial tax begins to grow. Furthermore, if the duties are divided equally between the finished product and the raw material, nothing has been gained, so far as the foreign market is concerned, because the duty on the finished product is without effect abroad.

The handicap of the tax on raw materials fetters American industry in every market where competitors are freed from such restrictions. Observe the experience of the Democratic caucus of the House of Representatives in the last Congress. The Democratic majority of the Ways and Means Committee finally decided to put a tax of 20 per cent on raw wool. After a close examination of the effect of this duty on the woolen industry they found the compensating element could not be avoided, and the result was a recommendation by a Democratic committee of a tax of 44 per cent on woolen goods. The La Follette measure of last year and of this year recognizes the same condition and puts a much higher duty on woolen goods than on raw wool.

If the tax on raw material leads to such conditions when a revenue basis is the object in view, to what possible extremities will an avowedly protective arrangement lead? A brief history of the present Republican duties on raw wool and on woolen goods will show the accumulative results of a tax on wool, the relation of raw wool to the finished product, and the relation of a tax on wool to the whole system of protection. On December 13, 1865, the woolgrowers and the wool manufacturers of the United States held a convention at Syracuse, N. Y. After discussing conditions this convention addressed a memorial to the Federal Revenue Commission, which was then gathering tariff data throughout the country for the information of Congress. The memorial requested equal encouragement and protection for both woolgrower and wool manufacturer. It recited the fact that the tariff of 1846 had placed a duty of 30 per cent on both wool and woolens and stated that this was unfair to the manufacturers in that it left them without protection against foreign rivals who had free wool. The tariff of 1857, which practically placed wool on the free list and a duty of 24 per cent on the finished product, was referred to, but it was stated that this tariff did not remain in force long enough to secure permanent results.

It was then stated that the tariff of 1864 had been framed with a view to placing grower and manufacturer on an absolute equality. Regarding this and other Republican measures, the memorial said:

The object sought in these bills was to give a sufficient protection to the woolgrower and to place the manufacturer in the same position as if he had his wool free of duty. A duty supposed to be sufficient to protect the woolgrower against wools competing with his own was placed on such wools and such a specific duty was placed on woolen clothes as was supposed to be sufficient to reimburse the manufacturer for the amount of the duty placed on the wools. The ad valorem duty on woolen goods was added to reimburse to the manufacturer the expense of carrying the duty on wools, the internal taxes, the duties on drugs and other materials used in manufacture, and to furnish the required protection.

The memorial then asked for a duty of not less than 10 cents per pound and 10 per cent ad valorem on raw wool and a duty on woolens equal to 25 per cent net; that is to say—and I quote the exact language:

Twenty-five per cent after reimbursing the amount paid on account of duties on wool, dyestuffs, and other imported materials used in such manufacture, and also the amount paid for the internal-revenue tax imposed on manufactures and upon the supplies and materials used therefor.

So we find the woolgrower joining with the manufacturer in asking that the manufacturer be placed in the same position as if he had free wool on account of the untaxed wool of foreign rivals and consenting to enormous compensatory and protective duties on woolen goods in order that the woolgrower himself might have what he considered protection. The woolgrower recognized the necessity of placing the manufacturer on an equal basis as to raw material with foreign competitors, in order that the industry might be preserved here as well as abroad and a market maintained here for raw material, but in order to secure protection for himself he consented to the higher tariffs on the finished product which his own duty necessitated, thus placing the expense of maintaining that equal basis on the American people. The same object of an equal basis could be obtained at far less expense to the American people by admitting raw wool free in the first place, and by placing the lowest possible revenue charge on woolen goods.

The tax on woolen goods could then be levied, if levied at all, solely from the standpoint of revenue as soon as practicable, and would have in it no element of compensation or of interest on a prior tax. The appeal of the Syracuse convention of woolgrowers and wool manufacturers resulted in the tariff of 1867, and the growers and manufacturers have stood together ever

since in fostering a system of inordinate and cumulative taxation on the American people.

In the tariff of 1867 the scheme of wool and woolen duties was adopted which has obtained in Republican tariff legislation ever since. Wool was divided into three classes—carpets, clothing, and combing wool. Carpet wools are not produced here, because the same labor and expense will make finer grades, but a tax was levied on them nevertheless. The duty on carpet wools was fixed at 3 cents per pound if costing 12 cents or less, 6 cents if costing more. Clothing wool has a comparatively short fiber; it is carded for spinning, and is used in making cloths, cassimeres, and other common woolen fabrics. Combing wool has a longer fiber. It is combed and machined for spinning, and is used in making worsted goods and other fabrics of soft and fine texture. Clothing and combing wools valued at 32 cents a pound or less were taxed 10 cents per pound and 11 per cent ad valorem in the act of 1867; valued at over 32 cents, 12 cents a pound and 10 per cent ad valorem. These duties amounted to about 11 cents a pound on an average and equaled a duty of about 50 per cent on imported wools. Now, observe what happened. In arranging the duty on woolen goods it was calculated that 4 pounds of unwashed wool were needed to make a pound of cloth, and the manufacturer was compensated on this basis in figuring the duty on the finished product, when in reality it takes only 3 pounds to make a pound of cloth. He was also compensated on the same basis for the interest on the duty on raw wool. He was also given a compensation of 10 per cent for the internal-revenue taxes he was paying at that time. The internal-revenue tax was soon repealed, but the woolen manufacturer has been getting a compensation for the tax ever since. He was also compensated for duties on drugs, dyestuffs, and oils.

The final result was a specific tax on woolen goods of 50 cents a pound to compensate for raw materials on the fictitious basis described, an ad valorem duty of 10 per cent to offset the internal-revenue tax, although this internal-revenue tax was soon repealed, and a further ad valorem duty of 25 per cent for net protection. Indeed it was a net of protection in which the consumer was to be hopelessly entangled. These ad valorem duties on woolen goods were actually increased in the Republican tariff acts of 1883, of 1890, and of 1897, reaching 55 per cent in the act of 1897 in addition to the specific duties, at which point they remain on an average in the Payne-Aldrich law of to-day, some kinds of woolen goods, such as blankets and flannels, running as high as 90 per cent and even higher. The rates on raw wool have remained practically stationary. The woolen schedule, with its terrible injustices, has remained practically intact in Republican tariff legislation because of the deceptive bid the tax on raw wool makes for the support of the farmers who grow wool throughout the United States. It is largely through this raw-wool tax that the support of the agricultural masses in large sections of the country has been gained for the whole system of protection in connection with the empty taxes on most of the other agricultural products. It is for this reason that the wool tax is so justly called the keystone of the protective arch. Support for other schedules is given in return for support of the woolen schedule, and thus the whole system is preserved. To keep its hold, protection must be passed around. Take off this treacherous tax on raw wool and the backbone of protection will be broken. Take off the tax on wool and you can take down the entire pyramid of compensatory duties that has been built on it, and the way will be cleared for the lowest possible revenue duty on woolen goods and for free woolen goods at the earliest practicable moment. Keep the tax on wool and you must add its equivalent with interest on woolen goods, and whether you desire a revenue or protective duty the result is protection with its untold evils for the country.

It is said by some that if woolen goods should decrease in price they will displace cotton goods and thus depress the value of cotton goods and of raw cotton. In my judgment this contention can not be sustained. If a pound of wool and a pound of cotton made an equal amount of cloth of equal adaptability to human needs, there might be some foundation for the argument. As a matter of fact a pound of cotton will make as much cloth as 2 or 3 pounds of wool. Before wool could begin to displace cotton it would have to decline in value below the cost of production, and this would stop production. Figuring cotton at 12 cents a pound, for an example, 2 pounds of wool, in order to compete with a pound of cotton, would have to drop to 6 cents each, 3 pounds to 4 cents each. It should be stated that cotton is so much more adaptable to varying climates and conditions than wool and is developing so many more uses that it would be safe from displacement by wool even if it brought in the neighborhood of the same price per pound. Cotton goods

are much more easily printed than woolen goods and may be dyed as successfully. Cotton is being made into good substitutes for linen and silk. Many thousands of bales are now annually used to furnish material for the tires of automobiles. It is the principal clothing material for the many millions who reside in latitudes where wool can not be worn. In fact, cotton has been displacing wool as an article of wear for a century. As early as 1837 it began to be mixed with wool in the making of woolen goods, when the cotton warp revolutionized the worsted-woolen industry. In the last 40 years the use of cotton in the making of woolen goods has grown more rapidly than the use of raw wool itself. The cotton thus used increased from 40,000,000 pounds in 1840 to 309,000,000 pounds in 1905. In making hosiery and knit goods 4 or 5 pounds of cotton are used to 1 pound of wool.

The use of cotton has become so intimately interlinked with the use of wool that a demand for wool is to a substantial extent a demand for cotton. The lower the price of wool becomes the more will it be mixed with cotton to make "mixed goods," and thus the demand for cotton will be increased. The same is true as to silk and flax, which are also used to a large extent in combination with cotton. In every decade of the nineteenth century, excepting that from 1860 to 1870, the consumption of cotton exceeded the consumption of wool, although from 1890 to 1900 raw wool reached its lowest price. The consumption of raw wool increased from 85,000,000 pounds in 1860 to 378,000,000 in 1890, to 412,000,000 in 1899, and to 559,000,000 in 1909, while that of cotton increased from 42,000,000 pounds in 1860 to 1,302,000,000 in 1890, to 1,923,531,948 in 1899, and to 2,464,932,280 pounds in 1909. Cotton is rapidly supplanting wool not only here but in England and throughout the world. Wool has everything to fear from cotton, cotton nothing to fear from wool. I wish to call attention here to a remarkable inconsistency on the part of our Democratic friends who oppose free raw material. They tell us that free raw material is a mere gift to the manufacturer to the amount of the tax removed; that he will keep the price of the finished article as high as ever. They then tell us that free wool means cheaper cotton; that it will cause woolen goods to sell at cheaper prices and cause the displacement of cotton goods by woolen goods. Another error is involved in the argument that the lower prices resulting from the Democratic tariff bill, which places many important raw materials on the free list, will mean lower profits and cheaper wages, and in the utterly unjust assertion that the Democratic Party is remitting the taxes on raw materials of manufacture and agricultural products in order to reimburse the manufacturer for the lower profits and the factory operatives for lower wages. As a matter of fact, cheaper prices do not necessarily mean either lower profits or cheaper wages. The success and growth of great business enterprises depend on the volume of sales rather than on high prices in particular sales. Relatively speaking, the lower the price the larger will become the number of sales and more money will be made by lower prices and more numerous sales than by larger prices and fewer sales. The lower prices of woolen goods resulting from free wool may easily increase the volume of sales to such an extent that neither wages nor general profits will suffer.

As an illustration of what I have said regarding the volume of business, I wish to refer to the fact that railroad freight rates are much lower than they were 30 or 40 years ago, but profits are greater on account of the increased amount of goods to be transported.

In this connection let me say that it is as much a part of the free raw material program of the Democratic Party to reduce duties on the finished product to the lowest competitive revenue basis as it is to take the tax from the raw material. In fact the very object of taking the tax from the raw material is to be placed in position to take the purely protective element out of the duty on the finished product as far as possible, and to reduce the latter to the lowest competitive revenue point. Consequently the plan suggested by Alexander Hamilton in his famous report on manufactures, which contemplated free raw material in connection with essentially protective duties is not a plan with which free raw material Democrats sympathize in any sense whatever. Consequently, when we were given an opportunity to vote only for free hides during the consideration of the Payne-Aldrich bill in the House of Representatives without a chance to reduce the Republican duty on the finished product, I voted to retain a 10 per cent tax on hides in the place of the existing tax of 15 per cent. Later, on a motion to recommit the bill in order that both hides and the finished product of hides might be placed on the free list, those of us who favored free raw material voted in the affirmative. It would be useless to remove a purely revenue duty from a raw material if an essentially protective duty is to be retained on

the finished product and no corresponding reduction is to be made in the latter. The object of the Democratic doctrine of free raw material is the removal of protection from the finished product or its reduction to the smallest possible limit.

Let me allude here to a most significant fact in connection with the three great industries of woolen manufacture, of iron and steel manufacture, and of leather manufacture. The industry with the highest protection of the three and with the smallest export trade has the highest tax on its raw material. The tax on raw wool in the Payne-Aldrich law is nearly 50 per cent, the tax on iron ore about 6 per cent, while hides are on the free list. The high tax on raw wool is one of the main causes of the exorbitant tax on woolen goods and prevents the woolen manufacturer from selling abroad to any great extent in competition with foreign manufacturers who have free wool. The exceedingly low tax on iron ore and the absence of a tax on hides made possible the lower duties on the finished product of the metal and leather industries even in a Republican tariff law and the final remission of all duties on the finished products of the latter in the bill now under consideration. I would continue this process until all finished American products were on the free list or under a purely revenue duty. If revenue considerations should make it necessary permanently to retain a duty on the finished product and it should be demonstrated that this duty carried substantial protection, I would levy an internal-revenue tax on the finished product exactly equal to that protection, after giving the owner a fair chance to adjust himself to new conditions. In this bill we have placed iron ore on the free list and made still lower reductions in the rates on articles of iron and steel. The fact is frequently mentioned that after hides were put on the free list leather goods went up in price. Leather goods went up because of an increased demand throughout the world and the development of new uses for leather; but hides also went up, and there can be no doubt that leather goods would be still higher to-day were hides not on the free list.

The great commoner, John H. Reagan, a former Senator from Texas, stated the Democratic position on this subject perfectly in this Chamber on August 14, 1890. He was asked this question by Senator Mitchell:

Would the Senator permit raw material to come in free of custom rates—any raw material at all?

Mr. Reagan replied:

I would permit raw materials to come in, and perhaps I ought to qualify what I have said by remarking that I would do so on condition that the duty on the manufactured product should be lowered in proportion to the advantage obtained from the receipt of raw material free of duty.

There is absolutely nothing in the Texas Democratic platform of 1896 to contradict this position. That platform denounced the free admission of raw materials and the retention of heavy duties on the finished product, and this is in exact accord with my position. On April 12, 1888, Senator Coke, of Texas, said in this Chamber:

Give us free, untaxed machinery and free raw materials, such as coal, ore, wool, jute, and other textile products, these being the bases of manufacture, a tariff devoted solely to raising revenue for the support of the Government [and we] will doubly protect the American workman's wages and send our cheapened goods without handicap to the foreign markets to meet and defy the competition of the world.

It has been said by the advocates of taxed raw materials within the Democratic Party that the idea of free raw material originated in the Whig tariff of 1842. As a matter of fact, the Whig tariff of 1842 put comparatively few materials of importance on the free list and put practically all the principal raw materials on the taxed list, as follows: Wool, mohair, cotton, raw silk, hemp, jute, flax, coal, raw hides of all kinds dried or salted, raw sugar, salt, lumber, lead ore, and iron ore. This Whig tariff actually put a duty of 3 cents a pound on raw cotton. So the contention that the Whig tariff of 1842 put raw materials on the free list and that the only difference between the Whig and the Democratic Parties at that time was the one question of taxing raw materials, the Democrats taking the affirmative, the Whigs the negative, vanishes utterly.

Again it is urged by the opponents of free raw materials within the Democratic Party that the motion of the Whig leader in the Senate to recommit the Democratic tariff law of 1846 raised the direct issue of free raw material, the Whigs favoring it, the Democrats opposing it. It is only necessary to quote the language of the motion to recommit. It was made on July 27, 1846, by Senator J. M. Clayton, of Delaware, and was as follows:

That the bill be committed to the Committee on Finance with instructions to remove the new duties imposed by said bill in all cases where any foreign raw material is taxed to the prejudice of any

mechanic or manufacturer, so that no other or higher duty shall be collected on any such raw material than is provided by the act of August 31, 1842.

It will be seen at once that this motion was merely to substitute the raw material duties of the act of 1842 for the raw material duties of 1846. It did not remotely raise the issue of free raw material, because practically all the principal raw materials were taxed by the act of 1842. It can not properly be said therefore that in voting against this motion to recommit Benton, Houston, Rusk, and others voted against free raw materials. In mentioning famous Texans who have ably supported the Democratic doctrine of free raw materials, I would not omit the great names, the stainless names, of Senators Roger Q. Mills and Horace Chilton, former Members of this body. I challenge the assertion that the advocacy by these gentlemen of free raw materials was the principal issue in their last campaigns. Both of them withdrew from their respective contests at so early a stage that no single question could fairly be said to have been a determining one, and it is certain that other issues than the tariff had at least an equal prominence while the contests were in progress, notably the money question in the case of Mr. Mills, the oversea expansion question in the case of Mr. Chilton.

I repeat that the reduction or removal of high protective duties on finished products is as fundamental a part of the Democratic program as free raw materials. The accomplishment of this program will provide a tariff system involving the least possible burden for the American people. It will restore competition and remove one of the chief sources of combination and monopoly. We say that the proper way to destroy protective duties is not to create other duties but to lower or to remove the protective ones. We say that the proper way to remove discrimination is to narrow it as much as possible and not to enlarge or emphasize it.

Wherever we do not make enough of a material to supply home manufacturers, where importations must be had from abroad to such an extent as to affect home prices, where the manufacturer's cost of production is enhanced by the tariff on raw material, and where foreign manufacturers competing with us at home and abroad get their raw materials free of duty and are thus enabled to paralyze the home industry and the home market for the raw material, thereby injuring both home producer and home manufacturer, unless compensating duties are given the home manufacturer, the duties should be taken from the raw material in order to make it possible to take protection from the finished product or to neutralize it to the greatest possible extent.

Let me call attention here to the belief entertained in some quarters that raw materials of manufacture are produced solely on the farm.

Let us enumerate some of the raw materials of manufacture that are not produced on the American farm. They are antimony ore, asbestos, bones, raw chemicals including raw sulphur, copper, asphaltum, coal, cork, minerals for fertilizer, raw furs, grease and oils, rubber, iron ore, ivory, manganese, nickel ore, platinum, plumbago, tanning materials, unmanufactured shells, raw silk, lead ore and lead bullion, and mica. And yet the advocates of taxed raw materials want the farmer to vote to add a tax on all these articles, the finished products of many of which are used by him so largely in the conduct of his business and in the support of his family, to subject himself and the rest of the people to the burdens of additional tariff taxation on the theory that he is preventing discrimination against himself.

There are still other reasons for putting raw materials, such as iron ore, coal, lumber, and the like, on the free list. Our stock of these is either limited or being rapidly depleted, and all the reasons for the conservation of natural resources clamor for the removal of all restrictions on the importations of such articles. We should be able to draw upon the world for such commodities as easily as possible, and in order to conserve our own supply as well as to strengthen our industries.

It might be well to say here that every Democratic tariff law and every Democratic tariff bill bearing the party's official stamp in the history of the United States has, with the sole exception of the woolen bill in the last Democratic House, has put important raw materials of manufacture on the free list. That woolen bill was accompanied by a resolution stating that it was not to be considered a reversal of the traditional Democratic policy on this subject, but was framed under pressure of revenue necessities.

The first general Democratic tariff law, the Madison tariff of 1816, placed on the free list clay, raw copper, brass and tin in pigs and bars, hides and skins, sulphur, zinc ore, and unmanufactured woods of all kinds.

The tariff of 1824 did not disturb this free list.

The tariff of 1832, enacted under Jackson, put on the free list coarse, unmanufactured wool, raw flax, raw rubber, raw ivory, many raw chemicals, as well as the articles already placed on the free list by the tariff of 1816.

The tariff of 1846 put on the free list raw copper, raw platinum, and other articles. This tariff law placed such a low tax on the other principal raw materials and so large a tax in comparison on their finished products that McDuffie, a prominent Democratic Senator, said in the debate on this law that its raw material taxes were insignificant; that he was almost as willing to have left them out as to have left them in.

The tariff of 1857 put wool valued at not more than 20 cents a pound on the free list, and this virtually meant free wool. The imports of raw wool free of duty under this tariff law averaged nearly 29,000,000 pounds during the life of the law, while the remaining imports of raw wool averaged less than 1,000,000 pounds annually. This great Democratic tariff law also put on the free list crude tartar, bismuth, raw dyeing and tanning materials, brass bars and pigs, copper bars and pigs, and other forms of raw copper, flax, glass for remanufacturing, raw ivory, raw platinum, raw silk, and tin bars and pigs.

The Morrison tariff bill of 1884 put on the free list coal, lumber, salt, and wood unmanufactured.

The Morrison tariff bill of 1886 put on the free list lumber, salt, wool, flax, hemp, jute, and other raw materials.

The Mills bill of 1888 put on the free list wool, hemp, flax, and lumber.

In 1892 Mr. Springer, chairman of the Democratic Ways and Means Committee of the House of Representatives, reported a wool tariff bill placing wool on the free list and lowering duties on woolen goods. The Wilson tariff law of 1894, as it passed the House, put on the free list wool, iron ore, and coal; and as it finally became a law provided for free wool.

The farmers' free list bill of the last Democratic House put lumber on the free list, and the iron and steel bill of that House provided for free iron ore.

Mr. President, the Democracy presents in the Underwood-Simmons tariff bill a definite, substantial, and beneficent revision downward of the Payne-Aldrich tariff rates. It substitutes the best tariff law since 1837 for the worst since God created the heavens and the earth. It is a blow against monopoly and greed, a blow that finds a mournful echo in the lamentations on the other side of this Chamber. It brings the Nation nearer to its original ideals. It makes a remarkable stride toward equity in tariff legislation. It brings wider opportunity and larger hope to the multitudes bowed down. It sends a message of encouragement to factory and farm, to shop and mine. It strengthens the foundations of our institutions. It puts new confidence in the souls of men.

And as this bill pursues its march of triumph through the American Congress the attention of the American people turns to that unassuming figure at the Nation's head, that exemplar of justice and of love, that marvel of patience and of power, Woodrow Wilson. To his genius and his courage must be attributed the elements in this measure that do most to break the sway of privilege. And what a glory of all glories arises from the fact that by his side there stands the man who for more than 20 years has proclaimed as fundamental features of true tariff legislation the fundamental features of this bill, who has been the chief defender of the doctrine that freedom of life's necessities and of the basic materials of industry from taxation is essential to the least oppression in a tariff law, whose character and whose eloquence illustrate the purest purposes that ever animated a human heart, Democracy's rock of ages, William Jennings Bryan.

APPENDIX.

Table showing values, importation, and exportation of and revenue derived from 16 principal agricultural products during the last 4 fiscal years.

	Values.	Importation.	Revenue.	Exportation.
1909-10.				
Cotton (growth year of 1909)	\$688,350,000	\$15,816,000	(¹)	\$450,447,000
Cotton seed (growth year of 1909)	123,740,000	5,000	(¹)	406,000
Cattle (Apr. 15, 1910)	1,697,761,000	3,000,000	\$727,000	12,200,000
Corn (Dec. 1, 1909)	1,477,223,000	72,000	18,000	25,428,000
Cream (calendar year 1909)	119,967,000	578,000	37,000	(²)
Eggs (calendar year 1909)	306,689,000	111,000	41,000	1,260,000
Milk, fresh (calendar year 1909)	252,437,000	18,000	3,000	1,023,633

¹ Free.

² No returns; included in milk exports.

³ Includes cream and all forms of exported milk.

Table showing values, importation, and exportation of and revenue derived from 16 principal agricultural products during the last 4 fiscal years—Continued.

	Values.	Importation.	Revenue.	Exportation.
1909-10.				
Poultry, live and dead (calendar year 1909)	\$202,506,000	\$149,000	\$38,000	¹ \$597,000
Horses and mules (Apr. 15, 1910)	2,770,458,000	3,270,000	167,000	4,695,000
Oats (Dec. 1, 1909)	405,120,000	401,000	138,000	794,000
Hay (Dec. 1, 1909)	722,401,000	776,000	387,000	1,071,000
Sheep (Apr. 15, 1910)	233,664,000	697,000	98,000	209,000
Swine (Apr. 15, 1910)	436,603,000	21,000	3,000	47,000
Wheat (Dec. 1, 1909)	673,559,000	151,090	9,000	47,807,000
Potatoes (Dec. 1, 1909)	210,667,000	306,815	87,051	759,277
Total	10,321,145,000	25,371,815	1,753,051	546,843,910
1910-11.				
Cotton	820,320,000	24,776,800	(²)	585,319,000
Cotton seed	142,860,000	13,000	(²)	210,000
Cattle	1,647,395,000	2,953,000	702,000	13,164,000
Corn	1,384,817,000	28,000	8,000	35,961,000
Cream	151,046,000	1,873,000	117,000	(³)
Eggs	345,489,000	226,000	83,000	1,787,000
Milk, fresh	439,464,000	20,000	4,000	936,105
Poultry, live and dead	228,707,000	166,000	33,000	41,241,000
Horses and mules	2,804,340,000	2,366,000	117,000	4,915,000
Oats	408,388,000	42,000	16,000	833,000
Hay	842,252,000	2,544,000	1,347,000	1,033,000
Sheep	209,535,000	378,000	39,000	636,000
Swine	615,170,000	43,000	4,000	74,000
Wheat	561,651,000	26,000	6,000	22,040,000
Potatoes	194,566,000	235,847	51,448	1,535,630
Total	10,796,398,000	35,707,847	2,527,448	669,684,735
1911-12.				
Cotton	732,420,000	20,218,000	(²)	565,849,000
Cotton seed	127,420,000	22,000	(²)	727,000
Cattle	1,605,478,000	4,806,000	1,214,000	8,870,000
Corn	1,565,258,000	48,000	8,000	28,967,000
Cream	127,353,000	924,000	56,000	(³)
Eggs	294,768,000	157,000	55,000	3,396,000
Milk, fresh	419,749,000	6,000	1,000	245,000
Poultry, live and dead	220,174,000	154,000	33,000	493,000
Horses and mules	2,698,351,000	1,877,000	103,000	5,497,000
Oats	414,063,000	1,053,000	408,000	1,136,000
Hay	784,926,000	6,472,000	2,707,000	1,639,000
Sheep	181,170,000	147,000	20,000	627,000
Swine	523,328,000	10,000	1,000	159,000
Wheat	543,063,000	988,014	352,000	28,478,000
Potatoes	233,778,000	7,168,627	3,434,535	1,414,297
Total	10,471,899,000	44,050,641	8,482,535	647,387,297
1912-13.				
Cotton	\$792,240,000	22,990,364	(²)	547,357,000
Cotton seed	128,390,000	56,315	(²)	329,000
Cattle	1,572,428,000	6,550,258	1,764,660	1,177,000
Corn	1,520,454,000	470,176	129,769	28,801,000
Cream	136,450,000	1,008,109	62,368	(³)
Eggs	349,250,000	191,714	63,588	4,392,000
Milk, fresh	436,657,000	138,068	26,480	474,000
Poultry, live and dead	223,148,000	111,688	14,980	1,755,000
Horses and mules	2,823,467,000	1,605,254	79,330	3,960,000
Oats	452,469,000	289,760	108,916	13,206,000
Hay	856,695,000	1,504,319	621,527	964,000
Sheep	202,779,000	85,000	13,910	606,000
Swine	603,109,000	15,488	2,313	152,000
Wheat	555,280,000	419,781	135,523	89,036,000
Potatoes	212,550,000	807,600	85,055	1,646,000
Total	11,165,375,000	36,103,294	3,118,419	693,855,000

¹ Including dead game, in exports.

² Free.

³ No returns; included in milk exports.

⁴ Including dead game; also possibly \$100,000 to \$200,000 of "Other animals," in exports.

⁵ Included in "milk."

⁶ Including cream.

⁷ Mules, 734,000.

EXPLANATION.

The figures in the above statement as to values of cotton and cotton seed refer to production values for the growth years of 1909, 1910, 1911, and 1912, respectively; as to values of cream, eggs, milk, and poultry, the production values for the calendar years of 1909, 1910, 1911, and 1912, respectively; as to values of cattle, horses and mules, sheep and swine, the total value of all such animals in the United States on April 15 of the years 1910, 1911, 1912, and 1913, respectively; as to values of corn, oats, hay, wheat, and potatoes, the production estimated on December 1, 1909, 1910, 1911, and 1912, for the growth years of 1909, 1910, 1911, and 1912, respectively.

The total values of agricultural products for the years mentioned are larger than the total values given for agricultural products by the Secretary of Agriculture in his annual reports, because the estimates of the Secretary include only the yearly increase of cattle, horses and mules, sheep, swine, and wheat, while the above figures give the value of all such animals in the United States during the years indicated.

The figures for eggs do not include dried eggs or eggs in yolk, but the latter items are comparatively small.

Mr. PENROSE. Mr. President, I was necessarily absent from the Senate when the chemical schedule was under consid-

eration by this body, and, owing to some unexpected delays in the progress of the bill, it may be that I shall not be in the Senate when the bill is reported from the Committee of the Whole to the Senate. Therefore I desire to submit at this time a few observations upon the chemical schedule.

The chemical industry of the United States is of such overwhelming importance and its general success and welfare are so essential in the operation of manufacturing enterprises and in the prosecution of many industrial undertakings that it is impossible to let this bill pass without evoking from me some measure of protest. There may have been a time when chemicals and chemical compounds and mixtures were of interest only to druggists and physicians, but that time is past, and the enormous development of modern industry has brought about a situation where the production and manufacture of chemicals has become a sort of basic industry without which many manufacturing activities entirely unconnected with the chemical industry could not be carried on. Without resorting to detailed explanations or descriptions, and speaking for the moment in the terms of the tariff act, I may say that every schedule is dependent in some measure upon Schedule A, for in the production of innumerable articles covered by those various schedules some of the materials or products of Schedule A are used. This remark applies to the agricultural schedule with great force for our farmers must depend upon the chemists to discover or invent for them and to supply to them the various fertilizers upon which more and more the successful cultivation of our fields and farms must depend. The point of all this is that it is of the highest possible importance that we should have in this country a successful and well-established chemical industry, widely distributed over the land and distinguished by the variety of its productivity. That is to say, this country should be able to manufacture within its borders all kinds of chemicals and chemical products, and this country was in a fair way to attain this distinction if the policy of the tariff acts of 1897 and 1909 had been permitted to continue.

The chemical industry is in many respects a peculiar one, and it is owing in some measure to the peculiar conditions that exist in it that we have what might seem to some the phenomenon of steadily decreasing selling prices under the influence of protective duties. It is a well-established fact, the verification of which requires only a reference to the official figures, that following the imposition of protective duties upon chemical products and the establishment of competition from American manufacturers who were thus encouraged to start, the prices of a great many commodities have shrunk to a fraction of what they were when the European producers controlled our market because of the low rates of duty or the absence of any duty. Before leaving this particular topic and in order to call attention to the danger involved to the domestic industry by this wholesale reduction of duties, I wish to call attention to the fact that the chemical industry in the greatest chemical manufacturing country in the world, Germany, is very largely in the hands of huge combinations or syndicates or, as they would be called in this country, trusts. They absolutely dominate that industry, and, far from being frowned on by the governmental authorities, they are actually encouraged and favored. In fact the Prussian Government is a partner in the great potash syndicate which has its hands in the pockets of every farmer in this country. For these statements I have authority which will hardly be questioned on the other side, and I would refer to the report on Schedule A prepared by the Committee on Ways and Means of the Sixty-second Congress and presented to the House of Representatives in connection with the chemicals bill of 1912, H. R. 20182, Report No. 326. This is a very interesting report, and the facts concerning the German syndicate will be found beginning on page 378. Among the statements made, Mr. President, in that report, which I have in my hand, is the following. I quote from the report:

The causes which have brought about the phenomenal development of the German chemical industries are many and highly complex. They have formed the thesis of any number of more or less relevant investigations and economic studies though the results reached are far from being unanimous. This development of the chemical industry in Germany, though the most pronounced, is but part and parcel of the rapid development of German industries generally, and these have naturally extensively stimulated the growth of chemical manufactures.

Concerning the fact that these chemicals and manufactures of chemicals are absolutely under the control of trusts, cartels, and syndicates with the cordial cooperation of the German Government, I will, taking the facts from the report, call the attention of the Senate to the declaration in that report that—

The German chemical industry knows practically no competition between individual establishments engaged in the manufacture of the same products, and the elimination of competition and general tendency toward combination observable in all industrial countries, but especially pronounced in Germany, has in that country gone further in the

chemical and allied industries than in any other manufacture. This has been accomplished by the formation of "syndicates," "cartels," "selling associations," and to a lesser degree by the absorption of or amalgamation with rival concerns, formed secretly or openly for the purpose of controlling output and prices. The law puts no obstacle in the way of such consolidation, and in several instances governmental agencies operating large chemical establishments form a party to the agreements. The potash syndicate—

Upon which articles, as I have said, our farmers are so dependent—

In which several States of the Empire participate, amounts to a virtual monopoly. In 1896 Liefmann found among all of the German industries 345 "cartels," of which the highest number, viz, 82, belonged to the chemical industry, and for 1907 the number in that industry was estimated at 100. Practically all of the important manufactures of the chemical industries and many products of lesser importance are under some form of syndicate control, more or less strict, and more or less extensive as to production, prices, supply of raw materials, or division of territory. Chemical manufacturers lend themselves more readily to consolidation than any other, because within a given line the products from one source are not visibly different from those of other sources, and, on the same basis of purity, do not differ at all. The products therefore carry little, if any, individuality, which is the principal basis of competition. Quite a number of these organizations are bound by agreements of some kind to international "cartels," the object of which is to control the international markets.

Mr. President, it is obvious to me that the only protection which the American consumer has is the maintenance of the American industry against the tyranny of the German syndicate. Curtail or destroy the American industry and the American consumer, the men engaged in the arts and sciences and manufactures and the agriculturist will be, in many lines of chemical production vital and essential to his activity, at the mercy of the foreign syndicate international in character, aimed to control international trade, and be without the protection of American competition.

In the bill H. R. 20182, which was the bill of the last session, the majority party proposed a revision of the chemical schedule. The chemical schedule in the bill now before the Senate presents some striking departures from the provisions of H. R. 20182, but the same evil policy which underlaid the first attempt of the majority to tinker with this schedule vitiates the present bill. Analyses of both of these bills were made by an organization called the Manufacturing Chemists' Association, which comprises, I understand, a vast majority of American producers of chemicals, and as the criticisms of that association appear to me to be very well founded I shall quote them here:

Of the 97 different raw materials made dutiable under the proposed bill (H. R. 20182)—

That is the bill of the last session of Congress, coming over from the Democratic majority in the House of Representatives—

80 were entered free under the Payne Act of 1909. Of the remaining 17 articles the duty in almost every instance was increased from the rates under the existing law.

The census print further shows that the total revenue derived from Schedule A under the Payne Act for 1911 amounted to \$12,968,545, while the estimated revenue for a 12 months' period under H. R. 20182 amounts to \$16,170,157, or an increase in revenue of nearly \$3,500,000. This increased revenue, however, results entirely from the increase of rates on raw materials, the revenue from the above-mentioned raw materials under the act of 1909 amounting to \$1,826,955, while the estimate for a 12 months' period for the same raw materials under H. R. 20182 amounts to \$6,081,000, or an increase of approximately \$4,000,000. At the same time, under the proposed bill, the rates of duty on finished products are very materially decreased, with the estimated result that the revenue for a 12 months' period on finished products would amount to \$10,089,097, as against \$11,139,590 revenue under the act of 1909, or an estimated decrease in revenue by virtue of the decrease in rates on finished products of more than \$1,000,000.

Thus it is apparent that the estimated increase in revenue under H. R. 20182 comes entirely from a most radical increase in rates on raw materials, an increase so great that loss in revenue on finished products of approximately \$1,000,000, owing to a drastic decrease in the average rate from about 25 per cent ad valorem to about 16 per cent ad valorem, is not only offset, but a net increase in revenue is estimated of nearly \$3,500,000.

Regarding the present bill now under consideration, the association makes the following analysis:

The bill which recently passed the House (known as H. R. 3321) has made nearly 100 changes in the rates contained in H. R. 20182, not to mention changes in classification, etc.

Approximately 17 different raw materials, or groups of raw materials, which were free under the Payne Act and which were made dutiable under H. R. 20182, with a total estimated revenue of nearly \$1,000,000, have been restored to the free list by H. R. 3321. Approximately 13 different raw materials, or groups of raw materials, which were made dutiable under H. R. 20182, with a total estimated revenue in excess of \$1,250,000, have received considerable reduction in the present bill, H. R. 3321. Thus the present bill is much less radical than the bill of 1912 on the question of taxing raw materials. Had the Ways and Means Committee stopped at this point the effect of these changes would have been to modify in some degree the bill of 1912.

The association calls attention, however, to the fact that in over 50 cases the rates on finished products, as established by H. R. 20182, have been very materially reduced by the provisions of the new bill, while an increase in rates has been made in less than 10 cases. These 50 cases of decreased rates involve articles which, according to H. R. 20182, already show an estimated revenue of approximately \$1,500,000. Furthermore, this decrease will again materially reduce the average

ad valorem rate of the chemical schedule which, by H. R. 20182, had already been reduced from 25 per cent ad valorem to 16 per cent ad valorem.

The other changes in the bill relate largely to classifications, phraseology, etc., many of which are beneficial; but in this connection the association points out that in 18 different cases the new bill has omitted the provision for a minimum specific duty in the alternative for the ad valorem rate. This takes away a certain safeguard against undervaluation which the minimum specific rate provided.

The net result of the changes effected by the present bill (H. R. 3321) is that the benefits which might have resulted from the reduction in the rates on raw materials is offset, or more than offset, by the further reductions in the rates on finished products.

Mr. President, in this statement of the National Association of Chemical Manufacturers we come across a new phrase in the terminology of American parliamentary procedure. There is reference here to the "caucus print." I believe it will be generally admitted that for the first time in the history of American legislation manufacturers have come to Washington and have been obliged to use the strange and heretofore unknown designation of a "caucus print."

Among the high moral principles and declarations of political purity which those will discover who choose to read the volume entitled "The New Freedom" we read:

Legislation as we nowadays conduct it is not conducted in the open. It is not thrashed out in open debate upon the floors of our assemblies. It is, on the contrary, framed, digested, and concluded in committee rooms. It is in committee rooms that legislation not desired by the interests dies.

Then, in another place:

I am striving to indicate my belief that our legislative methods may well be reformed in the direction of giving more open publicity to every act, in the direction of setting up some form of responsible leadership on the floor of our legislative halls, so that the people may know who is back of every bill and back of the opposition to it. * * * The light must be let in on all processes of lawmaking.

Another sentiment follows:

This discovery on their part of what ought to have been obvious all along points out the way of reform, for undoubtedly publicity comes very near being the cure-all for political and economic maladies of this sort. But publicity will continue to be very difficult so long as our methods of legislation are so obscure and devious and private.

Such, Mr. President, appear to have been the views of the Democracy regarding publicity in legislation prior to the last presidential election; but now we have this new phrase of a "caucus print" of a measure, and we witness the spectacle of this bill having been nearly as long a time in a secret caucus of Democratic Senators as it has been under discussion on the open floor of this body.

Not only is this measure being taken up under this new and unprecedented procedure, but we witness on the other side of the Capitol the currency bill receiving similar treatment. The American people must judge at the proper time, Mr. President, whether the antelection statements of the standard bearer of the Democracy can be reconciled with the practices of the Democratic Party after the actual meeting of the present Congress.

I have no intention of discussing this schedule exhaustively, for that would take too much time, and I shall content myself with pointing out some of the more glaring errors. In paragraph 1, which deals with acids, the duty on citric acid has been reduced from 7 cents per pound to 5 cents per pound. Citric acid is produced from citrate of lime, all of which is imported, and which at the present time is on the free list. Not content with reducing the rate on citric acid, a duty of 1 cent a pound has been placed on citrate of lime, which is equivalent to three-quarters of a cent per pound on the citric acid contained in it. This action is characteristic of Schedule A in the pending bill, for in many instances we find that a severe reduction of duty on the finished product is accompanied with an imposition of duty on the raw materials.

Salicylic acid has received a 50 per cent reduction, from 5 cents a pound to 2½ cents a pound. The Dingley Act placed a duty of 10 cents a pound on this article. This is an article which comes into direct competition with the European trust, and America is the dumping ground for surplus European production. Ten years ago there were five manufacturers of this product in this country, of which three have since failed on account of the foreign competition.

Sulphuric acid under the Payne-Aldrich Act carries a duty of one-fourth cent a pound except when used for agricultural purposes, when it is entered free, but with the provision that if any country imposes a duty on the importation of our product a duty of one-fourth cent a pound shall be levied on the sulphuric acid imported from the country imposing such duty. It is well known that, on account of its bulk, sulphuric acid must necessarily be consumed within a limited zone from its source of production. Any duty imposed has therefore little effect upon the industry. *The sulphuric-acid manufacturers, however, who have plants located near the Canadian border line come*

into direct competition with Canadian producers. It is therefore but fair that our Government should place our manufacturers on a fair competitive basis with those located in Canada. To do this, the provisions of the present law should be reenacted and, above all, an adequate "dumping clause" adopted to prevent the dumping of surplus Canadian products into this country.

Paragraph 5 is the general residuary clause for all alkalies, alkaloids, and chemical and medicinal compounds, preparations, mixtures, and salts that do not contain alcohol and are not specially provided for. The duty proposed is 15 per cent ad valorem, a cut from 25 per cent ad valorem. There seems to be no logical reason for this cut. These articles are already on a competitive basis with the foreign market, the imports for 1911 amounting to \$1,647,963.74 and for 1912 \$2,852,070.75, with a revenue for the latter year of \$713,017.69. Furthermore, the question of price of medicinal compounds to the ultimate consumer has little connection with the original cost to manufacture, as it is always the pharmacist who takes the lion's share of the profit. The result of this reduction in duty is therefore simply a loss of revenue to the Government with no benefit to the consuming public.

Had this paragraph been unaltered except for the reduction in duty it would have had the merit of consistency. That, however, has not been done, for a large number of substances which are in this paragraph of the present law have been made the subject of specific enumerations under new paragraphs at widely different rates of duty. This seems to be indefensible. With the exception of a few substances that may for obvious reasons be distinguished, such as the salts of gold, platinum, etc., all of these chemicals and medicinal compounds and salts are made under generally similar conditions and no economic reasons are apparent why there should be disparities in the rates of duty levied upon them.

Now, Mr. President, I desire to call the attention of the Senate to a rather remarkable paragraph—paragraph 14. Here is a new provision for caffeine at \$1 a pound. According to the figures given in the Ways and Means handbook, the ad valorem equivalent of this rate is 50 per cent. It is on the free list now, is it not? I will ask the Senator from Utah [Mr. Smoot].

Mr. SMOOT. No; it falls under the basket clause, at 25 per cent.

Mr. PENROSE. Yes; 25 per cent. Therefore the duty on caffeine has been raised from 25 per cent to 50 per cent.

The chief and almost exclusive use of caffeine is for medicinal purposes, either by itself or in combination with other substances. If it were not especially enumerated it would fall under paragraph 5 of the present House bill, at the rate of 15 per cent, where fall the bulk of the chemical and medicinal compounds and preparations. Yet caffeine, Mr. President, has been taken out and distinguished with the remarkable recognition of being removed from the basket clause and having a duty of 50 per cent imposed upon it—twice the amount of the duty under the present law.

Mr. JOHNSON. Mr. President—

The PRESIDING OFFICER (Mr. WALSH in the chair). Does the Senator from Pennsylvania yield to the Senator from Maine?

Mr. PENROSE. Yes.

Mr. JOHNSON. I understood the Senator to say that the principal use of caffeine was in medicine, as a medicinal compound.

Mr. PENROSE. I understand so. I never used it nor saw it, but I am informed in the glossary that it is used as a headache medicine.

Mr. JOHNSON. Is not its principal use in making Coca Cola and similar drinks?

Mr. PENROSE. It may be. It is chiefly used in medicine, I think, directly.

Mr. SMOOT. It is used in Coca Cola, and Coca Cola takes a great quantity of caffeine; but it is a medicinal compound and is used as medicine all through the world.

Mr. PENROSE. Is there anyone at present in this Chamber, on the other side of the political aisle, who can tell me why caffeine has been thus singled out? Certainly the consumer, if he has a headache, wants immediate relief and wants to get the relief as cheaply as possible. It is understood that this increase of duty will redound very largely to the advantage of certain manufacturers of chemicals.

This paragraph also imposes a duty of 1 cent per pound upon tea sweepings, which are now free, and which are the material from which caffeine is made.

Mr. GALLINGER. Mr. President, if the Senator will yield to me, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Fall	McCumber	Smith, Ariz.
Bacon	Fletcher	Martine, N. J.	Smoot
Borah	Gallinger	Myers	Stephenson
Bradley	Hollis	Norris	Sutherland
Brady	Hughes	Overman	Thomas
Brandeggee	James	Page	Thompson
Bristow	Johnson	Penrose	Thornton
Bryan	Jones	Perkins	Tillman
Cañon	Kenyon	Pittman	Vardaman
Chamberlain	Kern	Polindexter	Walsh
Chilton	La Follette	Root	Warren
Clapp	Lane	Saulsbury	Weeks
Clark, Wyo.	Lea	Shafroth	Williams
Clarke, Ark.	Lewis	Sheppard	
Crawford	Lippitt	Shields	
Dillingham	Lodge	Simmons	

Mr. THORNTON. I wish to announce that my colleague [Mr. RANSDELL] is at this time necessarily absent from the Chamber.

The PRESIDING OFFICER. Sixty-one Senators having answered to their names, it appears that a quorum is present. The Senator from Pennsylvania will proceed.

Mr. PENROSE. Mr. President, in the presence of those Members of the Senate who have done me the honor to have the appearance of listening, I was endeavoring to show a number of the inconsistencies in the chemical schedule. I am glad that the chairman of the Committee on Finance is now within the sound of my voice and also within the scope of my vision, because I come to an interesting paragraph concerning which he may enlighten us.

I had reached paragraph No. 14, where there is an entirely new provision in this chemical schedule. This is a bill supposed to lighten the burdens of the consumer and to reduce taxes. The Senator from Texas [Mr. SHEPPARD] closed his defense of the measure with a peroration reciting how privilege was to disappear and how the burdens of the masses were to be relieved.

But, Mr. President, deeply impressed as I was, I confess I was shocked and surprised when I came across the duty on caffeine, an essential to the consuming public, to the person who has a headache, man or woman, from whatever cause, and to the consumer of Coca Cola, largely manufactured in Atlanta, Ga.

This caffeine is taken from the beneficent provision of the Payne bill, the framers of which always had in mind the suffering and the needy—it is taken from the basket clause, at 25 per cent, and a duty is imposed upon it of \$1 a pound. This, according to the figures given in the Ways and Means Committee handbook, means an ad valorem equivalent at the rate of 50 per cent.

As I have said, the almost exclusive use of caffeine is for medicinal purposes, either by itself or in combination with other substances. If it were specially enumerated, it would fall under paragraph 5 of the pending bill at the rate of 15 per cent, where fall the bulk of the chemical and medicinal compounds and preparations.

Why, I ask the chairman of the committee, has this article, so essential to the ailing, been singled out for this great distinction of an increase of duty of more than 100 per cent?

Mr. SIMMONS. Mr. President, I will state to the Senator—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from North Carolina?

Mr. PENROSE. I am glad to yield to the Senator.

Mr. SIMMONS. I will state to the Senator that that paragraph was very much discussed at a time when the Senator was probably in Pennsylvania or elsewhere. It was discussed by the Senator from Maine [Mr. JOHNSON], who is entirely familiar with it. I have not myself given personal consideration to that particular paragraph. If the Senator wants to have the matter gone over again I have no doubt the Senator from Maine will be very glad to give him the reasons for it. The reasons are in the Record. They were given at the time when they were asked for.

Mr. PENROSE. I was not in the Senate.

Mr. SIMMONS. It is not the Senator's fault. I understood that they were good reasons.

Mr. PENROSE. But I am assured by Senators on the other side of the Chamber that this paragraph was not discussed when the chemical schedule was under consideration. Whether it was discussed or not, I put the question point-blank to the chairman of the committee, Why has this enormous raise been made upon this medicinal article?

Mr. SIMMONS. The Senator has no right to call on me. I was merely stating that we had taken up this paragraph, as I remember, and discussed it heretofore.

Mr. JOHNSON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Maine?

Mr. PENROSE. I do.

Mr. JOHNSON. If there is any one article in the chemical schedule that could bear a rate of duty it is a product which enters most largely into the manufacture of Coca Cola and similar drinks, which are not perhaps as beneficial as many other drinks. Therefore, the committee felt that caffeine could bear this increased rate of duty, an increase, as the Senator has stated, from 25 per cent in the present law to 50 per cent. We have placed a duty for revenue purposes on tea waste of 1 cent a pound. We imposed that duty upon the raw material and we increased the duty on caffeine.

Mr. PENROSE. Does the Senator happen to know what increased revenue will be produced by this remarkable increase?

Mr. JOHNSON. The figures appear in the handbook.

Mr. PENROSE. The Senator had better get a microscope to find them.

Mr. JOHNSON. Of course, I can not tell just what the importations may be, but certainly if there is any one thing in the chemical schedule that can bear a high rate of duty it is caffeine, just as the duty on opium has been increased and for a similar purpose.

It is not true, as the Senator states, and investigation will show it is not true, that its particular use is as a medicinal compound. Its particular use is in making Coca Cola and similar drinks.

Mr. PENROSE. I ask the Senator from Maine what will be the amount of estimated increase of revenue from this duty?

Mr. JOHNSON. That will be entirely conjectural, of course.

Mr. PENROSE. The bill is full of such estimates.

Mr. JOHNSON. Certainly; and every tariff bill that is constructed is made up simply on estimates.

Mr. PENROSE. Is there any conjecture on the part of the committee?

Mr. JOHNSON. I have not any to make as to it, of course. I will simply say that from tea waste, which is now upon the free list, the committee has estimated that there will be a revenue of \$60,000, where there has been nothing collected before.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Will the Senator from Pennsylvania yield to the Senator from Utah?

Mr. PENROSE. Yes.

Mr. SMOOT. I should like to say to the Senator that the rate upon caffeine of a dollar a pound, an increase of 100 per cent from the present duty, is not the only item in this paragraph that needs explaining. If the Senator will notice, impure tea, tea waste, and tea siftings or sweepings have been put in this paragraph at a rate of duty of a cent a pound.

The Senator remembers very well that but a few years ago the Senator from Missouri [Mr. SPOONER] was very much interested in having tea waste and tea siftings and sweepings put upon the free list, and they are under the present law on the free list and should remain there.

Mr. PENROSE. Paragraph 14 also imposes a duty of 1 cent per pound upon tea sweepings. They are now free. They are the material from which caffeine is made.

Is there any member of the committee or any Member of the Democratic majority in this Chamber who can inform me why this duty of 1 cent per pound has been placed upon tea sweepings?

Mr. JOHNSON. Mr. President, I understood the Senator to inquire in regard to the duty upon tea waste. As has been stated, it was for revenue purposes, and from the duty placed on tea waste it is estimated there will be revenue to the amount of \$60,000 collected. We imported in 1912, 5,994,907 pounds of tea waste, and if we import the same amount next year at a cent a pound the revenue collected will be about \$60,000.

Mr. SMOOT. The Senator does not think we will import that amount next year?

Mr. JOHNSON. I see no reason why we should not. That is the product from which caffeine is largely made.

Mr. SMOOT. I understand that, but I also understand that the importations of tea waste are coming in now just as fast as ships can make deliveries of purchases made.

Mr. PENROSE. I have the importations here. Mr. President, this is a remarkable schedule in a bill which announces in flaming oratory the program to the American people that duties are to be reduced, and without rhyme or reason caffeine, the peculiar manufacture of a certain concern in the central part of the United States, is selected for a radical advance in duty. These sweepings, hitherto on the free list, are singled out for

a duty on the ground of revenue production. The Government will indeed be hard put if it has to rely on such revenue producers.

The handbook of the Senate Finance Committee reports importations of tea sweepings for manufacturing purposes during the year 1910 as amounting in quantity to 3,442,074 pounds and in value to \$100,450; in 1912—that is, the fiscal year ending June 30, 1912—the importations were 5,994,907 pounds, valued at \$161,540. A telephone message from Mr. Austin, of the Division of Statistics, states that for the year ending June 30, 1913, the importations were 7,053,550 pounds, valued at \$211,541. These figures affirm the correctness of the statement in respect to the quantity of tea sweepings stored in this country.

Mr. GALLINGER. In six months.

Mr. PENROSE. In six months. They say, Mr. President, 7,053,550 pounds, valued at \$211,541.

There is no reason for these increased importations except the imposition of this duty. I am informed that some one or two concerns in the country will benefit by it and are already storing up one or two millions of pounds of tea sweepings in order to take advantage of the absolutely unjustifiable and unwarranted imposition of 1 cent a pound on tea sweepings.

But, Mr. President, I have had no definite answer to my inquiry on this paragraph. The chairman of the Finance Committee expresses his ignorance of it, and the Senator from Maine, who has it in charge, only defends it on the ground of the very inconsiderable revenue which is likely to come from it. I leave it to stand before the American people on its merits when the facts become known. I will let it stand until this bill comes to be considered in the political campaigns of the future as a striking illustration of the fallacies of the lofty platitudes which marked the declarations of the last campaign.

Paragraph 19 arouses much curiosity and interest. The articles treated therein are all medicinal preparations that exhibit no obvious reason for differentiating them from the other medicinal preparations which are covered by the general terms of paragraph 5 of H. R. 3321 and which are dutiable thereunder at only 15 per cent. This paragraph levies a duty of 25 per cent on certain selected medicinal preparations. It can not fall to be of interest to learn why these particular products are thus favored. No explanation was given by the Ways and Means Committee, and there is no known economic reason that requires a higher rate of duty on these particular preparations than there is on the others. It may be only a coincidence, but it is a fact that one or more of the concerns referred to in connection with the caffeine paragraph are among the largest producers of these preparations in this country. If not singled out this way they would be dutiable at only 15 per cent.

Mr. JOHNSON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Maine?

Mr. PENROSE. Yes.

Mr. JOHNSON. As long as the Senator has alluded to that paragraph, I will say that the committee has had more or less trouble. Complaint was made the other day, and it was attacked because the duties were too low on several articles, and it was claimed by the Members upon the other side of the Chamber that the duty was too low.

Mr. PENROSE. I am not criticizing that.

Mr. JOHNSON. I wish to complete my answer to the Senator's inquiry why these medicinal compounds or preparations, made from other materials which are taxed under this bill, bear a rate of duty of 15 per cent. Complaint has been made and the committee severely criticized and importuned to increase the rate very largely. Chloral hydrate, salol, phenolphthalein, and some of the other articles named in that paragraph, it is claimed, can not be manufactured under a rate of duty of 25 per cent. The present rate on chloral hydrate is something like 265 per cent, and upon many of these other articles under the present law the duty is very high. I do not remember the rates, but I remember in regard to chloral hydrate the duty is now somewhere about 265 per cent. It can not be argued seriously by anybody upon that side of the Chamber that the rate of duty now proposed upon those articles is too high.

Mr. PENROSE. Of course I am not arguing that the rates are too high. There is hardly a rate in this bill that is high enough, unless it be the rate on caffeine; but I do complain of the inconsistency of the bill. I do complain about the vicious policy of taking a large number of articles from the nondutiable list which are the raw material, the chemical manufacture, and putting them on the dutiable list, and at the same time reducing the duty upon the finished chemical product. I do complain of the attempt, almost surreptitiously, it seems to me, to infuse here and there a spotted protection into the chemical schedule.

I have asked for a candid answer to my inquiries, and I have failed to receive it.

Mr. JOHNSON. I hardly think the Senator wishes to characterize in that way what I said. I think I did make him a candid answer and I am surprised that the Senator should, after I have made the statement, so characterize the answer. I am willing to make such an answer as I may be able to make from the information that I am able to give. I am ready now, if there is any answer that I can make to any part of that paragraph, to make it more certain, but I do not think the Senator means to characterize it as lacking in candor upon my part. It may be lacking in information, but so far as candor is concerned, I am certainly surprised that the Senator should make that statement.

Mr. PENROSE. Perhaps I used the wrong term. If the Senator was candid his explanation was not to me at least enlightening and informing.

Mr. JOHNSON. I should very much doubt about my ability to give the Senator any statement which would be enlightening and informing in regard to a tariff bill which he had not himself made according to his own peculiar ideas.

Mr. PENROSE. I simply stated that paragraph 19 arouses much curiosity and interest by reason of the way in which certain preparations have been segregated and jumbled up with different rates of duty, and I threw out the necessary—

Mr. HUGHES. Mr. President—

The PRESIDING OFFICER. Will the Senator from Pennsylvania yield to the Senator from New Jersey?

Mr. PENROSE. In one minute. I threw out the inevitable conclusion that perhaps favorites were being considered and played.

Mr. HUGHES. I simply want to call the Senator's attention to the fact that all those items of the paragraph which he is discussing bear the same rate of duty. One of them reduced was a little under 300 per cent.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from Utah?

Mr. PENROSE. Yes.

Mr. SMOOT. The Senator from Pennsylvania, as I understand him, is complaining that the chemical compound paragraph under this bill provides a rate of 15 per cent, but the chemical compounds mentioned in paragraph 19, made in a certain city of the United States, are taken from the 15 per cent paragraph and put in paragraph 19 with a rate of duty of 25 per cent.

Mr. PENROSE. At 25 per cent.

Mr. HUGHES. I do not want to trench upon the Senator's time, but the Senator from Utah certainly knows that these items are composed of materials that in themselves bear a tax, and under any theory of the tariff bill he must admit—

Mr. SMOOT. That is true as to chloral hydrate, but it is not true as to others. It is not true as to acetylsalicylic acid and a number of the other items in that paragraph. They should fall in paragraph 14 if the bill is to be consistent. I do not want the Senator to misunderstand me, because I do not believe that the rate in paragraph 19 is too high or on some of the items high enough.

Mr. HUGHES. That is what I thought.

Mr. SMOOT. Nor does the Senator from Pennsylvania.

Mr. PENROSE. No.

Mr. SMOOT. But he is complaining of the inconsistency found in the two paragraphs.

Mr. HUGHES. I understood the Senator to say that surreptitiously, by some sort of hugger-muggery, certain individuals in the United States engaged in the manufacture of these articles were given a higher rate than they were entitled to.

Mr. PENROSE. I still think so.

Mr. HUGHES. If the Senator did not say that, I do not care to trench upon his time any further.

Mr. PENROSE. I think there are very strong reasons for placing it there. I have a brief here of John F. Queeny, president of the Monsanto Chemical Works, of St. Louis, Mo. This gentleman, I am informed, has stored up over a million pounds of tea sweepings since this increased duty was contemplated. I do not know whether it is true or not. It is a well-founded report.

Mr. HUGHES. I will say to the Senator, if he will permit me, though I will not interrupt him if he does not care to have me do so, that the gentleman he refers to has given it as his opinion that he will be absolutely unable to manufacture the product referred to under the present rates of duty. We did not agree with him. We believe that we have placed him upon the same basis and on no other basis than that occupied by

every other chemical manufacturer in the United States. I will say to the Senator again I think he is mistaken when he says that all these commodities are not composed of other articles which bear a tax.

Mr. SMOOT. My information I obtained from the appraiser of New York. I do not want to take the time of the Senator from Pennsylvania, but I will show the Senator, if he desires, the letter I have received from the examiner at the port of New York. I asked him specifically about each one of the items, and the rate of duty under the present law, and he tells me that there are certain items in the paragraph that now carry a duty of 25 per cent and there are other items that carry a duty of 55 cents a pound. I do not believe that your expert will deny it.

Mr. PENROSE. Mr. President, the Senator from New Jersey has exhibited a strange sympathy for the pleas of Mr. Queeny and his associates, because they expressed the thought that they could not get along under a reduction of duty. He exhibited a great callousness of feeling, however, when hundreds of other gentlemen from other sections of the country appeared before his committee and stated that their industry would be ruined unless they were aided by an adequate protective duty.

I am not criticizing these rates. I am glad to see this gentleman protected. I notice in his brief which I have here that he asks for the increase of duty in the articles named in paragraph 19, and I am glad that he has got it; but I do protest against favoritism to St. Louis and slaughter for Philadelphia and Boston.

Mr. HUGHES. Mr. President—

The PRESIDING OFFICER. Does the Senator from Pennsylvania yield to the Senator from New Jersey?

Mr. PENROSE. Yes.

Mr. HUGHES. I will say to the Senator there is not a single rate in that paragraph that Mr. Queeny asked for.

Mr. PENROSE. There may not be what he asked for.

Mr. HUGHES. I will say further, if the Senator will permit me, that the main proposition Mr. Queeny made was that he could not possibly manufacture chloral hydrate at less than 100 per cent equivalent ad valorem, and the view of the committee was that if that was true he was not engaged in a legitimate industry.

Mr. PENROSE. Mr. President, that is simply beating around the bush, in my opinion. Mr. Queeny, it is true, did not get the rate he asked for, but he got a rate extraordinarily larger than that of anybody else manufacturing kindred products. He was able to get segregated—

Mr. JOHNSON. Will the Senator allow me?

Mr. PENROSE. I will yield in a minute. He was able to get from the committee a segregation in a separate paragraph, with a duty raised from 15 per cent ad valorem to 25 per cent ad valorem on certain of the articles in which he was interested, while when people from Philadelphia and from Boston came with their tale of woe they were received with neglect and they addressed their pleas to deaf ears. I yield to the Senator from Maine.

Mr. JOHNSON. The Senator does not wish to make any statement that will not be borne out entirely by the schedule, I am sure. He says that this is a higher rate of duty than we imposed upon the other articles in the schedule.

Mr. PENROSE. Oh, no.

Mr. JOHNSON. That is what I understood the Senator to say.

Mr. PENROSE. No.

Mr. JOHNSON. On any similar compound. There are in this schedule higher rates of duty than 15 per cent and some higher than 25 per cent. We put on oxalic acid a rate of duty of 1½ cents a pound, reducing it from 2 cents a pound, and the equivalent ad valorem is 30 per cent.

With respect to salicylic acid and compounds of barium the rate is much larger than 25 per cent. If the Senator will look through the schedule, he will find that to be true. Take celluloid. The duty is higher than 25 per cent.

Mr. PENROSE. I know it is.

Mr. JOHNSON. If the Senator makes the statement that here we have made a paragraph and given a higher rate of duty than in other paragraphs and sections, it is not borne out by an examination of the schedule.

Mr. SMOOT. I understood the Senator from Pennsylvania to say not that there was not a higher rate of duty in the schedule, but that it was a higher rate of duty than chemical compounds provided for in paragraph 5.

Mr. JOHNSON. Barium dioxide is a chemical compound and has a rate of duty of 25 per cent.

Mr. SMOOT. If the Senator will just wait a moment, I will conclude what I have to say. Celluloid has always been

in a paragraph by itself specifically provided for and never fell in the basket clause, nor has it ever fallen in the chemical-compound paragraph.

All that the Senator from Pennsylvania has said is that instead of all the items in paragraph 19, which are all chemical compounds, carrying a rate of duty of 15 per cent, they have been specifically mentioned and a rate of 25 per cent is given them.

Mr. JOHNSON. In reply to that, because the Senator would have it understood that this is the only instance where they are taken out and given a higher rate of duty, I refer to the barium paragraph, No. 11, where chlorate of barium is given a rate of 25 per cent.

Mr. SMOOT. That is true as to those same items specifically.

Mr. JOHNSON. That is a medicinal compound as well as the other.

Mr. SMOOT. Those specific items under the present law are specifically provided for.

Mr. JOHNSON. The Senator's contention that of the chemical compounds in the chemical schedule some fall under the basket clause and some have been segregated and given rates of duty is not true of paragraph 19 alone. Other paragraphs bear a higher rate of duty than 15 per cent, as will appear from an inspection of the schedule.

Mr. PENROSE. Mr. President, the Senator from Maine, for whom I entertain a very high personal esteem, can not, however, represent me as making a statement which I have not made. I have made a statement clear and logical, and it can not be controverted. I did not say that this duty was the highest in the bill. I said that certain articles had been segregated into a separate paragraph from a paragraph where they had been and to which they properly belong with cognate products, and that the result was to favor certain manufacturers and certain importers. The Senator from New Jersey practically admitted this, because he said that representations were made by Queeny and others that they could not compete without the increased duty, and they appealed to the committee.

Mr. JOHNSON. Mr. President, I do not think the Senator from Pennsylvania wishes to misrepresent the Senator from New Jersey [Mr. HUGHES], who is not present in the Chamber at this time. I did not understand that Senator to say *et* to intimate that there had been any increase in favor of this manufacturer more than any other or that we had yielded to any statements or declarations he had made. Most certainly we did not do so in regard to chloral hydrate. As to all these compounds the Senator has his brief and knows he claimed a much higher rate of duty. As the Senator from New Jersey stated, he wanted a rate of duty of 100 per cent upon chloral hydrate. We gave him 25 per cent. Certainly the Senator can not regard that as any manifestation of favoritism.

While I am on my feet I will say in regard to the segregation of medicinal compounds it appears all through the schedule, even in the magnesia paragraph. Carbonated magnesia bears an equivalent ad valorem duty of 25½ per cent under this bill. That is a medicinal compound. Calcined magnesia bears an equivalent ad valorem duty of 22.7 per cent; and even sulphate of magnesia or Epsom salts 25 per cent, the same rate of duty that is given in this paragraph.

Mr. PENROSE. They have always been provided for in that paragraph.

Mr. JOHNSON. They are medicinal compounds.

Mr. PENROSE. Mr. President, I shall not continue this fruitless discussion any longer; it is unprofitable. When the historian comes to write the story of this tariff bill in the cold light of reason and through the perspective of the years to come, he will declare—because there can be no denial of it—that these articles were taken from the paragraph without any logical reason. There are in the United States only one or two concerns who make these chemical products.

Paragraph 19 arouses much curiosity and interest. The articles treated therein are all medicinal preparations that exhibit no obvious reason for differentiating them from the other medicinal preparations which are covered by the general terms of paragraph 5 of H. R. 3321 and which are dutiable thereunder at only 15 per cent. This paragraph levies a duty of 25 per cent on certain selected medicinal preparations. It can not fail to be of interest to learn why these particular products are thus favored. No explanation was given by the Ways and Means Committee and there is no known economic reason that requires a higher rate of duty on these particular preparations than there is on the others. It may be only a coincidence, but it is a fact that one or more of the concerns referred to in connection with the caffeine paragraph are among the largest producers of these preparations in this country. If not singled out this way they would be dutiable at only 15 per cent. They do

not as imported contain alcohol. The extent of the favor shown by this paragraph is not limited merely to the difference between 15 per cent and 25 per cent duty, because it is a matter of fact that some of the substances from which these preparations are made—the raw materials, so to speak—are granted a much lower rate of duty by H. R. 3321 than they have under the present law. For example, the duty on salicylic acid, the bulk of which is used in the manufacture of salol (p. 163, Report on Schedule A, 62d Cong., 2d sess.), is reduced from the present rate of 5 cents per pound to 2½ cents per pound. No separate figures of imports of the substances have been kept, and so there is no opportunity to learn from that source why these discriminations are made. If 25 per cent is the correct duty for these products, it is the correct duty for all other chemical and medicinal preparations, whether specially provided for or not.

Crude camphor, which has always been free, is made dutiable in paragraph 37 at 1 cent per pound, while the refined camphor, which is made therefrom, is reduced from 6 cents per pound to 5 cents per pound.

This is but another example of the indefensible economic theory of placing duty on the raw material and reducing the rate of the finished product.

The duty of 1 cent per pound on crude camphor is equivalent to 1½ cents per pound in the cost of the refined, leaving a net duty on the refined of only 3½ cents per pound, or equivalent to about 11½ per centum ad valorem.

Now, let us see where we come out under this extraordinary method of economic policy and fiscal legislation.

The Tokyo Economist reports that the total quantity of crude camphor delivered during the present fiscal year to the camphor refiners in Japan by the monopoly bureau and by the Formosan authorities, in equal quantities, amounts to 2,400,000 kin. Compared with the previous year, the quantity to be delivered by the Formosan authorities shows an increase of 100,000 kin and the quantity to be delivered by the monopoly bureau an increase of 140,000 kin. The quantity delivered to each refinery is as follows:

I shall ask to have the list of the refineries inserted as a part of my remarks. There are only five or six of them.

The PRESIDING OFFICER. In the absence of objection, that will be done.

The matter referred to is as follows:

Refiner.	Quantity.	Increase.
	Kin.	Kin.
Suzuki.....	1,200,000	100,000
Osaka Camphor Co.....	470,000	400
Kobe Camphor Co.....	300,000	34,300
Fujisawa.....	260,000	15,000
Messrs. Lucas & Co.....	170,000	90,300
Total.....	2,400,000	240,000

Mr. PENROSE. The Tokyo Economist continues:

The quantity delivered to each refiner having increased this year, they have to seek a new field for sales, and are keen in competition for taking contracts, with the result that slab camphor, which has been ruling at over 70 sen per pound, has declined to 67 sen. When the proposed amendment of the United States customs is passed by Congress the duty on refined camphor will be reduced from 6 to 5 cents per pound and crude camphor (now admitted duty free) will be subjected to a duty of 1 cent per pound. Thus the proposed amendment of the tariff will seriously affect the camphor-refining industry in America and benefit Japanese refiners accordingly. In these circumstances the latter are contemplating opening up new fields for business in America. It is therefore believed that in view of the good market for camphor abroad last year the increased quantity to be delivered this year will not affect the market, but that, on the contrary, a further development of the Japanese camphor market abroad will be seen.

Mr. President, upon what argument the raw material of this product receives a duty and is taken from the free list and the duty upon the finished product is so reduced as to possibly, and most likely, place the American manufacturer at the mercy of the Japanese manufacturer is to me one of those mysteries which the dark secrecy of the Democratic caucus has failed to give an explanation of.

Now, let us take paragraph 44. Menthol is made dutiable at 50 cents per pound. This is another instance where a specific rate of duty has been fixed seemingly without a proper consideration of the market value of the article or of the propriety of preserving some symmetry between the rates of duty on productions of the same kind. Menthol is the name given to peppermint crystals made by distilling the peppermint plant, collecting the oil from the distillate, and then chilling or freezing the oil. Under the present law menthol is not specially provided for, and it is classified for duty as a medicinal preparation, at 25 per cent. The ad valorem equivalent of the new rate

is given in the Ways and Means Handbook as 16.67 per cent, based upon the unit value of \$3 per pound. It is not believed, however, that this figure can be accepted as correct for the reason that the price of menthol fluctuates greatly in consequence of the supply failing to keep pace with the demand, which is increasing greatly under the new uses being found for these crystals. Some weeks ago menthol was quoted in New York at \$10.25 per pound. Why should this article be singled out for a specific duty, especially in view of its fluctuating value?

Mr. JOHNSON. Mr. President, the Senator has already given the reason. It is because of its fluctuating value that the specific duty is placed upon it.

Mr. PENROSE. Well, Mr. President, that would be a reason from a Republican point of view, but it is not a consistent argument from the Democratic point of view. The report of the majority of the House Ways and Means Committee on this bill contains a most labored defense of ad valorem duties. What I complain of, Mr. President, in this bill is not that the bill is right occasionally, but that it is inconsistent. I did not make a condemnation of imposing specific duties on this article, but I addressed to the majority in this Chamber the query, Why has this article been singled out for a specific duty when other articles equally fluctuating have received ad valorem duties? I do not complain in the same way or criticize 25 per cent ad valorem on the medicinal compounds already referred to, but I do criticize this favoritism in taking some of them out from the paragraph where they were at only 15 per cent ad valorem. My inquiry was, Why did the Democracy abandon their favorite doctrine of ad valorem duties and go to a specific proposition?

Paragraph 47 transfers to the dutiable list a large number of essential oils which have hitherto been free. This has been done apparently upon the presumption that they are all articles of luxury and should be taxed. As a matter of fact, however, a great many of these oils are used in cheap soaps for the purpose of neutralizing the disagreeable odor of such soaps. What is the necessity for enumerating all these oils by their individual names since all are dutiable at the same rate, 20 per cent? There seems to be no more reason for mentioning these particular oils than there is for mentioning the many other distilled and essential oils that are covered by the "not specially provided for" phrase in this paragraph.

Paragraph 64 furnishes another example of the error so common in H. R. 3321 of placing a lower rate of duty on a finished article than is imposed upon the materials which go to make up the finished article. How such a policy as this can be justified from any standpoint it is impossible to say. In this paragraph, 64, for example, enamel paints are made dutiable at 15 per cent, while paragraph 59 imposes upon certain spirit varnishes a duty which is equivalent to over 54 per cent, yet enamel paints are enamel paints because they are made with varnish, although it is true cheaper substitutes are now being used. Again, paints, colors, and pigments generally are made dutiable at 15 per cent, yet many of these dry colors are made from coal-tar colors or dyes, upon which paragraph 21 levies a duty of 30 per cent. I call attention to the testimony of Arthur S. Somers, a Woodrow Wilson presidential elector from New York State, Tariff Hearings, Volume I, page 330.

Paragraph 66 seems open to severe criticism, for it selects the salts and other compounds and mixtures of certain metals and admits them to duty at a rate of 10 per cent as against the general rate of 15 per cent in paragraph 5, and the rate in paragraph 146 of 25 per cent on salts of antimony. It is possible that the great value of the material as compared with the labor cost in the case of the salts of gold, platinum, rhodium, silver, and even tin may justify levying a low rate on them, but there certainly seems no reason for singling bismuth salts out for such exceptional treatment. The most important bismuth salts are bismuth subnitrate and bismuth subgallate. Their chemical constitution and their overwhelming use bring them properly within the scope of paragraph 5 of H. R. 3321. The subnitrate is used chiefly internally in gastric affections and to a limited extent externally for dressing wounds and in lotions and in face powders. The subgallate is chiefly used externally for dressing wounds and for diarrhea. There is no valid reason why these salts should be placed in paragraphs with other entirely unrelated products. There is no association in quality, value, production, or use between the salts of bismuth on the one hand and the salts of gold, platinum, rhodium, and silver on the other. The salts of these precious metals range at a value of from 50 to 1,000 times the value of bismuth; and all the substances mentioned in the paragraph, with the exception of bismuth, are overwhelmingly used in industry and in the arts. The so-called "gold cures" have

nothing to do with gold. Silver nitrate is used as a caustic, but its principal use is technical.

Now, let us take sulphide of soda, which is covered by paragraph 68. While these articles to a person not familiar with the question do not mean very much, it must be borne in mind that every one of them is of most general use, and in the great majority of cases essential to the arts, to agriculture, to medicine, and to industry in general. Sulphide of soda is a very important article of commerce and imported in large quantities, comes in two grades, the crude and the concentrated, the latter containing twice as much sulphide of soda content as the former. Recognizing this fact, the present law imposes upon the concentrated sulphide of soda a duty of three-fourths of a cent per pound, while upon the crude sulphide of soda the duty is only three-eighths of a cent per pound. In view of the passion for ad valorem duties which seems to have swept the members of the majority, we should naturally expect to find an ad valorem rate imposed upon this product, for from their viewpoint it must seem an ideal subject for an ad valorem rate. We find, however, on examination of the bill, no such thing. We find merely a provision for sulphide of soda at a rate of one-fourth of a cent per pound. This contradicts all their theories, and there must be a bad effect on the revenue, for it is obvious that with the same rate of duty on crude sulphide of soda and concentrated sulphide of soda only the latter will be imported.

The cyanide situation created by the bill reported by the Finance Committee of the Senate is similar to that existing in 1897, when the Dingley tariff was under discussion.

At that time only cyanide of potassium was known, and the duty of 25 per cent was reduced by the Dingley tariff to 12½ per cent.

The Hon. Nelson Dingley, jr., in his speech introducing the conference report, stated:

The duty on cyanide of potassium, which was placed by the Senate at 12½ per cent, has been unwillingly left at that point by the House conferees. The House conferees believed that this article should have been left as it was in the House bill, with a duty which we regarded as protective; but the insistence of the Senate on this amendment has finally obliged the House conferees to surrender on that point and to accept simply the 12½ per cent provided by the Senate amendment.

Mr. President, this incident, which might seem unimportant to the average person listening to my statement, is full of the deepest significance. I was in the Senate when the Dingley bill became a law, and I recall the reduction of that duty from 25 per cent, which was carried in the bill when it came over to the Senate in 1897, to 12½ per cent, given it by the Senate Finance Committee. The reduction was made at the urgent solicitation of the then Senator Jones, of Nevada, and other western Senators representing States having gold and silver mines. What was the result? In consequence of the reduction of the duty rate from 25 per cent to 12½ per cent, the manufacture of cyanide of potassium was discontinued in this country. Under the protection of 25 per cent duty, however, the manufacture of cyanide of sodium, then not known commercially, was taken up in this country and has flourished and developed to quite a large industry, over 10,000,000 pounds of cyanide of sodium being now manufactured in the United States yearly.

If cyanide of sodium should be put on the free list, in all probability its manufacture would also be abandoned in this country, and the country be deprived of a large consumption of charcoal, caustic soda, and ammonia, these articles being the raw materials used in the manufacture of cyanide of sodium.

The direct effect of the manufacture of cyanide of sodium in this country, and on the other side the abandonment of the manufacture of cyanide of potassium, is that to-day cyanide of potassium is sold at 1 cent higher than cyanide of sodium, although cyanide of potassium pays at present only 12½ per cent duty, while cyanide of sodium pays 25 per cent.

The cyanide of potassium is all imported, and the cyanide of sodium is all manufactured here, the price of the former being 1 cent higher than the cyanide of sodium.

Mr. President, this incident of cyanide of potassium has often been referred to by the historian of tariff debates to show how little the American consumer has benefited by the reduction of a duty which results in the destruction of an industry. The American industry of cyanide of potassium having been destroyed by the reduction made in the Dingley law, the American consumer, as I have said, had to import all of this article from Germany, with the consequent result that he was compelled to pay 1 cent higher for cyanide of potassium than he was for cyanide of sodium, all of which was made in the United States, and which was paying a duty of 25 per cent ad valorem. Had the duty been kept, as Mr. Dingley wanted it, upon cyanide of potassium, and had not the Senate committee been compelled to yield to the demands of a small group of western Senators, most of them at that time on the Republican side of this Cham-

ber, the American industry would doubtless be flourishing to-day and the American consumer would not be at the mercy of the German syndicate and the German trust.

Now, I am going to close this very inadequate analysis of some of the inconsistencies of Schedule A by calling attention to the cyanide of potassium situation in the present Congress, because it offers an illustration of what has happened and what will happen. No better illustration is furnished than by the situation involved in the cyanide of potassium and the cyanide of sodium duties.

On the subject of cyanide I have some copies of a correspondence which illustrates how history repeats itself. The situation to-day regarding cyanide of sodium in this body is very much the same as it was 16 years ago in connection with cyanide of potassium. The correspondence consists of letters written by and to certain Senators of the majority. The first in order is a copy of a letter (A) addressed to Hon. Charles F. Johnson, chairman of Subcommittee No. 3 of the Finance Committee, in which certain statements appear to the effect that the principal concern in this country which manufactures cyanide of sodium is merely the selling agent of a large German house, and that the manufacturing plant at Perth Amboy, N. J., is maintained only as an excuse for a protective tariff. This letter was signed by the junior Senator from Nevada [Mr. PITTMAN], the two Senators from Montana [Mr. WALSH and Mr. MYERS], the senior Senator from Oregon [Mr. CHAMBERLAIN], and the junior Senator from Arizona [Mr. ASHURST]. Even the presence of these distinguished names did not inspire implicit confidence in the junior Senator from Oregon [Mr. LANE], for he attached to the communication the following:

If the statements above are true, I cheerfully indorse the proposition.

HARRY LANE,
New Democratic Senator from Oregon.

The junior Senator from Oregon may now just as cheerfully withdraw his indorsement, for the "statements above" are not true and their incorrectness is clearly demonstrated in the next letter (B) of the series, which I shall read in a few moments. This letter was apparently provoked by the communication I just referred to, and it was sent to the junior Senator from Nevada by the Roessler & Hasslacher Chemical Co., of New York, who are American manufacturers of sodium cyanide. The next item in the correspondence is a copy of a letter (C) from the junior Senator from Nevada acknowledging the receipt of the letter just referred to and promising that he would give the matter careful consideration. What he did I do not know. The correspondence closes with a copy of a letter (D) to the junior Senator from Nevada from the Roessler & Hasslacher Chemical Co., of New York, in which they repeat much of what they said before, and to my mind make a very effective argument for the retention of the duty on cyanide of sodium.

Now, without presuming to criticize my Democratic colleagues from the West in using their influence as Senators to obtain this favor for those of their constituents who own gold and silver mines, I can not refrain from saying that it is indeed a hardship to crush out a domestic manufacturing industry so as to save perchance a little money to the millionaire magnates owning gold and silver properties. It has not hitherto been a matter of public knowledge that these fortunate owners of gold and silver mines have felt the burden of the duty on cyanide of sodium. It is preposterous to put a duty on bananas, for example, and relieve cyanide of sodium from all duty. Bananas are a food product used by millions of people—cyanide of sodium is used by only the millionaire owners of gold and silver mines.

I shall not detain the Senate much longer. The more I examine this bill the more inconsistencies and unjustifiable discriminations I find in it, and the more impressed I am with the hypocritical pretense that it is an honest, well-considered measure for a reduction of the tariff duties without fear or favor. Why, Mr. President, it fairly bristles with inequalities and discriminations, some of which are obviously due to lack of knowledge and proper consideration, but others of which must be due to other influences.

I do not for one moment mean to say or to intimate that any Senator has been actuated by other than the best of motives. My theory is that the subcommittee men were imposed on by interested parties who acted through people who had the confidence of the committeemen. Otherwise how do you explain the discriminations on chemical and medicinal salts, compounds, and preparations? Bismuth salts are in paragraph 66 at only 10 per cent, while antimony salts and compounds are in paragraph 146 at 25 per cent, lead compounds in paragraph 58 at 20 per cent, and the rate in the basket clause for salts and compounds not specially provided for is 15 per cent. Why is

this? Chloral hydrate, salol, acetanilid, antipyrine, aspirin, etc., are in paragraph 19 at 25 per cent; menthol is in paragraph 44 at a specific rate of 50 cents per pound, the equivalent ad valorem has ranged within the past few years from 5 per cent to 26 per cent, while the rate in the basket clause for medicinal preparations is 15 per cent. Why is this?

The chemical industry is one that is peculiarly liable to be made the victim of dumping. The reason for this is that the enormous development of the chemical industry in Germany results in a production which is vastly greater than is necessary to supply the demands of the German consumption. As a necessary consequence an outlet for the surplus product must be found in foreign countries, and it is needless to say that this country of ours is the very best country on the face of the earth for that purpose. German manufacturers are permitted, indeed encouraged, to sell in foreign countries at lower prices than those which they obtain in the home market.

This sacrifice, the Germans believe, is justified by the enormous benefits they receive through the expansion of their foreign trade. They figure that the increased volume of business and the increased number of men employed more than balances the tax which they impose upon themselves by paying more for their chemicals at home than the chemicals are sold for abroad. Therefore, the American chemical industry is not only threatened with the ordinary and usual incidents of a heavy reduction in tariff duties, but it is also threatened with absolute destruction in many lines because of the dumping practice.

Mr. President, I had intended to read the correspondence to which I have referred, but I have detained the Senate longer than I had expected. I will therefore ask to have it inserted as a part of my remarks.

THE PRESIDING OFFICER. In the absence of objection, that will be done.

The matter referred to is as follows:

A.

[From Tariff Schedules.]

Briefs and statements filed with the Committee on Finance, United States Senate—Schedule A—Hon. Key Pittman, United States Senate, and others.

UNITED STATES SENATE,
Washington, D. C., May 23, 1913.

HON. CHARLES F. JOHNSON,
Chairman of Subcommittee No. 3 of the Finance Committee,
United States Senate.

DEAR SIR: We desire to call your attention to the fact that in the chemical schedule (A) a duty of 1½ cents per pound is imposed upon potassium cyanide, sodium cyanide, and other combinations of cyanide. Cyanide and other combinations of cyanide are universally used throughout the mining States in the reduction of ores; in fact, it is almost an essential to economical milling of nearly all the gold and silver ores of the West, and no satisfactory substitute is known. Practically all combinations of cyanide consumed in this country are manufactured in Germany, and the sale of same in the United States is controlled absolutely by Roessler & Hasslacher Chemical Co., of New York City. This firm maintains a small plant for the manufacture of cyanide at Perth Amboy, N. J., but this plant is capable of supplying only a small percentage of the cyanide used, and is only maintained as an excuse for a protective tariff. This protective tariff enables the selling agent in the United States to obtain 3 cents a pound more for the product in this country than they obtain for the same product in Mexico. In other words, the same sales agents sell the chemical compounds of cyanide in Mexico for 14 cents a pound and in the United States for 17 cents a pound.

The manufacture and sale of cyanide, at the present time, is an absolute monopoly, and we believe that under our platform it should be put upon the free list.

As this is a matter of great importance to the mining interest throughout the Western States, we respectfully urge upon you that you give this matter early attention, and, if possible, grant this small concession to the Western States.

Respectfully submitted,

KEY PITTMAN,
Democratic Senator from Nevada.
T. J. WALSH,
Democratic Senator from Montana.
H. L. MYERS,
Democratic Senator from Montana.
G. E. CHAMBERLAIN,
Democratic Senator from Oregon.
HENRY F. ASHURST,
Democratic Senator from Arizona.

If the statements above are true, I cheerfully indorse the proposition.

HARRY LANE,
New Democratic Senator from Oregon.

B.

NEW YORK, June 25, 1913.

HON. KEY PITTMAN,
United States Senate, Washington, D. C.

DEAR SIR: Your letter of May 23 addressed to Hon. Charles F. Johnson has only now come to our knowledge, and as our company is mentioned in this letter and materially affected by its contents, we respectfully beg to submit the following:

The statements contained in your letter were evidently based on a misapprehension, without knowledge of the true facts.

You erred in the statement that "all combinations of cyanide consumed in this country are manufactured in Germany." By far the largest quantity of cyanide consumed in the United States is manufactured in the United States and is not imported.

It is true that the cyanide of potassium, with the exception of comparatively small quantities which are manufactured in New Bedford, Mass., St. Louis, Mo., and Philadelphia, Pa., has been imported from Germany and England since the enactment of the Dingley Tariff Act in 1897, which reduced the duty on cyanide of potassium from 25 to 12½ per cent. However, cyanide of potassium is now used only to a limited extent; the large consumption of cyanide is in the form of cyanide of sodium.

The cyanide of sodium consumed in this country is almost all manufactured in the United States in our factory in Perth Amboy, N. J. Our sales of the different grades manufactured amounted during 1912 to 12,000,000 pounds, the different grades being calculated on the basis of the equivalent of 100 per cent. Therefore, your statement that we maintain only "a small plant for the manufacture of cyanide at Perth Amboy, N. J." is also erroneous.

Permit us further to take exception to your statement that our manufacture of cyanide "is maintained as an excuse for a protective tariff." The protective tariff has enabled us to take up the manufacture in this country in competition to European manufacturers; without such protection we never would have been able to establish such an industry in this country, which, in the meantime, from a small beginning has developed to the present large extent. You can form an idea of what this industry means when we tell you that in the last 10 years we have used:

Caustic soda	-----pounds	54,750,357
Charcoal	-----do	29,838,617
Ammonia	-----do	83,003,696
Coal	-----do	187,196,184
K. W. horsepower	-----kilowatt	196,825,125

and have paid in wages \$1,285,846, thereby considerably adding the development of power stations, the electrolytic manufacture of caustic, the large industry of wood distillation producing the charcoal; furthermore, assisting materially the utilization of the by-products of gas works and coke ovens which furnish the ammonia.

Add to the above amount of wages the great amount of wages paid for the manufacture of the consumed caustic, charcoal, ammonia, coal, and power; and you can form an idea how much the country at large is benefited by the domestic manufacture of cyanide.

Permit us to say a few words about your statement that "the manufacture and sale of cyanide at the present time is an absolute monopoly."

We have nothing to do with the sale of the English cyanide of potassium, nor with the small production in New Bedford, St. Louis, and Philadelphia. If we hold a paramount position in the cyanide of sodium business in the United States, we do this not by artificial and unlawful means, but by the superiority of our patented processes. We have acquired these processes and developed them in order to adapt them to the conditions prevailing in this country.

With regard to what you say about Mexico we call attention to the fact that the cyanide sold in Mexico is of European make and not of United States make.

While the present duty of 25 per cent for cyanide of sodium was at first necessary to establish the industry in this country, we admit and have so expressed in our briefs that the duty can now be reduced, but please do not kill our industry by putting cyanide on the free list.

The amount paid for labor and similar manufacturing conditions would be:

In Europe only about	-----	\$430,000
As against ours of	-----	1,285,846

Machinery, etc., is here also more costly than in Europe. If the cyanide industry is to be retained in this country Congress should to some extent compensate for such differences by a duty.

Do not think either that your constituents, our western customers and friends, are altogether benefited if the manufacture of cyanide is wiped out in this country. It is an inconvenient and dangerous thing to be dependent on importation only for such a necessary commodity.

For all the above considerations we pray use your influence that cyanide, which in consequence of your letter, was placed on the free list, is again restored to the dutiable list, thereby benefiting your constituents as well as the country at large.

Respectfully, yours,

THE ROESSLER & HASSLACHER CHEMICAL CO.,
JACOB HASSLACHER, President.

P. S.—We have addressed in similar manner all the honorable Senators who with you have signed the letter in question, and have also sent copy of such letter to some other Members of Congress.

C.

UNITED STATES SENATE,
Committee on Territories, July 2, 1913.

ROESSLER & HASSLACHER CHEMICAL CO.,
100 William Street, New York City.

GENTLEMEN: I acknowledge receipt of your letter of June 25 relative to cyanide compounds. I certainly had no intention of making any misstatement in regard to the production or sale of cyanide. I had in mind of course cyanide of potassium while testifying, as this is a product that is largely used by the milling companies in my section of the country. I still contend that you have shown no reasonable excuse why cyanide of potassium should be sold at 14 cents in Mexico and 17 cents in the United States. The facts that I stated to the committee were based upon statements made to me by the users of cyanide in the State of Nevada. I will give this matter, however, careful consideration.

Very truly, yours,

D.

KEY PITTMAN.

JULY 7, 1913.

HON. KEY PITTMAN,
Chairman Committee on Territories,
United States Senate, Washington, D. C.

DEAR SIR: Your favor of July 2 reached us, on account of the holiday, only to-day, and in reply we beg to state that the large consumption in your State is not for cyanide of potassium but for cyanide of sodium. We have sold to the mines in Nevada during the last three years 8,257,394 pounds of cyanide of sodium, manufactured in this country, while, during the same period, only 190,000 pounds of imported cyanide of potassium were sold in Nevada.

In Mexico there is at present no consumption of cyanide of potassium, the mines in Mexico using only cyanide of sodium.

The lowest price for cyanide of sodium in Mexico is not 14 cents per pound, but 15 cents per pound.

Practically all the cyanide consumed in Mexico is manufactured in Europe, where they have almost everything much cheaper than we have at our disposal here in the United States, particularly labor, being in Europe only one-third of the amount we have to pay here, as stated in our letter of June 25.

We may further add that in 1901, the year before we took up the manufacture of cyanide of sodium, the price for cyanide was 24 cents per pound.

In 1902, when we took up the manufacture of cyanide, the price for cyanide, in competition with European manufacture, was reduced to 22 cents per pound, and from that time on, in consequence of our gradually improving our process and increasing our production, the price went down to 17 cents per pound.

During the same period the amount of our production increased from 526,463 pounds in 1902 to 12,221,569 pounds in 1912, and we can promise already to-day a reduction in the price to at least 16 cents per pound for next year if we can continue to manufacture under moderate protection on a large scale.

It is certainly in the interest of your constituents to have the American manufacturers of cyanide supported by a moderate duty, setting aside that the country at large is benefited immensely by the large use of raw materials and the large amount of money paid for wages. We have given these figures in our letter of June 25, and we repeat them here as follows:

We have used in the manufacture of cyanide in the last 10 years—

Caustic soda	-----pounds-----	54,750,357
Charcoal	-----do-----	29,838,517
Ammonia	-----do-----	83,003,696
Coal	-----do-----	187,196,184
Horsepower	-----kilowatt-----	198,825,125

all of the above being of American manufacture, requiring large amounts of American wages.

We inclose herewith six copies of the present letter, with the respectful request to kindly hand one copy to Hon. Senator F. M. SIMMONS, chairman of the Committee on Finance, and to distribute the other copies at your discretion.

Again appealing to you and your honorable colleagues to be content with a reduction in the duty on the cyanides and not to entirely abolish the same, thereby acting in the best interest of your constituents as well as for the country at large, we remain,

Very truly, yours,

THE ROESSLER & HASSLACHER CHEMICAL CO.

Mr. BRISTOW. Mr. President, for some days I have felt that it was due to myself to make a statement in regard to the Mexican situation, and I desire to do so at this time.

On August 21, when the resolution relating to Mexico was before the Senate, among other things, I said:

So far as sustaining the Government of our country in its effort to remedy the chaos that exists there, I think we are all agreed. We may hold different opinions as to the proper method that ought to be adopted, but that is only natural. While efforts are being made by the President to solve these problems and to protect our people in their rights I think we ought to stand together.

I believed it the duty of Congress to indicate to Mr. Huerta and the Mexican people that it would stand by the President in the exercise of his constitutional rights, and I felt further that such a declaration was necessary in order to strengthen the hands of Mr. Lind in his efforts to carry out the instructions given him by the President.

However, I do not want the position which I took at that time to be regarded as a complete concurrence in the policy which the administration has subsequently announced.

Felix Diaz organized a revolt against the Mexican Government under Madero. President Madero sent the Federal army, commanded by Gen. Huerta, to suppress the rebellion; but Huerta, instead of fighting Diaz's army, was in league with him, and at an opportune time Madero was seized, imprisoned, and afterwards murdered, and Huerta was declared Provisional President.

The partisan followers of Madero immediately after his assassination, under the leadership of Gen. Carranza, of the State of Coahuila, organized an army to take from Huerta the authority he had seized; and since that time they have maintained a military force in the field which, up to this date, Huerta has been unable to defeat.

President Wilson has declined to recognize Huerta as the rightful President of the Mexican people, presumably upon the ground that he acquired the position he now holds as the result of assassination and treachery, and that our Government can not recognize him without in a measure concurring in the methods of his usurpation. From the beginning I have believed that this position taken by the President was right.

From the time Huerta seized the Government he has been permitted to purchase in the United States arms and munitions of war as though he were rightfully the President of Mexico, while Carranza, at the head of the followers of Madero, who term themselves Constitutionalists, has not been permitted to purchase arms with which to carry on his war against the usurper.

The situation, therefore, is that our country, by virtue of its attitude toward Huerta, has denounced him as a usurper unworthy of recognition and not the rightful President; yet it has permitted him to purchase arms in the United States, and

by so doing has thereby recognized him as the President of Mexico; because if he were not, under the proclamation of President Taft of March, 1912, which is still in force, he would have no right to import such arms. If Huerta is not the lawful President—and Mr. Wilson declines to recognize him as such—then Carranza, who represents the Madero régime, is fighting for the triumph of rightful authority; and, as the head of an army and in actual control of the government of several of the most powerful Mexican States, it seems to me that he is entitled to recognition as a belligerent. Yet such recognition has been refused him. If Huerta was wrong, then the constitutionalists are fighting for what is right; yet we have refused to permit them to have an equal opportunity to maintain their rights as against the usurper.

After months of waiting and negotiation, the President has at last determined to withhold further supplies of arms from Huerta. But in the meantime he has already equipped his army, and the press reports advise us that he proposes in person to attack the constitutionalists, who, from our point of view, are fighting for the restoration of rightful authority; yet we have not permitted them to equip themselves with arms and munitions to do so successfully. In other words, we have extended aid to those whom we hold to be in the wrong and denied it to those who appear to be in the right.

This, in brief, is the inconsistent position in which we find ourselves, and every day seems to add to our embarrassment and humiliation.

I am not now in favor of intervention, and hope the time will never come when I shall be. I believe the Mexican people should be permitted to fight out their own domestic troubles the same as we did from 1861 to 1865. However, it appears to me that every sense of fairness on our part demands that Carranza and his followers should be given the right to purchase arms and munitions of war so as to place them, so far as we are concerned, upon an equal footing with Huerta. Having refused to recognize Huerta, any other course on our part, it seems to me, is indefensible.

The press of the country has carried the statement that the entire Congress is behind Mr. Wilson in his Mexican policy. This I believe to be true so far as it relates to his efforts to restore order in Mexico without armed intervention on our part. I can not, however, let the impression prevail unchallenged that I approve that part of the President's policy in withholding from Carranza the full rights that heretofore have been extended to Huerta. If both elements in Mexico from the beginning had been given equal consideration, in my opinion intervention could far more easily have been avoided.

Nor do I concur in the President's warning to Americans to leave Mexico. That seems to me to be unfortunate. From the tone of the foreign press it is doubtless understood abroad to mean ultimate intervention on the part of the United States. Apparently they regard it as an indication that, the two countries being about to engage in war, the President has notified Americans of the peril which may await them in such an event. From the President's declarations, however, that manifestly is not his purpose. He seems to have concluded that there is anarchy in Mexico, and that our people residing there are in danger and that our Government either can not or is not disposed to protect them in the exercise of the rights which they have under our treaties with the Mexican Republic. I can not but feel that Americans who are there know their peril fully as well as does the President.

A warning to both of the Mexican factions that all law-abiding American citizens must be protected in their treaty rights it seems to me would have been much more comforting and useful to our people than the course that has been followed.

Mr. SHEPPARD. Mr. President, I noted the statement of the Senator, if I understood him correctly, that the administration had permitted the exportation of arms to Huerta.

Mr. BRISTOW. The Huerta government has been permitted to purchase arms until the last week.

Mr. SHEPPARD. As I understand, only a very small amount of arms was allowed to be exported to the Huerta government; but since the rejection of Mr. Lind's proffer of mediation the rule against the exportation of arms to either side has been rigidly enforced.

Mr. BRISTOW. Since last week, as I stated in the statement I read. Prior to that Huerta was at liberty, of course, as the head of the Mexican Government, to import arms, and he did.

Mr. BACON. Mr. President, there is no distinct proposition now before the Senate, and therefore I do not think it profitable that we should at this time engage in the discussion of this subject. Possibly at some time there will be some distinct

propositions to be acted upon; and then, of course, we will discuss it.

I do not see, however, that anything will be profited by discussing now the questions which have been raised by the Senator from Kansas. I think, however, I can say with the utmost confidence that the statement made by the Senator from Texas [Mr. SHEPPARD] and recognized by the Senator from Kansas [Mr. BRISTOW] is absolutely true, that the embargo on arms and munitions of war is now being rigidly and impartially enforced as to each of the contending factions in Mexico, and will continue to be so enforced.

As to the past, there is now no advantage in criticizing what has been done. That is the present status; and I feel that I can say with the utmost confidence that that provision of law is being administered by the Executive with the utmost impartiality and rigidity.

Mr. BRISTOW. I do not doubt it, and I so stated distinctly.

Mr. BACON. Yes; I know that.

Mr. BRISTOW. I will state, further, that I did not introduce any resolution because I did not wish to precipitate at this time a discussion of the Mexican situation.

Mr. BACON. I recognize that.

Mr. BRISTOW. But the universal statement of the press that the President had the united Congress behind him was such that I felt that I wanted to make a statement as I have, because so far as efforts are being made to settle the controversies in Mexico without intervention I am in thorough accord with them, but there are certain methods that I did not want to be quoted as standing for. So I have felt it due to myself to outline my views in this statement at this time.

Mr. BACON. I understood the Senator to state substantially what he has just repeated; and I am saying what I do simply in order that the failure to respond may not be misconstrued.

I believe it is true that both branches of the Congress of the United States and the people of the United States generally are in hearty accord with the desire of the President to work out this distressing and difficult problem without involving us in the great disaster of war, and, recognizing that fact, that the Congress and the public are in accord in the purpose to give the President full latitude and opportunity for the working out of such devices as he may see proper to use in that effort.

As to details, of course it would be an impossibility that people should all agree upon them. We differ among ourselves on details. I have no doubt it is true, as stated by the Senator from Kansas, that there are differences between many of the public and many in Congress as to the details of the methods now being used; but as a matter of necessity, in the use of effective means, there must be a subordination of those differences to the general purpose which is had in view, about which we are not divided on either side of this Chamber, so far as I understand. That is all that I deem it proper or advisable to say at this time.

Mr. SIMMONS. Mr. President, I ask that we may proceed with the bill.

The SECRETARY. The pending amendment is, on page 124, paragraph 403½, line 20, where it is proposed to strike out the comma after the word "alizarin."

Mr. SIMMONS. Mr. President, the Senator from Maine [Mr. JOHNSON] is not in the Chamber. He has been making some investigations as to that matter. I do not know what conclusion he has reached. I will ask that the paragraph may be put over until he returns to the Chamber.

Mr. SMOOT. That is perfectly satisfactory. I should very much prefer to have the Senator in the Chamber when I make the statement I have to make in relation to the paragraph.

The PRESIDING OFFICER. Without objection, the paragraph will be passed over.

The SECRETARY. The next paragraph passed over is on page 127, paragraph 412, which was passed over on the request of the senior Senator from Utah [Mr. SMOOT].

Mr. SMOOT. Mr. President, since the amendment was adopted by the Senate on the paragraph relating to the return of boxes, and so forth, I have no objection to this. I was going to call attention to this paragraph in connection with the other. The amendment that I suggested was adopted, and therefore I have no objection to this.

The SECRETARY. The next paragraph passed over is on page 129, paragraph 416, relating to bagging for cotton, gunny cloth, and so forth. The paragraph was passed over upon the request of the senior Senator from Massachusetts [Mr. LODGE].

Mr. WILLIAMS. Mr. President, before we go into that I wish to recur for a moment to paragraph 279 for the purpose of adopting the Senate amendments. I move, in line 7, page 84,

following the comma which succeeds the word "hemp," to insert the word "jute" and a comma.

The PRESIDING OFFICER. The amendment will be stated. The SECRETARY. On page 84, line 7, after the word "hemp" and the comma, it is proposed to insert the word "jute" and a comma.

The amendment was agreed to.

Mr. WILLIAMS. In connection with paragraph 416, I believe the Senate has already adopted an amendment to strike out the words "nor in any manner loaded so as to increase the weight per yard." Has that been already adopted?

The PRESIDING OFFICER. The Chair is advised that it has been already adopted. The Chair is advised, however, that the other amendments proposed by the committee have not yet been disposed of.

Mr. WILLIAMS. Very well; then I move the adoption of the Senate committee amendments.

The SECRETARY. On page 129, line 6, after the word "butts" and the comma, it is proposed to strike out "seg, Russian seg, New Zealand tow, Norwegian tow."

The amendment was agreed to.

The SECRETARY. On page 129, line 11, after the word "yard," it is proposed to insert a semicolon and the words:

Plain woven fabrics of single jute yarns by whatever name known, not bleached, dyed, colored, stained, printed, or rendered noninflammable by any process, waste of any of the above articles suitable for the manufacture of paper.

Mr. WILLIAMS. I move to substitute the word "and" for the comma after the word "process," on line 13.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. THOMAS. I ask leave to recur to paragraph 301, to which the committee offers an amendment, which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On page 89, paragraph 301, after the word "bandings," in line 8, it is proposed to insert the word "belts."

Mr. SMOOT. That has already been inserted. It was agreed to on August 23.

The PRESIDING OFFICER. It appears that the amendment has already been agreed to.

Mr. THOMAS. I am informed by the Senator from Utah that that insertion has already been made.

The PRESIDING OFFICER. The Chair is so advised.

Mr. THOMAS. Let me inquire if the other amendment to that paragraph has also been made?

The PRESIDING OFFICER. Another amendment tendered to the same paragraph has been agreed to. The Chair is advised, however, that the language of the amendment as it was adopted does not entirely conform to the language of the amendment now offered by the Senator from Colorado. The Secretary will read the amendment which has been adopted.

The SECRETARY. On August 23, the following amendment was adopted: On page 89, line 11, after the word "value" and the comma, the following words were inserted: "and not specially provided for in this section." That amendment was agreed to.

Mr. THOMAS. That is satisfactory.

Mr. SMOOT. It is the same thing.

Mr. THOMAS. Yes; that is satisfactory.

Mr. SMOOT. Before finally leaving paragraph 416 I wish to ask that it may be passed over until the senior Senator from Massachusetts [Mr. LODGE] returns to the Chamber. He has been called from the Chamber. I should like to have it understood that he may refer back to this paragraph, and not have to wait until it gets into the Senate, but that he may take it up as soon as he comes in.

Mr. WILLIAMS. That is satisfactory to us.

The SECRETARY. On page 130, the next paragraph passed over is paragraph 423, relating to binding twine. The paragraph was passed over at the request of the senior Senator from Utah [Mr. SMOOT].

Mr. WILLIAMS. In that paragraph, in line 6, the committee moves to strike out the word "six" and substitute "seven," and, after the word "hundred," to insert "and fifty."

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On page 130, line 6, after the word "exceeding," it is proposed to strike out "six" and insert "seven," and after the word "hundred" it is proposed to insert the words "and fifty."

The amendment was agreed to.

Mr. SMOOT. That was the only reason I had for asking that the paragraph go over. I have no further objection to it.

Mr. WILLIAMS. It was suggested by the Senator from Minnesota [Mr. NELSON] that that would be enough.

Mr. SIMMONS. The Senator from Maine [Mr. JOHNSON] is in the Chamber now, and I suggest that the Senator from Utah might take up his amendment to paragraph 403½.

Mr. SMOOT. I will gladly refer back to paragraph 403½, which is found on page 124 of the bill.

I approve of taking alizarin from the dutiable list and placing it upon the free list, as provided in this paragraph, if it applies only to alizarin, natural or synthetic, and colors obtained from alizarin and anthracene. I will say to the Senator having this paragraph in charge that the present law does not include carbazol; and adding the words "carbazol" to this paragraph will take an unknown number of coal-tar dyes out of paragraph 21.

This question was brought to the attention of the Customs Court in the case of the Cassella Color Co. against The United States General Appraisers on May 20, 1912. The company undertook to import colors derived from carbazol under the free list, claiming that they also contained anthracene. The United States general appraisers decided that question, and stated that the product could not come in under the free paragraph, and that if it did it would affect such colors as hydron blue G, hydron blue F, and many of the other colors that are derived from carbazol.

As I understood from information that I have received, the committee simply wanted to restore the present law. If that is all, I would simply suggest to strike out the words "and carbazol" and insert the word "and" between "alizarin" and "anthracene," and to strike out the two commas, so that it would read:

Alizarin, natural or synthetic, and colors obtained from alizarin and anthracene.

That, Mr. President, would leave the law as it is to-day.

Mr. JOHNSON. Mr. President, the dyes which appear in this paragraph upon the free list were placed upon the free list because they are largely used in textile manufactures. Alizarin and dyes derived from anthracene are on the free list under the present law, and we have placed them upon the free list here. We have also placed upon the free list dyes derived from indigo, which appear in a later paragraph of the free list.

The bill as it came to the Senate from the House placed indigo on the free list and we also placed dyes derived from indigo there, because of the fact that they are largely used in textile manufactures. Having done that, we were then asked to place dyes that compete with the dyes derived from indigo, hydron blue, on the free list. Hydron blue is one of the dyes derived from carbazol, and it was impressed on the committee that having placed dyes derived from indigo on the free list, dyes derived from carbazol—that is, hydron blue—should also be placed on the free list. That is why we have added here carbazol.

Mr. SMOOT. If that is the reason why the Senator has inserted dyes derived from carbazol it seems to me that we ought to take all the items of paragraph 21 and put them on the free list, because that is exactly where the dyes derived from carbazol fall to-day.

Mr. JOHNSON. We did not do that because the dyes which are principally used in cotton and woolen manufacture are the dyes derived from indigo and from alizarins and anthracenes.

The manufacturers considered it a hardship to have their dyes at this time placed upon the dutiable list when such heavy cuts have been made in the duties upon their products. It seemed to the committee that these dyes which were so largely used by them should be kept upon the free list, and we were willing to add dyes derived or obtained from indigo and from carbazol. Nothing was said at that time about any of the other dyes. Since then the manufacturers of the other dyes and the importers who are interested in the other dyes have been busy, and I think through their influence and their instrumentality the manufacturers have been led to ask that all these other dyes should come in free.

There is of course an argument to be used in favor of having them all treated the same, but these were the principal dyes used by the cotton and woolen manufacturers as they understood it and the only ones they talked about. They wanted the dyes obtained from indigo, the dyes obtained from alizarin and from anthracene placed on the free list, and then it was suggested to them that they used hydron blue. Some of them did not know that they used it until it was suggested to them by an importer. That far we were willing to go.

Mr. SMOOT. Let me state to the Senator the facts in the case as I understand them. I have no doubt the Senator has stated the case exactly as it was told him. But under the present law indigos and colors obtained from indigos are on the free list, where they should be. Alizarin and anthracene to-day are upon the free list and the colors derived from them.

Now, all of the other coal-tar dyes or colors are provided for in paragraph 21 of this bill and they are in paragraph 29, I think, of the present law. Whoever told the Senator that alizarin and the colors derived from alizarin are the great bulk of coal-tar dyes used by the cotton and the woolen manufacturers of this country told him something that was not true.

Mr. JOHNSON. I did not make that statement. I said dyes derived from indigo, the dyes derived from alizarin, and the dyes derived from anthracene, those three.

Mr. SMOOT. I will take the Senator's own statement then, and say that whoever told the Senator that that was the truth said something that is not true. The bulk of the coal-tar dyes that are manufactured by the great concerns in Germany are not alizarin. All the fine colors and delicate shades and also the blacks and the common browns are classed as coal-tar dyes. Alizarin was discovered not many years ago and it takes the place of indigo. It is a cheaper process of dyeing with alizarin than it is with indigo. The armies of the world, I believe, who years ago specifically required indigo dyes, now accept the alizarin dyes, and I believe myself that they are a great deal better than and as fast as the indigo dyes.

Mr. JOHNSON. Will the Senator permit me?

Mr. SMOOT. Yes.

Mr. JOHNSON. Is it not true that under the present law the dyes derived from alizarin and from anthracene are upon the free list?

Mr. SMOOT. That is what I said at the beginning.

Mr. JOHNSON. And they have been carried there for some years.

Mr. SMOOT. And I should like to have them stay there now. I want to say to the Senator that the words "and carbazol" used in this paragraph will affect only one importing concern in this country—the Cassella Color Co. That company brought the suit before the customs court and they are the ones who first imported hydron blue G and hydron blue R; and they tried to enter them as colors derived from anthracene. The general appraisers at the port of New York said they were not colors derived from anthracene. We now find that company has influence enough to have the words "and carbazol" added to the paragraph.

Of course, there are colors derived from carbazol. The Cassella Co. is the one concern that will be benefited with those words added.

I am only asking for the woolen industry and for the cotton industry that they be treated just the same as the present law treats them. I have not had a single one of them ask me or even request in any way that the colors derived from carbazol be put upon the free list. They should not be unless all the colors in paragraph 21 are put upon the free list. That is the consistent position.

By the way, I want to say that one of the parties, if I am to take his word for it, who was responsible for having carbazol added to the free list called me out of the Chamber a day or two ago and asked me what objection I had to the paragraph. I told him that I had an objection which applied to the colors derived from carbazol. He said, "Is that all the objection you have?" I answered him, "Yes." He then said, "We do not particularly care; we would just as leave let it go out as stay in."

Mr. President, all I want is to leave the paragraph just as it is to-day, and not extend it to the colors derived from carbazol, because I do not know what effect it is going to have upon paragraph 21, where the coal-tar dyes are provided for. I know the Senator from Maine must say, to be consistent, that the colors derived from carbazol have no more right to be on the free list than the general line of coal-tar dyes as provided in paragraph 21.

Mr. JOHNSON. Mr. President, I will say in answer to the suggestion made by the Senator from Utah, that to be entirely consistent all the colors described in paragraph 21 should be treated exactly alike, alizarin and anthracene and the dyes derived from indigo should all be treated alike, but particularly the colors derived from alizarin and from anthracene. They never have been so treated in the present law; they have been on the free list.

Mr. SMOOT. Where they ought to be.

Mr. JOHNSON. There is no more reason why dyes derived from alizarin and anthracene should be on the free list than those derived from carbazol or some other color should be on the free list.

Mr. SMOOT. There are a good many reasons, in my opinion.

Mr. JOHNSON. No reason occurred to me. When it was suggested, we had, I remember, before our subcommittee cotton manufacturers and the men interested in the dyes, and we were urged to leave the duty upon them as the House had left the

duty upon them. The cotton manufacturers knew very little about any other colors except the dyes derived from indigo, alizarin, and anthracene. When they were there one man interested in importing dyes suggested that they used hydron blue and indanthrene, a dye derived from anthracene, and suggested that they were using that. They did not know they were using it. When it was suggested to us we said, "Of course we will treat it the same as the others," and we went that far in taking in these staple dyes in general use in the textile mills of the country, and some of which have been used for a long time.

It seemed to us a hardship at this particular time when the duties were being largely decreased upon their products to take the dyes which they use and put a duty upon them. We desired to be consistent. There has not been consistency in treating these dyes until the present time. Not even under the present bill is there consistency. Otherwise alizarin and anthracene and dyes derived from indigo would all be dutiable instead of being on the free list. But we followed the custom as we found it of putting these dyes upon the free list, and we added carbazol for the reason suggested, particularly to reach the one color known as hydron blue.

Mr. SMOOT. Of course, it will reach hydron blue. That is imported by the Cassella Color Co.

Mr. JOHNSON. That is the first intimation I have had as to who imports it, and I do not care who imports it; it makes no particular difference to me. Here were the manufacturers before us contending that the dyes which were now upon the free list should be left free. A dye was suggested which they did not know they were using, and when they were convinced it was largely used by them we added that. We had no knowledge of the Cassella Co., and I think nobody connected with that company was there. I never knew until this moment who was interested in that dye.

Mr. SMOOT. Then certainly the Senator has not looked up the question of the case of the Cassella Co. brought against the appraisers at New York.

Mr. JOHNSON. I have not looked at that. It is the first time I have heard suggested the ownership of it or who was interested in it.

Mr. SMOOT. There is not a user of hydron blue R in the United States who does not know that it has been dutiable under the coal-tar paragraph. The Senator knows that the rate of duty on coal-tar dyes is maintained at 30 per cent, the same as the present law. There is no change in those colors at all. If they were looking out for the manufacturers' interest they certainly would have changed that paragraph.

Mr. JOHNSON. They never asked anything further. When the case was first taken up the manufacturers alluded only to alizarin and anthracene and the dyes derived from indigo. There was never any mention of any other dyes.

Mr. SMOOT. Certainly, because—

Mr. JOHNSON. I had many letters from them.

Mr. SMOOT. It was because those items were on the free list under the present law.

Mr. JOHNSON. They asked us to keep them there, and when it was suggested that there was one other dye, indanthrene, derived from anthracene, we put that on the free list.

Mr. SMOOT. I understand, then, the Senator will not accept the suggestion to strike out carbazol.

Mr. JOHNSON. I see no reason to do it.

Mr. SMOOT. Then I move, in line 20, on page 124, that the words "and carbazol" be stricken out.

Mr. HUGHES. Mr. President, I find this to be one of the most confusing subjects I have been called upon to deal with in any way in connection with the bill, and I think something should be stated with reference to the apparent inconsistency in this legislation. It is an inconsistency, it is true, but it is based upon a former inconsistency, and it shows how difficult it is to get rid of a bad legislative practice when it has once been entered upon.

We hear about alizarin, anthracene, and indanthrene, and the dyes derived therefrom being placed on the free list. They are upon the free list now. But do not let anyone think that they were put on the free list at the behest or for the benefit of American manufacturers. They were put upon the free list for the exclusive benefit of a German chemical house. They were patented processes when they were put on the free list, and they escaped the payment of duties into the Treasury of the United States. They are coming into competition with dyes paying duties at the rate of 30 per cent, and they used that 30 per cent which they escaped as a means of beating their competitors in this country and corrupting the employees of the houses to which they sold dyes. There are two suits pending now against this very concern, brought by manufacturers, charg-

ing them with being in a conspiracy in restraint of trade and with being guilty of a common-law conspiracy in going to their employees and using the opportunity they were given by the free entry they had in this market, escaping the payment of these duties into the Treasury, to make special inducements to the employees of the men with whom they were competitors and to whom they were selling in order to get them to supply the goods.

I come from a textile city where great quantities of these dyes are purchased every year, and it is common knowledge that the buyers are granted perquisites if they buy this or that particular dye. The thing is a mess. It is hard to say to the manufacturer whose dyes have been on the free list, "We are cutting down the duties upon the cloth you manufacture, and we propose to put your dye, which heretofore was free, upon the dutiable list." These gentlemen were cunning enough to go from one end of the country to the other and stir up the manufacturers until a flood of communications and numbers of individuals descended upon the subcommittee to get us to leave at least upon the free list that which is found there.

My idea, and what the House practically did, was to put the same rate of duty upon all of them, and we taxed the articles that entered into their composition. In that way we would compel the gentlemen coming in here with proprietary articles the price of which was fixed, and which they had the means and machinery of disposing of at a fixed price regardless of its merits, to pay for the privilege of getting into this market. We have done the very best we could under the circumstances. We have left coal-tar dyes and colors at 30 per cent, where we found them. Some of the coal-tar dyes and derivatives of the various drugs we have been talking about were upon the free list, and we were compelled to leave them there.

Mr. SMOOT. I wish to say to the Senator that it was unfair on his part to try to saddle the question of paying commissions to the dyers in this country upon the manufacture of alizarin, because if the Senator knows anything about the facts he knows that the same practice is indulged in by many of the dyers demanding commissions not only of America but of every country, if reports are true.

Mr. HUGHES. I know the foreign manufacturer would escape the duty of 30 per cent while the domestic competitor would be compelled to pay it.

Mr. SMOOT. All the Senator is trying to do is to add one more item with its derivatives. They want to add carbazol and colors derived therefrom.

Mr. WILLIAMS. That gives the rival—

Mr. SMOOT. Not in the least. It is entirely a different product.

Mr. HUGHES. It is a different product and not a patented article.

Mr. SMOOT. It is a different product used entirely for a different color. It comes from an entirely different source. It only competes with the foreign manufacturer who has a patent upon all the derivatives of carbazol. If it can come in free of duty it is extending the very thing that the Senator is complaining of. Mr. President, I move to strike out the words "and carbazol," on page 124.

The VICE PRESIDENT. Does the Senator from Utah withdraw his former amendment?

Mr. SMOOT. I will first have the former amendment acted upon, and if it is defeated then I will offer the other amendment.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 124, line 20, after the word "alizarin," insert "and"; and in the same line, after the word "anthracene," strike out the comma and the words "and carbazol."

Mr. SMOOT. That will cover the whole question.

The VICE PRESIDENT. Does the Senator desire to have it put as one amendment?

Mr. SMOOT. Yes; as one amendment.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Utah to the amendment of the committee.

The amendment to the amendment was rejected.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the committee.

Mr. JOHNSON. I wish to suggest an amendment to the committee amendment. In line 19 I move to strike out the word "colors" and to substitute in lieu thereof the word "dyes."

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. WILLIAMS. During the temporary absence from the Chamber of the Senator from Massachusetts [Mr. WEEKS] we were asked to pass over paragraph 416 until his return, or,

rather, unanimous consent was given to recur to it when he did return.

Mr. WEEKS. I offer an amendment to that paragraph applying to cotton bagging.

The VICE PRESIDENT. The Senator from Massachusetts offers an amendment, which will be stated.

The SECRETARY. On page 129—

The VICE PRESIDENT. Will the Senator from Massachusetts state the paragraph in the dutiable list to which the amendment applies?

Mr. WEEKS. It will go in the paragraph from which it was taken when it was put on the free list.

Mr. SMOOT. That is paragraph 276.

Mr. WEEKS. The amendment will be paragraph 276½.

Mr. HUGHES. The Senator means to offer it as paragraph 276½?

Mr. WILLIAMS. The Senator from Massachusetts wishes to offer it as a separate paragraph.

The SECRETARY. The Senator from Massachusetts offers a new paragraph, to be numbered 276½, on page 83, to read as follows:

276½. Bagging for cotton gunny cloth and similar fabrics, suitable for covering cotton, composed of single yarns made of jute, jute butts, or hemp, not bleached, dyed, colored, stained, painted, or printed, not exceeding 16 threads to the square inch counting the warp and filling, and weighing not less than 15 ounces per square yard, ½ of 1 cent per square yard.

Mr. WEEKS. Mr. President, this article has been on the dutiable list since 1896, and it is the one product of this character which has been put on the free list in the pending bill. I do not say that that was done because it is used entirely in connection with the cotton industry, but it certainly lends color to the statement that it has for that reason been selected for such drastic treatment. While I can not anticipate that the majority will be willing to accept the amendment which I have offered, I want to submit a statement which I think justifies the offering of the amendment.

Jute yarns are left on the dutiable list, notwithstanding the fact that the product is put on the free list. Cotton bagging is used exclusively for covering the American cotton crop. The duty under the pending law is six-tenths of 1 cent per square yard, which is equivalent to about three-fourths of 1 cent per running yard. The amendment which I offer of one-half of 1 cent shows about the same reduction in cotton bagging as is made in jute yarns.

There is active competition with American manufacturers in this industry, coming largely from Dundee and Calcutta. The owners and operators of the Dundee factories to a large extent, at least, control the Calcutta industry, but in any case the importations show that there is active competition, and I give a table showing importations since 1903 under the present rate of duty which substantiates this statement.

This table includes the value of the imports, the duty cost, the average value per square yard, and the equivalent ad valorem duty:

Year.	Quantity in square yards.	Value.	Duty collected.	Average value per square yard.	Equivalent ad valorem duty.
					Per cent.
1903.....	5,417,039	\$213,068	\$32,502.24	\$0.039	15.26
1904.....	7,801,672	261,235	46,810.02	.033	17.92
1905.....	9,603,487	391,730	57,620.91	.041	14.71
1906.....	12,309,136	663,843	73,854.80	.054	11.13
1907.....	19,817,860	1,215,446	118,907.12	.061	9.87
1908.....	16,349,696	1,076,353	98,098.16	.066	9.11
1909.....	8,012,434	413,208	48,079.63	.052	11.63
1910.....	16,505,542	699,940	99,033.28	.042	14.15
1911.....	13,365,349	623,099	80,192.11	.047	12.87
1912.....	5,778,731	363,751	34,672.38	.063	9.53
Average....	11,496,094	592,170	68,977.06	.0515	11.65

The equivalent ad valorem duty average for this term of years (10 years) is 11.65 per cent, certainly not a high rate of duty on a product of that character.

The competition from Dundee is active; the wages paid there are only about one-half the average wage paid in this country, while the competition from Calcutta is becoming even more active than that from Dundee. For instance, the wages paid during the past 10 years average \$7.16 per week for all classes of labor employed in this country in this industry. This year the average wage paid is \$9.21 per week for all labor employed, an increase in the 10 years of nearly 30 per cent. In Calcutta the rate of wages average 8½ per cent of that paid in Massachusetts, which would be an average of about 76 cents per

week. The manufacturer's comparative cost of a yard of 2-pound bagging in Massachusetts and Calcutta is as follows:

	Massachusetts.	Calcutta.
	Cents.	Cents.
Labor cost.....	1.118	0.191
Supplies and machinery renewal.....	.366	.297
Administration.....	.218	.209
Plant charges.....	.640	.538
Total cost.....	2.342	1.235
A difference in favor of Calcutta of.....		1.107
Total.....		2.242

showing a handicap against the local manufacturers of nine-tenths of a cent per square yard.

The present duty is but six-tenths of a cent per square yard, and that was the duty designed to protect American manufacturers when the rates of wages were at least 30 per cent less than now and when the hours of labor were materially longer than now. This is an industry where the question of oriental labor is of paramount importance. It is not necessary to point out the difference between European competition and oriental competition to show the whole standard of living, as well as the rates of pay, which shows such a marked difference in favor of this country that it seems reasonable to continue some moderate rate of duty to protect the employees engaged in this industry.

In 1909 the jute mills of India were capitalized for more than \$50,000,000, which shows that it is not a small but a very important industry in Calcutta. They employed 250,000 people, and as the output is very largely used in cotton bagging it indicates the desirability of protecting our people against this kind of foreign competition.

To show the development of the Calcutta mills in recent years, I submit a list which demonstrates the increase in the number of looms employed. In other words, the competition is developing all the time at the expense of our industry. The list is as follows:

	Looms.
Jan. 1, 1890.....	7,964
Jan. 1, 1901.....	15,336
Jan. 1, 1902.....	16,640
Jan. 1, 1903.....	17,597
Jan. 1, 1904.....	19,901
Jan. 1, 1905.....	21,318
Jan. 1, 1906.....	23,884
Jan. 1, 1907.....	26,790
Jan. 1, 1908.....	29,074
Jan. 1, 1909.....	30,824
Jan. 1, 1910.....	31,755
Jan. 1, 1911.....	32,711
Jan. 1, 1912.....	32,632
Jan. 1, 1913.....	34,831

As will be seen from this table, in 1890 the number of looms employed in Calcutta was 7,964, while last year the number was 34,831. They have doubled in the last 10 years.

Calcutta is now the largest bagging manufacturing center in the world. There was recently introduced and adopted by the Senate a resolution directing the Secretary of Commerce to investigate the recent advance in the price of bagging. I have made some investigation of this question and am convinced that the present increase in price of bagging is due almost entirely to the increase in the cost of raw jute, which has advanced as follows:

	Cents per pound.
Aug. 1, 1909.....	3
Aug. 1, 1910.....	3½
Aug. 1, 1911.....	4½
Aug. 1, 1912.....	5
Aug. 1, 1913.....	6½

This can not be due in any great degree to the operation of a trust or combination. The material comes entirely from India, and we are, as far as this industry is concerned, in the grip of that country, because they not only supply the raw material, but at the same time the larger part of the finished product, and they may be able to manipulate the price of raw material, so that they will absolutely destroy the local industries unless there is maintained some reasonable duty, and if the local industries were destroyed, then we would be in the hands of an industry from which the foreigner was getting all the benefit and on which he could make his own price.

There has been a considerable increase in the price of yarns and threads made from jute in recent years: In 1910 they sold on the basis of 6½ cents; in 1911 at 7½ cents; in 1912 at 8 cents; and in 1913 at 8½ to 9½ cents, which means that there

has been an increase of 100 per cent in the price of long jute in the last four years and an increase of 50 per cent in the price of threads. During that period bagging averaging 2 pounds per yard has advanced from 6½ to 10½ cents.

The price of bagging is not only dependable somewhat on the price of raw material and the cost of labor, but is dependent somewhat on the amount of goods which may be carried over by the manufacturing concerns. For instance, if the raw material was very cheap the manufacturer might buy and manufacture much more than was required for the market that year, and it is the policy of the company, as I understand it is of American companies, to give the purchaser the benefit of the increase. The result is, less the cost of carrying over, including interest charges, the price might not for every year advance as rapidly as would otherwise be the case.

The price of jute cuttings has been since 1908 as follows:

	Cents per pound.
1908	2.30
1910	3.65
1911	3.15
1912	4
1913 (about the same as 1912).	

This is the raw material of the American manufacturer.

The Ludlow Manufacturing Co. produces about 20,000,000 yards of bagging a year, but its sales vary from 16,000,000 to 26,000,000 of yards, depending on the size of the cotton crop, which explains the statement I have just made that it is frequently desirable to carry over a surplus which is based on a lower price for the raw material. I give herewith the average prices for bagging during the period of 1900-1913, which show conclusively that the increase in cost has not been commensurate with either the cost of raw material or the advance in the cost of manufacture:

Bagging prices.	Cents.
1900	7½ to 8½
1901	6½ to 6¾
1902	5½ to 6½
1903	5½ to 6½
1904	6½ to 7½
1905	7½ to 8½
1906	8½ to 9½
1907	9½ to 10½
1908	6½ to 8½
1909	6 to 6½
1910	7½ to 7½
1911	8 to 8½
1912	8½ to 8½
1913	10½ to 10½

It seems to me all of this indicates that the competition which the manufacturers in this country are getting is sufficient, so that there should be maintained a reasonable duty on this product. Certainly the competition which we are likely to have in the future, developing rapidly as is the Calcutta industry, suggests that, unless a reasonable duty is maintained, we are going to destroy the industry in this country, when we shall be at the mercy of oriental labor and the price placed by foreign manufacturers on this important product.

Mr. WILLIAMS. Mr. President, it took quite a time to make that statement, but it is the same old story. Here is an amendment, the object of which is to levy a tax upon the producers of from ten to fifteen million bales of cotton, using from ninety to one hundred and five millions of yards of cotton bagging, for the benefit of a baker's dozen of cotton manufacturers somewhere in the United States.

Mr. WEEKS. Will the Senator yield at that point in his statement? I have been unable to understand why this amendment will place a tax on the producer of cotton who buys his cotton bagging and turns around and sells it with his cotton to the manufacturer.

Mr. WILLIAMS. Simply because he does nothing of the sort. Every bale of cotton that reaches the market at Liverpool has deducted from it a tare, so many pounds out of the price of the cotton, a tare for the bagging and ties, and the American price is based upon the Liverpool price with a discount of that tare. That tare is 6 pounds to the bale.

Mr. WEEKS. It is 6 per cent.

Mr. LIPPITT. Six per cent.

Mr. BACON. It is 30 pounds.

Mr. WILLIAMS. Six per cent; 30 pounds on the bagging and ties.

One other thing the Senator from Massachusetts said. He said we singled out this wrapping and put it upon the free list because it was the cotton producers' wrapping. We put upon the free list also burlaps, a very much more expensive thing, so that the wheat raiser might have free material for his wheat sacks and so that the wool producer might have free cloth for his wool.

Mr. BACON. In order to be absolutely accurate—

Mr. WILLIAMS. One moment. The audacity of claiming that when we put an article on the free list for the producers of 15,000,000 bales of cotton we are favoring a special industry, when the amendment is to give a special privilege to a baker's dozen of American manufacturers, where all the employers and all the employees put together probably would not reach a thousand in the entire United States! We are taking a special privilege for the cotton planters in the South because, forsooth, we leave things where God left them, but it is not a privilege for a baker's dozen of New England and other manufacturers to propose to put a tax on an article for the express purpose of bolstering up the price, so that the manufacturer may sell at a higher price an article which it is confessed, or which it is argued, at any rate, he could not produce upon a fair basis untrampled by law.

Mr. LODGE. May I ask the Senator a question? Is not the Senator mistaken in saying that burlaps are on the free list?

Mr. WILLIAMS. I am not. The sort of burlaps of which I speak here are in the same paragraph:

Plain woven fabrics of single jute yarns by whatever name known, not bleached, dyed, colored, stained, printed, or rendered nonflammable by any process.

That is the definition of burlaps. Bleached, printed, and painted burlaps are upon the dutiable list.

Mr. BACON. Mr. President, what I wished to say, in order to be absolutely accurate in regard to the tare was that it is 6 per cent, so that on a standard bale of cotton of 500 pounds it would be 30 pounds.

Mr. WILLIAMS. I inadvertently said "6 pounds," when I ought to have said "6 per cent." That is the Liverpool tare.

Mr. LODGE. Then what does paragraph 290 mean? It reads:

Bags or sacks made from plain woven fabrics, of single jute yarns, not dyed, colored, stained, painted, printed, or bleached, 10 per cent ad valorem.

Mr. WILLIAMS. Those are the bags or sacks; that is the differential between the cloth, which is put upon the free list, and the material after it is sewed up into bags or sacks.

Mr. LODGE. That is the bag after it is made?

Mr. WILLIAMS. It is the bag after it is made.

Mr. LODGE. That is left on the dutiable list?

Mr. WILLIAMS. After the bag is made it is on the dutiable list.

Mr. LODGE. But the wheat is not put in the burlap in the cloth, in the running yard?

Mr. WILLIAMS. The only difference is that the cotton is sacked after it is pressed and that the sack for the wheat is made before the wheat is put into it.

Mr. LODGE. Certainly.

Mr. WILLIAMS. In other words, the sack is spread around the cotton; it is made after the cotton is pressed, by being put around it and the cotton ties put on it. We treat them both exactly in the same way; we give them both the cloth free, but we do not furnish the southern planter with somebody to sew his bagging around his cotton, nor do we furnish the southern and western farmer with somebody to sew up his sacks.

Mr. LODGE. Exactly. The western farmer does not use the plain cloth; he uses a bag.

Mr. WILLIAMS. He uses plain cloth after it is made into sacks.

Mr. LODGE. Yes; after it is made into a sack; exactly.

Mr. WILLIAMS. We do not use plain cloth, either, but we put the ties around the cotton bale and fasten it.

Mr. LODGE. But the net result is that the article that the farmer uses bears a duty of 10 per cent.

Mr. WILLIAMS. It does not.

Mr. LODGE. It certainly does, because he uses the bag.

Mr. WILLIAMS. The western farmer can do just what we do.

Mr. LODGE. He does not put wheat in the running yard of cloth; he puts it into a bag.

Mr. WILLIAMS. He can do just what we do; he can sew his own bags and sacks, in my opinion, if he wants to. We have treated both exactly alike, but that has nothing to do with the question now before the Senate. The proposition is brazenly, undisguisedly, audaciously to tax the producers of from ten to fifteen million bales of cotton for the benefit of a little bit of a handful of people who are engaged in a propped-up industry that never could have existed except for law.

Mr. LODGE. On the matter of bags made of burlap I wish to say that under the present law the bag makers get 5 per cent additional, as I understand.

Mr. WILLIAMS. The bag makers get a differential of 5 per cent. Is that what the Senator means?

Mr. LODGE. They did get a differential of 5 per cent, and now they get 10 per cent.

Mr. WILLIAMS. They get, under the present law, a differential of 5 per cent, and under this proposed law a differential of 10 per cent.

Mr. LODGE. Precisely; that is, the man who makes the bags for the wheat gets a differential of 10 per cent?

Mr. WILLIAMS. Yes; and that was a concession to a much-mouthing Republican allegation, which is, that whenever labor is required there ought to be a little differential in favor of labor. "American labor, don't you understand, should be protected against the pauper labor of the world everywhere." The Senator is familiar with that argument. If there is any weakness about this at all it is in having yielded to that Republican argument.

Mr. LODGE. I am as familiar with that argument as I am with the Senator's argument. I am familiar with both of those arguments.

Mr. WEEKS. Mr. President, the statement I made was that the southern planter bought his cotton bagging and resold it with his cotton to the mills at the same price for which the cotton was sold. That is the statement I made which the Senator from Mississippi [Mr. WILLIAMS] disputed. Now, I want to substantiate that statement, and I will do so, not only by the rules of the Cotton Buying Association of New England, but from letters which have been written me referring to the same subject. For instance, here is a letter from Albert H. Chamberlain, treasurer of the Arlington Mills, in which he says:

In purchasing domestic cotton, except sea-island cotton, we pay for ties and bagging on the same basis as for cotton, unless the weight of the ties and bagging exceeds 24 pounds.

In the case of sea-island cotton, we pay for the cotton and bagging at the same price, unless the bagging exceeds 12 pounds in weight.

The difference between the 24 pounds and the 12 pounds is due to the fact that sea-island cotton is wrapped only in bagging, whereas other domestic cotton is not only wrapped in bagging but bound with iron hoops or ties.

We customarily pay for cotton on sight draft against bill of lading, and necessarily have to pay on the basis of invoice weights, subject to our right to make later claim for repayment for tare in excess of the above amounts.

Egyptian cotton is purchased on a net-weight basis, so that we pay only for the actual weight of cotton.

I find in the Revised New England Terms for Buying and Selling American Cotton, which I understand applies to all manufacturers, this statement:

48. The allowance for tare shall be an average of 24 pounds per bale. The purchaser shall be reimbursed for all tare in excess of this average at the invoice value, less one-half cent per pound.

Then, it goes on to state—

Mr. WILLIAMS. Is the Senator reading the New England tare upon Egyptian cotton?

Mr. WEEKS. I am reading, now, not the rules governing tare on Egyptian cotton but on domestic cotton. In other words, the cotton mill pays for 24 pounds of bagging in every bale of cotton it buys, at the same price it pays for the cotton itself.

Mr. WILLIAMS. Now, Mr. President, I want to make this perfectly plain. Cotton has its ultimate value fixed in Liverpool, because the great majority of it is exported. There is no ostensible tare in Memphis or New Orleans or in the mills in New York or in New England at all; but the price of the American cotton is fixed by the price for which that cotton is sold at Liverpool. When that cotton gets to Liverpool 6 per cent of the weight is deducted after each bale is weighed. That 6 per cent amounts to 30 pounds in a bale of 500 pounds. That 30 pounds is not paid for, but is deducted from the weight. That 30 pounds in a bale being deducted from the weight, at the present price of cotton, which is 12 cents a pound in Liverpool, would be \$3.60 per bale. That is a plain calculation. That \$3.60 per bale is thus deducted from the price of every bale of cotton that the South ships to Liverpool, and as the competition for the cotton fixes the price of the cotton, and as the main bulk of the cotton is shipped abroad, and as the Liverpool tare prevails in all the other European ports, of course the American purchaser of cotton is not going to pay a price any higher than that at which it is sold in Liverpool. Therefore the tare comes off here, although it is not ostensibly given. When I sell a bale of cotton in Liverpool the tare is deducted in so many words, but when I sell it in Fall River it is allowed for, because I sell it there in competition with Liverpool.

Mr. LIPPITT. Mr. President, if the Senator will yield to me for a moment, he says that when he sells a bale of cotton in Liverpool the tare is taken off that bale of cotton. I want to ask him if what happens is not that, in the first place, the planter has been paid at the price of his cotton for every pound of bagging and for every pound of hoop iron that is on that bale,

provided the combined weight of those two is not in excess of 24 pounds, and when that cotton is sold to a New England mill that the bagging is weighed the same as the cotton is weighed, and that the hoop iron is weighed the same as the cotton is weighed, and it is paid for at the same price as is the cotton? Whether the entire purchase is not based upon the combined weight of the cotton and the bagging and tie? So that when a 500-pound bale of cotton and bagging is delivered to a New England mill or to a southern mill, what that mill receives is approximately 475 pounds of cotton and 25 pounds of other material. The cotton is put through the mill in the process of manufacturing cloth, and the refuse matter of bagging is sold for in the neighborhood of a cent a pound, with a loss to the mill of anywhere from 12 to 20 cents a pound over what they paid for it, and the iron on that cotton is sold for about half a cent a pound, with also a loss of anywhere from 12 to 20 cents a pound. That is what happens when that cotton is delivered and sold to the New England mill.

Now, what happens when it is sold abroad? The foreign manufacturer will not submit to this oppression of paying for bagging and hoop iron at the same price as he pays for cotton. Therefore, when the factor, who buys the cotton from the planter and has paid the planter for the hoop iron and for the bagging, is obliged to sell that cotton to Liverpool, knowing the custom there, he adds to the price he would sell to a New England mill about 6 per cent. When the cotton goes over to Liverpool it goes at that increased value of about 6 per cent, and in consideration of that the Liverpool manufacturer is allowed a claim that compensates him. That is what happens.

Mr. WILLIAMS. Did the Senator rise to ask me a question or to make a speech? He has made a number of speeches upon this subject.

Mr. LIPPITT. I beg the Senator's pardon. I never have made a speech on this subject before.

Mr. WILLIAMS. Cotton is the Senator's specialty clear through.

Mr. LIPPITT. I will take the liberty of completing my remarks when the Senator has finished.

Mr. WILLIAMS. Very well. Mr. President, the truth is that although there is not ostensibly any tare in New York or Fall River or New Orleans or Memphis, when I sell my cotton there is in the market a buyer representing Liverpool and another buyer representing the Fall River mills. The buyer representing the Fall River mills knows as well as the Senator from Rhode Island knows that when that cotton gets to Liverpool there is going to be a deduction of 30 pounds on the 500-pound bale for tare, which, at 12 cents a pound, would amount to \$3.60. He therefore regulates his bid in competition with the Liverpool buyer by his knowledge of that fact. As a consequence, the American buyer, without putting ostensibly any tare upon the cotton, pays a price for the cotton just that much less than he otherwise would pay—in the case I have supposed, \$3.60 a bale less. He would be a monumental idiot if he did otherwise. Would they establish an agreement between them that the New Orleans and Memphis and Savannah cotton buyers representing Liverpool would always pay \$3.60 a bale less for cotton than the buyer representing Fall River would pay? They both pay the same price in both cases; and one of the factors that enters into the calculation of what the price shall be is the fact that \$3.60 is deducted at Liverpool.

It seems rather curious that there is an awful effort being made here to try to make it appear that there is something sectional in this bill. I hear none of you complain that when a man sells his wheat in these burlaps, which are heavier, or sells his wool in burlaps, which are still heavier, he gets paid for his sack in the one case and for his wool bag in the other; and yet in that case, if I am correctly informed, there is no tare at all allowed anywhere. He gets paid at the rate of 90 cents a bushel or \$1 a bushel for his wheat; the wheat weighs 60 pounds; and he gets paid at that same rate for his sack and he gets paid at the same rate for the burlap around his wool, and you do not hear the slightest complaint about that; but when there is a tax which grinds down upon the producer of southern cotton, which grinds down ultimately, of course, more upon the wards of the Nation and the special pets of the Republican Party, the southern darky, who makes nearly half of all the cotton made in this country, nobody is heard to make a complaint.

The truth is there ought never to have been a tax upon cotton bagging; there ought never to have been a tax upon grain sacking; there ought never to have been a tax upon wool bagging. You have gone to work and you have tried to prop up here, as you confess, an industry which, as you allege, can not exist except for this tax; and I suppose, as I said a moment ago,

that not a thousand men in the United States are interested in it, counting employers and employees, both put together.

If the other side wants to vote against giving the southern planter, the southern farmer, and the southern farm laborer free cloth out of which to make the bagging around his product, and then turn right around and put burlap bags for wool and sacks for wheat upon the free list at the same time, then let those of you who have been growling for about three weeks about our discriminating against the farmer go west and explain it.

Mr. LODGE. Mr. President, I know, of course, it is entirely useless to expect to make any change in this provision, for there is none in the bill so hopeless of alteration as this one. It is done on the theory that it will lower the price of cotton bagging to the southern cotton planter. I myself believe the abolition of American competition will lead to their paying more than they do now, because I do not believe that the Dundee and the Calcutta bagging factories, which are all substantially in one control, are philanthropic institutions. I think they will take from their purchasers "all that the traffic will bear." I shall not argue the question any further, but I ask to have printed in the RECORD a letter giving some facts in regard to the matter.

The VICE PRESIDENT. In the absence of objection, permission is granted.

The letter referred to is as follows:

LUDLOW MANUFACTURING ASSOCIATES,
Boston, Mass., April 10, 1913.

Hon. HENRY CABOT LODGE,
United States Senate, Washington, D. C.

MY DEAR SENATOR: In the address of the President to the Congress on April 8 occurs the following which may be regarded as the key to the situation as he perceives it:

"DUTIES MERELY FOR REVENUE.

"The object of the tariff duties henceforth laid must be effective competition, the whetting of American wits by contest with the wits of the rest of the world.

"It would be unwise to move toward this end headlong, with reckless haste, or with strokes that cut at the very roots of what has grown up amongst us by long process and at our own invitation. It does not alter a thing to upset it and break it and deprive it of a chance to change. It destroys it.

"WE MUST BUILD UP TRADE, ESPECIALLY FOREIGN TRADE.

"In dealing with the tariff the method by which this may be done will be a matter of judgment exercised item by item."

In connection with this your attention is respectfully called to the following:

JUTE BAGGING FOR COVERING COTTON.

This bagging is used exclusively for covering the American cotton crop. It is made from free raw material, and is dutiable under Schedule J, paragraph 355, of the present tariff law, as follows:

"Bagging for cotton, gunny cloth, and similar fabrics, suitable for covering cotton, composed of single yarns made of jute, jute butts, or hemp, not bleached, dyed, colored, stained, painted, or printed, not exceeding 16 threads to the square inch, counting the warp and filling, and weighing not less than 15 ounces per square yard, six-tenths of 1 cent per square yard."

As nearly all bagging used for covering cotton is made 45 inches in width, the above duty is equivalent to three-quarters of 1 cent per running yard.

We give below a table compiled from the United States Treasury statistics showing for the years 1903-1912 the amount of bagging imported, the value, duties paid, price per running yard, and the equivalent ad valorem rate of duty assessed:

Imports of bagging under duty of 0.6 cent per square yard, 1903-1912.

Year.	Quantity in square yards.	Value.	Duty collected.	Average value per square yard.	Equivalent ad valorem duty.
					Per cent.
1903.....	5,417,039	\$213,098.00	\$32,502.24	\$0.039	15.26
1904.....	7,801,672	261,235.00	46,810.02	.033	17.92
1905.....	9,603,487	391,730.00	57,620.91	.041	14.71
1906.....	12,309,136	663,843.00	73,854.80	.054	11.13
1907.....	19,817,860	1,215,446.00	118,907.12	.061	9.87
1908.....	16,349,686	1,076,353.00	98,088.16	.066	9.11
1909.....	8,012,434	413,208.00	48,079.63	.052	11.63
1910.....	16,505,542	699,940.00	99,033.28	.042	14.15
1911.....	13,365,349	623,099.00	80,192.11	.047	12.87
1912.....	5,778,731	363,751.00	34,672.38	.063	9.53
Average....	11,496,004	592,170.00	68,977.06	.0515	11.65

This industry has been gradually developed at an enormous expense, has paid the Government a duty of 45 per cent on its machinery (reduced to 30 per cent by the present tariff, enacted since the mills were filled with machinery imported at the higher rate), and is prepared to protect the planter by furnishing him quickly his entire wants during the limited season of his requirements.

The destruction of this industry by putting the foreign product on the free list, as is done by the Underwood bill, would remove all "effective competition."

It would not promote commerce, as there is no foreign demand for this product, and the machinery would not be available for other manufacturing purposes.

The foreign control of the American market, without any return of revenue to the Federal Government, would be the result, and as burlaps, or light jute cloth, has been increased about 70 per cent in price during 1912 by the foreign mills, having no American competition, the same result may reasonably be anticipated in bagging, which in the same period advanced less than 9 per cent.

We do not believe it is the duty of our Congress to put a premium on inefficiency and incompetency or that the rate of duty should be high enough to protect the same, but that only such a measure of duty as will enable a mill equipped with the latest and best machinery, and managed with the greatest skill, to continue as an American industry.

The United States receives Europeans of all nations, but Asiatics and Indians, such as are here pictured, it bars out.

If the competition of the Asiatic laborer is so feared that he is forbidden entrance to the United States, is it unreasonable for the manufacturers of the United States to ask for protection against the importation of goods manufactured by him?

Very respectfully,

LUDLOW MANUF. ASSOCIATES,
CRAMMOND N. WALLACE, President.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Massachusetts.

Mr. LIPPITT. Mr. President, I merely want to add a word to what I was saying when the Senator from Mississippi [Mr. WILLIAMS] very properly interrupted me with the remark that I was speaking in his time.

There can be no dispute about what happens in connection with this cotton-bagging matter. The facts are undeniable that for every bale of cotton that is grown the planter receives a sum equivalent to the combined weight of the cotton, the bagging, and the hoop iron. Nobody has ever denied that, and the Senator from Mississippi will not deny that.

Mr. WILLIAMS. I do deny it absolutely. The Senator says that the planter receives it. If the planter receives it, then he receives it without a deduction from the price to account for it; and I say there is a deduction from the price to account for it.

Mr. LIPPITT. I will say to the Senator from Mississippi that, if he will understand my statement, I do not believe he will deny it. I say to the Senator from Mississippi, when the planter—the grower of cotton—takes that cotton into his local market to sell it to a factor, that that bale of cotton is put upon the scales, including the bagging, including the hoop iron, and including the cotton, and the weight for which he is paid is the combined weight of those three articles.

Mr. WILLIAMS. There is no doubt about that; the weight of the bale is the weight of the three combined.

Mr. LIPPITT. That is what I said, and I knew the Senator from Mississippi would not deny it.

The whole of the Senator's argument is that, although the planter is paid for all those three articles, by some hocus-pocus in the markets of the world he only receives for those three articles what he would receive for the cotton alone if only the cotton were weighed. Mr. President, whether that is true or not I do not know; but what I do know is that there is a great disinclination on the part of purchasers generally to pay for the package in which an article is contained the same price that they pay for the article itself. I know that when one enters a grocery store to buy a pound of sugar, if the sugar is put up in a box and the grocer attempts to weigh the box and the sugar together and make the customer pay for a proportion of a pound of sugar the same price he would pay for an entire pound, the customer does not like it.

I know that when we come to the other end of the transaction, and this cotton that the New England or southern manufacturer has bought at the combined weight of cotton and bagging is turned into cloth and that cloth is wrapped up in bagging exactly the same as cotton is wrapped up in bagging—when that cotton is returned to the South in the form of cloth no southern merchant will permit the mill to weigh into the weight of that bale the burlap in which it is contained, or will pay for the burlap at the price of the cloth, on the assumption that he would have to pay for the cloth the same price that he would pay for the combined weight if he paid for only one.

In one case, when the cotton comes to the mill, the combined weight of both is charged for. When it is returned to the South in the form of cloth, only the cloth is allowed to be charged for.

The whole of this mystery lies in the assumption that is made upon the part of the planter in the South that in case he were not allowed to weigh both materials he would have to charge just that much more for his cotton. Whether that is the case or not no living man can possibly tell. The price of cotton, like the price of every other product, is determined by the demand and the supply. It is not determined by the Liverpool market for cotton. The Liverpool market is merely one of the thermometers that register the price of cotton. The New York Cotton Exchange is another thermometer that measures the price of cotton for this country. The New Orleans and Memphis

exchanges are other thermometers. But what makes those thermometers go up and down is not the demand of Liverpool nor the demand of America; it is the combined demand of the entire world in its relation to the combined supply of the entire world.

No man's mind has ever yet been found clear enough and accurate enough to discover whether that thermometer would go up or down on account of some variation in the tare upon the cotton. The fact remains that when a man raises cotton that is worth 12 cents a pound, he gets 12 cents a pound for the bagging that incloses the cotton; when he raises cotton that is worth 20 cents a pound, as many of the planters do in the State which the Senator from Mississippi so ably represents, he gets 20 cents a pound for the bagging; and he gets the 12 cents or the 20 cents, as the case may be, for bagging and for hoop iron that cost him identically the same price in each case.

I think that is the situation, as I understand it.

Mr. WILLIAMS. Mr. President, I am astonished, then, that the Senator, who has been so long engaged in the business, does not understand it. He speaks of a "hocus pocus" and an "assumption." Here is the plain physical fact: When a bale of cotton goes to the market in Liverpool it is weighed with the bagging and the ties both upon it, and then 6 per cent of its weight is deducted from it before it is paid for.

Mr. LIPPITT. I have acknowledged that.

Mr. WILLIAMS. That is not a "hocus pocus"; that is not an "assumption." That is a physical fact, and that is not trusting to the market to bring a price for the cotton—

Mr. LIPPITT. May I ask the Senator one question?

Mr. WILLIAMS. Yes.

Mr. LIPPITT. Is it not true that that cotton in the Liverpool market is paid for at a price that is 6 per cent higher than the price that would have been charged for that cotton if it had been sold to a New England buyer?

Mr. WILLIAMS. No; exactly the opposite is the truth. The truth is that cotton is paid for in America at a little over 6 per cent less than it brings in Liverpool; and one of the reasons for it is because the American buyer is competing with Liverpool in buying the cotton.

The Senator from Rhode Island can not teach me any fundamental elementary principles of political economy. When the Senator undertakes to put me in the attitude of having said that Liverpool alone fixes the price of cotton he is making an assumption. I say, however, that the controlling factor in fixing the price of cotton is Liverpool, because it is the greatest market for cotton in the world.

There is the physical fact. I sell 100 bales of cotton to-day to Fall River. I sell another hundred bales of cotton to-day to be delivered in Liverpool. I sell each of those 100 bales at exactly the same price per pound. When my cotton gets to Liverpool they physically deduct this 6 per cent. Upon a 500-pound bale that is 30 pounds. Now, the Senator says that I get paid at the rate of 10 cents per pound for the bagging and ties in the first instance if that is the price agreed upon, and 20 cents per pound if the cotton is worth 20 cents.

Mr. LIPPITT. Mr. President—

Mr. WILLIAMS. Wait one moment. He forgets that when the tare of 6 per cent is calculated, if it is 10-cent cotton I have \$3 deducted from what I would have received, and if it is 20-cent cotton I have \$6 deducted from what I would have received, because the tare, the deduction, is a percentage of weight; that weight is multiplied by the price of the cotton, and that is the way in which bagging and ties are allowed for.

If the Senator were to sell a bag of cloth or something put up in a box with an agreement that so many pounds should be deducted for the weight of the covering or the weight of the box he would not be receiving pay for the covering or for the box. When we sell this cotton with an agreed tare of 6 per cent we are not receiving pay for the number of pounds that the tare comes to at the price at which the total was calculated. Of course you can not weigh the cotton separately from the bagging and ties unless you stop to take off the bagging and ties. Hence, for generations it has been agreed at Liverpool that a certain percentage of tare should be allowed.

Mr. LIPPITT. What is that percentage?

Mr. WILLIAMS. Six per cent. In a 500-pound bale there is 30 pounds deducted.

Mr. LIPPITT. Now, just let me ask the Senator a question.

Mr. WILLIAMS. There is one more thing—

Mr. LIPPITT. If the Senator will let me ask him one more question I will not interrupt him again.

Mr. WILLIAMS. I hope the Senator will let me finish this sentence, because I want to complete the statement. There is one more thing done. At one time some cotton shippers or exporters, whether planters or not—there being dishonest men among them, like all others—tried to increase the amount of bagging and the amount of ties so that the tare would not cover

it. An arrangement was then made that whenever there were more than 6 ties and more than a certain number of yards of bagging extra tare was to be charged.

I now yield to the Senator.

Mr. LIPPITT. The Senator very rightly says that there is a 6 per cent allowance for tare when cotton is sold to Liverpool. If cotton is worth 10 cents a pound, 6 per cent would be—

Mr. WILLIAMS. Three dollars.

Mr. LIPPITT. It would be 10.6 cents per pound. I think that is correct, is it not? Figured on the price of the pound, if 6 per cent is added for the tare, where the cotton is worth 10 cents per pound without it the price would be 10 cents plus 6 per cent of 10 cents, which is sixty one-hundredths, or a total of 10.6 cents per pound.

Mr. WILLIAMS. The Senator means if the cotton were sold without the burlap or ties it would be 10.6 cents per pound.

Mr. LIPPITT. I simply mean, so far, that 6 per cent of 10 cents is six-tenths of a cent.

Mr. WILLIAMS. That is absolutely true; yes.

Mr. LIPPITT. Yes. Now, then, if that cotton were charged to a New England mill at 10 cents a pound by a factor in Memphis, it would be charged to the Liverpool mill at 10.6 cents per pound. Is not that correct?

Mr. WILLIAMS. I do not think so.

Mr. LIPPITT. I so understand it. The Senator has himself said that there is an amount added to the price to compensate for the tare.

Mr. WILLIAMS. There is an amount deducted from the price.

Mr. LIPPITT. I understand that every merchant, every factor in Memphis who has a bale of cotton that he has bought, if he sells that bale to a New England cotton mill at 10 cents a pound, would charge the same bale to a Liverpool buyer at 10.6 cents a pound. The reason he would charge it to the latter at 10.6 cents a pound is simply because he is going to allow the Liverpool merchant a tare that is equivalent to the difference between the price he is charging to the two places. That is the way this business is carried on.

Mr. WILLIAMS. If that is the way the business is carried on, it is absolutely news to me. I know that I sell my cotton to men who are buying for Liverpool, and I sell to men who are buying for Fall River.

Mr. LIPPITT. And the Senator gets identically the same price.

Mr. WILLIAMS. And they give me identically the same price.

Mr. LIPPITT. Exactly.

Mr. WILLIAMS. So the statement that the cotton producer gets the difference is not true.

Mr. LIPPITT. And the Senator is paid for both the cotton and the bagging.

Mr. WILLIAMS. The Senator from Rhode Island promised me that if I would let him ask me a question he would not interrupt me again. So the statement that the cotton producer receives payment for his bagging and ties is not true. According to the Senator's own statement, he says that after the buyer has bought the cotton from me he adds six-tenths of a cent on each 10 cents' worth of cotton to the price to Liverpool. If that be true, then the buyer gets paid for the tare, but I never get paid for it.

I do not think that is the way they do. If that is the way they do in invoicing that cotton to Liverpool at Fall River, it is absolutely news to me. I never heard of it in my life.

Mr. LIPPITT. If the Senator will read the department reports upon the matter, he will see that it is so.

Mr. WILLIAMS. I never heard of it in my life, and I do not believe there is any cotton buyer in Yazoo City who buys cotton from me at 10 cents a pound who adds six-tenths of a cent to it on that account when he sells it to Liverpool. Of course he adds something to it, because he is buying cotton in order to sell it at a profit.

As to what fixes the price of the cotton, of course nobody is stupid enough to say that Liverpool alone does it. The entire demand for the product all over the world, as contrasted with the supply, fixes it; but when the major demand is in one place, then that place is the controlling factor in the price.

Mr. WEEKS. Of course I knew that the Senator from Mississippi and his party were lost to reason on this subject before I commenced the discussion. I ask for a vote.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Massachusetts.

The amendment was rejected.

Mr. THOMAS. Mr. President, I offer as an amendment an additional paragraph, to be numbered 4034, which I ask to have read.

The VICE PRESIDENT. The amendment will be stated.
The SECRETARY. On page 124, after line 18, it is proposed to insert the following as a new paragraph:

4034. Alcohol, ethyl, of a proof strength of not less than 180° and containing denaturing materials of such character and quantity as to render it unfit as a beverage or for liquid medicinal purposes: *Provided*, That the proper denaturation of such alcohol (including denatured alcohol brought to the United States from Porto Rico) shall be determined in such manner as the Secretary of the Treasury may by regulations prescribe; and all such alcohol admitted free of duty or tax shall not be subject to any internal revenue tax.

The amendment was agreed to.

IMPORTATIONS IN AMERICAN VESSELS (S. DOC. NO. 179).

The VICE PRESIDENT laid before the Senate the following message from the President of the United States, which was read:

To the Senate:

In reply to the resolution of the Senate, dated August 20, 1913, reading as follows:

Resolved, That the Secretary of State be directed, if not incompatible with the public interest, to transmit to the Senate copies of all protests filed against paragraph J, subdivision 7, of section IV (V as amended) of H. R. 3321, "An act to reduce tariff duties and to provide revenues for the Government, and for other purposes," together with copies of all correspondence that has passed between this country and any foreign country relating thereto, and copies of any report or reports prepared or made thereon by any officer of the United States, the subject referred to being the provision in the tariff bill providing for a discount of 5 per cent on all duties on goods, wares, and merchandise imported by vessels admitted to registration under the laws of the United States.

I transmit herewith a report from the Secretary of State pointing out that the information called for by the resolution has already been communicated by the Department of State to the Committee on Finance of the United States Senate.

WOODROW WILSON.

THE WHITE HOUSE, September 4, 1913.

The PRESIDENT:

The undersigned, the Secretary of State, has received the resolution of the Senate dated August 20, 1913, reading as follows:

Resolved, That the Secretary of State be directed, if not incompatible with the public interest, to transmit to the Senate copies of all protests filed against paragraph J, subdivision 7, of section IV (V as amended), of H. R. 3321, "An act to reduce tariff duties and to provide revenues for the Government, and for other purposes," together with copies of all correspondence that has passed between this country and any foreign country relating thereto, and copies of any report or reports prepared or made thereon by any officer of the United States; the subject referred to being the provision in the tariff bill providing for a discount of 5 per cent on all duties on goods, wares, and merchandise imported by vessels admitted to registration under the laws of the United States."

In response to this resolution, the undersigned has the honor to point out that the Department of State has already transmitted to the chairman of the Committee on Finance of the United States Senate, for the information of that committee, copies of all notes addressed to the department by the foreign diplomatic representatives in Washington protesting against the discount of 5 per cent allowed on all duties imposed on goods, wares, and merchandise imported by vessels admitted to registration under the laws of the United States. No further correspondence with these representatives has taken place save mere acknowledgment by the department of the receipt of their notes and the statement to them that copies of their notes had been transmitted to the appropriate committees of Congress. Copies of a letter from the Secretary of the Treasury dated May 26, 1913, and of this department's reply of May 28, 1913, discussing the question of the alleged conflict of the provision with the stipulations of some of our treaties, are inclosed.

It appears, therefore, that the information requested by the resolution is in large part already at the disposition of the Senate.

Respectfully submitted.

W. J. BRYAN.

DEPARTMENT OF STATE,
Washington, August 29, 1913.

TREASURY DEPARTMENT,
Washington, May 26, 1913.

The SECRETARY OF STATE.

SIR: I have the honor to invite your attention to subsection 7, paragraph J, of section 4 of the pending tariff bill (H. R. 3321), which provides for a discount of 5 per cent on such goods, wares, and merchandise as shall be imported in vessels admitted to registration under the laws of the United States.

It has been pointed out to me, directly and indirectly, that this provision may result in the violation of many of our treaties with foreign nations, and is almost sure to result in international complications and diplomatic negotiations. Consequently, I earnestly suggest the advisability of submitting to the counselor for the State Department or such other officer as you may deem proper the question as to whether or not this provision is in violation of any existing treaty rights.

In view of the importance of this matter and the necessity for early action, I shall be greatly obliged if you will furnish me with the desired opinion at the earliest possible moment.

Yours, very sincerely,

WM. G. MCADOO.

DEPARTMENT OF STATE,
Washington, May 28, 1913.

The SECRETARY OF THE TREASURY.

SIR: Replying to your letter of the 26th instant, in which you request an expression of the opinion of the department as to whether subsection 7, paragraph J, of section 4 of the pending tariff bill (H. R.

3321) conflicts with the provisions of our treaties, I have the honor to say:

The clause in question reads as follows:

"J. Subsection 7. That a discount of 5 per cent on all duties imposed by this act shall be allowed on such goods, wares, and merchandise as shall be imported in vessels admitted to registration under the laws of the United States."

We have treaties with numerous countries, including the Argentine Republic, Austria-Hungary, Belgium, Colombia, Costa Rica, Denmark, Great Britain, the Hanseatic Republics, Italy, Japan, the Netherlands, Norway, Prussia, Spain, and Sweden, which provide, in one form or another, that neither contracting party shall charge a lower rate of duty on merchandise imported in its own vessels than it charges on merchandise imported in vessels of the other contracting party.

The earliest of these treaties now in force is that with Great Britain, concluded July 3, 1815, during the administration of Madison. It contains (art. 2) the following clause:

"The same duties shall be paid on the importation into the United States of any articles the growth, produce, or manufacture of His Britannick Majesty's territories in Europe, whether such importation shall be in vessels of the United States or in British vessels, and the same duties shall be paid on the importation into the ports of any of His Britannick Majesty's territories in Europe of any article the growth, produce, or manufacture of the United States, whether such importation shall be in British vessels or in vessels of the United States."

The convention of commerce and navigation with Denmark, concluded April 26, 1826, during the administration of John Quincy Adams, contains (Art. III) the following clause:

"They (the contracting parties) likewise agree that whatever kind of produce, manufacture, or merchandise of any foreign country can be, from time to time, lawfully imported into the United States, in vessels belonging wholly to the citizens thereof, may be also imported in vessels wholly belonging to the subjects of Denmark; and that no higher or other duties upon the tonnage of the vessel or her cargo shall be levied and collected, whether the importation be made in vessels of the one country or of the other."

Following this passage, there is a reciprocal provision as to importations in American vessels into Denmark.

Substantially similar stipulations may be found in Article III of the treaty of commerce and navigation with Sweden and Norway, concluded July 4, 1827.

Article III of the treaty of commerce and navigation with Prussia, concluded May 1, 1828, contains the following stipulation:

"All kinds of merchandise and articles of commerce, either the produce of the soil or of the industry of the Kingdom of Prussia, or of any other country, which may be lawfully imported into the ports of the United States in vessels of the said States, may also be so imported in Prussian vessels, without paying other or higher duties or charges, of whatever kind or denomination, levied in the name or to the profit of the Government, the local authorities, or of any private establishments whatsoever, than if the same merchandise or produce had been imported in vessels of the United States of America."

The article contains a reciprocal provision as to importations into Prussia in American vessels.

Similar clauses exist in the treaty of commerce and navigation between the United States and Austria-Hungary, concluded August 27, 1829.

The convention of commerce and navigation between the United States and the Netherlands, concluded August 26, 1852, contains the following article:

"ARTICLE I. Goods and merchandise, whatever their origin may be, imported into or exported from the ports of the United States from and to any other country in vessels of the Netherlands shall pay no higher or other duties than shall be levied on the like goods and merchandise imported or exported in national vessels. Reciprocally, goods and merchandise, whatever their origin may be, imported into or exported from the ports of the Netherlands from and to any other country in vessels of the United States shall pay no higher or other duties than shall be levied on the like goods and merchandise imported or exported in national vessels."

The treaty of commerce and navigation with the Argentine Republic, concluded July 27, 1853, briefly provides as follows:

"ART. VI. The same duties shall be paid and the same drawbacks and bounties allowed upon the importation and exportation of any article into or from the Territories of the United States, or into or from the Territories of the Argentine Confederation, whether such importation or exportation be made in vessels of the United States or in vessels of the Argentine Confederation."

It will be observed that Article VI, above quoted, refers to drawbacks and bounties. Similar stipulations are found in other treaties.

The various stipulations above quoted suffice to show the purport of the treaty provisions with which the proposed subsection is alleged to conflict. This allegation appears to be well founded if, as seems to be the case, it is intended by the subsection to allow the discount on duties only on merchandise imported in American registered vessels. Governments having treaty stipulations with the United States such as those above quoted probably would not object to the discount if it were extended, in conformity with those stipulations, to merchandise imported into the United States in their respective vessels; but they would not acquiesce in a discriminatory levy of lower duties on goods imported into the United States in American registered vessels because it was called a discount. It is the fact that a lower duty is charged, and not the term by which the reduction is described, with which the department is obliged to deal.

The department has received one communication from a Government with which we have at present no such treaty stipulations as those above quoted. This communication proceeds from the Government of France, whose ambassador at this capital has made to the department, with reference to the subsection in question, the following statement:

"This is tantamount to what was formerly styled the 'flag surtax' that was given up because, as every nation availed itself of it, there was no advantage in maintaining a system that was bringing inconvenience to all and profit to none. If such a clause were enacted, reciprocal measures would unfailingly be taken. The French administration would have no choice in the matter, since it would be bound to act upon article 6 of the law of May 19, 1868, which directs the levying of countervailing duties on the vessels of any government which, to the detriment of our own marine, adopts a system of duties or taxes from which its own is exempt."

I have the honor to be, sir,
Your obedient servant,

J. B. MOORE,
Counselor.
(For the Secretary of State.)

Mr. GALLINGER. Mr. President, I observe that the President says that the information called for has been transmitted to the Committee on Finance. This is a matter in which some of us are considerably interested. I rise simply to express the hope that the committee will put the Senate in possession of the facts as early as possible, so that we may give consideration to them.

The VICE PRESIDENT. The Chair will state to the Senator from New Hampshire, in the interest of time, that the Chair thinks a duplicate copy of the papers is attached to the message of the President, and will appear in the Record. The Chair believes the information is contained there.

Mr. GALLINGER. That will be very satisfactory.

Mr. THOMAS. The chairman of the committee is not present in the Chamber, but I have no doubt—

Mr. SIMMONS entered the Chamber.

Mr. BRANDEGEE. The chairman of the committee has just come on the floor.

Mr. GALLINGER. I had no purpose to consume any time. I wished merely to make the suggestion; that was all.

The VICE PRESIDENT. The contents of certain treaties are set out in the accompanying documents.

Mr. SIMMONS. Mr. President, I am advised that, in my absence, the Senator from New Hampshire [Mr. GALLINGER] made some inquiry with reference to the provision in the House bill making a differential in favor of goods imported in American bottoms.

Mr. GALLINGER. The only suggestion I made, if the Senator will permit me, was that the message from the President suggested that the answer had been communicated to the Finance Committee, and I ventured to say that I hoped the committee would find it convenient in some way to put the Senate in possession of it, as I for one Senator wanted to look into it a little.

Mr. SIMMONS. I will say to the Senator that I have not published all the letters that have been sent to the committee. I have published all the briefs, but I have not published all the letters. If, however, the Senator desires any communication that I have from the State Department or any other department of the Government with reference to this matter or any other matter, I shall be very glad to put it in his possession.

Mr. GALLINGER. My observation was not at all in criticism of the committee. In response, the Chair suggested that he felt quite sure the information was appended to the communication that the President sent in, and I said that was entirely satisfactory. I simply want to get the facts, that is all.

Mr. JONES. Mr. President, as I understand, not only the communication from the President, but the copies accompanying it will appear in the Record to-morrow morning.

The VICE PRESIDENT. It has been so ordered.

Mr. JONES. I should like to call the attention of the chairman of the Finance Committee to that. If that does not cover all of the papers, or letters now in the hands of the Finance Committee relating to the subject matter of the resolution, I should like to have anything additional put in the Record.

Mr. SIMMONS. I will get what I have and give it to the stenographer.

THE TARIFF.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes.

Mr. BRANDEGEE. Mr. President, if the Senator is willing, I should like to offer an amendment to paragraph 534, on page 141. It is a paragraph of the leather schedule. I do not know which Senator is the chairman of the subcommittee on the leather schedule.

Mr. HUGHES. I will say to the Senator that I have certain changes to suggest to that paragraph myself. If it will suit the purpose of the Senator, I should prefer to have him wait until the paragraph is perfected. Then, if it does not satisfy him, he may offer his amendment.

Mr. BRANDEGEE. My only reason for rising was that I thought the paragraph had been acted upon. I knew it had been passed over once, but I did not know it had been passed over again.

Mr. HUGHES. We have not yet reached it.

Mr. BRANDEGEE. I will ask the Senator from New Jersey if the amendment to paragraph 534 contemplated by him refers at all to harness and saddlery hardware?

Mr. HUGHES. No; it does not.

Mr. BRANDEGEE. Then, I will say to the Senator, if I may be allowed to do so at this point, that some time ago I introduced an amendment proposing to insert in line 17, on page 141, after the first word in the line, to wit, the word "unfinished," the words "except harness and saddlery hardware." The amendment was referred to the Committee on Finance.

Inasmuch as the Senator says the committee is considering some amendments to this paragraph, I desire to say now for his information that one of my constituents, who is in the business of manufacturing harness and saddlery hardware, wrote me some time ago that he thought this paragraph would put his product upon the free list, although it has nothing at all to do with leather.

Mr. HUGHES. I will say to the Senator that his constituent is correct. He construes the paragraph in the same way that I construe it. The object of the committee in making the change was so that saddlery hardware would come in free, as saddlery and harness do.

Mr. BRANDEGEE. If that is the case it seems to me it is somewhat unfair, because on page 50 of the bill, under paragraph 169, "articles or wares not specially provided for in this section, * * * if composed wholly or in chief value of iron, steel, lead, copper, nickel, pewter, zinc, aluminum, or other metal, but not plated with gold or silver, and whether partly or wholly manufactured" carry a duty of 20 per cent ad valorem. Under the Payne bill they carry a duty of 45 per cent ad valorem.

In connection with the proposition to put upon the free list harnesses, sole leather, and different kinds of leather, together with their saddles, I do not see why metal rings and buckles and things of that kind, which heretofore have borne a duty of 45 per cent, and articles similar to which, under paragraph 50, bear a duty of 20 per cent in this bill should be permitted to come in free under this paragraph as parts of harness. It simply puts out of business the few, and I suppose not very large, manufacturing concerns in this country that make these things, which are in a certain sense part of a harness but are no part of the leather of the harness. They are additions to it and ornamental things entirely independent of the harness, and are made in factories that make other similar articles for other purposes.

I have said all I care to say upon this subject at this time; and I have said it now because I want the Senator and his committee or subcommittee to consider the matter if they intend to report any amendment to this paragraph.

Mr. THOMAS. Mr. President, the committee on yesterday offered a substitute for paragraph 116, which was adopted. My attention has been called to a possible ambiguity in one of its expressions. I ask leave to recur to it, so that I may move to strike out the words "wire or wires provided for in this section" and substitute therefor the words "of the foregoing," so that it will read "any of the foregoing."

The VICE PRESIDENT. The question is on reconsidering the vote whereby the substitute paragraph was adopted.

The motion to reconsider was agreed to.

Mr. BRANDEGEE. So that it would read how if amended, Mr. President?

The SECRETARY. It is proposed to strike out the words "wire or wires provided for in this section" and insert "of the foregoing," so as to read:

116. Round iron or steel wire; wire composed of iron, steel, or other metal except gold or silver; corset clasps, corset steels, dress steels, and all flat wires and steel in strips not thicker than seven hundredths of 1 inch and not exceeding 5 inches in width, whether in long or short lengths, in coils or otherwise, and whether rolled or drawn through dies or rolls or otherwise produced; telegraph and telephone wires; iron and steel wire coated by dipping, galvanizing, or similar process with zinc, tin, or other metal; all other wire not specially provided for in this section, and articles manufactured wholly or in chief value of any of the foregoing; all the foregoing, 15 per cent ad valorem; wire heddles and healds; wire rope; telegraph, telephone, and other wires and cables covered with cotton, silk, paper, rubber, lead, or other material; all the foregoing and articles manufactured wholly or in chief value thereof, 25 per cent ad valorem; woven wire cloth made of iron, steel, copper, brass, bronze, or other metal, 30 mesh and above, 30 per cent ad valorem.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. GALLINGER. I will venture to propound an interrogatory to the senior Senator from North Carolina, and I hope he will not misunderstand my purpose in doing it.

My attention was called yesterday to the fact that we probably should devote more hours to the consideration of the bill than we have been devoting; and I, for one Senator, said I should be very glad if it could be arranged. I will ask the Senator if it is in contemplation in the near future to meet at an earlier hour, or to hold night sessions? I will say to the Senator that it would be agreeable to many of us on this side of the Chamber if that were done.

Mr. SIMMONS. The Senator will understand that I have been very anxious for longer hours, and especially that we might get to night sessions; but so many matters have been referred back to the Finance Committee that during this week we have found it necessary for the committee to meet at night.

Then we have had some caucuses, as the Senator knows. Tomorrow it will not be practicable for us to hold a long session, but after that, if it is necessary, I hope we may sit longer hours than we have done.

Mr. GALLINGER. I feel sure that whenever the Senator and his committee get to a point where that suggestion is to be made, it will be cordially concurred in by Senators on this side of the Chamber.

Mr. SIMMONS. I am very glad to know, as I have learned from private sources as well as from the public statement of the Senator, that the Senators on the other side are ready and willing to cooperate in every way to bring this bill to final passage.

Mr. GALLINGER. Yes; to pass the bill.

The SECRETARY. The next amendment passed over is on page 130, where the committee proposes to insert a new paragraph to be known as paragraph 427½, as follows:

427½. Blankets, composed wholly or in chief value of wool, valued at less than 40 cents per pound.

Mr. THOMAS. I move to amend the amendment by striking out the comma after the word "wool," on line 18, and inserting the words "or cotton" and a comma.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The SECRETARY. The next paragraph passed over is paragraph 433. The Committee on Finance propose, in paragraph 433, page 131, line 13, after the word "music," to strike out the word "engravings"; in line 14, before "lithographic," to strike out "etchings"; and in line 14, after "prints," to strike out "bound or," so as to make the paragraph read:

433. Books, maps, music, photographs, lithographic prints, unbound, or in bindings over 20 years old, and charts, which shall have been printed more than 20 years at the date of importation, and all hydrographic charts, and publications issued for their subscribers or exchanges by scientific and literary associations or academies, or publications of individuals for gratuitous private circulation, not advertising matter, and public documents issued by foreign Governments.

Mr. LODGE. Mr. President, this paragraph was passed over with a view, I think, of the committee reconsidering the wording. I am entirely in agreement with what the committee has done in the amendment. I think it is very desirable, indeed, to accomplish the purpose which it aims at, and I think it will. I was rather troubled about the wording and thought it might lead to serious difficulty, such as the case of an old book of great value in a new binding of comparatively small value, when the intent was to bring the book in free, as to whether if the binding was dutiable it would fall on the book. But after trying to reword it and examining it with more care, I think that this distinguishes the binding from the book.

I do not think there is any ambiguity about it, because the general proposition that they shall have been printed more than 20 years follows, and I think it will cover it all.

Now, there is one other point. I suppose it would not be so interpreted, but grammatically what follows "and charts" would apply only to charts. Putting in the word "and" makes the clause "over 20 years old" apply to charts. Of course, it is intended to apply to everything.

If I may ask the Senator from Maine—I have been talking with him about it—I do not see that it would do any harm to put charts back in the general list "books, maps, and charts." It is true charts are not usually bound, but that does not make any difference; they would come in as unbound. I think it would be perfectly safe to make it read, "books, maps, charts, music," and so forth. Charts are sometimes bound as books and sometimes unbound, and it would make no disturbance to put charts back. That would leave the clause "or in bindings over 20 years old" apply to books, and it would leave the whole thing covered by the relative sentence.

Mr. JOHNSON. I am willing to accept the amendment proposed by the Senator from Massachusetts. Our only purpose in placing "charts" in line 15 was that we did not suppose charts were bound.

Mr. LODGE. Sometimes I suppose they are. In large folio volumes certainly charts are bound. I have seen them. I suppose that means really wall charts as distinguished from maps, but in any case they would come in as unbound.

Mr. JOHNSON. I move then, in line 15, to strike out the words "and charts."

The amendment to the amendment was agreed to.

Mr. JOHNSON. I move to insert the word "charts" after the word "maps" in line 13.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The SECRETARY. The next amendment passed over is in paragraph 434, page 131, line 22. The committee report in the first line of the paragraph, after the word "Books," to

strike out "and pamphlets printed chiefly in languages other than English; also books."

Mr. JOHNSON. I ask that the committee amendment be disagreed to.

The amendment was rejected.

Mr. JOHNSON. There is another committee amendment in the paragraph the adoption of which I ask.

Mr. THOMAS. The Senator from Maine will remember that it was also agreed that we would suggest, after the word "printed," in line 22, to insert the words "wholly or," so as to read:

Books and pamphlets printed wholly or chiefly in languages other than English.

Mr. LODGE. By unanimous consent, that change can be made.

Mr. JOHNSON. Having restored the language by disagreeing to the amendment of the committee, I move now to amend the language restored by inserting, after the word "printed," in line 22, the words "wholly or."

The amendment was agreed to.

The SECRETARY. In line 24 the committee reports to insert, after the word "blind," the words "and all textbooks used in schools and other educational institutions; Braille tablets, cubarithmes, special apparatus and objects serving to teach the blind, including printing apparatus, machines, presses, and types for the use and benefit of the blind exclusively."

The amendment was agreed to.

The SECRETARY. On page 132 the committee propose to strike out paragraph 438, which reads as follows:

438. Bran and wheat screenings.

The amendment was agreed to.

Mr. JOHNSON. The committee amendments in paragraph 435 have been agreed to?

The VICE PRESIDENT. They have been agreed to.

The SECRETARY. Paragraph 450, on page 133, relative to cash registers, and so forth, was passed over at the suggestion of the Senator from Illinois [Mr. SHERMAN].

Mr. THOMAS. The committee proposes an amendment there by inserting before the comma, after the word "separators," on line 15, the words "valued at not exceeding \$75."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 133, in line 15, after the word "separators" and before the comma insert "valued at not exceeding \$75."

The amendment was agreed to.

Mr. SHERMAN. Mr. President, I move to amend paragraph 450 by striking out in line 14 the words "sewing machines," and to transfer those words to paragraph 167 and insert them after the word "presses," in line 18, so that sewing machines will be dutiable at 15 per cent.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 133, line 14, it is proposed to strike out the words "sewing machines" and the comma and to insert the same words in paragraph 167, on page 49, after the words "printing presses" and the comma.

Mr. SHERMAN. Mr. President, the reasons I have for offering this amendment I will give very briefly. Sewing machines have heretofore been dutiable, I think, at 45 per cent. About 50 per cent of the domestic machines are manufactured by one company. The balance are made by seven independent and competitive companies. The seven companies last year, by the figures they have presented to me, made about 650,000 domestic machines. They have about 6,500 men on their pay rolls. There is something like \$8,000,000 of capital altogether in the seven companies. There are three of those companies in the State of Ohio, one in the State of Massachusetts, and three in the State of Illinois. Those seven companies are in no combination. All of them are in constant and active competition with each other. They manufacture almost entirely domestic machines operated by foot power. There may be with one company a small output of power machines.

In addition to the seven sewing-machine companies there is one company employing about 400 men in the city of Chicago, entirely devoted to the manufacture of power machines. Those machines are used in boot and shoe manufacture, in sewing heavy felts, and in such work as can be done only by a power machine. They are largely if not entirely used by special lines of trade and do not enter into the general domestic sewing-machine market.

The objection I find to free listing sewing machines entirely is in the effect it will have on the seven independent companies. The Singer Sewing Machine Co. is amply able to manufacture and sell under any schedule that may be prepared in this Chamber. They now manufacture and put upon the market of this country something over 50 per cent of the total number supplied

annually. The Singer Co. not only has its factories in the United States but it has very large plants elsewhere. There is one factory in Canada, a very large plant in Scotland, in Germany there is at least one, and in Russia there is another. They manufacture for their European trade entirely, I believe, from the foreign plants. The Singer Co. is a large concern. Its name is known universally where sewing machines are used.

They have, as I remember, something like \$60,000,000 of capital in their allied concerns both here and abroad. They have, in addition to that, \$40,000,000 surplus. There are about 12,000 workmen on the pay rolls in this country and abroad. At least 75 per cent of the mechanical force engaged in their manufactures are in foreign countries, leaving about 3,000 of the 12,000 in this country.

Free listing sewing machines will have no appreciable effect on this large company, but it will have an injurious effect upon the seven competitive companies. I think instead of regulating the price or lowering it or interfering with what might be called a trust, if one exists, in this line of manufacture, it would be more beneficial than otherwise to the larger company. The result would be what I fear will be the result in other lines, namely, the large concerns will not be affected by this change, while the smaller ones, which are less able to stand the competition from abroad, will be the companies that will suffer finally from free listing or from a greatly reduced rate.

I have been disposed to listen to the representatives of the seven independent companies. They say they can continue to do business in this country with a 15 per cent protection. Free listing the article, however, will be very injurious to their line of manufacture, and will only result in time practically in putting the business in the hands of the one large company with which the seven companies are now competitive as well as being competitive with each other.

Mr. LODGE. Mr. President, on the occasion when this item of sewing machines was before the Senate for consideration, or on the day afterwards, I said something about it and had printed some letters from some of the independent manufacturers. I can add nothing to what has been said by the Senator from Illinois [Mr. SHERMAN], who has covered the whole case. There is no doubt in my mind, however, that putting sewing machines on the free list will wipe out the independent operators and that it will not be of disadvantage to the Singer Co. at all, because they have factories abroad, and I think they will take possession of the business.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was rejected.

The SECRETARY. The next amendment passed over is on page 133, after line 19, where the committee propose to insert a new paragraph, as follows:

450½. Cast-iron pipe of every description.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

The SECRETARY. The next paragraph passed over is paragraph 476, page 135, passed over at the request of Mr. SMOOT. The paragraph reads as follows:

476. Cryolite, or kryolith, natural.

Mr. JOHNSON. Mr. President, that was passed over at the suggestion of the Senator from Utah, but the committee suggest no change. Cryolite is made synthetically, and it is the intention of the committee to leave synthetic cryolite on the dutiable list.

Mr. GALLINGER. The Senator from Utah [Mr. Smoot] is absent from the Chamber only for a few moments, and perhaps it would be well to let the paragraph go over.

Mr. JOHNSON. Very well; let the paragraph be passed over until he returns.

The VICE PRESIDENT. The paragraph will be temporarily passed over.

The SECRETARY. The next paragraph passed over is paragraph 486, on page 136, relating to emery ore and corundum. The committee have reported an amendment to the paragraph, which was passed over at the request of Mr. Smoot.

Mr. GALLINGER. Let that paragraph likewise go over for a few moments, as the Senator from Utah has not returned.

Mr. THOMAS. Let the paragraph go over.

The VICE PRESIDENT. The paragraph will be temporarily passed over.

The SECRETARY. On page 137, paragraph 492, flax straw, was passed over at the request of Mr. McCUMBER.

Mr. McCUMBER. Mr. President, I submitted some remarks on that subject yesterday in the hope that the committee would at least take up the matter and give heed to my suggestion or

consider the matter further in conference—one of the two. I do not care to present any additional statement.

Mr. WILLIAMS. I listened very attentively to the Senator and we did take it up, but concluded to stand by the action of the committee.

The SECRETARY. The committee proposes an amendment to paragraph 492, page 137, line 10, after the word "straw," to insert "flax, not hackled or dressed; flax hackled, known as 'dressed line,' tow of flax, and flax noils; hemp and tow of hemp; hemp hackled, known as 'line of hemp,'" so as to make the paragraph read:

492. Flax straw, flax, not hackled or dressed; flax hackled, known as "dressed line," tow of flax, and flax noils; hemp, and tow of hemp; hemp hackled, known as "line of hemp."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

The SECRETARY. On page 137, paragraph 498 was passed over at the request of Mr. LODGE. The committee propose an amendment to strike out the paragraph, as follows:

498. Glass enamel, white, for watch and clock dials.

Mr. LODGE. I asked to have that paragraph passed over in connection with the watch paragraph, which has been adopted. I am sorry the committee did not adopt a specific duty, and I can not but smile when I think of time detectors classed with presses. This is merely an additional burden on the watch-makers. The watch industry has been obliged to suffer a heavy lowering of duty, including the duty on clocks of all kinds, and putting a duty on glass enamel is simply imposing a tax on their raw material. I am quite aware that it is impossible to make a change, and I do not care to detain the Senate on it further.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee, striking out paragraph 498.

The amendment was agreed to.

The SECRETARY. The next paragraph passed over is paragraph 505, on page 138, passed over at the request of Mr. SMOOT.

Mr. JOHNSON. Mr. President, I should like to recur to paragraph 503, on page 138. The committee wishes to move an amendment by striking out, in line 18, the words "natural and uncompounded."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 138, paragraph 503, line 18, after the word "oils," it is proposed to strike out "natural and uncompounded."

Mr. LODGE. I am very glad that that amendment has been proposed by the committee, for I think with those words in the intent of the paragraph might be defeated. It certainly would in the case of grease and fats used for stuffing and dressing leather.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. JOHNSON. The committee also moves to insert in place of the words stricken out the words "not chemically compounded."

Mr. LODGE. I do not know what the effect of that will be, but I assume the committee has examined into it and has ascertained that that will not interfere with the purposes of the paragraph.

Mr. JOHNSON. We understand that it will not interfere with the purpose which the committee had. It will only strike out oils which are chemically compounded and not where there is a mechanical mixture of oils.

The SECRETARY. It is proposed to insert in lieu of the words stricken out the words "not chemically compounded."

The amendment was agreed to.

Mr. KERN. I ask unanimous consent that when the Senate adjourns to-day it adjourn to meet at 2 o'clock to-morrow afternoon.

The VICE PRESIDENT. Is there objection? The Chair hears none, and that order is made.

The SECRETARY. Paragraph 518, on page 140, was passed over at the request of Mr. Smoot.

Mr. THOMAS. I desire to ask whether paragraph 505 was not also passed over at his request?

Mr. SMOOT entered the Chamber.

The VICE PRESIDENT. The Senator from Utah has returned to the Chamber. The Secretary will state the first paragraph which was passed over at the suggestion of the Senator from Utah.

The SECRETARY. Paragraph 476, page 135, reading as follows:

476. Cryolite, or kryolith, natural.

Mr. SMOOT. Mr. President, I desire to call the attention of the Senator from Maine to that paragraph. The word "natural" has been added to the present law. The effect of that is to restrict free entry to the natural cryolite. The cryolite which is made synthetically under that provision can not come in free. I do not know why that should be. It is virtually used for the same purpose, and I do not see why the synthetic should not come in free as well as the natural.

Mr. JOHNSON. Mr. President, the synthetic cryolite is made, we are informed, from sodium fluoride and from aluminum fluoride, both of which are dutiable at 15 per cent. Therefore synthetic cryolite is left upon the dutiable list. It was only intended to place upon the free list the natural cryolite.

Mr. SMOOT. I will say to the Senator, however, that under the bill in all other cases, as I recall, the synthetically manufactured article has been free whenever the natural article has been put on the free list. For instance, there is synthetic indigo, and I could enumerate a number of items similar to that. The synthetic article has been treated the same as the natural, and I wondered why the natural and synthetic cryolite should not be treated alike. I am perfectly aware that the solution from which the synthetic cryolite is made is dutiable, but I can not see if we are going to allow the article to come in that it makes a particle of difference whether it is the natural or whether it is the synthetic. I simply wanted to call the Senator's attention to it and see if he did not agree with me in that view.

Mr. JOHNSON. Mr. President, I will say that the committee considered the matter, and we distinguished cryolite from indigo, because no natural indigo is now imported; practically all the imported indigo is synthetic.

Mr. SMOOT. Ninety per cent of it.

The SECRETARY. Paragraph 486, page 136, was passed over at the request of Mr. Smoot. The committee have reported an amendment to the paragraph, after "corundum," in line 23, to insert a comma and the words "and crude artificial abrasives, not specially provided for," so as to make the paragraph read:

486. Emery ore and corundum, and crude artificial abrasives, not specially provided for.

Mr. SMOOT. Mr. President, I have no objection to the paragraph being adopted as it is, but I will call attention to it in connection with the dutiable list before the bill finally passes from the Committee of the Whole to the Senate.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee.

The amendment was agreed to.

The SECRETARY. On page 138, paragraph 505, gum was passed over at the request of Mr. Smoot.

Mr. SMOOT. Mr. President, I shall not ask to have a vote upon that. What I really wanted was to have amber upon the free list, where it always has been; but we took a vote upon that, and I shall not ask now to have another one.

The SECRETARY. The next paragraph passed over is paragraph 518, page 140, to which the committee have reported an amendment in line 2, after the word "water," to insert "and colors obtained from indigo," so as to make the paragraph read:

518. Indigo, natural or synthetic, dry or suspended in water, and colors obtained from indigo.

Mr. SMOOT. Mr. President, in my opinion that will allow not only indigo, synthetic and natural, to come in free—which is perfectly proper, and under the present law both come in free—but the words "dry or suspended in water," in my opinion, will allow indigo paste to come in free of duty. If it does we need not expect that any synthetic indigo or any natural indigo will ever come in. To-day indigo paste is dutiable, and it always has been. Of course, it is more highly condensed in the form of paste than it is in its natural state. I ask the Senator from Maine if that was his intention. If so, I am not going to say anything more about it.

Mr. JOHNSON. Mr. President, I move to amend the committee amendment by striking out the word "colors" in the second line and substituting in lieu thereof the word "dyes."

Mr. SMOOT. That, of course, is obviously right, the same thing applying as in the case of alizarin.

The VICE PRESIDENT. The amendment proposed by the Senator from Maine to the amendment reported by the committee will be stated.

The SECRETARY. On page 140, line 2, it is proposed to amend the committee amendment by striking out the word "colors" and inserting the word "dyes."

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The SECRETARY. Paragraph 534, on page 141, was passed over. The paragraph relates to leather not specially provided for, and so forth.

Mr. GALLINGER. Mr. President, I was about to ask that that paragraph might go over for the day. I have communicated by telegraph during the last hour with a constituent of mine engaged in the manufacture of saddlery, asking a certain question about it. It will not delay the consideration of the bill if Senators will be willing to let the paragraph go over until to-morrow.

The VICE PRESIDENT. In the absence of objection, the paragraph will be passed over.

The SECRETARY. Paragraph 548, page 142, meats, was passed over at the request of Mr. McCUMBER.

Mr. McCUMBER. Mr. President, I offer to the amendment proposed by the committee the amendment I send to the desk.

Mr. WILLIAMS. If the Senator will wait a moment, the committee would first like to offer an amendment to perfect the paragraph according to its idea, and then the Senator's amendment can follow.

Mr. McCUMBER. Very well.

Mr. WILLIAMS. I offer the amendment I send to the desk. The language underscored in the amendment is the new part of it, the remainder being a copy of the language as it is in the bill.

The VICE PRESIDENT. The amendment to the amendment will be stated.

The SECRETARY. After the word "sufficient," in line 26, it is proposed to insert:

And such meats and meat products shall have all the rights and privileges of meats and meat products inspected by the Bureau of Animal Industry of the Department of Agriculture as prescribed in the act of June 30, 1906.

The VICE PRESIDENT. The Chair will call the attention of the Senator from Mississippi to the fact that there are some interlineations in the manuscript.

Mr. WILLIAMS. When I sent the amendment up I called the attention of the Secretary to the fact that the words underscored comprised the amendment to the amendment.

The SECRETARY. There are two portions underscored. The first amendment is in line 16 of the committee amendment, after the word "products," to insert the words "of cattle, sheep, swine, and goats."

The VICE PRESIDENT. The question is on agreeing to the amendment.

Mr. LA FOLLETTE. Mr. President, I ask to have the amendment reported again. I followed it as best I could with the text before me.

The SECRETARY. On page 142, line 16, after the word "products," in the committee amendment, it is proposed to insert the words "of cattle, sheep, swine, and goats."

Mr. WILLIAMS. I will state, briefly, that that was put in there because the department was a little afraid it might apply to horse meat.

The amendment was agreed to.

The SECRETARY. In line 26, after the word "sufficient," at the end of the line, it is proposed to insert a comma and the words:

And such meats and meat products shall have all the rights and privileges of meat and meat products inspected by the Bureau of Animal Industry of the Department of Agriculture as prescribed in the act of June 30, 1906.

Mr. WILLIAMS. Mr. President, in line 23, before the word "inspection," the words "cattle and meat" should also be inserted.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. Before the word "inspection," in line 23, it is proposed to insert the words "cattle and meat."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. WILLIAMS. Now I will ask the Secretary to read to the Senate the entire paragraph as it stands, so that Senators may understand it.

The VICE PRESIDENT. The Secretary will now read as requested.

The Secretary read as follows:

548. Meats: Fresh beef, veal, mutton, lamb, and pork; bacon and hams; meats of all kinds, prepared or preserved, not specially provided for in this section: *Provided*, That meat and meat products of cattle, sheep, swine, and goats brought to the United States shall be subject to the same inspection by the Bureau of Animal Industry of the Department of Agriculture as prescribed by the act of June 30, 1906, for domestic cattle and meats, unless the Secretary of Agriculture shall be satisfied that the government of the country whence the meat or meat products are exported maintains and enforces a system of cattle and meat inspection equal to our own, or satisfactory to him as being competent to protect the public health, in which case the certificate of such

government that such inspection has been made shall be sufficient, and such meats and meat products shall have all the rights and privileges of meat and meat products inspected by the Bureau of Animal Industry of the Department of Agriculture as prescribed in the act of June 30, 1906.

Mr. WILLIAMS. Mr. President, I wish to read a memorandum from the Department of Agriculture which was sent to me, accompanied by a letter from the President of the United States recommending that the matter be taken into consideration.

The memorandum is as follows:

In re paragraph 548 of House bill 3321 (63d Cong., 1st sess.) entitled "An act to reduce tariff duties," etc. Imported meats.

Paragraph 548 of the foregoing bill as reported to the Senate provides as follows:

There the writer simply repeats the language of the bill before these two amendments were offered. His comment then is this:

The officials of this department are of the opinion that this paragraph is merely declaratory of existing law and that it will not change existing conditions.

Imported meats and meat food products are now subject to the food and drugs act of June 30, 1906 (34 Stat., 768).

I wish Senators would keep that in mind. A great many of them seem to be oblivious to that fact.

As a condition precedent to the entry into the United States of such imported products—

Now, mark this—

certificates of competent foreign veterinarians, whose authority has been viséed by American consuls, are required.

A great deal was said, when we were discussing this matter before, about ante-mortem examinations.

I go on with reading the memorandum:

When offered for entry, meats and meat food products are also subject—

This is, when they get here—

to inspection which is made by inspectors of the Bureau of Animal Industry to ascertain whether or not they comply with the provisions of the food and drugs act. Imported meats and meat food products, however, even though they be accompanied by certificates of foreign inspection, and even though they pass inspection at ports of entry, are not permitted to enter establishments where inspection is maintained under the meat-inspection law by reason of a provision in that law which prevents the admission into inspected establishments of all carcasses (except carcasses of farm-slaughtered animals) and parts of carcasses, meats and meat food products of cattle, sheep, swine, and goats which have not received ante-mortem and post-mortem inspection by the United States Department of Agriculture. In other words, the carcasses and meats and meat food products of animals slaughtered outside of the United States in common with the carcasses of domestic animals (except farm-slaughtered animals) not slaughtered in inspected establishments must be denied entry into inspected establishments.

That is to say, if the amendment, as we had it before we added the last part of it at their suggestion, had stood alone.

Accordingly, beef from Australia, Canada, or any other foreign country in the present state of law can not be admitted into inspected establishments. Nor can they be admitted, in the opinion of department officials, if the foregoing provision of the tariff act becomes a law in its present form.

It appears from representations to this department that a very practical obstacle to commerce in imported meats exists on account of the fact that nearly all of the establishments in this country which are equipped for handling meats on a large scale have inspection under the meat-inspection law.

By the way, perhaps I had better explain that the reason why this inhibition existed was to prevent the exchangeability of meats upon the premises. Of course, if they had inspected meats upon the premises, and then had been permitted to have other meats that had not been inspected, domestic meats, they could have exchanged labels and certificates, and all that. Now, when these meats come in from abroad, they come in with certificates, too.

The memorandum goes on:

If it is desired that imported meats and meat food products shall have access to inspected establishments and receive the same treatment as is accorded to the products of domestic animals which have been inspected by United States inspectors of the Department of Agriculture, different legislation is needed than that contained in paragraph 548.

To accomplish this purpose, the addition to paragraph 548 is suggested of a clause providing that imported meats and meat food products within its provisions shall be received into inspected establishments and have the same rights and privileges as the meats and meat food products of animals inspected by the Department of Agriculture under the meat-inspection law.

Accompanying that they sent, drawn up at the department, the amendment which has been read.

If it is desired to leave imported meats and meat food products on their present basis, so far as inspection at ports of entry and transportation in interstate commerce is concerned, paragraph 548 as it now stands will be sufficient. This will not permit inspected establishments to handle such products.

Accompanying that was this amendment.

Accompanying that was a letter from the President saying that it looked as if a joker had slipped into the paragraph. It did not mean that a joker had slipped into it, but that lack

of a further provision might enable the law itself to operate as a joker, and imported meats might be gotten here in such a way that nobody could very well handle them for the market. Therefore we added the last four lines of the amendment.

Mr. GALLINGER. Just one word, Mr. President. I notice that in the memorandum from the department the term "meat food products" is used, while in the amendment it is "meat products." Would that make any difference? Would it not be better to include the word "food" in that paragraph throughout?

Mr. WILLIAMS. I think it would.

Mr. GALLINGER. There are three places, I think, where it would come in.

Mr. WILLIAMS. Yes; I think the Senator is right about that. The department itself drew up this amendment and did not use the expression "meat food products," but I think it would be well to insert that term.

Mr. GALLINGER. The first place is in line 16, the next is in line 22, and I think the third is in the last amendment.

Mr. WILLIAMS. I will look up the matter in a moment.

I ask unanimous consent that wherever the words "meat products" occur in the amendment they shall read "meat food products."

The VICE PRESIDENT. Is there any objection? The Chair hears none and unanimous consent is given.

Mr. CUMMINS. That request would simply perfect the amendment?

The VICE PRESIDENT. Yes.

Mr. CUMMINS. I have something to say about the amendment before it is adopted.

Mr. WILLIAMS. Oh, nothing in the world will prevent the Senator from doing that.

Mr. CUMMINS. I could not hear just what the Senator from Mississippi said and for what he asked unanimous consent. That is the reason I made the inquiry.

Mr. WILLIAMS. I asked unanimous consent, wherever the words "meat products" occur in the amendment, to make them read "meat food products."

Mr. CUMMINS. Precisely. I am perfectly satisfied with that. I did not hear just what the request was.

The VICE PRESIDENT. The question now is on the amendment proposed by the Senator from Iowa [Mr. CUMMINS], which was read on August 23.

Mr. WILLIAMS. Let us first adopt the amendments to the Senate amendment, so as to perfect it.

Mr. CUMMINS. I thought the amendments that had been proposed by the committee to perfect the amendment had been adopted.

The VICE PRESIDENT. The amendments to perfect the amendment proposed by the Senate committee have been adopted, but the amendment as amended has not been adopted, the Chair ruling that the amendment of the Senator from Iowa, which seeks to strike out the proviso offered by the committee and to insert other matter in lieu thereof, is the pending parliamentary question.

Mr. WILLIAMS. There is no doubt about that situation.

Mr. CUMMINS. Mr. President, I shall endeavor to be brief, because I have stated my view of this subject at a former time.

The amendments that have now been brought forward by the committee and have been incorporated into the proposed paragraph are commendable. They do aid the proposed law, but they do not at all meet the objection I made to it a few days ago.

I fancy that there are only a few people who have given the subject enough attention really to appreciate the issue between my amendment and that offered by the committee. If I may be permitted to restate it, the committee proposes that when meat shall come to our country from abroad it shall be inspected in accordance with the law of 1906. The importer of such meat has a right under the law to insist that it shall be admitted to our ports if it passes the examination or inspection of meats provided for in the law of 1906.

The importer has one further chance. If the administrator of the law is of the opinion that the provisions relating to such matters in the country from which the meat comes are equivalent to our own, then there is no inspection required, but the meat is admitted upon the certificate of the authorities of the country from which the meat comes. Primarily, however, the inspection required is an inspection of the meat, and the meat can be admitted of right into this country upon that inspection if it passes it.

I do not believe that is fair to our own producers of meat. I do not believe it furnishes the necessary protection to the consumers of imported meat. I believe that no meat should

come into the United States unless the country from which it comes has established and maintained a system of inspection the equivalent of or as efficient as our own. I think that ought to be a condition precedent to the admission of meats into the United States from foreign countries, and I think so because the purity or the wholesomeness of the meat can not be determined fully and completely by an inspection after the arrival of the meat in this country. There must be an ante-mortem and a post-mortem inspection at the place at which the animal is killed in order to provide the full measure of protection that the case demands.

When we were discussing the matter here the other day, it was rather assumed that a post-mortem inspection could occur at any time after the animal was killed. There is a sense in which, of course, any inspection of the meat after the animal is killed is a post-mortem inspection; but that is not the post-mortem inspection of which the Bureau of Animal Industry speaks when it discusses the subject. The post-mortem inspection is the inspection of the animal after it is killed and before it is converted into meat. The inspection of the various parts of the animal which are not converted into meat constitutes a part of the post-mortem inspection, and it has to be carried on and performed immediately; and that, in connection with the ante-mortem inspection, determines whether the animal is fit for food. After the meat is manufactured, and when it is about to pass into commerce or use, then the meat is also inspected in our country; and that part of the process can be carried on under the amendment proposed by the committee. That is, the meat can be inspected here after it arrives, and nothing more can be inspected. The Senator from Mississippi has treated the matter all the time as though the Department of Agriculture could require it before the meat enters our market.

Mr. LA FOLLETTE. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Wisconsin?

Mr. CUMMINS. I do.

Mr. LA FOLLETTE. I do not wish to interrupt the Senator's argument, but at that point, if I may inquire, what relative importance does he attach to the ante-mortem investigation or inspection as compared with the post-mortem inspection?

Mr. CUMMINS. The ante-mortem inspection is not so important as the post-mortem inspection. The ante-mortem inspection is like the warning process to the post-mortem examination that takes place immediately.

The post-mortem inspection is not that examination which is made of the meat from time to time as it is used or as it is sold, but it is the examination of the animal after it is killed and after the viscera is taken out and after its parts are exposed. That is the time when the inspector ascertains whether the animal is fit for food.

Mr. LA FOLLETTE. I so understand the relative importance of those two inspections, Mr. President.

Now, further, I should like to ask the Senator what importance especially he attaches to the inspection of the meat as differentiated from the post-mortem inspection.

Mr. CUMMINS. I think it is valuable, but it is valuable only for the purpose of ascertaining whether there has been deterioration; whether it has been so taken care of and so preserved that the process of disintegration has not begun. It may be well illustrated by the case of poultry. A fowl is killed perfectly good and sound. It is put into cold storage and kept there six months and taken out. It then ought to be examined in order to ascertain whether during the time of its storage such deterioration or disintegration has gone on as to render it unfit for food. That is an illustration of the value which I attach to the inspection of the meat.

Mr. LA FOLLETTE. That inspection, Mr. President, if I understand the Senator aright, would not be very material in determining whether the meats were diseased, but rather in determining whether there had been deterioration in meats that were suitable to be branded as inspected and passed, but which, for some reason or other, perhaps improper storage or curing or canning, had deteriorated in quality. Am I right in that?

Mr. CUMMINS. That is the understanding I have of the three inspections.

Mr. LA FOLLETTE. Then, Mr. President, so far as the great question of the diseased quality of the meat is concerned, that must be largely if not wholly determined by the post-mortem examination.

Mr. CUMMINS. Very largely; it might be said almost entirely.

Mr. LA FOLLETTE. Almost entirely. If I understand the Senator aright—and his estimate of the relative importance of these inspections agrees with my own—the ante-mortem investigation is rather an unimportant and passing investigation.

In practice, I understand, in the stockyards connected with the packing houses this ante-mortem inspection is made quite largely by running the eye over the animals as they pass on the scales to be weighed.

Mr. CUMMINS. And also when something develops in the view of the animal that excites suspicion.

Mr. LA FOLLETTE. Some glaring defect.

Mr. CUMMINS. Then the animal is tagged.

Mr. LA FOLLETTE. Then the animal would be tagged.

Mr. CUMMINS. And the post-mortem examination of that carcass is all the more close and careful.

Mr. LA FOLLETTE. Now, Mr. President, if the Senator will pardon the interruption—

Mr. CUMMINS. Certainly.

Mr. LA FOLLETTE. If the ante-mortem examination is not so deeply significant in its importance and if the inspection of the meat products after the post-mortem examination goes more to the determination of the meat rather than to the detection of disease rendering the product unfit for human food, then the post-mortem examination becomes a tremendously important and vital inspection in the public interest.

Mr. CUMMINS. I so understand.

Mr. LA FOLLETTE. Now, Mr. President, if that is so with respect to these imported meats, since we can not claim the right to install inspectors in foreign countries to observe and pass judgment on their methods, in order to determine whether their post-mortem examination is made according to our standards, is it not of supreme importance that we require of the government seeking to import meats into our markets something that will go as far as it is possible for one government to go in dealing with another to insure the quality of that meat? Therefore is it not important, is it not vital, to our people that this proposed amendment should require, in the first place, that the foreign government should furnish a certificate with the meat that it is free from disease? That furnishes a standard. That is a standard in itself.

In other words, ought we not to require from those governments what those governments require from us? They require a certificate that the meats which we seek to export into their countries are from animals that are absolutely free from disease. I happen to have here a copy of the form of certificate which we have to furnish with every shipment of our meats to foreign countries in order to secure admission to their markets. This Government must certify that the meats are from animals free from disease, that the product is wholesome, healthful, and fit for human food. I think if we require less than that of foreign countries seeking entry to our markets, we not only do grave injustice to our people, but we belittle and disparage and discount our own standards.

I did not mean to take so much of the Senator's time.

Mr. CUMMINS. I am very glad to yield the time to the Senator from Wisconsin. He has stated with accuracy and impressively, as he always states a case, the view that I have attempted to express in my amendment. I became convinced when I argued it before that there was absent from my amendment what there ought to be in it, namely, a provision for a certificate. I have hoped that my amendment might be so perfected that it would include that requirement.

But my principal purpose in rising is to show that we are establishing here by the amendment proposed by the committee a standard that is not the standard foreign governments require of us. It is not the standard that we require of our own slaughtering plants. And we will be, as it seems to me, the laughing-stock of the world if we pass a provision of this kind that will admit the meats of the world upon the inspection of the product alone after it reaches our own ports.

Mr. WARREN. Will the Senator allow me?

Mr. CUMMINS. I yield to the Senator from Wyoming.

Mr. WARREN. I appreciate the strength of the argument that has been made, especially that we should require every consideration from other countries that is given to our meats in preparing them for shipment abroad. But I think that the ante-mortem examination, an examination of the live animal, is an important one.

Mr. CUMMINS. I did not say it was not an important one, I say it is not as important as the post-mortem examination.

Mr. WARREN. A disease like lumpy jaw is scarcely discovered except in live animals. I believe the Senator has rather strengthened than weakened the argument he has already made that we should have every guard on the ground where the animals are put on the market in foreign countries, and every kind of certificate from them that they may expect from us, as well as our examination after the meat shall have arrived here.

Mr. GALLINGER. Will the Senator permit me?

Mr. CUMMINS. I yield to the Senator from New Hampshire.

Mr. GALLINGER. As to the matter of an ante-mortem examination, the Department of Agriculture sends out agents or inspectors where tuberculosis is suspected in herds, the tuberculin test is used, and thousands of animals are slaughtered belonging to farmers when the test shows there is a tuberculous condition. I think it might be well to keep that in mind as one of the ante-mortem tests.

Mr. CUMMINS. We could not apply that in connection with a tariff bill, because the tuberculin test is one which requires two or three days or more to perfect. When cattle are brought to a slaughterhouse they are not usually, and I do not know that they are ever, subjected to that test immediately before killing. But the inspector goes into the pen or watches them as they go over the scales, or in some way takes a view of them. He sees an animal with the lumpy jaw or with evident indication of disease of some other kind, and that animal is then put under suspicion. Possibly the disease may be so far advanced that the animal is at once driven away and not slaughtered at all, except to go into the tank or into some other manufacture than food. When the animal is killed and all its parts examined it is that examination which is the most valuable of the three, although all of them are important.

I want to call attention again to what you are doing here. This meat comes in free—

Provided, That meat and meat products brought to the United States shall be subject to the same inspection—

The amendment made by the committee just a moment ago does not change this in any degree—

by the Bureau of Animal Industry of the Department of Agriculture as prescribed by the act of June 30, 1906, for domestic cattle and meats.

Will anyone tell me how the examination required in the law of 1906 with respect to domestic cattle can be carried into effect after the meats reach the port of New York or any other port of the United States? It is a contradiction in terms and is obviously meaningless.

That is the examination which is provided for, and upon that examination these meats, if they pass it, go into the consumption of the people of the United States. But if the shipper or the importer can convince the Secretary of Agriculture that the country from whence the meat comes maintains a system of inspection of both cattle and meats, then there is no examination whatever provided for. We must, as it seems to me, keep our eyes single upon the fact that we are proposing here to admit foreign meats upon examination of the meats alone, and even that may be abandoned or waived if the Secretary of Agriculture is willing to accept a certificate that a foreign system prevails for ante-mortem and post-mortem inspection.

That is a condition upon which there shall be no examination. It does not take away from the importer the right to insist upon selling our people the foreign meat if the meat itself will pass the inspection. That, as suggested by the Senator from Wisconsin [Mr. LA FOLLETTE], means nothing more than to see that the meat has not deteriorated since the animal was killed, because all scientists agree that the diseases from which we desire to protect the people can not be discerned or detected in the meat after it has reached the point at which it is ready for sale.

I am sure that my Democratic friends do not want, first, to make the discrimination they are making against our own producers of meat. I am sure they do not want to give the importer the advantage that is given to him in this provision. But passing to an infinitely higher consideration, I am sure they do not want to subject the health and the lives of the people of the United States to the dangers that lie in the sale of diseased meat. If you could determine that after the meats have landed in our ports I would not say a word, but you can not. There is not a scientist in the land who will assert a contrary doctrine. Therefore I should like some explanation, I should like some reason, for the rule that has been announced in this paragraph.

Mr. President, it had escaped my mind and I had not modified my own amendment as I said the other day that I would. I think the amendment ought to contain a provision for the foreign certificate. I should like to have this paragraph passed over until to-morrow, when I shall present a modification of that kind.

Mr. LA FOLLETTE. If I may be permitted, Mr. President, I will say that I have prepared an amendment that I shall ask to have printed and I am going to ask to have this paragraph go over. It is altogether too important to be disposed of in the closing few moments of the session to-day, and I should like to have—

Mr. WILLIAMS. I do not want to pass the paragraph over any more.

Mr. LA FOLLETTE. It will have to go over.

Mr. CUMMINS. It may be that I shall be willing to accept the amendment proposed by the Senator from Wisconsin.

Mr. LA FOLLETTE. With the consent of the Senator from Iowa, if it is not interrupting him—

Mr. CUMMINS. Not at all.

Mr. LA FOLLETTE. I will ask to have the amendment read by the Secretary, if the Senator does not mind.

Mr. CUMMINS. I shall be very glad to hear it.

Mr. LA FOLLETTE. That is a substitute for the committee proviso.

Mr. WILLIAMS. Has the Senator asked that it be read for the information of the Senate?

Mr. LA FOLLETTE. I have.

The VICE PRESIDENT. The Secretary will read the amendment.

The SECRETARY. On page 142, line 15, in place of the committee proviso, it is proposed to insert the following:

Provided, however, That none of the foregoing meats shall be imported into the United States from any foreign country unless the same are certified by the proper authorities of such foreign country, in a form to be prescribed by the Secretary of Agriculture, to have been derived from animals entirely free from disease and to be sound, healthful, wholesome, and in every other respect fit for human food, and to contain no poisonous or deleterious dyes, chemicals, preservatives, or other ingredients: *And provided further*, That if the President, after due investigation, shall find that the system of meat inspection maintained by any foreign country is not the substantial equivalent, or is not as efficient as the system established and maintained by the laws of the United States, or that reliance can not be placed on the certificates required under this section from the authorities of such foreign country for meat imported into the United States, he may proclaim that none of the foregoing meats shall be imported into the United States from such foreign countries: *And provided further*, That none of the foregoing meats imported into the United States from any foreign country shall be sold in the United States until they have been examined and inspected by inspectors appointed for that purpose by the Secretary of Agriculture, and have been found to be sound, wholesome, healthful, and in every other respect fit for human food, and to contain no poisonous or deleterious dyes, chemicals, preservatives, or other ingredients.

Mr. CUMMINS. Mr. President, the proposed amendment just read seeks to reach the very same object that I have sought in my amendment. I am inclined to think that it is more effective than mine, and I shall be very glad to withdraw mine and accept the proposed substitute of the Senator from Wisconsin. It combines what I have proposed with the additional provision for a certificate from the foreign country. It was obvious to me the moment the Senator from Mississippi [Mr. WILLIAMS] pointed it out the other day, that my amendment ought to have contained a provision for such a certificate. If the Senator from Mississippi, who stands opposite me there, with the Senator from Wisconsin between, will accept the amendment proposed by the Senator from Wisconsin, I will do so, and in that way we can settle the matter right now.

Mr. WILLIAMS. Mr. President, the difference between my acceptance of a proposition and the acceptance of the same proposition by the Senator from Iowa is perfectly plain and obvious. Some days ago, as the Senator from Wisconsin will remember, I requested him to give me a copy of his amendment so that the subcommittee might consider it; and I should have been very glad if he had complied with that request—

Mr. LA FOLLETTE. Mr. President—

Mr. WILLIAMS. But to ask me to accept an amendment which I have merely heard read here upon the floor, without the opportunity to give it that consideration and care that I ought to give so important a matter as this, is too much.

Now, I will say, both to the Senator from Wisconsin and the Senator from Iowa, that this matter has given the subcommittee and it gave the Committee on Finance a great deal of trouble. The Department of Agriculture substantially drew the committee amendment as it is, and having drawn it, I feel that we have spent enough public time over it as it is.

The matter will be thrown into conference between the two Houses, and I can assure the Senator from Wisconsin, so far as I can have any control or voice in the matter, that when the conferees meet his proposed amendment shall receive careful consideration; but I can not undertake to accept the amendment upon the spur of the moment in this sort of hasty manner. I should have been very glad indeed to have had the advantage of it earlier in the subcommittee—

Mr. LA FOLLETTE. Mr. President—

Mr. WILLIAMS. So that we might have studied it out. It may possibly be that it is preferable to the one we have here. It, at least, takes care of the certificate part of it. There are some defects about it, hearing it at first blush. I think the authority ought to be placed in the Secretary of Agriculture and not in the President; but that is a mere matter of form, for, of course, if it were placed in the President the Secretary of Agriculture would exercise it. I would rather that we would go ahead, take a vote upon the committee amendment, adopt it, and then we can consider the matter further in conference.

Mr. CUMMINS. Well, Mr. President, so far as I am concerned, I am not quite willing to submit it to a vote of a conference.

Mr. LA FOLLETTE. Mr. President, if the Senator from Iowa will have the kindness to yield to me just for a moment; I sought to interrupt the Senator from Mississippi, but was not able to get him to yield—

Mr. WILLIAMS. I did not know the Senator was trying to get me to yield.

Mr. LA FOLLETTE. I wish simply to say that I would have submitted the amendment which I have proposed here this evening in time for the Senator to have considered it—or for his committee to have considered it—before they proposed their amendment if it had been possible for me to do so; but, like every other Senator upon this floor, I am pressed with work, and I was not able sooner to bring the matter to his attention. Indeed, the subject came up a little earlier this afternoon than I expected it would. I hope, however, Mr. President, that the discussion upon this very important provision may continue until the adjourning hour, so that the Senator from Mississippi and his associates may have the opportunity to compare these various amendments and to consider them.

Mr. WILLIAMS. I am not willing to recommit the provision.

Mr. LA FOLLETTE. I am not asking to have it recommitted, Mr. President, but I am asking the Senator for an opportunity to compare the amendments.

Mr. WILLIAMS. Mr. President, merely from listening to the amendment it struck me as being possibly all right or probably all right; but the matter will be open for conference between the two Houses, and the amendment, I can assure the Senator, so far as I have anything to do with the conference, will be considered there. I will say that, so far as I am personally concerned, I am not altogether satisfied with the Senate committee amendment, but it was the best I could get. I had the Department of Agriculture draft the amendment, and in the letter which I read to the Senate here to-day they rather intimate that the existing law is sufficient.

Senators do not seem to be aware of the fact that veterinary surgeons whose competency is certified by American consuls in Europe and every other country from which meat is exported, now make ante-mortem examination of meat shipped to the United States.

Mr. CUMMINS. That is only by rule or order; it is not by virtue of law.

Mr. GALLINGER. If the Senator will permit me, it may surprise some Senators on the other side to have me repeatedly say that I am anxious to have this bill proceeded with as rapidly as possible, but that is the way I feel. I will say to the Senator from Mississippi that, for the purpose of economizing time, it is better that the request which has been made that this paragraph go over until to-morrow be conceded, for the reason that, if it is not, I am satisfied that the paragraph will be debated until 6 o'clock, when it will then go over until to-morrow, and we will simply waste half an hour. So I hope the Senator will agree to let the paragraph go over.

Mr. WILLIAMS. I am anxious to get this bill out of the Committee of the Whole on Saturday at any rate.

Mr. GALLINGER. So am I.

Mr. WILLIAMS. And I think it is an abuse of the public patience to continue the matter at much further length. This matter was discussed the other day all day long, and I think it was discussed a part of another day. We recommitted the paragraph, because we became convinced by the discussion that it probably ought to be further amended. If there is any way of arriving at a vote of the Senate—and I do not know whether there is; I do not believe human ingenuity has ever discovered any—we ought to arrive at it.

Mr. GALLINGER. If the Senator will permit me further, a very important amendment has been offered. I look upon it as an extremely important amendment. The Senator from Mississippi says that he simply heard it read, as I only heard it read. Does not the Senator think that it would really economize time to give Senators an opportunity to examine it?

Mr. WILLIAMS. No, I do not. I think if Senators would let us proceed with the business of the Senate we could take up the amendment later if necessary.

Mr. GALLINGER. I have nothing further to say. I think the request that the paragraph should go over until to-morrow was a very reasonable one. We have passed over other paragraphs. I can assure the Senator, from some knowledge that I possess, that no progress will be made if the request is refused.

Mr. WILLIAMS. This matter went over once before, and, so far as I can see, it went over merely for the purpose of having repeated speeches which were formerly made.

Mr. CUMMINS. Mr. President—

Mr. WARREN. I want to suggest to the Senator—

Mr. CUMMINS. I have the floor, have I not, Mr. President? The VICE PRESIDENT. The Senator from Iowa has the floor.

Mr. WARREN. I beg pardon.

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Wyoming?

Mr. CUMMINS. I yield to the Senator from Wyoming.

Mr. WARREN. The Senator from Mississippi is quite right that matters can be arranged in conference, but my experience in conference has led me to believe that it is well beforehand to cover the ground and broaden the lines on a disputed question so far as possible in order to enable the conferees to arrive at a proper conclusion. Now, why not take this amendment as it is offered and accept it, and then have in conference the amended provision as well as the original proposition?

Mr. WILLIAMS. For the very simplest reason in the world: We happen to be the majority party and do not care about having some particular amendment—

Mr. WARREN. You would be the majority party in conference.

Mr. WILLIAMS. We propose to be here, too.

Mr. WARREN. Am I to understand, then, that whatever may be offered by the minority party, however good it may be, must be denied because it comes from the minority party?

Mr. WILLIAMS. The Senator can not say that. We have accepted, I suppose, 15 or 20 amendments from the minority party.

Mr. WARREN. I should like the Senator to make a record of them.

Mr. WILLIAMS. The Senator from Utah [Mr. SMOOT] has suggested six or seven amendments which were adopted, and the Senator from Wisconsin [Mr. LA FOLLETTE] two or three—two that I know of—and several other Senators have suggested amendments which have been agreed to. What I say about this is that in its present shape we prefer the Senate amendment, because we do not now know well enough what the other is, and we should not be asked to accept the other amendment as a basis for conference instead of our own.

Mr. CLARK of Wyoming. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Wyoming?

Mr. CUMMINS. I do.

Mr. CLARK of Wyoming. In the first place, nobody is asking the Senator from Mississippi to accept any amendment, and in the next place, the committee have possibly considered the amendment which they have presented here within the last 20 minutes, but no other Member of the Senate has had an opportunity to consider that amendment, nor has the Senate had an opportunity to consider the very important amendment which was offered as a substitute by the Senator from Wisconsin. Therefore the Senate as a whole has had neither of these amendments before it for 30 minutes.

The whole general subject of meat inspection, of course, has been discussed, but these amendments go to the matter of detail and should have some consideration. So, I say, it seems to me that justice to the Senate, justice to the committee, and justice to the bill itself requires that some consideration should be given to these two amendments and that the one should be compared with the other. It occurs to me the request that the paragraph go over until the beginning of the session to-morrow is a very reasonable one.

Mr. WILLIAMS. The Senator is mistaken in his statement of facts. Two requests were made that we accept the amendment, one by the Senator from Iowa [Mr. CUMMINS] and the other by the Senator from Wyoming [Mr. WARREN].

Mr. CLARK of Wyoming. The amendment was offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. WILLIAMS. I understand that.

Mr. CLARK of Wyoming. And the Senator from Wisconsin has not asked that the amendment be accepted by the committee, and the Senator from Iowa simply said that he was willing to accept the amendment in place of his if the Senator from Mississippi was willing to accept it.

Mr. CUMMINS. If he was willing, I was also willing to accept it.

Mr. CLARK of Wyoming. That is the situation.

Mr. CUMMINS. That is the condition.

Mr. WILLIAMS. Mr. President, the assumption that because we have not considered a particular amendment which has been thrown at us, therefore we have not considered the subject matter, is rather strange.

Mr. CLARK of Wyoming. Mr. President, I have not made that assumption. I said we had considered the subject matter,

but the details of arriving at it were also very important, and we should have an opportunity of considering them.

Mr. WILLIAMS. But the committee has considered the subject matter.

Mr. CLARK of Wyoming. But the Senate has not.

Mr. SIMMONS. If the Senator from Mississippi will pardon me a moment—

Mr. WILLIAMS. I am willing to let it go over.

Mr. CUMMINS. If the Senator from North Carolina desires to interrupt me I will be very glad to yield to him.

Mr. SIMMONS. I was simply going to suggest to the Senator that probably we should save time by allowing the paragraph to go over. I understand the Senator from Mississippi has consented to that. If the paragraph goes over until to-morrow, I presume that will be satisfactory to the Senator from Iowa.

Mr. CUMMINS. I am perfectly willing that that disposition shall be made of it. I am not particularly anxious, however, because the debate can go on, and there are here Senators who are ready to speak upon the subject.

Mr. SIMMONS. I ask the Secretary to proceed with the reading of the bill.

The SECRETARY. The next paragraph passed over is paragraph 558, on page 144, relative to cut nails, and so forth. A portion of the paragraph only was recommitted to the committee on request of Mr. STONE. The portion recommitted to the committee extends down to and includes the word "section," in line 7.

Mr. THOMAS. Mr. President, my recollection is that an amendment was offered to the paragraph and adopted.

The VICE PRESIDENT. There was an amendment suggested but it was not adopted.

Mr. THOMAS. Then, after the word "nails," in line 6, I move that the words "horseshoe nail rods," be inserted.

The VICE PRESIDENT. The committee report back the portion of the paragraph recommitted and propose an amendment, which will be stated.

The SECRETARY. After the word "nails," in line 6, it is proposed to insert "horseshoe nail rods."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

The SECRETARY. The next paragraph passed over is on page 146.

Mr. JOHNSON. Mr. President, before we reach that paragraph, I wish to offer an amendment to paragraph 561. In line 22 of that paragraph, I move to strike out the "period" after the word "manner," and to insert a semicolon and the words "palm nuts and palm nut kernels."

Mr. SMOOT. That puts them on the free list, the oil made from the nut being also on the free list.

Mr. JOHNSON. Yes. I am directed by the committee to offer that amendment.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In paragraph 561, page 144, line 22, after the word "manner," it is proposed to insert a semicolon and the words "palm nuts and palm nut kernels."

The amendment was agreed to.

Mr. SMOOT. Before going to the paragraph stated by the Secretary, I should like to call the attention of the Senator to paragraph 566, in relation to lubricating oils.

Mr. JOHNSON. I wish to offer an amendment to that paragraph, which I think will meet the Senator's objection.

On behalf of the committee, I offer the following amendment to paragraph 566, page 145, lines 10 and 11: After the words "paraffin oil" and the semicolon, I move to strike out the words "lubricating oils not specially provided for in this section."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 145, in paragraph 566, lines 10 and 11, it is proposed to strike out the words "lubricating oils not specially provided for in this section" and the semicolon after the word "section."

The amendment was agreed to.

The SECRETARY. On page 146 paragraph 572 was passed over at the request of the senior Senator from Massachusetts [Mr. LODGE]. It is the paragraph relative to printing paper.

Mr. LODGE. Mr. President, I had that paragraph passed over because I wanted to take it up in connection with paragraph 651. We have dealt with the question of paper, however, and the countervailing duties in another section of the bill. I said what I had to say in regard to the countervailing duties provided in the case of paper and showed, I think, that they were entirely ineffective, and I do not care to do it here.

The VICE PRESIDENT. The paragraph contains no amendment.

The SECRETARY. The next paragraph passed over is paragraph 585, on page 147, which was passed over at the request of the senior Senator from North Dakota [Mr. McCUMBER].

Mr. McCUMBER. I offer an amendment to the paragraph, which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In line 24, page 147, in the committee amendment, it is proposed to strike out the numerals "10" and insert in lieu thereof the numerals "20," so that it will read:

Provided, That any of the foregoing specified articles shall be subject to a duty of 20 per cent ad valorem when imported directly or indirectly from a country, dependency, or other subdivision of government which imposes a duty on such articles imported from the United States.

Mr. McCUMBER. Mr. President, this paragraph places "potatoes, and potatoes dried, desiccated, or otherwise prepared, not specially provided for in this section," upon the free list, unless there is a countervailing duty. In case of a countervailing duty it imposes a duty of 10 per cent ad valorem against the country which has the duty upon our own products.

The two countries most likely to export potatoes to the United States under this free-trade bill will be Canada and the Argentine. In looking over the Canadian laws, I find that Canada levies a duty of 20 cents a bushel upon American potatoes. Australia levies a duty of 13 cents a bushel upon them, and Argentina levies a duty of 28.4 cents a bushel upon them.

Maine has now become one of the great potato-producing States of the United States. New York produces great quantities of potatoes, as do Minnesota, Michigan, Wisconsin, and all of the border States.

The great rivals of the farmers of these border States are the farmers of the Provinces of Ontario and Quebec. By this bill, in connection with the Canadian law, we are about to compel the farmers of those States who produce potatoes and wish to sell them in Canada to pay a duty of 20 cents a bushel, and then we turn around and say to the Canadian farmer, "You can bring your potatoes into the United States for 10 per cent ad valorem." With potatoes worth ordinarily, we will say, from 30 to 40 cents a bushel, the 10 per cent ad valorem will amount to 3 or 4 cents a bushel.

Why, again, should this discrimination be made against the American farmer? My amendment seeks to place them at least on a parity and to treat the American farmer who pays taxes and who performs the duties of American citizenship as justly as we treat the Canadian farmer who does not assume these duties. But why does the Democratic Party desire to punish him and treat him less cordially than it treats the Canadian farmer?

You know that the lands on which potatoes are produced in this country are at least as valuable as the Canadian lands, and in most cases more valuable. You know, also, that the cost of labor in producing potatoes in this country is somewhat greater at least than the cost of producing them in the Provinces of Ontario and Quebec.

If I have understood the Democratic policy at all aright as it has been uttered many times upon this floor, it is that all species of imported property should produce their just proportion of the revenue of the country. If you are about to free any particular article from the revenue-producing laws, there ought to be some special benefit derived by the American people in general from taking that particular article out of the general rule.

Why have you departed from that Democratic policy this year? Why have you departed from it in reference to the potato crop?

The only reason I can see for relieving the Canadian, the Australian, or the Argentine crop from the usual or proper duty upon imports for the purposes of revenue only is either that we are to be benefited generally or that there has been some sort of a trust in the production of these particular farm products.

If there is a trust in Maine or in New York among the farmers to uphold the price of potatoes, or if there is a like trust in Michigan or in Wisconsin or in Minnesota, I have not heard anything about it.

Then, if it is not because of the existence of a trust, it must be because the product is so high priced that it is an imposition upon the American public and the American farmer can not produce potatoes in this country at rates that are just to the rest of the American people. That can be the only ground for this action.

I should like some Senator who votes to put on the free list potatoes from Canada to tell me why he thinks potatoes have been too high and the price should be lowered by importing them free. As a rule, in my country, year in and year out, they will not average over 35 cents a bushel. They are to-day

so cheap that the farmers can not afford to export them out of the State. Yet I can not say that at the present time there would be any particular danger of an influx of the Canadian crop, because the potato crop generally is rather large in the United States, and they are so cheap that it would not even pay the Canadians to export them. But the time when we need protection is when we have a very poor crop and when our neighbors have a very good crop, because it will cost as much and even more per bushel to raise potatoes in case of a poor crop as it will cost when you get a rather full crop. That is the time when we ought to have protection. When it costs the farmer 40 or 50 cents a bushel to raise the potatoes and he has an American demand at that price, he ought to be entitled to sell them for that price. But by your legislation you say: "No; we will now fill your market with the foreign product, because our neighbors have had a prolific crop, and they can afford to ship them in for less than you can afford to raise them for."

Mr. President, this is simply a little amendment offered in good faith, with the hope that the other side will see the equity of treating our own people as kindly as they treat our neighbors.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from North Dakota to the amendment of the committee.

The amendment to the amendment was rejected.

The SECRETARY. The committee proposes the following amendment:

In line 22, after the word "section," insert:

Provided, That any of the foregoing specified articles shall be subject to a duty of 10 per cent ad valorem when imported directly or indirectly from a country, dependency, or other subdivision of government which imposes a duty on such articles imported from the United States.

The amendment was agreed to.

The SECRETARY. Paragraph 588, on page 148, relating to quinine, was passed over at the request of the Senator from Maine [Mr. JOHNSON].

Mr. WILLIAMS. That paragraph was passed over because the Senator thought I might have an amendment to make to it. He was mistaken. I have none. By the way, there is one amendment there to which I wish to call attention. The small "q" in line 25 ought to be a capital "Q."

The SECRETARY. It is proposed to strike out the following words:

Quinine, and its combinations with acids and compounds, not subject to duty in this section—

And to insert, with a capital "Q," the words:

Quinia, sulphate of, and all alkaloids or salts of cinchona bark.

The amendment was agreed to.

Mr. THOMAS. Mr. President, turning back to paragraph 585, I think the second comma after "potatoes," in line 21, should be eliminated.

The SECRETARY. On page 147, line 21, after the word "potatoes" where it occurs for the second time, it is proposed to strike out the comma.

The amendment was agreed to.

The SECRETARY. Paragraph 626, on page 152, relating to tanning material, was passed over at the request of the senior Senator from Connecticut [Mr. BRANDEGEE].

Mr. BRANDEGEE. That has been acted upon.

Mr. McCUMBER. I will ask if paragraph 621 was not also passed over?

The SECRETARY. Yes; paragraph 621 was passed over.

Mr. McCUMBER. I have an amendment to offer to that paragraph.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 152, at the end of line 18, it is proposed to insert a colon and the following words:

Provided, That any of the foregoing specified articles shall be subject to a duty of 25 per cent ad valorem when imported directly or indirectly from a country, dependency, or other subdivision of government which imposes a duty upon such articles imported from the United States.

Mr. McCUMBER. Mr. President, paragraph 621 purposes to put "swine, cattle, sheep, and all other domestic live animals suitable for human food not otherwise provided for" upon the free list.

I have asked the other side for reasons for putting other farm products upon the free list, and I have not yet received from them any suggestion of a real reason except that they desired to do so. I shall not again ask them the same question, but I wish to bring to their attention certain facts.

The countries that will export cattle to the United States after this bill becomes a law will be Canada, Australia, and Mexico. Possibly, there may be some from the Argentine, but I doubt if they will ship anything but meats. The Canadian

import duty on cattle of all kinds is 25 per cent ad valorem. The Australian duty is \$2.43 per head. The duty of the United States, under this bill, will be nothing.

If the American farmer wishes to export to Canada a steer worth \$60, he will be compelled to pay a duty of \$15. If the Canadian farmer desires to send a steer worth \$60 into the United States, he will not be compelled to pay anything.

Does not every man acquainted with the stock-raising industry in the United States know that it costs the American farmer far more to raise a steer to the value of \$60 than it costs the Canadian farmer? The Canadian northwest affords a pasturage for cattle superior to any part of the United States. Yet, notwithstanding the natural advantages which the Canadian farmer has over the American farmer, the Democratic Party accentuates the disadvantage of the American farmer by saying to him: "You must pay \$15 duty to the Canadian Government if you take your steer across the line"; while to the Canadian farmer it says: "We will allow you to bring your steer into the United States and usurp the market of the American farmer without the payment of a penny."

I should like to have the chairman of the Finance Committee give me a single reason why the free-trade gate between this country and Canada should not swing both ways. Why do you pull down your customhouses on this side of the line, while the Canadian customhouses still stand on the other side? What spirit of servility has taken possession of your party that opens wide your door to the Canadian when he shuts his door in your face?

I do not expect to have any reason given why we should have free trade in meat products. This is a tariff bill for revenue only. I will admit that the intention is that it is not even for incidental protection, but it is a tariff for revenue only. The revenues of the country, whether levied by direct taxation or levied in any other form, should ordinarily bear equally upon all kinds of property, unless there is a particular reason why some specific property should be relieved from that taxation.

The point I am trying to get at is why the Democratic Party in a bill for raising revenue has carefully eliminated from the effect of that bill everything that comes in competition with the American farmer, or nearly everything, to be more correct. Somebody ought to have a benefit from it. It ought to help the majority, at least, of the American people. There are 33,000,000 Americans directly interested in agriculture—five times as many as are directly interested in any other single business in the United States. They are an important factor in our American citizenship. We are trying every year to bring the people back to the farm. Every man who utters that and then does not facilitate the means of getting the American citizen back to the farm in some way is uttering what he knows is absolutely baseless, because you will never get them back to the farm until you can make farming as remunerative as city employment.

Instead, therefore, of such legislation going as far as we can go by legislation in seeking to accentuate the drift of population from the city to the farm in every possible way, by this bill you are attempting to drive people from the farm into the city. You are attempting to drive the citizen away from the farm by opening up new fields of competition, when his struggle for existence is more strenuous to-day than in any other profession in the United States. Not one of you is ignorant of that fact.

Now, is it to cheapen the food product for the other two-thirds of the American people? I do not believe, and I doubt if you believe, that it will materially affect the retail price of meat in this country. But if it does affect the retail price to any extent whatever, is not the average man engaged in city employments far better able to pay the quarter of a cent, if it may be, a pound extra because of a reasonable tariff than the farmers of the country are able to lower the present price of their cattle, their sheep, and their swine? It requires four times as much expended energy upon a farm to produce a pound of beef as it does on the part of the city laborer to buy that pound of beef. Anyone acquainted with agricultural statistics and the comparative wages between the two classes will know this to be the truth.

I have already cited an excerpt from a report of the Agricultural Department giving the average earnings of the farms in the United States. I believe it is comparatively correct when it states that the average earnings of the average farmer of the United States and his family are not more than \$318 per year net. The family is composed of, say, five adult persons, and it is about \$60 each a year for the five, or about \$5 a month for each person. These are the actual earnings as shown by the department. Everywhere we are opening up the gateways to create greater compensation. We are throwing away the little

revenue that the Government might derive from the levy of this tariff for the benefit of somebody. It is an injury to him. If it is not an injury to him it can not be a benefit to anybody else. If it is a benefit to anyone else then the injury a hundred times outweighs the little benefit.

Mr. President, I ask for a vote.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from North Dakota [Mr. McCUMBER].

Mr. McCUMBER. I ask for the yeas and nays upon the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I have a pair with the Senator from Michigan [Mr. TOWNSEND], which I transfer to the Senator from Virginia [Mr. MARTIN] and vote "nay."

Mr. CHILTON (when his name was called). I announce my pair with the Senator from Maryland [Mr. JACKSON], and withhold my vote.

Mr. McCUMBER (when his name was called). I have a general pair with the senior Senator from Nevada [Mr. NEWLANDS]. I transfer that pair to the junior Senator from Maine [Mr. BURLEIGH] and vote "yea."

Mr. REED (when his name was called). I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from Arizona [Mr. ASHURST] and vote "nay."

Mr. THOMAS (when his name was called). I have a general pair with the senior Senator from Ohio [Mr. BURTON]. I transfer that pair to the junior Senator from South Carolina [Mr. SMITH] and vote "nay."

The roll call was concluded.

Mr. REED. I transferred my pair a moment ago to the Senator from Arizona [Mr. ASHURST]. He has come into the Chamber, and I therefore withdraw my vote. I now transfer my pair to the Senator from Tennessee [Mr. SHIELDS] and vote "nay."

Mr. ASHURST. I vote "nay."

Mr. CHILTON. I transfer my pair, as previously announced, to the Senator from Oklahoma [Mr. GORE] and vote. I vote "nay."

Mr. JAMES. I wish to inquire if the junior Senator from Massachusetts [Mr. WEEKS] has voted?

The VICE PRESIDENT. He has not.

Mr. JAMES. I have a pair with that Senator and withhold my vote. If he were present, I should vote "nay."

Mr. CHAMBERLAIN (after having voted in the negative). I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. In his absence, I withdraw my vote.

Mr. STONE. I have a general pair with the Senator from Wyoming [Mr. CLARK]. As he happens to be absent, I withhold my vote.

Mr. LEWIS. I am paired with the Senator from North Dakota [Mr. GRONNA]. If he were present, I should vote "nay."

Mr. THORNTON. I desire to announce the necessary absence of the Senator from Alabama [Mr. BANKHEAD], and also that he is paired with the Senator from West Virginia [Mr. GORE].

The result was announced—yeas 26, nays 37, as follows:

YEAS—26.

Bradley	Dillingham	Lodge	Root
Brandagee	Fall	McCumber	Sherman
Bristow	Gallinger	Nelson	Smoot
Catron	Jones	Norris	Stephenson
Clapp	Kenyon	Page	Sterling
Colt	La Follette	Penrose	
Cummins	Lippitt	Poinsett	

NAYS—37.

Ashurst	Lane	Robinson	Thomas
Bacon	Lea	Saulsbury	Thompson
Bryan	Martine, N. J.	Shafroth	Thornton
Chilton	Myers	Sheppard	Tillman
Fletcher	O'Gorman	Shively	Vardaman
Hitchcock	Owen	Simmons	Walsh
Hollis	Pittman	Smith, Ariz.	Williams
Hughes	Pomerene	Smith, Ga.	
Johnson	Ransdell	Smith, Md.	
Kern	Reed	Swanson	

NOT VOTING—32.

Bankhead	Crawford	Lewis	Smith, Mich.
Borah	Culbertson	McLean	Smith, S. C.
Brady	du Pont	Martin, Va.	Stone
Burleigh	Goff	Newlands	Sutherland
Burton	Gore	Oliver	Townsend
Chamberlain	Gronna	Overman	Warren
Clark, Wyo.	Jackson	Perkins	Weeks
Clarke, Ark.	James	Shields	Works

So Mr. McCUMBER's amendment was rejected.

The SECRETARY. The committee propose the following amendment to paragraph 621: Page 152, line 16, after the word "Swine," insert:

Cattle, sheep, and all other domestic live animals suitable for human food not otherwise provided for in this section.

The amendment was agreed to.

Mr. THOMAS. On behalf of the committee I offer a substitute for paragraph 326.

The VICE PRESIDENT. The amendment will be read.

The SECRETARY. Paragraph 326, page 96, woven fabrics, was passed over. Insert as a substitute the following:

326. Woven fabrics in the piece, composed wholly or in chief value of silk, not specially provided for in this section, weighing not more than one-third of 1 ounce per square yard, \$3 per pound; weighing more than one-third of 1 ounce but not more than two-thirds of 1 ounce per square yard, if in the gum, \$2.25 per pound; if ungummed, wholly or in part, \$2.20 per pound; if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, \$2.65 per pound; if weighing more than two-thirds of 1 ounce but not more than 1 ounce per square yard, if in the gum, \$1.80 per pound; if ungummed, wholly or in part, \$2 per pound; if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, \$2.50 per pound; if weighing more than 1 ounce but not more than 1½ ounces per square yard, if in the gum, \$2.25 per pound; if ungummed, wholly or in part, \$2 per pound; if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, \$2.65 per pound; if weighing more than 1½ ounces but not more than 2½ ounces, and if containing not more than 20 per cent in weight of silk, if in the gum, 55 cents per pound; if ungummed, wholly or in part, or if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, 70 cents per pound; if containing more than 20 per cent but not more than 30 per cent in weight of silk, if in the gum, 70 cents per pound; if ungummed, wholly or in part, or if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, 90 cents per pound; if containing more than 30 per cent but not more than 40 per cent in weight of silk, if in the gum, 90 cents per pound; if ungummed, wholly or in part, or if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, \$1 per pound; if containing more than 40 per cent but not more than 50 per cent in weight of silk, if in the gum, 95 cents per pound; if ungummed, wholly or in part, or if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, \$1.35 per pound; if containing more than 50 per cent in weight of silk, or if wholly of silk, if in the gum, \$1 per pound; if ungummed, wholly or in part, or if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, \$2.20 per pound; if weighing more than 2½ ounces but not more than 8 ounces per square yard, and if containing not more than 20 per cent in weight of silk, if in the gum, 45 cents per pound; if ungummed, wholly or in part, or if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, 55 cents per pound; if containing more than 20 per cent but not more than 30 per cent in weight of silk, if in the gum, 65 cents per pound; if ungummed, wholly or in part, or if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, 75 cents per pound; if containing more than 30 per cent but not more than 40 per cent in weight of silk, if in the gum, 75 cents per pound; if ungummed, wholly or in part, or if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, \$1 per pound; if containing more than 40 per cent but not more than 50 per cent in weight of silk, if in the gum, \$1 per pound; if ungummed, wholly or in part, or if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, \$1 per pound; if containing more than 50 per cent in weight of silk, or if wholly of silk, if in the gum, \$1.80 per pound; if ungummed, wholly or in part, or if further advanced by any process of manufacture or otherwise, or if dyed or printed in the piece, \$2 per pound. Woven fabrics in the piece, composed wholly or of chief value of silk, if dyed in the thread or yarn, and the weight is not increased in dyeing beyond the original weight of raw silk, if containing less than 30 per cent in silk, 85 cents per pound; if containing more than 30 per cent but not more than 45 per cent in weight of silk, \$1.05 per pound; if containing more than 45 per cent in weight of silk, \$2.05 per pound; if weight is increased in dyeing beyond the original weight of raw silk, if weighing more than one-third of 1 ounce but not more than 1 ounce per square yard, if black (except selvages), \$2 per pound; if other than black, \$2.50 per pound; if weighing more than 1 ounce but not more than 1½ ounces per square yard, if black (except selvages), \$1.70 per pound; if other than black, \$2 per pound; if weighing more than 1½ but not more than 1¾ ounces per square yard, if black (except selvages), \$1.50 per pound; if other than black, \$2 per pound; if weighing more than 1¾, but not more than 2 ounces per square yard, if black (except selvages), \$1.50 per pound; if other than black, \$2 per pound; if weighing more than 2 but not more than 8 ounces per square yard, and if containing not more than 30 per cent in weight of silk, if black (except selvages), 65 cents per pound; if other than black, 80 cents per pound; if containing more than 30 per cent but not more than 45 per cent in weight of silk, if black (except selvages), \$1 per pound; if other than black, \$1.15 per pound; if containing more than 45 per cent in weight of silk but not more than 60 per cent, if black (except selvages), \$1.25 per pound; if other than black, \$1.35 per pound; if containing more than 60 per cent in weight of silk, or if composed wholly of silk, and if having not more than 440 single threads to the inch in the warp, if black (except selvages), \$1.35 per pound; if other than black, \$1.80 per pound; if having more than 440 but not more than 600 single threads to the inch in the warp, if black (except selvages), \$1.50 per pound; if other than black, \$2 per pound; if having more than 600 but not more than 760 single threads to the inch in the warp, if black (except selvages), \$1.65 per pound; if other than black, \$2 per pound; if having more than 760 but not more than 920 single threads to the inch in the warp, if black (except selvages), \$1.70 per pound; if other than black, \$2.15 per pound; if having more than 920 single threads to the inch in the warp, if black (except selvages), \$2 per pound; if other than black, \$2.50 per pound; if printed in the warp and weighing not more than 1½ ounces per square yard, \$3 per pound; weighing more than 1½ but not more than 2 ounces per square yard, \$2.75 per pound; weighing more than 2 ounces per square yard, \$2.30 per pound. But in no case shall any goods made on Jacquard looms or any goods containing more than one color in the filling, or any of the goods enumerated in this paragraph, including such as have India rubber as a component material, pay a less rate of duty than 45 per cent ad valorem, nor a greater rate than 55 per cent ad valorem.

All manufactures of silk, or of which silk is the component material of chief value, including such as have India rubber as a component material, not specially provided in this section, 45 per cent ad valorem.

Mr. SMOOT. Mr. President, in the last line of the amendment just read either the Secretary misread it or the word "for" is omitted. It should read "provided for in this section." As the Secretary read it, it is "provided in this section." The word "for" ought to be inserted there.

The VICE PRESIDENT. The Secretary will read the language referred to by the Senator from Utah.

The Secretary read as follows:

Provided in this section.

Mr. SMOOT. As I have stated, it should be "provided for in this section."

The VICE PRESIDENT. The amendment will be so modified.

Mr. SMOOT. Mr. President, I am not going to discuss this amendment at all. It proposes specific instead of ad valorem rates. That means that there are some of the rates that are very low indeed, and I am only going to make one remark in relation to the matter. The maximum rate provided in the bill is 55 per cent. In my opinion, that should be 65 per cent. I wish to state merely in a few words why that should be the rate.

There are the very finest silk goods manufactured, we will say, in France or in Japan; they are very popular; they sell at a good price; but just as soon as their popularity is gone the price is immediately cut in two and sometimes even more. Those goods are shipped into this country, and, of course, their value being so low, even the 55 per cent ad valorem rate, which is the maximum here, would be very little protection, if any.

With that statement I shall say no more, Mr. President, except merely to add that I should be very glad to have specific duties provided for instead of ad valorem duties.

Mr. JONES. Mr. President, I simply want to know what is being voted on. It sounded like the reading of an entire tariff bill.

Mr. HUGHES. I will say to the Senator from Washington that it is an amendment substituting specific for ad valorem rates.

Mr. JONES. In what paragraph or schedule?

Mr. HUGHES. Paragraph 326 of the silk schedule. The ad valorem rates are changed into specific rates and a maximum clause is provided, so as to catch any hidden rates.

Mr. JONES. Has the matter been considered in the Senate as in Committee of the Whole at all?

Mr. HUGHES. It is being considered now.

Mr. JONES. The amendment was just read a moment ago, and I was curious to know whether the other side thinks it ought to be adopted without any discussion or consideration.

Mr. HUGHES. The paragraph was passed over at the request of the Senator from Utah.

Mr. JONES. If Senators on the other side want it acted on in that way, I have no objection.

The VICE PRESIDENT. The question is on the amendment.

The amendment was agreed to.

Mr. BRANDEGEE. Mr. President, I should like to offer an amendment to paragraph 360, on page 112, which I send to the desk.

The SECRETARY. In paragraph 360, page 112, in line 1, after the word "descriptions," it is proposed to insert "except of wool or hair or both and."

Mr. BRANDEGEE. Mr. President, I offer that amendment for this reason: I have here the following letter from a maker of gun wads:

NORWALK, CONN., June 10, 1913.

HON. FRANK B. BRANDEGEE,
Senate Chamber, Washington, D. C.

MY DEAR SENATOR: A rather peculiar feature of the proposed tariff bill appears in relation to a product by a corporation in which I am interested. This company, the Lounsbury & Bissell Co., of Norwalk, manufactures a felt of wool and cattle hair, which is shipped in sheets to the manufacturer of gun wads.

We are informed that this sheet felt if imported would be subject to a 35 per cent ad valorem tariff under Schedule K, paragraph 297, page 87, but if the foreign manufacturer will only cut that felt up into gun wads—in other words, apply a little more labor—it will then be admitted on a 10 per cent ad valorem under section 360 of the proposed bill, which provides "gun wads of all descriptions, 10 per cent ad valorem." If section 360 could be amended to read "gun wads of all descriptions, except of wool or hair, or both, 10 per cent," it would make the provisions of the bill more consistent.

For what particular reason ammunition manufacturers should obtain the manufactured wad cheaper than they can already manufacture felt sheet is something that I can not grasp, and I have not been able to find anyone to explain why 360 was inserted in the proposed bill.

Will you kindly take this up and present to the committee the inconsistency and, at least seems to me, the injustice of such a provision? The competition for the felt sheet will be keen enough, but to give the foreign manufacturer a bonus of 25 per cent in addition, as the effect of 360 will be, seems to me to present an oversight by the drafters of the bill. It probably will be expensive enough for us to readjust ourselves, if possible, to the new conditions under the reduced rate, but

to have this additional handicap is certainly unfair, especially when I can neither find nor learn of any reason for the insertion of such a provision.

Very truly, yours,

EDWIN O. KEELER.

Mr. President, that argument appeals to me. If it is a fact, as it appears, that the felt sheets of which these gun wads are made carry a duty under Schedule K of 35 per cent, why the manufactured products of that should only carry a duty of 10 per cent I do not see. I therefore have offered the amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Connecticut.

The amendment was rejected.

The SECRETARY. The next paragraph passed over is paragraph 626, at the request of Mr. BRANDEGEE. The paragraph relates to tanning material, and so forth.

Mr. BRANDEGEE. That paragraph was acted on the other day, and I shall not ask any further vote on it.

The SECRETARY. The amendment proposed by the committee in paragraph 626, page 152, line 24, after the word "quebracho," is to strike out "of nutgalls, of Persian berries," and to insert "and," and in line 25, after the word "bark," to strike out "of sumac."

The amendment was agreed to.

The next amendment passed over was, in paragraph 626, page 153, line 1, after the word "chestnut," to strike out the semicolon.

The amendment was agreed to.

Mr. JOHNSON. Mr. President, in paragraph 629, on page 153, line 12, on behalf of the committee, I move to amend by inserting, after the word "Tea," the first word in the paragraph, the words "not specially provided for in this section."

Mr. SMOOT. That is to provide against the paragraph in which tea sweepings are provided for?

Mr. JOHNSON. Yes; that is the object of the amendment. Tea sweepings have a place on the dutiable list.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Maine [Mr. JOHNSON].

The amendment was agreed to.

Mr. SMOOT. Mr. President, I ask that paragraphs 646, 651, 657, and 658 be passed over to-night. The senior Senator from North Dakota [Mr. McCUMBER] desires to speak upon paragraph 646, and the Senator—

Mr. STONE. What is that paragraph?

Mr. SMOOT. The paragraph containing the provision putting wheat upon the free list with a countervailing duty.

Mr. GALLINGER. I suggest to the Senator to let them be reached in order and then to make the request.

Mr. STONE. Are we to have the Senator's speech on wheat repeated?

Mr. SMOOT. Let the paragraphs come up in their regular order, and I will then request that they go over.

The SECRETARY. The next paragraph passed over is paragraph 646, wheat, wheat flour, semolina, etc.

Mr. SMOOT. I ask that that paragraph go over.

Mr. WILLIAMS. What is the reason for passing it over?

Mr. SMOOT. The senior Senator from North Dakota [Mr. McCUMBER] has an amendment to offer to that paragraph. Not thinking that the Senate would remain in session longer than 6 o'clock, he made an appointment, because of which he was compelled to leave the Senate. He asked me to request that the paragraph go over until to-morrow morning.

Mr. WILLIAMS. Mr. President, we can not object to these requests. It seems to be a custom of the Senate to agree that whenever it is inconvenient for a Senator to be present—

Mr. SMOOT. I will say to the Senator that I am just as anxious as he is to get through.

Mr. WILLIAMS. That the public business of 90,000,000 people ought to be halted.

Mr. SMOOT. I think that is hardly a proper thing to say.

Mr. THOMAS. Mr. President, with the consent of the Senator from Utah, I want on behalf of the committee, to offer an amendment to paragraph 646, which does not affect the purpose for which it is to go over. I send the amendment to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In the committee amendment in paragraph 646, page 156, after the words "United States," line 7, it is proposed to insert the following proviso:

Provided further, That the importation of weed seeds, whether or not mixed with bran or wheat screenings, is prohibited unless the same shall have been ground or otherwise treated so that the seeds will not germinate.

The VICE PRESIDENT. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The paragraph will be passed over until to-morrow morning.

The SECRETARY. Paragraph 649, on page 156, was passed over at the request of Mr. JONES.

Mr. JONES. I will not ask for any delay on that. If I have any amendment to offer, I will offer it in the Senate.

The SECRETARY. The next paragraph passed over is on page 157, paragraph 651.

Mr. POINDEXTER. Mr. President, my attention was diverted when we passed paragraph 649. What disposition was made of it?

The VICE PRESIDENT. It has been agreed to as it stands.

Mr. POINDEXTER. I offer an amendment to that paragraph.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 157, line 6, after the word "section," at the end of the paragraph, it is proposed to insert the following proviso:

Provided, That when an export duty is imposed by any foreign country, or any Province or subdivision thereof, on logs, blocks, or other raw material from which lumber or shingles are manufactured, or if the export of such logs or raw material from such foreign country, or any Province or subdivision thereof, into the United States shall be prohibited, then in either event there shall be levied and collected a duty of \$1.25 per thousand feet upon lumber and 25 cents per thousand upon shingles imported into the United States from such foreign country.

Mr. POINDEXTER. Mr. President, I will ask the committee if it would be willing to consider this amendment? It seems to me that it is an eminently fair and reasonable one. It meets a condition which exists in British Columbia. From some particular classes of land in British Columbia there is a prohibition of the export of logs into the United States.

Mr. SIMMONS. Mr. President—

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from North Carolina?

Mr. POINDEXTER. I yield to the Senator.

Mr. SIMMONS. If the Senator is willing to let that amendment be referred to the committee, we will be glad to take it up to-night and consider it.

Mr. POINDEXTER. I shall be delighted to have it take that course.

The SECRETARY. Page 157, paragraph 651, mechanically ground wood pulp, etc., has been passed over.

Mr. GALLINGER. Mr. President, let that paragraph go over, the Senator from Massachusetts being absent and desiring to address some remarks to that paragraph. I will venture to make the suggestion that it is not a loss of time in any event, because, unless the request is acceded to, the matter will be taken up in the Senate and the same amount of time consumed.

The SECRETARY. On page 159, paragraph 654, works of art, etc., was passed over at the request of Mr. LODGE.

Mr. SMOOT. I ask that that paragraph go over.

The VICE PRESIDENT. The paragraph will be passed over.

The SECRETARY. On page 162, paragraph 657 was recommitted to the committee. It relates to works of art, productions of American artists, etc.

Mr. SMOOT. If the committee are going to offer an amendment to this paragraph I should like to have them do so when the Senator from Massachusetts is here.

Mr. WILLIAMS. Before the paragraph goes over I should like to have the committee amendment to it as it stands adopted.

Mr. BRANDEGEE. Did I understand the Secretary to say that that paragraph had already been recommitted?

The VICE PRESIDENT. The Chair understands it has heretofore been recommitted to the committee.

Mr. BRANDEGEE. Then, it is now in the hands of the committee.

Mr. WILLIAMS. I understand that, but it has come back and the committee is ready to report. The Senator from Utah has requested that it be again passed over. Before it is passed over again, I should like to have the amendment which the committee has recommended adopted here. The first amendment is to strike out the words "excluding and," in line 15, and to substitute for them the word "including."

Mr. THOMAS. In other words, it is to restore the House provision.

Mr. WILLIAMS. The committee amendment should be disagreed to. I move that the Senate committee amendment there be disagreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the committee.

The amendment was rejected.

Mr. WILLIAMS. That will leave it just where we want it. In line 14, I ask on behalf of the committee that the amend-

ment inserting the indefinite article "a" and striking out the word "incorporated" be accepted.

The SECRETARY. In line 14, after the word "or" it is proposed to insert the article "a" and to strike out the word "incorporated" before the word "religious."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. WILLIAMS. In line 17, after the word "windows," I move to strike out the comma and to insert the words "imported to be used in houses of worship."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. After the word "windows," in line 17, it is proposed to strike out the comma and to insert "imported to be used in houses of worship."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. WILLIAMS. Now that the amendment has been perfected according to the committee's ideas, we will pass it over.

Mr. SMOOT. Does the Senator, then, want to disagree to the amendment of the Senate committee in relation to the words "excluding" and "except"?

Mr. THOMAS. No.

Mr. SMOOT. What are you going to do with those?

Mr. WILLIAMS. We move to strike out the word "except," in line 17, and to insert in lieu thereof the word "excluding."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On line 17, page 162, the committee proposes to strike out the word "except" and to insert the word "excluding."

The amendment was agreed to.

Mr. WILLIAMS. Now it is perfected.

Mr. SMOOT. Now, let it go over, Mr. President.

The VICE PRESIDENT. The paragraph will be passed over.

The SECRETARY. Paragraph 658, the following paragraph, has been passed over at the request of the Senator from Massachusetts.

Mr. SMOOT. I should like to have that go over until to-morrow morning.

The VICE PRESIDENT. That concludes the section.

Mr. JOHNSON. Mr. President, I should like to refer to the chemical schedule for a few changes.

In paragraph 65, page 16, line 24, I move to strike out the words "chlorate of."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 16, paragraph 65, line 24, it is proposed to strike out the first two words in the line, the words "chlorate of," and the comma.

The amendment was agreed to.

Mr. JOHNSON. On page 147, paragraph 584, line 17, after the semicolon following the words "cyanide of," I move to insert the words "chlorate of."

Mr. SMOOT. Putting chlorate of potash on the free list?

Mr. JOHNSON. Yes; putting chlorate of potash on the free list.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 147, paragraph 584, line 17, after the words "cyanide of" and the semicolon, it is proposed to insert the words "chlorate of" and a semicolon.

The amendment was agreed to.

Mr. JOHNSON. On page 17, paragraph 67, line 6, after the word "soaps" and the colon, I move to strike out the word "Perfumed" and make the first letter of the word "toilet" a capital letter.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 17, line 6, it is proposed to strike out the second word in the line, the word "Perfumed"; also, to strike out the word "toilet" and insert the same word with a capital letter before the word "soaps."

The amendment was agreed to.

Mr. JOHNSON. In the same line, I move to strike out the numerals "40" and in lieu thereof to insert "30."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 17, line 6, it is proposed to strike out "40" and insert "30."

The amendment was agreed to.

Mr. JOHNSON. In line 7 of the same paragraph I move to strike out the numerals "30," and insert in lieu thereof the numerals "20."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 17, line 7, before the words "per centum," it is proposed to strike out "30" and insert "20."

The amendment was agreed to.

Mr. JOHNSON. In line 8, after the word "soap" and the comma, I move to strike out the words "and unperfumed toilet soap."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. It is proposed to strike out, in line 8, after the word "soap" and the comma, the words "and unperfumed toilet soap."

The amendment was agreed to.

Mr. JOHNSON. In line 9, after the word "soaps," I move to insert the words "and soap powders."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. After the word "soaps," in line 9, it is proposed to insert the words "and soap powders."

The amendment was agreed to.

The SECRETARY. On page 166, in section 2 of the bill, the clause of the committee amendment beginning in line 14, with the words "For the purpose of this additional tax," was passed over and recommitted at the request of the Senator from Mississippi [Mr. WILLIAMS].

Mr. CUMMINS. Mr. President, as we passed through the bill I offered an amendment to be inserted immediately after the free list and before the income-tax provision. It was referred to the committee. I have no desire to take it up at this moment if the committee is not ready to report upon it.

Mr. WILLIAMS. The committee desires to offer an amendment, which I will send to the desk.

Mr. CUMMINS. I assume, Mr. President, that that is not the amendment to which I have referred.

The VICE PRESIDENT. The Chair is unable to tell until the Chair hears the amendment.

Mr. WILLIAMS. The committee wishes to perfect the paragraph by amending it.

Mr. CUMMINS. But, Mr. President, a parliamentary inquiry. Am I entitled to the floor?

Mr. WILLIAMS. I thought I had the floor. The first thing in order is the report of the committee. The paragraph had been recommitted and the committee is ready to report.

The VICE PRESIDENT. The Senator from Iowa is inquiring about the previous section.

Mr. WILLIAMS. Oh, the previous section. I did not so understand.

The VICE PRESIDENT. The Senator from Iowa undoubtedly is entitled to the floor.

Mr. CUMMINS. I rose simply to ask a question.

As we passed through the bill I offered an amendment relating to rates of freight on imports as distinguished from rates of freight upon domestic production. At the request of the chairman of the Finance Committee, my amendment was referred to the committee. I have not heard anything about it since. I rose to inquire whether the committee is ready to report upon it.

Mr. WILLIAMS. The committee is ready to report upon it; but I thought we were considering the committee amendments first.

I will state to the Senator from Iowa that the committee took the amendment into careful consideration. We came to the conclusion, in the first place, that the Senator was going to have rates declared discriminatory and unequal and cancel them whenever they were import rates forming a part of a joint-traffic rate, but that wherever they were export rates he made no provision at all to cover the matter. His amendment, therefore, did not work both ways. He seemed to be willing to let an inequality exist between freight rates from Pittsburgh to New York, for example, for consumption in New York, and freight rates from Pittsburgh to New York en route to Liverpool.

The committee therefore reports to the Senate that this is a matter for the consideration of the Committee on Interstate Commerce, being a question of railway rates. The Committee on Finance accordingly asks that it be relieved of the consideration of the subject matter, and that it be referred to the Committee on Interstate Commerce.

Mr. CUMMINS. Mr. President, I then offer the amendment. It is in the possession of the Secretary, I assume, if the committee has returned it. It is to be inserted immediately after paragraph 659 on page 164.

At the request of the chairman of the committee, I did not submit my views upon this matter at all, and it remains unargued as far as I am concerned. I wish to be heard upon it briefly, but I do not wish to be heard upon it to-night. We have reached a time when we ought to adjourn, I think. I ask the pleasure of the chairman of the committee in that regard.

Mr. SIMMONS. At the time the Senator brought up his amendment a few moments ago my attention was diverted from

the proceedings of the Senate, and I did not know he had brought it up until I heard the statement made by the Senator from Mississippi.

The Senator is correct in his statement that I suggested to him at the time he offered his amendment that he refrain from discussing it at that time and let it go to the committee. What the committee did about it was to reach the conclusion that it would be better not to encumber this measure with legislation of that particular character. We thought it was more properly legislation that was affiliated with and connected with and related to railroad transportation, and our suggestion is that that is the proper place for it. Of course, if the Senator desires, however, to discuss the matter and to offer it as an amendment to this bill, we shall have to act upon it.

Mr. WILLIAMS. I will make the point of order that it is not germane. It is clearly a matter of fixing freight rates, and is not germane to the bill.

Mr. GALLINGER. Mr. President, I suggest that the Senator's point of order is not well taken.

Mr. CUMMINS. There is no rule in this body requiring an amendment to be germane.

Mr. GALLINGER. Except to an appropriation bill.

Mr. CUMMINS. Except to an appropriation bill. However, I have no disposition to go on to-night, in view of our decimated numbers here.

Mr. GALLINGER. Mr. President, we have been here now for almost eight hours, and it has been a very hot day. As the Senator from Iowa desires to have this matter go over until tomorrow, I hope the chairman will agree now to lay the bill aside. I understand a short executive session is desired.

Mr. SIMMONS. I had hoped that we might go on until 7 o'clock, but I am advised that it is desirable to have an executive session. In view of that fact, I ask that the bill may be laid aside for the day.

EXECUTIVE SESSION.

Mr. KERN. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After five minutes spent in executive session the doors were reopened, and (at 6 o'clock and 57 minutes p. m.) the Senate adjourned until to-morrow, Friday, September 5, 1913, at 2 o'clock p. m.

NOMINATIONS.

Executive nominations received by the Senate September 4, 1913.

MINISTERS.

Thomas H. Birch, of New Jersey, to be envoy extraordinary and minister plenipotentiary of the United States of America to Portugal, vice Cyrus E. Woods, resigned.

Charles J. Vopicka, of Illinois, to be envoy extraordinary and minister plenipotentiary of the United States of America to Roumania, Servia, and Bulgaria, vice John B. Jackson, resigned.

APPRAISER OF MERCHANDISE.

Bernard B. McGinnis, of Pennsylvania, to be appraiser of merchandise in the district of Pittsburgh, in the State of Pennsylvania, in place of John D. Pringle, superseded.

COLLECTOR OF INTERNAL REVENUE.

C. Gregg Lewellyn, of Pennsylvania, to be collector of internal revenue for the twenty-third district of Pennsylvania, in place of Daniel B. Heiner, superseded.

UNITED STATES ATTORNEYS.

John H. Gleason, of New York, to be United States attorney for the northern district of New York, vice George B. Curtiss, whose term has expired.

Francis Fisher Kane, of Pennsylvania, to be United States attorney, eastern district of Pennsylvania, vice John C. Swartley, resigned.

PROMOTIONS IN THE ARMY.

COAST ARTILLERY CORPS.

Lieut. Col. Harry L. Hawthorne, Coast Artillery Corps, to be colonel from September 2, 1913, vice Col. Frederick Marsh, retired from active service September 1, 1913.

Maj. Henry D. Todd, jr., Coast Artillery Corps, to be lieutenant colonel from September 2, 1913, vice Lieut. Col. Harry L. Hawthorne, promoted.

Capt. William Forse, Coast Artillery Corps, to be major from September 2, 1913, vice Maj. Henry D. Todd, jr., promoted.

First Lieut. Carr W. Waller, Coast Artillery Corps, to be captain from September 2, 1913, vice Capt. William Forse, promoted.

APPOINTMENTS IN THE ARMY.

COAST ARTILLERY CORPS.

Corpl. Edward Oliver Halbert, Forty-seventh Company, Coast Artillery Corps, to be second lieutenant in the Coast Artillery Corps, with rank from August 30, 1913.

Master Gunner Harry Lee King, Coast Artillery Corps, to be second lieutenant in the Coast Artillery Corps, with rank from August 30, 1913.

PROMOTIONS AND APPOINTMENTS IN THE NAVY.

Lieut. Commander Frank Lyon, an additional number in grade, to be a commander in the Navy from the 1st day of July, 1913.

Lieut. Commander John McC. Luby to be a commander in the Navy from the 1st day of July, 1913.

Lieut. Frederick L. Oliver to be a lieutenant commander in the Navy from the 1st day of July, 1913.

Lieut. (Junior Grade) Arthur A. Garcelon, jr., to be a lieutenant in the Navy from the 1st day of July, 1913.

Stanley E. Crawford, a citizen of Pennsylvania, to be an assistant surgeon in the Medical Reserve Corps of the Navy from the 25th day of August, 1913.

RECEIVERS OF PUBLIC MONEYS.

Joseph E. Terral, of Hobart, Okla., to be receiver of public moneys at Woodward, Okla., vice Charles C. Hoag, term expired May 21, 1913.

D. E. Burkholder, of Chamberlain, S. Dak., to be receiver of public moneys at Gregory, S. Dak., vice Oliver C. Kippenbrock, term expired March 15, 1913.

REGISTER OF THE LAND OFFICE.

Edwin M. Starcher, of Fairfax, S. Dak., to be register of the land office at Gregory, S. Dak., vice Thomas C. Burns, term expired March 15, 1913.

CONFIRMATIONS.

Executive nominations confirmed by the Senate September 4, 1913.

AMBASSADOR.

Henry Morgenthau to be ambassador extraordinary and plenipotentiary to Turkey.

SECRETARY OF EMBASSY.

Edward Bell to be second secretary of embassy at London, England.

SECRETARY OF LEGATION.

John Van A. MacMurray to be secretary of legation at Peking.

POSTMASTERS.

IOWA.

M. H. Kelly, Waterloo.

J. S. Wildman, Blockton.

PENNSYLVANIA.

Samuel K. Henric, Youngwood.

George F. Kittelberger, Curwensville.

Harry B. Krebs, Mercersburg.

Edward J. Loraditch, Sand Patch.

William H. McQuilken, Glen Campbell.

Charles E. Putnam, Linesville.

John H. Shields, New Alexandria.

Clayland M. Touchstone, Moores.

WITHDRAWAL.

Executive nomination withdrawn September 4, 1913.

RECEIVER OF PUBLIC MONEYS.

Joseph E. Terrell to be receiver of public moneys at Woodward, Okla., which was sent to the Senate August 29, 1913.

HOUSE OF REPRESENTATIVES.

THURSDAY, September 4, 1913.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Infinite and Eternal Spirit, Father of all souls, we bless Thee that Thou hast spared our lives and brought us to the light of this day. Keep us, we beseech Thee, throughout its remaining hours to the high-water mark of Christian manhood, that whatever work we may accomplish may be to the good of the common weal and redound to Thy glory. And Thine be the praise, through Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

SALE OF MEAT IN ENGLAND.

Mr. KINKEAD of New Jersey. Mr. Speaker, I ask unanimous consent that the letter which I send to the Clerk's desk be read.

Mr. FOSTER. Reserving the right to object, what is the letter about?

Mr. KINKEAD of New Jersey. It is about the sale of meat in England, showing the discrepancy in the price.

Mr. FOSTER. I object, Mr. Speaker.

Mr. MANN. Reserving the right to object—

Mr. BORLAND. Objection has already been made.

URGENT DEFICIENCY BILL.

Mr. FITZGERALD. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 7898, a bill making appropriations to supply urgent deficiencies in appropriations for the fiscal year 1913, and for other purposes. The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7898, with Mr. Flood of Virginia in the chair.

The CHAIRMAN. The House is in the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7898. The Clerk will report the title of the bill.

The bill was reported by title.

The CHAIRMAN. The Clerk will proceed with the reading of the bill.

The Clerk read as follows:

CIVIL SERVICE COMMISSION.

Examination of fourth-class postmasters: For necessary additional office employees, printing, stationery, travel, contingent, and other necessary expenses of examinations, \$30,000; field examiners at the rate of \$1,500 per annum each, for work in connection with members of local boards and other necessary work as directed by the commission, \$9,000; in all, \$39,000, to be available during the fiscal year 1914.

Mr. KINKEAD of New Jersey. Mr. Chairman, I move to strike out the last word.

Mr. BARTLETT. Mr. Chairman—

Mr. KINKEAD of New Jersey. I do so for the purpose of asking that the communication I send to the Clerk's desk be read in my time.

Mr. FOSTER. Mr. Chairman, I object.

Mr. KINKEAD of New Jersey. Mr. Chairman, the gentleman is clearly out of order. I have been recognized, and I am talking under the five-minute rule.

Mr. FOSTER. The letter, I will say to the gentleman from New Jersey, can only be read by unanimous consent.

The CHAIRMAN. The gentleman can read the letter himself if he desires to do so.

Mr. BORLAND. Mr. Chairman, I reserve the point of order, that the letter does not apply to the paragraph under debate.

Mr. FITZGERALD. I make the point of order that it is too late. Debate has already commenced and an amendment has been offered.

Mr. BORLAND. No debate has commenced.

Mr. FITZGERALD. The amendment has been offered.

Mr. KINKEAD of New Jersey. This letter, I will say, Mr. Chairman, comes from the Rev. John J. Lawrence, of Binghamton, N. Y., and it reads as follows:

255 WASHINGTON STREET,
Binghamton, N. Y., September 2, 1913.

EUGENE F. KINKEAD, Esq.

MY DEAR SIR: Your two telegrams of yesterday are to hand. I presume that any newspaper statement you have seen connecting my name with a criticism of the American Beef Trust must have been based upon the statements made by a reporter in the Binghamton Press of last Saturday. That account was "written up" by a reporter in a way distasteful to me, and terms and phrases were used for which my interview gave no warrant. I will place the whole case before you very carefully.

I have long had a suspicion that some American productions are sold more cheaply in Great Britain than at home, and on my recent visit I promised a friend that I would compare the prices of American meat in England with the prices here.

On or about Wednesday, July 30, my daughter and I visited the city of Hereford, England. It is not a large city (probably not more than 20,000 people). The railway station is at one extreme end of the city; in fact, there appears to be a walk of nearly one-fourth of a mile from the station before getting right into the city.

On our way from the station, on the left-hand side, and just past the entrance into Hereford, we noticed a meat store, with prices affixed to nearly every piece of meat for sale.

Mr. FOSTER. Mr. Chairman, I rise to a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. FOSTER. The gentleman is not speaking to his amendment.

The CHAIRMAN. The gentleman from New Jersey will suspend the reading. The point of order is made that the gentle-

man from New Jersey [Mr. KINKEAD] is not speaking to his amendment. The point of order is sustained.

Mr. KINKEAD of New Jersey. Mr. Chairman—

The CHAIRMAN. The gentleman will proceed in order.

Mr. KINKEAD of New Jersey. Mr. Chairman, the bill that we have before us to-day has a peculiar connection with the question I have presented, and realizing that the gentleman from Illinois [Mr. FOSTER] understands the connection with the bill, I will proceed with the reading of the letter in order.

Mr. MANN. Will the gentleman yield for a question?

Mr. KINKEAD of New Jersey. I will be very glad to yield to the gentleman from Illinois.

Mr. MANN. Do I understand that because of the appointment of fourth-class postmasters the gentleman is beefing? [Laughter.]

Mr. KINKEAD of New Jersey. The gentleman has had more experience with fourth-class postmasters than I have. I come from the city of Jersey City, whereas he comes from the town of Chicago.

Mr. MANN. If the gentleman had given attention to the question I asked he would have been able to catch my remarks.

Mr. KINKEAD of New Jersey. I can not hear you. I have tried to be as courteous to the gentleman as he has been to me. I said I could not hear him.

Mr. MANN. The gentleman is so excited since he became candidate for State chairman he does not listen to anybody else.

Mr. KINKEAD of New Jersey. I know, and the gentleman from Illinois [Mr. MANN] agreed to come up to New Jersey and make a speech for me if I needed it. [Laughter.]

I continue to read:

I can not now recall the name of the store, but am positive as to its location. We saw that the prices were low. We inquired, and were told that it was "American meat" (exclusively). Thinking that the word "American" might be ambiguous to the salesman, I said, "What do you mean by 'American'? Do you mean Canadian?" He replied, "No; I mean the States."

Both my daughter (a young college student of 19) and I carefully priced the meat. The most expensive piece was a fine sirloin of perhaps 10 or 12 pounds. That was 8d. (16 cents). The next piece was 7d. (15 cents). Hind quarters of lamb were marked 7d. (15 cents). There were excellent boiling pieces of beef marked down as low as 5d. (10 cents). I could not discover any pork.

Both my daughter and I can positively swear to these prices. On that point there can be no possible question.

The quality of the meat looked splendid. Now the question is, Was it American meat? You can readily see that on that point—really the vital point—I have no positive proof. It would not be English meat sold as American, because English meat commands a higher price. In assuring me that the meat came from "the States" the man may have been speaking falsely. I noticed splendid meat at about the same prices in Shrewsbury, England, but on careful examination I found that came from Argentina.

One thing seems sure. Either that Hereford butcher was selling United States beef at prices about 50 per cent less than we pay for the same, or he was selling Argentine beef or beef from some other part of North or South America as United States beef and deceiving the English people.

And even if it was United States meat I can, of course, have no proof that it was sold by the Beef Trust. I never mentioned Beef Trust to the Binghamton reporter. For all I know there may be a hundred independent concerns selling United States beef all over Britain.

What I do know and can swear to is the fact of that Hereford store; the prices of the meat; the quality of the meat; the fact that the salesman assured me that it was United States meat.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. KINKEAD of New Jersey. Mr. Chairman, I ask unanimous consent to conclude the reading of this letter. It is only about half a minute longer.

The CHAIRMAN. Is there objection to the gentleman's request?

Mr. MANN. Reserving the right to object, I would like to ask the gentleman from New York [Mr. FITZGERALD], in charge of the bill, whether it is his intention to permit during the afternoon the discussion of any one of a thousand and one subjects that have no relation to the bill? Of course, if he intends to do that, I shall object.

Mr. FITZGERALD. I do not propose to have any further extraneous discussion.

Mr. MANN. Then the gentleman is playing favorites.

Mr. FITZGERALD. I will say to the gentleman from Illinois that the gentleman from New Jersey [Mr. KINKEAD] is a member of the committee.

Mr. MANN. The gentleman from New York knows that he can not discriminate in that way.

Mr. FITZGERALD. The gentleman from New Jersey was not permitted to speak yesterday. Let us hope he will get 10 minutes to-day. I hoped that he would have 10 minutes of the time set aside for general debate.

Mr. KINKEAD of New Jersey. Mr. Chairman, I am only asking for six minutes.

The CHAIRMAN. The gentleman from New Jersey asks unanimous consent to be allowed to proceed for one minute longer. Is there objection?

There was no objection.

Mr. KINKEAD of New Jersey. I proceed:

My own opinion, which I offer respectfully, is that this whole matter calls for very careful and impartial investigation. Are you aware that taking the "lb" as the unit, the American pays two and a-half times as much for his bread as does the Englishman, while a large proportion of English bread is made from American flour. This I have tested and proved by actual loaves of bread, priced, paid for, and exhibited side by side. It is all part of the same general question.

I am rather curious to know your impression of these statements of fact carefully made.

Yours, truly,

JOHN J. LAWRENCE.

Mr. Lawrence is from Binghamton, N. Y. Of course, Mr. Chairman, I do not wonder at my good friend from Chicago [Mr. MANN] now and then showing signs of temper. I said during the Sixty-second Congress that we would be able to prove before the discussion of the tariff was over that American beef was sold in Great Britain and other European countries at a lower price than we were paying for it in this country. I do not wonder now, I say, that the gentleman representing the home of the packers, representing the home of Morris and Swift, the home of Armour and Cudahy, should rise in his place and ask the chairman of the Committee on Appropriations if he were going to allow discussion in this Chamber during the afternoon on a question of whether Americans would be further compelled to pay more for their meat than the prices at which American meat is sold to the people of European countries.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. MANN. Mr. Chairman, I ask that the gentleman from New Jersey have five minutes more.

Mr. FITZGERALD. Mr. Chairman, I demand the regular order. I object.

Mr. BARTLETT. Mr. Chairman, I desire to offer an amendment to this paragraph. I offer it on my own responsibility.

The CHAIRMAN. The gentleman from Georgia [Mr. BARTLETT] offers an amendment which the Clerk will report.

The Clerk read as follows:

Amend, page 2, at the end of line 6, by inserting the following:

"The Executive orders of May 7, 1913, October 15, 1912, and November 30, 1908, placing the positions of postmaster of the fourth class in the classified service and all regulations made thereunder are hereby revoked, and hereafter appointments to said positions shall be made in the same manner as obtained prior to the making of such Executive orders."

Mr. FITZGERALD. Mr. Chairman, I reserve a point of order on that amendment.

The CHAIRMAN. The gentleman from New York [Mr. FITZGERALD] reserves a point of order on the amendment.

Mr. FITZGERALD. I make the point of order.

The CHAIRMAN. The gentleman from New York [Mr. FITZGERALD] makes the point of order. The Chair would like to hear the gentleman from New York on the point of order.

Mr. FITZGERALD. It is new legislation, and it is not germane to this paragraph.

Mr. BARTLETT. Mr. Chairman, this paragraph—I am discussing the point of order—provides for \$39,000 in this bill to pay the expenses of holding the examinations for the selection of fourth-class postmasters, which had not been done prior to these orders.

Rule XXI, paragraph 2, provides that—

No appropriation shall be reported in any general appropriation bill, or be in order as an amendment thereto, for any expenditure not previously authorized by law, unless in continuation of appropriations for such public works and objects as are already in progress. Nor shall any provision in any such bill or amendment thereto changing existing law be in order, except such as being germane to the subject matter of the bill shall retrench expenditures by the reduction of the number and salary of the officers of the United States, by the reduction of the compensation of any person paid out of the Treasury of the United States, or by the reduction of amounts of money covered by the bill: *Provided*, That it shall be in order further to amend such bill upon the report of the committee or any joint commission authorized by law or the House Members of any such commission having jurisdiction of the subject matter of such amendment, which amendment being germane to the subject matter of the bill shall retrench expenditures.

• This proposition, Mr. Chairman, has been before the House since the adoption of this rule, known as the Holman rule, and it has been enforced since the beginning of the Sixty-second Congress, and, in my judgment, this amendment meets absolutely the exceptions to the rule provided for in the rule.

It certainly will save the expenditure of this \$39,000 carried in this paragraph of the bill, because the paragraph in the bill and the evidence which is before the House now, accessible to the Chair, which will not be disputed by the Chair, is that this \$39,000 and the \$9,000 which is asked for in this bill is to pay the traveling and other expenses made necessary by this order of 1913 and the other orders which required the examination

under the Civil Service Commission of all applicants for postmasterships. So that, Mr. Chairman, we reduce the expenditures of the Government and we reduce the amount carried in this bill.

If I were to discuss the question for an hour I could not make it plainer than by this statement that its purpose is to repeal the orders which make it necessary to expend this money. If this proviso is adopted, then it will not be necessary to expend the \$39,000 that we carry in this paragraph of the bill. That is all I desire to say, Mr. Chairman.

The CHAIRMAN. The Chair thinks the amendment is subject to the point of order. It is new legislation and does not reduce expenditures. The Chair sustains the point of order.

Mr. MONDELL. Mr. Chairman, I move to strike out the last word. If the Executive order made by President Wilson, modifying the Executive order of President Taft relative to fourth-class post offices, is to remain in force and effect the \$30,000 appropriation provided for in this paragraph is absolutely necessary. Whether or no that modification ought to remain in force is of course a matter of opinion.

For a good many years I had to do with recommending the appointment of fourth-class postmasters. It was never an altogether pleasant job, and I do not think that in the aggregate it added to my popularity, though I did make an earnest effort to recommend the postmasters the majority of the people wanted and those who would render good service. I am inclined to think that the old method, so far as it affected the service, was a good one, because I am sure that under the old system we got good postmasters in my part of the country at least.

But the old system did entail a very great deal of work, and placed a large responsibility upon Members of Congress, which I do not think ought to be placed upon them. There ought to be some other method devised. But unfortunately, in my opinion, the method that has been devised is not a very satisfactory one. Of course this appropriation will give the Democratic brethren a chance at the post offices, and I think they ought to have it. However, it will not only give them a chance, but a cinch, for under the plan that has been devised, unless there be three Republicans standing higher in the examination than any Democrat, a Democrat will get the job; and when we contemplate the long and weary years during which the brethren were kept from the pie counter, I do not know but this is a fair evening up of matters, provided they get good postmasters, which I hope they will. The difficulty is that the new rule applies to small offices, and it is going to be difficult in many instances to find people qualified, and so situated locally that they can take these offices, who will take the trouble to pass an examination. If the limit was placed at post offices paying \$250 or \$300 a year, then I think the plan would probably work out fairly well; but to provide for examinations in all offices paying above \$180 a year will include many offices where the department will find a great deal of difficulty in getting people who are willing to serve, who will take the trouble to take the examination. I have been asked by the Civil Service Commission as have, I assume, all Members, to assist by suggesting to people in the various localities that they bestir themselves and take the examination, and in some cases I have taken the trouble to do that, realizing of course that some Democrat is almost certain to get the job. The difficulty is that few are inclined to take the trouble to take an examination for a small office when there is great doubt as to whether or no he will secure the position, no matter how well qualified, after he has gone to some considerable trouble and expense. In my opinion the real fault of the order is that it includes the smaller offices.

As to the offices paying less than \$250 per annum, in my opinion the policy ought to be followed that is now followed with regard to the smaller offices—the postmaster being appointed on the recommendation of an inspector of the department. I am sure if we had control of the administration, I for one would not clamor for the responsibility of recommending fourth-class postmasters.

Mr. BARTLETT. Mr. Chairman, I hold in my hand the various orders on this subject, which I will insert in the RECORD so that the Members of the House and the country may be informed as to what they were and the dates when they were promulgated.

The orders are as follows:

EXECUTIVE ORDER.

Schedule A, Subdivision V, paragraph 4, of the civil-service rules is hereby amended to read as follows:

"4. All employees on star routes and in post offices having no city free-delivery service, other than postmasters of the fourth class, in

Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Wisconsin, and Michigan."

THEODORE ROOSEVELT.

THE WHITE HOUSE, November 30, 1908.

EXECUTIVE ORDER.

Schedule A, Subdivision VII, paragraph 4, of the civil-service rules is hereby amended to read as follows:

"4. All employees on star routes and in post offices of the third and fourth classes, other than postmasters of the fourth class, except those in Alaska, Guam, Hawaii, Porto Rico, and Samoa."

The regulations governing the appointment of postmasters of the fourth class shall be amended so as to provide that all appointments at offices where the compensation is \$500 or more shall be made from a certification of three names instead of one, and where the compensation is less than \$500 all appointments shall be made on the recommendation of post-office inspectors, after personal investigation, in the manner prescribed for making appointments in the States of Massachusetts, New York, Ohio, and Illinois.

WM. H. TAFT.

THE WHITE HOUSE, October 15, 1912.

EXECUTIVE ORDER.

The Executive Orders of November 30, 1908, and October 15, 1912, bringing the positions of postmaster of the fourth class into the competitive classified service are hereby amended by adding thereto the following:

"No person occupying the position of postmaster of the fourth class shall be given a competitive classified status under the provisions of said orders unless he has been appointed as a result of open competitive examination, or under the regulations of November 25, 1912, or of January 20, 1909, or until he is so appointed."

"At any post office of the fourth class where the present postmaster was appointed otherwise than as above set forth, appointment shall be made in accordance with the regulations approved November 25, 1912, as amended this date; and for this purpose the Civil Service Commission shall hold an open competitive examination for each such office having an annual compensation of as much as \$180, such examinations for all such post offices to be held by States as requested by the Postmaster General; provided that in the event that for any such examination less than three persons apply, the Civil Service Commission may, in its discretion, authorize selection in accordance with the provisions of the regulations as amended this date governing selections for appointment to offices having annual compensation of less than \$180; and in like manner the regulations of November 25, 1912, as amended this date, shall be applied to each office where the annual compensation is less than \$180 and where the present incumbent was appointed otherwise than as above set forth."

WOODROW WILSON.

THE WHITE HOUSE, May 7, 1913.

Mr. Chairman, it is a little remarkable that this spasm of civil righteousness with reference to the appointment of fourth-class postmasters should come from our Republican friends after they have been in office for 16 years, and then by a general order covered their appointees into the classified service, as now done by the order of President Taft, being dated October 15, 1912. Of course it will not do now to say that the order of President Wilson was passed in order to give Democratic Congressmen an opportunity to select fourth-class postmasters. It does nothing of the sort. President Wilson's order simply provides for an examination of postmasters under the civil service where the compensation is more than \$180 a year. Where the compensation is less than \$180 a year the office is to be filled on the recommendation of an inspector. Where the compensation is more than \$180 a year there is to be a competitive examination under the rules and regulations of the Civil Service Commission.

Mr. Chairman, it was never contemplated when the civil-service law was enacted that these fourth-class postmasters, or any other kind, should be put under the civil-service law. The first order of President Roosevelt exempted from operation the postmasters south of the Potomac River. That looked like a sort of a political move, to which I have called attention heretofore, that the only people, mostly the people in that section, were Republican officeholders. That was done to permit the Republican national committee, whose chairman was at the same time Postmaster General, the opportunity to manipulate these offices and employees in the interest of the Republican candidate for President at the national convention.

Mr. STEENERSON. Will the gentleman yield?

Mr. BARTLETT. I will.

Mr. STEENERSON. When a postmaster has filled the office for 15 or 16 years satisfactory to the patrons, what is the object of a civil-service examination? Is it to make a vacancy, or is it to find out if he is really fit for it?

Mr. BARTLETT. I do not know whether it is to create a vacancy or not; but what was the object of covering him into the place when he was appointed on the recommendation of the members of the party in power, regardless of whether the people of that section desired him for postmaster or not? Take my own section of the country. There has not been a postmaster from the Potomac River to the Rio Grande appointed within the last 16 years upon the recommendation of the patrons of the office or of the Congressman. [Applause on the Democratic side.] A Congressman when he would go with a petition of every patron in the office to the Postmaster General, saying that

the people of that place desired the appointment of this man or this woman, without regard to politics, the Postmaster General would say, "You know the rule; these are political appointments, and we must consult Mr. Johnson," or some Republican referee, sometimes a white man and very often "a nigger." [Applause on the Democratic side.]

Mr. STEENERSON. Then the gentleman admits that the purpose of this order is to create vacancies and not to improve the service?

Mr. BARTLETT. No; the purpose of this order is to right the wrong and injustice that President Taft did when he placed all the fourth-class Republican offices under the civil-service law and did not permit an opportunity for investigation.

Mr. MONDELL. Will the gentleman yield?

Mr. BARTLETT. I will.

Mr. MONDELL. Under the modified form of the order my friend now will go to the Post Office Department and name one man of the three highest on the list. Is not that satisfactory to him?

Mr. BARTLETT. I do not know whether I will or not.

Mr. MONDELL. The gentleman realizes that he will have an opportunity to do that?

Mr. BARTLETT. I do not know whether I will or not.

Mr. MONDELL. Then the gentleman is not well informed.

Mr. BARTLETT. I apprehend that the Democratic Postmaster General will carry out the law better than the Republican Postmaster General, who run it for the purpose of serving the Republican Party. [Applause on the Democratic side.] As far as I am concerned, I would put the law where there would be no pretense or sham about it, and where the people's representative who knows who the people desire to be appointed should recommend the man for appointment, without being hobbled and strangled by a specious pretense of the civil service.

Mr. MOORE. Will the gentleman yield?

The CHAIRMAN. Does the gentleman from Georgia yield to the gentleman from Pennsylvania?

Mr. BARTLETT. Yes.

Mr. MOORE. When we get down to brass tacks, is not the real purpose of the amendment to enable the Democratic Party to return to the vicious spoils system?

Mr. BARTLETT. Not to return to any vicious Republican spoils system.

Mr. MOORE. Would not the Democrats take advantage of it if they could?

Mr. BARTLETT. I apprehend that the Democrats, or most of them, think that when we turned the Republicans out we intended to turn them all out, from the President down.

Mr. MOORE. And put Democrats in?

Mr. BARTLETT. We believe, at least speaking for my people and the section from which I come, that this order will at least give us an opportunity to demonstrate that the men in office, put there without regard to competency, are not as competent and as satisfactory as will be men put there by the recommendation of the people's representatives, who know what the people want. [Applause on the Democratic side.]

The CHAIRMAN. The time of the gentleman from Georgia has expired.

Mr. BARTLETT. Mr. Chairman, I ask for two minutes more.

The CHAIRMAN. The gentleman from Georgia asks that his time be extended two minutes. Is there objection?

There was no objection.

Mr. BARTLETT. Now I will yield to the gentleman from Pennsylvania for a question.

Mr. MOORE. Will not the spoils system be sweeter under Democratic rule than under Republican rule?

Mr. BARTLETT. I do not know what the gentleman calls the spoils system under Democratic rule. I know that there is no office, in my judgment, under Democratic administration that could not be better filled by a Democrat than by a Republican. [Applause on the Democratic side.] If you can call that the spoils system, you are welcome to so denominate it.

Mr. MOORE. But it will be sweeter under Democratic rule.

Mr. MADDEN. Mr. Chairman, I move to strike out the last two words.

Mr. FITZGERALD. Mr. Chairman, I move that all debate on the pending paragraph and all amendments thereto close in five minutes.

The CHAIRMAN. The gentleman from New York moves that all debate on the pending paragraph and all amendments thereto close in five minutes.

Mr. MANN. Mr. Chairman, I hope the gentleman will modify that motion. The gentleman from Illinois, my colleague [Mr. MADDEN], wants five minutes and I want five minutes.

Mr. AUSTIN. Mr. Chairman, I wish to offer a genuine amendment.

The CHAIRMAN. The gentleman from New York moves that all debate on this paragraph and all amendments thereto close in five minutes.

Mr. MANN. Mr. Chairman, I hope the gentleman will not insist upon that motion.

Mr. FITZGERALD. Who desires time?

Mr. MANN. My colleague desires time, and I want some time, and the gentleman from Tennessee [Mr. AUSTIN] desires to offer an amendment.

Mr. FITZGERALD. I will make it 15 minutes. I might want 5 minutes myself.

Mr. MANN. Make it 20 minutes and take 5.

Mr. FITZGERALD. Oh, let us make it 15.

Mr. AUSTIN. I only want a minute.

Mr. MANN. Very well.

Mr. FITZGERALD. Then I modify it to 15 minutes, Mr. Chairman.

The CHAIRMAN. The question is on the motion of the gentleman from New York that all debate on the pending paragraph and amendments thereto close in 15 minutes.

The motion was agreed to.

Mr. MADDEN. Mr. Chairman, I move to amend, in line 2, page 2, by striking out the figures "\$30,000."

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 2, line 2, strike out "\$30,000."

Mr. MADDEN. Mr. Chairman, I am moving to strike out only one item at this time. Later on we can strike out more. It seems to me that the order of the President did not go quite far enough. If I were President of the United States and were going to issue an order which had for its purpose the changing of the politics of the men who occupied places under the Government, I would have written an order so plain that everybody would understand what it meant. Of course, this order calling for examinations to ascertain the qualifications of men who occupy places as fourth-class postmasters is a mere subterfuge. There can be no doubt about that. Why spend money to do something which is bound to be done anyway? I am in favor of turning these offices over to the Democrats. [Applause on the Democratic side.] I believe that Republicans are better Republicans when they go up and down with their party, and I believe that Democrats are better Democrats when they go in and out with their party. [Applause on the Democratic side.]

I believe that the administration, whatever its politics, ought to be surrounded with men of like political faith; and if I were issuing this order I would issue an order so broad that it would say upon its face that what we wanted to do was to put Democrats in where Republicans now are. I would not put the Government to the additional expense of spending \$30,000 to do a thing which I had already made up my mind to do without the expenditure of any money.

Mr. MONDELL. Mr. Chairman, will the gentleman yield for a question?

Mr. MADDEN. I have not the time to yield now.

Mr. MONDELL. Just a short question.

Mr. MADDEN. Just a minute. You are imposing a burden upon the taxpayers in your attempt to change the politics of the men who occupy these places. Why not change them and not impose these burdens? It is an outrage on the people of the Nation to call for an appropriation to turn men out of office and put other men in, when you have already made up your mind that you are going to turn them out anyway.

Mr. MONDELL. Does the gentleman not think that if Democrats are to be appointed to these places it is important that we should know that Democrats are appointed who will be able to read and write—hence the necessity for the examination?

Mr. MADDEN. Of course it does not always follow that a man who is a Democrat needs to know how to read and write to hold an office. I know a good many cases where within the last three months they were appointed to local offices to hold clerical positions in violation of all the civil-service laws of our State, and many of them that were appointed could not even handle a pen.

They had to remove those men because they were not capable of performing those duties. But I am in favor of doing everything the Democrats want to do except that I am against the appropriation of any money as a subterfuge to try to blind the people with the idea that an examination is being held to ascertain the qualifications of men when, as a matter of fact, no attempt will be made to ascertain those qualifications. They will just take the man by the coat collar who has the proper brand upon him and has the political influence in the neighborhood from which he is to be appointed and put him first on that

list, and whether he is first or last upon the list they will appoint him to the place.

Mr. HEFLIN. Will the gentleman yield for a question?

Mr. MADDEN. Surely.

Mr. HEFLIN. An examination has been conducted at a fourth-class office in my district. The man who received the highest grade was the man appointed to that position—

Mr. MADDEN. And he is a Democrat.

Mr. HEFLIN. He is a Democrat and—

Mr. MADDEN. Of course he is.

Mr. HEFLIN. No Republican who contested for the place was competent to stand the examination. [Applause and laughter.]

Mr. BARKLEY. Will the gentleman permit a question?

Mr. MADDEN. I will.

Mr. BARKLEY. The gentleman made the statement that some person in the community would be taken by the collar and put at the head of the list. Does the gentleman realize that the local examining boards throughout the United States who hold these civil-service examinations are 90 per cent Republicans?

Mr. MADDEN. Oh, I do not know anything about that. Of course, I would not undertake to say what their politics will be, but I know the purpose of this order, and the order will result in a restoration of Democrats to all the places which are now occupied by Republicans, and I am glad the Democrats have got nerve enough to do the thing they want to do, and the only objection I have to the whole proposition is that they did not have influence enough with the President to have him write a plain order that everybody could understand.

Mr. HARDY. Will the gentleman yield for one question—

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. HARDY. Does the gentleman think the civil service under the Democratic rule is as big a farce as it was under the Republican rule?

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. MADDEN. I do not know anything about the civil service.

Mr. MANN. Mr. Chairman, I ask to be recognized for three minutes so that the gentleman from Tennessee [Mr. AUSTIN] may have the other two minutes. Mr. Chairman, I congratulate the distinguished gentleman from Alabama [Mr. HEFLIN] that after searching through all the examinations which have been held that is the only conspicuous instance he has been able to find where a Democrat stood at the top of the list. I supposed that you might possibly find a case where they would stand at the bottom of the three, and thereby secure the appointment; and it was upon that theory that the present order was issued. The order was, of course, an abandonment of real civil-service reform. [Laughter on the Democratic side.] Mr. Chairman, when the distinguished gentleman from Georgia [Mr. BARTLETT] was talking to the House and inveighing against the merit system and in favor of the spoils system and declaring that every office under the Democratic administration ought to be filled by Democrats, nearly every gentleman on the Democratic side of the House waved his hands in wild applause. [Applause on the Democratic side.] Mr. Chairman, the Democratic side of the House is in favor of the spoils system, but lacks the nerve to put it into the law. Nearly every man there has applauded the spoils system to put Democrats in office. You have a two-thirds vote in the House. You have the Committee on Rules that can make it in order at any time. If you believe in it, why do not you have the sand to bring in a rule and pass it? You are too cowardly to do that. You content yourself with applauding and then writing home to your constituents and saying that when Mr. BARTLETT, of Georgia, declared that every office under the Democratic administration ought to be filled by a Democrat you applauded him and used your influence in favor of it; but you are afraid to put it into the law. We dare you to put it into the law.

Mr. BARTLETT. May I interrupt the gentleman just a moment?

Mr. MANN. I have only three minutes.

Mr. BARTLETT. The gentleman will recall on a roll call that we voted to repeal this order last year and it then went over to the Senate and was stricken out.

Mr. MANN. You did not propose to repeal the law at all last year. You had an amendment in, yes, that did not amount to anything; and it is true we let you pass it in the House, and a large share of your Members were afraid to vote for it, and you only receded when a Republican Senate struck it out. You did not need to recede.

You had the power in the House. It is nonsense to say that you have not the power to do this. You have the power, and you have the desire. The only thing you lack is the nerve. [Applause on the Republican side.]

Mr. BARTLETT. We did not have a Democratic Senate last Congress.

Mr. AUSTIN. Mr. Chairman, I wish to offer an amendment, but I will wait until the amendment of the gentleman from Illinois [Mr. MADDEN] has been disposed of.

The CHAIRMAN. There are two minutes left to the gentleman from Tennessee [Mr. AUSTIN] and five minutes to the gentleman from New York [Mr. FITZGERALD].

Mr. AUSTIN. Mr. Chairman, I offer the following amendment.

The CHAIRMAN. The gentleman from Tennessee offers an amendment, which the Clerk will report.

The Clerk read as follows:

On page 2, at the end of line 6, amend by adding the following proviso:

"Provided, That no examination shall be ordered at any fourth-class post office filled by an honorably discharged Federal or Confederate soldier or sailor or the widow of any honorably discharged Federal or Confederate soldier or sailor."

Mr. FITZGERALD. Mr. Chairman, I make the point of order, first, that there was an amendment pending, and, second, that this is new legislation.

Mr. MANN. Let us vote on the pending amendment, then.

Mr. AUSTIN. I will reserve my time, then, until the amendment submitted by the gentleman from Illinois [Mr. MADDEN] is disposed of.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. MADDEN], to strike out "\$30,000," in line 2, page 2.

The question was taken, and the amendment was rejected.

Mr. FITZGERALD. Mr. Chairman, I make the point of order that it is new legislation.

Mr. MANN. Will not the gentleman reserve the point of order until the gentleman from Tennessee [Mr. AUSTIN] has used his time?

Mr. AUSTIN. I am entitled to my two minutes, anyway.

Mr. FITZGERALD. Oh, yes.

Mr. AUSTIN. Mr. Chairman, I had entertained the hope that the gentleman who has charge of this bill, the chairman of the Committee on Appropriations, would permit the House to vote on this meritorious proposition. There is new legislation written all over this deficiency bill, and when the committee comes in here reporting a bill carrying new legislation it ought not to hesitate, to say the least, in the matter of giving the membership of this House an opportunity to write new legislation in the bill, especially where a majority of the House may desire to do so. This amendment should not be objected to. There should not be a vote on either side of the Chamber in opposition to it. There are a number of fourth-class post offices filled in a satisfactory and efficient manner by honorably discharged Federal and Confederate soldiers and the widows of soldiers.

Mr. BURNETT. Does the gentleman know of any Confederate soldier that ever got an office under a Republican administration?

Mr. AUSTIN. There are a number in the district represented by my colleague from Virginia [Mr. SLEMP].

Mr. BURNETT. Will you name them? It is not so.

Mr. SLEMP. I will say that the postmaster at Tip Top, Va., was an old Confederate soldier and under the rules of the Civil Service Board will not be entitled to the examination.

Mr. BURNETT. And he went over to the Republicans?

Mr. SLEMP. No, sir; he has been a Republican for over 30 years.

Mr. BURNETT. And he deserted from the Confederate Army?

Mr. SLEMP. He did not. His name is J. H. Gillespie, and there is no finer character living in Virginia, and no soldier in the Confederate Army had a better record, and yet he will not be permitted to hold this office under the new rule.

Mr. AUSTIN. I will say to the gentleman from Alabama [Mr. BURNETT] that Mrs. Longstreet is the widow of a distinguished Confederate soldier, and I appeal to the chairman of this committee, in the interests of the old soldiers of this country, both those on the Union and Confederate side, to withdraw his point of order.

The CHAIRMAN. The point of order is sustained. The amendment is clearly new legislation.

Does the gentleman from New York [Mr. FITZGERALD] desire to be recognized?

Mr. FITZGERALD. The gentlemen on that side who are criticizing the order of President Wilson should at least read it before they indulge in criticism. It is:

The Executive orders of November 30, 1908, and October 15, 1912, bringing the positions of the postmasters of the fourth class into the competitive classified service, are hereby amended by adding thereto the following:

"No person occupying the position of postmaster of the fourth class shall be given a competitive classified status under the provisions of said orders unless he has been appointed as a result of open competitive examination, or under the regulations of November 25, 1912, or of January 20, 1909, or until he is so appointed."

In other words, this horde of Republican officeholders who have been selected in the southern section of the country, which has uniformly voted the Democratic ticket, upon the recommendation and approval of the so-called and well-known political Republican referees, shall not be fastened upon the pay rolls of the country to the end of their days until they have demonstrated their capacity to discharge the duties of the offices they fill. [Applause on the Democratic side.]

Should any Republican object to such a provision as that? And the criticisms indulged in by the two gentlemen from Illinois demonstrate that they are unable to conceive of any public official in any administration being actuated by a motive higher than the sordid political one which actuated the Republicans during the past six or eight years. It was not necessary and it is not necessary to legislate these Republicans out of office. The President could have revoked President Taft's order covering them all into the civil service. But although Members on this side of the House and members of the Democratic Party throughout the country believe that in a Democratic administration Democrats should be appointed to office, so that the country will get the character of administration for which it voted, they have no desire to follow the practice of Republicans and put incompetent persons in office. They are ready to subject the men they recommend for office to the severest tests that can be applied under the civil-service law; and they do it, Mr. Chairman, with a confidence that is not possessed by our Republican friends. The Democrats know that the men they recommend for office are so highly qualified that they can pass the civil-service examinations. [Applause on the Democratic side.]

The Republicans know that the men who are now in office never will qualify if subjected to the test. [Applause on the Democratic side.]

The matter is so simple that it needs no argument. The gentleman from Tennessee [Mr. AUSTIN] has found one Confederate soldier holding office under a Republican administration. But so far as I am concerned, Mr. Chairman, believing in the merit system, the mere fact that a man has served either in the Confederate or the Federal Army would not induce me to put him upon the pay roll of the Government in some lucrative office if he were not competent to fill the office. I do not believe that the honorably discharged soldiers of either army—the men who sacrificed so much in the contest, either those who marched in the Army of the Gray, or the men who fought according to their convictions in the Army of the Blue—desire to be treated in such a manner and put unfairly and improperly upon the pay rolls as a burden to the country unless they are competent to discharge the duties of the offices to which they are appointed.

By the terms of the Revised Statutes, honorably discharged soldiers of the Army and sailors of the Navy in certain conditions are given a preference under the civil-service law, and the only thing they have asked is that that law be honestly administered. During the 14 years of my service I have had brought to my attention continually complaints that in the administration of the law, in the discharge of men from various governmental services the Republican administration, although it boasted so much of its interest in the old soldiers and sailors, frequently turned them out because it was of some petty political advantage to put more active and younger men in their places. [Applause on the Democratic side.]

The old soldiers and sailors never asked to be held regardless of qualifications. They did ask and did expect an honest administration of the law. They will get that in this administration, and be a man a Democrat or a Republican, the law will be impartially enforced with respect to him. If there be any Republicans in office who are competent to fill the places and who have the qualifications to enable them to pass the examinations—and I doubt, from my experience, whether there are many—they need not worry. They will continue on the pay roll. [Applause on the Democratic side.]

Mr. AUSTIN. Mr. Chairman, I offer the following amendment which I send to the Clerk's desk.

The CHAIRMAN. The gentleman from Tennessee [Mr. AUSTIN] offers an amendment. Where does this amendment come in? The Chair will ask the gentleman from Tennessee.

Mr. AUSTIN. On page 2, at the end of line 6.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 2, at the end of line 6, insert the following: "No portion of the sum herein appropriated shall be used for the purpose of holding an examination for the purpose of filling an office now held by an ex-Federal or an ex-Confederate soldier, or the widow of such a soldier."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee [Mr. AUSTIN].

Mr. FITZGERALD. Mr. Chairman, I make the point of order that this amendment is new legislation.

Mr. AUSTIN. It is only a limitation on the appropriation, and I think under the invariable rulings of the Chair has been held in order under the Holman rule.

The CHAIRMAN. The Chair thinks it is a limitation on the appropriation. The question is on the amendment.

The question being taken, on a division (demanded by Mr. MANN) there were—ayes 45, noes 75.

Mr. MANN. I ask for tellers.

Tellers were ordered, and the Chairman appointed Mr. AUSTIN and Mr. FITZGERALD.

The committee again divided, and the tellers reported—ayes 48, noes 82.

Accordingly the amendment was rejected.

The Clerk read as follows:

Relief and transportation of destitute American citizens in Mexico: For relief of destitute American citizens in Mexico, including transportation to their homes in the United States, to be expended under the direction and within the discretion of the Secretary of State, to be available during the fiscal year 1914, \$100,000. Authority is granted to reimburse from this appropriation the appropriation for "Emergencies arising in the Diplomatic and Consular Service" for such sums as shall have been expended for relief purposes in Mexico from said appropriation for "Emergencies."

Mr. MOORE. Mr. Chairman, I move to strike out the last word. I should like to ask the chairman of the Committee on Appropriations if any provision has been made or asked for with a view to protecting the property of American citizens who are obliged to leave Mexico.

Mr. FITZGERALD. The only request was for an appropriation so that destitute Americans who desire to leave Mexico may be brought to the United States.

Mr. MOORE. Has the committee any information that it can give to the House with regard to the important question of the preservation of the property of Americans who are compelled to abandon it?

Mr. FITZGERALD. The committee has no information. All the information the committee has is printed. There is nothing on that question.

Mr. MOORE. We have passed the opium item. I will ask the gentleman whether \$1,000 was all that the department asked for that purpose.

Mr. FITZGERALD. That was all.

Mr. MOORE. Bills have already passed the House relating to this question, which were prepared, I think, very largely, by one of the department agents who was abroad. I desire to know whether you need any more money.

Mr. FITZGERALD. They stated that \$1,000 would pay the expenses incurred.

Mr. MOORE. Much money has been spent, however.

Mr. FITZGERALD. Yes; \$45,000; and in addition to that considerable sums from the emergency funds available under the diplomatic appropriation.

Mr. MOORE. But the department is satisfied that \$1,000 is all that is now needed.

Mr. FITZGERALD. That is all the department finally asked.

Mr. MURRAY of Oklahoma. Mr. Chairman, this appropriation seems to be intended to assist American citizens to leave Mexico. I want to preface my remarks by saying that I have no property in Mexico and no relatives there; neither has any member of my family any property in Mexico.

This is the first time in the history of diplomacy that I have ever known a request for the citizens of one country to leave another country in the face of the declaration that there would be no war. Let us analyze this proposition of paying the way of American citizens out of Mexico and a listing of their property. Who is to guarantee the repayment of that property in the event that it is destroyed by the bandits in Mexico? Evidently this Government can not do it under its present policy. It will fall upon the future administration of Mexico. Let us assume that it will amount to no more than \$1,000 apiece for each of the 40,000 Americans in Mexico, on an average. That would make it amount to more than \$40,000,000, and it is fair

to say that it will amount in the aggregate to a billion dollar claim upon Mexico, which will stagger that country, without counting the expense of its civil butchery.

And where will those American citizens ever get the return of their property? Yesterday we witnessed here a controversy over the payment of \$6,000 to the heirs of an Italian subject who had been murdered in this country. What will it be with Mexico after the trouble is over, if it ever ends, and we demand the payment of that \$1,000,000,000? It will end there unless we enforce it by arms, and it will cost more to enforce it than than to protect this property now.

Mr. Chairman, I am as much opposed to war as any man, but there are worse things than war. Rapine and murder are worse than war. In the early history of this Government we have other illustrations that showed the absurdity of moral suasion. We believe in moral suasion, but will it reach a mob? If it will, why do we not appeal to the anarchists of this country and remove the guards from the gates at the White House? If moral suasion is a sufficient protection against crime, why not repeal all the laws which provide hanging for murder? Let us be practical men. We know from experience that no argument will convince a mob except that argument be spoken through the voice of the cannon and musket.

Peace and moral force; that is a great philosophy. It is the thing we hope for, the thing we are driving to, but which we shall never reach until the entire world is Christianized and they understand the philosophy of Christianity. The altruism or philosophy of Christianity is "Love thy neighbor as thyself." I call your attention to the philosophy drawn from history, that the first thing people think about when they first embrace Christianity is to fight. The spread of Christianity over Europe and the organization of the crusades to redeem the holy sepulcher is an illustration of that. The awakening of China and the breaking out of secession is another illustration. If I had time I could produce other illustrations tending to prove this nature of mankind.

The philosophy of Christianity—"Love thy neighbor as thyself"—in the last stage and Confucianism are the only doctrines in the world that believe in peace. Confucius said, "Build a wall around you; let no one go out and no one come in; live at home"; and under that doctrine for 4,000 years the Chinese lived in peace.

We choose to embark on the seas of world relations and a world commerce. Then we see that thereafter we have established expensive consular service throughout the world, with ambassadors and foreign banks, as provided in the bill just passed Congress, and we established the gold dollar that would be good all over the world. What for? To encourage commerce. We have long since learned that commerce is the handmaid of agriculture, and without commerce agriculture could not live.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. MOORE. Mr. Chairman, I ask unanimous consent that the gentleman's time be extended five minutes.

The CHAIRMAN. The gentleman from Pennsylvania asks unanimous consent that the gentleman from Oklahoma be given five minutes more. Is there objection?

There was no objection.

Mr. MURRAY of Oklahoma. Then we started in with the policy of saying to Americans, "Get out of Mexico"; and yet the very purpose of encouraging American citizens to go into another nation is to carry on commerce and trade. We defend that trade. In 1842 we sent a navy to China to conduct the ships of merchandise through the straits. In 1843 we landed the marines on the coast of China, when there were then only 200 Americans in all China, to protect those Americans, or a part of them, from the mob. In 1872 we took Matamoras, Mexico. In 1863 we opened the ports of Japan by force of arms in obedience to a treaty made with Japan in 1852 or 1853 by Perry. And never have we had war when we stood upon the rights of treaties, nor will we have war when we stand upon the rights of treaty, although we have intervened more than forty times to protect the lives and property of our citizens in foreign lands.

The doctrine of protecting American citizens' life and property in all the world is not a new doctrine. It is a doctrine that has gone hand in hand with every administration of this Republic, and the men who have adhered most closely to it have enjoyed the greatest personal popularity. Among them were Monroe, Jackson, Lincoln, Grant, and Roosevelt, who steadfastly adhered to the doctrine of protecting American citizens everywhere.

Reference to the political conventions will show that at no time has a party gone into power that did not have a stronger

platform than its opponent. The strongest platform in line with those ideals is that laid down in the Baltimore platform.

It is interesting to observe the platform declarations made since the organization of the Government touching American foreign policies—the Monroe doctrine and the protection of American citizens abroad as well as at home. I repeat that prior to the Civil War no political party, except the Democratic Party, announced a foreign policy, save and except the platform upon which Henry Clay ran for President in 1832. This declaration was but a meager one, and in these words:

We consider the life, liberty, property, and citizenship of every inhabitant of every State is entitled to national protection.

And even this is susceptible to a double construction and could be construed as meaning such national protection at home without such protection abroad.

Prior to the Civil War the Democratic Party, both by administration and treaty, as well as by platform declaration, was bold and vigorous in its adherence to an international policy. In its platform of 1840, with Martin Van Buren as its candidate for President, it announced:

That every citizen and every section of country has a right to demand and insist upon an equality of rights and privileges, and to compel ample protection of person and property from domestic violence or foreign aggression.

This same section was specifically reaffirmed in 1844, with the adoption of an additional provision for American expansion. These planks were repeated in 1848, in 1852, and again in 1856. In addition to this declaration in 1856 the Democratic Party announced a more comprehensive international plank by affirming the Monroe doctrine, commerce, and protection of American citizens abroad. In the platform it declares:

Resolved, That the administration of Franklin Pierce has been true to the great interests of the country. * * * It has signally improved our treaty relations, extended the field of commercial enterprise, and vindicated the rights of American citizens abroad.

Again, in section 2, it says:

Resolved, That our geographical and political position with reference to the other States of this continent, no less than the interest of our commerce and the development of our growing power, requires that we should hold as sacred the principles involved in the Monroe doctrine. Their bearing and import admit of no misconstruction; they should be applied with unbending rigidity.

And again, section 5:

Resolved, That the Democratic Party will expect of the next administration that every proper effort be made to insure our ascendancy in the Gulf of Mexico, and to maintain a permanent protection to the great outlets through and emptied into its waters the products raised out of the soil and the commodities created by the industry of the people of our western valleys and the Union at large.

In 1860 we find in the platform upon which Breckinridge was nominated a broader policy governing American territory, together with the following declaration:

The Democratic Party of the United States recognizes it as the imperative duty of this Government to protect the naturalized citizen in all of his rights, whether at home or in foreign lands, to the same extent as its native-born citizens.

Then came the Republican convention of 1860, which nominated the immortal Abraham Lincoln, and which was the first party platform in opposition to the Democratic Party that announced, in unmistakable language, its policy to protect American citizens at home and abroad. It used this language:

The Republican Party is opposed to any change in our naturalization laws * * * and is in favor of giving a safe and efficient protection to the rights of all classes of citizens, whether native or natural born, at home and abroad.

In the same year the Constitutional Union Party, which nominated for President John Bell, of Tennessee, announced the same doctrine in these words:

We hereby oblige ourselves to maintain, protect, and defend, separately and unitedly, that great principle of public liberty and national safety, against all enemies, at home and abroad.

After this the Democratic Party, until after the nomination of Tilden and Cleveland, had but meager expressions touching the Monroe doctrine and the policy of protecting American citizens abroad, and the obligations of the Government having fallen upon the Republican Party, they with great energy asserted some doctrines adhered to for the first 60 years of the Republic under Democratic rule. In the midst of a great civil war, when it taxed its resources to maintain itself, in the face of the Mason and Slidell controversy with Great Britain and the fear that Great Britain would recognize the Southern States as an independent government, with the election of a President in 1864, nominated Abraham Lincoln again for the Presidency, and, following the example of the President in contesting the claims of the Holy Alliance of Europe, seeking by subterfuge to place Maximilian on the throne of Mexico, the Republican

Party fearlessly and boldly, in section 11 of their platform, announced this doctrine:

Resolved, That we approve the position taken by the Government that the people of the United States can never regard with indifference the attempt of any European power to overthrow by force or to supplant by fraud the institutions of any republican government on the Western Continent, and that they will view with extreme jealousy, as menacing to the peace and independence of their own country, the efforts of any such power to obtain new footholds for monarchical governments, sustained by foreign military force, in near proximity to the United States.

Students of history will recall that from the beginning of this Government there had been an issue between us and European Governments, particularly with Great Britain, upon the question of the right to impressment of American seamen; that this was the first cause of the War of 1812; and that although this war terminated satisfactorily to the United States, it left this question unsettled—the question of “expatriation,” the British doctrine that “Once a citizen, always a citizen”—and it was not settled until Grant was made President of the United States, and its settlement was largely due to the firing on a foreign war vessel by the United States Navy and the prevention of the taking away of an American citizen who had become naturalized from one of the European monarchies.

In the Republican platform of 1868, when Gen. U. S. Grant was nominated for the Presidency, we find this broad principle enunciated:

The doctrine of Great Britain and other European powers, that because a man is once a subject he is always so, must be resisted at every hazard by the United States as a relic of feudal times not authorized by the laws of nations and at war with our national honor and independence. Naturalized citizens are entitled to protection in all their rights of citizenship as though they were native born; and no citizen of the United States—native or naturalized—must be liable to arrest and imprisonment by any foreign power for acts done or words spoken in this country; and, if so arrested and imprisoned, it is the duty of the Government to interfere in his behalf.

We find in the platform of 1872, when Grant was nominated for the second time for the Presidency, a repetition of this doctrine:

The doctrine of Great Britain and other European powers concerning allegiance—“Once a subject always a subject”—having at last, through the efforts of the Republican Party, been abandoned, and the American idea of the individual's right to transfer allegiance having been accepted by European nations, it is the duty of our Government to guard with jealous care the rights of adopted citizens against the assumption of unauthorized claims by their former Governments.

The settlement of this doctrine of the right of “expatriation”—the right to change citizenship—finally won by the United States Government, was due to the vigorous, broad, and comprehensive foreign policy and administration of President Grant. This second Grant platform enunciated the principles of Jefferson in his first inaugural address. In section 4 it reads as follows:

The National Government should seek to maintain honorable peace with all nations, protecting its citizens everywhere and sympathizing with all people who strive for greater liberty.

After the administration of Grant the foreign policy enunciated by the Republican Party was weak until the nomination of William McKinley in 1896. In this platform it enunciated the principles of reciprocity, trade with foreign nations, merchant marine, foreign relations with the Western Hemisphere, and sympathy with the victims of the Armenian massacres, and a reassertion of the Monroe doctrine. After this the policy of the administration of the Republican Party departed from the old principles of Jefferson—“Peace and commerce with all nations and entangling alliances with none”; “Encouragement of republican governments and their protection from the monarchies of the Old World”—and substituted therefor the doctrine of imperialism.

It may be noted in all the platform-making history of this Republic that there was never an instance of an election of a candidate for President upon any ticket where his foreign policy, as expressed in his platform, was less comprehensive than his opponent upon the Monroe doctrine and the protection of American citizens in foreign lands.

Returning to the Democratic doctrine since the Civil War, we find that in the canvass of 1866, with Horatio Seymour for the Presidency, enunciations of the old principles of the Democratic Party, but with less vigor than his opponent, Gen. Grant. Here is section 8 of that platform:

Equal rights and protection for naturalized and native-born citizens at home and abroad; the assertion of American nationality which shall command the respect of foreign powers and furnish an example and encouragement to people struggling for national integrity, constitutional liberty, and individual rights, and the maintenance of the rights of naturalized citizens against the absolute doctrine of immutable allegiance, and the claims of foreign powers to punish them for alleged crime committed beyond their jurisdiction.

The next broad and comprehensive declaration of the old ante bellum Democratic doctrine was found in the platform of

1884, upon which Grover Cleveland was elected to the Presidency:

We favor an American continental policy based upon more intimate commercial and political relations with the 15 sister Republics of North, Central, and South America, but entangling alliances with none.

The Democratic Party insists that it is the duty of the Government to protect with equal fidelity and vigilance the rights of its citizens, native and naturalized, at home and abroad, and to the end that this protection may be assured, United States papers of naturalization, issued by courts of competent jurisdiction, must be respected by the executive and legislative departments of our own Government and by all foreign powers. It is an imperative duty of this Government to efficiently protect all the rights of person and property of every American citizen in foreign lands, and demand and enforce full reparation for any invasion thereof. An American citizen is only responsible to his own Government for any act done in his own country and under her flag, and can only be tried therefor on her own soil and according to her laws; and no power exists in this Government to expatriate an American citizen to be tried in any foreign land for any such act.

This country has never had a well defined and executed foreign policy, save under Democratic administration. That policy has ever been in regard to foreign nations, so long as they do not act detrimental to the interests of the country or hurtful to our citizens, to let them alone; that as a result of this policy we recall the acquisition of Louisiana, Florida, California, and of the adjacent Mexican territory, by purchase alone, and contrast these grand acquisitions of Democratic statesmanship with the purchase of Alaska, the sole fruit of a Republican administration of nearly a quarter of a century.

Under a long period of Democratic rule and policy our merchant marine was fast overtaking, and on the point of outstripping, that of Great Britain. Under 20 years of Republican rule and policy our commerce has been left to British bottoms, and the American flag has almost been swept off the high seas. Instead of the Republican Party's British policy, we demand for the people of the United States an American policy.

Another instance where the broader international policy was successful is found in the defeat of Cleveland by Harrison, wherein they expressed themselves on the protection of our fisheries and the Monroe doctrine. Upon the Monroe doctrine the platform says:

The conduct of foreign affairs by the present administration has been distinguished by its inefficiency and its cowardice. Having withdrawn from the Senate all pending treaties effected by Republican administrations for the removal of foreign burdens and restrictions upon our commerce and for its extension into better markets, it has neither effected nor proposed any others in their stead.

Professing adherence to the Monroe doctrine it has seen, with idle complacency, the extension of foreign influence in Central America and of foreign trade everywhere among our neighbors. It has refused to charter, sanction, or encourage any American organization for constructing the Nicaraguan canal, a work of vital importance to the maintenance of the Monroe doctrine and of our national influence in Central and South America and necessary for the development of trade with our Pacific territory, with South America, and with the islands and farther coasts of the Pacific Ocean.

In the race for the Presidency of 1892 the Democratic platform, upon which Cleveland was elected for the second time, announced a foreign policy, as follows:

The Democratic Party is the only party that has ever given the country a foreign policy, consistent and vigorous, compelling respect abroad and inspiring confidence at home. While avoiding entangling alliances, it has aimed to cultivate friendly relations with other nations, and especially with our neighbors on the American Continent, whose destiny is closely linked with our own, and we view with alarm the tendency to a policy of irritation and bluster which is liable at any time to confront us with the alternative of humiliation or war. We favor the maintenance of a navy strong enough for all purposes of national defense and to properly maintain the honor and dignity of the country abroad.

In addition to this comprehensive policy this platform gave expression to the question of “reciprocity,” “sympathy for the oppressed in foreign lands,” “immigration,” “waterways,” and “Nicaraguan canal.”

In the platform of 1896, upon which W. J. Bryan was first nominated for the Presidency, we find the following declaration:

The Monroe doctrine, as originally declared and as interpreted by succeeding Presidents, is a permanent part of the foreign policy of the United States and must at all times be maintained.

We extend our sympathy to the people of Cuba in their heroic struggle for liberty and independence.

Again, in the platform of 1900 the Democratic Party dealt with the question of “Cuba,” “the Philippines,” “the Monroe doctrine,” “militarism,” the “Nicaraguan canal,” and the “Hay” treaty, but made the mistake to adopt negative policies without affirming a constructive policy upon these several questions, and hence it may be observed that the American people, through their party platforms and administrations, have invariably stood for a constructive, progressive international policy rather than a negative one; that on the whole they prefer peace and commerce with all nations and entangling alliances with none; the maintenance of the Monroe doctrine and the protection of American citizens in foreign lands; sympathy for the oppressed and encouragement to Republican institutions; that on the whole they have opposed imperialism or force for the purpose of acquisition of territory, while standing equally strong for the American system of government and the rights of

American commerce in foreign seas and the rights of American citizens in foreign lands, not only by party platform declarations but by more than 40 instances of intervention by force during the past hundred years of administration.

In the campaign of 1912 the marked difference between the Democratic, the Republican, and the Progressive platforms is noted. The Democratic Party took a bold stand in favor of the "Monroe doctrine," the "efficiency of an army and navy," the "independence of the Philippines," the "protection of Americans in foreign lands," and particularly the Jews in Russia, and a demand for a new Russian treaty guaranteeing these rights, and the "Panama Canal," which constitutes the broadest constructive affirmative declaration in many years touching an international policy, crowning these policies with the following bold and aggressive stand touching the rights of American citizens wherever resident or sojourning:

We commend the patriotism of the Democratic Members of the Senate and the House of Representatives which compelled the termination of the Russian treaty of 1832, and we pledge ourselves anew to preserve the sacred rights of American citizenship at home and abroad. No treaty should receive the sanction of our Government which does not recognize that equality of all our citizens, irrespective of race or creed, and which does not expressly guarantee the fundamental right of expatriation.

The constitutional rights of American citizens should protect them on our borders and go with them throughout the world, and every American citizen residing or having property in any foreign country is entitled to and must be given the full protection of the United States Government both for himself and his property.

From all these platform declarations it will be observed that all parties that had for their support any great body of the American people have proclaimed adherence to the Monroe doctrine and "the protection of American citizens at home or abroad."

For years before 1912 we had taken a negative policy, but this time we pursued a constructive policy, and on that it may be asked, What is a constructive policy? I insist, Mr. Chairman, that intervention does not mean a declaration of war against Mexico or any other nation. It does not include imperialism, a large standing army or navy. It does not mean the acquisition of territory or involve any other program of force or sordid commercial dollar diplomacy nor a violation of any sound progressive policy of peace. A sound, just, and comprehensive American policy consists in this: A well-equipped and thoroughly trained but relatively small army and navy; the extension of American commerce to all seas and ports of the world; peace, honest friendship, and commerce with all nations, entangling alliances with none; adherence to and maintenance of the Monroe doctrine as the sheet anchor of protection of republican institutions in the Western Hemisphere; the protection of American citizens, their property, homes, and families, whether found in America, upon our borders, or in foreign lands throughout the world; the preservation and integrity of the Nation and the glory of the flag; the encouragement of liberty everywhere and the extension of republican governments and democratic institutions throughout the two Americas—all this by peaceful diplomacy, if possible; by force, if necessary.

That, Mr. Chairman, I conceive to be the genuine American doctrine. I am as strong an advocate of peace as anybody, and it is no new doctrine. I call attention to failures in the past in an effort for peace by an impractical policy. Up to 1807 we had for 20 years paid the Barbary States more than a million dollars to keep them from arresting American citizens. In 1787 we made a treaty with Morocco, in which we paid them \$80,000 not to make slaves of Americans. In 1796 we made one with Algiers, and paid \$40,000 for the liberation of 13 Americans, and then we gave them tribute of \$25,000 a year for exemption from capture of our people. In 1800, when the tribute was sent upon an American war vessel, William Bainbridge, the great American citizen, was compelled to go to Constantinople at the instance of the Bey, flying a foreign flag. He then said: "I hope the next time that I pay tribute I can bear it with arms." Finally, after an effort to restore peace, paying them tribute every year, they, the Barbary States, themselves could not be satisfied and declared war, and what was the result? Decatur and Bainbridge went there and wrecked their ships. William Eaton, of the United States Army, went into the interior and organized an army and came across the border and dethroned the reigning Bey. When that treaty was concluded the first Christian Nation in the world said to the Barbary States: "We will pay you no more tribute." And yet that war cost us less, in all that war there were fewer Americans imprisoned and fewer murders committed than there were during the 20 years that we paid the Barbary States tribute in the name of peace, in a vain effort to preserve peace by our servility. Such will our experience prove to be by such cowardly policy with the groups of banditti in Mexico.

Less loss of life and property will occur if we will boldly stand upon our treaty rights with Mexico and make their mobs to understand that no American citizen must be harmed.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. AUSTIN. Mr. Chairman, I desire to get some information about this item of \$100,000 for the Secretary of State to pay the expenses of American citizens now in Mexico and to know whether that is the full amount asked by the State Department?

Mr. FITZGERALD. It is.

Mr. AUSTIN. A morning paper states that there are 7,500 Americans on their way from Mexico to the United States. An appropriation of \$100,000 would not mean an average expenditure of \$20 apiece.

Mr. FITZGERALD. Mr. Chairman, I have great respect for the accuracy of the press upon some occasions, but my experience has been that it would never do to appropriate money in accordance with the statements appearing in the press. We base our action in appropriating money upon the requests submitted by the departments in charge of the various services. Prior to the submission of this request, the Red Cross Society, cooperating with the State Department, had expended about \$20,000 in defraying the passage of destitute Americans in Mexico who desired to come to this country. The Red Cross Society was unable to continue the work because of limited funds available for that purpose. The State Department has used some funds that could be used for that purpose. The Secretary requested \$100,000 at this time, and the committee recommended it.

Mr. AUSTIN. When was the request of the Secretary made to the Committee on Appropriations? Was it not before this general exodus of Americans began?

Mr. FITZGERALD. I think it was in June.

Mr. AUSTIN. The transportation of 7,500 Americans at \$10 each would be \$75,000, and no transportation can be obtained from Mexico to the United States for any such sum.

Mr. FITZGERALD. I assume that the State Department is better informed about these matters than is the gentleman, or the sources from which he is obtaining his information, and if this sum be not sufficient, the Department of State undoubtedly in a proper manner will communicate that fact to Congress. So far as I am aware there will be no disposition to refuse ample funds to meet these necessities.

Mr. AUSTIN. What is there in the complaints made by American citizens that they are forced to leave Mexico in the steerage of the vessels plying between the Mexican ports and the ports of the United States?

Mr. FITZGERALD. I do not know whether there have been such complaints or not, but I do not believe that the Government is under any obligation to furnish accommodations de luxe to destitute Americans who desire to come home.

Mr. AUSTIN. Well, but the administration has told them to come home, and the administration has gone further and said, we will not invade Mexico—

Mr. FITZGERALD. I believe it has done a patriotic thing.

Mr. AUSTIN. We will not send any troops into Mexico to protect Americans, and therefore we put them on notice to leave Mexico, and if the Government of the United States takes that position we ought to make an appropriation sufficiently large here to bring every American out of Mexico and not on a freight train or in the steerage, but by the very best accommodations.

Mr. GARRETT of Texas. Will the gentleman from Tennessee yield? Does the gentleman think this Government ought to pay the way of men worth millions of dollars from Mexico who have gone there and stole property belonging to the Mexicans; does he think that we ought to pay their way? Those whose way we propose to pay are those who are not able to pay their way.

Mr. AUSTIN. I do not believe the American citizens in Mexico have obtained their money there or property there by larceny—

Mr. MURRAY of Oklahoma. Will the gentleman yield?

Mr. AUSTIN. I can not answer both gentlemen in my limited time.

Mr. MURRAY of Oklahoma. I desire to answer the question of the other gentleman. I will state to the gentleman who has just spoken that those who own millions in Mexico are now in the United States. The men we are taking out are the colonists who have gone there under concessions to make homes for their families. The rich are already here. [Applause.]

Mr. FITZGERALD. Let me say to the gentleman from Tennessee, which will perhaps explain some of the misinformation which sometimes gets out about these matters, at one time

my recollection is that there were a large number of our citizens in Mexico who wanted to come back at once. There was one steamer available for everybody if they were put on that steamer. There were many in excess of accommodations if it were entirely occupied, and I suppose some discomfort and inconvenience existed, and unsatisfactory arrangements had to be made to bring those people out in time, but I do not know there is any disposition at any place to do other than to provide accommodations which would be reasonably satisfactory to everybody desiring to leave Mexico if they are available.

Mr. AUSTIN. Can the gentleman tell us how much money has been already expended out of the funds of the State Department for this purpose?

Mr. FITZGERALD. There is no information as to that. The Red Cross expended \$20,000 and some other funds have been expended.

Mr. AUSTIN. Is it the purpose to reimburse the Red Cross money out of the appropriation?

Mr. FITZGERALD. Not at all. The first suggestion was that the appropriation be made to the Red Cross, but the committee declined to consider that suggestion and made the appropriation to be expended under Government officials, and they could utilize such means as they deemed advisable.

Mr. MANN. Mr. Chairman, the President, in his message to the Congress, stated that he would send word to the various Mexican officials in Mexico that the Americans in that country should leave the country, and a great many of them have accepted that statement, believing that the declaration meant war, and they started to come home. There are now a large number at some of the seaports without accommodations, without money, and without means themselves to obtain passage, with nobody able or willing to furnish them with the money. In July, before the President had read his message to the Congress, the Secretary of State had sent an estimate through the Secretary of the Treasury to the Congress asking for this \$100,000 to enable Americans to be brought out. At that time there was no expectation they would need as much as it is plain they will need, and yet, dallying along as the House of Representatives and the Committee on Appropriations has been doing, with no feeling of responsibility in the matter at all, a communication addressed to the House on the 31st of July asking for \$100,000 in order to give protection to these Americans by sending them home, the House now on the 4th of September proposes to include in a general appropriation bill an item which can not possibly become a law for several weeks, and our distinguished and beloved Speaker yesterday, with naïveté which was truly interesting, stated that when the bill introduced by the gentleman from Virginia [Mr. Flood] to make this appropriation was introduced the Speaker, contrary to the rule, referred it, not to the Committee on Foreign Affairs, that had jurisdiction, but to the Committee on Appropriations, which did not have jurisdiction of the bill, in order that it might be expedited.

We could have passed the Flood bill days ago. It could have passed the Senate before this time. Even this little appropriation could have been made available so that American citizens, advised by their own country to leave a friendly nation, should not be hanging around the streets of seaboard towns urging for a chance to be given even steerage accommodations in the hottest climate on earth. [Applause on the Republican side.] And that is the responsibility. It is very like much of the rest that is going on.

Mr. FITZGERALD. Mr. Chairman, the statements of the gentleman from Illinois would be very unfortunate if based on fact. The State Department has been using a fund of \$90,000 for this purpose. This appropriation will reimburse that to the extent it is used. No one has suffered. There has been no delay. Accommodations have been furnished to those needing or desiring them. The Government will pursue the even tenor of its way without getting into a flight of excitement unnecessarily every time the gentleman from Illinois [Mr. MANN] imagines that it should.

Mr. MANN. Mr. Chairman, that the gentleman from New York [Mr. FITZGERALD] accuses me of getting excited on the Mexican situation seems very peculiar. I believe I am one of those who have kept their heads on the Mexican situation, and that is more than can be said of the majority side of this House.

Mr. FITZGERALD. There is no indication of anybody losing his head.

Mr. MANN. We have kept cool on this side of the House on the Mexican situation. We have not rushed into print, as the other side of the House has and even as the President has. But this is not a matter of determining what our course should be in Mexico. American citizens are at the seaports without accommodations to come home, and the best they can expect by remaining there for days is steerage accommodations

in the hot holds of hot vessels in the hottest climate on earth. And the gentleman says that we are taking good care of them!

Mr. FITZGERALD. The gentleman's statement is still inaccurate. They are not waiting at those ports to be brought home.

Mr. MANN. I say they are.

Mr. FITZGERALD. The fact is not conclusive, although the gentleman frequently thinks his statements are.

Mr. MANN. Well, my statement may not be conclusive, but it is true. That is more than the gentleman's statement is, for it is not correct.

Mr. BRYAN. Mr. Chairman, whether the American people in Mexico are waiting for steerage passage to the States, or whether they are standing about in hot places, the fact remains they are in distress. When a number of people, with their all, are told to leave a place where they have gone to carve out for themselves a livelihood, and are told to abandon what they have there in order to save themselves from the assassin's dagger, in order to prevent seeing all that they have lost, and they are told that their only safety is in flight, I say that they are in distress. When they turn from their homes, when they leave their positions, when they take their little ones and try to find a place of exit from that country, they are entitled to sympathy and consideration; and it grieves me to hear the gentleman from the State of Texas [Mr. GARRETT], the Lone Star State, the State that celebrates San Jacinto Day, the State where the Battle of the Alamo was fought, the State where there is more pride and more courage and more enthusiasm over all the battles with Mexico than anywhere else in this country—I say, it grieves me to hear him, in a moment of this kind, refer to those people with any such words as "stole" or "robber" or "thief." The men who are down there in Mexico—

Mr. McKENZIE. Will the gentleman yield?

Mr. BRYAN. Just for a moment.

Mr. McKENZIE. I want to ask the gentleman if he gets his information from the Washington Post?

Mr. BRYAN. I do not get my information from the Washington Post. I get my information from the fundamental sentiments of humanity. Anybody who does not know, anybody who does not realize the situation those people are in, fails, it seems to me, to grasp a fundamental principle. I am as ready to denounce as anyone else the attempt of a few to gain large possessions, grants, and all that kind of thing; but of the people who have gone into Mexico by far the large majority of them, I believe, are honest, straightforward people, and I consider that while they are there we ought to give them the benefit of the doubt and at least believe them honest American citizens, and not refer to them in any such terms as they have been referred to.

And I favor some kind of an active policy and some kind of a movement that will mean a fair consideration of those people. I protest against their being referred to with sneers and with the statement that they deserve no sympathy. I agree with the gentleman from Illinois [Mr. MANN] and say that this House has been derelict and slow in appropriating this money, and that the amount ought to be doubled, and that those people ought to be out of there by now or have had an opportunity to get out.

Mr. OGLESBY. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. BRYAN. Yes.

Mr. OGLESBY. I want to ask the gentleman if he is opposed to this item?

Mr. BRYAN. I am not opposed to appropriating the \$100,000, but I am taking advantage of this opportunity to express my protest against the methods by which we are affording relief to those people and to object to the language that was used in reference to them.

Mr. GARRETT of Texas rose.

The CHAIRMAN. The gentleman from Texas [Mr. GARRETT] is recognized.

Mr. GARRETT of Texas. Mr. Chairman, when I referred in my question a moment ago, addressed to the gentleman from Tennessee, to certain people in Mexico who had acquired property rights there by fraud I did not mean to say that there were not American citizens in Mexico that were just as honorable and just as honest as any man now residing in his home country. But if the gentleman believes for one moment that there are not now people in Mexico to-day who have acquired the property by unfair means that they claim to hold, and much of it, in my opinion, through the graft in connection with the administration that has passed away, which Madero overthrew, he is not familiar with the current history of that people.

Now, Mr. Chairman, so far as Texas is concerned, we do not want any trouble with Mexico. We had that 75 years ago, and we whipped her "to a frazzle"; and if there is any war talk

going to come on here all you have to do is take the bridle off the boys in Texas and they can attend to Mexico any time that is needed to be done.

But Texas is opposed to war. Texas is in favor of peace. Texans and the people who represent Texas on the floor of this House know something about the history of Mexico and her people, and if I had my way I would say, not only let the neutrality laws prevail, but I would go further and say, Give to those poor, struggling Mexicans who are trying to establish constitutional government the right to buy arms and ammunition on equal terms with the Federals, and let them have, if they can, the kind of government that they rightly deserve, and let them have for them and their children that great country that belonged to their fathers.

Mr. MOORE. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Texas yield to the gentleman from Pennsylvania?

Mr. GARRETT of Texas. I can not yield now.

I want to say right here and now that I am opposed to war with Mexico and opposed to intervention. But I will say to this House that there are citizens and patriots in Mexico who are fighting, as they see it and understand it, for constitutional government, and I as a Texan will never agree that this Government shall ever recognize Huerta or anything that he stands for. [Applause.]

Mr. FITZGERALD. Mr. Chairman, I move that all debate on this paragraph and amendments thereto be now closed.

Mr. MOORE. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Texas [Mr. GARRETT] yield to the gentleman from Pennsylvania?

Mr. GARRETT of Texas. Yes.

Mr. FITZGERALD. I insist on my motion, Mr. Chairman.

Mr. MOORE. The gentleman's time has not expired. With reference to those who may properly or improperly be in Mexico, and have property there, the gentleman apparently concedes that there are some Americans who are lawfully in Mexico, does he not?

Mr. GARRETT of Texas. Certainly.

Mr. MOORE. And there are some who own property there which they do not hold fraudulently?

Mr. GARRETT of Texas. Oh, beyond question. I will say here and now if this appropriation is not large enough to pay the way of every American who can not get out of Mexico, I am in favor of making it larger.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. FITZGERALD. Mr. Chairman, I move that all debate on this paragraph and amendments thereto be closed.

Mr. FERRIS. I hope the gentleman will withhold his motion for a moment.

Mr. FITZGERALD. No; I think the gentleman had better not discuss Mexico.

Mr. FERRIS. I am not proposing to discuss Mexico.

The CHAIRMAN. The gentleman from New York [Mr. FITZGERALD] moves that all debate on this paragraph and amendments thereto be closed.

Mr. MOORE. Mr. Chairman, have I not the opportunity to speak?

The CHAIRMAN. Not if this motion carries. The question is on agreeing to the motion.

The motion was agreed to.

The CHAIRMAN. The Clerk will read.

Mr. AUSTIN. Mr. Chairman, I move to strike out "\$100,000" and insert "\$250,000" on page 2, at the end of line 18.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Tennessee [Mr. AUSTIN].

The Clerk read as follows:

Amend, page 2, line 18, by striking out "\$100,000" and inserting in lieu thereof "\$250,000."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee [Mr. AUSTIN], to strike out "\$100,000" and insert "\$250,000."

The amendment was rejected.

The Clerk read as follows:

Canton, Ohio, post office: The appropriation of \$20,000 contained in the sundry civil appropriation act for the fiscal year 1914 for alterations, improvements, and repairs of the Canton, Ohio, post office is made available also for enlargement and extension of said building within the limit of said sum.

Mr. MANN. Mr. Chairman, I reserve a point of order on the paragraph.

The CHAIRMAN. The gentleman from Illinois reserves a point of order on the item for the Canton (Ohio) post office, \$20,000. The Clerk will read.

Mr. FITZGERALD. Mr. Chairman, in the last session of Congress authority was given—

Mr. MANN. Did the Chair sustain the point of order?

The CHAIRMAN. Does the gentleman make the point of order or reserve it?

Mr. MANN. I offered to reserve it, but the Chair said, "The Clerk will read," so I thought probably he had sustained it. I supposed the gentleman from New York would make some explanation of it. If he does not, I will make the point of order.

Mr. FITZGERALD. I was about to make an explanation. In the last session of Congress authority was given for alterations, improvements, and repairs of the public building in Canton, Ohio. It was proposed to rearrange the upper story so as to provide additional facilities. Upon more thorough investigation it was the opinion of the Post Office Department and the Supervising Architect's Office that it would be better, instead of putting some of the offices in the upper story, to build a small extension at the same cost. The Comptroller of the Treasury held that under the language in the authorization that could not be done, as it was an enlargement, not an alteration. This is to meet the recommendation, in order to permit the extension to be built, rather than an alteration of the upper story.

Mr. MANN. The original act authorized alterations, improvements, and repairs of this post office.

Mr. FITZGERALD. Yes.

Mr. MANN. The gentleman has not given any reason why we should increase the limit of cost \$20,000 and at the same time authorize an enlargement of the post office.

Mr. FITZGERALD. There is no increase of the limit of cost. This is to permit the \$20,000 that was appropriated for alterations, improvements, and repairs to be used to do certain work that the Comptroller of the Treasury has held to be an enlargement, and not to come within the definition of the three terms used.

Mr. MANN. I withdraw the point of order.

The CHAIRMAN. The point of order is withdrawn, and the Clerk will read.

The Clerk read as follows:

Lynchburg, Va., rent of buildings: For rent of temporary quarters at Lynchburg, Va., for the accommodation of Government officials, \$1,500.

Mr. HARRISON. Mr. Chairman, I have an amendment which I desire to offer, and I suppose this is as good a place as any.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Mississippi.

The Clerk read as follows:

Amend by inserting two paragraphs after line 20 and before line 21, on page 4, as follows:

"General expenses of public buildings: To enable the Secretary of the Treasury to execute and give effect to the provisions of section 6 of the act of May 30, 1908, as related to recent legislation; for foremen draftsmen, architectural draftsmen, and apprentice draftsmen, at rates of pay from \$480 to \$2,500 per annum; for structural engineers and draftsmen, at rates of pay from \$840 to \$2,200 per annum; for mechanical, sanitary, electrical, heating and ventilating, and illuminating engineers and draftsmen, at rates of pay from \$1,200 to \$2,400 per annum; for computers and estimators, at rates of pay from \$1,600 to \$2,500 per annum; the expenditures under all the foregoing classes not to exceed for the six months ending February 28, 1914, \$62,000; for supervising superintendents, superintendents, and junior superintendents of construction, at rates of pay from \$1,600 to \$2,900 per annum, not to exceed for the six months ending February 28, 1914, \$24,000; for expenses of superintendence, including expenses of all inspectors and other officers and employees on duty or detailed in connection with work on public buildings and the furnishing and equipment thereof under orders from the Treasury Department; office rent and expenses of superintendents, including temporary stenographic and other assistance in the preparation of reports and the care of public property, etc.; advertising; office supplies, including drafting materials, specially prepared paper, typewriting machines, adding machines, and other mechanical labor-saving devices, and exchange of same; furniture, carpets, electric-light fixtures, and office equipment, telephone service; books of reference, law books, technical periodicals and journals, subscriptions to which may be paid in advance; for contingencies of every kind and description, recording deeds and other evidences of title, photographic instruments, chemical plates, and photographic materials, and other articles and supplies and such minor and incidental expenses not enumerated connected solely with work on public buildings, the acquisition of sites, and the administrative work connected with the annual appropriation under the Supervising Architect's office as the Secretary of the Treasury may deem necessary and specially order or approve not to exceed for the six months ending February 28, 1914, \$36,216; Provided, That nothing herein contained shall include any appropriation for heat, light, janitor service, awnings, curtains, or any expenses for the general maintenance of the Treasury Building, surveys, plaster models, progress photographs, test-pit borings, or mill and shop inspections; in all, as in addition to the appropriation for 'general expenses of public buildings' contained in the sundry civil appropriation act for the fiscal year 1914, \$107,216."

SALARIES, OFFICE OF THE SUPERVISING ARCHITECT.

"For additional employees in the technical and administrative branches of the Office of the Supervising Architect for the six months ending February 28, 1914: Inspectors, 2 at \$2,400 per annum; 3 administrative clerks, at \$2,000 per annum; clerks, 5 of class 4, 10 of class 3, 9 of class 2, 9 of class 1, 14 at \$1,000 annum, 4 at \$900 per annum; skilled laborers, 4 at \$960 per annum; messengers, 4 at \$540 per annum."

annum, 2 at \$720 per annum; 1 messenger boy at \$560 per annum; total, \$43,000; in all, as in addition to the appropriation for 'salaries, Office of the Supervising Architect,' contained in the legislative appropriation act approved March 4, 1913."

Mr. FITZGERALD. Mr. Chairman, I make the point of order that this item is not authorized by law; second, that it is a change of existing law; and, third, that it is not germane to this portion of the bill.

Mr. HARRISON. Will the gentleman reserve his point of order?

Mr. FITZGERALD. I think we can dispose of the point of order, and in that way avoid a general discussion of the matter.

Mr. HARRISON. Mr. Chairman, I want to be heard on the point of order.

Mr. BARTLETT. Mr. Chairman, I want to make an additional point of order that this is a deficiency bill and that the amendment does not properly belong on a deficiency bill.

Mr. HARRISON. I think, Mr. Chairman, that this appropriation is authorized by law, and the status of the matter is this: There are 47 projects of public buildings that have been set aside from their chronological order by the Supervising Architect, some of them at the suggestion of Members of Congress and others because of circumstances that have arisen which necessarily have caused them to be held up. This appropriation is to give the Supervising Architect's Office an additional force, so that these 47 projects can be taken care of. They have not sufficient force to draw the plans and specifications for these 47 projects.

This proposition has been recommended by the Secretary of the Treasury. It was fully discussed before the Appropriation Committee of the House. The Supervising Architect appeared there and presented the question in full, and the whole matter is contained in the hearings before the Appropriation Committee.

In the event that this point of order is sustained or this appropriation is not written into this deficiency bill, this proposition will confront us: These 47 projects that ought to be now in course of construction, and for which two and a half million dollars have already been appropriated, will be delayed because of the want of an appropriation of approximately \$150,000.

Now, I think that these positions enumerated in the amendment can be created under this appropriation, because, as I understand it, executive departments of the Government are authorized under the law to employ such clerks or other employees as they need and for which appropriations are made. I read from the House Manual, page 355:

Executive departments being authorized by section 169, Revised Statutes, to employ such clerks, etc., as Congress may appropriate for from year to year held to be authority for making appropriation to pay salary of such clerks, etc.,

Now, some of these are clerks, some are copyists, laborers, messengers, and so forth, that are intended to perform a part of the work that the Supervising Architect and the Secretary of the Treasury say is necessary to draw the plans and specifications, and so forth, for these buildings.

The CHAIRMAN. Does the gentleman think the appropriation carried in this amendment would be a deficiency appropriation?

Mr. HARRISON. Yes; it is clearly a deficiency, because these buildings have been appropriated for and are being held up because, as the architect says, they have not sufficient force to make the plans and specifications, and it will take \$150,000 to do that work; that is, it will take that amount to run the office for six months.

Now, Mr. Chairman, I read from section 169 of the Revised Statutes:

SEC. 169. Each head of a department is authorized to employ in his department such number of clerks of the several classes recognized by law, and such messengers, assistant messengers, copyists, watchmen, laborers, and other employees, and at such rates of compensation, respectively, as may be appropriated for by Congress from year to year.

Now, this amendment certainly comes within the meaning of that statute. These employees are necessary, in the opinion of the Secretary of the Treasury, the head of the department, and under this section of the Revised Statutes he has the legal right to ask for that appropriation.

Now, in construing that section, I will read from the Manual a case in point, at page 356:

On December 6, 1912, third session Sixty-second Congress, Chairman GARNER ruled as follows:

"It seems to the Chair that the first question for the Chair to ascertain is whether or not section 169 of the Revised Statutes authorizes these clerks or whether the head of a department has the right to employ these five clerks. In 1906 Mr. Hull, of Iowa, was in the chair, and this identical question came up and was decided by him on a point of order made by Mr. Tawney upon clerks of a similar nature in the War Department. Mr. Hull held at that time, quoting section 169, that where the statute had authorized the heads of the department to em-

ploy clerks and other laborers that it was in order, and he overruled the point of order. He used this language:

"The first question is, What law authorizes this appropriation? The only law referred to is that contained in section 169 of the Revised Statutes, which is as follows."

Here he quotes the statute.

This is a similar case, Mr. Chairman, but then the gentleman from New York [Mr. FITZGERALD] happened to be on the other side of the question and cited the statute, section 169, as authority for that legislation.

Mr. Hull made this comment:

The next question, of course, is whether these clerks referred to in the items to which objection has been made are to be employed by the head of a department and in his department. The gentleman from Iowa, Mr. Hull, is quite correct in his statement of the ruling made by the occupant of the chair, Mr. Hopkins, as referred to on page 2404 of the Record, third session, Fifty-fifth Congress; but it appears that at that time the Chairman of the Committee of the Whole was not familiar with the ruling of the Attorney General, which has been submitted to.

And he went on and held that these clerks were to be employed as contemplated in section 169 of the Revised Statutes. The Chair is of the opinion that section 169 would apply to the clerks in this item, and, therefore, overrules the point of order.

Mr. Chairman, there was a case on all fours with this, and it says that under section 169 of the Revised Statutes, the head of the department had a right to employ these additional clerks, and so forth, and in this case all we ask for is that they employ these additional clerks, employees, and so forth, in order that the work that we have already appropriated for may be carried on and consummated. We submit that if we had to come in here and name specifically these 47 items and ask an appropriation of \$10,000 for, say, Laurel, Miss., because that is the one that I am particularly interested in, it would not do, for the reason that we do not know just how much of an appropriation would be needed to make the drawings, and so forth, for Laurel, Miss., or for some other place, or for any one of the 47 projects. So the amendment for the appropriation must be drawn in some language like that embodied in the amendment, and I submit that the point of order ought to be overruled.

Mr. FITZGERALD. Mr. Chairman, the gentleman from Mississippi relies on section 169 of the Revised Statutes for the authority for the employment of the persons enumerated in the amendment which he offers. Section 169 of the Revised Statutes provides that—

Each head of a department is authorized to employ in his department such number of clerks of the several classes recognized by the law, and such messengers, assistant messengers, copyists, watchmen, laborers, and other employees and at such rates of compensation respectively as may be appropriated by Congress from year to year.

This amendment does not cover clerks of the several classes, because the classes are fixed by section 167, and there are four—the fourth, the third, the second, and the first—and the compensation runs from \$1,800 to \$1,200. They are not messengers, assistant messengers, copyists, watchmen, laborers; and the only authority under which the gentleman can contend that these draftsmen and engineers and other employees specified in the amendment would be authorized is under the language "and other employees."

Mr. Chairman, that language has been construed definitely and followed for many years in the House in the consideration of appropriation bills.

Paragraph 3590, volume 4, of Hinds' Precedents, reads as follows:

The mere appropriation for a salary does not thereby create an office so as to justify appropriations in succeeding years. On February 7, 1902, the Committee of the Whole House on the state of the Union were considering the legislative appropriation bill, when the Clerk read the following paragraph:

"For Rural Free-Delivery Service: Superintendent, \$3,000; supervisor, \$2,750; chief of board of examiners of rural carriers, \$2,250; 3 clerks of class 4; 6 clerks of class 3; 25 clerks of class 2; 40 clerks of class 1; 50 clerks, at \$1,000 each; 115 clerks, at \$900 each; 3 messengers; 10 assistant messengers; 5 laborers; 1 female laborer, \$540; 3 female laborers, at \$500 each; two charwomen; in all, \$275,040."

Mr. THETUS W. SIMS, of Tennessee, made the point of order that these offices were not authorized by law.

Mr. James A. Hemenway, of Indiana, quoted section 169 of the Revised Statutes:

"Each head of a department is authorized to employ in his department such number of clerks of the several classes recognized by law and such messengers, assistant messengers, copyists, watchmen, laborers, and other employees, and at such rate of compensation, respectively, as may be appropriated for by Congress from year to year."

It was argued that the words "and other employees" sanctioned the creation of such offices outside the classified service as were provided for in the paragraph of the bill before the committee. It was also urged that the offices had been appropriated for in the last appropriation act and therefore were established by law.

The Chairman said:

"The Chair will ask the gentleman if he were drawing this statute if he would lay as much stress on the words "and other employees" coming, as they do, after "watchmen" and "laborers" as the gentleman seems to? Was that intended to include three and four thousand dollar employees? If the gentleman had been drawing the statute, would he have not placed that first? * * * The Chair would hold

that an appropriation bill may contain anything in relation to employees enumerated in these several sections; that is, clerks of classes 1, 2, 3, and 4 may be employed, as well as messengers, assistant messengers, watchmen, and laborers, to such number as the Appropriations Committee may see fit to provide for."

The CHAIRMAN. The Chair will ask the gentleman from New York a question. The gentleman from Mississippi [Mr. HARRISON] contends, as I understand, that these offices appropriated for in this amendment have been created specifically by law?

Mr. FITZGERALD. Oh, they are not created, and they never have been created. They do not exist. He bases his whole argument that the authority for these places is given in section 169 of the Revised Statutes, and under the repeated rulings when a gentleman offers a provision he must show the authority for the provision in order to have it in order upon the bill. It is incumbent upon him to point out the law which authorizes these places for which he proposes to make provision.

Mr. HARRISON. Will the gentleman yield for a question right there?

Mr. FITZGERALD. Certainly.

Mr. HARRISON. The gentleman is right in part and wrong in part. It is true we rely mainly upon this section 169 of the Revised Statutes, but as a matter of fact in 1910 the Supervising Architect's Office was given an appropriation of \$1,100,000, and in 1912, I believe it was, it only carried six hundred and fifty-odd thousand dollars, and in the decrease of that appropriation there were practically 80 of these different employees who were thrown out and the law which created them was never repealed. The fact was there was just a failure to appropriate for them.

Mr. FITZGERALD. The fact that an office is carried in an appropriation bill does not create an office, and if it is dropped out it can not be restored at any time unless specific authority be pointed out.

Mr. HARRISON. In that connection when these different offices were originally created—

Mr. FITZGERALD. Oh, they never have been created; I can not concede that.

Mr. HARRISON. Well, they had the clerks, laborers, and all these employees. Now, did not they get their appropriation under this section 169 of the Revised Statutes?

Mr. FITZGERALD. No, they did not. Certainly they did not; they could not, because the law specifically provides what can be employed under section 169, employees or clerks of the different classes, messengers, assistant messengers, and other employees. But to continue the statement of the Chair:

The Chair has no difficulty whatever in disposing of the strongest contention of the gentleman from Indiana that these offices are authorized by law. They are authorized by law for that year, that is for the life of the appropriation bill, and as has been decided time and again by the courts, nothing contained in an appropriation bill can live beyond the life of the bill.

Now, Mr. Chairman, these places are not offices carried in the appropriation bill for the current fiscal year or for the last current year. No authority exists in law for them. I have rulings, if the Chair desires them, pointing out that the words "other employees" refer only to employees of a grade not above that of laborer, the lowest employee enumerated in section 169 and the ruling is based upon the well-known rule of construction that specific items followed by general language are not enlarged by the recital of the general language. Now, Mr. Chairman, it seems to me that is sufficient to dispose of the question of order because the gentleman must, before he can have his amendment considered, present the law which authorizes these employees. I have several other grounds to urge against the employment of these persons which are quite good, but I do not wish to unduly occupy the time of the committee if the Chair is satisfied on that point.

The CHAIRMAN. The Chair is prepared to rule. There is no law authorizing these offices unless it is contained in the words "and other employees," and the Chair does not believe that it was the intent of the framers of the law in using the words to go to the extent the gentleman from Mississippi [Mr. HARRISON] contends; indeed, if his contention is correct, a point of order could hardly be sustained against the creation of any office in an appropriation bill. The Chair sustains the point of order.

Mr. AUSTIN. Mr. Chairman, I move to strike out the last word. Mr. Chairman, there has already been appropriated by Congress two and a half million dollars to be used in the construction of these 47 propositions—

Mr. FITZGERALD. If the gentleman will permit me to make a statement, perhaps I can correct a misapprehension that exists in the minds of many Members.

Mr. AUSTIN. I just took it from the hearings and the testimony of the Supervising Architect.

Mr. FITZGERALD. If the gentleman will permit me to make this statement, then he can proceed. Mr. Chairman, a number of Members are interested in public-building items. For the current fiscal year there is appropriated for the Supervising Architect's Office \$760,920. There is no item for payment under the Tarsney Act for outside architects, and if there were carried items of appropriations under the Tarsney Act, which is repealed, commensurate with the appropriations for the last two or three years, the appropriations for the current fiscal year would aggregate \$915,920. This is \$34,920 in excess of the appropriation for 1910, which, including fees for architects under the Tarsney Act, amounted to \$881,000. Prior to 1910 the services of experts and others in connection with public buildings were paid out of the appropriations for the buildings, and Congress enacted a provision prohibiting the use of such appropriations and requiring appropriations to be specifically made for such services. The last year under which appropriations were made under the old form the amount expended for this service was \$481,000.

For the current year the amount available is \$760,920, an increase of almost 100 per cent, and yet the output of the office is practically the same to-day as it was in 1910. Requests were made to increase the force in the Supervising Architect's Office at this time by nearly 100 per cent for the current fiscal year. The appropriations made at the last session of Congress were \$71,000,000 in excess of the appropriations made at any session of Congress since the beginning of the Government, and a deficit of \$25,000,000, regardless of any changes or falling off due to the tariff, is anticipated by those who have impartially investigated the conditions. With the fact before the committee that the Supervising Architect's Office was engaged in an attempt to coerce Congress into increasing this force improperly, they did not believe under the circumstances they were justified in increasing the force.

There were 47 projects for which appropriations were made, given places in chronological order, and work delayed on them for one reason or another, and in the last public-building bill legislation was enacted which enabled these projects to be taken up. When Members interested in these projects went to the Supervising Architect he stated he could not take them up for two or three years unless Congress appropriated \$180,000 for which he had requested an appropriation, and that amount was only for six months of this year and would necessitate about \$150,000 additional for the balance of the fiscal year. When questioned about this matter, he said they had outlined a program for three years, and because he had stated to some Member of Congress that the buildings authorized some time ago would be ready for the market three years from now he could not take up a matter that was not in that line, no matter how important, no matter how urgent, nor how necessary it might be. Inquiry was made, and it was ascertained that the employees in the Supervising Architect's office are employed seven hours a day. In every other department of the Government at Washington they are employed seven and one-half hours a day. If the time of these employees was lengthened a half hour or an hour, these 47 items would quickly be cleared up.

Section 7, of the act of March 15, 1898, is as follows:

Hereafter it shall be the duty of the head of each executive department to require monthly reports to be made to him as to the condition of the public business in the several bureaus or offices of his department at Washington; and in each case where such reports disclose that the public business is in arrears, the head of the department in which such arrears exist shall require, as provided herein, an extension of the hours of service of such clerks or employees as may be necessary to bring up such arrears of the public business.

In this office of the Government, in which employees work less hours than in any other, if the work is in arrears, they should be required to bring it up. There is one other reason which convinces the committee that this whole propaganda was a scheme to mislead Congress and to coerce it into enlarging unnecessarily the force in the Supervising Architect's office.

The gentleman from Michigan [Mr. DORMUS] came before the committee and called attention to the fact that authority had been given to make certain alterations and repairs in the post office at Detroit, to cost \$70,000. He pointed out that the conditions there were such that it was imperative that they should be remedied, and he was informed by the Supervising Architect that unless Congress appropriated \$180,000 to increase its force it would be impossible to do that work inside of two years. That was the statement made to Members of Congress interested in different projects. If that be the rule, it should be applied impartially, not only to Members of Congress but to the heads of departments. But the Secretary of the Treasury called the

attention of the committee to the fact that for \$40,000 alterations could be made in the old building of the Bureau of Engraving and Printing which would enable him to place in that building all of the auditors of his department with the exception of the Auditor for the Post Office Department, accommodate them from the 1st of July, and save \$35,000 in rent. If an appropriation of \$40,000 were made at this time, so that the work could be begun on the 1st of January, it could be ended on the 30th of June and that building be made available for occupancy. The committee suggested that the Secretary of the Treasury submit an estimate for that purpose, and the Supervising Architect was present when the suggestion was made.

The CHAIRMAN. The time of the gentleman has expired.

Mr. FITZGERALD. Mr. Chairman, I ask unanimous consent for five minutes more.

The CHAIRMAN (Mr. HAY). Is there objection? [After a pause.] The Chair hears none.

Mr. FITZGERALD. The estimate was submitted, of \$40,000, to do the work, and not a dollar was requested nor a word is contained in that estimate for the technical services required to turn out the plans to do the work. So that it demonstrates that this statement, that these emergency projects can not be taken up, is not one that is strictly adhered to in the Supervising Architect's Office. It depends upon whether a Member of Congress or the head of a department is interested in it whether it will be adhered to.

The Secretary of the Treasury, after the Supervising Architect and the Assistant Secretary of the Treasury in charge of the public building items had been heard, was requested to appear before the committee, and he was asked to state what the policy of this administration is to be regarding the construction of public buildings. Last year \$20,000,000 was expended upon construction work, and it is conceded that if this increase in force were granted by Congress it would mean an increase in the amount expended for construction work by \$5,000,000 annually.

The Secretary said that at the time these estimates had been submitted his attention had not been called to the fact that in the last public building bill, approved on the 4th of March last, a commission had been created, consisting of the Secretary of the Treasury, the Postmaster General, the Attorney General, and two members of each of the Committees on Public Buildings and Grounds of the two Houses, to take up the entire question of the construction of public buildings and report a definite plan to be pursued. He expressed the belief that as that commission had organized since the estimates had been submitted, and as they could take the matter up and make a report at the next session of Congress, in his opinion it would be better to wait until the next session of Congress before pressing the estimates.

Mr. GARNER. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. FITZGERALD. I yield to the gentleman.

Mr. GARNER. What remedy does the gentleman suggest to the Members who are interested in these 47 buildings?

Mr. FITZGERALD. Mr. Chairman, I am not prepared to point out a remedy, but I am prepared to call the attention of the House to some very important facts in reference to public buildings. From 1903 to 1914, a period of 12 years, the appropriations for the construction of public buildings amounted to over \$154,000,000. That is an average of \$12,800,000 a year. During the preceding 12 years, from 1891 to 1902, the appropriations aggregated \$51,000,000, an average of \$4,300,000 a year. From the beginning of the Government up to June 6, 1902, all public buildings authorized, including sites, numbered 460, and their cost amounted to \$160,499,000. Since the 6th of June, 1902, including the bill that was approved on that day, there have been authorized in six acts, including sites, 1,003 buildings, and at a total limit of \$113,139,000.

Mr. BURNETT. Since when?

Mr. FITZGERALD. Since the 6th of June, 1902. That is nearly three times as many buildings and sites as were authorized from the beginning of the Government up to that date and 67 per cent of their cost. The five bills from June 6, 1902, to June 25, 1910, authorized 699 buildings, including sites, at an aggregate cost of \$80,000,000.

With this information before the committee having some responsibility to the House and to the country with respect to recommendations for appropriations, the committee was unable to recommend increasing by 50 per cent the force in the Office of the Supervising Architect.

Mr. MADDEN. Mr. Chairman, will the gentleman yield for a moment?

The CHAIRMAN. Does the gentleman yield?

Mr. FITZGERALD. In a moment. In justice to members of the subcommittee, after the hearings were completed I invited the Democratic members of the Committee on Appropriations to meet, and I laid before them fairly and accurately a complete statement of the matter affecting the public buildings, and suggested the advisability of the members of the committee, before the subcommittee attempted to make any recommendations, expressing their views as to what the policy of the committee should be. I did that so that nobody might charge that my personal views may have affected this matter one way or the other; and the subcommittee unanimously agreed upon the policy which the subcommittee carried out in reporting the bill to the full committee.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MADDEN. Mr. Chairman, I would like to ask the gentleman a question.

Mr. AUSTIN rose.

The CHAIRMAN. The gentleman from Tennessee [Mr. AUSTIN] is recognized.

Mr. AUSTIN. Mr. Chairman, the Supervising Architect's Office deserves the attention and consideration of this House. We are constantly increasing the number of public-building projects in the omnibus public-buildings bills and at the same time failing to give the Treasury Department an increase in the force of its Supervising Architect's Office. Mr. MacVeagh, the predecessor of Mr. McAdoo, in order to reduce expenses under the Taft administration on the eve of the approaching elections, and to make a record for economy, had the Sixty-first Congress reduce this force 70 clerks, and hold down the annual appropriation on public buildings and grounds to \$12,000,000 a year.

The gentleman speaks about the amount of money appropriated for the administration of that office. I have the figures here, taken from the records of the Treasury Department, showing that there were paid in salaries in 1910, \$85,900; in 1911, \$84,400; in 1912, \$97,500; in 1913, \$83,850; and in 1914, \$235,920. There was only an increase of \$20,000 in 1914, and the balance of the increase results from a transfer of certain employees carried under the head of "General expenses."

The total number of buildings carried in the public-buildings act of 1908 was 234; in the public-buildings act of June, 1910, 251; in the public-buildings act of March, 1913, 327.

There are 209 public buildings authorized prior to the last public-buildings bill that are not under contract and the plans for which are not under preparation.

Under the present limited force of the Supervising Architect's Office 75 building plans per year are turned out, as against 125 public-building plans prior to the reduction of the force caused by failing to appropriate for the salaries of 70 clerks and assistants in that office. It will require the Supervising Architect's Office three years to complete the plans and specifications on every building authorized prior to the last public-buildings act, passed in March of this year. It will require until 1916, to complete these plans before any of the plans under the last public-buildings bill are taken up. Without an increase of the present force it will require until 1920 to complete all of the plans carried in the public-buildings bills heretofore authorized by Congress. So I want to say for the information of the new Members and the old Members that there will be no chance for the preparation of new public-building plans for seven years unless Congress increases the clerical force of the Supervising Architect's Office.

Mr. BORLAND. The gentleman has put before us very forcibly this program of the Supervising Architect's Office. But does not the gentleman know or believe that for all the smaller buildings, up to \$50,000, a uniform set of plans could be adopted by the Supervising Architect's Office, and that with slight changes of specifications they could be adapted to a great many cities of from 10,000 to 20,000 inhabitants, which would obviate the necessity for this elaborate three-year plan.

Mr. AUSTIN. I want to say to the gentleman that the present Supervising Architect is doing all in his power to standardize public buildings of a certain kind and character.

Mr. BORLAND. Will not that reduce the estimate of seven years that the gentleman has made?

Mr. AUSTIN. Not to any considerable extent, because already the department is standardizing the plans wherever they can be standardized.

Mr. BORLAND. I will say to the gentleman that a Member of Congress came before the committee—

The CHAIRMAN (Mr. HAY). The time of the gentleman from Tennessee has expired.

Mr. AUSTIN. I ask unanimous consent to proceed for five minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. BORLAND. I will call attention to this fact: That a Member of Congress came before our committee and said he had been to see the Supervising Architect in regard to one of these buildings, and had been told that this elaborate program would take three years to carry out. He said, "Mr. Supervising Architect, give me the same plans that were drawn for the post office at Billville and put them through for the post office at Jimville," and they did it, and he had his post-office plans inside of 60 days.

Mr. AUSTIN. I know that the Supervising Architect's Office is doing everything possible to standardize public buildings.

Mr. JOHNSON of South Carolina. That is an awfully general expression. Will the gentleman tell us something he has done?

Mr. AUSTIN. The gentleman knows that in five minutes I can not explain the work of the Supervising Architect's Office.

Mr. JOHNSON of South Carolina. We will give you more time if you will give us some explanation.

Mr. AUSTIN. I want to say that the Supervising Architect's force will never be increased by the Committee on Appropriations, because that committee are opposed to increasing the amount of money annually expended for the construction of public buildings and grounds. While the gentleman says we expended \$20,000,000 last year, my recollection is that the hearings show that we expended \$14,000,000 last year, and if this program recommended by the Supervising Architect was adopted then the amount would be increased from \$14,000,000 to \$20,000,000.

Mr. FITZGERALD. The average expenditure which the estimates of the Supervising Architect's Office has been based upon is about fourteen millions a year. Last year there was expended twenty millions. That was due to the fact that the work was speeded up, and an increase of its force will increase the expenditure \$5,000,000. I have no desire to do anything except to state accurately the facts.

Mr. AUSTIN. The truth is, Congress in its public-buildings bills is authorizing more money for public buildings than the Treasury Department has estimated for that purpose. The Treasury Department is not increasing that amount—will not do it until the force in the Supervising Architect's Office is increased.

Mr. GARNER. Will the gentleman yield?

Mr. AUSTIN. Certainly.

Mr. GARNER. Is it not a fact also that the Treasury Department examines usually the amount of money that it wants to expend, and in consultation with the Appropriations Committee determines the amount regardless of what the wishes of Congress may be?

Mr. AUSTIN. We are absolutely in the power of the Secretary of the Treasury and the Committee on Appropriations in this matter, which concerns every Member of this House. We will not be free, we will not be able to satisfy the wishes of our constituents and do our full duty until we take hold of this matter and vote to increase the force in the Supervising Architect's Office.

I want to say, in answer to the criticism by the chairman of the Committee on Appropriations, that the present Supervising Architect is efficient, conscientious, and the best equipped man that ever held that position, and I have had an acquaintance with that office for many years.

Mr. FITZGERALD. I have not said anything to the contrary.

Mr. AUSTIN. In one of the first talks I had with the new Secretary of the Treasury we discussed this congested condition of the Supervising Architect's Office. Mr. McAdoo, a live, wide-awake, public man, a successful business man, stated that it was his earnest desire to clean up the congested condition in that office and bring the work up to date; and he asked the Committee on Appropriations for an appropriation and submitted an estimate of \$1,353,000, and then, after the hearing, in order to meet what he supposed were the wishes of that committee, he reduced that estimate to \$974,770, and the committee cut it to \$378,891, carrying in this bill for the Supervising Architect's Office \$603,891, when he had revised and cut his estimate down to \$974,770. We have in the person of the Secretary of the Treasury a man that can fill that position and will fill it with honor and credit to his party, to himself, and to the country, and I submit, with this subject in charge and control of this House, that when this new Secretary comes here with his first estimate to Congress in an earnest, honest endeavor to put that office, especially the bureau presided over by the Super-

vising Architect of the Treasury, in a first-class, businesslike condition, with up-to-date methods, you ought not to say no; you ought to uphold his hands and sustain and help him. [Applause.]

Mr. JOHNSON of South Carolina. Mr. Chairman, the gentleman from Tennessee [Mr. AUSTIN] is in error when he states that force in the Supervising Architect's Office has been reduced.

Mr. AUSTIN. In the Sixty-first Congress, I stated.

Mr. JOHNSON of South Carolina. We have constantly increased the force at the disposal of the Supervising Architect. The trouble with the gentleman's figures arises from the fact that he is not familiar with the appropriation bills. Some of the force in the Supervising Architect's Office has been provided for in the sundry civil bill, some in the legislative bill, and at one time some of it was paid for under the appropriation for public buildings.

But I want to say to the House that we have endeavored to bring all the force into the legislative bill, and when the gentleman read the figures for 1914, exceeding \$200,000, he thought it must be a mistake. It is not a mistake, but we have simply brought into the legislative bill the force that had been provided for in other bills. There has been absolutely no reduction in the force, but there has been a constant increase.

Mr. MacVeagh did reduce the force in the department by more than 500 persons during his four years, but most of that reduction was in the Auditor's office for the Post Office Department, and no part of the reduction was in the Supervising Architect's Office.

Mr. AUSTIN. My authority is the Supervising Architect himself.

Mr. JOHNSON of South Carolina. Well, I know more about it than he does.

Mr. AUSTIN. And his further statement was that the force was reduced 70 officials in that department by the Sixty-first Congress, and the last Congress gave him an increase of \$20,000.

Mr. JOHNSON of South Carolina. Mr. Chairman, I know more about it than the Supervising Architect, because I am on the committee that makes up the bills, and he is a new man up there.

I think it far more important that Congress should consider a question of policy than that it should consider a question of increasing this particular item in an appropriation bill. One reason why those of you who are interested in public buildings are required to wait from three to five years after Congress has authorized their construction is that the policy of the Supervising Architect's Office has been to make a separate plan for each building.

There may be to-day authorized not less than 75 buildings in the United States at a cost of \$60,000 each. Those buildings are located in every State in the Union. The Supervising Architect believes that he ought to make a separate plan for each one of those buildings. That costs about \$3,000 for each one. Do you believe that there is a business man in the United States who, if he were going to build 60 houses, whether warehouses or stores or apartment buildings, in 60 different cities of the United States, to cost exactly the same amount of money, would employ architects to make 60 different sets of plans? Travel throughout the country over a railway, and as you pass from station to station you see the railway company has standardized its depots. For towns of 5,000 people they have a certain style and a certain size. For towns of 10,000 people you find they have a certain size and a certain style, and so it is in all the railways and in all the great enterprises of the country. The cotton mills that build hundreds and thousands of houses adopt a certain plan, and in the building of those houses they follow those plans.

The CHAIRMAN. The time of the gentleman from South Carolina has expired.

Mr. JOHNSON of South Carolina. Mr. Chairman, I ask unanimous consent to proceed for one minute more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. JOHNSON of South Carolina. I believe that we ought to go at this in a businesslike way. We ought to standardize these buildings. If the \$60,000 building which they designed for my town is artistic in South Carolina and good for the eye to look upon, then it would be artistic in Minnesota or Wisconsin or Maine. No two citizens of the United States in all probability would ever see these two buildings, one of which might be located in the State of Washington and the other in North Carolina. There is absolutely no reason why the Government should not go at it in a businesslike way, and if you will do that you will not have to wait for five years for your buildings.

Mr. CLARK of Florida. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of South Carolina. Certainly.

Mr. CLARK of Florida. Mr. Chairman, I desire to say to the gentleman that I thoroughly agree with the idea of standardization in a practical way. I am a member of the committee or the commission which now has that matter in charge, but I want to ask the gentleman if he does not realize that climatic conditions have something to do with building operations? In other words, does the gentleman believe a building that would do for South Carolina would, without any change, answer for Minnesota?

Mr. JOHNSON of South Carolina. Mr. Chairman, in reply to that I would say that the climatic conditions might affect the material out of which it was built, but it could not affect the style, the size of the house, and the general outlines of the plans.

The CHAIRMAN. The time of the gentleman from South Carolina has again expired.

Mr. JOHNSON of South Carolina. I know several post-office buildings in South Carolina costing the same amount, and yet there was a separate plan for each building.

Mr. MANN. Mr. Chairman, what is pending before the committee?

The CHAIRMAN. The motion of the gentleman from Tennessee, to strike out the last word.

Mr. Sisson. Mr. Chairman, I move to strike out the last two words.

Mr. MANN. Can we not reach some conclusion as to how long this is going to run?

Mr. Sisson. As far as I am concerned it will not run very long.

The CHAIRMAN. The gentleman from Mississippi moves to strike out the last two words.

Mr. BURNETT. Mr. Chairman, I desire to be recognized in opposition to that motion.

Mr. Sisson. Mr. Chairman, the gentleman from Tennessee [Mr. Austin] in his statement in reference to the Supervising Architect having done all he could to standardize buildings in this country has not stated it just exactly as I understand from the Supervising Architect himself. When he was before the Subcommittee on Appropriations I endeavored to get him to state if he was standardizing, and he did not answer positively that he was, but proceeded to show how difficult it was to standardize. I endeavored to get the Secretary of the Treasury to state what effort had been made to standardize since his term, and he said that his other duties had engrossed his time and that very little had been done. During that examination the Secretary of the Treasury himself stated that he had made these estimates without knowing the conditions in the architect's office, because his duties were so multifarious and there were so many departments under him that he had not gone into the matter fully. He finally told the subcommittee that he desired that this whole matter, except those absolute deficiencies, should go over until he, with the chairmen of the two committees of the two Houses and the other two members of the commission, could work out a plan whereby they would be able to save to the Government a great deal of money and work out a good plan of standardization. On page 697 of the hearings Mr. McAdoo said:

We are going very carefully into all of these questions, and I very much hope that the commission will be able to submit at the next session of Congress a very definite recommendation as to the policy to be pursued with respect to public buildings in all particulars, as well as to present a cohesive, consistent, and concrete plan for dealing with many of the questions which I think are in your mind. I think, therefore, if I may be permitted to say it, that we are indulging in a fruitless discussion now.

Why, because he was not then able to say in answer to my question that there was any plan of standardization, notwithstanding the fact that the law requires the standardization.

I want to say this in reference to the architect's office, that if spending, as they do, an average of 6 per cent, which is 1 per cent more than is charged by the commercial architects, they are getting the poorest results for the greatest amount of money that is possible for a bunch of men to get, we had better dispense with these skilled architects and get seven or eight unlettered farmers and put them in charge of the business, because down in my country, where the county supervisors, who are plain farmers, build a court house, and across the street you build a post office, you will find the court house costing \$40,000 to complete, seating about 500 or 600 people, with offices downstairs, with all the conveniences upstairs, built of St. Louis pressed brick, while in the same district you will find a \$55,000 one-story post-office building that is built of the ordinary brick of the country, and the only stone you will find in it is in the steps leading into the building, and the ordinary on-looker will know that the people are not getting the worth of their money out of the Supervising Architect's Office. If that is the result which these architects are getting, it is the highest

duty of every Member of this Congress to look into these matters suggested by the Secretary of the Treasury and know what is going on with the people's money. I am willing that these buildings may be constructed, but I am unwilling that they should be constructed until we ascertain whether or not the Supervising Architect's Office has done its full and its complete duty.

Now, as to the standardization, I want to say when you make a plan—and I have talked with many private architects, I have talked with many builders about this, and they will tell you that your plans ought to take into consideration the building material in the section in which it is to be located, but you may standardize a building and make a type for a \$50,000 building in the State of Alabama and use it in the State of Mississippi. You can use it in Georgia. You can standardize a building in Vermont and use it in all New England. You can standardize a building in Oregon and Washington and use the material there in that neighborhood and use it for that section. You can standardize a building out West. But what is the trouble? The trouble is that when that is done then every honest builder gets an opportunity to put in an honest bid, because he can know what he is doing.

The man who built the State capitol in my own State, Mr. Barnes—and there was not the slightest tinge of a suspicion, the slightest suggestion that the people did not get value received for the money for the State capitol. Yet a man like this could not and would not bid upon the plans and specifications handed out by this department because they were not standardized and the terms used were different in different plans.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Sisson. Mr. Chairman, I ask unanimous consent for five minutes more.

The CHAIRMAN. The gentleman from Mississippi asks unanimous consent to proceed for five minutes more. Is there objection? [After a pause.] The Chair hears none.

Mr. Sisson. Now, you take the standard steel. They keep it on the shelves, as it were, in the great steel concerns, and when you order a piece of structural steel, it is a standard as much as a four-by-four post in an ordinary frame building. You find windows that are standards in size, and window frames of certain size, having a certain number of lights in them—a standard article—and yet in these post-office buildings they use terms making it necessary to use material of different sizes. He can use terms for windows which are off size. And for this reason, in many instances, on the larger contracts, men are unwilling to compete. And for that reason if for no other, they ought to have these buildings standardized and the terms standard, because every honest contractor and every honest builder could go and look at the type of the building, and when he put in his bid he would know when he complied with the terms of the contract for that type of building.

Now, I have a building in this bill which I think, like all the other Members, is being delayed. I have another which is authorized, and perhaps I will not get it in three years. But I am unwilling to have it erected until I shall know, or have reason to know, that the people of the United States are getting value received for it, until I know that every honest contractor, who submitted plans and specifications, may go over those plans and specifications, and know whether or not he is authorized, according to his construction, to put in a certain bid on it. Therefore I shall not hurry this matter until we get a complete report.

I have confidence in the gentleman from Florida [Mr. Clark], who is the chairman of the committee of this House, and his second, my good friend from Alabama [Mr. Burnett], although I do not know whether he is on the commission or not, and in Senator Swanson; and I also have confidence in the Secretary of the Treasury, and all these other gentlemen.

My friend says that the Secretary asked this. Yes; but he now especially repudiated the asking when he told us the facts. On the contrary, he asked that this building program go over until this commission could make a full and complete investigation and submit a plan to Congress, when Congress and the country would know in the future the people were getting value received for their money. There is something wrong in the Supervising Architect's Office. The private architect is willing to do the work for 5 per cent and supervise. It costs these gentlemen 6 per cent, with their office and all the material furnished. They have their office furnished and all their material furnished them; they have all their equipment there. They do not have to travel around over the country and hunt up jobs. They do not have to pay hotel bills while hanging around courthouses in order to ascertain whether or not they are going to get contracts let to them for courthouses and on other buildings to be constructed. The private architects have to go out into

the world and compete on bids; and yet the private architects make money on a 5 per cent basis, while the United States Government now is spending 6 per cent in this architect's office. Is there anything wrong? I do not know whether there is anything dishonest about it or not, but I do say that on its face it shows gross inefficiency, which ought to be investigated before men go further with this building program in the United States. And for that reason I stand with the subcommittee, I stand with the full committee, I stand with the Secretary of the Treasury in his recommendation that the law be carried out—that this matter be investigated before we go further.

Mr. GARNER. Mr. Chairman—

Mr. FITZGERALD. How much time does the gentleman from Texas want?

Mr. GARNER. I want only two or three minutes.

Mr. BURNETT. I want five minutes.

Mr. HARRISON. I would like five minutes.

Mr. CLARK of Florida. I would like three minutes.

Mr. COX. Give me three.

Mr. FITZGERALD. Mr. Chairman, quite a number of Members want to speak on the matter. I ask unanimous consent that debate on this question close at 3 o'clock and 30 minutes.

The CHAIRMAN (Mr. FLOOD of Virginia). The gentleman from New York [Mr. FITZGERALD] asks unanimous consent that debate on the paragraph under consideration close at 3 o'clock and 30 minutes.

Mr. COX. That ought to be divided up.

The CHAIRMAN. Is there objection? [After a pause.] The Chair hears none, and it is so ordered.

Mr. GARNER. Mr. Chairman, I want to apologize to the committee for consuming five minutes on the proposition of striking out the last two words; but this question here is one that is at least six or seven years old. Those of us who have been here that length of time will recall the fact that at each session of Congress this identical question comes up and the Committee on Appropriations takes the same position each time; that is, it draws an indictment against the Supervising Architect's Office and says, "You do not need any more money, for we are not going to let you have more than a certain number of buildings each year."

That intimation was made clear this morning by the gentleman from Massachusetts [Mr. GILLET], when he drew an indictment against the Congress itself for making appropriations for public buildings at places where he thought the buildings ought not to exist. The same idea now comes from the gentleman from New York [Mr. FITZGERALD], when he indicts the Congress for making the authorizations of buildings when those buildings can not possibly be expected to be constructed for four or five years.

Mr. Chairman, I agree with the gentleman from New York and the gentleman from Massachusetts and their conclusions. I do not believe these authorizations ought to be made unless you intend in good faith to construct the buildings. But I beg leave to suggest to the gentleman from Massachusetts and to the gentleman from New York that the Congress is larger than the Committee on Appropriations; that when this Congress has spoken and declared that it is the policy of this Government to construct these buildings you and your associates ought not to stand in the way and prevent Congress from constructing these buildings. [Applause on the Democratic side.]

Mr. FITZGERALD. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Texas yield to the gentleman from New York?

Mr. GARNER. I will.

Mr. FITZGERALD. The gentleman says I am standing in the way. I am not standing in the way.

Mr. GARNER. Oh, yes; the gentleman says he is not standing in the way of constructing these buildings, and yet every time the Secretary of the Treasury prepares to make an estimate, he knows what the estimates are, but he prevents the Secretary of the Treasury from making an estimate, because he can not draw the plans and specifications.

Mr. FITZGERALD. The gentleman from Texas is mistaken. The Secretary of the Treasury estimated for the force that he required in his office.

Mr. GARNER. Mr. Chairman, I have only five minutes. I submit to the gentleman from New York this proposition: If he will put in this bill an item of \$150,000 for an increase of the force of the Supervising Architect's Office, will not the Secretary of the Treasury submit an amendment for \$5,000,000 more in his next estimate? Will not the Secretary of the Treasury do that?

Mr. FITZGERALD. I guess he will.

Mr. GARNER. I guess he will, too. Then you prevent him from submitting the estimate.

Mr. FITZGERALD. There was nothing to prevent him from submitting an estimate for this additional force when the law required him to complete the buildings.

Mr. GARNER. We imagined when we put these 47 buildings on the top of the docket that you would take the whole of it. You will be delayed five or six months on your building that is now in process of construction, because these 47 buildings must be planned first. The plans and specifications must first be drawn.

The gentleman from New York has brought an indictment against the Supervising Architect which will either compel him to take up these 47 buildings or else the Secretary of the Treasury ought to be impeached.

Mr. FITZGERALD. I will say to the gentleman from Texas that I think we should do the thing that ought to be done now and let what should be done three years from now take care of itself at that time.

Mr. GARNER. I agree with the gentleman; but if you will give the Supervising Architect's Office this \$150,000, he will draw plans and specifications and go right along with this program that has been outlined. But the gentleman from New York is not willing to do that. Why? Because it will involve the expenditure of \$5,000,000 later. For what purpose? For a purpose that he thinks ought not to have been authorized in the beginning.

Mr. FITZGERALD. The gentleman from Texas is mistaken. Along with the gentleman from Texas I belong to a party that made certain promises, and I believe we ought to keep those promises and not attempt to bunko the people.

Mr. GARNER. Oh, the gentleman says we belong to a party that made certain promises and we ought to keep them. I agree with him in that. I voted with the gentleman from New York and with the gentleman from Massachusetts and others not to bring in these authorizations of public buildings. But when this Congress has deliberately spoken the gentleman from New York and his associates on the Committee on Appropriations have no right to hold us up and say, "We will put the veto on this House, and therefore we will not permit you to make it possible for the Secretary of the Treasury to prepare these estimates."

Mr. FITZGERALD. We have no power to do that.

Mr. GARNER. If you give us this money for this increase of force, we shall get some more estimates, shall we not? That, Mr. Chairman, answers the whole question. If you will give us the money for the force necessary to prepare the plans for the construction of these 47 buildings as an emergency, we will get an additional estimate of \$5,000,000 with which to construct the buildings. If you do not furnish this extra force, we can not get the estimates. Who is stopping it? Let the gentleman answer that question. Who is preventing these buildings from being constructed? The Committee on Appropriations.

Mr. Chairman, I agree with every word that the gentleman from Mississippi [Mr. Sisson] has said when he drew his indictment against the Supervising Architect's Office. The work of that office ought to be standardized. I have no criticism to make of the gentleman's indictment. I am in full accord with the Committee on Appropriations and with the theory which they hold, that some of these buildings in small towns ought not to have been authorized. But I do say that after I have been outvoted in this House and after the House has declared a policy, I have no right to stand in the way of it; neither has the Committee on Appropriations that right. [Applause.]

Mr. Sisson. Mr. Chairman, has the gentleman's time expired?

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. Sisson. I wanted to ask the gentleman one question about the extra hour.

Mr. CLARK of Florida. Mr. Chairman, I desire to say only a word or two on this subject of standardization. I happen to be a member of the commission charged with the duty of undertaking to devise some plan of standardization which will expedite the construction of Government buildings and largely be a measure of economy to the people of this country.

Mr. Chairman, no man in this House is more attached to the standardization of buildings than I am. I believe that the Government can save millions of dollars by creating a practical system of standardization, but it is a practical question and a great question. It is easy enough to say that a \$50,000 building at one place and a \$50,000 building at another place ought to be exactly the same and that the plans and specifications ought to be exactly alike, but if gentlemen will confer with architects and with builders they will find out that climatic conditions have a great deal to do with the construction of buildings. They will find that the topography of the country has a great

deal to do with the construction of buildings. I believe that in these smaller towns where the Government has no activity other than that of the post office there can be a practical standardization, but in order to do that I believe you will find that you must group the States together with reference to climatic conditions.

For instance, New England would make one group, the Rocky Mountain States another, the Southeastern States would make one, the Southwestern States another, and the Middle West, and so forth; but when you come to the construction of buildings where various activities of the Government are to be housed—the post office, the Federal courts, the customhouse, the land office, and all that—I do not believe that you can ever find a plan of standardization that will cover that class of buildings. We can make it apply to the smaller ones if you will group the States as I have suggested, where there is nothing but the Post Office Department to be provided for.

Mr. Sisson. Will the gentleman yield?

Mr. Clark of Florida. Certainly.

Mr. Sisson. I agree with the gentleman about the division; but with reference to the last buildings the gentleman speaks of, does he not believe that they can use a standard with reference to the materials that shall go into the buildings?

Mr. Clark of Florida. Yes; that may be true. But at the same time you ought to take into consideration the character of building material in the vicinity where the building is to be constructed.

Mr. Sisson. That is true.

Mr. Clark of Florida. Take it in Minnesota, where it is cold, or in Dakota. They desire a building constructed entirely different from what we would in Florida. There we want air, and we want verandas, and we want shade.

Mr. Clark of Missouri. Will the gentleman yield?

The Chairman. Does the gentleman from Florida yield to the gentleman from Missouri?

Mr. Clark of Florida. With pleasure.

Mr. Clark of Missouri. I am the daddy of this idea of standardization of buildings. I have fought for it for 15 years, and I would like to ask the gentleman from Florida what has the climate to do with the shape and dimensions of these buildings?

Mr. Clark of Florida. A great deal.

Mr. Clark of Missouri. How can it have anything to do with it?

Mr. Clark of Florida. In the State of Florida if you could get a perfectly round building with plenty of verandas, it would be more comfortable, because we need the breeze, and you could get it from every side and source.

Mr. Clark of Missouri. That is mere detail. Is it not true that pressed brick and terra cotta and steel, the three materials out of which you would build a forty or fifty thousand dollar building, are the best materials and are practically indestructible in any climate—especially terra cotta and pressed brick?

Mr. Clark of Florida. No; if you use brick very much in a damp climate you will have the walls covered with moss that is going to make it damp nearly all the time, and extremely unhealthy for those people that dwell within the building.

Mr. Hardwick. Will the gentleman yield for a suggestion?

Mr. Clark of Florida. Yes.

Mr. Hardwick. I want to say that that is exactly the experience that we have had in Augusta, Ga. We have a building of brick and it is extremely unhealthy.

Mr. Clark of Missouri. I want to ask the gentleman from Florida one further question. Has the committee been considering the question of laying down fixed conditions on which a town shall have a building at all, and the building of a certain price, so that the Secretary of the Treasury, when these conditions are performed can automatically order a certain building to be completed in that town?

Mr. Clark of Florida. Yes; that has been considered, but, of course, Mr. Chairman, we have reached no conclusion.

The Chairman. The time of the gentleman from Florida has expired.

Mr. Clark of Missouri. I ask unanimous consent that the gentleman's time may be extended 5 minutes.

Mr. Clark of Florida. Mr. Chairman, I do not want more than a minute.

The Chairman. The gentleman from Missouri asks that the time of the gentleman from Florida be extended five minutes. Is there objection?

There was no objection.

Mr. Clark of Florida. Mr. Chairman, as I said, I do not want more than a minute. So far as I am individually concerned, I shall oppose hereafter the construction of a public

building in any town where the interest upon the money invested is greater than the expense of the Government in renting suitable quarters therefor. [Applause.]

I believe that we have reached the time when the construction of public buildings at the expense of the Government in little 2-by-4 towns ought to cease. [Applause.] I think that business ought to be conducted upon a practical, common-sense basis. If, therefore, we can secure quarters in a town for the post office which are suitable, ample, and safe for less money than would be the interest at Government rate on the cost of a suitable building, then the Government, in my opinion, should not construct a building in such town. I believe this should be the general rule for our guidance, but of course there may be peculiar conditions which would create exceptions and take some cities or towns out of this general rule.

Mr. Davenport. I would like to ask the gentleman if he means his statement to apply to towns where they have a Federal court and all other United States offices?

Mr. Clark of Florida. Oh, no. I think every court in this land ought to be housed by the Government, and if the town is important enough to have a Federal court you will generally find that the interest upon the amount invested will be much less than the rentals that have to be paid by the Government for suitable quarters.

Mr. Davenport. I have a town of that kind in my district.

Mr. Sharp. Mr. Chairman, in the time allotted to me I do not know that I can improve by a more extended discussion the sentiment expressed in a rather surprising statement made by the gentleman from Florida during the last 2 minutes of his speech. I think he said more to the point in the last 2 minutes of his extended time than he had previously said in 10 minutes.

It seems to me, gentlemen, that we have been losing sight of the main object, and that it has been covered up in a mass of verbiage which would be delightful if we had the time to hear it, but which is not profitable.

I agree with much that has been said about standardizing these public buildings; but the basic proposition, if we would get anywhere at all in bringing about economy, is to draw the line on these appropriations, so that, as the gentleman from New York, chairman of the Committee on Appropriations [Mr. Fitzgerald] has informed us, instead of multiplying the amount of this appropriation during the past 12 years to twelve times what it was in the previous 12 years, we could permanently stop that bungle through which the public money flows so rapidly.

A dozen or 15 years ago many of our own party, who were then on the outside, criticized the extravagance of Congress because, as they said, it was a billion-dollar Congress. The reply was made by a distinguished Republican leader at that time that that was not a material objection, because this was a billion-dollar country. I submit, as a matter of correct logic, that if it was true that we had a billion-dollar Congress covering a period of 2 years 12 years ago because we had a billion-dollar country, we now have progressed to a most wonderful extent, because in that short time we have come to be a \$2,000,000,000 country, for we are now making appropriations aggregating a billion dollars or more each year.

During the time I have been a Member of this Congress, I have on a number of occasions raised my voice in protest against the unwarranted extravagance of this body in spending the public money, especially as it has to do with the Federal building appropriation. It has only been within the last two years, when we commenced to carry out the reform preached by our party for the last 30 years of lowering tariff duties, that we have been met with the correlative proposition that if we are going to thereby lose revenue we must meet our rapidly growing expenses by providing other sources of income. So we resorted then to reviving the old wartime income tax, from which we expect to get \$100,000,000 or more annually. I am heartily in favor of it. I believe it ought to come to pass. In its consideration, however, the question of its absolute necessity was quite as prominent as its justice. Then we levied a corporation excise tax, from which we are getting annually \$30,000,000 or so. I believe in that; but I want to warn my colleagues that the next move will be the inauguration of a Federal inheritance tax and the doubling of internal-revenue duties. You will remember that former President Taft proposed the first. He was at once confronted with the fact that we already have that burden imposed in not less than 36 of our States, and it would look like, and would indeed be, a very grievous burden to pile on top of the existing tax another equally burdensome levied by the National Government. That proposition had to be abandoned. But we can not go ahead spending public money in the way we are now doing and keep

free from a deficit without further increasing a grievous burden of taxation. If I had my way, not as it concerns this particular bill, but upon the construction of Federal buildings, I would inaugurate a very different policy. But I can not have my way about it. There are too many pieces of fat pork in this barrel. I do not say this offensively. It is the common designation of this kind of an appropriation. The appropriations for rivers and harbors go with it, and in many instances are equally censurable. But we have too many selfish interests at stake, and it would be hard to pass the kind of a law that I would propose.

If I had my way, I would have no Federal building constructed in any town unless the receipts of the post office of that town were at least \$50,000 a year and it had at least 10,000 inhabitants.

Mr. STEENERSON. Mr. Chairman, will the gentleman yield? Mr. SHARP. Just for one question.

Mr. STEENERSON. Has the gentleman ever inquired into the buildings that are in use as substations in the large cities like Chicago and one or two in Washington, where they are constructed by private capital and then rented for a period of 10 years or more at a very low rental? It seems to me that that would solve the problem that the gentleman has in mind.

Mr. SHARP. That might do so; but may I say one further word in respect to the gentleman from Florida?

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. SHARP. Mr. Chairman, I ask unanimous consent to proceed for one minute more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. SHARP. Mr. Chairman, the gentleman from Florida [Mr. CLARK], in closing his remarks, laid down a rule. He is a member of the Committee on Public Buildings and Grounds, and on this account his views on this question are important. If the rule or criterion referred to by the gentleman had been in effect—that is, no public building where the Government could rent a suitable private property for less than the annual fixed charges, including a low rate of interest and maintenance of a Federal building if constructed—then, I dare say, that out of the 1,200 post-office propositions mentioned by the chairman of the committee [Mr. FITZGERALD] the Government would not have had to construct more than one-third of those buildings at public expense. Even at this late day the inauguration of such a policy would annually save to the people of the United States fully \$10,000,000.

Mr. BURNETT. Mr. Chairman, I shall only say one or two words in regard to the question of standardization. Gentlemen may theorize upon that just as long as they desire, but there is a practical common-sense side to that question. There is no such thing as standardization on the question of cost. The distinguished speaker has referred to his paternity of that proposition, and yet I would like to see him or anybody else standardize as to cost. They may standardize upon the style of architecture, and yet when they come to the question of construction it depends not only upon climatic conditions, but also on the proximity to material, on freight rates, and many other things. We have a case in point before our Committee on Public Buildings and Grounds now. A bill was introduced by a gentleman from Kansas asking an additional appropriation because of the fact that the \$50,000 appropriated, which would construct a building in some States, on account of climatic conditions in Kansas will not construct a building there. Reference has been made to terra cotta. This gentleman has stated to our committee that on account of those climatic conditions in his State terra cotta can not be used as well as something else that is better adapted to the climate. Hence when it comes to the question of standardization it is practically a common-sense question.

When Mr. SHEPPARD was chairman of the committee, and after he left the House and I was the acting chairman of the committee, we always insisted upon the Supervising Architect—and he has to a very great extent acquiesced—reducing to a standard these buildings as much as possible, and great progress was made along that line; but when gentlemen think there can be standardization so as to apply to all of the States of the country they are absolutely mistaken.

Mr. Chairman, what I rose for was to reply to some criticisms of the gentleman from Massachusetts [Mr. GILLET] made yesterday in regard to this Democratic Congress and the Committee on Public Buildings. Here is one of the contributions of the gentleman. He says:

Personally, I do not believe that it is economy or that it is wise for this Government to put up a building in any place of less than 100,000 inhabitants, certainly not in a town of less than 50,000.

The gentleman would certainly object to and repudiate a charge of unwisdom on his part, and yet the gentleman himself in the last public buildings bill secured an appropriation—first asking for \$50,000 and then finally allowed \$80,000—for a building to be constructed in Amherst, Mass., the population of which is only 5,112. Mr. Chairman, when you find a gentleman who is always jumping on the Public Buildings Committee you generally find one who very quietly is insisting that he ought to be made an exception to that particular rule. Here is the gentleman seriously saying that it would be unwise for Congress to do a certain thing, and yet he comes up and in the town of 5,112 asks for \$50,000 in money and finally gets \$80,000 and then criticizes the Democratic Congress. Mr. Chairman, I want to call attention to the fact that the \$45,000,000 of which he speaks was not put on entirely by the House of Representatives, but much of it by a Republican Senate, and one of the troubles about these gentlemen who criticize the committee is that they generally do not know what they are talking about. I want to quote another statement that the gentleman from Massachusetts [Mr. GILLET] made. He says:

Now, of these 120 sites that are authorized over 100 are in towns which do not have annual postal receipts of \$10,000.

That is incorrect. The gentleman never took time; he makes a charge against the Democratic Party and a Democratic House, and he never took the time, Mr. Chairman, to look into the facts, but he makes the general broad assertion that 100 of the 120 sites did not have \$10,000 postal receipts. He goes on—

Mr. GILLET. Will the gentleman state how many are under?

Mr. BURNETT. Less than 100, not more than 60 of them, I think, and many of these put on by a Republican Senate. Much of the increase in the bill was put on by a Republican Senate at the end of the last session of Congress when we had to accept it, Mr. Chairman, or the bill would have been lost. Now, to show again that the gentleman does not know what he is talking about, but is going off half cocked, as these Republicans usually do, he makes this kind of statement. He said:

Up to this present Democratic economical administration it was the rule that no place which had less than 1,000 inhabitants and \$10,000 of postal receipts should have a public building.

Nobody ever heard of that 1,000 inhabitants except when it was conjured up in the fertile imagination of the gentleman from Massachusetts.

Mr. GILLET. Was not that corrected in the very next sentence?

Mr. BURNETT. That is sought to be corrected by a Democrat, who got it wrong, too, and I will show you what he said.

Mr. LLOYD. If the gentleman will permit, the rule was 10,000 inhabitants or \$10,000 of postal receipts.

That is not correct. I remember, Mr. Chairman, that the town of Demopolis, in my State, got an appropriation during the last Republican Congress of \$50,000 or \$60,000 where it had considerably less than \$10,000 receipts, and I will show nearly 20 cases in the public buildings bill, headed by Mr. BARTHOLOMEW and gentlemen on the other side, a Republican House, and a Republican Senate, where either sites or buildings were authorized in towns that had less than \$10,000 of receipts.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BURNETT. Gentlemen ought to know, they ought to be conscientious enough to know, what they are talking about before indicting the committee or a Democratic Congress. [Applause on the Democratic side.]

The CHAIRMAN. The gentleman's time has expired; all time has expired, and the Clerk will read.

Mr. MANN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MANN. Has debate expired by order of the committee?

The CHAIRMAN. It has, at 3.30.

Mr. HUMPHREY of Washington. Mr. Chairman, I desire to offer an amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 4, after line 20, insert "Everett, Wash., \$50,000."

Mr. HUMPHREY of Washington. Mr. Chairman—

The CHAIRMAN. All debate on this paragraph has expired.

Mr. MANN. Mr. Chairman, it is not an amendment to the paragraph, but it is a new paragraph.

Mr. HUMPHREY of Washington. Mr. Chairman, I sent up the wrong amendment.

Mr. BARTLETT. Mr. Chairman, I reserve a point of order.

Mr. HUMPHREY of Washington. Mr. Chairman, I picked up the wrong piece of paper. The one I sent up is not correctly written, and I ask to withdraw the other and substitute this, in which the language is a little different.

The CHAIRMAN. Without objection, the gentleman from Washington withdraws his amendment and offers the following amendment, which the Clerk will report.

The Clerk read as follows:

Page 4, after line 20, insert "Everett, Wash., for completion of building under present limit, \$50,000."

Mr. BARTLETT. Mr. Chairman, I reserve a point of order or will make it unless the gentleman desires to be heard. My point of order is—

Mr. HUMPHREY of Washington. I do not think it is subject to a point of order.

Mr. MANN. What is the gentleman's point of order?

Mr. BARTLETT. I will reserve the point of order.

Mr. MANN. But what is the point of order?

Mr. BARTLETT. The point of order, Mr. Chairman, is that appropriations for public buildings, although they may be authorized, are not in order upon this, being a deficiency bill, this amendment not being for a deficiency. I will reserve the point of order if the gentleman desires.

Mr. MANN. No; let us settle it. Here is a public building that is authorized by law.

Mr. BARTLETT. I will read the Chair my authority. On page 373, section 3562, fourth volume of Hinds' Parliamentary Precedents:

Appropriations for the continuation of work on a public building, not to supply any actual deficiency, belong to the sundry civil bill and not to the general deficiency.

This is an urgent deficiency bill.

On March 17, 1880, the House was in Committee of the Whole House on the state of the Union considering the deficiency appropriation bill.

Mr. Benjamin Butterworth, of Ohio, offered the following amendment:

For completing the customhouse and post-office building at Cincinnati, Ohio, \$150,000, said appropriation to be immediately available.

Against this amendment Mr. Joseph C. S. Blackburn, of Kentucky, made the point of order under Rule XXI.

The Chairman ruled:

Although the bill under consideration is not, technically speaking, a general appropriation bill, yet rule 120 of the old series was always held to apply to bills of this character, as well as to original appropriation bills. The difficulty with the amendment of the gentleman from Ohio [Mr. Butterworth] seems to be that it does not come from any committee having any jurisdiction of the subject. The right of individuals upon their own responsibility to offer amendments to appropriation bills has been very much restricted by the third clause of Rule XXI of the new rules. Without commenting upon that clause, the Chair holds that the amendment is not in order coming from an individual Member of the House and not from a committee having jurisdiction of the subject matter.

Now, in section 3746, page 499 of the same volume, it says:

On June 18, 1902, while the general deficiency appropriation bill was under consideration in Committee of the Whole House on the state of the Union, Mr. George W. Steele, of Indiana, offered the following amendment:

On page 26, after line 21, insert:

"Marion Branch, at Marion, Ind.: For quartermaster and commissary storehouse and repairing old storehouse and constructing fireproof vaults therein for offices, \$30,000."

Mr. CHARLES L. BARTLETT, of Georgia, made the point of order that there was no legislation authorizing the appropriation; and Mr. Leonidas F. Livingston, of Georgia, raised the further point that the appropriation was not in order on this bill.

After debate the Chairman said:

"The Chair held in a former Congress, in reference to Annapolis Academy, that an amendment providing for an additional building there was in order. The Chair stated at the time that he so held in deference to former decisions, not because he would have so held had it originally come before the present occupant of the chair. If there was no other question involved now than the question of the enlargement of the plant, the necessary enlargement, the Chair would be inclined to hold that it was in order, following the precedent established in the Naval Academy case and the cases upon which it was based. But the Chair is inclined to think that the suggestion and point made by the gentleman from Georgia that it is not in order on a general deficiency bill is well taken."

Those are the two precedents, Mr. Chairman, and I know of none to the contrary.

Mr. MANN. Mr. Chairman, the Committee on Appropriations has jurisdiction over both the sundry civil bill and the deficiency bill. The cases cited by the gentleman, I think, are not in point. My recollection is they are not cases where the limit of cost is fixed by Congress in the public-building bill. It would not be in order to offer an appropriation here to increase the limit of cost.

Mr. BARTLETT. Mr. Chairman, I have no doubt about the correctness of my position, but I am not disposed to make the point of order, and I withdraw it in deference to a suggestion from the gentleman from New York [Mr. FITZGERALD], chairman of the Appropriations Committee.

The CHAIRMAN. The gentleman withdraws the point of order.

Mr. HUMPHREY of Washington. Mr. Chairman, I introduced this amendment for the purpose of calling attention to the condition we find ourselves in in view of the attitude which the

committee has taken. The city of Everett, in Washington, has a population of over 25,000, or about 30,000 people. In 10 years it grew from 7,000 to 26,000. We have had authorized the construction of a public building there now for over five years, and if the statements made in the hearing are true, it will be delayed for three years more. In other words, that city of 30,000 people, under the action now taken by the committee, can not have a public building for three years, and in all it will be open to a delay of over eight years. Now, I am glad to hear the chairman of the Committee on Public Buildings and Grounds say that hereafter he is going to have some policy. I listened to the gentleman from Alabama [Mr. BURNETT] a few moments ago, when in his remarks he resented the criticisms upon that committee. But that committee, so far as I could discover, had no policy whatever, except to give a public building to somebody that had influence enough to get it, or who happened to be upon that committee. While the city of Everett has been waiting for five years for sufficient money with which to complete its building, the committee refused to give the amount necessary, and we had to go to the Senate in order to secure it, although all over this country there were appropriations made for buildings in cities some of which did not contain 1,000 inhabitants. And although the postal receipts of the city of Everett last year were \$62,645, this committee, criticism of which the gentleman from Alabama [Mr. BURNETT] resents so quickly, refused to make any appropriation whatever to complete this building, but they did make appropriations for buildings in many small towns of 2,000 population or less.

And what was the excuse that was given? Because there must not be more than one appropriation to each congressional district, unless, of course, you were a member of the committee. I understand that some of the members of the committee succeeded in getting three. If ever there was a pure pork-barrel proposition it was this last public buildings bill.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield to me for just a minute?

Mr. HUMPHREY of Washington. I will.

Mr. MURDOCK. I know about Everett, and how rapidly it is growing, and I realize how important it is to get quick action on this item. In the report of the committee I find that the preparation of drawings was held up at the request of the former Congressman representing the district, so that it does not seem to be the fault of Congress, but the fault of the individual Congressman.

Mr. HUMPHREY of Washington. The gentleman is partially right. What I have said is not in relation to anything that happened before the last Congress. It was prior to that Congress, and because the city had grown so rapidly I requested further funds for this building and this was urged by the Treasury Department. It was one of the strongest letters that came before that committee. But we could make no headway there. We had to go to the Senate to get it.

This illustrious and virtuous Democratic committee would not permit it because there was another building proposed at Seattle, in that same district, and they absolutely drew the line and declared that because they had made an appropriation for Seattle they would not grant this increase for the building at Everett. This left them money to give to a lot of country villages, and to such gentlemen as happened to be so fortunate as to be members of the committee, at least some of them got as many as three buildings each inside of their districts.

Now, Mr. Chairman, to show the situation and to illustrate the downright unfairness to which we have been subjected by the committee which the gentleman from Alabama [Mr. BURNETT] has so highly eulogized, I ask leave to insert in the Record as a part of my remarks the statement made in the hearings upon this proposition.

The CHAIRMAN. The gentleman from Washington [Mr. HUMPHREY] asks unanimous consent to insert in the Record the statement he has indicated. Is there objection?

Mr. MURDOCK. Reserving the right to object, Mr. Chairman, I would like to ask the gentleman if that is the statement of the department recommending this as a special project?

Mr. HUMPHREY of Washington. Yes; on page 130 of the hearings had before the committee.

The CHAIRMAN. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mr. HUMPHREY of Washington. This is the statement:

NO. 4.—EVERETT (WASH.) POST OFFICE AND CUSTOMHOUSE.

Population: 1910, 24,814; 1900, 7,838; 1890, ———. Postal receipts for the fiscal year ending June 30, 1912, were \$62,645.40.

Estimate to Congress, of January 22, 1908, on H. R. 4802, estimated for a two-story and basement building having 8,000 square feet of ground area, to cost \$230,000, including site.

Act of Congress of May 30, 1908, provides for a site and building at limit of cost of \$130,000. Site was purchased at a cost of \$12,000, leaving \$118,000 available for the building.

Preparation of drawings was held up pending further legislation by Congress increasing the appropriation at the request of the Congressman.

Estimate to Congress of January 18, 1912, on H. R. 16670, estimated for a two-story and basement building of 8,000 square feet ground area, to cost \$168,000 if of fireproof construction.

Act of March 4, 1913, authorizes increase limit of cost \$50,000. Amount available for the building at present, \$168,000.

Although the present amount available for the building is less than the department estimate of January 22, 1908, plans and specifications will be prepared in accordance with the new limit and bids solicited.

Inasmuch as this project was originally authorized in the act of 1908, should it not be taken up now it must be deferred for approximately three years, as it will be placed at the end of the act of 1910. The department therefore desires to consider it as a special project.

Mr. FITZGERALD. Mr. Chairman, in regard to the amendment requesting the appropriation of \$50,000 for the completion of the building at Everett, Wash., I want to say that if the appropriation were made it would not bring the building any nearer to completion, and not a dollar could be used. Ninety-five thousand dollars have been appropriated and are now to the credit of this public building. The addition of \$50,000 would not help the gentleman from Washington [Mr. HUMPHREY] at all.

I hardly think it fair for the gentleman from Washington to criticize the Democratic Congress for the situation in which the town of Everett finds itself with respect to this building. In 1908 the gentleman, or whoever represented the district, introduced a bill to authorize a site and building to cost \$230,000. A report was made on it from the Supervising Architect's Office, and in 1908 a Republican Congress, with all the information before it that could be obtained in such a manner, authorized the building and site, to cost \$130,000. If the amount fixed was insufficient, the gentleman should criticize the Republican Congress and his own lack of influence with his own party colleagues for his failure to convince them that in his Republican State \$130,000 was inadequate for the construction of a building at that place. Ninety-five thousand dollars has been appropriated; \$12,000 was expended for a site, and that left \$118,000 available for the building—\$118,000 for a building two stories high.

For some reason or other they were not satisfied with a building to cost \$118,000, and the Representative of the district, the gentleman himself, apparently delayed the construction of this two-story building in Everett and held it up from 1910 until 1913, when he was able to obtain an increase in the limit of cost for his building.

It comes with poor grace for him to criticize a Democratic House for refusing to do what a Republican House refused to do for him, or to try to exculpate himself for the delay occasioned by his own action by blaming a Democratic House. In this deficiency bill is carried every dollar that the department requested in order to carry on work in progress, the appropriations amounting to over \$650,000. The committee did not recommend a futile appropriation of \$50,000, which would have been made uselessly, in order to mislead the people of Everett into believing that thereby something was being done to accelerate the construction of the building; and that is all that would be done if this amendment had been adopted. It would simply mislead the people into the belief that something had been done toward advancing the project, when nothing had been done.

Mr. MURDOCK. Will the gentleman yield?

Mr. FITZGERALD. Yes.

Mr. MURDOCK. The statement the gentleman has just made seems to contradict the report from the department.

Mr. FITZGERALD. It does not.

Mr. MURDOCK. If the gentleman will permit, I will just read four lines here:

Inasmuch as this project was originally authorized in the act of 1908, should it not be taken up now it must be deferred for approximately three years, as it will be placed at the end of the act of 1910. The department therefore desires to consider it as a special project.

Does not that contradict the gentleman?

Mr. FITZGERALD. No. That does not ask for money to use on the building. That was one of the excuses they gave to have Congress increase the force in the Supervising Architect's Office by practically 50 per cent. They did not want any money for the building, and if the plan for that building should be taken up now there is no reason why the department, with \$767,000 appropriated for the services of the Supervising Architect's Office, should not give it attention.

Mr. HUMPHREY of Washington. The gentleman intimates that I was making this criticism because I did not get this increase sooner.

Mr. FITZGERALD. No. I say the gentleman should not criticize a Democratic House for not doing what a Republican House refused to do for him.

Mr. HUMPHREY of Washington. I should like to know whether a Republican House had an opportunity to make this increase?

Mr. FITZGERALD. Why, yes. The gentleman introduced a bill in January, 1908, H. R. 4802, providing for the erection of a two-story-and-basement building, to cost \$230,000, including the site. On May 30, 1908, a Republican Congress included a provision for a site and building for Everett, Wash., at a cost of \$130,000. That was in the public-building act. If the gentleman could have persuaded a Republican committee that he ought to have \$230,000, doubtless he would have got it then.

Mr. HUMPHREY of Washington. I should like to ask the gentleman from New York a question.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. FITZGERALD. I ask for five minutes more.

The CHAIRMAN. The gentleman from New York asks for five minutes more. Is there objection?

There was no objection.

Mr. HUMPHREY of Washington. In 1908 I introduced a bill, and the amount then asked was refused; but after that came the census returns, showing a tremendous growth and increase in population, and then the increased amount was asked; and unless I am very much mistaken there has not been a public-building bill since that time until the one we now have.

Mr. FITZGERALD. The mere fact that the population of the town had increased would not be a sufficient justification for an increase of the appropriation. It would depend entirely upon the amount of business done, and those figures are available all the time.

Mr. HUMPHREY of Washington. The amount of business increased too.

Mr. FITZGERALD. There was a public-building act in 1910.

Mr. DONOVAN. I wish to call the attention of the gentleman from Washington [Mr. HUMPHREY] to the fact that some Members of this House are very careless when they talk about money. If there is any one State in the Union that has had its share out of the "pork barrel," it is the State of Washington. The State of Washington and the State of Connecticut, from which I hail, are about equal in population and in wealth, according to the books. The last Congress gave the State of Washington \$3,836,000, and it gave Connecticut a beggarly \$400,000. The people of the Northwest were very eager when they put their hands into the Public Treasury, getting nearly half a million dollars for public buildings in four towns with populations of less than 10,000. Now they are growling because they did not get more.

Mr. HUMPHREY of Washington. Will the gentleman yield? The gentleman has made a statement that I want to correct.

Mr. DONOVAN. I will yield.

Mr. HUMPHREY of Washington. How much did the gentleman say had been the appropriation for buildings in the State of Washington?

Mr. DONOVAN. The State of Washington, which is about the same in population and in wealth as the State of Connecticut, received \$3,836,000, and the State of Connecticut received only \$419,000. In other words, the State of Washington received nine times as much as the State of Connecticut.

Mr. HUMPHREY of Washington. Will the gentleman state how much Connecticut received from the Government before the State of Washington was admitted into the Union?

Mr. DONOVAN. I will not state, for I do not know.

Mr. HUMPHREY of Washington. How many cities has the gentleman in his State with over 10,000 inhabitants?

Mr. DONOVAN. I will not say, for I do not know. The moment your people got into the trough the question of the "pork barrel" was over, for you took it all. Again I repeat that in that part of the United States, as in no other part of the United States, nearly half a million dollars was contributed to four towns for public buildings, with a total population in the four towns of less than 10,000 people.

Mr. GILLET. Mr. Chairman, the gentleman from Alabama criticized me because I declared, and I hold to that firmly now, that if I had my way appropriations should be limited to cities of 100,000 or 50,000 population, while I had introduced in the last Congress a bill for the town of Amherst with only 5,000 inhabitants. That is one of those charges of personal inconsistency, which seem for the moment effective, which catch momentary attention, but which when you reflect turn out to be fallacious and worthless. It might catch a momentary applause, but I am sure would make no lasting impression. The facts are these:

I found that the whole House, every Member of the House, was getting a bill for a public building. Although I thought there ought not to be any public-buildings bill in that session.

I did not propose that my district should be the only one left out because I suggested no town. Was there any inconsistency in that? I vote every year against the appropriation for garden seeds. I think it is an unwise and selfish appropriation of the public money, but I send out my quota of seeds, for I do not think my district ought to lose them and every other district have them.

In the same way I am sure the membership of the House will recognize that there was no inconsistency or impropriety on my part in taking a public building for a town in my district when every other district was getting one, just because I thought it was bad policy to authorize the great majority of the buildings, including my own. I was opposed to the bill, but if I could not succeed in defeating it I did not want my district to suffer for my opinions.

What are the facts? I supposed when the Democratic Congress was organized, as it was said to be organized in the interest of economy, that there would be no public-building bill in that Congress, and for a long time I put in no proposition. But I found toward the end of the Congress that everyone was putting one in and that a report was soon to be made. So I prepared and offered a bill. Remembering that we were told by Mr. PALMER that the committees had been organized with a special aim at economy, that the Democratic Party was trying to make a record for economy, I supposed that the standard cost for buildings would be at least as low as in the Republican Congresses and so I put in a bill for the town of Amherst for a building to cost \$50,000. That town had over 5,000 inhabitants, with postal receipts of \$24,000. That economical Democratic committee thought I was too modest and that my suggestion of \$50,000 was too small and increased it to \$80,000. Now, I do not think that is any abandonment of the principle which I believe in, that no appropriation at all should be made for any cities or towns except large ones. I will vote and work for any such limitation. I will try to defeat any bill without it, whether I have an appropriation in it or not; but if a bill goes through despite my opposition, and I can not prevent it, I do not want my district to be the only one discriminated against.

I was pleased to hear the gentleman from Florida [Mr. CLARK] the chairman of the Committee on Public Buildings and Grounds, say that in the future he would oppose any appropriation for a building the interest on the cost of which would exceed the existing annual expenditure for the office. If that had been put in effect in the bill which was passed at the last Congress, if the gentleman from Florida had acted then on the principle which he now says he stands upon, I think more than half of the propositions in that bill would have been eliminated. I fear, too, all its popularity would have been lost.

But if the gentleman from Florida really believes in that principle, let me suggest that it is not too late for him to act upon it now. There have been no appropriations for the last public buildings act, and it still rests with this House to say whether we shall appropriate for them or not. If the gentleman from Florida is really sincere, and his committee is with him, if the Democratic House wishes economy, there is still ample time to act on the principle which he proclaims; and I hope when the proposition comes before this House to appropriate for any of the hundreds of buildings authorized in towns where the annual expense does not begin to equal the interest on the cost of the public building, I hope that we shall see the gentleman from Florida oppose that appropriation and stand by the very sensible rule which he has announced.

I will gladly join with him. That is an evidence of progress. It indicates that the monstrous extravagance of the last bill has aroused reflection and hesitation and reconsideration. Despite your protestations of economy, I think everyone who investigates that bill will admit it was the most indefensible and extravagant public-buildings bill that has ever passed Congress.

Mr. HARDWICK. Mr. Chairman, will the gentleman yield?

Mr. GILLETTE. Certainly.

Mr. HARDWICK. I quite agree with the gentleman, but does he not think the Senate made it even worse?

Mr. GILLETTE. Oh, yes. Of course the Senate made it worse.

Mr. BURNETT. And it was a Republican Senate?

Mr. GILLETTE. Why certainly; but gentlemen seem to forget that that Democratic House started in with the battle cry of economy—that this committee was since organized in the interest of economy, and yet even the bill presented by this House was an indefensible one. Nobody ever claimed that economy was a senatorial attribute.

The gentleman says that I was entirely mistaken in my facts when I said that there were over 100 appropriations in that bill for towns with less than \$10,000 of postal receipts. I told my secretary to figure up the postal receipts of the various

places and he assured me that there were over 100 of that character. I may be wrong. The gentleman from Alabama may be correct, but I back the statement of my clerk against the offhand statement of the gentleman from Alabama.

Mr. MANN. Mr. Chairman, the gentleman from Massachusetts [Mr. GILLETTE] has referred, and several other gentlemen have referred, to the public-buildings bill passed in the last Congress. The gentleman from New York [Mr. FITZGERALD] was more apt in his designation of the bill, because he referred to it as a bill approved by the President on the 3d of March. The fact is that the public-buildings bill of the last Congress was never legally passed. It passed the House, went to the Senate, had a large number of amendments agreed to in the Senate, and was sent to conference. The conference report on the Senate amendments, with the exception of 4 out of 200, was never acted upon by the House. It was never presented to the House. The gentleman from Georgia [Mr. HARDWICK], who made quite a gallant fight against that bill at the last session, might possibly accomplish his purpose if he could proceed, which I do not think he is required to do, through some court and attack that bill. It is true that the Committee on Enrolled Bills certified to the Speaker that the bill had been truly enrolled. It is true that the Speaker signed the bill and that the Vice President signed the bill and that as an enrolled bill it was transmitted to the President and that the President put his approval upon it, but it is also true that so far as the action of the House of Representatives is concerned the Journal of the House showed that it has just as much effect as a public law as though the Committee on Enrolled Bills had cited Hinds' Precedents as the law and had the Speaker certify it had passed the House and the President approves it.

Mr. SIMS. Mr. Chairman, will the gentleman yield?

Mr. MANN. Certainly.

Mr. SIMS. Would it not be the duty of the Attorney General under these circumstances—

Mr. MANN. Oh, I do not intend to say what the duty of the Attorney General is.

Mr. SIMS. I do not mean exactly that, but in other words, some of these buildings are public buildings. Some of them are to be constructed in the District of Columbia, where they have no Member of Congress, and there is a project which was authorized by the Senate to buy all of the unsalable stuff between the Potomac River and the Soldiers' Home. I would like mighty well to contest the validity of that provision of the bill. I have a site for a building in the bill, and I think I would be doing a good work to lose that site if I could stop the Washington project.

Mr. MANN. Mr. Chairman, the Attorney General is better qualified to tell what his duties are than I. I have a great deal of confidence in the Attorney General. I do not believe that any bill after it has been erroneously certified to by a committee of the House and certified to by the Speaker under error and approved by the President under error ought to be permitted to stand as a law, because that stultifies the proceedings of the House, and unless the House or Congress or some other official takes action it shows that we do not hold sacred the proceedings of the House.

I yield to the gentleman from Georgia [Mr. BARTLETT].

Mr. BARTLETT. The gentleman, of course, knows while in a court they would accept as a verity the Journal of the House, yet the court, I apprehend, would not accept as a verity something which the House Journal did not show to be the truth.

Mr. MANN. The Journal of the House shows that the conference report upon over 200 of these Senate amendments was never acted upon by the House, and that the only conference report on this bill that was acted upon was a conference report involving four amendments.

Mr. BARTLETT. That being so, then the mere fact the enrolling clerk certified it to the presiding officer would not prevent anyone from attacking the fact of its being passed by the House, because the courts, while they will not permit the Journal to be attacked, certainly would not hold where the Journal failed to show that the act passed that that fact could not be shown, I apprehend.

Mr. MANN. I have not undertaken to look up the law upon that subject, but I have undertaken to look up the facts.

Mr. HARDWICK. I am afraid the gentleman can not answer my question. I was of the opinion that the certificate of the Speaker and of the President of the Senate to the President, sending the bill to him, probably would control if that were tested in a court of law.

Mr. MANN. I had supposed there must be some way, as very frequently there is some way about State legislatures, of testing questions by the journal. It would certainly seem, if the Speaker through error or design should certify that a bill had

passed the House that had never been introduced and signed by himself, and the Vice President or the Presiding Officer of the Senate should do the same, that there was no way to correct it except by repeal. Of course the gentleman understands I am not making any criticism of the Speaker for signing the bill.

Mr. HARDWICK. I know that.

Mr. MANN. Nor the Committee on Enrolled Bills.

Mr. HARDWICK. I am just taking the gentleman's argument a little further. Suppose the journal were doctored, too, and that might happen—

The CHAIRMAN. The time of the gentleman has expired.

Mr. FITZGERALD. Mr. Chairman, just a moment to make this statement. In Clark against Field, I think it is reported in One hundred and forty-third United States Supreme Court, in an opinion handed down by Mr. Justice Harlan, he held that the court would not go behind the certificate of the Vice President and the Speaker on a bill.

Mr. MANN. I think, if the gentleman will pardon me—

Mr. FITZGERALD. That case arose, if the gentleman will pardon me, from litigation in connection with the McKinley Tariff Act. A concurrent resolution was passed authorizing the conferees to insert in the bill a provision which had not been in it. The question raised was that the provision had never passed the two Houses of Congress as required by the Constitution. The United States Supreme Court took the very broad position that it would not go behind the certificate of the two presiding officers.

Mr. MANN. I should assume that a bill passed and certified to and approved by the President was not subject to a collateral attack. It was a collateral attack made in that case, but certainly would be subject to direct attack.

Mr. HARDWICK. The gentleman means of course if somebody should enjoin the Treasury Department from paying out money under the provisions of the bill, or something like that.

Mr. MADDEN. Mr. Chairman, the discussion of this amendment has taken a very wide range—

Mr. FITZGERALD. Mr. Chairman, I move that all debate on the pending paragraph and all amendments thereto close in five minutes. We lose sight of what is before the committee.

The CHAIRMAN. The gentleman from New York moves that all debate on the pending paragraph and amendments thereto close in five minutes.

Mr. THOMPSON of Oklahoma. Does that mean that Members will be prohibited from offering an amendment?

Mr. FITZGERALD. Oh, no; it is simply on the pending paragraph.

Mr. THOMPSON of Oklahoma. That is all right.

The CHAIRMAN. The motion is that debate on the pending amendment be closed in five minutes.

The motion was agreed to.

Mr. MADDEN. Mr. Chairman, inasmuch as the debate on the pending amendment has not been confined exactly to the amendment, I am going to ask the indulgence of the committee for five minutes to talk on the question of standardization of buildings.

I come from a city with 196 square miles of area and a population of 2,500,000 people, with the greatest post office in America, having more receipts than the post office in New York City and having 6,750 men employed in that great institution. The central post-office building not only contains the courts and the marshal's office and the collector of customs' office, but we have for the conduct of the postal business of the city of Chicago 50 subpostal stations, located in various sections. The Government of the United States never presumes to erect these buildings. Private individuals build them and rent them to the Government for post-office purposes.

The man who constructs the building enters into a lease with the Post Office authorities for a period of 10 years, and the Post-Office authorities direct the character of building to be constructed. The owner of the building then furnishes not only the building but the heat and the light and all the furniture that is required in the conduct of the postal business. All of the furniture and all of the buildings are of standard design.

The work in every one of these buildings is done on a single floor. It is done with greater economy than a like business is done anywhere else in the United States. We have receipts amounting to \$26,000,000 a year, and we run the office on the basis of 28 per cent of the receipts. These expenses have been reduced within the last two or three years under the present postal management of the city of Chicago from 35 to 28 per cent.

There is one way by which the Government of the United States could be saved a lot of money and have the business of the Post Office Department conducted along economical, scientific business lines. In the rural districts of the United States—for

example, in an agricultural county—a post-office building can be erected in the county seat and a postmaster appointed, a man of high-class executive ability, in that place, and all the towns of the county outside of the county seat could be made sub-postal stations, superintended and directed by the postmaster at the county seat. You could get somebody in the town to erect a standard building, to furnish the heat and the light, and to furnish the furniture, and in this way the rent the Government would be called upon to pay for the use of the building would not exceed 10 per cent of the cost to the Government under the present method.

If you want standardization, if you want economy, if you want business practice, if you want to conduct the post office along scientific business lines, here is an outline of a suggestion for you. The Democrats are in control. They go before the people on the theory that they want economy. This is a suggestion for economy.

The chairman of the Committee on Public Buildings says that you can standardize. Well, you can standardize buildings of a certain class above the ground, but nobody can standardize the foundation of a building, because every foundation of every building is put in under different conditions. You can not standardize a building where the foundation is laid in rock; you can not standardize a building where the foundation is laid in quicksand. The two conditions are totally different. You can standardize the superstructure of a plain, soap-box form of building, and that is all.

But the way to standardize is for the Government to discontinue investing its money in public buildings and get somebody in every town where a public building for a post office is required, to put up a building of a standard class, situated so that you will get a light from the roof, so that the men can see without artificial light every hour of the day, no matter how cloudy the day may be.

We have reached the climax, the acme, I may say, of perfection in the construction of our subpostal stations in our great city. I had the honor of visiting these stations within the last three or four weeks, and I was amazed to see the facility with which business there is conducted; and I recommend this to every city, to every village, and every county all over the Nation. If you adopt it, you will gain the commendation of the people everywhere, you will save the public money, and you will facilitate the movement of the mails. You will do a thing that will gain for you the reputation for business wisdom which a good many people now think you have not got.

Mr. HULINGS. Mr. Chairman, I desire to offer an amendment.

The CHAIRMAN. The time for debate has closed. The question is on the amendment offered by the gentleman from Washington [Mr. HUMPHREY]. The Clerk will report the amendment. The Clerk read as follows:

Page 4, after line 20, insert as a new paragraph the following: "Everett, Wash.: For completion of building under present limit, \$50,000."

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken, and the amendment was rejected.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I desire to offer an amendment.

Mr. HARRISON. I desire to offer an amendment, Mr. Chairman.

The CHAIRMAN. The gentleman from Mississippi offers an amendment which the Clerk will report.

The Clerk read as follows:

Page 4, after line 20, add as a new paragraph the following: "For preparing plans, specifications, and drawings for post-office building at Laurel, Miss., the sum of \$4,000, to be paid out of any appropriation heretofore appropriated for the construction of said post-office building."

Mr. FITZGERALD. Mr. Chairman, I make the point of order that it changes existing law. The act of 1908 prohibits the payment of any services for the preparation of plans out of the appropriation made for the building, and I insist upon the point of order. I refer the Chair to section 6 of the public buildings act of 1908.

Mr. HARRISON. Mr. Chairman, I concede the point of order. I thought that the gentleman from New York [Mr. FITZGERALD] would be charitable enough not to make it.

The CHAIRMAN. The point of order is sustained.

Mr. HOWARD. Mr. Chairman, I desire to offer the following amendment.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Georgia [Mr. HOWARD].

The Clerk read as follows:

After line 20, on page 4, insert the following: "For completing United States post office and courthouse at Atlanta, Ga., \$22,500."

Mr. FITZGERALD. Mr. Chairman, I make a point of order on that. Unless it comes within the limit of cost it is not in order. I have no information on it.

Mr. HOWARD. Mr. Chairman, I do not think it is subject to a point of order. It has been authorized by law. I hope the gentleman from New York [Mr. FITZGERALD] will withhold his point until I can make an explanation about it. Then the Chair can rule on it.

Mr. FITZGERALD. I will reserve the point of order.

The CHAIRMAN. The gentleman from New York [Mr. FITZGERALD] reserves the point of order.

Mr. HOWARD. Mr. Chairman and gentlemen of the committee, I have no criticism to make of the Committee on Appropriations or anybody else. I want to say at the outset that I have the most affectionate regard for everybody who is a Member of this House on this side and a sneaking and affectionate regard for every Member on that side. [Laughter and applause.]

I think the omission of this item in the bill is simply an oversight on the part of this splendid committee. That accounts for their failure to bring in this appropriation.

I represent the next largest city in the world, except New York and Chicago—the city of Atlanta, the most prosperous city in the United States without any exception. We have \$1,256,000 of annual postal receipts. In the year 1905 Congress appropriated a million dollars for the erection of a post-office building in that city. In that building we have the United States court, the United States marshal's office, the internal-revenue collector's office, the different bureaus which the United States Department of Agriculture has established there, and there the immense business of the Atlanta post office is carried on, including that of the Railway Mail Service. They lack sufficient money to complete the fifth floor of that building. They had \$18,750 left. In the last Congress, in connection with the last public building bill, an estimate was sent from the Treasury Department asking for \$22,500 to complete this fifth floor.

Now, I want to make a plain, honest, frank statement to you gentlemen. The people in the district believe that we are entitled to have this building completed. The judge of the United States court has stated to me that even his jury rooms, even portions of his court room and halls, are being used by officers of the Federal Government when his court is not in session. The congestion in that office is a disgrace to the Government of the United States. They have hardly room enough to turn around in. We can go on and save this Government money if you will make immediately available this sum of \$22,500. If you do not do this, you are going to force the people of that office to go outside and rent quarters somewhere else.

Now, it is a pure business proposition. My distinguished and good friend from New York [Mr. FITZGERALD] will say that this has not been estimated for by the Treasury Department. A Congressman has got no way to go down and catch the Secretary of the Treasury by the burr of the ear and make him prepare an estimate for anything. If he does not make the estimate, if somebody did not have the influence to make him make the estimate, if the exigencies of the occasion will not permit him to make the estimate, how shall we ever get the money?

Here is a plain proposition that exists. I tell you that there is a great area on the fifth floor of this magnificent building, a great big unfinished hall; that it will take \$22,500 in addition to the \$18,750 that they have left to make that unfinished hall useful and to relieve the congestion in that office, and I can not, as a Representative of my people, get the appropriation of \$22,500. The last Congress authorized that this money be appropriated, but this committee, with the multitude of things that they have to deal with, overlooked bringing in this additional appropriation of \$22,500. But I know they would have brought it in if they had thought of it, and I asked them not to make any strenuous objection to this.

This is a business proposition, I repeat, and I hope that my good friend from New York [Mr. FITZGERALD], the chairman of the committee, and my distinguished colleague from Georgia [Mr. BARTLETT] will realize the importance of making immediately available this \$22,500, so that the Government can go ahead and complete this building and relieve this congested situation which has existed over four years and a half in the city of Atlanta. The receipts of that post office are such that the post office is entitled to it. We are entitled to the consideration that I have asked at your hands.

I ask you to grant this \$22,500, committee or no committee. I do not do this disrespectfully to the Committee on Appropriations, because I would not offend a hair of the head of any member of that committee for my good right arm in its shoulder

socket. But it is a business proposition, in which this Government is involved.

Mr. ADAMSON. In order to utilize the fifth story, is it only necessary to finish the interior?

Mr. HOWARD. That is all.

Mr. ADAMSON. Do the elevators and staircases run up to the fifth floor?

Mr. HOWARD. Yes. All in the world they have to do is to put in walls and doors, and complete the floors, and do the plastering, and put in electrical fixtures, and \$22,500 will finish it.

The CHAIRMAN. The time of the gentleman has expired.

Mr. FITZGERALD. Mr. Chairman, the gentleman is mistaken as to the relief he wants. The department has the authority now to do this work, to enter into contracts for it and to do it without the appropriation. It does not want this appropriation. It does not ask for it, and it will not spend it if it gets it.

Mr. HOWARD. If the gentleman will permit an interruption right there, I should like to say that the Supervising Architect himself wrote me a letter in the last session of Congress stating the urgent necessity of having this amount put in. My distinguished colleague from Georgia [Mr. BARTLETT]—

Mr. FITZGERALD. Let me finish my statement. I shall not mislead either the gentleman from Georgia or the House. At the last session of Congress the gentleman secured an increase in the authorization for this building, so as to enable this \$40,000 to be expended in the fitting up of this floor. Although there is a balance of \$17,500 on hand, and although authority to contract for work to the amount of \$22,500 additional has been given, the Supervising Architect says that unless the gentleman from Atlanta joins with other Members to secure an appropriation of \$180,000 to increase his force, he will not undertake this work. That is one of the methods to which the architect resorted in order to obtain that money.

Mr. HOWARD. I would not go into that conspiracy with the architect or anybody else, as far as that is concerned.

Mr. FITZGERALD. That makes no difference. The Supervising Architect has stated that, and his statement is in the hearings.

Mr. HOWARD. Will the gentleman allow me—

Mr. FITZGERALD. Let me finish this statement. He has stated in the hearings that unless he gets that \$180,000 to increase his force he can not or will not prepare the plans to fit up that floor.

Mr. MANN. Will the gentleman yield for a question?

Mr. FITZGERALD. I yield to the gentleman.

Mr. MANN. If Congress should make this appropriation, would it not be a direction to the Treasury Department to proceed with the expenditure and do this work?

Mr. FITZGERALD. Congress has already made the appropriation in the case of Everett, Wash. It has appropriated \$95,000 for the building, out of a total authorization of \$168,000.

Mr. MANN. Yes; but that appropriation of \$95,000 that the gentleman refers to was not sufficient to construct such a building as the Supervising Architect thought ought to be constructed, which opinion was afterwards confirmed by Congress.

Mr. FITZGERALD. What the committee did about these matters was this: In every instance in which the department asked for money to carry on work authorized, to complete work under way, the committee recommended the amount. Those recommendations amount to something in the neighborhood of \$650,000.

Mr. MANN. But, after all, if Atlanta is short of space and is renting space and has a fourth floor of its public building unutilized, is it not a common-sense business thing to do to provide the money, not a large amount, which will enable it to utilize that space and stop paying rent?

Mr. FITZGERALD. My contention is that the department ought to do it. It has the authority to do it.

Mr. MANN. Where is the authority?

Mr. FITZGERALD. I shall read the authority to the gentleman. They are not renting any buildings in Atlanta at present. The gentleman is mistaken about that. There are no buildings rented.

Mr. MANN. They are short of space down there. If this floor is not completed, they will soon have to rent.

Mr. FITZGERALD. There is no statement of that character.

Mr. HOWARD. If the gentleman will permit me right there, I made the unequivocal statement that there was a necessity and a congestion, and I do not think the gentleman from New York is justified by anything that is on file in his committee in making the statement that there is no congestion. I know of my own knowledge that there is.

Mr. FITZGERALD. I did not say there was not.

Mr. HOWARD. I have made the statement, and the Supervising Architect so states here.

Mr. FITZGERALD. I have not said there was no congestion.

Mr. HOWARD. I understood the gentleman to make that statement.

Mr. FITZGERALD. I said they were not renting any buildings. The gentleman from Illinois [Mr. MANN] inadvertently said they were.

Mr. ADAMSON. I want to ask the gentleman a question.

Mr. FITZGERALD. Let me make this statement first.

Mr. ADAMSON. All right.

Mr. FITZGERALD. The public-building act authorizes the Secretary to enter into contracts for the completion of each of said buildings within its respective limit of cost, including sites, and it includes Atlanta, Ga., \$22,500. The contracts could have been let, the work could have been done, and probably finished by this time if the department so wished. The statement is made that it will not do the work. The gentleman need not misunderstand me. I have never had any desire to oppose appropriations for public buildings under way or to refuse the money necessary to carry them on.

The Committee on Appropriations invariably recommend the entire amount which the department states will be needed until the next bill carrying appropriations is passed.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. ADAMSON. Mr. Chairman, I ask that the gentleman's time be extended five minutes in order that he may answer a question.

The CHAIRMAN. The gentleman from Georgia asks that the time of the gentleman from New York be extended five minutes. Is there objection?

There was no objection.

Mr. ADAMSON. I gathered from the statement of the gentleman from New York that the Secretary of the Treasury is only willing to do this work on condition that a larger appropriation is allowed for another purpose. I wish to ask if the gentleman thinks it would be proper and desirable to use such language in making this appropriation as would direct and require him to do this particular work?

Mr. FITZGERALD. I do not think it is necessary to do so. The Supervising Architect and the Secretary of the Treasury made an estimate and asked for an appropriation for the Bureau of Engraving and Printing so that it will be ready for occupancy on the 1st of July. They made no request for any increase of the force in order to do that work. They will have to prepare plans and specifications and do the same things that must be done in order to do this work. In this case they have authority to contract for the work, which they have not in the other. The money would be made available when required.

Mr. ADAMSON. As a great many know, there is a crush of business and great necessity for this work in Atlanta, but I understand that when the Representative of the Atlanta district applies to the Treasury for this specific work he is informed:

It will not be done unless you appropriate \$160,000 for other work.

Mr. FITZGERALD. My contention is that that is a policy that can not be defended; that when the Committee on Public Buildings and Grounds increases the limit of cost in certain buildings because of urgent conditions which necessitate increased facilities it is no justification for the department to say that they will not proceed with the work until its force is increased.

Mr. ADAMSON. Could we not remedy the matter by some linguistic formula and say that he is directed and required to complete the fourth story of this building?

Mr. FITZGERALD. I do not think it is necessary.

Mr. MANN. Will the gentleman yield for a question?

Mr. FITZGERALD. I doubt if I have any more time.

Mr. MANN. This bill carries an appropriation of \$40,000 for refitting the Bureau of Engraving and Printing. The gentleman's statement has been that the Treasury Department would not pay any attention to appropriations made by Congress and would not take up anything out of its order. What, then, is the object of making this appropriation of \$40,000 if it will not be reached for four or five years?

Mr. FITZGERALD. Because the Secretary of the Treasury and the Supervising Architect said if this appropriation were made at this time and in this form the work would be finished by the 30th of June. That shows that they have adopted a different policy, or that they treat this improvement differently from the improvements in which individual Members of Congress are interested. That is the reason I was so heartily in favor of giving them this appropriation, in order to demonstrate that in asking the Congress for an increase of force they

were using methods to force Congress into increasing the force that could not be justified. The item for the Bureau of Engraving and Printing is in the exact form in which it was submitted, and no suggestion was made that any additional help was necessary in order to do the work.

Mr. MANN. Now, the answer of the gentleman from New York is very ingenious, but not as frank as the gentleman from New York usually is in dealing with the House. The Secretary and the Supervising Architect informed the committee that if the appropriation was made it would be expended. They would have informed the committee, if they had been asked, if any appropriation had been made for any building it would be expended.

Mr. FITZGERALD. The gentleman from Illinois is mistaken. In every item submitted the committee asked whether the money was needed, and they indicated in some instances that they could not use it and in other instances that they could.

Mr. MANN. I am not endeavoring to criticize the committee and have no intention of criticizing the committee. I think if I had been on the committee I should have done the same as the committee did; they had to lay down some rule and stick to it, but I do not think the House is bound by the action of the committee. If Congress makes an appropriation in full for the building, the Supervising Architect and the Secretary of the Treasury will proceed to expend the money. In this case, if this appropriation of \$40,000 is made for this work, the inside of the Bureau of Engraving and Printing will be torn out and the change made available for the auditor's office. If the amendment of the gentleman from Georgia prevails, and we appropriate \$22,500, the partitions on the fourth floor of the Federal building will be torn out and the improvements will be made during the fiscal year with the appropriation. No department will refuse to do that amount of work.

Mr. Sisson. Mr. Chairman, will the gentleman yield?

Mr. MANN. Mr. Chairman, I yield so that the gentleman from Mississippi may ask the gentleman from New York a question.

Mr. Sisson. The question I want to ask is, if about two or three years ago, in 1911, the city of Atlanta did not ask Congress to donate it a certain building and a piece of property down there, upon the ground that they had all of the public buildings they needed, and that Congress then agreed to permit the city of Atlanta to have that building and property there, for which it paid about \$40,000, according to my recollection?

Mr. HOWARD. Mr. Chairman, will the gentleman from New York permit me to answer that question?

Mr. FITZGERALD. Mr. Chairman, I will state my recollection of it. Congress did vote to the city of Atlanta, under certain terms, the old post-office building, but I do not recall the conditions—

Mr. HOWARD. I will state that the city of Atlanta gave the Government—

Mr. FITZGERALD. Oh, let me finish—that it was because of the fact that they had all of the public-building accommodations that they required.

Mr. Chairman, in reference to the gentleman's amendment, the department under the law has complete authority to do this work.

Mr. HOWARD. Mr. Chairman, I hope the gentleman from New York will permit me to answer the gentleman from Mississippi [Mr. Sisson], because he is trying to prejudice this case.

Mr. FITZGERALD. Certainly.

Mr. HOWARD. The city of Atlanta granted to the United States Government, without the cost of a penny to the United States Government, the entire lot upon which the post-office building was constructed, and when this grant was made from the Government to the city of Atlanta the city of Atlanta paid the Government \$95,000 for the building, which was every penny it was worth.

Mr. FITZGERALD. Oh, it got a very good bargain.

Mr. HOWARD. It got a bargain in that it got an old shack of a building, and the only value in it was the lot, and we gave them the lot in the first place.

Mr. FITZGERALD. Oh, the gentleman ought not to so impugn the capacity of the officials of the city of Atlanta. They just turned over in their anxiety to get that building for a city hall for Atlanta, and they got it at a bargain.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. Sisson. Mr. Chairman, the purpose of the question that I asked was to show the significance of this situation, that the officials of the city of Atlanta at that time represented that the Government had all of the property it needed, that it had the space it needed, and that the Federal Government did not need

this building and that Atlanta did need it for official purposes. Upon that theory the Government accepted the condition.

Mr. ADAMSON. That will be true when they finish the building which they started.

The CHAIRMAN. Does the gentleman from New York insist upon his point of order?

Mr. FITZGERALD. It is not subject to the point of order, and I withdraw the point of order.

Mr. HOWARD. Mr. Chairman, I ask unanimous consent for two minutes in order that I may read a short paragraph from the Treasury Department as to the absolute need for the completion of this building.

The CHAIRMAN. The gentleman from Georgia asks unanimous consent to proceed for two minutes. Is there objection?

There was no objection.

Mr. HOWARD. I will read:

The contract for the construction of the building did not include the finishing of the fifth story, and as additional space is very urgently required to accommodate the needs of the public service, a report was submitted to Congress February 4, 1913, on H. R. 28529—

Which was the bill introduced by myself—

for the performance of this work at an increase of \$40,000 in the present limit. Act of Congress, March 4, 1913, authorized an increase of \$22,500. This is essentially a continuation of a preceding authorization. Nevertheless, as far as the current program of the work is concerned, it has no place. It is, so to speak, an additional project. In order to complete the work in connection with which it is a supplemental authorization it is desired to consider this as a special project.

Mr. Chairman, I want to say that this is not one of those cases where the Government has to go to the expense of drawing plans and specifications. They have already been drawn. All in the world they have to do is to put a force of men to work. The plans and specifications and everything that is essential to the completion of this work are on file in the Supervising Architect's Office, and, if he desires, within 10 days after this \$22,500 is made available he can put a force of hands to work in the Atlanta post office for the completion of this fifth story which we so much need and desire. Now I will yield to the gentleman.

Mr. OGLESBY. Has the gentleman any assurances that this work will be done if this appropriation is made?

Mr. HOWARD. I absolutely know that it will be done.

Mr. OGLESBY. What assurance has the gentleman?

Mr. HOWARD. I will guarantee that it will be done, even if I have to spend two-thirds of my time in the Supervising Architect's Office until they do get a force of hands to work. [Applause.]

The CHAIRMAN. The time of the gentleman has expired. The question is on agreeing to the amendment offered by the gentleman from Georgia.

The question was taken, and the amendment was agreed to.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I desire to offer the following amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 4, between lines 20 and 21, insert as a new paragraph the following:

"Oklahoma City, Okla., for the purpose of employing a supervising architect to construct an addition to the post-office building, the sum of \$5,000, or so much thereof as may be necessary."

Mr. FITZGERALD. Mr. Chairman, I make the point of order that this is not authorized by law.

Mr. THOMPSON of Oklahoma. I hope the gentleman will withhold his point of order.

Mr. FITZGERALD. Well, it is subject to the point of order. Does the gentleman desire to speak to his amendment? If so, I will withhold the point of order for five minutes. Mr. Chairman, I reserve the point of order for five minutes.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I want to say in behalf of this new paragraph to this bill that I want to reaffirm all that has been said by the gentleman from Georgia [Mr. Howard] with reference to his city of Atlanta, except I want to add to it that Oklahoma City is the largest city in the world, not excluding Chicago and New York, to its age. In 1907, when Oklahoma adopted a constitution and sent it here for approval by the President, charges were made that it was a sectional constitution, that it did not conform to the Constitution of the United States, and that it did not provide a fair basis of representation in the legislature as between the Democratic and Republican Parties, and President Roosevelt ordered a special census to be taken, at an expense of more than \$50,000, to determine if these charges were true. By that special census the population of Oklahoma City was shown to be a little over 34,000 people. In 1910, when the Federal census was taken, the population of Oklahoma City was shown to be over 65,000, or an increase of nearly 100 per cent in three years. In this good day,

Mr. Chairman, the population of Oklahoma City is 100,000, and I do not think there will be any dissent on this floor or in this country against the statement I make that Oklahoma City is the largest city in the world to its age, and it is likewise one of the very best. Now, Mr. Chairman, there are more than 500 postal employees in Oklahoma City. All railway mail divisions center in Oklahoma City. The internal-revenue district of the State has offices in Oklahoma City, and the Federal court has just now moved its headquarters to Oklahoma City. I was there less than one month ago, and there is absolutely no room in the Federal building in Oklahoma City for these different departments which are moving down to Oklahoma City to make it their headquarters. In addition to this, the parcel post has just been inaugurated, and I am informed that it will be necessary to double the employees of the postal service at that point. Now, Mr. Chairman, I want to call the attention of the committee to this fact. Originally there was an appropriation of \$30,000 to acquire a site at Oklahoma City and \$250,000 to erect a building. That was when the population of Oklahoma City was 34,000.

After that and when the population was increased a subsequent appropriation was made of \$130,000, \$100,000 to be used, if necessary, for the purpose of purchasing an additional site, and \$30,000 to make extensions to the building. After that a third appropriation was made of \$150,000 for addition and extension to the present building. That appropriation is now available, but the Supervising Architect of the Treasury Department in a conversation that I had with him a few days ago told me that this \$150,000 now appropriated and now available in making the addition and extension to that Oklahoma City building could not be used until there were sufficient funds appropriated by the Congress in order to provide additional architects so that the work of the architect's department could be carried on. Now, Mr. Chairman, it will be about four years until that work can be commenced unless this appropriation is made. This \$150,000 that has already been appropriated can not be expended unless a small sum is appropriated here to provide for an architect to supervise the preparation of plans and specifications for that additional building. I submit it is not fair to the people of that new and growing and splendid city that their service be paralyzed and that they be made to suffer for want of push, and energy, and enterprise on the part of their elder but more sleepy neighbors.

Now, Mr. Chairman, we are entitled to this. The \$5,000 will not amount to the rent that it will be necessary to expend on the part of the United States for one year. So I fail to see, Mr. Chairman, how it would be economy on the part of the Government if we fail to appropriate a sufficient sum to provide for this additional expenditure so that the additional work may be done there that was contemplated by the appropriation that has already been made by the Congress. We are not asking for any additional appropriation. All we are asking for is the appropriation for architectural service so that the money already appropriated may be expended.

In the name of justice to the people of that splendid city, in the name of economy for all the people, I ask this small amount that the money already appropriated may be used and the business of the people facilitated. I am asking for right and justice in the name of a great and brave people who have by their energy and their courage built the greatest city in the world of its age.

The CHAIRMAN. Does the gentleman from New York [Mr. FITZGERALD] insist on his point of order?

Mr. FITZGERALD. I insist on the point of order.

The CHAIRMAN. The point of order is sustained.

Mr. THOMPSON of Oklahoma. I make the point of order that there is no quorum present.

The CHAIRMAN. The gentleman from Oklahoma [Mr. THOMPSON] makes the point of order that there is no quorum present. The Chair will count. [After counting.] One hundred gentlemen are present—a quorum.

Mr. HULINGS. Mr. Chairman—

Mr. REED. Mr. Chairman, I desire to offer an amendment.

The CHAIRMAN. The gentleman from New Hampshire [Mr. REED] offers an amendment which the Clerk will report.

The Clerk read as follows:

Page 4, after line 20, add, as a new paragraph, the following: "Laconia, N. H.: For post-office building, \$75,000."

Mr. FITZGERALD. Mr. Chairman, I reserve a point of order on that.

Mr. REED. Does the gentleman make his point of order?

Mr. FITZGERALD. I reserve it. I want to see what it is, first.

Mr. REED. It is for \$75,000 for the Laconia post office.

Mr. FITZGERALD. Yes; I reserve a point of order on that.

The CHAIRMAN. The gentleman from New Hampshire [Mr. REED] is recognized.

Mr. REED. Mr. Chairman, I might delay this body for an indefinite period if I desired to speak upon the different phases of this question that has been entered into here this afternoon. I have no desire, however, to say anything in relation to the subject that has been so ably discussed and so thoroughly covered. I refer to the subject of the architect's office, of which it has been said, and has not been denied, that for every plan and specification that comes from that office it adds 6 per cent to the entire construction cost of the building. It seems to me that that is an outrageous price and a most ridiculous and extravagant proposition, and that it should be taken out of the hands of any department that adds that expense to the cost of any building. This country is fairly teeming with architects who would be glad, I am sure, to do the entire work of furnishing plans and specifications for every public building which will be erected by the United States Government for the next 100 years, if they are furnished with rent, light, heat, and all the paraphernalia to do the work with, for 1 per cent, if permitted to standardize the buildings, and be tickled to death to get the job. But I have no time to discuss that proposition. It has been very thoroughly covered.

I want simply to say to this distinguished body that there are four cities in my State for which appropriations have been authorized for the purpose of building post offices. Laconia, the one place for which I have attempted to amend this bill, was authorized an appropriation in the bill of March 4, 1913, of \$75,000. The city is of the required size, has more than the sufficient number of dollars in postal receipts required by law, but the post office is, notwithstanding, now occupying a rented building. Only recently I received a communication from the postmaster of that city, in which he stated that the lease on the building would expire about September 1; that he had already been served notice by the landlord of the building that if a new lease was desired it could only be had at nearly a 50 per cent increase upon the rent now paid, and would be carried from the date of the expiration of the present lease.

That is the situation that always confronts us when we are forced to occupy a leased building in which to do the post-office or any other business of this country. It is unsatisfactory and is a premium upon graft. No landlord in this country is going to let the United States Government have any building at any place where they are forced to accept a lease without from time to time increasing the rent and taking advantage of the opportunity which is presented thereby of extorting a few dollars or a few hundred dollars out of the United States Government.

I am free to confess that I have no hope of getting an appropriation for this building through at this time, the point of order having been made, although it has been authorized by a previous bill in this body. But I sincerely hope and trust, gentlemen, that you will give this matter your earnest and careful consideration. It is very much needed. It is very much more needed than a number of propositions of this kind that were passed in the same bill in which this appropriation was provided for on March 1, 1913.

Mr. SHARP. Mr. Chairman, will the gentleman yield for a question?

The CHAIRMAN. Does the gentleman yield?

Mr. REED. Yes; certainly.

Mr. SHARP. How large a city is Laconia?

Mr. REED. It is a city of between ten and fifteen thousand inhabitants.

Mr. SHARP. What are the postal receipts?

Mr. REED. That I am not able to answer accurately.

Mr. MURRAY of Oklahoma. And it may be added that it is the center of all the surrounding country up there. [Laughter.]

Mr. REED. I would like to ask the gentleman to repeat the statement he made to my colleague in language that I was unable to hear.

Mr. MURRAY of Oklahoma. I said it was the center of all the surrounding country up there.

Mr. REED. No; not quite that yet, although it has that alfalfa country of yours backed off the map.

Mr. FITZGERALD. Mr. Chairman, the building was only authorized at the last session of Congress, and even if the appropriation were made now it would not help the gentleman, because he would not get the building. I make a point of order on that.

The CHAIRMAN. The point of order is sustained.

Mr. HULINGS. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Pennsylvania [Mr. HULINGS].

The Clerk read as follows:

Page 4, line 20, after the figures "15,000," add a new paragraph, as follows:

"For the payment of a just share by the United States of the cost of paving, curbing, sewerage, and repair thereof on such parts of the public streets and alleys surrounding property owned by the United States and situated in various cities in the United States, the sum of \$100,000."

Mr. FITZGERALD. Mr. Chairman, I make the point of order on that. It is legislation.

Mr. HULINGS. I hope the gentleman will withhold his point for a moment.

Mr. FITZGERALD. It is useless to discuss that.

Mr. MANN. Let the gentleman have an opportunity to make a statement. Let him have five minutes.

Mr. FITZGERALD. It is legislation. I will ask the gentleman to withdraw his amendment for the present. He can offer it and get time to discuss it a little later on.

The CHAIRMAN. Does the gentleman from Pennsylvania [Mr. HULINGS] withdraw his amendment?

Mr. HULINGS. I will for the present.

The CHAIRMAN. The gentleman from Pennsylvania [Mr. HULINGS] withdraws his amendment. The Clerk will read.

The Clerk read as follows:

New York (N. Y.) assay office: All unexpended balances of appropriations heretofore made for the enlargement, extension, remodeling, or rebuilding of the assay office in New York, including balances of appropriations made or available for vaults therefor, after the payment of outstanding liabilities on account thereof, are reappropriated and made available for the erection of a new structure on the site of the present assay office, including vaults, the services of consulting engineers, other specially trained engineers, and draftsmen to be selected by the Secretary of the Treasury at such rates of compensation as he may deem just and reasonable, and for all such other purposes requisite for the complete construction of such building, including the vaults therefor, all within a total limit of cost not exceeding the balances of appropriations hereby reappropriated.

Mr. REED. Mr. Chairman, I raise a point of order against that. That is new legislation.

Mr. FITZGERALD. Authority was given heretofore to alter the old assay office in the city of New York. The Secretary of the Treasury stated that it would be more economical and better, instead of attempting to repair the old building, to tear it down and put a new building in its place for the amount already authorized. There is no increase in the limit of cost, and there is no increase in the appropriation. It is subject to a point of order if anybody desires to make it.

Mr. REED. I make the point of order, Mr. Chairman.

The CHAIRMAN. The point of order is sustained. The Clerk will read.

The Clerk read as follows:

To pay amount found due for architects for services performed in connection with special repairs of the Treasury Building, \$540.

Mr. HARRISON. Mr. Chairman, reserving the right to object, I notice in that item, from line 9 to line 11, on page 6, this language is used:

To pay amount found due for architects for services performed in connection with special repairs of the Treasury Building, \$540.

What difference is there between that provision and the one we have asked for with respect to these 47 other projects? Is there any authority of law for this?

Mr. FITZGERALD. It is the amount of money found due under a contract entered into under the Tarsney Act. The work has been done. The services of the architects were obtained under the law, and there was a dispute about their compensation. This amount has been finally ascertained as due them.

Mr. HARRISON. Mr. Chairman, I withdraw the point of order.

The CHAIRMAN. The point of order is withdrawn. The Clerk will read.

The Clerk read as follows:

For compensation (not exceeding in the aggregate \$15,000 and at a monthly compensation not exceeding \$300 each, to be fixed by the Secretary of the Treasury) and traveling expenses of agents to select and recommend sites that have been authorized by law for public buildings, for the fiscal year 1914, \$30,000.

Mr. GILLET. Mr. Chairman, I make a point of order against that paragraph.

The CHAIRMAN. The gentleman from Massachusetts [Mr. GILLET] makes a point of order against the paragraph.

Mr. GILLET. It seems it is so clear, Mr. Chairman, that it is not authorized by existing law that there is no necessity of discussing it.

Mr. CLARK of Florida. Mr. Chairman, will not the gentleman from Massachusetts reserve his point of order?

Mr. GILLET. Certainly.

Mr. HARRISON. Mr. Chairman, may I ask the gentleman from Massachusetts [Mr. GILLET], who is a member of this committee, for what purpose is this appropriation intended? Will the gentleman explain? He is a member of the committee,

Mr. GILLETT. Perhaps the chairman of the committee [Mr. FITZGERALD] had better answer. I do not wish to assume to have charge of the bill.

Mr. FITZGERALD. Mr. Chairman, I hope the gentleman will reserve the point of order.

Mr. CLARK of Florida. I want to discuss the point of order.

The CHAIRMAN. The Chair will recognize the gentleman from Florida.

Mr. CLARK of Florida. I will yield first to the gentleman from New York [Mr. FITZGERALD], who desires to make a statement.

Mr. FITZGERALD. Mr. Chairman, I desire to make a statement on behalf of the committee. I hope the point of order will not be insisted on.

There are some 300 sites authorized to be acquired for public buildings. The sites have been advertised for under the law, and tenders have been made in the various localities where the sites are to be selected. In some instances two, three, half a dozen, or a dozen tenders have been made of sites to the Treasury Department. The practice heretofore has been to select some employee in the Supervising Architect's Office who for some reason desired to make a trip to the locality where the site was to be purchased and to send him to inspect the various sites and make a recommendation to the department as to the one best suited for the work and which under all the circumstances would be most beneficial and economical for the Government to purchase. In many instances employees desiring to take their leave were detailed upon these trips, and the opinion is that they were neither competent nor sufficiently interested to make the best recommendations on behalf of the Government.

The Treasury Department believes it will be economical and for the best interests of the Government to select half a dozen men of sufficient capacity, to be sent to the various localities in the country, examine the sites tendered, acquire accurate information as to the value of these sites, make an inspection to determine the advisability of locating public buildings upon the sites tendered, and make a report to the department. It is the opinion of those charged with this work that if this is done, sites much more satisfactory from the standpoint of the Government will be selected and prices can be obtained that will result in economy. It is believed that if this practice be followed, all of these 300 sites can be selected within six months, and thereafter the necessary steps taken to purchase them.

At the outset, when the matter was first suggested, I was opposed to the suggestion; but upon careful investigation, upon inquiry from different sources, I came to the conclusion that with some 300 sites to be acquired, involving an expenditure of at least \$3,500,000, affecting the location of more than 300 public buildings for the transaction of the business of the Government, an expenditure of \$15,000 for the compensation of competent men would be not only desirable, but would be more than repaid in the results to be obtained.

I sincerely trust that this item will not be eliminated from the bill. The expenditure for traveling expenses will be incurred regardless of whether the particular persons are employed, and this will merely enable more competent men to be selected to perform this work.

Mr. CLARK of Florida and Mr. HULINGS rose.

The CHAIRMAN. The Chair will recognize the gentleman from Florida [Mr. CLARK] to discuss the point of order.

Mr. HULINGS. I understood the point of order was withdrawn.

Mr. GILLETT. Oh, no.

The CHAIRMAN. The point of order was reserved. The gentleman from Pennsylvania [Mr. HULINGS] will be recognized in due time.

Mr. CLARK of Florida. Mr. Chairman, we have heard a great deal to-day about economy in the matter of these public buildings. The practice heretofore has been to appropriate \$15,000, I believe, to pay the expenses of agents to go about over the country to select these sites. These agents have been selected from among the clerks, stenographers, and other people in the Treasury Department who simply wanted a jaunt over the country.

When I was up at the Treasury Department a few weeks ago one of the Assistant Secretaries of the Treasury told me that one man in that office had been to him two or three times recently asking to be designated as one of the agents to go up into New England to select these sites. It was in the summer time, and it would simply give this man a little outing. If it was in the winter time, he would have requested to be sent to Florida or Louisiana or some other State in the South.

Now that is the character of the agents who have gone out heretofore to select these sites. They have been stenographers and clerks who knew no more about the value of real estate than a Texas jackrabbit would know if you sent him on a similar mission. The result has been that the Government has been required to pay enormously more than the property was worth; and now when we have an opportunity to institute a real reform that means a saving of hundreds of thousands of dollars to the Government, gentlemen make points of order.

It is the intention of the Secretary to select gentlemen for this work from the different localities where sites are to be selected who are acquainted with property values, gentlemen of integrity and high character and knowledge along these lines. Of course the point of order must be sustained if insisted upon; but if my friend from Massachusetts is as true to his declarations of love for economical administration as he hoped to-day I was, and as I believe I shall show him in the future I am, he will withdraw this point of order.

Mr. GILLETT. Mr. Chairman, I presume there may be some foundation for the statements made by the gentleman from Florida and the gentleman from New York. Very likely employees who want to go to a cooler climate have occasionally requested such an assignment, just as we notice the Secretary of War has just returned from an official trip through the Northwest, and the Secretary of the Navy has been at Newport and other New England resorts.

Mr. MANN. Where is the Secretary of State?

Mr. GILLETT. It all shows that human nature is about the same in the Cabinet and subordinate offices of the Government.

But these personally requested assignments have been rare. I believe, Mr. Chairman, that these men who select the sites have in the main well performed their duty. I have heard in my region little criticism either upon their judgment or their ability. It does not require any great capacity to wisely select a site. It requires good judgment and impartiality and honesty, and that is about all. I believe, Mr. Chairman, we are quite as likely to get that from subordinates in the Treasury Department as they are from men appointed by the Secretary of the Treasury, as he expects, outside of the civil service, because that means that they will not be appointed by the Secretary from the men he knows best fitted for the positions, but they will be appointed because the gentleman from Florida or the gentleman from New York or other influential Democrats wish to get places for their friends. Therefore, I believe the present system is more economical and will bring better results than this desired change, which merely offers more patronage. If the other side of the House wants to take the responsibility of carrying this, they can do it in the Senate, or they can get a rule. Therefore, Mr. Chairman, I now make the point of order that this is not authorized by existing law.

The CHAIRMAN. The point of order is sustained.

Mr. AUSTIN. Mr. Chairman, with all due respect for the present occupant of the chair, I appeal from the ruling of the Chair.

The CHAIRMAN. The gentleman from Tennessee appeals from the ruling of the Chair. The question is, Shall the decision of the Chair stand as the judgment of the committee?

The question was taken, and the decision of the Chair was sustained.

Mr. COX. Mr. Chairman, I move to strike out the last word.

Mr. MURDOCK. Mr. Chairman, the gentleman from Pennsylvania [Mr. HULINGS] has an amendment, which he has sent to the desk, inserting a new paragraph.

Mr. HULINGS. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Page 6, between lines 17 and 18, add a new paragraph, as follows: "For the payment of a just share by the United States of the cost of paving, curbing, sewerage, and repairing thereof on such parts of the public streets and alleys bounding property owned by the United States and situated in boroughs and cities in the United States, the sum of \$100,000."

Mr. BARTLETT. Mr. Chairman, I reserve a point of order on the amendment.

Mr. HULINGS. Mr. Chairman, I only desire a moment to bring to the attention of the House a matter that I think is of importance. I believe that the United States, while it does pay for light and water and heat for its public buildings situated in towns and cities, and for things of that sort, should also pay for the arrangements that are necessary in the way of disposing of sewage and the paving of the streets contiguous to its public buildings. While I understand that this measure has been before the House many times in the past, I have heard no substantial reason advanced why the United States should

not pay its full share of the paving and curbing and sewerage and the improvements of its real estate in like manner as any private owner of abutting property on the street is compelled to pay under the law.

The department has refused to make contributions for these purposes on the ground that there is no appropriation for it. It is a matter that is standing in the way of public improvements in many places. While this may be thrown out under a point of order made by some of our parliamentary sharps, still I believe it is a matter that should be brought up and disposed of by Congress, as I can imagine no reason why the Government should insist that private owners of adjoining property should pay for the improvement of Government property.

Mr. MANN. Will the gentleman yield?

Mr. HULINGS. Certainly.

Mr. MANN. Has the gentleman made any estimate of the amount of money which would be required if Congress should undertake to pave the streets surrounding the public buildings throughout the United States?

Mr. HULINGS. I have not the slightest idea. I believe \$100,000 will be only a drop in the bucket, but it would be enough to inaugurate the system. It is right that the Government should stand in and pay the cost of proper and necessary street improvement, and this powerful Government should not stand at the cost if it is right. It will not cost the Government, which is the aggregate of the people, any more than its fair share. The individuals who are now obliged to pay for the Government's share of these improvements often do so from slender purses, and the refusal of the Government to contribute simply makes it inequitable and often impossible for the people in towns where there are Government buildings to make much-needed public improvements.

Mr. FITZGERALD. Mr. Chairman, before insisting upon the point of order, I will state that there is a general statute which prohibits the acquisition of any site by the United States in any city unless there is a law in the State in which the city is situated which forever makes that property exempt from taxation, and in a case that went to the United States Supreme Court it was held that an assessment for improvements came within the prohibition and the United States could not be made liable for assessments for improvements. That statute was adopted by Congress after careful consideration, and to attempt to change it at this time would not only be a reversal of policy, which has been fixed for years, but it would entail the expenditure of untold millions of dollars.

Mr. HULINGS. Mr. Chairman, I desire to say that I will not resist the point of order if it is made, but I have already presented to this House a bill which covers the same subject, and the purpose of offering this amendment at this time is more to bring the matter to the attention of Members of Congress in order that they may consider it.

Mr. MANN. The gentleman should get the attention of the Committee on Public Buildings and Grounds, because that committee has legislative authority over the subject and can provide for the introduction of such a provision.

Mr. MURDOCK. Mr. Chairman, will the gentleman from New York yield?

Mr. FITZGERALD. Certainly.

Mr. MURDOCK. Does the Government property stop at the sidewalk in every instance?

Mr. FITZGERALD. It depends entirely upon the way in which they acquire title. If the Government acquires title to the center of the street, they have that title.

Mr. MURDOCK. As a matter of fact, they do not acquire title to the center of the street, and what I want to get out of the gentleman is this: Do they require, as a rule, sidewalk space?

Mr. FITZGERALD. I am not sufficiently informed to answer the gentleman.

Mr. MURDOCK. I have been informed that in New York City—I think it is in the case of the customhouse—the Government pays rental to the city of New York for space used under the sidewalk.

Mr. FITZGERALD. That is a different matter. Under a city ordinance in the city of New York no one is permitted to put a vault outside of the building line except upon obtaining a permit from the city authorities and the payment of an annual fee based upon the amount of space that is used. Even the owner of the property can not do so.

Mr. MURDOCK. Even if the title is in the private individual, he must pay for the space used under the sidewalk?

Mr. FITZGERALD. Yes.

Mr. MURDOCK. Does the gentleman know whether the Government does that in New York in any instance?

Mr. FITZGERALD. I do not know. I doubt it, because there is no appropriation with which I am familiar out of which it could be paid, unless perhaps it may be paid out of the customs appropriation. My doubt is emphasized by this fact, that in the city of New York a franchise was granted to the Government to lay a pneumatic tube from the customhouse to the appraisers' stores, and I think legislation was obtained to make it in perpetuity.

Mr. MADDEN. But they would not need any legislation. The Government would have a right to lay that pneumatic tube without any authority from the city.

Mr. FITZGERALD. Oh, no; it would not.

Mr. MADDEN. Oh, yes. The Government has a right to take any street in any city in the United States upon which to lay its pneumatic tubes, without any authority from the city.

Mr. FITZGERALD. The gentleman is mistaken. The United States would have to condemn a right under the provisions of the Constitution, authorizing it to acquire property rights by the exercise of eminent domain. This was granted without any such proceedings. Mr. Chairman, I insist upon the point of order.

The CHAIRMAN. The point of order is sustained.

The Clerk read as follows:

REVENUE-CUTTER SERVICE.

To supply a deficiency in the appropriation for expenses of the Revenue-Cutter Service, including all objects of expenditure authorized in said appropriation for the fiscal year 1913, \$4,857.

Mr. MURRAY of Oklahoma. Mr. Chairman—

Mr. MANN. Mr. Chairman, I move to strike out the last word for the purpose of suggesting that in the ordinary course of events—

Mr. FITZGERALD. I suggest we get down to line 15 on the next page. The gentleman from Oklahoma desires to offer an amendment.

Mr. MANN. What is it about?

Mr. FITZGERALD. He wants to make a few remarks.

Mr. MANN. What about?

Mr. MURRAY of Oklahoma. I want to discuss the Revenue-Cutter Service.

Mr. MANN. The gentleman does not want to discuss the Revenue-Cutter Service. Coming from the part of the country he does, he does not know anything about that service.

Mr. FITZGERALD. The gentleman from Indiana [Mr. Cox], at my request, waited until this time to submit some remarks on the public-buildings matter, along the line of those already submitted, and he desires to have them appear in the Record with those already made, and I hope the gentleman will withhold his point.

Mr. MURRAY of Oklahoma. Mr. Chairman, I move to strike out the last word. Mr. Chairman, the House will doubtless understand the difficulty I have in discussing a subject not directly in connection with this bill and yet conform to the rule, so that I may not be taken off the floor by a point of order. This paragraph relates to the Revenue-Cutter Service, whose duties, I am informed by the committee, will be to see that the revenues are collected; incidentally, of course, it will have to do with contraband goods.

Mr. MANN. Well, they do not have anything to do with the collection of the revenue. I said the gentleman did not know.

Mr. MURRAY of Oklahoma. I will accept the gentleman's information on that point. Incidentally they would have to do with the embargo against certain goods. This Nation has never, except in two instances, entered upon a system of embargo. First, in 1807 Mr. Jefferson, with an idea that the country could exist without any military force, conceived the notion that by retaliation and by exclusion of commerce war could be prevented. It was first favored by the agricultural States, but they later demanded its repeal when they suffered for a market. Jefferson lived to regret it, and it is the only policy that he advocated that he ever had cause to regret.

In after years he said, speaking of the Shay rebellion:

God forbid we should ever be 20 years without such. * * * What signify a few lives lost in a century or two? The tree of liberty must be refreshed from time to time with the blood of patriots and tyrants. It is its natural manure. (Jefferson's Works, vol. 2, p. 267.)

Jefferson's own party repudiated the embargo doctrine. In 1809 Congress, fresh from the people, or at the behest of the people, repudiated that act of embargo. The President plead with Congress not to repeal it until the 1st of June, but in February they made the act take effect on the 1st of March. Now we have come to the proposition of an embargo upon a certain kind of goods that may be used in war, and that embargo is fixed under a resolution of Congress and declared by President Taft and still continues. If this is intended to continue I am opposed to it. The doctrine of neutrality in every nation, and especially of this, has been that a neutral power is not called

upon to cause any of its citizens to sacrifice any of their rights to trade with the world.

Mr. Jefferson, when Secretary of State, so stated to the British minister, and it was stated by every Secretary of State since when the question arose; and yet we say that because there is a war in Mexico, or rebellion, that firearms and ammunition and everything that may be used in war shall be prohibited from being shipped across the border, and so absurd is that doctrine and so unjust in its application that in El Paso a retail merchant stands indicted and under bond for selling cartridges to a Mexican in his retail business. The only limitation we can exact of a merchant is that if the goods should be sold and one of the belligerent parties gets possession of them he can not ask his Government for compensation for their destruction. I had hoped that since the experience of this country in the embargo act of 1807 to 1809 we would never engage in this policy again.

Now, the President says he holds to Taft's order because he is opposed to Huerta. In that opposition I think he is wise, but inadvertently he is assisting Huerta, because the latter has the ports where they collect the Mexican revenue, and guns may be shipped through those ports to the Huerta government unless we close them.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. MURRAY of Oklahoma. Let me finish this sentence, and then I will close.

Mr. MANN. Mr. Chairman, reserving the right to object, I will say to the gentleman, if he proceeds along these lines again after he finishes the sentence I will make a point of order against it.

Mr. MURRAY of Oklahoma. I am discussing this question.

Mr. MANN. I will leave that to the Chair.

Mr. MURRAY of Oklahoma. Let me finish this sentence.

Mr. MANN. All right. I do not think that side of the House ought to discuss the Mexican situation and ask this side to keep still.

The CHAIRMAN. The gentleman from Oklahoma asks unanimous consent for an extension of a minute. Is there objection? [After a pause.] The Chair hears none.

Mr. MURRAY of Oklahoma. The patrol on the land border of Mexico by the United States Regulars cuts the insurgents off from getting arms, and thereby instead of making a balance between the two it creates a situation which aids Huerta to the detriment of the insurgents. The only way to insure fair play is to follow the international law. Situated as we are, let American merchants sell their goods anywhere in the world under the international law, and give the contending Mexican hands equality. That would not aid Huerta but would put them both on the same basis. I cordially approve of the President in his opposition against Huerta; but I oppose such unjust restriction against American commerce, without which agriculture will suffer, as it did in the embargo act of 1807, which caused its repeal.

The CHAIRMAN. The gentleman from Indiana [Mr. Cox] is recognized.

Mr. COX. Mr. Chairman, I will not consume time this evening if the gentleman from Illinois [Mr. MANN] wants to adjourn.

Mr. MANN. I am not raising any question. I always love to listen to the gentleman from Indiana.

Mr. COX. I do not want over three minutes.

Mr. MANN. Will the gentleman yield to let the gentleman from Maine [Mr. HINDS] make a request?

Mr. COX. I will.

Mr. HINDS. Mr. Chairman, I ask unanimous consent to extend my remarks in the Record.

The CHAIRMAN. The gentleman from Maine [Mr. HINDS] asks unanimous consent to extend his remarks in the Record. Is there objection? [After a pause.] The Chair hears none.

The gentleman from Indiana [Mr. Cox] is recognized.

Mr. COX. Mr. Chairman, I only want to make a statement in connection with the arguments made this evening, pro and con, by some of the Members as to an appropriation of \$150,000 for the purpose of enlarging the Supervising Architect's Office.

I do not believe that enough of importance is attached to the statute read by the gentleman from New York [Mr. FITZGERALD] which provides that whenever a department finds itself in arrears, it can exact longer hours of service of its employees. I understand the employees of the Supervising Architect's Office work only seven hours per day. Now, to the point.

Two years ago this summer, my committee, the Committee on Expenditures in the Treasury Department, investigated to some extent the Supervising Architect's Office, and I found it to be

true that some of the employees in the Supervising Architect's Office, after working seven hours a day, went out and employed themselves with private architects.

Now, the query occurs to my mind why this statute is not being enforced. If there is a congestion in the Supervising Architect's Office, under the statute which is now in force and which gives the Secretary of the Treasury the power, I would like to know why he does not exact of these employees a few longer hours each day so as to work out the congestion there? If that statute be enforced, these employees could well afford to work a few extra hours each day for the Government instead of, following their day's work, employing the remainder of their time, three or four or five hours, with outsiders, that work could soon be caught up, and then every Member of this House who is insisting on public buildings would not be required to ask Congress to appropriate \$150,000, or any other sum of money, to work out that congestion.

Now, I am not saying, Mr. Chairman, that the present Secretary of the Treasury has failed to look into that matter, but I do believe it to be the part of wisdom for the Secretary of the Treasury to look into it and see whether or not the employees of the architect's office after working seven hours per day are employing the remainder of the day and selling the remainder of their time to private enterprise.

Mr. HARRISON. Mr. Chairman, I agree with what the gentleman from Indiana says with respect to the employees working seven hours a day in the Supervising Architect's Office. It should be remedied. There is no reason why they should not work eight hours as they do in other departments of the Government. But I do not believe all the criticism that has been heaped upon the Supervising Architect this afternoon has been just. Neither do I believe that the Secretary of the Treasury has been placed in the proper light in all that has been said about him.

I saw some of the economical spirit that pervades the Committee on Appropriations manifested a few moments ago. There was an item that carried \$30,000 appropriation in order to send out agents through the country to select sites for some buildings that can not be started for over three years yet. That is economy. And a few moments before I saw the chairman of the committee and his colleagues on the committee fight against an appropriation of \$150,000 that I asked consideration of in order to carry out the plans that had been recommended by the Supervising Architect and the Secretary of the Treasury to make it possible to expend two and one-half million dollars that had already been appropriated for.

I submit to any fair-minded Member here that it is more proper and more economical to appropriate \$150,000, as we have asked for, in order to carry on these 47 projects which the Secretary of the Treasury has recommended, and which in most cases have been held up for one or two years, and which have been appropriated for, and everything ready for erecting the building except lack of funds to draw and prepare the plans and specifications, rather than to expend \$30,000 to send out some agents to select some sites that can not be built upon for over three years yet. [Applause.]

I understand that there is a sentiment here now, since the point of order has been made against this \$30,000 appropriation, in favor of bringing in a rule whereby this item will be put back. I submit to the fairness of the Committee on Appropriations, and I appeal to the high-mindedness of every Representative here, that when that rule is reported a like rule should be reported to the effect that an appropriation of \$150,000 for these 47 sidetracked projects that have been recommended by the Secretary of the Treasury should be included also.

I say I believe the Secretary of the Treasury has been erroneously quoted, because the hearings show that he went before the Committee on Appropriations and pleaded before that committee and backed up the Supervising Architect on this proposition for increased force, saying that this proposed expenditure of \$150,000 was a just expenditure and was needed in order to carry on the work on those buildings that had been sidetracked last year and previous years. In some cases the appropriations had been made as far back as 1908, and the first appropriation in some of those cases was made as far back as 1906, and have been held up for different reasons.

The Secretary of the Treasury asked the committee to make this appropriation, and I read in those hearings where my distinguished colleague [Mr. Sisson], together with the distinguished chairman of this committee [Mr. FITZGERALD], and my friend from Georgia [Mr. BARTLETT], began to pop questions at him and examined him as they would examine an adverse

witness on the witness stand; and, finally, after my friend there, the chairman, had submitted many questions to him, he said:

Why, Mr. McAdoo, don't you know that President Taft last year said that there would be a \$25,000,000 deficit in the Treasury, and do you want to pile up another expenditure in view of that fact?

And when the chairman of the committee put that question to him in that way, the Secretary said:

Maybe this matter can be carried over to the next appropriation bill.

Mr. FITZGERALD. Did he not put it a little differently?

Mr. HARRISON. Not until the gentleman put it in that light.

Mr. FITZGERALD. Did he not say that when these estimates were submitted his attention had not been called to the fact that the commission of which he was the head had been organized to take up the entire subject of the construction of public buildings and report a definite plan to be pursued, and then expressed the belief that inasmuch as that commission had organized since the estimates were submitted, they could take the matter up and make report at the next session of Congress, and therefore in his opinion it would be better to defer until the next session the transmission of the estimates?

Mr. HARRISON. He did not put it in just that way. The gentleman has depicted it in his own words.

Mr. FITZGERALD. Read what the Secretary said.

Mr. HARRISON. I shall be glad to read it. This question was asked by my colleague [Mr. Sisson] after the Secretary of the Treasury had been under examination for some time.

Speaking of the standardizing of public buildings, Mr. Sisson said:

Do you mean to convey the idea, then, that the Supervising Architect's Office can not standardize the buildings which shall cost, say, \$50,000, and that they can not standardize another class that will cost, say, \$75,000, so that when an authorization is made for a building at a cost of \$50,000 or \$75,000 or \$100,000 it can not be constructed in accordance with standards fixed for such buildings?

Secretary McAdoo. I mean to say that you can, but, of course, it is not a building that will cost only \$75,000, but it is a building which must meet a local situation; it is a building which must be adapted to the lot on which it is to be placed, and, again, it is a building to meet the requirements of that particular locality—

And so on. Then the gentleman from Mississippi [Mr. Sisson], following up the question, said:

Then the Supervising Architect's Office has deliberately determined that they will not carry out that plan?

Does the gentleman from New York [Mr. FITZGERALD] want to hear that?

Mr. FITZGERALD. Yes. I was present.

Mr. HARRISON. I will read. Mr. McAdoo, answering, said:

I think that statement is wholly wrong.

Mr. Sisson. The Supervising Architect has deliberately disregarded the intention of Congress in that respect.

Secretary McAdoo. I think that is an altogether wrong inference. Let me say this: I was going on to say that since these estimates were submitted the Public Buildings Commission which was authorized by the act of March 3, 1913, has been organized, and the Secretary of the Treasury is the chairman of that commission. We are going very carefully into all of these questions, and I very much hope that the commission will be able to submit at the next session of Congress a very definite recommendation as to the policy to be pursued with respect to public buildings in all particulars—

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. HARRISON. Mr. Chairman, may I have a few minutes more?

The CHAIRMAN. The gentleman from Mississippi [Mr. HARRISON] asks unanimous consent to proceed for three minutes more. Is there objection?

There was no objection.

Mr. HARRISON. That was in answer to the questions about standardizing the public buildings of this country.

Mr. FITZGERALD. Read on.

Mr. HARRISON. He says:

As well as to present a cohesive, consistent, and concrete plan for dealing with many of the questions which I think are in your mind. I think, therefore, if I may be permitted to say it, that we are indulging in a fruitless discussion now.

That is what he said. Then, farther down, the chairman [Mr. FITZGERALD] put it to him in this way:

The CHAIRMAN. The situation is this: As the chief fiscal officer of the Government, you are required to outline the fiscal policy and make recommendations to Congress. Now, President Taft in his message to Congress of February 26 pointed out that without any change at all in our fiscal arrangements there would be a deficit this year of at least \$25,000,000. There will be a change in our tariff law, and, if the customary results follow, there will probably be a further falling off in revenues. Then the question arises whether the department recommends any appropriations that will increase during this year the output of public buildings.

Secretary McAdoo. The reasons why this estimate was submitted, have already been stated. I wish to say, however, in that connection that, since the Public Buildings Commission has been organized and we have been working upon these building matters, I think it would be well to omit from these estimates all of those projects with the exception of the appraiser's stores at Boston.

That is what he said.

Mr. FITZGERALD. Yes.

Mr. HARRISON. He did not state that he did not know anything about this commission before he made the estimate.

Mr. Sisson. He did state that.

Mr. FITZGERALD. Yes; he did.

Mr. HARRISON. I have not seen it in the hearings here.

Mr. Sisson. There are a good many things that were said that do not appear in those hearings.

Mr. FITZGERALD. Whether the gentleman has seen it or not, he made that statement. My statement stands upon its merits.

Mr. HARRISON. I have read what I see there in the hearings, and the gentleman can read into it what he wants to. I understand that a good deal was stricken out of the record about this matter.

Mr. FITZGERALD. I do not know whether it was stricken out or not. The Secretary made the statement in a way that he did not intend to make it, and he may have taken the whole thing out.

Mr. HARRISON. I have not seen in the hearings what the gentleman asserts. He may be right, but I have read carefully the hearings and I did not see that.

Mr. FITZGERALD. The transcript of the hearing was sent to the Secretary himself, and it is possible that he did strike it out.

Mr. HARRISON. Mr. Chairman, I say it is not fair to the Members of Congress who represent districts wherein these 47 projects are located and which have been held up for different reasons, that they be delayed three years more by the Supervising Architect, because of the action of this Committee on Appropriations in failing to report this appropriation, and I submit that this \$150,000 should be appropriated so that the department may go ahead with these plans, that these towns may get these buildings constructed at an early date for which appropriations have already been made.

Mr. Sisson. I want to state to my friend from Mississippi that he is entirely mistaken about this matter. When the Supervising Architect was before this committee, in the presence of Mr. McAdoo, when we examined the Supervising Architect and examined Mr. McAdoo in reference to this situation, Mr. McAdoo himself specifically stated that he knew nothing about the existence of this commission, and that the moment he knew about the commission and the condition that was prevailing in the architect's office, he without hesitation said it was proper and right that this matter should go over.

The gentleman from Mississippi [Mr. HARRISON] now complains because his matter is not taken up. Let me say to my friend that if there had been no special session of Congress he could not have gotten his building until the regular session. He takes advantage of the fact that there is a deficiency bill here, and there is a systematic campaign on the part of the Supervising Architect's Office, in an endeavor to compel Congress to do something that we do not believe we ought to do. My friend, the gentleman from Indiana [Mr. Cox], stated here a moment ago that when his committee investigated the matter it found that these men, who are working seven hours a day, are going out and doing private outside work.

I did not know that myself when this architect was before us. Gentlemen here think more of these projects in their districts to get money out of the Treasury, and of using the Federal Treasury, if need be, to procure a little money in the nature of a campaign fund on these projects. Why, you can not afford to put the membership of the House upon that basis. If a man's only right to remain depends upon the amount of money he can secure for his district, then statesmanship has gotten to a low ebb.

And there is this other thing about it. When gentlemen talk about the Secretary of the Treasury as if he was not in accord with the position of the committee, I want to say that there is nothing in it, nor has anybody criticized the Secretary of the Treasury. On the contrary, I stand here now and indorse every word that the Secretary of the Treasury said, and say that he is a good business man and wanted this matter to go over until he could thoroughly investigate it.

Mr. BURNETT. Will the gentleman yield?

Mr. Sisson. No; I can not. The gentleman from Florida [Mr. CLARK], the chairman of the Committee on Public Buildings and Grounds, is here now, a member of that commission, and he wanted that matter investigated so that he could ascertain whether or not things are going on right in the architect's office. The statement was made by the gentleman on the floor that the office down there cost 6 per cent of the cost of the project. When private architects go out and bid for the architect's plans, they will supervise the entire building for 5 per cent.

The statement was made that gentlemen would be glad to take it for 2 per cent, and yet Members are insisting on the Supervising Architect's office force being increased 50 per cent. Every man who has been a Member of Congress any time knows that when you attach a man's name to the roll temporarily you never can get him off the roll. Why? Because some man, some Member, stands in with the architect and will not permit him to take it off. And yet men are willing in order to get a building to increase the Supervising Architect's Office 50 per cent. I am willing that buildings should take the regular course, and, so far as I am concerned, it is immaterial what Members may think about my course and conduct here just so long as I think I am right.

I want to say in regard to the chairman of the Committee on Appropriations that I have served with him for some time, and he is not only eminently fair, but he is courageous and infinitely more liberal in many of these matters than I would be. I have heard him criticized here because he is endeavoring to stand by a pledge which we made the American people to economize in public expenses. Would to God his critics were as sound as he is.

[The time of Mr. Sisson having expired, by unanimous consent his time was extended one minute.]

It comes with poor grace from a Democrat to criticize the chairman of the Committee on Appropriations and the committee, who are endeavoring to install and carry out the pledge of the platform. If that criticism came from Republicans, it would be different, but it does not come from them; it comes from Democrats here who in their extravagance make the Republicans look like thoroughbred economists. Ex-Congressman Dickson, of my State, called these Democrats who were of this extravagant type "Chitling Democrats."

Mr. REED. Mr. Chairman, I would like to ask the gentleman a question. The gentleman has referred to Democrats as a hungry lot of fellows who have just got their noses up to the trough. I want to ask him if the bill is not filled with all sorts of things that seem to indicate that the committee has had its nose to the trough and excluded every other Democrat? [Laughter.]

Mr. Sisson. I have not a single thing on earth in the bill.

Mr. FITZGERALD. Nor has any other member of the committee.

Mr. Sisson. No member of the committee has anything in the bill.

Mr. REED. But the districts represented by members of the committee have got all they want.

Mr. FITZGERALD. No district represented by any member of the committee has got what it wants, as far as I know.

Mr. ADAMSON. Mr. Chairman, I make a point of order against the gentleman from Mississippi mentioning chitling at this time of day, for we are getting hungry. [Laughter.]

Mr. HARRISON. I would like to ask the gentleman from Mississippi if he is in favor of displacing these 47 projects and putting ahead of them these buildings that were way behind them in their chronological order?

Mr. Sisson. Not at all. I want every building taken up in the order in which the authorization was obtained. That is the rule of the office. I would not have my own building taken up out of order one single minute or day. I resent anybody else having theirs taken up.

Mr. FITZGERALD. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee determined to rise; and the Speaker having resumed the chair, Mr. Flood, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 7898, the urgent deficiency bill, and had come to no resolution thereon.

LEAVE OF ABSENCE.

Mr. Good, by unanimous consent, was given leave of absence indefinitely on account of illness.

COMMERCE WITH PHILIPPINE ISLANDS (H. DOC. NO. 217).

Mr. GARRETT of Tennessee. Mr. Speaker, I desire to submit a request for unanimous consent to extend my remarks in the Record. I have here a compilation made by Mr. John B. Worcester of certain statistical matter on the commerce with the Philippine Islands furnished me by Mr. Erving Winslow, which I desire to print in the Record.

The SPEAKER. The gentleman from Tennessee asks unanimous consent to extend his remarks in the Record. Is there objection?

Mr. MANN. Reserving the right to object, how long is it?

Mr. GARRETT of Tennessee. It is rather difficult for me to say just how much space it will take.

Mr. MANN. Does the gentleman prefer to have it printed in the Record rather than as a House document?

Mr. GARRETT of Tennessee. I think I would prefer the Record.

Mr. MANN. Of course the printing of such things in the Record is in such fine print that no one with any respect for his eyes will read it.

Mr. HARDWICK. I think the gentleman should not ask to have it printed as a House document until we can see what the Committee on Printing will say about it.

Mr. GARRETT of Tennessee. I will ask unanimous consent to print it as a House document.

The SPEAKER. The gentleman from Tennessee changes his request and asks to have it printed as a House document. Is there objection?

Mr. HARDWICK. Mr. Speaker, I have heretofore reserved the right to object until we could have some estimate of the cost or send it to the Committee on Printing.

Mr. MANN. Oh, it will not cost very much.

Mr. HARDWICK. Very well, I shall not object.

The SPEAKER. The Chair hears none and it is so ordered.

ADJOURNMENT.

Then, on motion of Mr. FITZGERALD (at 5 o'clock and 59 minutes p. m.), the House adjourned until to-morrow, Friday, September 5, 1913, at 12 o'clock noon.

EXECUTIVE COMMUNICATION.

Under clause 2 of Rule XXIV, a letter from the Acting Secretary of War, transmitting with a letter from the Chief of Engineers, report on examination of Shell Creek, De Soto County, Fla., from Hickman to Belmont (H. Doc. No. 216), was taken from the Speaker's table, referred to the Committee on Rivers and Harbors, and ordered to be printed.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. STEPHENS of Texas (by request): A bill (H. R. 7926) to enable the Secretary of the Interior to complete the work of preparing final citizenship rolls of each of the Five Civilized Tribes in Oklahoma, and to distribute the estates of said tribes among the beneficiaries entitled to share therein, and for other purposes; to the Committee on Indian Affairs.

By Mr. KINKAID of Nebraska: A bill (H. R. 7927) to provide for second homestead and desert-land entries; to the Committee on the Public Lands.

By Mr. ASWELL: A bill (H. R. 7928) for the erection of a Federal building at Winnfield, La.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 7929) to authorize a survey of Cane River from Grand Ecote, La., to Colfax, La.; to the Committee on Rivers and Harbors.

By Mr. ADAMSON: A bill (H. R. 7934) to amend the act entitled "An act to regulate commerce," approved February 4, 1887, as heretofore amended, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. CLARK of Florida: Resolution (H. Res. 243) making certain portions of H. R. 7898 in order during the consideration of same; to the Committee on Rules.

By Mr. KENT: Joint resolution (H. J. Res. 127) proposing the establishment of a monopoly for the manufacture of explosives by the Federal Government; to the Committee on Military Affairs.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows.

By Mr. ADAIR: A bill (H. R. 7930) granting an increase of pension to Jeremiah Laughlin; to the Committee on Invalid Pensions.

By Mr. GARRETT of Tennessee: A bill (H. R. 7931) granting an increase of pension to Amasa J. T. Wilson; to the Committee on Invalid Pensions.

By Mr. HOWARD: A bill (H. R. 7932) for the relief of Ellen V. Orme, administratrix of the estate of William Pope; to the Committee on War Claims.

By Mr. NELSON: A bill (H. R. 7933) granting an increase of pension to Eugene M. Smith; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. GARRETT of Tennessee: Papers to accompany a bill granting an increase of pension to Amasa J. T. Wilson; to the Committee on Invalid Pensions.

By Mr. SABATH: Petition of Ambrosius Mannerchor, Elsass Lothringer Fortschrittsverein, and Harugari Liedertafel, opposing the placing of duty of 15 per cent on importation of books printed in German or any other foreign language; to the Committee on Ways and Means.

By Mr. STAFFORD: Petition of G. A. Bading, mayor of Milwaukee, Wis., and other citizens of that place and Chicago, protesting against the proposed 15 per cent tariff duty on books printed in foreign languages; to the Committee on Ways and Means.

Also, petition of George W. Wartenberg, acting chairman committee on Slavic Federation, and others of Milwaukee, Wis., requesting the President to arrange for a conference to settle the Balkan controversies; to the Committee on Foreign Affairs.

By Mr. WILLIS: Papers to accompany bill (H. R. 7925) granting a pension to William H. Dixon; to the Committee on Invalid Pensions.

SENATE.

FRIDAY, September 5, 1913.

The Senate met at 2 o'clock p. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

The Secretary proceeded to read the Journal of yesterday's proceedings, when, on request of Mr. SIMMONS and by unanimous consent, the further reading was dispensed with and the Journal was approved.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the House had agreed to a concurrent resolution (H. Con. Res. 8) providing for the distribution of 50,000 copies of House Document No. 1458, Sixty-second Congress, being "Prayers offered at the opening of the sessions of the Sixty-second Congress of the United States," in which it requested the concurrence of the Senate.

MEMORIAL.

Mr. CLAPP presented a memorial of sundry citizens of North Dakota, engaged in the pursuit of farming, remonstrating against free trade on farm products, which was ordered to lie on the table.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SHAFROTH:

A bill (S. 3085) to amend section 20 of chapter 1 of the act entitled "An act to regulate commerce," approved February 4, 1887, and as heretofore amended, by fixing the limitation within which actions may be brought on bills of lading; to the Committee on Commerce.

By Mr. PENROSE:

A bill (S. 3086) granting an increase of pension to Sarah A. Stockman; to the Committee on Pensions.

By Mr. POINDEXTER:

A bill (S. 3087) providing for the relief of settlers on unsurveyed railroad lands; to the Committee on Public Lands.

A bill (S. 3088) for the relief of Edward Gaynor; and

A bill (S. 3089) for the relief of John L. Gruber; to the Committee on Claims.

A bill (S. 3090) granting an increase of pension to Bernhardt R. Britton; to the Committee on Pensions.

COMMERCE WITH CANADA.

Mr. THOMAS. Mr. President, the contiguity of the United States with Canada and the inevitable enactment of the pending tariff bill have for months been a source of great and continued apprehension upon the part of its opponents, who have filled the CONGRESSIONAL RECORD during that time with many dismal forebodings. One of the consequences of its passage is said to be the inevitable commercial invasion by that country of our own, that their superior competitive genius will overwhelm our industries and practically destroy them, reducing us to our original pursuits of agriculture, limited and controlled by the farm productions of the great Northwest, whose strong competition we can not meet or avoid.

I have no expectation that anything which can be said or written upon the subject will in any degree serve to remove this ap-

prehension of coming disaster from the minds of Senators, but I am in possession of a short article which may put a silver lining upon the cloud which now broods so ominously over the horizon of the immediate future, if we are to believe and credit the prophecies to which I have referred, so that others may see and be encouraged by it.

I refer to an article from the Washington Post of the 2d instant, concerning the growth of our commerce with Canada, which I ask unanimous consent to have read from the desk.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Secretary will read as requested.

The Secretary read as follows:

[From the Washington Post, September 2, 1913.]

"HOLLAND" TELLS OF GREAT GROWTH OF OUR COMMERCE WITH CANADA.
NEW YORK, September 1.

In one of his rare visits in recent years to the United States James Stillman, chairman of the board, National City Bank, spoke to some of his friends about the inconceivably great opportunity which South America offers to the United States for commerce, trade, and the investment of capital for development of natural resources of all kinds. American bankers who also hold the view expressed by Mr. Stillman have been sending competent representatives to South America so that reliable information can be obtained respecting banking opportunities or other openings for the investment of American capital. These bankers, when they speak with this subject in mind, always refer to the effect upon North and South American commerce which is sure to be created by the opening of the Panama Canal.

Attention has been directed since the recent publication of the statistics of our international trade and commerce, which came from the Department of Commerce in Washington, to the fact that, although the eyes of bankers are turned toward South America and the attention of capital is being directed to the opportunities the southern continent offers, little or nothing is heard of our commercial and trade relations with Canada. Nobody seems to have thought of sending agents into Canada for the purpose of learning what opportunities for trade and expansion may be found there. And yet the information furnished by the Department of Commerce shows that we are likely to find for years to come our greatest customer in Canada, and more likely to establish our greatest American international commerce with Canada than with South America, no matter what the effect of the opening of the Panama Canal to navigation may be.

The leading men of finance of Europe have now become familiar with an American phenomenon, which a few years ago they would have deemed impossible, namely, a record-making advance upon foreign markets by American manufacturers within the past 10 years. But it rarely happens when our own men of business meet their friends who conduct large affairs in Europe that any reference is made to a phenomenon quite as startling as is that associated with the sudden growth of our exportation of manufactured commodities.

CANADA OUR BEST CUSTOMER.

In 1908 the money value of the entire commerce back and forth with Canada was, in round numbers, \$225,000,000. The Department of Commerce at Washington is now able to report that the commerce between the United States and Canada both ways was in the fiscal year which ended on June 30 somewhat in excess of \$500,000,000. We have therefore increased our reciprocal commerce with our neighbor on the north so greatly in five years that it has doubled, and, as a whole, reflects almost the largest commerce we have had with any nation. In fact, were it not that the cotton fields of the South contributed enormously to the aggregate of our foreign commerce with Great Britain, the commercial relations between the United States and Canada would in money value be actually greater than our commercial relations with Great Britain.

A SILENT GROWTH.

This growth has been steady, unsensational, and reflects a perfectly normal increase of trade relations between the Dominion of Canada and the United States. It has been secured without any flourish of trumpets and apparently by no other influence than the common recognition on both sides of the boundary line of the advantages of reciprocal trade relations. This growth is now spoken of in this city since these statistics were published as, with the single exception of our increase in exportation of manufactured products, the most significant and impressive phenomenon in the history of the international commerce carried on by the United States with other countries. We are exporting to Canada now commodities of approximately the money value of \$400,000,000 a year, and we are buying in Canada and bringing to this country commodities approximately of the money value of \$120,000,000.

THE PROMISE OF GROWTH.

As this increase has been steadily maintained since 1908, there is no reason to suspect that it was merely an ephemeral trade condition. All of the factors and features of this commerce point to continued increase in our commercial relations with Canada. From this point of view there can be good understanding of what President Mellen, of the New Haven system, had in view when he planned organic unity of the New England Railroad, and what the late President C. M. Hays, of the Grand Trunk Railway Co., also had in view when he planned an expansion into New England of the single-railroad system in New England which his company owns, the one stretching from Portland, Me., to Montreal, and the Central Vermont system, which his company controls by a long lease. President Hays is reported to have said a year or two before his untimely death, when the *Titanic* went down, that the New England States as a section of the United States offered the most tempting transportation opportunities to be found in any section of the Union, certainly for a railroad chiefly operated in the Canadian Dominion.

President Mellen wanted to get a good share of the traffic originating in or terminating in New England which represented Canadian industry and agriculture and Canada's demand for New England's manufactured commodities.

A GREAT DOMINION.

A country which is able, as is the Dominion of Canada at the present time, to carry on an international trade with one other country aggregating \$500,000,000 a year and at the present rate of increase likely to be twice that amount within the next 20 years is said here

to be entitled to consideration as one of the great industrial, agricultural, and commercial nations of the world.

It is borne in mind by those who speak of these astonishing new conditions that Canada has drawn from the United States within a few years several hundred thousand farmers who are opening up the rich wheat lands of British North America and presumably several million dollars. A good deal of this money comes back to the United States, for with the cultivation of virgin soil in western Canada there has arisen a great demand for cotton cloth, binder twine, iron and steel products, and a great deal of machinery.

Besides these commodities, we sell to Canada cattle, horses, and many agricultural products. Canada is buying from the United States very much more than China is, 20 times as much in fact; sixfold more than Japan, and 100 per cent more than France. Not until the magnitude of the figures which tell the story of our increased commerce within five years with Canada were published was there a realization of the fact that our neighbor on the north is now—if cotton be left out of consideration—our best customer, and is likely to be within a few years our best customer, no matter how much cotton the South sells to the manufacturers of Great Britain and the Continent of Europe.

HOLLAND.

PRESIDENTIAL APPROVALS.

A message from the President of the United States, by Mr. Latta, executive clerk, announced that the President had, on the 4th instant, approved and signed the following act and joint resolution:

S. 2319. An act authorizing the appointment of an ambassador to Spain.

S. J. Res. 52. Joint resolution to authorize the appointment of Thomas Green Peyton as a cadet in the United States Military Academy.

PRAYERS OF CHAPLAIN OF HOUSE.

The VICE PRESIDENT laid before the Senate the following concurrent resolution (No. 8) of the House of Representatives, which was read and referred to the Committee on Printing:

Resolved by the House of Representatives (the Senate concurring). That there be printed for the use of the House of Representatives, to be distributed through the folding room, 50,000 copies of House Document No. 1458, Sixty-second Congress, same being "Prayers offered at the opening of the sessions of the Sixty-second Congress of the United States."

THE CURRENCY.

The VICE PRESIDENT. A resolution comes over from the previous day, which will be read.

The Secretary read Senate resolution 179, submitted yesterday by Mr. WEEKS, as follows:

Resolved, That the report and recommendations of the Committee on Banking and Currency on the bill H. R. 7837, entitled "A bill to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes," be made to the Senate Tuesday, December 2, 1913.

Resolved further, That it is the sense of the Senate that immediately upon the making of the report and recommendations the chairman of the Committee on Banking and Currency of the Senate, or some member of that committee acting in his behalf, shall at once move that the Senate proceed to the consideration of the said report and recommendations, thereby making the report and recommendations the unfinished business of the Senate.

Mr. WEEKS. Mr. President—

Mr. SIMMONS. I wish to ask the Senator from Massachusetts if he is not willing that the resolution shall be referred to the Committee on Banking and Currency.

Mr. WEEKS. I think it is fair and proper that a resolution of this character should go to the committee which has jurisdiction over the subject matter. As the committee is in session now and a prompt report, if a report can be obtained at all, can be made, and not desiring to delay action on the pending tariff bill, I move that the resolution be referred to the Committee on Banking and Currency.

The VICE PRESIDENT. Without objection, that action will be taken. The resolution is referred to the Committee on Banking and Currency.

THE TARIFF.

The VICE PRESIDENT. The morning business is closed.

Mr. SIMMONS. I ask unanimous consent that the Senate proceed to the consideration of House bill 3321.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes.

Mr. BRADY. Mr. President, I have listened with much interest, and I hope with proper patience, to the discussion of the tariff question and the bill now under consideration.

The tariff has been so thoroughly discussed, not only during the present session but during the last half century, that I have been loath as a new Member of this body to attempt to add anything to what has already been said.

However, when a question so vital to the interests of all the people is being considered, for the purpose of enacting into law

certain provisions which it is believed will be materially detrimental, not only to the people of the State I have the honor in part to represent but to the people of the whole Nation, I feel impelled to at least make a few suggestions with the hope that they may receive some consideration by the majority Members of this body, and believing that the Western States have not received that consideration at the hands of Congress to which they are entitled, in view of the number and character of their citizenship, their great wealth, and greater possibilities, I will make a few observations and comparisons and trust I may succeed in changing the viewpoint of the East regarding that great section.

The people of this Nation have been generous to the people of the East. We of the West have sent millions of dollars to the eastern manufacturer for his products; we have contributed our full share of internal revenue and customs duties for the support of the Government and the benefit of the East without complaint. What has been done by the Government for these Western States as compared with the Eastern States? I desire at this time to call your attention to the magnitude of the great inland empire for which I am to-day speaking, which has contributed so much to the wealth of this Nation and which is being so unjustly discriminated against in this tariff bill. I am now speaking for the eight States known as the Rocky Mountain States—the States of Montana, Wyoming, Nevada, Colorado, Utah, Arizona, New Mexico, and Idaho. I maintain that these Rocky Mountain States have contributed more to the wealth of this country in the last 20 years than any other equal number of States, population considered.

These eight States are populated by a class of intelligent and industrious citizens and produce enough material wealth each year to cause the people of the East to realize that the people of that section of the country are entitled to more consideration, not only as to the question of a protective tariff but as regards many other governmental questions that must necessarily arise in the development of a young and growing Nation. What does this territory amount to, who inhabits it, and what does it produce? The boundaries of these eight Rocky Mountain States embrace an area of 901,775 square miles, equaling 577,135,100 acres. Of this area, 82,426,021 acres is timber land and 60,252,678 acres have been converted into farms. The report of the United States Geological Survey shows that these States produced from 1903 to 1911 the following values in minerals: Copper, \$726,270,042; lead, \$138,668,470. The production of gold from 1903 to 1912 amounted to \$468,333,630; silver, \$401,478,943; coal from 1903 to 1911, \$284,505,433; making the total mineral production for the years given of copper, lead, gold, silver, and coal, \$2,019,256,518.

The value of wool produced in these States from 1903 to 1912 was \$269,099,619; hay, \$577,479,642; barley, \$46,571,368; rye, \$2,397,586; oats, \$155,676,125; and wheat, \$265,790,181; making a total of farm products of \$1,317,014,521.

Therefore it will be seen that these States, during the period stated, have produced mineral and farm products of the value of \$3,336,271,039.

During the year 1911 alone they produced:

Copper	\$100,026,892
Lead	19,025,190
Gold	51,012,600
Silver	30,815,900
Coal	39,378,194
Iron	626,232
	\$240,885,008

FARM PRODUCTS.

Wool	24,504,350
Hay	75,158,000
Barley	8,892,000
Rye	445,000
Oats	25,705,000
Wheat	35,083,000
Potatoes	14,004,000

Sugar	183,791,350
	9,644,234
	193,435,584

LIVE STOCK.

Sheep	74,492,000
Swine	6,837,000
Milch cows	26,814,000
Cattle	129,514,000
Horses	121,547,000

Total	359,204,000
	793,524,592

Under the terms of this bill \$351,697,776 worth of these products that have received protection under existing laws are placed on the free list.

The figures that I have given above represent the production for the year 1911, and by any fair means of comparison, if you mean to be fair with the farmer and the people of the West, you

should give them the same consideration that you give to the manufacturer of the East; but in this bill you have left the manufacturer of the East with an average protection of 26.67 per cent, and, with a few exceptions, have placed on the free list the articles which are produced by the farmer. In other words, you compel the farmer to enter our markets on an equal footing with the foreign producer, while you leave an average protection of 26.67 per cent on the manufactured products.

Of the total production of copper, lead, gold, silver, coal, iron, wool, hay, barley, rye, oats, wheat, potatoes, sugar, sheep, swine, cattle, and horses, which amounts to \$793,524,592 in 1911, you have placed products amounting to \$351,697,776 on the free list which have heretofore had some protection. You have reduced products amounting to \$103,075,190, 50 per cent in the protection afforded by the present law, and you have reduced \$147,252,000 worth of these products 60 per cent.

Only five of the products mentioned receive any protection at all in this bill. The duty on lead has been reduced 50 per cent; barley and hay received the same cut; oats, 60 per cent; and horses, 60 per cent.

Now, what has been done by the Government for these States as compared with the Eastern States? As an illustration, since the foundation of this Government to the close of the fiscal year ending June 30, 1911, there has been appropriated by the Federal Government for the improvement of the rivers and harbors of this country \$627,098,236.05. Of this amount these eight States have received only \$122,610.25. While they have no great navigable rivers, yet I might mention the fact that the Snake River, which runs through the entire southern portion of my State and, in connection with the Columbia River, flows into the Pacific Ocean, is the seventh largest river in the world, and hundreds of miles of that stream can be made navigable and freight rates reduced if we could receive one-half of 1 per cent of what is annually appropriated for the improvement of the rivers and harbors of the Eastern States.

Then there is the question of public buildings. Since the foundation of the Government to July 1, 1908, there was appropriated by the Federal Government for public buildings in the States and Territories the sum of \$268,210,684. Of this amount there was appropriated for public buildings in the eight Rocky Mountain States only \$10,084,842.

As above stated, these States embrace an area of 901,775 square miles, which is 30 per cent of the total area of 3,616,494 square miles in the United States. Thus it will be seen that while we have 30 per cent of the area we have received only 3 per cent of the appropriations of the Federal Government.

One of the leading products of the eight States mentioned to be vitally affected by the provisions of this new tariff bill is raw wool.

Raw wool was first placed on the dutiable list in 1816, at which time a duty of 15 cents was imposed, and 25 per cent ad valorem on woolen goods. In 1824 the woolen schedule was revised and raw wool, as well as woolen goods, was given further protection. In the tariff revision of 1828 raw wool received a reasonable protection. In the tariff revision of 1832-33 the protection afforded raw wool was continued, and again in the revision of 1846 a protection duty on raw wool and woolen goods was continued. In 1857 the tariff was again revised, and while some grades of wool were placed upon the free list, yet the higher grades of wool were still given protection. In the tariff revision of 1861, under the Morrill Act, specific duties on wool were substituted for ad valorem rates, and raw wool in that bill received equitable protection. In the tariff act of 1864, which, of course, should be considered as a war measure, there was a marked increase in the rates of duty on both raw wool and woolen goods. In the tariff revision of 1867 raw wool was given protection as well as woolen manufactures. In 1883 the tariff was revised and a general reduction was made in rates and the free list increased. Yet this bill recognized the fairness of reducing the rates on raw wool rather than placing it on the free list. In 1890 the McKinley bill was enacted, which afforded ample protection to wool and woolen goods, under which the sheep industry flourished and the manufacturers of woolen goods greatly expanded their business. The only bill ever enacted by the Congress of the United States since 1816 that did not give some protection to raw wool was the bill passed August 27, 1894, known as the Wilson-Gorman bill, a Democratic measure. In 1897, upon the return of the Republican Party to power, the Dingley bill became a law. This was in effect for 12 years and gave protection to the producers of raw wool. The next and last tariff law that was passed, enacted August 5, 1909, and known as the Payne-Aldrich bill, gave protection to raw wool. So we are now for the second time in our history since 1816 facing the question of free raw wool. It is quite

true that a certain grade of wool was admitted free under the tariff bill of 1857, but the higher grades received protection. Therefore, the only period in the history of this Government since 1816 in which we have had free raw wool was from 1894 to 1897, during the life of the Wilson-Gorman law, which was forced through both Houses of Congress and was signed by a Democratic President. The effect of this law was most disastrous to the sheep industry.

It has been claimed that Schedule K has been the center of conflicts on the tariff question for the last 50 years. This is quite true, but it has not been the fault of the farmer and woolgrower. They have not been organized in a manner to properly protect their interests and that is the reason why the manufacturers, who have been organized and who have buffeted Schedule K about for the 50 years have secured what I believe is an undue and unfair advantage over the producer of raw wool; and now that our Democratic friends feel that something must be done by their party to show that they are going to materially reduce Schedule K they yield to the demands and influence of the manufacturer and slightly cut his rate of protection, and wipe out of existence the protection heretofore given to the producer. For what reason? Because some members of that party do not have the courage of their convictions to stand up for what they believe and know to be right. Instead of following their own conscience they yield to the powerful influence of the party lash and the dictation of the man who sits on yonder hill and directs the Democratic Party along the lines he thinks it should follow. And thus it is that the producer of raw wool has had to suffer for the sins of others, and every Democratic speaker on this floor has felt that he was here to assail this particular schedule. In the eloquent speech of the senior Senator from Montana, delivered on August 4, he used the following language:

Take, for instance, the miners of Butte, the smelter men of Anaconda and Great Falls, in my State, who get \$3.50 per day for their hard, unwholesome labor, out of which daily wage of \$3.50 they have to pay rent—or taxes and repairs if so fortunate as to own their little homes—out of which they have to buy shoes for themselves, their wives, and little ones; out of which they have to buy underclothing and outer garments, hats, bedclothes, furnishings, and food; out of which they have to pay doctor bills, drug bills, dental bills, and undertakers' bills when death ruthlessly invades family circles; who are entitled to wear woolen clothes in order to protect their bodies, their health, and their physical well-being and keep them strong for work in that rigorous climate; who are entitled to supply their children with woolen clothes to protect their little bodies from cold and exposure and illness as they go to school or do the family errands; who are entitled to sleep under woolen blankets for warmth, comfort, and health.

I happen to know something about Butte, about its mines, and its men and women. It is one of the splendid, prosperous cities of our Western States, and within its limits live the highest type of American manhood—the laborer who earns his bread by working with his hands. They are the most intelligent, the most skillful, and the best paid workmen in the world.

I have tramped with the prospector in the hills; have slept with him under his woolen blankets in camp; have gone down thousands of feet underneath the ground where hundreds of miners were performing their daily tasks; I have broken bread with them in their homes, and know something of their hardships and their happiness. They have had and do have a great many hardships to endure but the duty on raw wool is not one that they complain of, and they wear woolen clothes, too.

During my term as governor of my State the President of the United States passed through Montana and visited Butte. The governor of Montana requested me to join the party at Butte, and I did so, and at the great meeting there on the public square there were not only hundreds but thousands of as well-dressed, well-fed, sterling men and women as I have ever seen at a public gathering in my life. From the speaker's stand we drove through block after block in the main part of the city, while each side of the street was lined with thousands of intelligent, well-dressed school children, and I venture to say that 90 per cent of them were children of the miners that the senior Senator from Montana seems to think have been ground to the depths of sorrow and want on account of the duty on raw wool. I want to say to the people of the East who may not understand the situation and conditions in the West that not only the miners of Butte but the laboring men of every kind and class in the West are better paid, better housed, and better fed than in any country in the world, and they owe this to their own initiative, their own forethought, and their own self-preservation and the protection which has been afforded them under a Republican tariff policy. The State of Montana has one of the best, if not the best, system of labor unions and organizations in this country. They have united for the protection of their interests and the interests of their wives and children.

I fully agree with the Senator from Montana that the miner is entitled to all of the good things of this life and to all of the

advantages suggested in his remarks, but the miner requires something else for his happiness besides raw wool. I am a friend of the miner and the laboring man, and believe in organized labor, and I know that the laboring men of this country have secured results that are far-reaching and beneficial in effect by organizing for their own protection. They believe in protecting themselves and their families from unjust and unfair competition with cheap foreign labor, just as I believe in not only such protection for the laboring men but for the honest labor and honest capital of every American citizen, whether it be on the farm, in the mine, or factory. I believe in protection for both the labor performed and the capital invested, and you can not protect one in any fairness without protecting the other, and you can not remove protection from one without indirectly injuring the other, and for that reason I claim it is unfair to protect the manufacturer and at the same time refuse to give protection to the farmer and the woolgrower and the cane grower, and this I claim is what you have done in the bill now under consideration.

The senior Senator from Montana in the remarks I have quoted seems very solicitous for the welfare of the miner and his family, and endeavored to convince this body that the greater portion of his troubles had been caused by the duty on raw wool. Now, let us reason together for a moment and see what our Democratic friends are going to do for the happiness and welfare of this miner in the way of taxing him for the things that are necessary to his everyday comfort. While they give the miner free raw wool under the pending bill, the duty on which in a suit of clothes under existing law would not exceed 55 cents, yet, on the other hand, if the wife purchases some yarn with which to knit some stockings for the children you tax this family 15 per cent ad valorem for the same. If the wife desires to buy some woolen cloth, you charge her 35 per cent ad valorem; and in the same section you say, "Cloth, if made in chief value of cattle hair or horsehair, not specially provided for in this section, 25 per cent ad valorem." In a word, you seem to take special delight in punishing the sheep raiser. In this paragraph you put a duty of 35 per cent ad valorem on woolen cloth, and in the next sentence say that you will throw off 10 per cent if they will buy cloth made of horsehair or cattle hair, a thing which the farmers of this country do not produce.

Next, the miner will want to buy some hosiery, and you say in paragraph 297 "if composed wholly or in chief value of wool, if valued at more than \$1.20 per dozen pairs, 50 per cent ad valorem." There is not a miner's family in Butte or Great Falls or Anaconda that does not wear hose that cost more than \$1.20 per dozen. Therefore, whenever a miner desires to purchase hosiery for his family you immediately put a tax on him of 50 per cent of whatever the article cost.

The distinguished Senator also says "out of which they have to buy underclothing, outer garments, hats, bedclothes, furnishings, and foods." You make this miner pay a duty on every undergarment and outer garment that he wears, on the hat that he wears on his head, on the bedclothes under which he sleeps, on the furnishings in his house, and upon a large portion of the things that he has to purchase.

Again, he says "out of which they have to pay doctor's bills, drug bills, dental bills, and undertaker's bills when death ruthlessly invades the family circles," and yet you put a duty on almost every drug that a doctor would prescribe; and when "death ruthlessly invades the family circles" you tax him 25 per cent ad valorem on the tombstone that marks his grave; and yet you say that this miner is entitled to wear woolen clothes. I agree with you in that, but I do not agree that you should rob the farmers of this country of the protection to which they are entitled and then tax the laboring man on almost everything that he has to purchase.

The sugar-beet industry in my State will suffer materially if this bill becomes a law. It is a young and growing industry and has contributed to the material wealth of our State and has enabled the farmers to better improve their farms and increase their legitimate income. In the year 1911 there were 17,583 acres planted in sugar beets, from which there was harvested 206,221 tons of beets and from which there was manufactured 53,460,700 pounds of sugar. The growers received \$5 net per ton, delivered at the factory, and their revenue was \$1,031,105. There are four factories in the State of Idaho, and this number would be increased if the proposed tariff bill would give a reasonable protection to sugar.

The culture of beets very much improves the soil, but it requires skillful attention and first-class farming in every way. Sugar beets are one of the most valuable products known for the purpose of benefiting the land where crops are rotated.

In addition to the sugar beets sold, the tops have a value for stock feed amounting from \$1 to \$3 per acre, and the beet pulp is fed by the farmers and stockmen, which, together with alfalfa, makes all the feed required to fatten sheep and cattle for the market.

Idaho has over 1,000,000 acres of land that is well suited for growing beets in a commercial way, and as we now have only about 20,000 acres under cultivation it can readily be seen what this industry means to our State.

I wish to say relative to the beet-sugar industry in Idaho that I am fully convinced that the words of the senior Senator from Mississippi relative to the cane-sugar industry in Louisiana will apply to the sugar-beet industry in Idaho.

On the 19th of May the senior Senator from Mississippi [Mr. WILLIAMS] said:

I am perfectly willing to admit that free sugar will dismantle every sugarhouse in the State of Louisiana. I know it as well as I know my name is JOHN WILLIAMS. Mr. UNDERWOOD has admitted the same thing.

In 1912 the commissioner of immigration, labor, and statistics for Idaho made a short report on the sugar-beet culture in our State, and it gives such a splendid description of the industry in all of its features that I ask to have it inserted as a part of my remarks, without reading.

THE VICE PRESIDENT. That may be done, without objection.

The matter referred to is as follows:

THE BEET-SUGAR INDUSTRY.

The beet-sugar industry is one of the most important industries in Idaho. The accompanying table shows the acreage devoted to growing sugar beets, total tonnage grown, and the total production of sugar:

Factory.	Acre.	Beets.	Sugar.
1911.			
Idaho Falls.....	6,064	Tons. 66,704	Pounds. 18,732,800
Sugar City.....	7,380	94,139	23,394,400
Blackfoot.....	4,139	45,378	11,333,500
Total.....	17,583	206,221	53,460,700
1912.			
Idaho Falls.....	5,244	50,000	14,250,000
Sugar City.....	7,159	70,000	19,000,000
Blackfoot.....	4,971	41,000	10,856,500
Burley.....	3,000	25,500	4,500,000
Total.....	20,374	186,500	48,606,500

¹ This includes the acreage produced for the Parker auxiliary slicing station.

² New factory, just opened in 1912.

The growers receive \$5 net per ton, delivered at the factory or nearest railway loading station. This means that the farmers received \$1,031,105 for their 1911 crop of beets and \$932,500 for the 1912 crop.

The 1911 crop averaged the grower \$58.90 per acre. The 1912 crop averaged \$45.75 per acre. The 1912 tonnage was much lighter than usual, owing to the cool weather in the early part of the season, which caused delayed start and a lighter growth than common. It costs about \$30 per acre to produce the crop, charging the entire cost of production, including delivery to the factory or railway shipping station. Many growers receive returns double that shown by the average for the State; however, even the average crop is a profitable crop.

The four factories and one slicing station employed 653 people in the manufacture of 48,606,500 pounds of sugar in 1912.

The sugar-beet crop yields returns other than shown by the price received for the beets. The tops have a value for stock feed amounting to from \$1 to \$3 per acre, depending upon the manner in which they are handled. The beet pulp is sold to the farmers and stockmen at from 25 cents to 35 cents per ton at the factory. This pulp, together with alfalfa hay, makes an excellent fattening ration and is extensively used in fattening sheep and cattle. Larger yields of oats, barley, and most other crops are had following a crop of beets.

Large numbers of men, women, boys, and girls find profitable employment in the beet fields during the months of June and July, a time when employment is needed for the older school pupils.

Again, at harvest season in the autumn the beet fields give employment to many. The pay rolls from the beet fields distribute large sums of money that go into circulation in the early winter, at a time when it is most needed.

Sugar beets are a cash crop. The farmer knows what he is going to receive for his crop even before the seed is sown. It is not difficult to secure a cash advance upon the crop if it is needed to meet the labor pay rolls.

Not all districts of Idaho are well suited for growing sugar beets. The moderately high altitudes where bright sunshine prevails during the day and cool nights are common are districts where the beets thrive the best. A rich soil and proper cultivation are necessary to grow a profitable tonnage. Bright sunshine is necessary, that the foliage may properly assimilate the saccharine in the juices and assist in eliminating the soluble salts which commonly interfere with recovering the sugar from the juices while being processed in the factory.

It has been carefully estimated that Idaho has 1,200,000 acres of land that are well suited for growing beets in a commercial way.

The world's production of beet and cane sugar is about equal. It was formerly thought that beet sugar was not as sweet or not as valuable as cane sugar. It is now commonly known that the cane and beet sugars are identical, chemically speaking. In the earlier history of the manufacture of beet sugar in the United States occasionally an inferior lot of sugar was turned out. This was due, however, to the manufacturing process rather than to the saccharine content of the

beet. Good and bad sugar may be made from the juice of the sugar beet, just as good and bad butter may be made from the same batch of cream, the difference being entirely in the method of handling the cream and the individual who made the butter. The beet-sugar factories operate generally about one-third of the year, and therefore the sugar boilers do not have continuous experience in the recovery of sugar in the juice and in the refining process. Important progress has been made in the operation of beet-sugar factories, and many of the earlier disappointments have entirely disappeared, including much of the prejudice that formerly prevailed against beet sugar.

Mr. BRADY. A study of the history of tariff legislation discloses the fact that a majority of all parties at all times since the conclusion of the formative stage of the protective-tariff system, which ended about 1816, have realized the fairness and the justness of protecting the farmer and the producer of raw wool in this country.

If the vote cast at the last election demonstrated anything, it demonstrated the fact that a majority of the people of this Nation are to-day just as much in favor of protecting the legitimate industries of this country, and of protecting the farmer in the products of his toil, as they have ever been since the signing of the first tariff bill. Let us analyze for a moment the vote cast at the last election. Theodore Roosevelt, the candidate of the Progressive Party, which was pledged in its platform to protection, received 4,119,538 votes; William Howard Taft, the Republican candidate, received 3,484,980 votes; Woodrow Wilson, the Democratic candidate, received 6,293,454 votes. This shows a clear majority of 1,311,064 votes for the principle of protection. This shows a clear majority of 1,311,064 votes against the present incumbent of the White House and against the principles he represents on the tariff question. Our Democratic friends may say that this does not mean that this majority is opposed to the pernicious and dangerous doctrine advocated by the Democratic Party of a tariff for revenue only, but the people have demonstrated by their votes cast at the last election that they are not only unalterably opposed to a tariff for revenue only, but that they are in favor of a tariff for the protection of American industries and American workmen.

We find in the House of Representatives to-day Mr. MANN, a conservative Republican, and Mr. MURDOCK, an ardent Progressive, working side by side for the protection of the industries of this country, while in the Senate we find the senior Senator from Pennsylvania [Mr. PENROSE], a conservative Republican, and the senior Senator from Kansas [Mr. BRISTOW], a consistent Progressive, working for a law for the protection of the industries of this country. While these men differ widely in their views as to the rates of duties on certain articles and the method of applying the tariff principles, there is no question in the mind of anyone who understands the situation and present conditions that they and their adherents are unalterably opposed to the principle of a tariff for revenue only; and it must be conceded that a majority of 1,311,064 of the voters of this country are to-day in favor of a tariff for the protection of our industries and are opposed to a tariff for revenue only.

So far as the Republican Party is concerned, from the time of its organization to the present time it has adhered to the principles embodied in the first section of the first tariff bill, signed on the 4th day of July, 1789, by the first President of this Republic, which reads as follows:

Whereas it is necessary for the support of Government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures that duties be laid on goods, wares, and merchandise imported, be it enacted—

And so forth.

I presume that some of our Democratic friends will say that the products of the farm, of the flock, and of the mine are not manufactured products, and should not be included within the meaning of the word "manufactures" as used in the section of the first tariff bill above referred to, but their position in this regard is no more unfair or unjust than their painstaking and cruel discrimination against the farmer, the woolgrower, and the miner of the West as exemplified in this bill. I maintain that in the truest sense the man who produces wheat, corn, rye, cattle, sheep, horses, swine, wool, and sugar beets and sugar cane ready for shipment to the market has manufactured those products just as much as the most skilled artisan has manufactured the many products that have received an average protection of 26.67 per cent under the terms of this bill. The farmer and the woolgrower must necessarily have an investment in their farms and ranches, must necessarily sustain losses in their flocks and their crops, and must stand the depreciation in values. They must work every hour of every day in order to "manufacture," if I may be allowed to use the term, the products of their farms and flocks, and there is absolutely no sane reason that can be given why these men should not receive the same ratio of protection as is given to the manufacturers.

It is not of the rates of duty on manufactured products in this bill that I complain, for I believe in the principle of protection, but I do not believe in the principle of discrimination. I believe the protective principle should be applied not only to the infant industries as our Democratic friends would have us say, but I believe that the benefits of a reasonable and honest protection should be extended to every industry in this country, wherever it is necessary in order to enable our producers to compete with foreign producers; to keep our people who labor on a higher plane and permit them to enjoy the good things of life when they are competing with the producers in the countries of the world where labor has no voice and the laboring man no opportunity.

Furthermore, I believe that capital honestly invested in legitimate enterprises is entitled to a just and reasonable protection in order to maintain competition with foreign concerns who manufacture the same products under labor conditions that would not be tolerated for a moment in this country. It would be much fairer and much more equitable in every way to give our manufacturers a reasonable protection, and if we find vicious men taking advantage of local conditions, as they will take advantage of world conditions in the event a free-trade policy is established in this country, to regulate the trusts by law and compel them to deal fairly with our people. I would accomplish this by enacting such antitrust laws as this Congress is empowered to enact, and which can be constitutionally enacted by the present majority of both Houses of Congress.

My judgment is that the establishment of a free-trade policy in this country would simply give this Nation world trusts to deal with instead of national trusts. We can regulate national trusts, but world trusts are beyond our control. Therefore I think it is better to protect the manufacturer and producer and regulate our national trusts by our own antitrust laws rather than to throw our markets open to the world and compel our manufacturers and producers to compete with world trusts that can smother competition and ruin our native industries. I believe that by honest effort and wise legislation our trusts can be controlled and competition restored in our own country. I am ready to vote as I talk, and the records of this body will disclose the fact that in every vote that I have cast here I have voted for legislation that would be beneficial to the masses of our people and along the lines that I have here advocated. But instead of pursuing this policy the Democratic majority are forcing the agricultural population of our country into competition with the world, while in a studied and systematic way they are giving generous protection to the man who manufactures the very materials that these American citizens produce.

Again I say I do not complain of the protection given to our manufacturers, but I do complain, and feel that my complaint is justified, that the Democrats in this bill have favored the manufacturer and have discriminated against the producer of raw material. It is quite true that at one time there was an equitable distribution of protective duties between the manufacturer and producer, but when the manufacturers felt that they had become strong enough to pass a tariff bill securing to themselves protection and at the same time securing cheaper raw materials they lost interest in the American producer and began to look more favorably on the Democratic doctrine of free trade in raw materials. They succeeded in passing a reciprocity bill, and, as a general rule, they will be pleased with this Democratic tariff bill, which gives them 26.67 per cent protection and places the products of the farmer, the sugar-beet grower, and the woolgrower on the free list. The Democratic majority, while talking tariff for revenue only and tariff for incidental protection, seem to have the habit of placing a duty for revenue only on the articles the farmer has to purchase and a duty for incidental protection on everything that the manufacturers produce and of placing everything that the farmer produces on the free list. While it is true that a great many of these rates have been reduced, yet the fact remains that you have only reduced the manufactured products down to an average of 26.67 per cent, while you have placed on the free list sugar, wool, and most of the farmer's products. I do not see how any fair-minded man can criticize me for standing here to-day and asking you, the Democratic majority of this body, to give the farmers of this Nation a square deal. I do not see how anyone can criticize me for standing here to-day and pleading for protection not only for the people of my own State, but for the people of all of the States of this Union, especially the farmers and producers of the eight Rocky Mountain States, which are to-day contributing \$1,000,000,000 per year to the material wealth of this Nation.

Mr. PENROSE. Mr. President, I had an understanding with the chairman of the committee that I might go on for a short time. I desire to facilitate his plans in the conduct of the bill.

I have here a memorandum regarding the prices of cream separators. There was some little misunderstanding about the prices which I do not think ought to remain in the Record without a correction. I ask to have the memorandum inserted in the Record.

The VICE PRESIDENT. Without objection, that will be done.

The matter referred to is as follows:

PRICES OF CREAM SEPARATORS.

European farmers, with whom time is not so much of an object as with our farmers, usually buy smaller-capacity machines than our farmers buy. This fact must be taken into consideration in any comparison of prices. Machines with a capacity of 250 pounds of milk per hour are about the smallest our American farmers buy, at a cost of \$24.70. The machines of this grade sell in Europe, in spite of cheaper cost of production, at practically the same price.

There is a machine sold in this country to some extent with a capacity of only 70 pounds of milk an hour. It is made by the American Separator Co., at Bainbridge, N. Y., and sells for \$15.95. Same machine last year was sold for \$14.95. This is the sort of machine that is popular with European farmers. There is a Swedish machine, handled in this country by Hibbard, Spencer, Bartlett & Co., of Chicago, at \$17.50, after paying the 45 per cent duty, but its capacity is only 90 pounds per hour.

Our American farmers usually pay from \$25 to \$100 for machines of from 250 to 1,000 pounds capacity and many of the larger farmers buy separators of much larger capacity. American manufacturers, under the spur of home competition, have been steadily increasing the capacity and efficiency of their machines without adding to their cost.

The manufacturers of separators are not contending for the retention of the present duty of 45 per cent, although six foreign manufacturers are now sending separators to this country and paying the duty; but they do claim that the cut to the free list is so drastic that it will ultimately put them out of business. A duty of 25 per cent would be highly competitive, and would put them on their mettle, but they believe they could meet the competition and continue the industry. There would be a considerable increase of revenue from a duty of 25 per cent.

This information is furnished by the chamber of commerce of the city of Poughkeepsie, N. Y., where is located the American plant of the De Laval Cream Separator Co., which is believed to be the most modern cream separator plant in the world.

Mr. PENROSE. Then I have here some figures regarding the labor conditions and the conditions in the industry generally concerning Philippine tobacco. I shall not read them to the Senate, but I shall ask to have them printed. I do desire, however, to call the attention of the Senate very briefly to a few facts in connection therewith.

Mr. President, the tariff act of 1909 admits to the United States free of duty all products of the Philippine Islands excepting rice, sugar in excess of 300,000 gross tons in any one fiscal year, wrapper tobacco or mixed wrapper and filler tobacco in excess of 300,000 pounds in any one fiscal year, filler tobacco in excess of 1,000,000 pounds in any one fiscal year, and cigars in excess of 150,000,000 in any one fiscal year. In other words, sugar, leaf tobacco, and cigars are admitted free of duty in the quantities named. The pending tariff bill removes these restrictions and admits to free entry without reservation or exception all articles the growth or product of or manufactured in the Philippine Islands from materials the growth or product of the Philippine Islands or of the United States or of both. Since the present law has been in force no rice seems to have come to us from the Philippines, and as the pending bill makes all sugar free of duty the effect upon our domestic industry of the free admission of sugar from the Philippines is an academic question. Therefore, in the few remarks which I purpose to make upon the Philippine section of the tariff law I shall confine myself to leaf tobacco and cigars. An examination of the statistics showing the importations of cigars and tobacco from the Philippine Islands and of the statements which have been furnished by those who are engaged in the industry in the United States convinces me that the right of free entry now enjoyed by Philippine cigars and tobacco has brought about a competition which is destructive of American industry, and in justice to the wage earners in the United States who are succumbing to the competition of the oriental labor of the Philippine Islands I rise to protest against this provision in the pending bill.

Preliminarily, the figures furnished by the Division of Statistics in the Bureau of Domestic and Foreign Commerce, Department of Commerce, exhibit the following:

Imports of tobacco and manufactures thereof from the Philippines.

Fiscal year.	Cigars, cheroots, cigar-ettes, and paper cigars.		Leaf tobacco.	
	Number.	Value.	Pounds.	Value.
1910.....	82,470,300	\$1,673,855	15,494	\$2,311
1911.....	44,219,470	920,321	31,475	7,720
1912.....	63,852,600	1,340,338	5,056	644
1913.....	123,014,110	2,328,387	98,097	14,495

It will be seen from the above table that there has been an astounding increase in the number of cigars entering the

United States from the Philippine Islands. Attention is particularly invited to the enormous increase shown during the fiscal year just closed, the importations then amounting to 123,014,110 cigars, which exceeded the most sanguine estimates, for it showed an increase over the previous year of no less than 59,161,510 cigars. The slump from the importations of 1910 shown in the returns for the year 1911 was due to the failure of the Philippine cigars that were first sent over here to please the taste of American smokers, but the defect seems to have been remedied, for there was a 50 per cent increase in 1912, and, as already stated, imports of 1913 were almost twice what they were in 1912. It may be expected, then, that these importations will continue to grow, for some of the great American corporations are now in the islands, and the vast scale on which they operate, coupled with the extraordinary cheapness of the labor they use, will result in an enormous production which will, of course, find its market in the United States. This production in addition to the production in continental United States will greatly exceed any amount which this country could possibly consume, and hence, if unrestricted free entry be given to Philippine cigars, the domestic industry must be to a great extent driven to the wall. We should not permit this. Whatever view may be taken of our duties and obligations in the Philippine Islands or of the attitude which we should assume toward the inhabitants of those islands there is no possible reason why, if we must choose between our own citizens, native born and naturalized, and accustomed to the American way of living, and the Chinese, Japanese, and Malays of the Philippines, we should give preference to the latter. We have in the cigar-manufacturing industry in this country an old-established, extensively distributed, and flourishing industry, one in which there has been a continued and noticeable improvement in the conditions under which the labor is performed, one in which there has been a gradual increase in wages paid, and one which is, as a rule, a very well organized industry. On the other hand, the Philippine Islands industry is as yet an incipient project to exploit the oriental labor of those islands by means of large capital that is controlled by a very few men.

There are figures available which show the rate of wages or payment, the hours of work, and the earnings of workmen in the cigar-making trade in the Philippines, and it is perhaps fortunate, considering the animadversions of the majority on any figures quoted by this side, that these figures are official figures taken from the annual report of the bureau of labor, department of commerce and police, Government of the Philippine Islands, and gathered and published as a part of said report.

Before giving these figures I should like to impress upon the Senators the enormous advantage that these capitalists in the Philippines will have over the cigar manufacturers in the United States owing to an abundant labor supply, an Asiatic rate of wages, and a low standard of living. Furthermore, that cigar making is practically all hand labor. There have been several attempts to introduce machines, and I am informed that there is now in use a device called a suction table, but it has increased production less than 5 per cent and is used only on the cheapest of cigars.

In the cigar trade piecework is the rule, and payment is made on the basis of 1,000 cigars, the rate per 1,000 depending upon the quality of the tobacco, workmanship, peculiar and fancy shapes, width and thickness of the product. This system affords a fair opportunity for a comparison of prices paid for the labor in the Philippine Islands with that paid in the United States, and it also eliminates the question as to the relative efficiency of such labor, because the payment for the labor is based upon the same quantity of production. I find from the First Annual Report of the Bureau of Labor in the Philippine Islands, page 56, Table V, that the price per 1,000 cigars ranges from ₱1.40, or 70 cents American money, to ₱2.50, or \$1.25 American money. I ignore two items in the table, one of which shows a workman who receives only 45 centavos, or 22½ cents, for making 1,000 cigars and the other of which shows a workman who receives ₱5, or \$2.50, for making 1,000 cigars. I do not know just what kind of cigars either of these workmen made—the report does not say—but they are so far away from the general average, one at the low extreme and one at the high extreme, that it seems more advisable to leave them out. This gives an average wage rate of ₱1.65, or 82½ cents in our money, for making 1,000 cigars.

In respect to the prices paid in the United States, the figures available come from an equally reliable source; that is to say, they have been furnished by the cigar makers' unions throughout the United States and have also been secured directly from the books of cigar manufacturers.

The wages paid in the United States for making cigars retailing for 5 cents range from \$7 to \$13 per 1,000 in union fac-

tories. The cigars retailing for a dime range from \$10 to \$17 per 1,000. Special brands in the high grades pay from \$50 to \$60 per 1,000. In the factories controlled by the American Tobacco Co. and the American Cigar Co. prices are said to be considerably lower than these, but at that they are four times the prices paid in the Philippines. The subsequent annual reports of the Philippine bureau of labor, which are available at this time, namely, those for the years 1911 and 1912, unfortunately, do not furnish any table of the same character as that found in the first annual report, and therefore no direct comparison is possible. However, the report for the fiscal year ending June 30, 1912, states that there were in the Philippines 53 cigar and cigarette factories, which paid out in wages that year \$2,183,049; that of the total number of persons employed in the industry there were 5,166 men, 5,143 women, 425 boys under 16, and 566 girls under 16, making a total of 11,306, which indicates an average per annum of \$193, which means that the average annual wage was \$96.50 American currency.

The Cigar Makers' International Union of America, recognizing the danger to its members' hopes of making a living entailed in the proposed admission free of duty of Philippine cigars and tobacco, has been especially active in its protests and remonstrances, and it has gathered together a number of tables showing the actual earnings of cigar makers in the United States, also of their living expenses, and also certain information relative to the cigar industry, all of which is well worthy of consideration in connection with the matter immediately under discussion. I shall not detain the Senators by reading them, but I should like to have them printed in the Record; as also certain resolutions adopted at the convention of the Cigar Makers' International Union of America, held in Baltimore in September and October, 1912; also resolutions adopted by the Chicago Federation of Labor on May 4, 1913; and also resolutions adopted by the Essex Trades Council, of Newark, N. J., May 21, 1913. I shall also ask to have printed a memorial addressed to Congress by the Cigar Makers' International Union of America under date of May 13, 1913; also a letter from Mr. A. Strasser, for over 14 years president of the Cigar Makers' International Union.

In conclusion, there are some few further considerations which should be urged upon the Senators of the majority, and I am sure that if they should think them over carefully and judge them strictly upon their merits the Senators would find that what they are doing in this bill is entirely opposed to their own party professions, for they are contributing to the building up of a gigantic trust and to the absolute destruction of small producers.

The Senators should not be misled by any mistaken feelings of chivalry or generosity toward the Filipinos. This legislation—and I speak advisedly and deliberately—is not in the interest of the Filipinos at all. They will reap little, if any, substantial benefit from it. The cigar industry in the Philippine Islands is in the course of being exploited on a gigantic scale by American and British capital and with the aid of Chinese coolie rather than Philippine labor. The benefits of unrestricted free trade will not go to the building up of the general prosperity of the Philippine Islands. It will go into the pockets of these capitalists. As I have said, the labor which is employed in the cigar factories there is for the most part Chinese and Japanese and not Filipino. Even if it were Filipino I doubt very much if it is good policy for us to encourage factory industries in the islands at the expense of the cultivation of the soil and the development of the natural resources of the islands. It is needless to say that these two branches of activity would furnish sufficient occupation for the inhabitants of the islands for some centuries to come, and it would certainly be better for the people of those islands to turn their attention to the cultivation of the soil and the development of their natural resources rather than be cooped up in factories, working long hours under insanitary conditions. Again I impress upon the Senators that the labor employed is largely Chinese and Japanese and that it is the very labor which we, even at the risk of provoking international complications, have excluded from entry into this country. How inconsistent it is to exclude this oriental labor from our shores and yet admit freely the products of that labor. Compare the coolies who make these cigars in the Philippines with the Americans who are engaged in the industry in this country. Here the majority of the workmen are American born. The industry is an old one and the conditions in it are such that it is not open like some lines of business to newly arrived immigrants. Do not by passing this section in its present form decree its destruction.

PRICES PAID FOR MAKING 1,000 CIGARS.

The wages paid for making 1,000 cigars in the United States, Porto Rico, Philippine Islands, Cuba, and other foreign countries are more or less graded according to quality, workmanship, peculiar and fancy shapes, length and thickness of the product. Cigar makers and packers, with a few rare exceptions, are paid by the thousand. This system affords a fair opportunity for comparison of prices paid for labor in the Philippine Islands with the United States. The following is quoted from the First Annual Report of the Bureau of Labor of the Philippine Islands, Table V, Cigar makers, page 56:

	Per 1,000.
Lowest price, 45 centavos per 1,000, equals, in United States currency	\$0.22½
Highest price, 5 pesos per 1,000, equals, in United States currency	2.50
Average price, 1.8 pesos per 1,000, equals in United States currency	.90

PREVAILING PRICES IN THE UNITED STATES.

The prices paid in the United States for making cigars retailing for 5 cents range from \$7 to \$13 per 1,000 in union factories; for cigars retailing for a dime the prices paid range from \$10 to \$17 per 1,000. Special brands in the high-priced grades pay from \$50 to \$60 per 1,000 for making. The prices paid in open shops average from 25 to 50 per cent less than paid in union shops operating with scales of prices based upon trade agreements.

In the factories controlled by the American Tobacco Co. and the American Cigar Co. the prices paid for nickel cigars are still lower, but when compared with the average prices paid in the Philippine Islands they are approximately 400 per cent higher.

AVERAGE WEEKLY WAGES EARNED IN THE UNITED STATES.

The following is a statement of earnings in a number of factories scattered over the whole country for the week ended May 24, 1913. If compared with the weekly wages earned in the Philippine Islands, the disastrous competition which is bound to ensue by opening the markets in the United States without any limitation whatsoever to the Asiatic product can be noticed at a glance:

<i>Colorado.</i>	
<i>DENVER.</i>	
(Factory of the Solis Cigar Co.)	
Average weekly wages of 86 cigar makers per capita	\$16.38
Average weekly wages of 7 packers	17.70
(Factory of the Cuban Cigar Co.)	
Average weekly wages of 44 cigar makers per capita	17.44
Average weekly wages of 3 cigar packers	25.68
Hours of labor, 48 per week.	
<i>Connecticut.</i>	
<i>HARTFORD.</i>	
(Factory of Charles Soby.)	
Average weekly wages of 83 cigar makers per capita	\$17.53
Average weekly wages of 6 cigar packers	24.85
Average weekly wages of 23 tobacco strippers	7.10
<i>NEW HAVEN.</i>	
(Factory of F. D. Graves.)	
Average weekly wages of 161 cigar makers per capita	18.85
Average weekly wages of 13 cigar packers	25.71
(Factory of A. Kafka & Co.)	
Average weekly wages of 89 cigar makers per capita	18.98
Average weekly wages of 8 cigar packers	23.84
<i>California.</i>	
<i>SAN FRANCISCO.</i>	
(Factory of Frankel, Gerds & Co.)	
Average weekly wages of 170 cigar makers per capita	\$19.85
Average weekly wages of 14 packers	23.15
(Factory of Red Seal Cigar Co.)	
Average weekly wages of 21 cigar makers per capita	20.00
Average weekly wages of 2 cigar packers	20.57
Hours of labor, 8 per day.	
<i>Illinois.</i>	
<i>CHICAGO.</i>	
(Factory of Wengler & Mandell—Clear Havana.)	
Average weekly wages of 152 cigar makers per capita	\$20.37
Average weekly wages of 10 packers	33.30
Average weekly wages of 33 stripper girls	9.28
(Factory of J. Fernbach & Co.)	
Average weekly wages of 72 cigar makers per capita	19.93
Average weekly wages of 5 cigar packers	29.52
Hours of labor, 47 per week.	
(Factory of Duus & Gellert.)	
Average weekly wages of 14 cigar makers per capita	20.41
Average weekly wages of 1 packer	28.90
Average weekly wages of 5 strippers	9.60
<i>Indiana.</i>	
<i>INDIANAPOLIS.</i>	
(Factory of Crump Bros.)	
Average weekly wages of 325 cigar makers per capita	\$19.50
Average weekly wages of 21 cigar packers	24.00

(Factory of A. E. Rauch.)	
Average weekly wages of 35 cigar makers per capita	17.00
Average weekly wages of 3 cigar packers	20.00
FORT WAYNE.	
(Factory of Coony Bayer Cigar Co.)	
Average weekly wages of 50 cigar makers per capita	16.83
Average weekly wages of 4 cigar packers	19.87
SOUTH BEND.	
(Factories of C. L. Goetz and Mike Hazinski.)	
Average weekly wages of 60 cigar makers per capita	16.00
Hours of labor, 48 per week.	
Kentucky.	
LOUISVILLE.	
(Factory of A. Bickel & Co.)	
Average weekly wages of 46 cigar makers per capita	\$9.09
Average weekly wages of 3 cigar packers	14.25
(Factory of J. T. Stier & Sons.)	
Average weekly wages of 28 cigar makers per capita	13.08
Average weekly wages of 4 cigar packers	9.03½
Hours of labor, 8 per day.	
Maine.	
BANGOR.	
(Factory of W. S. Allen.)	
Average weekly wages of 12 cigar makers per capita	\$26.72
Average weekly wages of 1 cigar packer	26.80
Hours of labor, 44 per week.	
Massachusetts.	
BOSTON.	
(Factory of Walitt & Bond (Inc.))	
Average weekly wages of 648 cigar makers per capita	\$22.16
Average weekly wages of 56 cigar packers	25.78
(Factory of H. Traiser & Co.)	
Average weekly wages of 486 cigar makers, per capita	19.94
Average weekly wages of 47 cigar packers	26.20
Average weekly wages of 192 tobacco strippers (females)	7.15
Missouri.	
ST. LOUIS.	
(Factory of F. R. Rice Mercantile Cigar Co.)	
Average weekly wages of 100 cigar makers per capita	\$16.05
Average weekly wages of 5 cigar packers	24.00
Hours of labor, 45 per week.	
New Hampshire.	
MANCHESTER.	
(Factory of R. G. Sullivan.)	
Average weekly wages of 479 cigar makers per capita	\$21.20
Average weekly wages of 39 cigar packers	23.18
Hours of labor, 48 per week.	
New Jersey.	
NEWARK.	
(Factory of Frank Mueller.)	
Average weekly wages of 29 cigar makers per capita	\$19.03
Average weekly wages of 2 cigar packers	26.00
(Factory of Stumm & Co.)	
Average weekly wages of 22 cigar makers per capita	16.15
Average weekly wages of 1 packer	24.50
(Factory of Harry Stone.)	
Average weekly wages of 20 cigar makers per capita	18.15
Average weekly wages of 1 packer	25.00
(Factory of F. L. Luz & Co.)	
Average weekly wages of 15 cigar makers per capita	17.22
Average weekly wages of 1 packer	24.00
Hours of labor, 44 per week.	
New York.	
TROY.	
(Factory of Quinn Bros.)	
Average weekly wages of 41 cigar makers per capita	\$14.20
Average weekly wages of 2 cigar packers	20.15
(Factory of Fitzpatrick & Draper.)	
Average weekly wages of 43 cigar makers per capita	17.80
Average weekly wages of 3 cigar packers	21.00
Hours of labor, 8 per day	
ONEIDA.	
(Factory of Powell & Goldstein.)	
Average weekly wages of 132 cigar makers per capita	14.95½
Average weekly wages of 10 cigar packers	18.85
(Factory of J. M. Bennett & Son.)	
Average weekly wages of 19 cigar makers per capita	14.62
Average weekly wages of 2 cigar packers	19.75
NEW YORK CITY.	
(Factory of B. Feifer & Sons.)	
Average weekly wages of 244 cigar makers per capita	11.94
Average weekly wages of 16 cigar packers	22.60
(Factory of Wm. Glacum & Sons.)	
Average weekly wages of 71 cigar makers per capita	12.62
Average weekly wages of 5 cigar packers	20.62
(Factory of T. J. Plunket.)	
Average weekly wages of 50 cigar makers per capita	15.32
Average weekly wages of 4 cigar packers	25.00
(Central Cigar Manufacturing Co.)	
Average weekly wages of 133 cigar makers per capita	17.60
Average weekly wages of 11 cigar packers	30.37

Ohio.

CINCINNATI.

(Factory of Peter Ibold.)

Average weekly wages of 103 cigar makers per capita	\$14.61
Average weekly wages of 10 cigar packers	17.25

(Factory of M. Ibold.)

Average weekly wages of 110 cigar makers per capita	16.54
Average weekly wages of 11 cigar packers	19.72

Hours of labor, 46 per week.

Pennsylvania.

READING.

(Factory of Clarence E. Kutz.)

Average weekly wages of 75 cigar makers, per capita	\$14.70
Average weekly wages of 5 cigar packers	23.38

(Factory of Charles N. Yetter & Co.)

Average weekly wages of 65 cigar makers, per capita	12.22
Average weekly wages of 7 cigar packers	9.55

Hours of labor, 40 per week.

M'SHERRYSTOWN.

(Factory of C. E. Miller.)

Average weekly wages of 55 cigar makers, per capita	13.40
Average weekly wages of 5 cigar packers	16.25

Hours of labor, 45 per week.

ERIE.

(Factory of G. B. Wingerter.)

Average weekly wages of 25 cigar makers, per capita	15.75
Average weekly wages of 2 cigar packers	18.50

(Factory of A. M. Hess.)

Average weekly wages of 8 cigar makers, per capita	14.50
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Hours of labor, 45 per week.

Wisconsin.

MILWAUKEE.

(Factory of B. Fernandez estate.)

Average weekly wages of 111 cigar makers, per capita	\$16.89
Average weekly wages of 4 cigar packers	28.75

(Factory of Herman Busch.)

Average weekly wages of 16 cigar makers, per capita	13.50½
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Hours of labor, 8 per day.

Average weekly wages of 4,546 cigar makers, employed in 43 cigar factories, for the week ended May 24, 1913, \$16.88½. Average weekly wages of 355 cigar packers, employed in 39 cigar factories, \$22.50½.

THE STANDARD OF LIVING.

The principal item in the cost of living for wage earners is the payment of rent for cottages, houses, and flats in tenements. The rents paid by cigar makers in the United States range from \$7 per month in villages to \$22 in the larger cities. The total cost of living, including rent, ranges from \$10 to \$18 weekly. This is approximately a fair estimate.

According to the first annual report of the bureau of labor of the Philippine Islands for the fiscal year ended June, 1910 (p. 57), the rents paid by cigar makers range from ₱12 to ₱120 per annum; the average per capita rent paid per annum was ₱56, equal to \$28 in United States currency. The total cost of living, including rent, ranged from ₱100 to ₱544; the average was ₱290 and 66 centavos; in United States currency \$149.83. The wide gulf which separates the standard of living of the cigar maker in the Philippine Islands from the worker in the United States has a direct bearing upon the cost of production. With such a vast difference in the labor cost and standard of living an industry based upon hand labor has not the slightest chance to survive. Absolute free trade in cigars with the Philippine Islands means the gradual destruction of the industry in the United States. This can not be successfully denied.

COMPARATIVE STATEMENT OF AVERAGE WEEKLY WAGES.

The difference in the average weekly wages earned by the cigar makers in the Philippine Islands as compared with the average wages earned by cigar makers in the United States furnishes sufficient proof against a law which permits the importation of cigars from the Philippine Islands free of duty without any limitation.

The first annual report of the bureau of labor of the Philippine Islands (p. 152) gives the average wages in the Provinces earned by cigar makers as 74 centavos, equal to 37 cents in United States currency. It is as follows:

Provinces.	Centavos.	Cents.
Occidental Negros	17	8½
Cebu	78	39
Cagayan	1.47	73½

The third annual report of the bureau of labor of the Philippine Islands (p. 15) states 53 cigar and cigarette factories paid in wages ₱2,183,049; average wages per annum, ₱193; equal to \$96.50 in United States currency.

The average number of hours of labor ranged from 10 to 12 per day. The number of people employed in the industry was as follows:

Males.....	5,166
Females.....	5,143
Boys under 16.....	425
Girls under 16.....	566
Total.....	11,300

IN THE INTEREST OF THE CIGAR TRUSTS.

The tariff bill providing for absolute free trade in cigars from the Philippine Islands will not benefit the consumer. The retail prices of cigars, with some exceptions, have been fixed for decades at 5 cents, 10 cents, and over. Some retailers in drugs, and so forth, sell nickel cigars from six to seven for a quarter. Ten-cent cigars retail sometimes three and four for a quarter. There are also cigars in the market which retail two for 5 cents and three for 10 cents, but these are the exceptions; the general price for cigars is 5 cents, 10 cents, and higher. To assert that free trade in cigars will benefit the consumer is an economic theory based upon imagination. This bill will benefit the powerful corporations known as the United Cigar Stores Corporation, the American Cigar Co., and the British-American Tobacco Co. It will enable them to locate large factories in Manila and other cities and exploit the cheap labor of the islands.

THE BUSINESS OF THE BRITISH-AMERICAN TOBACCO CO. IS WORLD-WIDE.

As now constituted the British-American Tobacco Co. (Ltd.) controls, through ownership of all or a majority of the capital stock, or through subsidiaries, the following companies engaged in the business of manufacturing or selling tobacco and its products:

American Tobacco Co. of Canada (Ltd.), Montreal, Canada.
 Nya Aktiebolag Cigarettfabriken Orient, Stockholm, Sweden.
 George A. Jasmatzki, Dresden, Germany.
 British Cigarette Co. (Ltd.), Shanghai, China.
 British-American Tobacco Co. (India) (Ltd.), Calcutta, India.
 Mustard & Co., Shanghai, China.
 United Tobacco Co. (Ltd.), London, England.
 United Tobacco Co. (North) (Ltd.), Transvaal, Africa.
 United Tobacco Co. (South) (Ltd.), Cape Town, South Africa.
 Maspero Freres (Ltd.), Cairo, Egypt.
 Jamaica Tobacco Co., Kingston, Jamaica.
 Peninsular Tobacco Co. (Ltd.), Karachi, India.
 W. S. Mathews & Sons Co., Louisville, Ky.
 T. C. Williams Co., Petersburg, Va.
 David Dunlop, Petersburg, Va.

GENERAL INFORMATION—WHOLESALE PRICES OF CIGARS IN THE UNITED STATES.

The prices paid by retailers for nickel cigars are as follows, per 1,000, \$22, \$25, \$28, \$30, \$35, and \$38. Ten-cent cigars range from \$45 to \$70 per 1,000. Large jobbers and wholesalers receive a discount from the manufacturer of from 7 to 10 per cent for cash; small retailers buying from a few hundred to a few thousand receive a discount of 2 per cent for cash.

A suction table has the appearance of a sewing machine; it is connected with pipes into which air is blown from a heating plant. The suction thus created holds the leaf-tobacco wrapper close to the table and saves the labor of spreading it. The cutter connected with the table cuts off the wrapper by a motion of the operator's hand, but owing to the round shape of the leaf the cutter is unable to cut the wrapper round the same as hand labor can do, thus destroying some of the finest part of the tobacco.

The so-called Borgfeld table was introduced for the purpose of saving labor in the making of the bunch. The operator making the bunch has to grab the filler from the table in the same manner as the cigar made by hand; the bunch has to be shaped by hand; the binder holding the filler is placed in the Borgfeld table, and with a motion of the foot the binder winds around the filler. The labor saved by both devices does not exceed 5 per cent.

I ask unanimous consent to have some communications and resolutions inserted as part of my remarks, together with a clipping from the United States Tobacco Journal of July 19, 1913.

The VICE PRESIDENT. The Chair hears no objection, and leave is granted.

The matter referred to is as follows:

Resolutions adopted unanimously at the convention of the Cigar Makers' International Union of America, held in the city of Baltimore, Md., in the months of September and October, 1912. The convention

was attended by 367 delegates from all parts of the country. The resolutions were introduced by Robert Ricker, delegate from San Francisco, Cal.:

Whereas they are now permitting the importation of 150,000,000 cigars annually free of duty into the United States of America from the Philippine Islands;

Whereas these cigars are coming in direct competition with the American workmen; and

Whereas the standard of living of the Philippine workman is below that of the American workman we find that it is impossible for the American workman to compete with the Philippine workman: Be it therefore

Resolved, That we, the Cigar Makers' International Union of America, protest against the importation of these cigars free of duty from the Philippine Islands; and be it further

Resolved, That the delegates to the American Federation of Labor be instructed to take up the subject matter in the American Federation of Labor convention and have the American Federation of Labor protest to the proper authorities, to have the law repealed which permits those cigars coming from the Philippine Islands free of duty.

Reported favorably by the committee on resolutions.

SAMUEL GOMPERS, *Chairman*.
 CHAS. EVANS.
 PETER FOX.
 H. C. WEGENER.
 C. O. BEALS.

Resolutions adopted by the Chicago Federation of Labor on May 4, 1913:

Whereas at a meeting of the joint unions of cigar makers and cigar packers a resolution protesting against a measure now pending in Congress, which measure pits the cigar makers and other organized workers against Asiatic, Mongolian, and oriental hand labor of the Philippine Islands, was unanimously adopted because of the following reasons:

One-half of the cigar factories in Manila, P. I., are owned by Chinese. The employees there work from 10 to 12 hours a day, while organized cigar makers work here 8 hours a day. The third annual report of the bureau of labor of the Philippine Islands shows that in 53 factories the annual wages averaged \$93.50, which is less than \$2 a week, or about 30 cents a day.

The cigar trade is practically a hand industry; practically no machinery is used in the production of cigars. Owing to the difference in the standard of living here and there, in the cost of living, in wages, and the hours of labor, the hand workers of this country can not successfully compete with the hand labor of the Mongolian, Asiatic, and oriental coolie hand workers of the Philippine Islands, and should not in justice be made to do so.

If the product of this oriental cheap labor comes into this country, the result will be ruinous to the industry here and would in a measure impair and partly nullify the Chinese-exclusion act.

Resolved by the Chicago Federation of Labor in regular meeting assembled, That we the delegates fully indorse and concur in the position and protest of the affiliated organized cigar makers and cigar packers' unions for the reasons stated, and instruct our officers to immediately forward a copy of this resolution to the secretary of the Joint Cigar Makers' Unions of Chicago.

Resolved, That nothing in the foregoing resolution commits the Chicago Federation of Labor, its officers or members, individually or collectively, to a protective tariff, a low tariff, a tariff for revenue only, or any kind of a tariff, and that the resolution and our action thereon is solely an indorsement of the protest of our affiliated organized workers being pitted against the Mongolian, Asiatic, oriental, and coolie hand labor of the Philippine Islands.

JOHN E. FITZPATRICK, *President*.
 ED. E. NOCKELS,
Secretary Chicago Federation of Labor.

ESSEX TRADES COUNCIL,
 Newark, N. J., May 21, 1913.

DEAR SIR: The following resolution was unanimously adopted by Cigar Makers' Union No. 138, of Newark, and the Essex Trades Council, composed of the following organizations; the resolution is self-explanatory, and we hope and pray that you will do all in your power to prevent this unjust competition that the present tariff bill proposes with Asiatic labor:

"Whereas at a meeting of the joint unions of cigar makers and cigar packers a resolution protesting against a measure now pending in Congress, which measure pits the cigar makers and other organized workers against Mongolian, Asiatic, and oriental hand labor of the Philippine Islands, was unanimously adopted because of the following reasons:

"One-half of the cigar factories in Manila, P. I., are owned by Chinese, whose employees work from 10 to 12 hours per day, while organized cigar makers here work 8 hours per day. The third annual report of the bureau of labor of the Philippine Islands shows that in 53 factories the annual wages averaged \$96.50, which is less than \$2 per week or about \$0.30 per day.

"The cigar trade is practically a hand industry; practically no machinery is used in the production of cigars. Owing to the difference in the standard of living here and there, in the cost of living, in the wages, and the hours of labor, the handworkers of this country can not successfully compete with the hand labor of the Mongolian, Asiatic, oriental, and coolie handworkers of the Philippine Islands, and should not be in justice asked to do so. If the product of this oriental cheap labor comes into this country, the result will be ruinous to the industry here, and would, in a measure, impair and partly nullify the Chinese-exclusion act:

"Resolved, by the Essex Trades Council in regular session assembled, That we, the delegates, fully indorse and concur in the position and protest of the affiliated organized cigar makers' and cigar packers' unions for the reasons stated, and instruct our officers to immediately forward a copy of this resolution to the secretary of joint cigar makers unions of Newark, N. J.

"Resolved, That nothing in the foregoing resolution commits the Essex Trades Council, its officers or members, individually or collectively, to a protective tariff, a low tariff, a tariff for revenue only, or any kind of a tariff, and that the resolution and our action thereon is solely an indorsement of the protest of our affiliated organized workers being pitted against the Mongolian, Asiatic, oriental, and coolie hand labor of the Philippine Islands."

The Essex Trades Council of Newark N. J., also indorsed the Kern bill, providing for compensation for Government civilian employees in case they get injured or disabled in the course of their employment through accident and occupational disease, and respectfully request you to aid its passage.

Allied Printing Trades Council. T. C. Price, 866 South Nineteenth Street, Newark, N. J.; Amalgamated Clothing Cutters, No. 28, Charles H. Curtis, 24 Frelinghuysen Avenue, Newark, N. J.; Bakers, No. 84, Conrad Sorg, 117 Hamburg Place, Newark, N. J.; Bakers, No. 137, Tony Esposito, 62 Nassau Street, Newark, N. J.; Bakers, No. 167, B. Weckstein, 142 Howard Street, Newark, N. J.; Barbers, No. 319, Theo. Thripfonoff, 347 Littleton Avenue, Newark, N. J.; Bartenders, No. 131, August Meister, 63 Thirteenth Avenue, Newark, N. J.; Beer Bottlers, No. 268, William Umstadter, 66 South Orange Avenue, Newark, N. J.; Beer Drivers, No. 148, A. E. Zusi, 4 Bowery Street, Newark, N. J.; Bill Posters and Billers, No. 18, J. R. Fitzgerald, 262 Washington Street, Newark, N. J.; Bookbinders, No. 62, I. N. Allen, 346 Seymour Avenue, Newark, N. J.; Brass Molders, No. 89, Philip Kohaut, 21 Monmouth Street, Newark, N. J.; Brass Workers, No. 189, Charles W. Bird, 161 Hillside Avenue, Newark, N. J.; Brewers, No. 2, Joseph Mang, 704 South Fourteenth Street, Newark, N. J.; Carpenters and Joiners, No. 119, E. S. McMullen, 364 Littleton Avenue, Newark, N. J.; Carpenters and Joiners, No. 306, W. E. Chambers, 280 Walnut Street, Newark, N. J.; Carpenters and Joiners, No. 723, William Kampe, 405 North Grove Street, Irvington, N. J.; Carpenters' District Council, G. G. Adlon, 96 Watsessing Avenue, Bloomfield, N. J.; Carriage, Wagon, and Automobile Workers, No. 15, Ernst Greulich, 544 South Twelfth Street, Newark, N. J.; Celluloid Turners, No. 14233, Samuel Mills, 393 Forest Street, Arlington, N. J.; Celluloid Workers, No. 14248, Fred Walker, 176 Hillside Avenue, Newark, N. J.; Cigar Makers, No. 138, Henry F. Hilfers, 66 South Orange Avenue, Newark, N. J.; Clothing Pressers, No. 205, Cooks, No. 294, A. Elze, 260 Washington Street, Newark, N. J.; Coopers' Union No. 134, H. Granau, 127 Livingston Street, Newark, N. J.; Coremakers, No. 441, Stephen T. McKenna, 458 Fifteenth Avenue, Newark, N. J.; Cylinder Press Feeders, No. 19, William Hulighan, 97 Hamilton Street, East Orange, N. J.; Electrical Workers, No. 52, H. Schnarr, 85 Market Street, Newark, N. J.; Electrical Workers, No. 190, William Farley, 261 Clifton Avenue, Newark, N. J.; Garment Workers, No. 21 (ladies), M. Broock, 68 Waverly Avenue, Newark, N. J.; Garment Workers, No. 216, M. Kestenbaum, 107 Broome Street, Newark, N. J.; Garment Workers, No. 276, A. Stiglitz, 55 Boyd Street, Newark, N. J.; Hatters, No. 4 (Orange), M. F. Condon, 45 Freeman Street, Orange, N. J.; Hatters, No. 17 (Orange), M. F. Greene, 45 Freeman Street, Orange, N. J.; Hatters, No. 13 (makers), Thomas Donovan, 45 Clinton Street, Newark, N. J.; Hatters, No. 14 (finishers), James Byrne, 45 Clinton Street, Newark, N. J.; Hat Fur Weighers and Feeders, Miss A. Barlow, 403 Bank Street, Newark, N. J.; Hat Trimmers, Miss Alice Scott, 845 Broad Street, Newark, N. J.; Hat Tip Printers, No. 3, T. J. Carolan, 373 Morris Avenue, Newark, N. J.; H. and F. Insulators, Asbestos Workers, Fred V. Frost, 610 Stuyvesant Avenue, Irvington, N. J.; Hoisting Engineers, No. 403a, T. Whittaker, 224 Nundra Avenue, Jersey City, N. J.; Horseshoers, No. 22, S. G. Steel, 90 Stubben Street, East Orange, N. J.; Hudson County Central Labor Union, J. P. O'Lone, 809 Bloomfield Avenue, Hoboken, N. J.; Iron Molders, No. 40, James S. Kelly, 330 New York Avenue, Newark, N. J.; Jewelry Workers, No. 2, M. S. Alexander, 356 Fairmount Avenue, Newark, N. J.; Journeyman Tailors, No. 195, M. A. Klein, 346 Littleton Avenue, Newark, N. J.; Last Makers, No. 14354, A. S. Holman, 67 Fairmount Avenue, Newark, N. J.; Lathers, No. 102 (W. W. and M.), Frank Petridge, 11 Richmond Street, Newark, N. J.; Machinists, No. 340, Thomas Edwards, 109 Summer Avenue, Newark, N. J.; Mailers, No. 11, C. O. Shyers, 382 Twenty-first Street, Irvington, N. J.; Maltsters, No. 171, H. Watschong, 38 Richmond Street, Newark, N. J.; Martial Musicians, No. 1, J. H. Conway, 5 Cabinet Street, Newark, N. J.; Musicians, No. 16, J. Fred Heidt, 93 Lang Street, Newark, N. J.; Meat Cutters, No. 422, Fred Meyer, 42 Magazine Street, Newark, N. J.; Metal Trades Council, E. J. Lynch, 12 Jay Street, Newark, N. J.; Mineral Water Drivers, No. 800, George W. Grischel, 77 Thomas Street, Newark, N. J.; Mineral Water Bottlers, No. 1317, Al Roehri, 62 Valley Street, Orange, N. J.; Moving Picture Operators, No. 244, A. M. Schroeder, 260 Washington Street, Newark, N. J.; Newspaper and Mail Deliverers, J. B. Duane, 912 World Building, New York City; Orange Federated Trades Council, A. F. De Leon, 59 Day Street, Orange, N. J.; Painters and Paperhangers, No. 989, Gus. Tannenburgh, 24 Sixteenth Avenue, Newark, N. J.; Paper Cigarette Makers, No. 98, Abraham Sheines, 262 Stanton Street, New York, N. Y.; Pattern Makers, Newark Division, Edward Pernar, 690 Bergen Street, Newark, N. J.; Pavers, Curbers, and Rammers, Frank Murray, 123 Newark Street, Newark, N. J.; Photo-Engravers, No. 28, Walter Jones, 1813 Brunswick Street, Newark, N. J.; Plumbers and Gas Fitters, No. 24, John C. Knispel, 488 Bergen Street, Newark, N. J.; Polishers, Buffers, and Platers, No. 44, William Logan, 301 Plane Street, Newark, N. J.; Printing Pressmen, No. 31, F. J. Ostertag, 377 Bergen Street, Newark, N. J.; Riggers, No. 11561, E. C. Frederickson, 260 Brook Avenue, New York, N. Y.; Sheet Metal Workers, No. 126, E. H. Munden, 13 Mead Street, Newark, N. J.; Sheet Metal Workers, No. 177, Thomas J. Daly, 256 Warren Street, Newark, N. J.; Silver Finishers, No. 280, J. Edw. Heid, 405 Washington Street, Newark, N. J.; Stationary Firemen, No. 55, W. J. Davis, 921 Roosevelt Avenue, Elizabeth, N. J.; Steam and Oper. Engineers, No. 68, H. Hebel, 240 Springfield Avenue, Newark, N. J.; Steam and Sprinkler Fitters, No. 475, John Kershaw, 9 Tichenor Ter-

race, Irvington, N. J.; Stereotypers, No. 18, Alfred Chapman, 212 Lafayette Street, Newark, N. J.; Street Cleaners, No. 87, Ralph Iovino, 305 East Kinney Street, Newark, N. J.; Teamsters and Chauffeurs, No. 475, Walter Darden, 92 Nassau Street, Newark, N. J.; Theatrical Stage Employees, No. 21, L. Bonafond, 327 Bergen Street, Newark, N. J.; Travelers' Goods and Leather Novelty Workers, No. 2, G. W. Schlupf, 69 Tiffany Place, Irvington, N. J.; Travelers' Goods and Leather Novelty Workers, No. 39, Morris Teiger, 88-90 Sixteenth Avenue, Newark, N. J.; Typographical Union No. 103, J. H. Daley, 260 Washington Street, Newark, N. J.; Typographia No. 8, Joseph A. Helm, 620 Hunterdon Street, Newark, N. J.; Union County Trades Council, G. J. Reiss, 238 Rahway Avenue, Elizabeth, N. J.; Waiters, No. 109, A. J. Cozzolino, 260 Washington Street, Newark, N. J.; Water Pipe Calkers, No. 10830, Martin Kilkenny, 108 Bergen Street, Newark, N. J.; Web Pressmen, No. 8, Charles J. Grady, Montclair, N. J.; Wire Weavers, New Jersey Division, William J. Duffy, 71 Ogden Street, Newark, N. J.

DANL. SPINDE, President.

Attest:
HENRY F. HILFERS, Secretary.

HEADQUARTERS CIGAR MAKERS'
INTERNATIONAL UNION OF AMERICA,
Chicago, Ill., May 13, 1913.

To the Congress of the United States—Senators and Members of the House of Representatives:

GENTLEMEN: At the September, 1912, convention of the Cigar Makers' International Union a resolution was adopted and under the referendum approved by popular vote, protesting against the importation of cigars duty free from the Philippine Islands and instructing the international president and executive board to protest to the proper Federal authorities and to the Congress of the United States against the importation of cigars from the Philippine Islands duty free.

In addition to the brief submitted to you by instruction by the international president, G. W. Perkins, under date of April 22, 1913, which brief we concur in and indorse and ask you to accept as our unanimous belief and judgment, we respectfully call attention to the fact that this proposition to raise the limit and permit cigars to come in without restraint from the Philippine Islands is more of an economic labor question than an economic political question, for the following reasons:

Our trade, the cigar trade, is a hand industry. Machinery is not successfully used in the manufacture of cigars. It is purely a hand trade, and because of the difference in standards of living in this country and in the Philippine Islands we can not successfully compete with the Mongolian, Asiatic, oriental hand labor of the Philippine Islands. In the Philippine Islands the wages are, according to the Third Annual Report of the Bureau of Labor of the Philippine Islands, about 30 cents a day.

Under the present law the Philippines are permitted to send here 150,000,000 cigars annually. It may be said that this limit has not been reached and never will be. If this is true, why raise the limit? We believe that if the limit is raised foreign capital will immediately establish factories there because of the extremely low wages paid, and in a few years either destroy the industry in this country or reduce the standard of wages to a level where no American can exist.

We again say this is more than a political protective tariff or tariff-for-revenue-only issue. It is subjecting our trade, a hand industry, to competition with the Mongolian, Asiatic, oriental hand labor of the Philippine Islands, the cheapest labor in the world, which proposition we earnestly and respectfully protest against.

The delegates to the convention which adopted the resolution instructing us to act in this matter did not consider the matter a political partisan issue, but rather one of competition with oriental labor. The delegates were so intensely in earnest and secure in the justice of our position that they instructed the officers to solicit the cooperation and assistance of all fellow trade-unionists, of other trades, and friends.

Yours, very truly,

G. W. PERKINS, International President, Chicago, Ill.
SAMUEL GOMPERS, First Vice President, Washington, D. C.
THOS. F. TRACY, Second Vice President, Boston, Mass.
W. H. FITZGERALD, Fourth Vice President, Portland, Oreg.
L. P. HOFFMANN, Fifth Vice President, Jacksonville, Ill.
JOHN REICHERT, Sixth Vice President, Milwaukee, Wis.
E. G. HALL, Seventh Vice President, Minneapolis, Minn.
GIBSON WEBER, International Treasurer, Philadelphia, Pa.

CHICAGO, ILL., August 30, 1913.

Hon. BOIES PENROSE,

United States Senator, Washington, D. C.

DEAR SIR: I regret my inability to go to Washington at present for the purpose of conferring with you personally on matters of legislation which the members comprising the Cigar Makers' International Union of America are vitally interested in. Mr. Daniel Harris, president of the New York State Federation of Labor, one of our old members, is authorized to represent our organization in Washington, and is fully qualified to explain our contentions against that part of the tariff bill which provides for absolute free trade in cigars from the Philippine Islands.

He notifies me that one of my statements showing comparative prices paid for making 1,000 cigars in the Philippine Islands and the prices prevailing in the United States might be disputed by some one who is anxious to pass laws which will have a tendency to curtail employment, to reduce wages, and to encourage disastrous competition with the product of the Asiatic and Mongolian labor of the Philippine Islands.

In comparing the prices paid for making 1,000 cigars in the Philippine Islands with the prices paid in the United States, I was compelled to use reports issued by the Bureau of Labor in the Philippine Islands. Part of these reports appear to be indefinite to one who is fully familiar with the technical points of the cigar trade.

In the report issued for 1910 I notice, on page 56, table 5, under the caption of "Piece or job prices," the prices range from 45 centavos to 5 pesos. Judging by the customs prevailing in the cigar trade in the Spanish-speaking countries, in the United States and foreign countries in general, it has been the prevailing custom to pay for making cigars, or packing cigars, by the thousand, and the quotations of prices to wholesalers are always based upon the thousand. The internal revenue tax paid for cigars is always based upon a similar system. While

the labor report does not definitely state that the prices paid are based upon a similar plan, evidence from other sources tends to convey the impression that such is the case. In this connection I desire to call your attention to a letter which was published in our official journal, which corroborates in part the deductions I have made from the statistics published in the labor report of Manila.

SAN FRANCISCO, CAL., May 17, 1913.

The Philippine cigars, which are made by Filipinos and Asiatics, if given free and unrestricted free trade with the United States, will cause a revolution in the cigar industry of the United States.

These cigars are being sold in all the cigar stores of California, and have already gotten a substantial foothold upon the saloon trade owing to their cheapness. They wholesale from \$10 per thousand and up. They retail at three for 5 cents and up. Millions of these cigars have already been sent to the Eastern States. If given free trade with the United States they will flood the Eastern States with these cigars the same as they are now flooding the Pacific Coast States, and which will throw thousands of our people out of work.

The new tariff schedule, which provides that 20 per cent of foreign tobacco can be used, such as Habana, and which will improve the cigars, causes a ready market and a greater sale for these cigars. Cheap labor, cheap tobacco, cheap cigars, free trade with the Philippine Islands—the result will be a swelling of the ranks of the unemployed in the United States.

We therefore hope that all the local unions will put their shoulder to the wheel and protest against the passage of this free trade in Philippine cigars proposition.

Respectfully and fraternally, yours,

CHAS. DRAEKE.

By ascertaining the wholesale price of cigars and the cost of production the approximate price paid to labor can be obtained without any statistical data or information.

The letter by our secretary from San Francisco contains the fact that Philippine cigars retailed in San Francisco are sold wholesale from \$10 up. Let me analyze, if you please, for the information of the United States Senators, the cost of production of 1,000 cigars sold at wholesale for \$10 per thousand in San Francisco. The cost of production includes the cost of raw material, internal-revenue tax, miscellaneous expenses, and wages paid for stripping, packing, and making. They are approximately as follows per thousand:

United States internal-revenue tax	\$3.00
Wrappers, fillers, and binders	2.50
Miscellaneous expenses	.50
Manufacturer's profit	.50
Jobber's profit in San Francisco	1.50
Stripping	.20
Packing	.25
Boxes and labels	1.00
Cigar making	.55
Total	10.00

This calculation is based upon general conditions prevailing in the Philippine Islands, which do not obtain in the United States in any particular whatsoever. The profits of the jobber, wholesaler, and distributor in the United States are invariably higher and sometimes twice as large as that obtained by the manufacturer. For distributing cigars retailing for 5 cents the jobber in the United States obtains a profit of from \$2 to \$5 per thousand. For cigars retailing for 10 cents the jobber's profit range from \$5 to \$10 per thousand.

Based upon these premises I have concluded that the jobber's profit in San Francisco would approximate \$1.50 per thousand. As a general rule the jobber will give preference to the distribution of cigars which offer him the largest profit. This is a matter of business and can not be disputed.

In the course of the debate on this question in the Senate the Senators favorable to this legislation are likely to contend that there is a vast amount of cheap immigrant and native labor employed in the cigar industry and that the tariff has no direct or indirect bearing on the prevailing wage rate in an industry which is the product of hand labor and in which machinery plays no part in the cost of production. In refutation of a fallacious argument of this nature I desire to state that we have from time to time succeeded in organizing the cheap labor heretofore mentioned and raised their wages considerably. The competition prevailing in our trade is between our own boundaries. Sooner or later we can reach them by organization, agitation, and education. Our attempts in the past have been crowned with success to a large extent. I can state without successful contradiction that the wages paid to the organized cigar makers in the United States are more than three times as high as those paid to the organized cigar makers in Germany, Holland, Belgium, and the Scandinavian countries. They are more than twice as high as those paid in Great Britain. These facts we can prove from the official trade papers on file in the office of the Cigar Makers' International Union from the various countries mentioned.

As I stated before, we can reach easily the cigar makers, whether native or foreign born, employed in the United States; but how are we going to reach the cigar makers employed in the Philippine Islands, a distance of thousands and thousands of miles, with a low standard of living, due to climatic conditions and other causes, and educate them up to a higher state of civilization? This looks like a remote possibility. We have not the facilities, opportunities, and means of the large corporate interests in the cigar industry, which encircle the globe, to follow them and endeavor to restrict them in their exploitations of the poor and helpless people.

I further contend that this legislation, knowingly or unknowingly, intentionally or unintentionally, is directly in the interests of the British American Tobacco Co., the American Tobacco Co., the American Cigar Co., and other large corporate interests, and diametrically opposed to the interests of the wage earners and the small manufacturers in the United States.

Karl Marx, the socialistic lama, in a pamphlet published in Brussels, Belgium, 62 years ago, favored universal free trade because it would intensify competition, reduce wages, increase misery, and hasten the coming social revolution. Thus we find men of extreme views on economic questions and actuated by different motives join hands on the same platform.

Yours, very respectfully,

A. STRASSER, Ex-President

(President from September 1, 1877, to January 1, 1892.)

[From the United States Tobacco Journal, July 19, 1913.]

WAS THERE AN INSIDIOUS PHILIPPINE LOBBY?

It seems to be more than a summer pastime what is going on in Washington in regard to the so-called lobby investigation. The Senate investigating committee having struck a fruitful trail, the House has also taken steps to do some lobby detective work of its own. What the result of all the expenditure of time and money on this kind of modern inquisition is going to be nobody can foretell. But so far the public has derived at least a great deal of entertainment from it.

That legislation had to be "accelerated" was and is no secret. And it had to be accelerated not only where private and special interests were at stake, but also in regard to general policies and the execution of principles even advocated by those seeking to be placed into power. Of course, it is in the mode, in the ways and means used for such acceleration, that distinction between the permissible and improper and corrupting influence has to be made.

What interests us most, however, in this lobby squeezing is whether the one or the other investigating committee is going to strike also the trail of a "lobby" responsible for the enactment of the absolute free trade in cigars and tobacco from the Philippine Islands. That there must have been such a lobby in action would appear to be evident from the following facts: The granting of absolute free trade in tobacco and its products was nowhere mentioned in the national Democratic platform; neither the presidential nor the congressional candidates of the Democratic Party had pledged themselves openly on the stump or anywhere before the public to such a policy, and the entire trade—tobacco growers, cigar manufacturers, and cigar workmen—were united as they have never been for any other purpose in opposition and intensely hostile to the concession of absolute free trade in tobacco and cigars to the Philippines.

A President and Congress representing American voters, professing the utmost loyalty and devotion to the welfare of the American people, turned about suddenly, smiting their own flesh and blood to aid alien interests. Surely neither the American tobacco farmers nor the American cigar manufacturers nor the American workmen in our tobacco industries have asked either President Wilson, or the Democratic Congress, or have expressed in any way or manner the wish and desire that the partial barrier kept up against the Philippines in the Payne-Aldrich Tariff Act should be removed, nor have they signified anywhere their tolerance of such a removal. Quite the contrary. The tobacco farmers are on record with indignant protests to Congress against such a removal. All the cigar makers' unions in the country have voiced their remonstrances against giving the Philippine tobacco products an absolutely free market in our country. And yet the House framed and passed its tariff bill and the Senate Finance Committee has reported this bill without paying the slightest attention and heed to the absolutely unanimous trade protests against the unrestricted admission of Philippine tobacco products into this country. Who, then, was the power that defeated the unanimous exertions of the American trade? Somebody must have been lobbying against the American interests, for it would be inconceivable that the American Congress should so contemptuously and arrogantly brush aside all the impassioned appeals and telling arguments of hundreds of thousands of their own constituents without having been "insidiously" compelled, as President Wilson would put it, by some outside force to inflict injury to domestic interests for the enrichment of aliens. If, then, there was "an insidious Philippine lobby" holding an invincible whip over Congress, the public is entitled to know who constituted that lobby and what means they employed to enforce their demands. The Senate investigating committee seems to take great pleasure in exposing the lobby exploits of the National Association of Manufacturers, an American body. But are such exploitations to be exempt from disclosure if they are supposed to have been practiced by a lobby representing a body of aliens? Will the Senate investigating committee please shed some light on this point?

Mr. WILLIAMS. Mr. President, when we went into executive session the last time we were considering paragraph 548, with the meat proviso. Since the Senator from Wisconsin [Mr. LA FOLLETTE] introduced his amendment this side have had occasion to study and consider it, and we are prepared this morning to offer a substitute for the committee proviso, beginning with the word "Provided," in line 15, paragraph 548, on page 142. I send it to the Secretary's desk.

Before it is read I want to say that it takes the provision of the Senator from Wisconsin and combines with that the amendment to the Senate committee amendment which was suggested by the Department of Agriculture, and with that some suggestions from the Senator from Montana [Mr. WALSH]. I should like to have it read and move its adoption as a substitute for the language on page 142, beginning with the word "Provided," in line 15, and including all the lines following on that page.

The VICE PRESIDENT. There being no objection, the vote whereby the committee amendment was amended is reconsidered.

Mr. WILLIAMS. The committee amendment was not agreed to. It was being debated when we went into executive session.

The VICE PRESIDENT. Certain amendments were agreed to. Mr. WILLIAMS. Yes; I think that some amendments to the amendment were agreed to.

The VICE PRESIDENT. They were agreed to. The amendment now submitted by the committee will be read.

Mr. CUMMINS. Mr. President—

The VICE PRESIDENT. Will the Senator from Iowa permit the substitute to be read before proceeding?

Mr. CUMMINS. I was about to state that the substitute I offered is the pending question, I understand, upon that paragraph. I have no objection whatever to the committee perfecting its amendment in any way that it desires.

The VICE PRESIDENT. The Chair will be compelled to insist on the ruling that until the committee has perfected its

text it has precedence, and then the amendment of the Senator from Iowa is in order.

Mr. WILLIAMS. This is offered as a substitute for the committee amendment as amended.

The VICE PRESIDENT. It will be read.

The SECRETARY. In lieu of the proviso offered by the committee on page 142, beginning at line 15, after the words "this section," insert the following proviso:

Provided, however, That none of the foregoing meats shall be imported into the United States from any foreign country unless the same are certified by the proper authorities of such foreign country, in a form to be prescribed by the Secretary of Agriculture, to have been derived from animals entirely free from disease and sound, healthful, wholesome, and in every other respect fit for human food, and to contain no poisonous or deleterious dyes, nor poisonous or deleterious chemicals, poisonous or deleterious preservatives, or other poisonous or deleterious ingredients; and

Provided further, That if the President, after due investigation, shall find that the system of meat inspection maintained by any foreign country is not the substantial equivalent of or is not as efficient as the system established and maintained by the laws of the United States, or that reliance can not be placed on certificates required under this section from the authorities of such foreign country for meat imported into the United States, he may proclaim that fact, and thereafter none of the foregoing meats shall be imported into the United States from such foreign countries; and

Provided further, That none of the foregoing meats imported into the United States from any foreign country shall be sold in the United States until they have been examined and inspected by inspectors appointed for that purpose by the Secretary of Agriculture, and have been found to be sound, wholesome, healthful, and in every other respect fit for human food, and to contain no poisonous or deleterious dyes, poisonous or deleterious chemicals, poisonous or deleterious preservatives, or other poisonous or deleterious ingredients, and such meats and meat products after entry into the domestic commerce of the United States shall have all the rights and privileges of meats and meat products inspected by the Bureau of Animal Industry of the Department of Agriculture as prescribed in the act of June 30, 1906.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee, submitted as a substitute proviso.

Mr. SUTHERLAND obtained the floor.

Mr. CUMMINS. Mr. President—

Mr. SUTHERLAND. I yield to the Senator from Iowa.

Mr. CUMMINS. I rose only to say that the amendment now presented by the committee accomplishes every purpose that I sought to accomplish in the amendment that I offered. It is substantially that amendment with the addition of the certificate which ought to have been in mine. Therefore I shall not offer the amendment which is now on the table.

The VICE PRESIDENT. The Senator from Iowa then withdraws his amendment.

Mr. CUMMINS. I withdraw the amendment, being entirely satisfied, so far as I am concerned, with the committee amendment.

The VICE PRESIDENT. The Senator from Iowa withdraws his amendment to the amendment. The question then is on the amendment proposed by the committee.

Mr. SUTHERLAND. Mr. President, I do not rise for the purpose of opposing the pending amendment, but for the purpose of making some general observations with reference to this proposed legislation, which I trust may turn out to be of a more or less relevant character.

On November 5, 1912, 42 per cent of the American electorate, owing to a foolish division among the remaining 58 per cent, commissioned the Democratic Party, which always stands ready to make a good situation bad or a bad situation worse, to introduce a few punctures into the car of American industry, leaving the extent of the vandalism to be limited only by the self-restraint of the vandals themselves.

We are about to witness the consummation of this amiable enterprise. The resulting damage can not at this moment be accurately estimated. All that we can predict with certainty is that when the Republican Party resumes its position at the wheel repairs will be necessary. Whether in the meantime we shall limp on one wheel or crawl painfully along on two or proceed at half speed on three we do not know. Into the field of precise detail prophecy must decline to enter. That must be left for the retrospective elucidation of history.

If it be true, however, as we have many times been told, that we may judge the future by the past, we are warranted at least in anticipating the result of the Democratic undertaking, now on the point of fulfillment, in a spirit of more or less subdued optimism. However much we may differ as to the exact character of the causes, this much is certain: That in this country prosperity has invariably accompanied protection, while business and industrial depression have just as invariably gone hand in hand with free trade. If these opposing policies and these differing conditions stand to one another in the relation of cause and effect, as I think they do, then the wisdom of protection has become established upon the basis of logical and moral certainty. If they are only coincidences,

the people who have reposed confidence in the Democratic Party have been the victims of an unkind fate, and the party itself stands convicted as a hoodoo of such chronic character and colossal proportions that its malign influence should be permanently exorcised.

During the half century preceding the election of 1912 the Democratic Party was intrusted with full power in the Government but once. Thirteen times prior to that date since 1860 the great jury of the American people deliberated upon the issues and 11 times returned an unqualified vote of confidence in the Republican Party. Twice out of the thirteen the people elected a Democratic President, and once they surrendered their Government in all its branches into the hands of this party of immeasurable misfortune and dismal incompetency. The four years of the second Cleveland administration were one long industrial nightmare. Business stagnation, commercial ruin, widespread suffering came in with the administration, accompanied it during its life, and vanished when it took its unlamented departure. The close affinity which is thus shown to have existed between disaster and Democratic control constitutes, to say the least, a most persuasive indication, if not a convincing demonstration, of their causal relationship. It is a rule of logic, as well as of common sense, that where a given condition usually follows a given circumstance the assumption that the circumstance has produced the condition rests in something more substantial than mere conjecture.

In this connection a comparison of the three most recent periods of our political history is illuminating and instructive: First, the Harrison administration, from 1889 to 1893; second, the Cleveland administration, from 1893 to 1897; and third, the period covering the administrations of McKinley, Roosevelt, and Taft, which has just ended.

During the first period mentioned the country as a whole and in every part was prosperous. Every form of industry was in successful, continuous, and profitable operation. Labor was generally employed at good wages. No capable man was idle save by his own choice. This situation was admirably summarized by President Harrison in his last annual message to Congress on December 6, 1892, in the course of which he said:

I have great satisfaction in being able to say that the general conditions affecting the commercial and industrial interests of the United States are in the highest degree favorable. A comparison of the existing conditions with those of the most-favored period in the history of the country will, I believe, show that so high a degree of prosperity and so general a diffusion of the comforts of life were never before enjoyed by our people.

He proceeds to show in detail the satisfactory growth, development, and productiveness of trade, manufacturing, and industry, upon which he thus concludes:

There never has been a time in our history when work was so abundant or when wages were as high, whether measured by the currency in which they are paid or by their power to supply the necessities and comforts of life.

Now, let us contrast this description of our broadly satisfactory conditions and national well-being, which at that time existed, with the picture of desperate apprehension and actual distress portrayed a few months later by Mr. Cleveland in his message to the special session of Congress, which convened on August 7, 1893, wherein he says:

With plenteous crops, with abundant promise of remunerative production and manufacture, with unusual invitation to safe investment, and with satisfactory assurance to business enterprise, suddenly financial distrust and fear have sprung up on every side. Numerous moneyed institutions have suspended because abundant assets were not immediately available to meet the demands of frightened depositors. Surviving corporations and individuals are content to keep in hand the money they are usually anxious to loan, and those engaged in legitimate business are surprised to find that the securities they offer for loans, though heretofore satisfactory, are no longer accepted. Values supposed to be fixed are fast becoming conjectural, and loss and failure have invaded every branch of business.

Mr. SMITH of Arizona. Mr. President—

The PRESIDING OFFICER (Mr. VARDAMAN in the chair). Does the Senator from Utah yield to the Senator from Arizona?

Mr. SUTHERLAND. I yield to the Senator.

Mr. SMITH of Arizona. For my information, and not to question the historical statement of the Senator, I should like to ask the Senator the difference between the dates when those two messages were delivered?

Mr. SUTHERLAND. The Harrison message was delivered to Congress early in December, 1892, and the Cleveland message was delivered in August, 1893. I gave the dates.

Mr. SMITH of Arizona. Does not the Senator recognize that between those two dates there was a universal panic, if you please, and a money stringency that occurred in the world, without regard to any legislation on the tariff at all?

Mr. SUTHERLAND. The conditions in the world generally were not very good, but they had been, as Mr. Harrison well

said in his message, in a very satisfactory condition in this country up to the time, at any rate, when he delivered his message to Congress.

Mr. SMITH of Arizona. Nobody doubts that.

Mr. SUTHERLAND. The deplorable condition of affairs which the President so dramatically sets forth he ascribes, in the main, to the purchasing clause of the Sherman Act of July 14, 1890, the repeal of which he strongly urges, having, indeed, called Congress in special session for this specific purpose.

These gloomy forebodings were fully justified by the events which followed, although the opinion of the President that the silver purchasing and coinage clause of the Sherman Act was the controlling cause of the distrust and fear, the business anxiety, loss, and failure which had come not by slow and stealthy approaches reaching back into former administrations, but which had, to use his own graphic expression, "*suddenly* sprung up on every side," was evidently not well founded, since, following the repeal of the law, conditions grew worse instead of better, until the whole people were reduced to a condition of hopeless and helpless misery. Up to the very closing hour of the Harrison administration, the conditions of industry and business were, considering the political change which had occurred, remarkably good, but a few weeks later, without previous warning, as a thunderbolt from a smiling sky, "*suddenly*," as we are told, financial distrust and fear sprang up on every side, moneyed institutions suspended, depositors were frightened, securities for loans were no longer accepted, values supposedly fixed became conjectural, and loss and failure invaded every branch of business. These, sir, are not my words, or the words of hysterical partisanship, but, I must again repeat, are the utterances of a Democratic President, addressed to a Democratic House and Senate, upborne by the consciousness of a great victory and sustained by an overwhelming vote of confidence on the part of the American people.

Mr. President, I shall not describe the conditions which obtained during the ensuing four years. This has been done so often, the memory of it all has been so deeply seared into the consciousness of our people, that extended reference is unnecessary. It is sufficient to say that a great army of idle men, willing and anxious to work, were seeking work in vain, themselves and their wives suffering for the bare necessities of life and the sight of their children going night after night in tears supperless to bed a common and distressing spectacle. We had been, as Mr. Cleveland himself said, "blessed with plentiful crops and abundant promise of remunerative production and manufacture." We were rich to the point of superabundance in all material resources, but nevertheless famine and desolation were abroad in every State. In Iowa and Nebraska, the farmers, unable to buy coal, burned their corn for fuel, while in the great coal fields of Pennsylvania and West Virginia a hundred thousand coal miners and those dependent upon them went hungry for food. The people everywhere lay idle in the valley of starvation, and everywhere there brooded the shadow of a vast discontent. And for this distressing condition of things the Democratic Party, trusted so generously but failing so miserably, found no remedy. It continued until the very last moment of Democratic control. As proof of this, let Mr. Cleveland's last annual message of December 7, 1896, bear witness. In the course of that message, after damning the operations of the Democratic tariff measure with faint and apparently artificial praise, he said:

There was nevertheless a deficit between our receipts and expenditures of a little more than \$25,000,000.

To which he naively adds:

This, however was not unexpected.

In spite of this alarming deficit, the President seems to take comfort in the thought that there was a surplus in the Treasury of the Government, a reflection which would have done credit to Mark Tapley himself, since it was the dwindling balance of a great loan of \$260,000,000 forced upon the Government in time of profound peace. President Cleveland, however, suspects that moderate improvement is on the way and says:

We can not reasonably hope that our recuperation from this business depression will be sudden, but it has already set in with a promise of acceleration and continuance.

It is worthy of remark that a month prior to the utterance of these somewhat guardedly hopeful words, the election of 1896 had taken place and the Republican Party had been restored to full power by an overwhelming vote. Truly recuperation had set in and assuredly "with a promise of acceleration and continuance," and in spite of Mr. Cleveland's prediction that we could not hope for a *sudden* return to the prosperous conditions which had *suddenly* deserted us four years before, they did return quite as suddenly as they had departed.

On March 4, 1897, Mr. McKinley, gentlest and best beloved of Presidents, took possession of the White House, and instantly, as though lifted by a hand of mighty power, we again stood upon the sunlit heights of prosperous times, and there we have stood ever since.

A few months ago the Democratic Party entered upon its four years of governmental control under the most favorable conditions imaginable. We were never before in all our history so prosperous. If the pending bill shall fail to justify the hopes of its proponents under these conditions, the Democratic tariff policy must stand definitely and forever discredited. Our Democratic friends, however, have promised to better these conditions, not merely to preserve them unimpaired, albeit this latter task is difficult enough. They have agreed to reduce the high cost of living, and it is by this bill that they expect to redeem the pledge, upon the theory that a protective tariff is the mother of high prices.

The Speaker of the House, addressing a Maine audience a few days ago, is reported to have said:

We believe that our tariff bill will reduce the cost of living, more fairly adjust the subjects of tariff taxation, and at the same time raise abundant revenue for the Government, economically and effectively administered.

Well, we shall see in due time. That the strictly tariff and usual revenue producing provisions of the bill will not raise abundant or sufficient revenue is confessed upon its face, for they are supplemented by an income tax estimated to raise \$100,000,000 annually.

Those of us who believe that the high cost of living finds its explanation in causes quite apart from the protective tariff will await developments with curiosity not unmingled, it must be confessed, with some degree of skepticism. If the cost of living be reduced, we shall be curious to know whether the cheapening of commodities by means of largely increased importations has resulted in excluding from the home market any considerable proportion of our own products; and if so, to what extent this has curtailed our domestic production and, in consequence, driven our people out of employment. Personally I do not believe that the cost of living will be appreciably reduced by the operations of this bill, unless it be by lowering the standard of living, and that at any time we can voluntarily do for ourselves without the aid of the Democratic Party.

This bill proposes to shut out of our market goods produced in foreign countries by convict labor. There can be no other reason for this except to protect the free, well-paid labor of this country against the unequal competition of convict labor in foreign lands. Goods produced by unregulated child labor are likewise to be excluded, either upon the theory that we should not be called upon to compete with such labor or in order to enforce upon those countries our opinions respecting the evils of employing immature children.

Mr. SIMMONS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from North Carolina?

Mr. SUTHERLAND. I do.

Mr. SIMMONS. I want to ask the Senator if the present law does not also provide for the exclusion of goods made by convict labor?

Mr. SUTHERLAND. Oh, yes. I am not complaining of that; I am in entire sympathy with it. I was calling attention to it for an entirely different purpose, which I will now proceed to state.

The same bill proposes to admit in competition with American labor the productions of the underpaid and often the grossly underpaid labor of Europe and Asia, without a thought of attempting to equalize the difference in wages by imposing adequate tariff duties. The difference between the cases where the bill excludes and the cases where the bill allows unfair competition is one of degree only. If it be right to protect our workmen by an embargo against convict-made goods why is it wrong to protect them by discriminating duties against pauper-made goods?

In the final analysis the tariff problem is a labor problem. If you pay high wages, you necessarily increase the cost of the things which highly paid labor produces, and in turn the price at which the things must be sold in order that the payment of high wages may continue. Protection in and of itself does not bring prosperity. It produces conditions under which prosperity can be achieved and maintained. In this day of rapid and cheap water transportation it makes little difference whether the American workman, receiving \$2 per day, be compelled to compete with an alien, receiving 35 cents per day, in Japan or in a neighboring factory. It is the steady demand for labor in this country which maintains wages and prevents the development of wide differences in the rate. Protection, by making production profitable, creates this demand. Well-paid labor is not called

upon to compete with poorly paid labor at home, because all labor, having been made independent of labor conditions in other lands by means of the protective tariff, is maintained at the same high level. The protective tariff stands at the gateway of the American market place and strips the foreign producer of the unfair advantage afforded by his more poorly paid labor and consequently his cheaper production before he is permitted to compete for customers with the domestic producer.

If protection did not do this the domestic producer, unless in exceptional circumstances, would be compelled to go out of business or place himself upon an equality with the foreign producer, which inevitably would mean that the workmen in that particular industry would be obliged to quit work or accept lower wages. In fixing our scale of wages and our scale of living, therefore, the protective tariff has the effect of excluding from consideration the labor conditions of foreign countries. It enables us to limit our inquiries to the conditions which obtain among our own people, and to adjust our standards with reference to such conditions alone. Free trade, by extending, would vastly complicate the problem and compel us to take into account and adjust ourselves to a great multitude and variety of fluctuating world-wide conditions, which are of an inferior order and some of them vastly inferior to our own, the result of which would be that American labor, instead of continuing its advance toward the summit of prosperity, would inevitably be compelled to descend, with no assurance as to how far below the summit it would finally rest.

That the pending bill is sectional in character and grossly unequal in its provisions as they affect different classes of our citizens, has been abundantly established during this debate. The Senator from Iowa [Mr. CUMMINS], in a speech of great power, has shown by unanswerable and unanswerable figures how the East and the South have been favored at the expense of the West. The Senator from Rhode Island [Mr. LIPPITT], in his masterly analysis of the cotton schedule, has shown how cunningly the language has been selected to discriminate in favor of the cotton manufacturer of the South; and my colleague [Mr. SMOOT], whose accurate knowledge of the whole subject is excelled by none, has pointed out again and again during the debate the unfairness and inequality which permeates the bill from its opening to its closing sentence.

And all these inconsistencies, inequalities, and incongruities—the duty which protects rice, the duty which excludes peanut oil for the benefit of cottonseed oil, the duty which taxes bananas for the sake of the Treasury—are all gathered together in one heterogeneous assemblage under the common label of “A tariff for revenue only.”

A tariff for revenue only! Alas, what hypocrisies are practiced in thy name! A most accommodating phrase, surely! Capable of infinite extension and unlimited contraction, to meet the elastic demands of expediency, it expands to afford generous entertainment to those fortunate industries which are the petted favorites of a capricious Democracy and closes to exclude all refuge to those which have been denied its affectionate interest. Southern rice and New Jersey catgut and Virginia peanuts, constituting a charming trinity of diversified loveliness, rest in safety and luxurious ease under the protecting agis of its flexible shelter, while western wool and Minnesota wheat and North Dakota tow, homely and commonplace, possessing neither the pale beauty of the first, the melodious possibilities of the second—whether living or dead—nor the succulent charm of the third, are coldly relegated to the exposed and inhospitable frontiers of the free list.

The line of cleavage between those who are sincerely for protection as a definite and defensible policy of general application, and those somewhat rare individuals who are *sincerely* against any form or degree of protection, as constituting a perversion of the powers of government and as being a robbery of the mass of the people for the benefit of the special interests is clear and well marked. In theory the orthodox Democrat regards it as a line of sharp separation, upon the one side of which lies the level field of equal rights to all and upon the other the artificial inequalities of special privilege. In practice, however, we are often called upon to mourn the sad inconsistency which is presented by a very large number of Democrats, who persist in treating it as a zone of uncertain and fluctuating extent, becoming wider or narrower in response to the elastic demands of local expediency. When any Democrat of this somewhat extensive class, therefore, proceeds to put his theory of free trade into practical operation his major and minor premises become hopelessly confused. In his major premise he asserts the unqualified wickedness of any degree of protection. Thus runs his theoretical generalization to which, by such sacred things as he is familiar with, he swears undeviating and undying adherence. In application, nevertheless,

he introduces into his minor premise a qualification which, quite unconsciously of course, he fails to disclose, an ingenious and fallacious method of deceiving the unwary and confiding, which the logicians call the undistributed middle, or muddle, I have forgotten which. Upon the things his constituents buy his tongue and his hand are in perfect accord—both are free traders. When it comes to the things his constituents produce his tongue is a free trader, but his hand is a protectionist. And so we find that what he says upon the stump and what he writes into the law frequently exhibit—to borrow a form of expression from the charming vocabulary of the distinguished Senator from Nevada—an unfortunate disinclination to coordinate. I do not mean to say that this type of Democrat is insincere. That would not be amiable, and the law of amiability is one which no gentleman can afford to trifle with. I only mean to suggest that he regards the golden rule as a more or less tentative proposition; that his conduct is not calculated to add any appreciable luster to the jewel of consistency. The occasional Prohibitionist who preaches the gospel of teetotalism for the salvation of the masses, but keeps a bottle for private consumption against the treacherous demands of a capricious appetite, would welcome this sort of a Democrat as a genial and sympathetic companion—an own brother, so to speak—to be unhesitatingly intrusted with a duplicate key to the private locker. The out-and-out free trader, who really thinks free trade, and conscientiously does what he thinks, is at least consistent in his folly. He takes the medicine which he prescribes for others. He practices the equality which he preaches, even though it be the equality of common ruin. But the Democrat who is for free trade on wool because his constituents buy wool, and for protection on rice because his constituents sell rice, stands for the comfortable sort of equality which the wolf proposed to the lamb, namely, that the latter should furnish all the meat and the former all the appetite.

The bill, substantively considered, is bad enough; but what shall be said of the methods adopted by the majority to bring about its enactment into law? The separation of the executive and legislative departments of the Government, so wisely provided by the Constitution, to the end that this should be a Government of law and not of men, has been set aside as though it were a meaningless platitude worthy of no man's respect. The majority party in Congress has ceased to be, if it ever has been, an organization of independent units and has become a mechanical assemblage of cogs and wheels, turning out legislation in response to the demand of the executive, heretofore supposed to be a coordinate and coequal, and not a superior, branch of the Government. Congress no longer legislates. It has sunk to the level of an automaton. It has ceased to be the servant of the people and has become the obedient servant of a servant of the people. The President does not tender advice. He issues orders to the caucus, and to the caucus each member surrenders his opinions, his judgment, and his political conscience, not in the interest of the Republic, not for the welfare of the people, but in order that the fetish of party solidarity may be maintained. The members of the majority on the floor of the Senate do not deliberate; they listen and obey. A few months ago the wheels of the Democratic machine were turning smoothly in the direction of a duty on wool and a continuing duty on sugar, but the hand of the master was placed on the reverse lever, and immediately every one of you, to a wheel, revolved in the opposite direction. Some of you mildly and some of you vehemently protested. Some of you did not relish the notion of crushing your constituents, who were following the vehicle in the trusting belief that you were going forward instead of coming back; but you went back, nevertheless, and in your ignominious flight to the rear, as you swept over and past these protesting victims of misplaced confidence, your voices were lifted in mournful unison to the mystic but familiar words of the old ballad:

I hear a voice you can not hear,
Which says I must not stay;
I see a hand you can not see,
Which beckons me away.

Have I exaggerated the condition of subordination which the Democratic Members of Congress have assumed in their relations to the Executive? Persuasive evidence that I have not done so is furnished by those Senators who came here the pronounced supporters of a duty on wool and a continuing duty on sugar, and who, after a valiant charge upon the caucus with bold and defiant words, gently subsided and are now found supporting the President's program. There have been apologies for the free listing of sugar, but who has defended it? It is freely conceded that such action will probably ruin the industry in some States and cripple it in others.

While every other food commodity has advanced in price—some having almost doubled—sugar has actually shown a mate-

rial decline in its money price. And this decline, measured by other commodities, has been phenomenal. On the whole, the retail price of sugar in the United States has averaged only a little more than two-thirds the average price in Europe, and in only four countries has it been cheaper, namely, in Belgium, Switzerland, Denmark, and the United Kingdom, and even in those countries the price has been lower by only the fraction of a cent per pound.

Sugar is an ideal commodity upon which to raise revenue by import duties. It has furnished in the aggregate more than \$50,000,000 per annum, but the burden thereby imposed upon each citizen is so slight as to be practically negligible. All this is admitted upon the floor, but the will of the Executive, ratified by a complaisant caucus majority, is supreme, and our friends shrug their shoulders and submit.

But this is not all. We have it upon the authority of the Senator from Nebraska [Mr. HITCHCOCK] that this caucus has forbidden its members to so much as offer an amendment upon the floor of the Senate. However strongly he may believe in its merits and however anxious many of his colleagues may be to support it, he is forbidden to propose it and they are forbidden to vote for it. I quote his own language, which arraigns his own party caucus more severely than any feeble words of mine could do.

He says:

It has been an unpleasant sight to me, as it has been to many Democrats during the last few days in this Chamber, when Senators on the Republican side of the Chamber have proposed amendments to the income-tax provision that appeal to the sense of justice and appeal to the judgment of Senators on this side, but who, because of caucus rule, were compelled to vote against such amendments. I do not think that is a worthy sight in the Senate of the United States. I do not believe it is right to bind individual Senators and compel them to vote against their conscience and their judgment upon such amendments when no party policy is involved.

And speaking a little later of his proposed amendment, he said:

I did not, however, ask the caucus to approve my amendment. I asked to be left free to offer it here in the Senate, and I asked that other Democratic Senators be left free to vote for it according to their consciences and their judgment. I was refused. The Senator from Arizona [Mr. ASHURST], however, offered my amendment, and after a heated controversy it came to a vote in that caucus. The votes have been published, so I am revealing none of the secrets of that caucus when I say that 18 Members of the Senate voted for my amendment and 23 appeared to vote against it. I say "appeared," because it is a fact, which I shall take the liberty of stating, that the nine Democratic members of the Committee on Finance voted as a unit, regardless of their convictions. So we have a wheel within a wheel, a machine within a machine. The inner machine controlled the caucus. The vote cast was not the correct expression even of the caucus.

Nothing that I or anyone could say would add force to the sweeping condemnation of Democratic caucus methods which the Senator from Nebraska, himself a Democrat of no lukewarm tendencies, has thus publicly made. He was courageous enough to offer an amendment, notwithstanding the decree of the caucus, but none of his associates, whom the caucus had refused to leave "free to vote for it according to their consciences and their judgment," gave him their support.

Sir, we have fallen upon a situation of great menace. Men have been called upon to give their time and money, to sacrifice even health and strength, for the good of the party; but it has never transpired hitherto that caucus action has gone to the extent of compelling them to "surrender their consciences and their judgment" to the will of a majority of their associates for the sake of party regularity.

Mr. President, I shall await, as, indeed, I am obliged to await, the verdict of those who sent all of us here, to see whether so unfair a measure, adopted by such indefensible methods, will receive the approval of the American people.

Mr. SMITH of Arizona. Mr. President, the Senate will bear witness that I have thus far refrained from any participation in this debate, and I shall not detain the Senate long now.

For 20 years I have been listening to debates on the tariff question—yes; longer than that—and without assailing the intelligence of any man or the strength of any argument made I may say that very little has been contributed to the literature of the subject. Our differences as parties is perfectly familiar to every man who has read the public press within the time I have mentioned, and this debate has done little more than emphasize that difference.

I can not refrain, however, from making answer, or, at least, an allusion to some statements made by the Senator from Utah [Mr. SUTHERLAND].

It strikes me that it comes with rather poor grace from an iron-bound, riveted, stand-pat, high-protection Republican to make a mighty outcry against the Democratic caucus, as he sees fit to call it.

What awful wrong did the Democratic Party do in the caucus of which the Senator complains? With a small majority in this

body, with a mere question of taxation involved, only settling the amount the people should pay for the support of government, hampered by no protective principle of government which you fall down and worship, but confining it to the mere question of laying taxes for the support of government and making the burden as light as possible, the Democratic Party got together, as a board of supervisors or a board of directors would do in any sensible corporation, and composed the differences between the Members on the rate the people should bear. Now, with a microscope, Senators on the other side hunt out every irregularity they can find, hunt out any one paragraph that perhaps might disagree with another, and make that the text of their assault upon this bill, which contains some 4,000 items or more. Some inconsistencies may be detected, but the principle of the bill is maintained throughout. The purpose to lessen tariff taxes is carried out.

More than that, the Senator's is the last voice raised against the conditions that Mr. Harrison left on this country at the time he quit the presidential chair, and all the miseries of which have been laid on the Wilson tariff bill, passed a year and a half after the panic was on. Everybody knows, except, apparently, the Senator from Utah, that the country was already in the throes of a panic at the time the Wilson bill was passed. Recognizing that, they attempt to account for the calamity by saying that the fear of tariff reduction, even before we attempted to touch the tariff, was enough to start and did bring on that fearful, world-wide disturbance.

So this thing—this fetish—that holds the worship of the Senators on the other side is so tender, your boasted protection has such a slight hold on the people—this right of taxing the great majority to help a very few—can not even survive a mere threat to change it; and the country must be disturbed in all its business, labor ruined, and the farmer robbed if we dare speak in criticism of the humbug. Inasmuch as the panic was on the country in full force long before the Wilson bill was passed, then the panic is accounted for by the fear that it would pass. I think we are built on a stronger foundation than that. Everybody knows that the Wilson bill had little or nothing to do with conditions at that time. There was a universal panic, and the same conditions existing in this country at that time existed over the world. But let that go.

But a word more and I shall cease. I want to compare the way the Senators on this side of the Chamber prepared this bill and settled the disputes as to their private differences with the way the last tariff bill—the Aldrich bill—was formed. When Senators are loudly declaiming against the caucus, with uplifted hands protesting against this infamy; through their thin coats we imagine we see the welts of the Aldrich party lash. Sir, at that time neither the Senator from Utah [Mr. SUTHERLAND] nor any other Republican Senator would have dared suggest a caucus. No differences were to be allowed discussion. The failure to have a fair discussion and a fair deal among yourselves created the insurgency of to-day. What happened to you? You promised to give the people relief. What did you give them? You gave them the Aldrich bill. Your President on the platform promised to give relief. What did he do? He signed the Aldrich bill raising the taxes, and what the result was is shown by the new faces in this Hall.

I tell you that your mistake was in not having a caucus or full conference of Republicans meet together for the purpose of settling such taxation as was to be laid on the people. That mode is largely preferable to the methods you adopted. No one on your side, out of the select few, had anything to do with framing the bill. If there ever was a tariff bill passed on earth when those having a hand in it were reduced to a minimum it is found in the Aldrich bill. You have seen the result of it, Senators.

Mr. President, I am not here to attempt to defend or denounce a Democratic conference. I am here, however, for the purpose of saying that it would have been idiocy in the face of differences on the mere question of the rate of taxation or relief of all taxes on the necessities of life, which ought to have long been free from any taxation, that we should have come into this Chamber with a majority of only a few votes and submit the bill to what everyone's private opinion might be, not on a question of conscience but on a question of a rate of taxation. That is all that was involved in this caucus of which we hear so much.

Now, having no other assault to make against the bill except that it was formed in caucus where we composed our differences in settling a rate, you pretend to claim that we have made some awful assault on the people. There was nothing sinister about it. No awful secret was made of it. We gave the proceedings every morning to the public. I will tell you one reason why we did not have an open caucus deliberation.

We were afraid that, having an audience, we might discover some men who also loved to talk to large crowds, and oratory instead of argument might long delay the conclusion of our duty to our party and our country and ourselves. If we had opened it to the public to hear gentlemen make speeches we would have been in conference all summer, and most of us would have been deliberating not so much as to what we ought to do, but deliberating on the best way of getting rid of that oratory if not of the orator.

Mr. GALLINGER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Arizona yield to the Senator from New Hampshire?

Mr. SMITH of Arizona. I yield to the Senator.

Mr. GALLINGER. Will my amiable friend tell us on this side whether you are yet through deliberating in the Democratic caucus?

Mr. SMITH of Arizona. I will say to the Senator that we did not let him in there for the very reason I have expressed.

Mr. GALLINGER. That does not answer my question.

Mr. SMITH of Arizona. The Senator will get no further answer from me; as far as I am concerned, his question needs no more.

Mr. GALLINGER. I am afraid you are going to let some one in to-night who is a longer talker than I.

Mr. SMITH of Arizona. If the gentleman is perfectly willing to come he must promise not to do just what I have been criticizing. Some of our own men, spurred by the examples set on this floor, may be debating the question after others are tired of listening.

Mr. GALLINGER. So my friend does not deny that the Democratic caucus has not yet completed its work?

Mr. SMITH of Arizona. I do not deny that it has not yet completed its work, but the labor is about ended. We have taken time to deliberate and to talk with each other. You did not dare do that in the consideration of your Aldrich bill. You did not want and would not have a free conference of Republican Senators. The interests controlling the bill might thus be endangered. Your caucus was with the beneficiaries of the bill, not with each other. Ours was a conference carrying out our platform promises by reasonable concession to those disagreeing with us, and thus sensibly securing the results expected of us. And you complain at it. I do not wonder. You know your complaint is only a farce—a miserable pretense of virtue, used to fool the people to their own detriment in again supporting your cause.

This bill is prepared by the Democratic Members of the Senate, every one of them participating in the arguments and joining in the final result. Your present law was prepared by a very few members of your party, in and out of the Senate, then presented here with orders on your party members for support. No wonder that insurgency arose against the bill within your own party. These insurgents had not been consulted, or at least no argument made by them was heeded. Yet you are laying your principal opposition against our manner of forming the measure. It was not a matter of conscience with us—as I have before stated—because it was the question of a mere rate of taxation; and the Senator from Utah is now telling us of the great crime we have committed because we did not call in everybody to listen to our debates on the matter while we were settling the question of the rates of taxation that the people should bear. Does it not seem ridiculous? Yet I do not blame these Senators. The only thing on earth left for them to do now is to try to prejudice the farmer and the other people against the Democratic tariff bill drawn for their relief.

As to the farmer being injured by this bill I have heard enough and so has everyone else who has attended these sessions. I have seen the crocodile tears and have heard the wailing voices of some of you who never saw a farm in your life, except from a public road. You are talking about the troubles we are giving the farmer when every one of you knows that our every effort in this bill is to relieve him of the oppression your policy has so long and so cruelly imposed. We know, and you have known, that the rates of duty laid on farm products imported into this country were never of any general benefit to the farmer, because the great bulk of his products was exported and sold in competition with the world. Duties laid in his behalf are purely sentimental, and you have no other purpose than to delude them to their own injury by pretending that they were protected, and thus secure again their votes; but they seem to have gotten a little tired of it. The wonder is that they have stood it so long.

I happen to be one of those men who were raised in the country on a farm. I know something about its burdens. I have followed the horse in the corn row; I have gathered the crop; I was just old enough to work at the time of the libera-

tion of the slaves. I have spent years on the farm working at every possible job in that richest and most bountiful of all countries in the world in the abundance and variety of its crops. I have had my experience with that, and no man here or elsewhere has any greater sympathy than I feel this minute for them as I reflect on the awful labors which they endure and the small rewards they gather.

These very farmers who are now made the objects of your new-born solicitude have been the subjects of your most heartless exploitation. He sells now, has sold for years, and will sell as long as he produces more than we consume in this country in an absolutely free-trade market, competing with every tiller of the soil everywhere in the world, and is forced to buy everything he does not himself raise in the highest protected, most trust-ridden market on the face of the earth.

Now, Mr. President, in conclusion, it was no purpose of mine to enter into this debate. I have only said this little under temptation of the criticism constantly hurled across the aisle at us, charging sinister motives in the preparation of this bill. But having taken the floor, and being averse to detaining the Senate longer, I desire to print with my remarks some tables, some extracts from public documents, some statistical data and such explanatory comments as I may see fit to make.

The PRESIDING OFFICER. Is there objection?

Mr. GALLINGER. Mr. President, I observe the Senator proposes to comment on the document he places in the Record. The Senate has never agreed to that. I have no objection to the document being printed.

Mr. SMITH of Arizona. I would make no comment any less agreeable than I have made here, but I would not publish mere statistics and figures without explanation and I will refrain from doing so and submit to the reasonable and proper objection the Senator has made.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Mississippi [Mr. WILLIAMS], for the committee, as a substitute.

Mr. BRANDEGEE. Mr. President, I ask the Senator from Mississippi what effect, if any, would the omission of the words "meat products" from the amendment have? The committee's original amendment reads:

Provided, That meat and meat products brought to the United States shall be subject to the same inspection—

And so forth.

The amendment suggested by the Senator as a substitute omits the words "meat products."

Mr. WILLIAMS. The inclusion of those words might have one effect, if the Senator will permit me. The second or third proviso provides for a certain examination after it gets here. The meat products that come in canned or in containers might, if the language was repeated further down, subject them to being opened and uncanned for inspection. But if there is any trouble about the language, I think we can arrange that later on. Let it pass as it is now.

Mr. BRANDEGEE. I am willing to let it pass as it is, if it is correct.

Mr. WILLIAMS. I think any meat product is meat. That has been my opinion all the time.

Mr. BRANDEGEE. Certainly the paragraph in the part that is not proposed to be affected by the amendment provides for meats of all kinds, prepared or preserved. Does that include canned products?

Mr. WILLIAMS. Yes.

Mr. BRANDEGEE. Then the Senator's amendment might compel the opening of the cans?

Mr. WILLIAMS. I beg the Senator's pardon; the amendment would apply to such meats as could be subjected to inspection under the law of 1906. That law does not apply to the inspection of meat products which are canned. It provides for the inspection of meat that goes into the can in this country before it is canned. The previous part of the amendment provides that the Secretary of Agriculture shall be satisfied that they have a system substantially the equivalent of ours, in the language of the bill, and that would apply to their inspection and the meat before it was canned or preserved. I think it would dispense with the inspection of the meat here after it was imported already canned.

Mr. BRANDEGEE. If I carry the language of the amendment as suggested by the Senator in my mind, it provides for the inspection of all the foregoing, which means all the foregoing enumerated in this paragraph. I think it would provide for the inspection of canned meats by that language. Before I vote on the amendment I should like to have it read in full by the Secretary.

The PRESIDING OFFICER. The Secretary will read the amendment.

The SECRETARY. On page 142, line 15, in lieu of the proviso, insert the following:

Provided, however, That none of the foregoing meats shall be imported into the United States from any foreign country unless the same are certified by the proper authorities of such foreign country, in a form to be prescribed by the Secretary of Agriculture, to have been derived from animals entirely free from disease and sound, healthful, wholesome, and in every other respect fit for human food, and to contain no poisonous or deleterious dyes, nor poisonous or deleterious chemicals, poisonous or deleterious preservatives, or other poisonous or deleterious ingredients: *And provided further,* That if the President, after due investigation, shall find that the system of meat inspection maintained by any foreign country is not the substantial equivalent of or is not as efficient as the system established and maintained by the laws of the United States, or that reliance can not be placed on certificates required under this section from the authorities of such foreign country for meat imported into the United States, he may proclaim that fact, and thereafter none of the foregoing meats shall be imported into the United States from such foreign countries: *And provided further,* That none of the foregoing meats imported into the United States from any foreign country shall be sold in the United States until they have been examined and inspected by inspectors appointed for that purpose by the Secretary of Agriculture and have been found to be sound, wholesome, healthful, and in every other respect fit for human food, and to contain no poisonous or deleterious dyes, poisonous or deleterious chemicals, poisonous or deleterious preservatives, or other poisonous or deleterious ingredients; and such meats and meat products after entry into the domestic commerce of the United States shall have all the rights and privileges of meats and meat products inspected by the Bureau of Animal Industry of the Department of Agriculture, as prescribed in the act of June 30, 1906.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. McCUMBER. I have an amendment to the paragraph pending which I offered yesterday, but it was properly laid aside until the amendment of the committee could be perfected.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. Add at the end of the amendment just agreed to the following proviso:

Provided further, That any of the foregoing specified articles shall be subject to a duty of 25 per cent ad valorem when imported directly or indirectly from a country, dependency, or other subdivision of government which imposes a duty on such articles imported from the United States.

Mr. McCUMBER. Mr. President, it would be improper to ask for a vote upon this amendment without inserting in the Record some figures that will properly apply to and explain the amendment.

The principal countries from which imports may be expected under free trade are Canada, Australia, and Argentina. The duty imposed by these countries upon the importation of American meats are as follows:

Canada	-----cents per pound--	3
Australia	-----cents per pound--	4
Argentina	-----per cent ad valorem--	27

The probable value of imported meats will be close to about 10 cents per pound. If the meat imported from Canada would average 10 cents per pound, the duty would be equivalent to an ad valorem of 30 per cent. In other words, the Canadian ad valorem to-day is 30 per cent; in Australia there is an ad valorem duty of 40 per cent; in Argentina there is an ad valorem duty of 27 per cent. The American farmer, who is still an exporter of meat products, in order to get into any one of these countries would be compelled to pay the respective ad valorem duties of 30, 40, and 27 per cent.

If the New York farmer desires to sell a beef in Ontario, he must pay a duty of 30 per cent ad valorem. If the Ontario farmer desires to sell a beef in New York, he does not have to pay one penny. This demonstrates again the intense hostility everywhere expressed in this great bill against the American farmer and in favor of his competitor. No one will claim that it costs more to produce a beef in Canada than it does in the United States, or in Argentina, or in Australia. In fact, with our present duty, Australian meats are going into all our western ports; but suppose it costs exactly the same in the Provinces as in the States, why, then, this discrimination against the American farmer?

You say to the American farmer, "You can not ship your meat into Canada, into the Argentine, into Australia, unless you pay a duty ranging from 27 to 40 per cent," and you say to each one of the farmers of these countries, "You can ship your meat into the United States without the payment of a cent of duty."

Mr. President, carrying out the consistency of the same argument that I made yesterday, I again assert that it should be the purpose of a tariff-for-revenue-only bill to produce revenue for the support of the Government, and, following Democratic policies and theories, duties should be imposed upon all imports into the United States, unless there are special reasons why such duties should be taken off some imports and a greater amount added to other imports. Why should there be protection, or incidental protection, in some instances and no protection whatever in others?

If it could be shown to me that the cost of meats was too great in the United States, due to the cost of raising cattle, and that the farmers in the United States were receiving an exorbitant and undue price for their product, I think I would agree with the Democratic Senators in reducing the tariff, so that that product might be placed, possibly, upon a free-trade basis; but no one will claim that there are any exorbitant prices being paid to the producer of beef in this country, and I doubt very much if anyone will claim that the bill of itself will materially reduce the cost of that article to the ultimate consumer.

With this brief statement, Mr. President, I should like to have the yeas and nays upon the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. CHAMBERLAIN (when his name was called). I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. In his absence, I withhold my vote.

Mr. CHILTON (when his name was called). I have a pair with the junior Senator from Maryland [Mr. JACKSON], and therefore withhold my vote.

Mr. McCUMBER (when his name was called). I have a general pair with the senior Senator from Nevada [Mr. NEWLANDS]. Observing that he is out of the Chamber, I transfer that pair to the junior Senator from Maine [Mr. BURLEIGH] and vote "yea."

Mr. REED (when his name was called). I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from Oklahoma [Mr. OWEN] and vote "nay."

Mr. SAULSBURY (when his name was called). I have a general pair with the junior Senator from Rhode Island [Mr. COLT], and therefore withhold my vote. If at liberty to vote, I should vote "nay."

Mr. THOMAS (when his name was called). I have a general pair with the senior Senator from Ohio [Mr. BURTON], which I transfer to the junior Senator from Oklahoma [Mr. GORE] and vote "nay."

The roll call was concluded.

Mr. BRYAN. I have a pair with the Senator from Michigan [Mr. TOWNSEND], and therefore withhold my vote.

Mr. LEWIS (after having voted in the negative). Inadvertently I voted. I discover that the junior Senator from North Dakota [Mr. GRONNA], with whom I am paired, is not here, and I therefore desire to withdraw my vote.

Mr. THORNTON. I desire to announce the necessary absence of the Senator from Alabama [Mr. BANKHEAD] and to state that he is paired with the junior Senator from West Virginia [Mr. GOFF].

Mr. GALLINGER. I desire to announce that the Senator from Delaware [Mr. DU PONT] is paired with the Senator from Texas [Mr. CULBERSON] and that the Senator from Michigan [Mr. TOWNSEND] is paired with the Senator from Florida [Mr. BRYAN].

Mr. JONES. I desire to announce that the junior Senator from Michigan [Mr. TOWNSEND] is necessarily absent. He is paired with the Senator from Florida [Mr. BRYAN]. I make this announcement to stand for the remainder of the votes to-day.

The result was announced—yeas 32, nays 40, as follows:

YEAS—32.			
Bradley	Dillingham	McLean	Sherman
Brady	Gallinger	Nelson	Smoot
Brandeggee	Jones	Norris	Stephenson
Bristow	Kenyon	Page	Sterling
Catron	La Follette	Penrose	Sutherland
Clark, Wyo.	Lippitt	Perkins	Warren
Crawford	Lodge	Poin Dexter	Weeks
Cummins	McCumber	Root	Works
NAYS—40.			
Ashurst	Lane	Reed	Smith, S. C.
Bacon	Lea	Robinson	Stone
Clarke, Ark.	Martin, Va.	Shafroth	Swanson
Fletcher	Martine, N. J.	Sheppard	Thomas
Hitchcock	Myers	Shields	Thompson
Hollis	O'Gorman	Shively	Thornton
Hughes	Overman	Simmons	Tillman
James	Pittman	Smith, Ariz.	Vardaman
Johnson	Pomerene	Smith, Ga.	Walsh
Kern	Ransdell	Smith, Mo.	Williams
NOT VOTING—23.			
Bankhead	Chilton	Goff	Oliver
Borah	Clapp	Gore	Owen
Bryan	Colt	Gronna	Saulsbury
Burleigh	Culbertson	Jackson	Smith, Mich.
Burton	du Pont	Lewis	Townsend
Chamberlain	Fall	Newlands	

So Mr. McCUMBER's amendment was rejected.

Mr. JONES. I desire simply to offer an amendment by request, and ask that it may be printed and referred to the Committee on Finance. It is an amendment intended to be proposed to the pending bill.

The VICE PRESIDENT. Without objection, the proposed amendment will be printed and referred to the Committee on Finance.

Mr. THOMAS. I ask unanimous consent to reconsider the vote by which the amendment to paragraph 138 was agreed to, and to offer the amendment which I send to the desk as a substitute for the Senate committee amendment.

The VICE PRESIDENT. Without objection, the vote whereby the amendment to paragraph 138 was agreed to will be reconsidered. The Senator from Colorado offers a substitute for the committee amendment, which the Secretary will state.

The SECRETARY. In paragraph 138, page 40, line 20, after the word "Provided," it is proposed to insert:

That any prohibition of the importation of feathers in this section shall not be construed as applying to artificial files used for fishing.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. THOMAS. Now, I ask unanimous consent to reconsider paragraph 153 and to offer the amendment which I send to the desk as a substitute therefor.

The VICE PRESIDENT. In the absence of objection, paragraph 153 will be considered as open to amendment. The Senator from Colorado offers an amendment which the Secretary will state.

The SECRETARY. Paragraph 153, page 44, the committee proposes the following substitute for the paragraph:

153. Belt buckles, trousers buckles, waistcoat buckles, snap fasteners and clasps by whatever name known, any of the foregoing made wholly or in chief value of iron or steel; hooks and eyes, metallic; steel trousers buttons and metal buttons, all the foregoing and parts thereof, not otherwise specially provided for in this section, 15 per cent ad valorem.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. THOMAS. Mr. President, I now ask unanimous consent to revert to paragraph 318½ and to offer the amendment which I send to the desk, to come in at the end of the committee amendment heretofore agreed to.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 91, line 23, at the end of paragraph 318½ as agreed to, it is proposed to insert, after the word "fourteen," a comma and the words "until which date the rates of duty now provided by Schedule K of the existing law shall remain in full force and effect."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. THOMAS. Now, Mr. President, I ask leave to offer the amendment I send to the desk to the substitute for paragraph 326, which was adopted yesterday afternoon.

The VICE PRESIDENT. Without objection, the vote whereby the amendment to paragraph 326 was agreed to will be reconsidered. The amendment proposed by the Senator from Colorado to the amendment heretofore reported by the committee will be stated.

The SECRETARY. In line 9, page 2, of the substitute for paragraph 326 heretofore presented, after the word "ounces," it is proposed to insert "per square yard."

The VICE PRESIDENT. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. THOMAS. On behalf of the committee I offer as a new paragraph the amendment which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 151, after line 18, it is proposed to insert a new paragraph, as follows:

6151. Steel engraved forms for bonds, debentures, stock certificates, negotiable receipts, notes and other securities; and engraved steel plates, dyes, and rolls, suitable for use in engraving or printing bonds, stocks, certificates, or other securities.

The VICE PRESIDENT. The question is on agreeing to the amendment.

Mr. GALLINGER. Mr. President, that amendment places those articles on the free list?

Mr. THOMAS. That is the purpose; yes.

Mr. GALLINGER. It strikes me that that is a rather serious matter. Our engravers at the present time are not overemployed or overprosperous; and they have made very urgent appeals to Congress not only this year, but in former years, not to legislate to their disadvantage.

I do not know why we should promote the industry of steel engraving in other countries to the disadvantage of our engravers in our own country. Perhaps I do not understand the matter, but it strikes me in that way.

Mr. THOMAS. I think the same people have several times appealed for relief from the exactions of the New York Stock Exchange, which does not permit the listing of any stocks except those that are engraved by one great concern. It is quite probable that by placing these articles on the free list we may secure a little competition in some other quarters, if not in that one.

Mr. GALLINGER. The Senator does not think it will affect the operations of the stock exchange, does he?

Mr. THOMAS. No; I do not know that it will; but it will certainly tend to give the opportunity to use engravings of different sorts in competition with the American Bank Note Co., which has a monopoly of such things, so far as the stock exchange can give it that monopoly.

Mr. GALLINGER. Would not the stock exchange continue to give it that monopoly?

Mr. THOMAS. I presume it would, so far as concerns any effect which the amendment I have offered might have; but we propose, if we can, to secure its adoption, in the hope that it will tend generally in that direction, if not specifically.

Mr. GALLINGER. I will ask for the yeas and nays on the amendment. I think it is a pretty serious matter.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I have a pair with the junior Senator from Michigan [Mr. TOWNSEND], and therefore withhold my vote.

Mr. CHAMBERLAIN (when his name was called). I again announce my pair with the junior Senator from Pennsylvania [Mr. OLIVER], and withhold my vote.

Mr. McCUMBER (when Mr. GRONNA's name was called). I desire to announce that my colleague [Mr. GRONNA] is necessarily absent from the Senate. He is paired with the junior Senator from Illinois [Mr. LEWIS].

Mr. McCUMBER (when his name was called). I transfer my pair as before stated and will vote. I vote "yea."

Mr. THOMAS (when his name was called). I again announce the transfer I made a few moments ago, and will vote. I vote "yea."

The roll call was concluded.

Mr. REED. I transfer my pair with the senior Senator from Michigan [Mr. SMITH] to the senior Senator from Virginia [Mr. MARTIN] and will vote. I vote "yea."

Mr. BANKHEAD. I am paired with the junior Senator from West Virginia [Mr. GOFF], and therefore withhold my vote. I will let this announcement stand for the balance of the day.

Mr. CHILTON. I transfer my pair with the junior Senator from Maryland [Mr. JACKSON] to the senior Senator from South Carolina [Mr. TILLMAN] and will vote. I vote "yea."

The result was announced—yeas 40, nays 32, as follows:

YEAS—40.

Ashurst	Lane	Reed	Smith, Md.
Bacon	Lea	Robinson	Smith, S. C.
Chilton	Martine, N. J.	Saulsbury	Stone
Clarke, Ark.	Myers	Shafroth	Swanson
Fletcher	O'Gorman	Sheppard	Thomas
Hollis	Overman	Shields	Thompson
Hughes	Owen	Shively	Thornton
James	Pittman	Simmons	Vardaman
Johnson	Pomerene	Smith, Ariz.	Walsh
Kern	Ransdell	Smith, Ga.	Williams

NAYS—32.

Bradley	Cummins	McLean	Sherman
Brady	Dillingham	Nelson	Smoot
Brandegee	Gallinger	Norris	Stephenson
Bristow	Jones	Page	Sterling
Cañon	Kenyon	Penrose	Sutherland
Clark, Wyo.	Lippitt	Perkins	Warren
Colt	Lodge	Poinexter	Weeks
Crawford	McCumber	Root	Works

NOT VOTING—23.

Bankhead	Clapp	Gronna	Newlands
Borah	Culberson	Hitchcock	Oliver
Bryan	du Pont	Jackson	Smith, Mich.
Burleigh	Fall	La Follette	Tillman
Burton	Goff	Lewis	Townsend
Chamberlain	Gore	Martin, Va.	

So the amendment of the committee was agreed to.

Mr. THOMAS. I ask unanimous consent to reconsider paragraph 652, and I offer an amendment to come in at the end of the paragraph.

The VICE PRESIDENT. It is not necessary to reconsider the paragraph. The amendment proposed by the committee will be stated.

The SECRETARY. On page 158, paragraph 652, line 22, after the word "thirteen," it is proposed to insert a comma and the words "until which time the rates of duty now provided by Schedule K of the existing law shall remain in full force and effect."

The amendment was agreed to.

Mr. THOMAS. I make the same request with reference to the paragraph immediately following—paragraph 653—and offer the same amendment.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. At the end of paragraph 653, page 150, line 4, it is proposed to insert a comma and the words "until which time the rates of duty now provided by Schedule K of the existing law shall remain in full force and effect."

The amendment was agreed to.

Mr. SMITH of Georgia. I wish to call attention to paragraph 258, which was passed over when the bill was read. I send to the Secretary's desk a substitute for that paragraph as a whole, which I offer on behalf of the committee.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 77, paragraph 258, the Senator from Georgia offers a complete substitute for the paragraph, so read as follows:

258. The terms "cotton cloth" or "cloth," wherever used in the paragraphs of this schedule, unless otherwise specially provided for, shall be held to include all woven fabrics of cotton in the piece, whether figured, fancy, or plain, and shall not include any article, finished or unfinished, made from cotton cloth. In the ascertainment of the condition of the cloth or yarn upon which the duties imposed upon cotton cloth are made to depend the entire fabric and all parts thereof shall be included. The average number of the yarn in cotton cloth herein provided for shall be obtained by taking the length of the thread or yarn to be equal to the distance covered by it in the cloth in the condition as imported; in counting the threads all ply yarns shall be separated into singles and the count taken of the total singles; the weight shall be taken after any excessive sizing is removed by boiling.

Mr. LIPPITT. Mr. President, I should like to ask the Senator if he does not think it would be wise, in addition to saying "removed by boiling," to put in the words "or by other suitable process"? It seems to me there might be some other process by which the sizing could be more readily removed than by simply boiling.

Mr. SMITH of Georgia. I conferred with the men in charge of the work in New York City, and they were of the opinion that boiling was the proper process.

Mr. SMOOT. It is one process, but the other wording would not hurt at all.

Mr. LIPPITT. The other wording would not hamper them, and it would give them more freedom.

Mr. SMITH of Georgia. I do not object to inserting the words "or other suitable process." I move that that be done.

The VICE PRESIDENT. The amendment to the amendment will be stated.

The SECRETARY. After the word "boiling," it is proposed to insert the words "or other suitable process."

The VICE PRESIDENT. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The question now is on the amendment as amended.

Mr. LIPPITT. Mr. President, in connection with the amendment as amended, I wish to call the attention of the Senator from Georgia to the provision which he has made that all thread shall be considered in measurement as of the same length as the cloth itself.

I presume the Senator is aware that in a great number of cases, by merely giving an assumed measurement to the thread in that way, the committee is reducing the number of the yarn, and in effect is reducing the duty which is paid upon such cloth. In some cases the threads in the cloth are at least twice the length of the cloth itself. In that case, if the thread is No. 50, it will be taken for dutiable purposes as No. 25, and whereas in the case of No. 50 thread the duty is, I think, 25 per cent, the duty actually paid would be in the neighborhood of one-half that, or about 12½ per cent. Inasmuch as the duty depends entirely upon the number of the yarn and the cloth, it seems an unjust method of procedure.

Mr. SMITH of Georgia. Mr. President, this amendment first provides that the threads shall be unraveled, and the finest thread in any twisted thread shall be taken. That action was had to guarantee that the highest thread used should be estimated in the count, although before being woven its size was increased by twisting. We were aware of the fact that by measuring the thread as it is in the cloth the thread would not receive quite the length, and therefore not quite the number, that it otherwise would receive, but our investigation and the information I received did not lead to the conclusion that the extent of difference suggested by the Senator from Rhode Island would take place.

Mr. LIPPITT. Mr. President, when I made a few remarks on this subject a month ago I had here a sample of cloth, which I can not put my hand on at this moment because I did not

know this particular question would come up, which illustrated the fact that in that particular case the thread was twice the length of the cloth. The same thing happens in such classes of goods as seersuckers, which enjoyed great popularity a few years ago, and were made here in large quantities and imported in large quantities.

Mr. SMITH of Georgia. I did not hear the character of the goods.

Mr. LIPPITT. Seersucker. The same situation exists also in what is called Russian cord, where there is a covering thread, as it is called, that goes back and forth over the fabric and is frequently three times the length of the fabric itself. These are all novelty fabrics that are made principally on the fancy looms of New England, and the effect of allowing the custom-house to use this system of measurement is practically in those instances to nullify the entire principle of the bill.

It seems to me to be a most unjust provision, and I shall hope that the committee will decide to substitute for that language some language which will call for the thread to receive the actual measurement of the thread. I am not suggesting that anything should be done except what is done in every case where the thread is the length of the cloth. Where the thread is not the length of the cloth manifestly it should have the benefit of this full length so as to get its accurate number. It is very easy to make the change, and very easy to perform the operation of measuring the length of the thread.

The VICE PRESIDENT. The question is on agreeing to the amendment as amended.

The amendment as amended was agreed to.

Mr. SMITH of Georgia. I ask attention to paragraph 263, on page 79. We ask to substitute the word "woven" for the word "Jacquard," in line 18. The subject was up and discussed when the paragraph was formerly before the Senate. At that time we were not prepared to agree to use the word "woven," but now we agree to it. The paragraph was passed over, and we ask for its adoption with this amendment.

The VICE PRESIDENT. The amendment of the committee will be stated.

The SECRETARY. The committee report to strike out paragraph 263 and in lieu thereof to insert:

263. Tapestries, and other Jacquard figured upholstery goods weighing over 6 ounces per square yard, composed wholly or in chief value of cotton or other vegetable fiber, in the piece or otherwise, 35 per cent ad valorem.

In line 18, the first line of the paragraph, it is proposed to amend the amendment by striking out the word "Jacquard" and inserting "woven."

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. SMITH of Georgia. There are two or three other paragraphs I wish to pass on. Paragraphs 264 and 265 were passed over at the request of the Senator from Pennsylvania.

Mr. PENROSE. I have an amendment to paragraph 265 which I should like to call up.

Mr. SMITH of Georgia. The Senator has no amendment to paragraph 264?

Mr. PENROSE. No; I did not offer any amendment to paragraph 264.

Mr. SMITH of Georgia. Then I ask that paragraph 264 be adopted.

The VICE PRESIDENT. There is no amendment to it, and it has been read, so it is adopted. The amendment proposed by the committee to paragraph 265 will be stated.

The SECRETARY. The committee propose to amend the paragraph on page 80, line 7, before the words "per dozen pairs," by striking out "70 cents" and inserting "\$1.20"; in line 8, after the words "per dozen pairs" and before the words "per centum," to strike out "40" and insert "30"; in line 9, before the words "per dozen pairs," to strike out "70 cents" and insert "\$1.20"; and in line 11, before the words "per centum" to strike out "35" and insert "45," so as to make the paragraph read:

265. Stockings, hose and half hose, selvaged, fashioned, narrowed, or shaped wholly or in part by knitting machines or frames, or knit by hand, including such as are commercially known as seamless stockings, hose and half hose, and clocked stockings, hose and half hose, all of the above composed of cotton or other vegetable fiber, finished or unfinished; if valued at not more than \$1.20 per dozen pairs, 30 per cent ad valorem; if valued at more than \$1.20 per dozen pairs, 50 per cent ad valorem. Gloves by whatever process made, composed wholly or in chief value of cotton, 45 per cent ad valorem.

The VICE PRESIDENT. The amendment proposed to the amendment by the Senator from Pennsylvania will be stated.

The SECRETARY. On page 80, line 7, after the word "unfinished," strike out the words "if valued at not more than \$1.20

per dozen pairs, 30 per cent ad valorem; if valued at more than \$1.20 per dozen pairs," so as to read "50 per cent ad valorem."

Mr. PENROSE. Mr. President, the effect of this amendment is to abolish the classification and make all of these articles bear a duty of 50 per cent ad valorem.

I do not wish to detain the Senate by any extended remarks on the subject. It is hardly worth while for me to call the attention of the Senate to the extent of this industry. It exists in some 20 or 30 States of the Union. It is a small industry in the sense that the men managing it are men of moderate means. There is no suggestion of a trust or combination in the hosiery business, and I do not know of anyone in the business who pretends to any great wealth.

It gives honest and decent employment to a large number of men, women, and children, and is a very desirable industry to have in any community.

The hosiery people were shocked and surprised when they found out the action of the Senate on this paragraph and discovered that at the last hour the Democratic caucus had advanced the dividing line on hosiery to \$1.20 per dozen, making the duty 30 per cent below that point and 50 per cent above.

In their opinion this will destroy the industry.

Already it has been noted that in Chemnitz, Germany, in the last few months the German manufacturer of hosiery has already provided for this change in the tariff by contracts which provide for an increased price for the German article if the bill becomes a law.

The only effect that this could possibly have, should it go through, would be to hand this important branch of the textile business over to the foreign manufacturers. It is doubtful if the hosiery business in this country, in the opinion of those engaged in it, will ever recover from this blow, and it is not likely that people will continue in an industry that has such a narrow margin to go on in competition with the foreign country and be continually menaced and placed in jeopardy by legislation or the possibility of legislation of this character.

I have the official statistics covering the imports of hosiery for the year ending June 30, 1913, which show that two-thirds of the business is represented by grades of hosiery having a foreign value of less than \$1.20 per dozen pairs, the rate of duty on which has been fixed by the Democratic caucus at 30 per cent ad valorem, as against the Payne rates of 70 cents, 85 cents, and 90 cents per dozen pairs and 15 per cent ad valorem. That I may be more clearly understood, the grades of hosiery affected by the proposed 30 per cent rate imported during the past year have carried average ad valorem rates of 92 per cent, 76 per cent, and 62 per cent, respectively; so the statement, frequently made, that the reduction on hosiery rates has been 50 per cent, is not substantiated by official figures. Very little business is done here or abroad in hosiery the foreign value of which is above \$1.20 per dozen pairs, consequently the rate of 50 per cent on such hose is of small value. Further examination of the import figures shows that when conditions are favorable German hosiery manufacturers have no difficulty in selling goods in this market, as in the quarter ending March 31, 1913, they sent us nearly 700,000 dozen pairs of hose, exceeding by 200,000 dozen pairs the number imported in any other quarter of the year.

In the last two quarters of the year ending June 30, 1913, the imports in the grade of hosiery covered by the Payne rate of 30 per cent ad valorem were 157,973 and 149,036 dozen pairs, as against 15,699 and 27,949 dozen pairs imported in the first two quarters, which should convince any fair-minded man that the Payne rates of duty are none too high to place the hosiery business on an even competitive basis with Germany.

The figures tell their own story, and without going into further details I will say it is my firm opinion, from conversation with a large number of people from many States in the Union, North and South, that the reduction in hosiery rates proposed in this bill will, if they go into effect, make it absolutely impossible for American hosiery manufacturers to compete with German manufacturers unless they pay the German rate of wages.

I think it is generally admitted, Mr. President, that for some reason or other the American hosiery manufacturer is unable to compete with the German. Why it is so I do not know unless it be the difference in the wages and the conditions of employment.

I have here some figures showing the imports of cotton hosiery for the fiscal year ending June 30, 1913, by quarters, and I will ask to have them inserted.

The PRESIDING OFFICER. Without objection, it will be so ordered.

The table referred to is as follows:

Imports of cotton hosiery for the year ending June 30, 1913, by quarters.
ENDING SEPTEMBER 30, 1912.

Rate of duty.	Dozens.	Foreign value.	Unit foreign value.	Duty.	Unit landing value.	Ad valorem.
30 per cent.....	15,699.08	\$8,254.00	\$0.525	\$2,476.20	\$0.68	30.00
\$0.70 and 15 per cent....	161,904.50	147,242.00	.909	135,419.50	1.745	91.29
\$0.85 and 15 per cent....	139,074.25	191,721.00	1.378	146,971.28	2.43	76.65
\$0.90 and 15 per cent....	153,360.92	299,633.28	1.89	183,914.86	3.07	62.57
\$1.20 and 15 per cent....	8,244.17	21,391.00	2.59	13,101.64	4.178	61.24
\$2 and 15 per cent.....	1,859.92	7,141.50	3.839	4,791.07	6.41	67.08
55 per cent.....	875.83	6,436.00	7.337	3,539.80	11.37	55.00
	483,018.67	676,118.78	1.339	490,214.35	2.41	72.50

ENDING DECEMBER 31, 1912.

30 per cent.....	27,949.50	\$14,296.00	\$0.51	\$4,288.80	\$0.66	30.00
\$0.70 and 15 per cent....	125,013.16	114,584.00	.916	104,696.86	1.75	91.37
\$0.85 and 15 per cent....	88,548.50	123,548.00	1.395	93,798.43	2.45	75.92
\$0.90 and 15 per cent....	108,637.27	207,079.00	1.906	128,835.46	3.09	62.21
\$1.20 and 15 per cent....	4,496.33	11,620.00	2.60	7,102.60	4.19	61.12
\$2.00 and 15 per cent....	1,078.91	4,291.00	3.977	2,801.48	6.57	65.28
55 per cent.....	654.50	4,674.00	7.14	2,570.70	11.067	55.00
	356,348.17	480,092.00	1.347	344,094.33	2.31	71.07

ENDING MARCH 31, 1913.

30 per cent.....	157,973.42	\$81,325.96	\$0.51	\$24,397.79	\$0.66	30.00
\$0.70 and 15 per cent....	232,070.84	200,548.00	.86	192,531.80	1.680	96.00
\$0.85 and 15 per cent....	114,185.07	159,257.03	1.39	120,946.42	2.448	75.94
\$0.90 and 15 per cent....	182,723.50	343,650.00	1.88	215,998.66	3.06	62.85
\$1.20 and 15 per cent....	7,501.25	19,762.00	2.63	11,965.65	4.22	60.54
\$2.00 and 15 per cent....	2,033.66	8,042.20	3.95	5,273.82	6.54	65.55
55 per cent.....	1,212.83	8,361.00	6.89	4,598.55	10.679	55.00
	697,701.17	820,946.27	1.176	575,712.69	2.00	70.12

ENDING JUNE 30, 1913.

30 per cent.....	149,036.26	\$74,388.75	\$0.499	\$22,316.63	\$0.648	20.00
\$0.70 and 15 per cent....	121,803.99	110,023.11	.90	101,766.37	1.739	92.49
\$0.85 and 15 per cent....	80,555.44	112,126.30	1.39	85,291.16	2.448	70.06
\$0.90 and 15 per cent....	132,705.15	254,854.80	1.92	157,662.88	3.108	61.07
\$1.20 and 15 per cent....	5,460.38	14,317.00	2.62	8,712.00	4.21	60.85
\$2.00 and 15 per cent....	1,739.75	6,851.00	3.93	4,507.14	6.519	65.78
55 per cent.....	603.08	4,196.00	6.957	2,307.80	10.78	55.00
	491,904.05	576,756.96	1.17	382,563.98	1.95	66.33

Total imports of cotton hosiery for the years ending June 30, 1910, 1911, 1912, and 1913.

Year.	Dozens.	Foreign value.	Unit foreign value.	Duty.	Unit landing value.
1910.....	4,447,782.58	\$5,825,099.19	\$1.30	\$4,141,089.25	\$2.22
1911.....	2,628,351.46	3,452,620.50	1.31	2,527,781.28	2.27
1912.....	2,349,641.49	2,912,400.14	1.23	2,116,068.04	2.14
1913.....	2,028,972.06	2,553,914.01	1.258	1,782,585.35	2.14

(Compiled by Hosiery Manufacturers' legislative committee.)

Mr. PENROSE. I have here a communication from the Hosiery Manufacturers' legislative committee, which, among other matters, states:

Should the Underwood tariff bill become the law, American manufacturers have been accused of an intention to close mills and reduce wages to prove the law a failure.

There is positive information regarding the intentions of hosiery manufacturers, and their unquestioned intention is that they will continue operations until forced to close mills or adjust wages to meet the foreign competition which must result from the destructive rates of duty applied to hosiery in the tariff bill now before the Senate.

Letters are being constantly received similar to the one quoted—and I shall quote it in a minute—all showing that hosiery manufacturers are encountering extreme difficulty in finding sufficient business to keep the mills open even before the tariff bill has passed the Senate.

I now quote a communication from a prominent gentleman in the business:

I am quite sure that if the present rates should be incorporated in the final bill the tariff will prove ruinous to a large portion of our industry. With the House rates we might be able to get along, although it would take a lot of scheming and squeezing on the part of the manufacturers, and will eventually mean lower wages for the operators; but it would at least be possible to get adjusted somehow to the new conditions under Underwood rates; but under the present rates of the Senate there would be nothing left to do but to shut down the mills, or at least part of the mills. We started to book a very fair business for next spring in June, and, although prices were very low, I had every hope of getting enough business in to keep the mill going, but this last cut in the Senate has upset everything again, and we have hardly booked

an order on the lines affected by this change. Our customers tell us frankly that they prefer to wait until the bill is finally passed, and that there will be very little business in the 25-cent grade for the American manufacturers if goods up to \$1.20 per dozen, foreign value, can be brought into this country under 30 per cent duty.

And also the following letter, addressed to me:

NEW YORK, August 25, 1913.

HON. BOIES PENROSE, Washington, D. C.

DEAR SIR: In reference to the proposal to reduce the cost of merchandise to the consumer by a reduction of the tariff, I beg to call your attention to the actual working out of the proposition as applied to hosiery, and take for example a pair of socks such as is sold to the consumer at 25 cents per pair. A relative percentage will apply to those that retail for any price, whether 10 cents or \$1. For the pair of hose you paid 25 cents, the maker received 13 cents; the difference, 12 cents, was the cost of distribution by the dealer, and in no way can the tariff affect this charge for getting the hose from maker to wearer. A pair of socks weighs approximately 1 ounce, or three-quarters of 1 cent's worth of raw cotton, which has been transformed by the labor of transportation, combing, spinning, and other necessary operations into yarn as delivered to the hosiery mill. There it passes through the various operations of knitting, topping, looping, seaming, turning, dyeing, mending, examining, pressing, pairing, stamping, not to mention superintendence, the foreman, engineer, bookkeeper, office clerks, shipper, draymen, etc., and all that form of labor which is as essential to the production as the man standing beside the machine. All this producing cost consisting of the laborer's profit and the manufacturer's wages—or, as it is usually referred to, the laborer's wages and the manufacturer's profit—must be paid out of the 13 cents. Nothing else can possibly be affected by a change in tariff. I have no information from any reading on the subject that the proposal to reduce the cost of living by a tariff reform is in any way going to affect the cost of distribution, which you see is practically 100 per cent of the cost of production of this article.

Manufacturing costs fluctuate from time to time, but a change of maker's selling price of 1 cent per pair would be considered in this article a wide fluctuation, yet in 15 years I have seen a rise or fall of 2 cents per pair in the maker's price without in the least affecting the consumer's paying price of 25 cents. Goods are sold at retail for integral parts of a dollar. For instance, men do not buy cigars for 4 cents or 9 cents or 14 cents; they pay 5 cents straight or three for a quarter or 10 cents straight or two for a quarter, according to their pocket, and hosiery is retailed in the same way.

The manufacture of hosiery in this country is on an intensely competitive basis. Combination is impossible, hosiery being made in hundreds of plants of an average of a few thousand dollars capital each. Intense internal or domestic competition is bad enough, but to subject the trade to foreign competition on the fallacious theory that the consumer at large will benefit will prove now, as it has in the past, a costly experiment to labor. The real beneficiary will be the foreigner and domestic distributor or middle man, who will pocket whatever difference in productive cost the domestic workers are forced by a lower tariff to make. Labor will be the sufferer first, last, and all the time. No change in the tariff can take out of the manufacturer enough of his profit to make an appreciable difference to the consumer, because it is not there to take out.

The progress made in the past three years under the present tariff has been phenomenal. The conserving of this great market to our domestic manufacturer has, by increasing the volume of business done in individual plants, permitted the increase of wages and a reduction of overhead expenses per unit, so that better values are being produced by manufacturers of hosiery, from the cheapest to the highest grades, than ever before in the history of the trade. Increased volume of output in a plant means lower cost per unit. Lower duties first let in foreign hose that shows more profit to the distributor or middle man; then the advent of quantities of cheaply made foreign hose restricts the market for the domestic article and, on the face of it, lessens production, thereby increasing the cost per unit. The impossibility of the manufacturer competing with cheap foreign labor under the condition of highly paid domestic labor forces that labor to such readjustment of wages as may be necessary to meet the new competition. There is still only one way to make an article cheap, and that is to pay cheap wages. There is still one way to bring about cheap wages, and that is to reduce the tariff and make it impossible for the laborer to get what is not there.

Yours, very truly,

C. H. BROWN,

Chairman Hosiery Manufacturers' Legislative Committee.

What is known as the Kensington or mill district of the city of Philadelphia is perhaps the center of this industry, and one of the largest centers in the world; but, as I have said, the industry is scattered all over the country, from the Southern States up through the Northern States and toward the Middle West.

I should like to have a vote on the amendment.

Mr. LODGE. Mr. President, in connection with the amendment of the committee, I merely wish to say that the conditions which the Senator from Pennsylvania has portrayed apply equally to the hosiery mills and makers of New England. There has always been a severe competition in the business. It is doubtful if they could live at all, even at the House rates. Certainly with this change in the bracket they will, in my judgment, be obliged to close down.

I am not going over the ground which has been covered by the Senator from Pennsylvania, but I wish to call attention to the next paragraph, to which I do not desire to offer an amendment, but which is connected with paragraph 265, as showing how recklessly the bill has been drafted.

Paragraph 266 covers all shirts, drawers, and so forth, knit goods, knit by hand or on machines, and includes them all in one bracket and places on them 30 per cent ad valorem. There is no distinction drawn between the light and fine and the heavy and coarse. There are made by some of our fac-

ories, for instance, shirts and drawers, with 70 cents' worth of cotton to a dozen garments and \$2.56 worth of labor. Those are the heavy kind generally worn, whereas the lightweight goods require \$1.82 worth of cotton and only \$1.43 in labor. Therefore the lightweight shirts and drawers which I have just described, at \$1.82 worth of cotton and \$1.43 worth of labor, cost only about half as much as the heavy kind where the labor is so much more expensive. Yet the same ad valorem duty is placed on both. The heavyweight goods, which are worn by the people who can not afford to pay for the more expensive kind, will bear a higher rate, and the light and finer goods, which are bought by people who can afford to spend more money, have a duty which will give them no protection at all, and probably force their abandonment.

I merely call attention to this as characteristic of the manner in which the bill is drawn, without reference to the cost of the article and as discriminating particularly against the fine goods, which runs throughout the bill.

I ask in connection with my remarks to print a letter from the treasurer of one of the companies, who is engaged in this industry.

The VICE PRESIDENT. Without objection, the letter will be printed in the RECORD.

The letter referred to is as follows:

LAWRENCE MANUFACTURING CO.,
Boston, April 9, 1913.

HON. HENRY CABOT LODGE,

Washington, D. C.

DEAR SIR: Referring to the new tariff schedule upon knit shirts and drawers the proposed rate of 30 per cent ad valorem will injure the industry almost irreparably, for the reason that with such a low rate the German, French, and Swiss manufacturers will obtain such a foothold in this country that only absolutely prohibitive rates at some future time will again give us the market.

The Payne bill gives us rates equal to between 50 and 60 per cent ad valorem, the same as the previous bill. The underwear manufacturers did not ask for any increase at the time that the Payne bill was formulated.

The manufacture of knit underwear originated in the United States, and the foreign manufacturers have been followers in machines and methods instead of leaders. With rates cut in two and in some cases reduced 60 per cent the situation will be reversed and we will be the followers, or perhaps out of business entirely except in the low-priced end where the cost is more cotton than labor. The proposed flat rate of a certain percentage is not a practical method of fixing duties. For instance, a shirt and drawer which we make has 70 cents worth of cotton to the dozen garments and \$2.56 worth of labor, trimmings, and selling expense. A heavyweight shirt and drawer which I have, costing in total practically the same as the above, has \$1.82 worth of cotton and only \$1.43 worth of labor. The lightweight goods are sold to the nice trade and are well finished in every way. The heavyweight goods go to the laboring man and are roughly put together. The rate of 30 per cent may possibly do for the very heavy and cheap goods, but it will not answer at all for lightweight goods, which have such a large cost of labor in them.

I have been to Washington twice within the last two months with other manufacturers trying to get fair treatment at the hands of the Ways and Means Committee, and our case has been well presented. We have endeavored to have the schedule divided into two classes, giving one rate for heavyweight goods and another for lightweight goods. We were listened to attentively, but evidently did not make any impression. The results of their work seems to warrant the statement that New England and Eastern State interests are being intentionally sacrificed.

In writing these facts to you it is hardly my hope that you can remedy conditions, but merely to inform you what we have done in making our case known to the members of the Ways and Means Committee, and the probable result of rates as proposed.

Very truly, yours,

C. P. BAKER, Treasurer.

Mr. PENROSE. I merely want to add to what I have already said, to complete the record as far as Pennsylvania is concerned, some interesting figures. The manufacture of hosiery was introduced into the United States at Germantown, now a part of the city of Philadelphia, about 1698, and that city has always been the center of this branch of the textile industry in America.

I ask to have the table which I have here printed as a part of my remarks showing the quantity and cost of material used and the quantity and value of products manufactured for 1900, 1904, and 1899.

The table is as follows:

Manufactures—Pennsylvania.

Material or product.	1909	1904	1899
Materials used, total cost.....	\$27,217,951	\$16,037,698	\$10,935,763
Cotton:			
Pounds.....	2,506,120	1,874,655	2,218,426
Cost.....	\$302,702	\$226,907	\$189,491
Wool (in condition purchased):			
Pounds.....	467,877	1,168,283	1,347,914
Cost.....	\$205,403	\$432,669	\$474,260
Equivalent in scoured condition, pounds.....	435,848	1,056,052	1,069,994
Shoddy and wool waste and noils:			
Pounds.....	960,929	777,995	593,985
Cost.....	\$303,217	\$232,754	\$163,309

Manufactures—Pennsylvania—Continued.

Material or product.	1909	1904	1899
Farms purchased:			
Cotton—			
Pounds.....	59,035,958	46,895,164	38,323,301
Cost.....	\$16,283,401	\$10,306,172	\$7,183,062
Woolen—			
Pounds.....	618,809	661,645	409,163
Cost.....	\$399,134	\$360,533	\$219,029
Worsted—			
Pounds.....	1,684,786	1,584,717	1,115,863
Cost.....	\$1,616,975	\$1,350,076	\$861,068
Merino—			
Pounds.....	389,296	178,619	350,011
Cost.....	\$202,453	\$104,827	\$92,478
Silk and spun silk—			
Pounds.....	250,467	73,006	30,397
Cost.....	\$978,071	\$204,872	\$103,169
Linen, jute, and other vegetable fiber—			
Pounds.....	15,975	6,827	500
Cost.....	\$17,507	\$6,250	\$100
Chemicals and dyestuffs.....	\$894,026	\$431,492	\$271,062
Fuel and rent of power.....	\$421,700	\$284,194	\$177,388
All other materials.....	\$5,683,362	\$2,097,943	\$1,200,761
Products, total value.....	\$49,657,506	\$30,812,211	\$21,929,426
Hose and half hose:			
Total dozen pairs.....	27,832,601	20,327,710	15,232,324
Total value.....	\$30,847,344	\$19,182,697	\$13,189,964
Cotton—			
Dozen pairs.....	27,139,582	19,707,227	14,858,506
Value.....	\$28,097,548	\$17,794,113	\$12,466,182
Hose—			
Dozen pairs.....	13,876,803	11,769,524	7,863,561
Value.....	\$16,058,169	\$11,317,802	\$7,655,360
Half hose—			
Dozen pairs.....	13,262,689	7,937,693	6,994,945
Value.....	\$12,639,379	\$6,476,311	\$4,810,822
Woolen or worsted and merino—			
Dozen pairs.....	547,522	599,448	367,818
Value.....	\$969,391	\$1,106,325	\$633,782
Hose—			
Dozen pairs.....	295,023	354,240	187,871
Value.....	\$501,105	\$648,933	\$379,075
Half hose—			
Dozen pairs.....	252,499	245,208	179,947
Value.....	\$458,286	\$457,392	\$254,707
Silk—			
Dozen pairs.....	145,497	21,035	6,000
Value.....	\$1,190,405	\$282,259	\$90,000
Shirts and drawers:			
Cotton—			
Dozens.....	6,552,364	3,852,513	2,670,341
Value.....	\$5,833,761	\$4,950,879	\$3,456,695
Merino—			
Dozens.....	161,883	150,519	114,183
Value.....	\$921,319	\$710,547	\$647,285
All other—			
Dozens.....	7,322	26,459	90,513
Value.....	\$59,974	\$279,142	\$443,201
Combination suits:			
Cotton—			
Dozens.....	412,567	271,069	374,057
Value.....	\$1,155,327	\$667,824	\$702,523
Merino—			
Dozens.....	23,268	9,858	29,366
Value.....	\$234,555	\$76,211	\$208,844
All other—			
Dozens.....	440	(¹)	1,115
Value.....	\$4,100	(¹)	\$15,120
Gloves and mittens:			
Dozen pairs.....	284,931	152,714	82,163
Value.....	\$1,037,894	\$442,552	\$167,546
Hoods, scarfs, nubbies, etc.:			
Dozens.....	138,427	70,460	42,760
Value.....	\$581,208	\$202,450	\$127,785
Cardigan jackets, sweaters, etc.:			
Dozens.....	221,700	145,503	86,191
Value.....	\$2,986,061	\$1,858,182	\$536,707
All other products.....	\$2,995,663	\$2,445,727	\$2,433,757

¹ Included in "All other products."

During the decade the cost of materials increased \$16,282,188, or 148.9 per cent. Cotton yarns purchased increased in quantity from 38,323,301 pounds in 1899 to 59,035,958 pounds in 1909, a gain of 54 per cent. The quantity of wool purchased declined, while there was an increase in the quantity of raw cotton, of shoddy and wool waste and noils, and of the different kinds of yarn purchased.

The total value of products was \$21,929,426 in 1899 and \$49,657,506 in 1909, an increase of 126.4 per cent during the 10-year period. Nearly two-thirds of the total represents the value of hosiery, which increased 82.7 per cent in quantity and 133.9 per cent in value from 1899 to 1909. Almost all the hosiery produced was cotton. There was a gain of 48.9 per cent in the output of hosiery in which wool was the chief material and a large gain in silk hosiery. The production of shirts and drawers, gloves and mittens, hoods, scarfs, nubbies, and so forth, and cardigan jackets, sweaters, and so forth, more than doubled during the decade, while the production of combination suits showed comparatively little increase.

I have here, Mr. President, some figures giving the extent of this industry in the United States and the value of the product. I shall not state them all in detail, but will ask to have them printed in the RECORD. The value of the product of this industry, which, in the opinion of everybody engaged in it, is absolutely threatened with destruction by this legislation, is \$200,143,527. There are 1,374 establishments in the country; there are 136,130 persons employed; there are 5,721 salaried employees and 129,275 wage earners.

The table is as follows:

[From the Thirteenth Census of the United States, 1910.]

Pennsylvania—Statistics of manufactures for the State.

HOSIERY AND KNIT GOODS.

Number of establishments.....	464
Number of persons employed in industry.....	40,248
Wage earners.....	38,206
Males over 16 years.....	7,766
Females over 16 years.....	28,045
Males under 16 years.....	1,124
Females under 16 years.....	3,391

This is no small industry, Mr. President; and if there is any industry that is worthy of the care of the American Congress, it is an industry of this character.

Mr. SMITH of Georgia. I ask that the committee amendment be first acted upon.

Mr. PENROSE. My amendment is an amendment to the committee amendment.

Mr. SMITH of Georgia. But still I think the Senator's amendment would come in better after we have first perfected the text. Then the Senator can offer his amendment.

Mr. PENROSE. I move my amendment as a substitute for the committee amendment, and, therefore, it ought to be first in order, it would seem to me.

Mr. SMITH of Georgia. That is all right.

Mr. PENROSE. I ask for the yeas and nays on my amendment to the committee amendment.

The VICE PRESIDENT. The Chair does not agree with the Senator from Pennsylvania. There are three committee amendments comprehended within the amendment as proposed by the Senator from Pennsylvania. According to previous rulings of the Chair, the committee has a right to first perfect the text of the bill.

Mr. PENROSE. I do not think it is material; but after the Senate committee amendment is agreed to, then I suppose I can offer my amendment.

The VICE PRESIDENT. Undoubtedly.

Mr. PENROSE. But I am still of the opinion that I have a right to offer a substitute to the committee amendment, and to have it voted upon.

The VICE PRESIDENT. The question is on agreeing to the first committee amendment, which will be stated.

The SECRETARY. In paragraph 265, page 80, line 7, before the words "per dozen pairs," it is proposed to strike out "70 cents" and insert "\$1.20."

The amendment was agreed to.

The next amendment was, in the same paragraph, line 8, before the words "per cent," to strike out "40" and to insert "30."

The amendment was agreed to.

The next amendment was, in the same paragraph, line 9, before the words "per dozen pairs," to strike out "70 cents" and to insert "\$1.20."

The amendment was agreed to.

The SECRETARY. The amendment proposed by Mr. PENROSE is to strike out of the paragraph, beginning in line 7 with the semicolon, the words "if valued at not more than \$1.20 per dozen pairs, 30 per cent ad valorem; if valued at more than \$1.20 per dozen pairs," so as to read:

All of the above composed of cotton or other vegetable fiber, finished or unfinished, 50 per cent ad valorem.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Pennsylvania.

Mr. PENROSE. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. BRISTOW. Mr. President, I should like to inquire what the ad valorem rate is on the first duty fixed by the committee? It seems to be a specific duty—\$1.20. That is 30 per cent. What was the amendment which the committee proposed that was just adopted?

Mr. SMITH of Georgia. The committee extended the value from 70 cents to \$1.20 per dozen pairs and reduced the rate from 40 per cent ad valorem, as it came from the other House, to 30 per cent ad valorem, and extended the value of the hose to which this reduced rate applied.

Mr. BRISTOW. So that, as the bill now stands, there would be 30 per cent on hose valued at \$1.20 per dozen pairs and 50 per cent on hose valued above \$1.20?

Mr. SMITH of Georgia. Yes.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I am paired with the junior Senator from Michigan [Mr. TOWNSEND] and therefore withhold my vote.

Mr. CHILTON (when his name was called). I make the same announcement as to my pair and its transfer as I made upon the former vote and vote "nay."

Mr. McCUMBER (when his name was called). I transfer my pair as before stated and vote "yea."

Mr. THOMAS (when his name was called). I make the same transfer as before and vote "nay."

The roll call was concluded.

Mr. CHAMBERLAIN. I again announce my pair with the junior Senator from Pennsylvania [Mr. OLIVER] and withhold my vote. If permitted to vote, I should vote "nay."

Mr. CLARKE of Arkansas. I have a pair with the junior Senator from Utah [Mr. SUTHERLAND]. I transfer that pair to the Senator from Arizona [Mr. SMITH] and vote "nay."

Mr. CHILTON (after having voted in the negative). In view of the fact that the Senator to whom I have transferred my pair has voted, I withdraw my vote.

Mr. REED. I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from Oklahoma [Mr. OWEN] and vote "nay."

Mr. OVERMAN (after having voted in the negative). I wish to inquire if the senior Senator from California [Mr. PERKINS] has voted?

The VICE PRESIDENT. The Chair is informed that he has not.

Mr. OVERMAN. Having a general pair with that Senator, I withdraw my vote.

The result was announced—yeas 21, nays 47, as follows:

YEAS—21.

Bradley	Dillingham	Nelson	Stephenson
Brady	Gallinger	Page	Warren
Brandegee	Lippitt	Penrose	Weeks
Catron	Lodge	Root	
Clark, Wyo.	McCumber	Sherman	
Colt	McLean	Smoot	

NAYS—47.

Ashurst	Jones	Pomerene	Smith, S. C.
Bacon	Kenyon	Ransdell	Sterling
Borah	Kern	Reed	Stone
Bristow	Lane	Robinson	Swanson
Clarke, Ark.	Lea	Saulsbury	Thomas
Crawford	Martin, Va.	Shafroth	Thompson
Fletcher	Martine, N. J.	Sheppard	Thornton
Hitchcock	Myers	Shields	Tillman
Hollis	Norris	Shively	Vardaman
Hughes	O'Gorman	Simmons	Walsh
James	Pittman	Smith, Ga.	Williams
Johnson	Polindexter	Smith, Md.	

NOT VOTING—27.

Bankhead	Culberson	Jackson	Perkins
Bryan	Cummins	La Follette	Smith, Ariz.
Burleigh	du Pont	Lewis	Smith, Mich.
Burton	Fall	Newlands	Sutherland
Chamberlain	Goff	Oliver	Townsend
Chilton	Gore	Overman	Works
Clapp	Gronna	Owen	

So, Mr. PENROSE's amendment was rejected.

The VICE PRESIDENT. The Secretary will complete the reading of the paragraph.

The Secretary resumed the reading of paragraph 265.

The next amendment of the Committee on Finance to the paragraph was, on page 80, line 11, after the word "cotton," to strike out "35" and insert "45."

Mr. SMITH of Georgia. The committee desire that that amendment be disagreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was rejected.

Mr. SMITH of Georgia. Mr. President, the Senator from North Carolina [Mr. SIMMONS] desires to call attention to another matter at this point. As soon as he finishes, I wish to refer to another paragraph of the cotton schedule.

Mr. SIMMONS. On page 207, paragraph O, at the end of line 20, I move to strike out the comma and to insert the amendment which I send to the desk.

Mr. NORRIS. If I may make an inquiry of the Senator, he is proposing an amendment now further on in the bill than we have reached, is he not?

Mr. SIMMONS. I desire to do this irregularly, because it is an amendment that has just come to me from the department. It is a mere matter of administration, and there can hardly be any debate.

Mr. NORRIS. I am not going to object, but I wanted to suggest that we proceed in a regular way.

Mr. SIMMONS. We can return in a moment to the regular course. I merely desire to do this irregularly because it is the department's request, and I have to be out of the Chamber a good deal this afternoon.

The VICE PRESIDENT. In the absence of objection, the vote whereby the amendment inserting paragraph O on page 207 was agreed to will be reconsidered and the amendment reported by the committee will be considered as open to amendment. The amendment proposed by the Senator from North Carolina to the amendment heretofore reported by the committee will be stated.

The SECRETARY. In the amendment heretofore reported by the committee, paragraph O, page 207, line 20, after the word "imposed," it is proposed to insert:

And to pay such sums as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may deem necessary for information, detection, and bringing to trial and punishment persons guilty of violating the provisions of this section or conniving at the same, in cases where such expenses are not otherwise provided for by law.

The VICE PRESIDENT. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. SMITH of Georgia. Mr. President, there is one more paragraph of the cotton schedule to which I wish to revert. I refer to paragraph 268, on page 82. When this schedule was up before it was suggested that the only manufacturers of table damasks were in North Carolina. I have had the subject looked up, and find there are some 25 scattered throughout the country. I have a list of them, but I scarcely think it worth while to read them. I move, Mr. President, in line 4, after the word "section," that the comma be changed to a semicolon, and that immediately thereafter the amendment which I send to the desk be inserted.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In paragraph 268, page 82, line 4, after the word "section" it is proposed to strike out the comma and to insert a semicolon and the words "cotton cloth composed wholly or in part of threads or plied yarns made of singles of different numbers."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. SMITH of Georgia. Then, at the close of the paragraph I move to add as an amendment the words which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. After the words "ad valorem," in line 4, it is proposed to strike out the period and to insert a semicolon and insert the words "plain gauze or leno-woven cotton nets or nettings containing not less than 80 nor more than 200 open spaces to the square inch, 10 per cent ad valorem."

The VICE PRESIDENT. The question is on agreeing to the amendment.

Mr. LIPPITT. May we have the amendment read again, please? I did not catch it.

The VICE PRESIDENT. The Secretary will again read the amendment.

The Secretary again read the amendment.

Mr. LIPPITT. Are the first two words "plain cloth"?

Mr. SMITH of Georgia. "Plain gauze."

Mr. LIPPITT. What is the meaning of the amendment? What sort of gauze is that?

Mr. SMITH of Georgia. A cheap class of mosquito netting. Our netting paragraph carries a high duty of 60 per cent, and was really intended to apply to a very high class of goods. The object of the amendment is to take these cheap mosquito nettings out of the 60 per cent duty class.

Mr. LIPPITT. I should like to ask the Senator from Georgia out of what numbers of yarns those mosquito nettings are made?

Mr. SMITH of Georgia. The duty would be about 15 per cent if levied on the yarn.

Mr. LIPPITT. Inasmuch as the leno weave is nearly double in expense and often two or three times in expense the ordinary plain weave, I fail to see why there should be a duty of 10 per cent put upon these products when in the ordinary process of weaving they would have a duty of 15 per cent.

I recognize the propriety of the Senator from Georgia in trying to eliminate those from the 60 per cent duty. A duty of 60 per cent would not be justified on such fabrics in comparison with the other duties that are in this schedule. Neither is a 10 per cent duty justifiable in comparison with the other duties. At least those fabrics ought to have the same duties that they

would be entitled to if they were the ordinary product of the Draper loom. They should at least have the duties that would go with their ordinary yarns.

Mr. SMOOT. Mr. President, I should like to ask the Senator from Georgia if the yarn from which mosquito netting is made does not carry a duty of about 15 to 17½ per cent?

Mr. SMITH of Georgia. I do not think so; not of this class.

Mr. SMOOT. It could not be lower than 15 per cent under the yarn schedule, and I do not believe the netting ought to carry a less duty than the yarn from which the netting is made.

Mr. SMITH of Georgia. I was under the impression that the nettings covered by this paragraph were made from a very cheap class of yarn, and were really very cheap goods.

Mr. SMOOT. No; they are not.

Mr. SMITH of Georgia. And I was really endeavoring to get a duty for them which would be about what they would have under the cloth schedule, and get them out from the incongruity of being dutiable at 60 per cent.

Mr. SMOOT. I think the Senator is perfectly right in taking them out of the 60 per cent paragraph or bracket; but I do believe that if they are put at 10 per cent the cloth itself will be dutiable at a lower rate than the yarn that goes into the cloth.

Mosquito netting must have a pretty strong thread. It can not be made of poor cotton. I do believe the rate on the cloth should be at least what the rate is upon the thread which goes into the cloth. As to the size of it, if the Senator will leave it at 15 per cent at the least or 17½ per cent at the most—

Mr. SMITH of Georgia. I think I shall ask to have this paragraph passed over until to-morrow morning.

Mr. LIPPITT. I should like to suggest to the Senator that if he made the duty 17½ per cent, it would not be at all out of the way as compared with the other duties in the bill. That would give this article the same duty as yarns of about No. 40. Mosquito netting is frequently made out of yarns as fine as 50.

Mr. SMITH of Georgia. But does this include the finest classes of mosquito netting? I was under the impression that that description would not cover the finest classes of mosquito netting.

Mr. LIPPITT. The very finest classes of mosquito netting are some of the most expensive goods made.

Mr. SMITH of Georgia. Yes.

Mr. LIPPITT. Whatever class of mosquito netting they are, a duty of 17½ per cent would not be at all out of proportion to the other duties in the bill. I say this in all frankness to the Senator.

Mr. SMITH of Georgia. I should be very glad myself to pass over the paragraph until to-morrow morning. It may be possible to have a conference and change it. I will therefore ask to have it passed over for the present, and call attention to it in conference. I am sure the purpose was not to discriminate against this particular class of cloth.

Mr. WILLIAMS. Mr. President, does it require unanimous consent to pass over the paragraph?

Mr. SMOOT. No.

The VICE PRESIDENT. The Chair is of the opinion that it does not require unanimous consent. The Chair understands that the Senator from Georgia withdraws the amendment for the present.

Mr. LIPPITT. Is that the last amendment the committee has?

Mr. SMITH of Georgia. That is all.

Mr. LIPPITT. Mr. President, I have two amendments which I wish to offer to the cotton schedule. I am aware that the juggernaut of the caucus, in silence and behind closed doors, has passed over this subject, but I think I am not using exaggerated language when I say that the discrimination which is involved in this cotton schedule and in the two paragraphs to which I propose particularly to call attention is the most monstrous thing that is proposed in the entire bill.

I discussed this subject at some length on a previous occasion. In no part of that discussion did I endeavor to get higher rates for these textile products. All I tried to do was to have the discriminations that exist in this bill between different products of the textile looms done away with.

In the amendments which I have in mind I am not going in the slightest degree to ask that the basic rate upon which the cotton tariff is formed shall be increased. In one instance I am going to protest, in the form of an amendment, against an extreme reduction which is proposed to be made in the bill as it has been elaborated in the Senate over the form in which it came from the House. In another amendment I am going to protest against the extreme discrimination which puts the

figured goods of New England upon a basis of protection tremendously inferior to the coarse products of the South.

It is unfortunate that in considering this product we have to consider sectional questions. Certainly no one regrets it more than I do. I am not in the slightest degree opposed to cotton manufacturing in the Southern States. I want to see it prosper. I do protest against a bill which leaves that industry in the South unimpaired and which will be the most staggering blow that the textile industries in the New England States, whether they are cotton or woolen or silk, have ever received.

In the course of a discussion which arose here a few days ago and which was not invited by me, I took occasion to show the great differences which existed between the Northern and the Southern States in the price of labor, in the hours of labor, and in the legal conditions of labor. I have no doubt that as time goes by those conditions will be equalized, but in the past and in the present the fact that in the Carolinas and in Georgia and in Alabama labor was employed in making cotton cloth for from 60 to 70 hours a week, at rates of wages that did not exceed two-thirds or three-fourths of those paid in New England at mills that ran for not exceeding 54 to 60 hours a week, and that in New England only children of from 14 to 16 years of age are allowed to be employed in the industry, whereas in the South, as yet, much younger children are employed, makes a competition which anyone in the slightest degree acquainted with manufacturing must recognize as most difficult to meet.

New England has met that competition in this industry. In no other industry in this country is there such an internal competition going on; or wherever it has gone on, nowhere else has it been met. But it has been met in this industry in New England, and it has been met by substituting for the coarser products of the cotton looms the high-grade decorated fabrics that require superior experience, greater skill, and greater intelligence. What will happen under this bill will be that those products, which have kept the mills of New England running and have filled up the gap that was made by all these coarse and common fabrics going to the Southern States, are going to be swept away from Massachusetts and Connecticut and Rhode Island and New Hampshire.

There is no danger of one class of the products of this industry being largely imported under this bill. There is an absolute certainty that they will be in the case of another class.

Mr. President, I know it is useless to discuss this question, and I am not going into any long discussion of it; but I simply wanted to state my premises to make clear the conditions, so that even those Senators who, perhaps, in some cases, are not voting entirely according to their consciences and their judgment, will see the situation as I see it.

The first amendment to which I invite the consideration of the Senate is in paragraph 257, on page 76. As that paragraph came into the Senate, on line 8, the word "highest" appeared in the clause "containing yarns the highest number of which does not exceed No. 9," and so forth. In a committee amendment, at the time the bill was first brought up for discussion, the word "highest" was changed to "average." It was changed to "average" for reasons that the committee have not yet seen fit to explain thoroughly.

I should like to ask the Senator from Georgia, in the first place, why he puts in the word "average," and in the second place, what will be the effect of having the word "average" there?

Mr. SMITH of Georgia. While I do not recognize the right of the Senator to catechise me in such a way, still I will answer him.

The word "highest" was abandoned by the committee, and the word "average" used, because in that way, for administration purposes, we were sure that a simpler and easier and better mode of ascertaining the character of the cloth would be furnished.

As to the effect of the change, I can not enter into detail without using quite a large number of figures. In some cases, it causes a reduction as to some goods from the classification under which they formerly fell to a lower classification. The goods that are affected most seriously are the goods that are covered in the amendment which I offered to the damask paragraph, where the variety in the yarns is by far the greatest. As to other goods in the paragraph, there was some reduction in some instances, and in quite a number none at all. It depended upon whether the classification of the goods changed them into a lower grade than that which they occupied measured by the highest number of yarns.

Mr. LIPPITT. I do not wish to catechise the Senator any further than he is ready to be catechised; but I should like to ask him, further, if the effect of that amendment is not

to leave unchanged the duty upon nearly every coarse-yarn fabric made in the South, and if it is not to reduce the duty upon a very large number of the fine-yarn fabrics made in New England?

Mr. SMITH of Georgia. The effect necessarily is, where it has any effect at all, to reach to a larger extent the class of goods made from yarns varying most in number. The more nearly the goods contain yarn of a single number the less effect the change will have upon them. The higher the number that is found in a cloth the more probable it is, of course, that lower-grade yarns will also be found in it. I wish to say very frankly that where it has any effect it has had effect upon classes of cloth in which very high-grade yarns are contained and where the average of the coarser yarns in the cloth pulled it down. Its greatest effect was upon those cloths which are known as novelty goods, and which are covered by the amendment we offered to the damask schedule.

Mr. LIPPITT. Does not the Senator think it would have been fair to have made some corresponding change in the classification?

Mr. SMITH of Georgia. I will state very frankly that I inspected it carefully, and called men to help me, and tried to work out one that I thought was perfectly fair, and I was not able to reach any change that did not seem to modify existing duties as much as the change already made modified it. I took some figures furnished me by the Senator, and those figures did not seem to be satisfactory.

I will make the additional statement that in those cases where the duty was reduced through the aid of experts and the report of the Tariff Board we made an investigation of the relative selling prices of the goods at the factories abroad, and we reached the conclusion that the relative selling prices on most of those goods were so nearly the prices abroad that there seemed to be certainly not more than a just competition produced by the rates that were levied.

Mr. LIPPITT. The Senator, I think I may fairly assume from his answer, agrees with me that the changes which are made by this change of method in assessing the duties affect to a very small extent the coarse yarn goods, and what effect is obtained is in the finer yarn goods that are made in New England. I will state what that duty really is. As the bill came from the House, if a piece of goods contained a No. 60 yarn and a No. 80, a rate of duty was applied upon that fabric which was thought suitable for No. 80 yarn. As the duty is assessed by the Senate committee, if a fabric is made out of those two numbers of yarns, instead of the duty being assessed for the No. 80 it is assessed for the average of the numbers between the two, somewhere in the neighborhood of 70. [After a pause.] I understand that the Senator from Indiana [Mr. KERN] would like to adjourn or to have an executive session.

Mr. SIMMONS. I should like to have a vote on this particular amendment, and then it is the desire that we shall have a short executive session. Then we will adjourn and after that we have a little caucus to-night.

Mr. LIPPITT. I sympathize with the Senator, but I will suggest that I think it would be better to adjourn or go into executive session now, because while I do not want to prolong the discussion any more than is necessary—

Mr. SIMMONS. If it is necessary, we will stay here until this amendment is finished. We want to finish the amendment before we adjourn; but I was in hopes that we would not have any prolonged discussion upon it. If the Senator wants to discuss it at length, we will be content to let him finish. I hoped that we might have a vote on the amendment without further discussion.

Mr. LIPPITT. Mr. President, I am sure I would rather stop now, but this is one of the most important subjects, so far as Rhode Island and New England are concerned, that is in the bill, and I want the record straight.

When I was interrupted what I was discussing was the effect of changing these duties. I pointed out that in cloth containing 60 and 80 yarn in one case the duty would be governed by No. 80 and in the other case it would be governed by an average of the two numbers and would reduce the duty materially.

Now, in order to see just what the effect of applying this new duty is, I took table 169 from the Tariff Board's cotton report, which contains a description of some 100 different samples that the board found commonly used in this country.

Mr. WILLIAMS. Mr. President—

The VICE PRESIDENT. Does the Senator from Rhode Island yield to the Senator from Mississippi?

Mr. LIPPITT. I do.

Mr. WILLIAMS. Just for my information I wish to ask the Senator a question. Perhaps I did not hear him correctly or

perhaps I do not remember correctly, but did not the Senator spend a considerable length of time here trying to persuade us that there should be an average number on these goods instead of the highest number?

Mr. LIPPITT. I did point out to the Senate and to the committee the fact that assessing the average duties by the highest number was a very expensive proposition, and was in some cases almost an impossibility; that that was unfair in many cases, and I strongly urged that they should adopt the average number. In connection with that I said to them if they did adopt the average number it would be necessary to make a corresponding change in the classification in order not to reduce the duty that had been proposed for cotton cloth.

Mr. WILLIAMS. I asked the Senator the question because I thought I was not mistaken. I want now merely to emphasize the fact that we sometimes comply with a request coming from the other side, as we did in this case.

Mr. LIPPITT. I understand the attitude of the Senator from Mississippi. I am told that he has been very anxious to have this duty changed in a way which would cause a reduction in the duties; that he wanted to adopt one-half of my suggestion, the one which I was enabled to present to the Senate, for the purpose of simplifying and improving the operation of their bill, but that he was not willing to adopt the accompanying suggestion by which the duties that were levied upon the fabrics of New England would remain substantially as in the present bill.

Mr. WILLIAMS. The Senator is correctly informed. I was willing to adopt his suggestion for the purpose of simplifying the administration of the law, and also for the purpose of reducing the duty upon goods which the Senator himself manufactures.

Mr. LIPPITT. The Senator from Mississippi perhaps forgets that something like one-half of all the people in my State are interested in this industry. He perhaps forgets that it is the most important industry in New England. He perhaps does not know that it is the duty of a man who represents a State to give such information and knowledge as he has in regard to an industry of such importance, in order that the industry may be carried on under the same conditions that other industries are carried on in this country. If he is so anxious to do an injury to me that he is willing to injure the large number of wage earners whose pay envelopes in Rhode Island are going to be emptied by this procedure, which, as he says, he does simply for the purpose of injuring their representatives, I can only say that I leave him to such happiness and pleasure as he may be able to get out of the situation.

Mr. WILLIAMS. If the Senator will pardon me for a moment and consent to an interruption—

Mr. LIPPITT. Certainly.

Mr. WILLIAMS. I have no desire to injure the Senator, but I have a common apprehension that every man who is a party in interest in legislation ought not to take part in that legislation; and if the Senator will pardon me—

Mr. LIPPITT. May I interrupt the Senator and ask him if he is not a cotton planter?

Mr. WILLIAMS. I am.

Mr. LIPPITT. The Senator is interested, I believe, in having cheap cotton bagging. He is interested in stopping the mills in New England so that he may have cheap cotton bagging. His voice was raised here hour after hour in favor of getting that cheap product for himself.

Mr. WILLIAMS. Mr. President, every man in the world is interested as a consumer.

Mr. LIPPITT. And every man in this country, Mr. President, is interested as a producer. Let me tell the Senator from Mississippi that he is bringing in a bill here for the purpose of getting a cheap dinner pail, but he forgets that the full dinner pail only comes from a full pay envelope, and it is the hitherto full pay envelopes of New England that are going to suffer from this transaction.

Mr. WILLIAMS. I want merely to read a part of Jefferson's Manual which relates to a direct personal interest, not to the general interest of consumers. I am interested in beef because I am a consumer of it:

Where the private interests of a Member are concerned in a bill or question he is to withdraw. And where such an interest has appeared his voice has been disallowed, even after a division. In a case so contrary, not only to the laws of decency, but to the fundamental principle of the social compact, which denies to any man to be a judge in his own cause, it is for the honor of the House that this rule of immemorial observance should be strictly adhered to.

The Speakers of the House of Representatives and the presiding officers of the Senate have ruled that the Member's vote could not be excluded in his interest, because he himself was

the judge of the fact as to whether he was personally and directly interested or not; that he must rely upon his own sense of honor and justice in determining that fact.

Mr. LIPPITT. Mr. President, I do not know that I am entirely sorry that the Senator from Mississippi brought up this subject. If the Senator from Mississippi believes that a man situated as I am, with ample means to live reasonably, can benefit himself by leaving his countingroom and occupying a seat in this body month after month and week after week devoting his time and attention to the great variety of subjects that continually come up here, that affect every part of this broad land from one end to another, he must be very ignorant of commercial transactions.

I know how many patriotic men there are in this body. I know that there are a great number of them who have sacrificed their personal interests to come here. I say to the Senator from Mississippi that large as that number is, there is no man who stands in this body who has made a greater personal sacrifice to come here—and when I say personal sacrifice I mean financial—than I have.

I had no desire to come to this body, but men in my State came to me day after day and week after week and month after month and urged me to come here, because they said ours is a small State and that those who had arrived at some prominence in her affairs should represent her.

Now, Mr. President, I do not claim for myself any greater public spirit than is shown by other Members of this body. I know how easy it is to claim public spirit and patriotism, and when I hear a man do it I want to look him straight in the eye and form my judgment of his motive. But I know also, Mr. President, that such a thing as public spirit and patriotism exist in this Republic when we are at peace as well as when we are at war. I know that when the call to arms came to this Republic, from high degree and from low there was a response made that was enough to thrill the heart of every lover of his country.

It does not come to all of us to serve on the field of battle, but it does sometimes come to some of us to make sacrifices that, while they are not of life, are nevertheless sacrifices; and I say to the Senator that if he thinks I came to this body from anything but the purest motives he is entirely mistaken.

Mr. WILLIAMS. I said nothing of that sort. I said the Senator was interested in the direct amendment which he now proposes to make. I laid down no rule of any description. I simply read a part of Jefferson's Manual.

Mr. LIPPITT. I am well aware that the Senator read a part of Jefferson's Manual, and if the rule which he read was applied to himself in yesterday's discussion, as he wants it applied here to me in to-day's discussion, then he committed yesterday an act that I should not think he would want to commit, because he committed the act believing that he ought not to have taken part in it. I committed the act believing that I am fairly representing, as I ought to do, the industries of my State.

Mr. WILLIAMS. I have no interest in bagging manufacture. If the Senator said that I was interested because I buy bagging, the Senator might say that every person on the surface of the earth is interested in the tariff bill because he is interested as a consumer.

Mr. LIPPITT. I think they are.

Mr. WILLIAMS. Every man who eats meat is interested in the tariff on meat; but that is not what the rule means, and everybody knows it. It means when the profits of a man's private business are to be increased by the success of the effort which he makes.

Mr. LIPPITT. The argument the Senator offered yesterday in the discussion with me was that the profits of raising cotton were going to be increased by buying cheap bagging. That was the argument. It was that the poor people in the South could have cheap bagging.

Mr. WILLIAMS. The profits of raising cotton were not going to be increased by cheap bagging. The loss of the planter in buying bagging as a consumer would have been decreased; but there would not have been a dollar added to the value of a pound of cotton in the world. There would have been merely an obstruction against a man's natural right to buy where he could buy cheapest the thing that he ought to have.

I was not interested in cotton bagging in any other way except as a consumer of it, just as I am interested in beef as a consumer of it, and in wheat and flour as a consumer of it. But everybody knows that the rule does not apply to that sort of a case, because if it did, no Member of the House and no Member of the Senate could vote upon any question.

Mr. LIPPITT. That is perfectly correct.

Mr. GALLINGER. Will the Senator from Rhode Island yield to me?

Mr. LIPPITT. With pleasure.

Mr. GALLINGER. I was called from the Senate temporarily and did not hear the passage read from Jefferson's Manual. There are a great many things in Jefferson's Manual we pay no attention to, and that have no relevancy to our discussions. Now, if it would please the Senator from Mississippi, I should like to have that reference called to my attention.

Mr. WILLIAMS. The Senator will find it in the two lines at the bottom of page 96 and the first 6 lines on the top of page 97, and then I will go and get Hinds' Parliamentary Precedents and find him a lot of rulings on the subject, if he wants it, all of which are to the effect that a Member himself must be the judge of the fact as to whether he has a private, personal, business interest in the matter.

Mr. GALLINGER. Mr. President, I have been for a long time familiar with that provision of Jefferson's Manual, and I quite agree with the Senator from Rhode Island that, if he is to be held to account and his voice and his vote criticized because he has some interest in manufacturing, the Senators who have an interest in bagging and who will derive a benefit for their cotton product are equally subject to censure.

I want to call the attention of the Chair and of the Senate to the fact that there is a specific rule in this body, not derived from Jefferson's Manual, which says:

2. No Senator in debate shall, directly or indirectly, by any form of words impute to another Senator or to other Senators any conduct or motive unworthy or unbecoming a Senator.

And I submit, Mr. President, that the accusation which has just been made against the Senator from Rhode Island, who is standing here defending as best he can, not the manufacturing interests of Rhode Island, but the manufacturing interests of New England, is entirely unwarranted, and that no Senator has a right to impute any unworthy motive to him, whether he bases his action on Jefferson's Manual or anything else.

Mr. WILLIAMS. I have not imputed bad motives to anybody. I have merely read a part of Jefferson's Manual.

Mr. GALLINGER. The Senator may be unconscious of it, but the Senator has imputed unworthy motives.

Mr. WILLIAMS. I merely asked the Senator whether he was not interested in these goods; I did not state that he was, except in that way.

Mr. GALLINGER. But the Senator from Rhode Island asked, in response to the Senator from Mississippi, whether the action that was taken here yesterday does not benefit him as a raiser of cotton, and the debate clearly showed that it did.

Mr. WILLIAMS. Oh, we went through that, and there is no use of going over that again.

Mr. GALLINGER. Oh, no!

Mr. WILLIAMS. If the Senator wants further information upon that point, just as I explained a moment ago, of course that rule does not apply to a man having a remote interest in legislation, as a consumer, because, if it did, then no Member of the House and no Member of the Senate could ever vote upon any clause of any bill that affected property.

Mr. GALLINGER. While the Senator is looking for that, I want to say that, if this debate is to degenerate into personalities and accusations against Senators—

Mr. WILLIAMS. There is no personality about it.

Mr. GALLINGER. The Senator will permit me to speak in my own time—that, if that is to be the case, there will be a good deal of discussion on this subject before we get through.

Mr. WILLIAMS. I do not desire any discussion.

Mr. GALLINGER. No; but I do.

Mr. WILLIAMS. But the Senator was calling attention to the iniquities of Senators on this side in trying to make money for the South out of this cotton-average business, and I asked him the question—

Mr. LIPPITT. If the Senator's remarks are addressed to me—

Mr. WILLIAMS. I asked the question whether he himself had not suggested it, and then he accused me of advocating the retention of the lower duty in order to injure him. To that I made reply that I had no idea of injuring him, and then suggested, since he had gone upon that footing, that perhaps he had better read that part of Jefferson's Manual. That is all I have done.

Mr. GALLINGER. What was the Senator's purpose in that? Mr. LIPPITT. Just a moment. I should like to ask the Senator from Mississippi if he did not say that he was opposed to the amendment I was about to offer because it would "injure me"?

Mr. WILLIAMS. I did not. I said—

Mr. LIPPITT. I so understood him.

Mr. WILLIAMS. I said I was in favor of adopting the average rule for two reasons—first, because it was simpler of administration, and secondly, because it would reduce the duties upon the goods which you manufacture—not to injure you, but to reduce the duty on the goods—and then you flew to the conclusion that that was the case.

Mr. LIPPITT. Does the Senator think that that would be a benefit to me?

Mr. WILLIAMS. No; I do not think it would be a benefit to you; but the goods do not all belong to you; you do not make them all; some other people make a part of them. I want to reduce the duty on the goods.

Mr. LIPPITT. If there is any other serious discussion, to be made upon this particular phase of the question, I am perfectly willing to go on with it; but I do not think—

Mr. SIMMONS. I want to inquire of the Senator from Rhode Island if he is willing that we shall take a vote now or does he want to go on?

Mr. LIPPITT. Mr. President, I will say to the Senator from North Carolina that the utterly unwarranted personal subject which has been introduced by the Senator from Mississippi has consumed in the neighborhood of three-quarters of an hour. I do not propose to be cut off on this subject under those conditions.

Mr. SIMMONS. I am not proposing that; I am simply asking the Senator the question if he cares to be heard further about this matter. If he does, I was going to suggest that we might lay the bill aside now and adjourn, and he can resume his argument in the morning, if that would be satisfactory.

Mr. LIPPITT. I think it would be better, Mr. President, because I have considerable to say.

Mr. SIMMONS. I ask that the bill be laid aside for to-day.

The VICE PRESIDENT. In the absence of objection, the bill will be laid aside, as requested.

HOOR OF MEETING TO-MORROW.

Mr. KERN. I ask unanimous consent that when the Senate adjourns to-day it adjourn to meet to-morrow morning at 10 o'clock.

Mr. GALLINGER. I hope that request will be granted.

The VICE PRESIDENT. Is there objection to the request of the Senator from Indiana? The Chair hears none, and the order is made.

EXECUTIVE SESSION.

Mr. BACON. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After 5 minutes spent in executive session the doors were reopened, and (at 6 o'clock and 20 minutes p. m.) the Senate adjourned until to-morrow, Saturday, September 6, 1913, at 10 o'clock a. m.

NOMINATIONS.

Executive nominations received by the Senate September 5, 1913.

AMBASSADOR.

Joseph E. Willard, of Virginia, now envoy extraordinary and minister plenipotentiary to Spain, to be ambassador extraordinary and plenipotentiary of the United States of America to Spain, to fill an original vacancy.

MINISTER.

John Ewing, of Louisiana, to be envoy extraordinary and minister plenipotentiary of the United States of America to Honduras, vice Charles D. White, resigned.

RECEIVER OF PUBLIC MONIES.

Kirk E. Baxter, of Bellefourche, S. Dak., to be receiver of public moneys at Bellefourche, S. Dak., vice Samuel G. Mortimer, term expired June 30, 1913.

POSTMASTER.

MISSOURI.

Colin M. Selph to be postmaster at St. Louis, Mo., in place of Thomas J. Akins. Incumbent's commission expired May 13, 1913.

CONFIRMATIONS.

Executive nominations confirmed by the Senate September 5, 1913.

PROMOTIONS IN THE ARMY.

MEDICAL CORPS.

Maj. Alexander N. Stark to be lieutenant colonel.

Capt. Allie W. Williams to be major.

COAST ARTILLERY CORPS.

Lieut. Col. Isaac N. Lewis to be colonel.

Maj. John P. Hains to be lieutenant colonel.

Capt. Robert E. Wyllie to be major.

First Lieut. James B. Dillard to be captain.

First Lieut. James K. Crain to be captain.

INFANTRY ARM.

Lieut. Col. Daniel L. Howell to be colonel.

Lieut. Col. Walter K. Wright to be colonel.

Maj. Abraham P. Buffington to be lieutenant colonel.

Capt. Joseph C. Castner to be major.

First Lieut. Elverton E. Fuller to be captain.

Second Lieut. Alvin G. Gutensohn to be first lieutenant.

APPOINTMENTS, BY TRANSFER, IN THE ARMY.

INFANTRY ARM.

Second Lieut. David B. Falk, jr., to be second lieutenant.

CAVALRY.

Second Lieut. Carlyle H. Wash to be second lieutenant.

APPOINTMENTS IN THE ARMY.

MEDICAL RESERVE CORPS.

To be first lieutenants.

Alexander Watson Williams.

Walter Paul Davenport.

Ralph Michael Le Comte.

Louis Hopewell Bauer.

Lanphear Wesley Webb, jr.

Austin James Canning.

Harold Henry Fox.

Frederick Henry Dieterich.

William Guy Guthrie.

POSTMASTER.

MISSOURI.

Colin M. Selph, St. Louis.

HOUSE OF REPRESENTATIVES.

FRIDAY, September 5, 1913.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

O Thou eternal source of life and light and love, in whom we live and move and have our being, pour out Thy spirit in abundance upon us, that by its transforming power we may grow day by day unto the measure of the stature of the fullness of Christ, that peace and good will to all men may possess our hearts to the honor and glory of Thy holy name. Amen.

The Journal of the proceedings of yesterday was read and approved.

REPORT FROM COMMITTEE ON RULES.

Mr. HARDWICK. Mr. Speaker, I desire to submit a privileged report from the Committee on Rules.

The SPEAKER. The gentleman from Georgia submits a privileged report from the Committee on Rules, which the Clerk will report.

The Clerk read as follows:

House resolution 244 (H. Rept. 67).

The Committee on Rules, having had under consideration sundry resolutions relating to the urgent deficiency appropriation bill, H. R. 7898, report the following substitute therefor:

"Resolved, That it shall be in order for the House in the Committee of the Whole to consider so much of H. R. 7898 as is embraced between the word 'the,' at the beginning of line 4, page 21, and the word 'repealed,' at the end of line 17, page 25.

"It shall also be in order for the House in the Committee of the Whole to consider, without amendment, even though the paragraph to which the said amendment is germane may have been passed, the following amendment to H. R. 7898:

"For compensation (not exceeding in the aggregate \$15,000 and a monthly compensation not exceeding \$300 each, to be fixed by the Secretary of the Treasury), and traveling expenses of agents to select and recommend sites which have been authorized by law for public buildings, for the fiscal year 1914, \$30,000."

Mr. HARDWICK. Mr. Speaker, I move the previous question on the resolution.

Mr. MANN. Will the gentleman permit the rule to be again read?

Mr. HARDWICK. Certainly.

The rule was again reported.

Mr. HARDWICK. Now, Mr. Speaker, on the adoption of the resolution I demand the previous question.

The SPEAKER. The gentleman from Georgia moves the previous question on the resolution.

The question was taken, and the previous question was ordered.

The SPEAKER. The gentleman from Georgia [Mr. HARDWICK] has 20 minutes and the gentleman from Kansas [Mr. CAMPBELL] has 20 minutes.

Mr. HARDWICK. The gentleman from Kansas is not here; the gentleman from Pennsylvania [Mr. KELLY] is the ranking minority member.

The SPEAKER. The gentleman from Pennsylvania [Mr. KELLY] has 20 minutes.

Mr. HARDWICK. Mr. Speaker, it is not necessary to go into a very extended explanation of what this rule is. I merely want to state to the House in a few words what it provides. The first paragraph of the rule simply makes in order the legislative provisions for the abolishment of the Commerce Court, and in accordance with the understanding generally on this side and as expressed in our caucus. The second proposition makes in order, and provides it shall be considered without amendment, a certain paragraph of the bill which was stricken from it yesterday on a point of order under the general rules to the effect we should have a certain number of inspectors provided to look into the sites already authorized for public buildings throughout the country.

Mr. BARTLETT. Site agents.

Mr. HARDWICK. Site agents, as my colleague suggests. So if this rule is adopted it will accomplish two things: First, that part of the bill dealing with the Commerce Court will be in order, and a point of order under the general rules of the House will not be good against it.

Mr. BARTLETT. May I ask my colleague a question?

Mr. HARDWICK. In just a moment. And, second, the provision that the committee put in the bill and which was stricken from the bill, for the building sites agents, will be in order and can be offered as an amendment, and a point of order under the general rules of the House will not lie against it.

Mr. BARTLETT. I understood from a reading of the rule that the Commerce Court provision would be in order and not subject to further amendment.

Mr. HARDWICK. Under the rule as we have reported it, the Commerce Court provision will be subject to any germane amendment.

The very reverse is true as to these building-site inspectors.

Mr. BARTLETT. That is what I want.

Mr. HARDWICK. We provided in one case there should be absolute freedom of amendment; in the other that there should not be; and since it has been put up to me in that way I will explain why we do one thing in one case and another in another case. It was the general understanding from the caucus action and from the committee, so far as the Commerce Court provision is concerned, that there should be the utmost liberality of discussion and amendment as to this legislative proposition in respect to the Commerce Court. So far as the building-sites proposition is concerned, the very reverse, as the Committee on Rules understood it, is true. The provision in the paragraph was the result of a virtual agreement between a number of gentlemen on the Committee on Appropriations and on the Committee on Public Buildings and Grounds, and it was agreed on in exactly the form that paragraph was put in the bill by the Committee on Appropriations. And not only the chairman of the Committee on Appropriations, the gentleman in charge of the bill, but also the gentleman from Florida [Mr. CLARK], chairman of the Committee on Public Buildings and Grounds, thought we ought to stand on just what there was in the bill as to this matter. For that reason we sent it to the House in that form.

Mr. GILLET. Will the gentleman yield for a question?

Mr. HARDWICK. Certainly, if the gentleman will not take too much of my time.

Mr. GILLET. I simply wanted to ask the gentleman if I understood him to say that this second proposition was also a matter of caucus suggestion?

Mr. HARDWICK. No; it was a subject matter of some caucus discussion and a somewhat general agreement on this side.

Mr. GILLET. But the reason you shut off amendment was not on account of any caucus action?

Mr. HARDWICK. No. If I said that, I expressed myself unhappily. We are not shutting off debate on anything.

Mr. MANN. I notice that the rule reads that so much of the bill that is between the word "the" in line 4, page 21, and the word "repealed" in line 17, page 25, shall be in order. Is it the intention to leave out the word "repealed"?

Mr. HARDWICK. That is inclusive.

Mr. MANN. But it does not so state.

Mr. HARDWICK. It has been construed that way. This is the exact form employed two or three times by Mr. Dalzell, of Pennsylvania, and no such technical point as that was ever made against it.

Mr. MANN. It may not be made now, but I want to know what the rule provides.

Mr. HARDWICK. It certainly meant inclusive.

Mr. MANN. I do not know. It does not say that it is inclusive. It shows a carelessness in drawing the rule that I am sure we should not be charged with.

Mr. HARDWICK. I think myself it is a careless practice for a Democrat to follow the precedents of Republicans, and I may have made that mistake, but if so it is utterly unimportant.

Mr. MANN. Of course, you might have followed the precedent of some Republican, but perhaps nobody over there thought about it.

Mr. HARDWICK. That is neither here nor there, but there is no trouble as to what it means.

Mr. MANN. What it means and what it says are two different things.

Mr. HARDWICK. All the language between those words shall be in order.

Mr. MANN. Between those words?

Mr. HARDWICK. Yes; inclusive.

Mr. MANN. But it does not say "inclusive."

Mr. HARDWICK. It does not say "inclusive," no; but that would be the ordinary construction, and the gentleman from Pennsylvania contended that it meant that.

Mr. MANN. I do not think the gentleman from Pennsylvania ever contended that or any lawyer ever contended that until the gentleman this morning, who is a good lawyer, contends it.

Mr. HARDWICK. If the gentleman will read the fourth volume of Hinds' Precedents, section 3260, and see the rule that Mr. Dalzell reported as to the point, he will be ashamed to make such a technical point.

Mr. MANN. He is not ashamed of it.

Mr. HARDWICK. The gentleman is reflecting on the gentleman from Pennsylvania, who is a much abler lawyer than myself, and does not reflect on me. I refer to the rule of 1906. I think the rule we report will accomplish the purpose anyhow. Of course if the gentleman does not think so, I am sorry. If necessary in the Committee of the Whole, these two words can be added by amendment.

I reserve the balance of my time, Mr. Speaker.

The SPEAKER. The gentleman has used 6 minutes. He has 14 minutes remaining.

Mr. KELLY of Pennsylvania rose.

The SPEAKER. The gentleman from Pennsylvania [Mr. KELLY] is recognized for 20 minutes.

Mr. KELLY of Pennsylvania. Mr. Speaker, I feel that the very able argument of my friend from Georgia [Mr. HARDWICK] still does not give any substantial excuse for having introduced a rule here which makes a matter in order which has already been stricken out of this bill and places it in such a posture that it can not be amended. The point that the item must be considered without amendment will, it seems to me, be enough to condemn this rule and secure rejection at the hands of the House.

Mr. Speaker, I want to read to the committee what the chairman of the Committee on Appropriations [Mr. FITZGERALD] said in his very able speech not long ago before this House when he was talking about the budget. I will take what he said as the text of the remarks I shall make on this rule now pending before the House. The gentleman's speech was delivered here on June 24, and in the opening of his splendid address the chairman of the Committee on Appropriations, discussing the appropriating policy of this Government, made use of the following language:

The rapid increase in the cost of the Federal Government is attracting universal attention. Many thoughtful men regard our profligate fiscal arrangements as the greatest menace to the permanency of the Union, and the proper solution of the many problems involved is complicated by the good-natured indifference of the people. While a Treasury surplus is maintained by a system of indirect taxation so ingeniously devised that individual burdens are not readily appreciated but are assiduously proclaimed as blessings, it will be difficult to awaken the mass of the people to the importance of the questions involved.

Taking that as the basis of my remarks, I make the statement that the rule which puts the paragraph back, and means increased expenditures, is unjustified in every respect. The item provides for additional expenditure of \$30,000, an increased expenditure of that amount, for the men who shall travel and select and recommend sites for public buildings are to be new officials.

It is not contended by the gentleman from Georgia [Mr. HARDWICK] or anyone else that this is in any way going to decrease expenditures.

Mr. HARDWICK. If the gentleman will excuse me, I thought the gentleman understood that we did contend that. I say that it is a measure of real economy.

Mr. KELLY of Pennsylvania. Not directly.

Mr. HARDWICK. Both directly and indirectly.

Mr. KELLY of Pennsylvania. Every man permanently employed at the present time in this work of selecting sites is retained. Every man who has been doing that work of selecting sites is kept on the Government pay roll, and this item includes an appropriation of \$30,000 additional.

The point is that it means an increased expenditure. It sets the precedent and involves an increased expenditure, which is an ever-increasing tendency, as I mentioned here yesterday or the day before, in the expenditures of the Government.

Taking the report of the Secretary of the Treasury for the fiscal year ended June 30, 1912, and the report for the fiscal year 1911, it appears that for the public buildings of this Nation the amount of \$16,287,525.82 was expended in the year 1911, whereas in the year following—in the year 1912—the amount jumped to \$18,034,385.07, with an increased expenditure on that one item alone in one year's time of \$1,746,859.25; that is to say, with the same administration, with the same kind of operation, with the same men on the pay roll, the expenditures increased one and three-quarter million dollars in one year's time. That brings us to the situation where the Secretary of the Treasury, in his estimates for the coming year, has the following to say:

The total estimates of appropriations for ordinary purposes for the fiscal year ending June 30, 1914, are \$732,556,023.03. These are exclusive of the estimates of expenditures for the Panama Canal, which may be paid from bond sales, and those for the postal service, which are repaid from the postal receipts. The estimates of receipts for the same period which will be available for the general fund, from which payments on such appropriations must be made, are \$710,000,000. The estimates of appropriations for ordinary purposes for 1914 are, therefore, \$22,556,023.03 in excess of the estimated revenue. The estimated expenditures for the Panama Canal are \$30,174,432.11, and if these expenditures should be paid from the general fund instead of from the sale of bonds, the total estimates of appropriations for 1914 are \$52,730,455.14 in excess of the estimated receipts.

That concise statement shows that after the great increase of 1912 over that of 1911, in the fiscal year coming—the year 1914—the deficit will be \$52,730,455.14, regardless of the immense sum expended.

I want to say, Mr. Speaker, that this tendency, which is growing and which is becoming more and more accentuated each year, is the danger that has been pointed out by the chairman of the Committee on Appropriations in his discussion of the budget proposition.

I feel that the expenditure at the present time of \$50 for every family in this country ought certainly to be sufficient; but it is not sufficient, and the Government keeps demanding more and more, with no seeming attempt at curtailment.

Mr. Speaker, I make the point that the Rules Committee has no right to make in order what has been stricken out of a bill after full consideration in this House. It is not right as a general practice. It may be justified under some conditions of urgency or immediacy of demand, or something of that kind, but when a point of order has been made against a paragraph in this appropriation bill and it has been stricken out, I claim it is unjustifiable for the Committee on Rules to manufacture a rule to make it in order without amendment. The House is the creator of the Rules Committee. The committee is only the creature of this House, and the House has established rules for its procedure. I do not feel that it is just for any committee of this House arbitrarily to make a paragraph like this in order unless there is an immediacy of demand or an urgency, which is not present in this case. I believe this particular rule, brought in this morning and reported by the gentleman from Georgia [Mr. HARDWICK], ought to be rejected by the House.

I reserve the balance of my time.

Mr. HARDWICK. Mr. Speaker, how much time have I remaining?

The SPEAKER. The gentleman from Georgia has 14 minutes and the gentleman from Pennsylvania [Mr. KELLY] has 13 minutes remaining.

Mr. HARDWICK. I yield four minutes to the gentleman from Florida [Mr. CLARK].

Mr. CLARK of Florida. Mr. Speaker, I think if we had an accurate calculator to whom we could submit the proposition it would be found, upon investigation, that more money has been spent in discussing this point of order than the proposed increase will amount to.

I believe it has always been customary to expend \$15,000 a year to pay the traveling expenses of the persons who have gone out to select these sites. In addition to that, you must count the salaries of the persons taken from the Treasury Department, whose ordinary work, of course, is not done or is done by some one else. When you add them all together you will find that we are probably increasing the expenditure by perhaps six or seven thousand dollars. And what do we accom-

plish? We save hundreds of thousands of dollars to the people of this country in the matter of the purchase of sites. There can be no possible question about this.

As I said yesterday, I repeat now: The persons who have been sent out heretofore to select sites have had no knowledge of the subject. They have been stenographers and clerks in the department, and others who simply desired to have a trip in the summer time to some northern resort and in the winter-time to some southern resort. They have gone into these communities with absolutely no knowledge of the values of real estate in those communities. They have been met by committees, they have been entertained, and have wound up by reporting to the department, usually in favor of the most extravagantly priced lot offered them in that community.

Mr. GILLET. Has not the Treasury Department often used the services of the supervising inspectors, if that is their title, the men who are inspecting the buildings, to select these sites?

Mr. CLARK of Florida. Very seldom.

Mr. GILLET. I think the gentleman is mistaken about that.

Mr. CLARK of Florida. My authority is Mr. Sherman Allen, Assistant Secretary of the Treasury, who says that the policy heretofore has been simply to appoint clerks and others in the department who wanted a vacation and give them an opportunity to take these trips for the benefit of their health, or for pleasure, or something else, to select these sites.

Mr. HUMPHREY of Washington. Will the gentleman allow me—

Mr. CLARK of Florida. Just a moment. I do not mean now to discuss any political phases of this question. Gentlemen on the other side have seemed anxious to throw some politics into this matter. I have studiously avoided that, because it is not a political question. It is a question of absolute economical administration, that is all; and, if I understand the policy of the Secretary of the Treasury, he will, for instance, out on the Pacific coast, group a number of States in which sites are to be selected, and he will select from that territory some gentleman acquainted with real estate values in that section of the country, some gentleman of ability, integrity, and character who is competent to judge of values, and let him go into these different communities and report to the Secretary which lot, in his judgment, under all the circumstances, is the best and cheapest lot, all things considered, for the Government to buy. Is not that much better than to send some clerk or stenographer?

Mr. HUMPHREY of Washington. Mr. Speaker—

The SPEAKER. The time of the gentleman has expired.

Mr. KELLY of Pennsylvania. I yield five minutes to the gentleman from Tennessee [Mr. AUSTIN].

Mr. AUSTIN. Mr. Speaker, I favor this proposition, and I think the Committee on Rules instead of being criticized ought to be commended. We have pursued in this House a policy that is unjust to our own membership. We raise points of order here against propositions which go out of these bills, and then those propositions are put in in the Senate, and when the bill goes to conference the House conferees agree to these items, and when the bill is finally passed every one of the items becomes a law. We rob ourselves of the credit we ought to have for this work. We inaugurate it in the beginning, we introduce the bills, we go before the committees, submit arguments, have the matters placed in the bill, and then some industrious and technical Member of Congress will raise a point of order and they all go out. We return home and our constituents feel that they owe us nothing, that these propositions became a law on account of the services rendered by the Senators of our State rather than by the Members.

Yesterday we took from this bill or refused to write into it 47 propositions that ought to have been advanced, that have been pending 5, 6, and 10 years, and I venture the prediction that every one of them will be written into the deficiency bill, and when it becomes a law every one of them will be in the act. We are reflecting upon our own efficiency and robbing ourselves of the work that we are entitled to in the interests of our constituents.

This rule involves 298 building sites, scattered over 46 States and one Territory. This property can be purchased cheaper this year than it can next. By employing outside men we do not rob the Supervising Architect's Office of a part of its force, which means a reduction in the number of plans for public buildings scattered over the country.

We hear a great deal about economy, economy, economy. I venture the assertion that this Government is more cheaply administered in proportion to population and wealth than any Government on the face of the earth. Take the city of New York, from which the economical chairman [Mr. FITZGERALD]

of this committee halls. Compare the expenses of the management of affairs of his city per capita with that of the United States and see how economical we are in the administration of national affairs. We spent last year on construction of public buildings not \$20,000,000, as asserted by the gentleman from New York [Mr. FITZGERALD] yesterday who interrupted me, but \$12,000,000 in 48 States of the Union. According to the controller's report—New York City—they spent \$15,500,000 in six months in New York City on public buildings alone.

The people of the United States are not criticizing Congress for the expenditure of public money. All that they care to know is whether the money was honestly expended and whether it was for a good and legitimate public purpose. The most popular man that we ever had in the White House, to my knowledge, was Theodore Roosevelt. And yet the cost of administration during his time in office was larger and greater than that compared with any of his predecessors. This country is growing by leaps and bounds. With its wonderful growth in population goes hand in hand the great growth of public business. If you will sit at the table of the Committee on Public Buildings and Grounds and hear testimony and petitions for the enlargements of public buildings all over the Union, you will have a true and correct conception of how immense the public business is and how rapidly it is increasing.

We are called upon constantly to enlarge public buildings because we do not anticipate the growth of the country and the increase in public business. I challenge the statement that the Democratic side ought to be criticized for the passage of the last public-building bill. It not only received a majority on that side, but it received practically every vote on this side. A fairer bill was never drawn. There was no politics in it, no sectionalism in it, no discrimination against any of the Members in this House, and it does it become anyone on the Republican side to criticize that legislation, when by a two-thirds vote here and a Republican Senate we made it a law. [Applause.]

Mr. KELLY of Pennsylvania. Mr. Speaker, I yield three minutes to the gentleman from Illinois [Mr. MANN].

Mr. MANN. Mr. Speaker, this rule makes in order a provision in the bill to abolish the Commerce Court. That seems to be the policy of the Democratic Party; and while I think it is a great mistake, I have discussed that matter heretofore and do not intend to discuss it on the rule. Yesterday the gentleman from Mississippi [Mr. HARRISON] offered an amendment to this bill for the purpose of enlarging the force in the Supervising Architect's Office so that the office might go ahead more rapidly with the plans for public buildings.

A point of order was made against that, and, of course, having been sustained, the amendment was not agreed to. Along comes another provision in the bill providing for an increase in the Supervising Architect's Office, and that went out on a point of order. If that provision in the bill had not gone out on a point of order, being subject to a point of order, it was subject to any germane amendment and it would have been possible to amend that provision of the bill so as to put in the very thing which the gentleman from Mississippi [Mr. HARRISON] proposed. But now comes the Committee on Rules this morning, very smooth and astute, with a provision making in order the item that went out on a point of order yesterday, which could have been amended, providing that there shall be no amendment to it; and the gentleman from Georgia [Mr. HARDWICK], in immediate charge, demands the previous question, without anyone knowing what it is, so that the rule can not now be amended; and there you have it. A majority of the House—and I do not speak now of the Democratic majority—but a majority of the Members of the House who have been working around here for days trying to find some method by which they could put into this bill a provision enlarging the force of the Supervising Architect's Office, having had the opportunity, propose now to cut off their own noses by the adoption of this rule, without amendment, and thus prevent themselves from offering an amendment which yesterday and the day before they said ought to and must go into the bill.

Gentlemen, you have been smoothly overcome by the distinguished gentleman from New York [Mr. FITZGERALD], who never misses a point.

Mr. HARDWICK. Mr. Speaker, I yield five minutes to the gentleman from New York [Mr. FITZGERALD].

Mr. FITZGERALD. Mr. Speaker, I am accustomed to carry a burden which has frequently been unloaded upon me when I am charged with being the entire Committee on Appropriations. I have listened to indignant protests from Members who charge that I will not do this, that I will not do that, when very frequently I am the only one of the 21 members of the Committee on Appropriations who has been in favor of the thing for which

I am denounced; but it remained for the gentleman from Illinois [Mr. MANN] to heap upon me a new burden—that is, to charge me with the responsibility for the action of the Committee on Rules. Fortunately that committee has not the evil repute that it had in Republican days or I fear that this new charge would be too much and I would be overwhelmed by it. [Laughter.] The gentleman is mistaken in attributing to me any peculiar skill or smoothness in this matter. I introduced a rule when I reported the bill from the Committee on Appropriations to make in order the provision proposing to abolish the Commerce Court. After the item in reference to the site agents was stricken from the bill yesterday some gentleman suggested—

Mr. HARDWICK. The gentleman from Florida [Mr. CLARK] introduced a resolution.

Mr. FITZGERALD. The gentleman from Florida [Mr. CLARK] suggested that if a rule were reported it should include a provision to make in order the item for the site agents stricken from the bill. Forsooth, the gentleman from Illinois now says that through my smoothness this matter has been incorporated in the rule and reported here in a manner to deprive Members of the opportunity to change it.

I do not believe that the provision was subject to the amendment to which the gentleman from Illinois refers. This amendment refers to agents to select sites. The other amendment, proposed by the gentleman from Mississippi [Mr. HARRISON], was for an entirely different purpose, and I doubt very much if it were germane; but to save a long and useless discussion, in which the gentleman from Illinois and myself probably would occupy valuable time of the House in attempting to split hairs, it was thought advisable to change the rule and thus deprive the two of us of at least one opportunity during this session to discuss parliamentary law. [Laughter.] And I am not certain but that the committee acted very wisely in that respect.

I am in favor of the provision for the appointment of these site agents. I am in favor of it because I believe it will result in a distinct saving to the Government. Instead of taking men from their work in the Supervising Architect's Office, for which they are peculiarly qualified, and in that manner deferring the completion of plans upon which they have been engaged, this will enable the selection for a few months of men peculiarly qualified to visit, inspect, and report upon the advisability of selecting one of many sites and upon the reasonableness of the price at which it is tendered.

The experience of those who have had to do with these public-building matters in the selection of sites is to the effect that if such practice be initiated it will result in a saving of hundreds of thousands of dollars. There will be expended within a year or two at least three million and a half of dollars in the purchase of sites, and it is the part of wisdom, it is good business policy, for the Government to have a report upon the sites to be selected by men who are competent and capable of reaching proper conclusions about it. It is in the interest of economy, in the interest of good administration, that I favor the original proposition, and I am in favor of restoring it to the bill.

Mr. Speaker, I wish to say that I welcome the gentleman from Pennsylvania [Mr. KELLY] to the ranks of the economists of this House. It is a pleasure to note that thus early he has taken a stand for economy, and I hope that we will have his effective assistance in some of the troublesome days ahead of us in the next session of Congress.

The SPEAKER. The time of the gentleman from New York has expired.

Mr. KELLY of Pennsylvania. Mr. Speaker, I think I have five minutes remaining, and I wish to yield those five minutes to the gentleman from Kansas [Mr. MURDOCK].

Mr. MURDOCK. Mr. Speaker, the gentleman from New York [Mr. FITZGERALD] says that this rule was specially framed in order to deprive him and the gentleman from Illinois [Mr. MANN] of some privileges and rights. If that be true, this is a notable occasion, because this is the first time in my career in this House when a special rule deprived either of those gentlemen of anything.

Mr. FITZGERALD. The gentleman will notice that while I advocate it the gentleman from Illinois is restless under it.

Mr. MURDOCK. As a matter of fact, here we go again, Mr. Speaker, in the same old process of close corporation legislative action. The distinguished gentlemen who make up in part at least the Committee on Public Buildings and Grounds and the gentlemen who make up the Committee on Appropriations, and also those who are members of the Committee on Rules, have, as some gentleman said this afternoon, entered into an agreement the result of which is that this item for extra employees is to be covered into the bill against the ordinary rules of the

House. That is, the opinion of a few gentlemen on three committees is to supersede the wisdom of the House acting under its ordinary workday rules.

Mr. HARDWICK. Will the gentleman yield?

Mr. MURDOCK. If the gentleman will allow me to complete this statement then I will be glad to be interrupted. Having so decided, they bring into the House a special rule and ask for its adoption. In the ordinary course of business the House by a majority vote, usually when a quorum is not present, following leadership, adopts the rule. And what is the result? When the House does that, and it does it in the course of partisan politics, it breaks up the natural order of consideration of appropriation bills. There is all over the country a serious demand for economy. I think that individuals of this body believe that we should practice economy; but I say to gentlemen, that they will not practice economy successfully so long as they insist on this method of bringing in special rules to cover legislation on appropriation bills. When the rules of the House were originally formed they were framed with the idea of segregating the consideration of statutory legislation and the consideration of pure appropriations. The idea was correct. If you wish to reach economy in the consideration of bills you must keep out of your appropriation measures this new legislation. Why? We will all see the reason in the next session. All the great appropriation bills will come in—the legislative, executive, and judicial; the sundry civil; the Post Office and Post Roads; the naval bill—and in each case the major part of discussion on those bills will be upon new legislation in them to the neglect, I will say to the gentleman from Georgia, as he knows, of the straight-out appropriating items. Now, in the old days a practice grew up here of putting virtually all new legislation on appropriation bills. It was a bad habit. It was generally condemned, and righteously condemned, and the old party went out of power partly because of its evil practices in this House. Now the Democratic Party is in power. It has got a free field; its road is open before it; there is nothing to hinder it from taking the right course, and yet in the first appropriation bill that comes up in the new Congress what do we have? New legislation on the bill on the first day; a special rule covering that legislation up against points of order. There is a way to get this item into law. The item itself may be meritorious—I do not know—but there is a way to get this item into the law. It is to bring it in separately and pass it. This view is not partisan politics. There is no party point to be made about it. It is not good legislation. I do not think anyone will dispute that. I do not think this one item, appropriating \$30,000 for the pay of the special agents, will work any special economies. It is my observation that when you create extra officers you do not supersede anyone in the departments. We add just that many extra places to the expense of the Treasury, and I dare say that an examination of this expenditure a year hence will show that we have not saved any money to the Treasury; that we have simply added to our expenses \$30,000, and that the Treasury Department will use these extra men whom we provide, and they will also use the men who have previously been used for this work.

The SPEAKER. The time of the gentleman has expired.

Mr. HARDWICK. Mr. Speaker, I yield two minutes to the gentleman from Alabama [Mr. BURNETT].

Mr. BURNETT. Mr. Speaker, I was very sorry that the point of order was made against the proposition of the gentleman from Mississippi in regard to the 47 items. I thought that those items ought to go in; but so far as this rule is concerned, it ought to be adopted for this reason: This is an emergency proposition and is properly placed on an emergency deficiency bill.

Here is the status, gentlemen, of those of you who had authorizations for sites in the last bill. There have been propositions made in sealed proposals filed in the Treasury Department on a number of sites proposed, four or five times as many as there are sites to be acquired—a thousand or fifteen hundred I am informed by the chairman of the committee. They are being held up because the rule of the Treasury Department is that before they can even investigate the title to sites through the Department of Justice they must send some agent out for the purpose of making selection of the most available site.

Now, Mr. Chairman, after that is done it does not acquire your site; hence the necessity for this coming in at this time in order that by the time the next appropriation bill comes in when the next Congress meets the Department of Justice will have the opportunity of examining the titles, and then and not until then will you get appropriation for the purchase of your site. That is all that is involved in this proposition. It is to facilitate the investigation of the sites, because not a step can be taken by the Attorney General's Office, through his district attorneys, in regard to the investigation of title until these agents have first passed on the availability of the site. And many sites are being

held up. There are many growing towns, especially in the manufacturing sections of the country, where people have offered their sites and they have opportunity now of selling this property. I have had letters as former acting chairman of the committee from a number of people asking when this question will be settled, because they say that their site is in limbo and they do not want to be held up on the site, and therefore wish to facilitate these investigations and know what to depend upon. Hence it is an emergency proposition.

The SPEAKER. The time of the gentleman from Alabama has expired.

Mr. HARDWICK. Mr. Speaker, I have three minutes which I did not intend to use, but I do want to answer two observations made by my friend from Kansas [Mr. MURDOCK]. The gentleman seems to think that certain gentlemen on three committees of the House are adopting this rule. We can not do it for a minute, unless the majority of the Members of this House will vote for this proposition.

Mr. MURDOCK. The majority of those present?

Mr. HARDWICK. Any man here can demand a quorum. The gentleman from Kansas can do so.

Mr. MURDOCK. To the delay of public business, which no one wants to do.

Mr. HARDWICK. However, that is one of his constitutional rights. If he wants a quorum he can demand it, and this proposition can only be adopted by a majority of those present, which must be a quorum if any Member demands it. It is a majority rule, pure and simple, and by adopting it we are obviating one-man rule, where the technical objection of one man overcomes the will of the majority. [Applause.]

Now, not only that, but I want to say to the gentleman that I do not share with him in his view against legislating on appropriation bills. In my judgment, when the House of Representatives, in 1837, surrendered this general power it made the greatest mistake it ever made. The power of the commons over the purse has always been one of the greatest weapons in the hands of those who fought for liberty in every age and every country. And, in my judgment, the American House of Representatives would to-day occupy a higher position in our system of government if we had the power to insist upon our will and to say to the Senate and to the Executive that we will not appropriate money unless they let the will of the people be carried out in regard to other matters. The power over the purse is a great weapon, with which almost every fight for English liberty has been won, and for one I want to say in this presence that all this talk about legislating in connection with appropriation bills has no terror for me. [Applause.] If this House does not occupy to-day the powerful position that it ought as the immediate representatives of the people it is largely because we have tamely surrendered the right to demand legislation of the other coordinate branches of the Government before we will grant appropriations, and if the House is ever to regain its ancient position of supremacy it must reassert this right more and more.

The SPEAKER. The question is on agreeing to the resolution.

The question was taken; and the Speaker announced that the ayes seemed to have it.

Mr. MANN. Mr. Speaker, I ask for a division.

The House divided; and there were—ayes 89, noes 26.

So the resolution was agreed to.

PRAYERS OF THE CHAPLAIN.

Mr. BARNHART. Mr. Speaker, I desire to call up a privileged House concurrent resolution.

The SPEAKER. The gentleman from Indiana calls up a House concurrent resolution, which the Clerk will report.

The Clerk read as follows:

House concurrent resolution 8 (H. Rept. 66).

Resolved by the House of Representatives (the Senate concurring), That there be printed for the use of the House of Representatives, to be distributed through the folding room, 50,000 copies of House Document No. 1458, Sixty-second Congress, same being "Prayers offered at the opening of the sessions of the Sixty-second Congress of the United States."

Mr. JOHNSON of South Carolina. Mr. Speaker, what is the document to be printed?

Mr. BARNHART. It is a document containing the prayers of the Chaplain delivered during the Sixty-second Congress.

The SPEAKER. The question is on agreeing to the resolution.

Mr. THOMPSON of Oklahoma. Mr. Speaker, I just came in. I would like to have that resolution read again.

The SPEAKER. Without objection, the resolution will again be reported.

The resolution was again read.

Mr. HOWARD. Mr. Speaker, I would like to ask the gentleman from Indiana [Mr. BARNHART] a question. How many

copies of these prayers were formerly printed under a former resolution?

Mr. BARNHART. Two thousand copies, I believe; four or five copies to each Member. They are to the credit of Members at the folding room, and each Member can have one copy bound under the regular order—under the law.

Mr. HOWARD. Are these the prayers of the Chaplain of the House only?

Mr. BARNHART. Yes.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

STATUE OF ZACHARIAH CHANDLER.

Mr. BARNHART. Mr. Speaker, I want to submit Senate concurrent resolution No. 5, a privileged resolution, and move its adoption.

The SPEAKER. The gentleman from Indiana [Mr. BARNHART] submits a privileged resolution, which the Clerk will report.

The Clerk read as follows:

Senate concurrent resolution 5 (H. Rept. 68).

Resolved by the Senate (the House of Representatives concurring). That there be printed and bound, with illustrations, under the direction of the Joint Committee on Printing, the proceedings in Congress, together with the proceedings at the unveiling in Statuary Hall, upon the acceptance of the statue of Zachariah Chandler, presented by the State of Michigan, 16,500 copies, of which 5,000 shall be for the use of the Senate and 10,000 for the use of the House of Representatives, and the remaining 1,500 copies shall be for the use and distribution of the Senators and Representatives in Congress from the State of Michigan.

Mr. MANN. Mr. Speaker, will the gentleman yield?

Mr. BARNHART. I will.

Mr. MANN. This is a House resolution?

Mr. BARNHART. It is a House concurrent resolution.

Mr. MANN. The proceedings have not yet taken place?

Mr. BARNHART. Oh, yes.

Mr. MANN. I beg the gentleman's pardon.

Mr. BARNHART. The gentleman from Illinois is mistaken.

Mr. MANN. I beg the gentleman's pardon; I am not mistaken. As I understand the resolution, it provides for the publication of the proceedings in Statuary Hall and in the House and in the Senate. Is not that the case?

Mr. BARNHART. Yes.

Mr. MANN. There was a date set for the proceedings in the Senate and a date set for the proceedings in the House. The proceedings took place in neither the Senate nor the House. I assume that there will be proceedings hereafter in the House. I understood at the time that the Michigan delegation was waiting for some reason or other. A special date was fixed, but the proceedings were not had on that date. If this resolution will cover the proceedings in the House and Senate when they are had, that will satisfy the demand; but if they go ahead with the publication of the proceedings before the proceedings are had, it would be a little awkward.

Mr. BARNHART. Well, their resolution came over from the Senate.

Mr. MANN. Well, probably the Senate acted a little hastily. Let us hear the resolution read again.

The SPEAKER. Without objection, the resolution will be reported again.

The resolution was again read.

Mr. MANN. Now, is the gentleman able to say, if this resolution passes, will the publication be held up until these proceedings can have occurred?

Mr. BARNHART. It certainly will.

Mr. FOSTER. Well, Mr. Speaker, if the gentleman will permit, is it not a rather unusual proceeding to get permission to print before the ceremonies are held? That is a good deal like providing for the publication of a funeral oration over a man before the man is dead.

Mr. BURNETT. This is for the usual expense for printing the proceedings in Congress?

Mr. BARNHART. Yes. It is the usual expense.

Mr. MANN. "The proceedings in Congress" mean the proceedings in the Senate and in the House. Usually that is included.

Mr. PAYNE. Mr. Speaker, I wish to call the attention of the gentleman from Illinois [Mr. MANN] to the fact that some proceedings have already taken place in the House looking to the acceptance of the statue. Under the language of the resolution they would simply print those proceedings in Statuary Hall, and not the future proceedings in Congress. There would not be any warrant or authority under this resolution to print any eulogies or anything of that kind delivered in the future.

Mr. MANN. We do not know whether the resolution for the acceptance of the statue has passed yet or not.

Mr. BARNHART. Yes; it has.

Mr. MANN. It is customary for the resolution to pass at the time the proceedings are had.

Mr. BARNHART. If there is any objection to this resolution, or if it be irregular, I have no disposition to urge its passage. It has simply come over from the Senate with the request that it be agreed to, and the Committee on Printing acted favorably upon it, and I have reported it.

Mr. MANN. I am calling the attention of the gentleman to the situation, so that, if the resolution passes, the Printing Office will not proceed with the printing of a part of the proceedings until all of the proceedings are had and the statue is accepted.

Mr. BARNHART. I think I can give the gentleman from Illinois full assurance that that will not be done.

Mr. J. M. C. SMITH. I should like to inquire whether this resolution was sent over by either one of the Senators from Michigan, both of whom are now absent? I understand there was a day set apart for the ceremonies in the House, but on that day it was inconvenient to have those proceedings, because something else was being considered in the House.

The SPEAKER. The House set a day on which to accept the statue, and on that day the gentleman from Massachusetts [Mr. GARDNER] raised the point of no quorum before the House ever got started.

Mr. MANN. Mr. Speaker, in justice to the gentleman from Massachusetts [Mr. GARDNER], who raised the point of no quorum, it is proper to say that it was not the expectation on that day to take up the special order. That understanding had been reached among the gentlemen on both sides of the House.

The SPEAKER. The Chair is not criticizing the gentleman from Massachusetts. The Chair will state to the gentleman from Michigan [Mr. J. M. C. SMITH] that this is a concurrent resolution which the gentleman from Indiana [Mr. BARNHART] has called up after it came over from the Senate in the usual course of business. It was brought over by one of the secretaries of the Senate, with a message announcing its passage and requesting the concurrence of the House of Representatives.

Mr. MANN. The resolution was passed by the Senate prematurely. I do not know that that makes any difference.

Mr. BARNHART. Possibly the Senate passed it with the understanding that the proceedings had been had in the House. The day had been set, and then the proceedings were deferred.

Mr. MANN. But the proceedings were not had in the Senate. They were deferred in the Senate in the same way.

The SPEAKER. The House will expect the gentleman from Indiana [Mr. BARNHART] to see to it that the proceedings are not published prematurely.

Mr. BARNHART. The gentleman from Indiana will see to that.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

URGENT DEFICIENCY APPROPRIATION BILL.

Mr. FITZGERALD. I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of H. R. 7898.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7898) making appropriations to supply urgent deficiencies in appropriations for the fiscal year 1913, and for other purposes, with Mr. Flood of Virginia in the chair.

The CHAIRMAN. The Clerk will proceed with the reading of the bill.

The Clerk read as follows:

LIFE-SAVING SERVICE.

To reimburse the appropriation for expenses of the Life-Saving Service for the fiscal year ending June 30, 1913, the amount expended therefrom in sending life-saving crews and boats, apparatus, and so forth, for the rescue and relief of the flood sufferers in the Middle West, \$5,000, or so much thereof as may be necessary.

Mr. MANN. Mr. Chairman, I move to strike out the last word. In the Washington papers this morning there appeared a telegram from Norfolk, Va., as follows:

NORFOLK, VA., September 4.

Life-savers of Hatteras, Ocracoke, and Durants Neck stations established a new record for bravery when they rescued 20 men, 2 women, and 2 children from the six-masted schooner *George W. Wells*, which went ashore yesterday 3 miles north of Hatteras Inlet during the terrific storm which swept the Virginia and North Carolina coast.

That is in accordance with the records of the Life-Saving Service, and it ought to be called to the attention of the House.

This was a terrific storm.

It has been stated that under the new management of the Weather Bureau that bureau is now to be conducted on a scientific basis. The new scientific management of the Weather

Bureau issued a circular in the ordinary form, dated 8 p. m. on September 3, as follows:

WEATHER CONDITIONS.
UNITED STATES DEPARTMENT OF AGRICULTURE,
WEATHER BUREAU,
Washington, Wednesday, September 3—8 p. m.

The southern storm has passed inland over North Carolina and is rapidly losing intensity. The winds have already diminished on the North Carolina and Virginia coasts.

In the morning paper after this circular was issued appears the following news:

WASHINGTON, N. C., September 4.

Sweeping southward from Chesapeake Bay between midnight and daybreak this morning, a furious storm, the like of which not the oldest inhabitants can remember, spread devastation throughout Beaufort County. The wind reached a velocity of 100 miles an hour. Estimates of the damage to property can not be made with accuracy, but it is believed the loss will reach \$4,000,000.

I suggest that the scientific management of the Weather Bureau ought to be careful about sending out word that the winds are diminishing and that the storm is dying out in the face of the worst storm, then approaching, which has reached North Carolina within the memory of the oldest inhabitant.

Mr. FITZGERALD. Mr. Chairman, it is apparent that the scientific man of the Weather Bureau had no information as to the outburst that occurred in the House yesterday or he would have anticipated it. [Laughter.]

Mr. BRYAN. Mr. Chairman, I notice the news of an awful wreck on the New Haven Railroad, and it is commented on and considered a violation of interstate regulations, one which warrants such investigation as may possibly result in criminal prosecution and all kinds of condemnation for the men who were responsible for the wreck and for the mismanagement of the railroad which brought on the wreck. It is very natural that a great deal of attention should be attracted to a thing of that kind.

On the 17th of August there was a wreck off the coast of Alaska. The steamship *State of California*, steaming northward in Gambier Bay, 60 miles south of Juneau, Alaska, with passengers and crew and a valuable cargo on board, going to spread the commerce of this country, endeavoring to carry on the trade that exists between Alaska and the States, ran upon an uncharted rock, and within a very few minutes was at the bottom of the ocean or inlet where the ship was then sailing. The reason for this wreck was not solely or in any part, so far as I know, due to any dereliction on the part of corporation directors; it was not some manager that was to blame; it was not some telegraph operator of some railroad or steamship line that failed to give the proper message, nor was it occasioned by the fact that some block signal did not work. The blame lies at the door of Congress, or, in other words, Uncle Sam himself is to blame.

Mr. MANN. For what?

Mr. BRYAN. Because, notwithstanding the petitions that have been presented, notwithstanding the pleas that have been filed with Congress for all these years for some kind of consideration for the Alaskan people, for some kind of charts and safeguards to navigation, notwithstanding these things Congress has turned a deaf ear to Alaska and has refused to provide these necessary aids to navigation which are absolutely essential to the safety of vessels engaged in those waters.

Mr. MANN. This was not the failure of an aid to navigation; it was an uncharted rock. What business had the vessel in uncharted waters?

Mr. BRYAN. If it had been on the coast of the Atlantic or on the Gulf of Mexico it would have been charted. That is exactly why I am calling attention of Congress to it at this time. These waters should be surveyed and the people of the Pacific States and Alaska should be considered.

Mr. STAFFORD. Will the gentleman yield?

Mr. BRYAN. Certainly.

Mr. STAFFORD. I understood that this boat to which the gentleman alludes was on a pleasure cruise, that it was sailing in unexplored waters beyond the traveled lines of navigation, and that the censure, if any, must fall not upon the lack of Congress to provide adequate aids to navigation, because we have provided adequate aids, but on the captain for cruising in waters not traveled at all by steamships to Alaskan ports.

Mr. BRYAN. Mr. Chairman, it is a grave comment upon the Congress and the amount of protection that Congress has given to Alaska to say that within Gambier Bay, within 60 miles of Juneau, off the Alaskan coast, there is a great area of water that has not been charted, and ships going to and fro have to go in a narrow definite channel in order to have that safety which the Government ought to grant and which the Government does grant by its service to other places. There were 23 people, according to the first reports, that went down to a watery grave immediately on account of the sinking of this ship.

This is not the only case. We have practically every year a wreck off the Alaskan coast and off the coast of the Straits of San Juan de Fuca. Why? Because over that vast area there are no, or at least very indefinite, life-saving stations, very few lighthouses, and only the slightest consideration given to Alaska and to its commerce.

The Congress of the United States has never taken Alaska seriously enough to suit the Alaskans themselves or those who have the interest of Alaska at heart. One of the duties of the Washington delegation is to see that the National Congress does not lapse into the view that Alaska is the home of blizzards and ice and snow and that all it needs is to have a fence built around it.

I have received the following from the Seattle Commercial Club, which I commend to the consideration of Congress:

The English-speaking world has again been called upon to shudder at the recital of a disastrous wreck in Alaskan waters. For years petition after petition has been presented to the proper authorities requesting aids to navigation, better facilities, and more thorough survey of the inland waters of this the most valuable outside territory of the United States, but with little effect. Each passing year witnesses some disastrous wreck on this coast, which in almost every case is due to the absence of aids to navigation or the fact that the waters have been improperly charted.

Whereas on the morning of August 17 the steamship *State of California* struck a reef in Gambier Bay, southwestern Alaska, and in three minutes went to the bottom, but with the awful death toll of 32 souls as a relic of the direful event; and

Whereas this steamship was traveling over a route not usually covered by steamships, owing to the fact that it was engaged in aiding the industrial development of a frontier section of Alaska, specifically the development of fishing and other industries on Prince of Wales and other important islands of the western coast, whose waters are almost wholly uncharted and where practically no aids to navigation exist; and

Whereas for years past wrecks of all kinds, amounting to millions of dollars, have occurred in the Alaskan Archipelago, resulting in a tremendous financial loss as well as a large number of human lives; Therefore be it

Resolved, That the attention of the Congress of the United States be drawn to this condition and that Senators, Members of Congress representing the State of Washington, and the Delegate in Congress from the Territory of Alaska be requested to bring this matter directly before the House of Representatives, and that they be urged to introduce a bill in those bodies calling for a full investigation; and be it further

Resolved, That the Senators and Representatives and Delegate mentioned above be requested to procure, or have procured, for such investigation full facts regarding the uncharted waters of Alaska from the United States Coast and Geodetic Survey and the Hydrographic Office of the United States Navy, as well as a report covering the need of further aids to navigation from the Bureau of Navigation and the United States Lighthouse Board; and be it further

Resolved, That the Commercial Club of the city of Seattle respectfully request immediate action on the part of the Representatives of the State of Washington in the matter of the above, owing to the urgency of the case and growing importance of Alaska and the steady increase in its shipping and commerce relations.

Mr. Chairman, I ask unanimous consent to extend my remarks in the Record.

The CHAIRMAN. The gentleman from Washington asks unanimous consent to extend his remarks in the Record. Is there objection?

There was no objection.

Mr. BRYAN. We have in Alaska a territory that exceeds the area of the States of Delaware, Pennsylvania, New Jersey, Georgia, Connecticut, Massachusetts, South Carolina, New Hampshire, Virginia, New York, North Carolina, Rhode Island, Maryland, Maine, Vermont, Ohio, Indiana, Tennessee, Kentucky, and Michigan, whose combined area is 586,210 square miles. The area of Alaska is 586,400 square miles.

Or if we compare it with European countries we have the following square miles: Norway, 124,445; Sweden, 172,867; Finland, 144,255; England, 58,309; Scotland, 29,785; Ireland, 32,583; a total of 562,253 square miles, while Alaska has 586,400 square miles.

Or note the following comparative areas in square miles: Germany, 208,670; France, 204,092; Spain, 197,670; a total of 610,432 square miles, while Alaska has 586,400 square miles.

Here we have an area covering 20 States of the Union, which extend from the winter resorts of Florida to within a few miles of the St. Lawrence River and Quebec, where navigation is closed in winter, and from the shores of the Atlantic to the Mississippi River. If the map of Alaska is placed over that of the United States, with Ketchikan, in Alaska, on Jacksonville, in Florida, the western island of the Aleutian chain will be found at Santa Barbara, in California. From south to north it extends over 1,000 miles of latitude from the Mexican to the Canadian borders, and from the east to west over 2,500 miles of longitude.

A TEMPERATE CLIMATE.

There are those who think Alaska is so cold as to be uninviting. To be sure there are places in northern Alaska that become very cold, but the truth once learned, a temperate climate is found in the Pacific coastal area. Of course, the mountain peaks are covered with snow, and the vast banks of snow

and ice in the mountain gorges go to make up the glaciers which gradually move down the mountain side.

The following figures were compiled by the Alaska bureau of the Seattle Chamber of Commerce. These figures are taken from maps of the United States Weather Bureau, and, if even casually considered, the conception of a barren, unproductive land of ice and snow will vanish from any fair mind.

Table of Alaska temperatures.
[From maps of the United States Weather Bureau.]

	Highest record.	Average summer.	Average summer minimum.	Average winter.	Lowest.
Southeast Archipelago (timber and garden products):					
Metlakatla.....	80		47	32	-5
Wrangell.....	93	56	49	30	-14
Juneau.....	88	55	48	27	-10
Pyramid Harbor.....	82	56	45	25	-22
Skagway.....	94	56	48	25	-21
Killisnoo.....	84			32	-10
Sitka ¹	87	54	46	35	-4
Valdez, Fort Liscum.....	86	51	45	20	-2
Southwest coast (grazing and garden products):					
Kodiak ¹	85	54	46	32	-12
Coal Harbor.....	79	50	44	29	-12
Unalaska.....	76	49	43	32	7
Bering Sea coast, Reindeer Land:					
Port Moller.....	68	48	43	29	-17
Ugashik.....	86	52	43	24	0
Nushagak.....	81	53		18	-10
St. Michaels.....	77	52	44	0	-55
Nome.....	73	48	43	3	-32
Point Hope.....	60	40		-12	-41
Point Barrow.....	65	37	33	-16	-53
Copper River Valley (farming and garden products):					
Copper Center ¹	79	54	38	10	-45
Kenai-Susitna region (farming, cattle, timber):					
Sunrise.....	79	53		20	-29
Kenai ¹	87	52	49	20	-48
Tyonek.....	82	55	47	10	-27
Yukon-Tanana Valley (general farming and gardening):					
Anvik.....	82	55		-5	-57
Tanana ¹	90+	58	45	-13	-76
Rampart ¹	90+	58	43	-13	-68
Fort Yukon.....	90+	55	47	-23	-68
Circle City.....	90+	58	47	-15	-57
Fortymile.....	90+	58	45	-15	-66
Fairbanks ¹	90+	58	47	-13	-65

¹ Government experimental stations.

Table of average rain and snow fall.
[From maps of the United States Weather Bureau.]

	Latitude.	Snowfall.	Total precipitation.	Days with 0.01 inch or more.
Southeast Archipelago (timber and garden products):				
Metlakatla.....	55 00	Inches. 83	Inches. 112	235
Wrangell.....	56 20	49	74	197
Juneau.....	58 20	110	81	200
Pyramid Harbor.....	59 10	110	29	127
Skagway.....	59 20	42	23	85
Killisnoo.....	57 30	89	54	172
Sitka ¹	57 03	36	85	208
Valdez (Fort Liscum).....	61 00	152	142	176
Southwest coast (grazing and garden products):				
Kodiak ¹	57 50	37	57	155
Coal Harbor.....	55 24	57	49	156
Unalaska.....	53 54		84	214
Bering Sea coast, Reindeer Land:				
Port Moller.....	56 00	37	127	210
Ugashik.....	57 30	25		210
Nushagak.....	57 00	30	41	136
St. Michaels.....	63 30	14		100
Nome.....	64 30	16	72	91
Point Hope.....	68 20	7	46	62
Point Barrow.....	71 20	7	13	81
Copper River Valley (farming and garden products):				
Copper Center ¹	62 00	87	18	89
Kenai-Susitna region (farming, cattle, timber):				
Sunrise.....	60 54	116	37	170
Kenai ¹	60 32	52	20	97
Tyonek.....	61 10	79	23	91
Yukon-Tanana Valley (general farming):				
Anvik.....	62 30	90	20	118
Tanana ¹	65 15	48	13	79
Rampart ¹	65 30	51	12	51
Fort Yukon.....	67 30	46	11	46
Circle City.....	65 50	56	11	56
Fortymile.....	64 40	38	13	38
Fairbanks ¹	64 40	51	13	51

¹ Government experimental stations.

On an investment of \$7,200,000, Alaska has given us in return, since 1867 (and by far the greater portion since 1899, or only 14 years), as shown in the reports of the United States Geological Survey, Director of the Mint, and other official documents:

Gold.....	\$213,018,719
Silver.....	1,824,364
Copper.....	13,377,194
Coal.....	355,489
Other minerals.....	993,119
Fish and furs.....	240,830,168
Total.....	470,399,053

And produced in 1912, as per preliminary estimates:

Gold, silver, and copper.....	\$21,580,000
Other minerals.....	360,000
Fish and furs.....	18,120,132
Miscellaneous.....	394,046
Total.....	40,354,178

The commerce of Alaska for 1912 was:

Imports.....	\$26,758,341
Exports.....	45,982,719
Total.....	72,741,060

Alaska has untold wealth and potential strength in its undeveloped water power, a means with which energy and heat will be generated in the years to come to drive the wheels of commerce to an extent never before dreamed of. The beauties of its scenery are unsurpassed. No one who has ever been to Alaska but longs to return. Its mountains, its glaciers, its sunsets are the charm of those who see them.

MINERAL RESOURCES.

When Uncle Sam purchased Alaska for \$7,200,000 one of the very best bargains was made. Its area is one-fifth that of the United States, or twelve times that of New York State. In 1912 it produced \$17,398,943 in gold; California, with a 37 to 1 population, \$19,928,500. In copper production Montana has had to accede to Alaska a place as its equal.

The mineral resources of Alaska are unknown. Its wealth has only been touched. Besides its gold and copper, it has silver, tin, iron, mercury, lead, and antimony. Alaska's fisheries for 1912 yielded \$17,391,578, its seals \$416,992.40, and its furs \$370,519.

Alaska will develop into a great agricultural and stock-raising country. The winter temperatures are not as severe as in Norway and Sweden, yet dairying is a principal industry in Norway and Sweden.

It is estimated that Alaska has 150,000,000,000 tons of coal. These vast coal deposits must be developed. Immigration into the country must be encouraged. These vast coal deposits which the Guggenheim syndicate was about to grab have luckily been saved for the people.

GENERAL DEVELOPMENT—ALASKA DEMANDS GENERAL DEVELOPMENT.

It is of great importance that it shall be opened to development, both for the best interests of that Territory and of the western country; but the mere necessity for its development is not nearly as important as the method of development to be used.

I believe that the people of the United States have decided once and for all that the resources of Alaska shall not be thrown open to private exploitation and monopolization. I do not believe that Alaska will ever be opened until it is opened in the right way; that is, until its development serves the whole people instead of a few private capitalists. In short, Alaska will be opened to development by governmental authority and responsibility rather than by individual authority and irresponsibility.

Holding this view, I have therefore introduced into this House a bill (H. R. 7085) to authorize the President of the United States to provide transportation and coal-mine development in the Territory of Alaska, and for other purposes.

Three methods of dealing with the great industries of our country are under discussion in the United States to-day. The first is the restoration of competition; second, Federal regulation; third, Federal ownership. The policy embodied in this bill includes a judicious combination of all three. It provides for Federal regulation of the coal-mining industry in the Territory of Alaska through competition by the Government. The conditions of the competition thus provided secure efficiency of operation and at the same time eliminate the evils of competition. Chief among these are adulteration of product, waste of resources, and exploitation of labor.

¹ This figure is probably nearly correct. Absolute accuracy is not possible without access to original documents, as many minor discrepancies appear in the published tabulations. Taking the statistics published in the report of the railroad commission, the fisheries estimate would be only \$240,518,606, or \$311,562 smaller. Some of these discrepancies may be due to the mixed use of fiscal and calendar years.

The purpose of the bill as expressed in section 14 is—
to provide transportation service and coal at the lowest price consistent with the maintenance of the welfare of all operatives at a high level, the stimulation of efficient service, and the maximum and at the same time most economical utilization of the fuel and other natural resources of Alaska.

This bill provides for the two immediate things which are essential to the development of Alaska—transportation and coal-mine development. After transportation is supplied other development of course will take place. Transportation is a primary essential for any development. Coal mining is the first industry logically to develop in that Territory, other industries being dependent in large measure upon it. Coal development also will furnish sufficient freight for the transportation system to justify the expense of building railroads.

The two necessary elements of transportation for Alaska are railroads from the coast ports to the interior, and steamships from the ocean termini to the Pacific ports of the United States.

It is customary for a Government in opening up a new territory to launch the transportation system. This was done in the case of our Pacific transcontinental railroads in the western United States. Our method then was to give away half of the country within a radius of 40 miles from the railroad. We have progressed beyond that stage, however, and so in launching a transportation system in Alaska we intend to have the Government own and operate its own system. We do not intend to be caught napping again.

As a matter of fact, the United States is, of course, one of the most tardy countries in the world in regard to the ownership of its own transportation systems. Most of the countries have government owned and operated railroads. We are one of the three nations of the earth which have not yet government-owned railroads, and it is about time we got started on this reform. Alaska offers a good place to begin.

As to the development of coal mines in Alaska, it goes without saying that we do not want to increase the hold of any private monopoly. But we must provide not only against what we do not want, but also for what we do want. This bill provides specifically for a system of development of these mines in a way to avoid the evils of private monopoly and also the evils of cut-throat competition. The evils of private industry, whether monopolized or competitive, are obvious. The chief of them are, as I have already stated, adulteration of product, unnecessary waste, and exploitation of labor.

The question is, How can industry be carried on and avoid these evils and at the same time retain the advantages which private industry offers?

The advantages are the saving of duplication obtained by private monopoly and the incentive to good management obtained by private competition. I consider that it is perfectly possible to retain these advantages and at the same time to eliminate the disadvantages. This can be done by having competition regulated by the Government, and I believe we ought to have the coal-mine industry in Alaska regulated in this way.

The bill provides, first, that no coal lands or deposits in Alaska whatsoever shall hereafter be sold in fee simple. It provides that one half of the coal lands and deposits shall be reserved for the use of the Government exclusively and the other half made available for lease to private lessees. The lessees are to mine coal in competition with one another and in competition with the Government. This is to be done under certain stipulated conditions. These conditions provide against adulteration of coal, against unnecessary waste of coal, and against all forms of injustice to labor. An eight-hour day is required, a minimum wage is fixed, and child labor is prohibited. An adequate system of housing and general living conditions is required. Compensation to injured employees and also industrial insurance is made compulsory. The safety of employees is also provided for. These provisions relate to the Government service and to all the lessees. The Government is a competitor and the private lessees as competitors are subject to the same conditions. They all have to obey the same rules of the game. This makes the conception of "fair" competition absolutely definite. All leases run for 50 years and are made subject to revocation through breach of any of the conditions named. Minor offenses are to be punished by suitable fines as penalties, so as not to work unnecessary hardship.

These regulations are of course statutory only. In order to be sure that they can be carried out, the bill provides that the Government shall itself take part as one of the competitors. The Government will not, of course, impose upon itself any conditions which can not be carried out by the lessees, because any regulations made for the guidance of the lessees would apply equally to the Government service. The lessees may charge as high a price as they like for their coal product, no

legal limit being set. The Government, acting as a competitor, regulates this matter in a practical way—not by standing off and shaking its finger in the manner of the Sherman law, but by actually taking part as a competitor and forcing the lessees to be efficient in order to meet the Government's competition. The law therefore has a physical rather than a fictional basis. The regulating laws thus far have been of the "thou shalt not" type. This bill differs fundamentally from this type. It is not theoretical regulation, but practical regulation.

The Government, through the mining service, acts simply as a competitor and not as a regulator. The Government, through the President or his agents, acts as a regulator and in no way as a competitor. That is, the President is charged with making all rules and regulations governing both the operations of the mining service and of all the lessees. His agents, acting as inspectors, see that all the provisions of the bill are carried out. These inspectors have no financial or other interest in the outcome or the results of the operations. On the other hand, the chief and all other operatives in the mining service have a very definite interest in the financial results of the mining operations.

The President or his agents acts as umpire in the game of competition. The mining service is one of the participants in the game. It is essential that these two functions be kept separate. One trouble in modern business to-day is that they are not kept separate. The participants in the game of competition in modern business make their own rules as they go along, and the man who is willing to make the most lax rules is the man who wins or forces his competitors to descend to the level of the rules that he has made. A competitor who is willing to adulterate his product in order to make more profits either forces his competitors to adopt the same methods or else go out of business. The competitor who is willing to employ child labor, to leave his machinery unsafeguarded, to work his employees as many hours as he can force them to work, to press down their wages to the lowest possible point, to adulterate his product, to resort to any and all means to drive his competitors out of business, either forces his competitors to descend to his methods or else get out of business. If by such methods he can sell at a lower price, he will get the market, and his rivals must either meet his methods or succumb. Thus the many small men are eaten up by a few big men and competition merges into private monopoly just as certainly as daylight merges into darkness. Thus there develop trusts of the character of Standard Oil and the American Tobacco Co., which have to go through a curious process called "being dissolved," with results well known. Under this bill the rules of the game will be laid down by Uncle Sam, and he will enforce them not only by being a competitor himself and setting the standard, but, if necessary, by revocation of the lease of any lessee who violates the rules.

One of the leading arguments against any form of governmental operation is that such operation does not provide for incentive and stimulation to good service. In other words, that the stimulus of self-interest being removed, Government officials can not do as efficient work as private operators. To avoid this possible danger this bill provides specifically for incentive. The plan is provided in section 10 of this bill.

The President or his agents is authorized to fix a minimum wage for each class of workers, which "shall not be less than the average wage paid that class of labor by other employers under conditions equivalent to those prevailing" in the Government service. The President also fixes the maximum prices to be charged for the various grades of coal, "not greater than will pay a reasonable profit on operations, to be determined by the President." The minimum wage applies also to the lessees, but the maximum price does not. Between these two limits thus set the mining service must do business. After all charges for operation, maintenance, depreciation, interest charges, and so forth, have been paid, the balance goes into a dividend fund corresponding to the profit made by a private business. This profit is then divided between the workers in the mining service and the consumers of coal. The share of the dividend fund assigned to the operatives in any fiscal year is to be distributed among them in such manner that each operative shall receive an amount proportional to the wages or salary previously receivable by him during the year, and the share assigned to the purchasers of coal in any fiscal year is to be distributed among them in proportion to the amounts paid by them during the year. The operatives in the Government service are defined as all persons who have been employed during any portion of the year, including the chief of the service.

By this device the interests of the producer and the consumer are made identical. The more efficiently the workers perform their duties the greater the dividend fund and the greater their

share; also the lower the price to the consumer. The consumer's share would be determined just as in any ordinary co-operative store, through a coupon system or otherwise. This whole plan applies to the transportation service as well as to the mining service. In the one case the purchasers purchase coal; in the other they purchase transportation; the plan operates in the same way in each case.

If the maximum prices have been fixed too low and there results a deficit instead of a dividend, the bill provides that "the difference shall be charged to a deficit account, 5 per cent of which, with interest of 5 per cent on the remainder thereof, shall be included in the total annual debit account of the appropriate service each year for 20 years thereafter." This means that any deficit can be distributed over a period of 20 years.

The plan of distributing dividends as worked out in this bill is known as "conditional compensation"; that is, the compensation of the workers is conditioned upon their lowering the price to the consumer.

The question as to who will be the consumers of coal to whom Uncle Sam will sell is determined to some extent by the bill itself. The bill gives preference in the sale of Government-mined coal first to the Government itself as a collective consumer. The transportation service, the United States Navy and other Government services, schools and other public institutions, including municipalities, have a preferential right to buy from the Government mining service. After providing for such public needs preference is then given to the ultimate consumer, next to bona fide cooperative associations dealing with ultimate consumers, and after that to the other classes of consumers. The object of this provision is to give the benefits of the Government operations to the consumer rather than to middlemen, who would naturally, if possible, pocket the benefit rather than pass it along to the consumer.

The bill provides that the mining service shall earn 5 per cent on the money invested. The capital is to be raised by a bond issue, carrying 3 per cent. The 2 per cent goes into a sinking fund to retire the bonds at maturity. The bill provides also for ample wages of superintendence and an ample margin of safety in conducting its operations. These are the only legitimate items which should be included under a "reasonable profit." There are other items sometimes included under the term "profit," such as "velvet" and "speculation." This bill makes no provision for such items.

The lessee competing with the mining service has ample opportunity to obtain all legitimate items comprised under the term "profit." He has no opportunity whatsoever for obtaining the illegitimate items. He has every opportunity for obtaining a profit which stands for service. He has no opportunity for obtaining a profit which stands for exploitation, either of laborer or consumer. He has plenty of opportunity to make a reasonable profit and no opportunity to make an unreasonable one. He has an assured market both in Alaska and on the Pacific coast; he has the use of a Government transportation system on equal terms with his Government competitor. What we want in Alaska is efficient mining men—managers, engineers, and persons who are content with the compensation which their service is worth to the community. Alaska needs no exploiters, no speculators, no land grabbers, no Guggenheim syndicate.

The cost of operation for the Government as provided for in this bill consists of certain items named—operation and maintenance, wages, salaries, and so forth, transportation, ground rent, interest charges of 5 per cent, and conditional compensation; anything over and above this is a rebate to the consumer. Thus the industry is conducted at cost—real cost, scientifically determined. No industry can be conducted indefinitely at less than cost, except by exploiting labor. To charge more than cost is to charge the consumer for something which he does not receive; that is, to charge tribute. Every cent charged over and above cost is one cent of tribute.

This bill provides a plan by which Alaska can be opened as it should be, so as to give every opportunity to producer, to consumer, and to manager, but no opportunity to the speculator, the promoter, and the exploiter. I believe that this bill is going to act as an acid test to show where the people stand—whether they want industry for service or industry for plunder.

Mr. MONDELL. Mr. Chairman, I move to strike out the last two words. I was unavoidably absent from the House the latter part of the session of yesterday when the public-building items were under discussion. In view of that fact I trust that the chairman of the committee will not object if I for a moment refer to the general proposition of public buildings.

Mr. FITZGERALD. I hope the gentleman will wait until we offer the amendment to restore the paragraph.

Mr. MONDELL. When will that be?

Mr. FITZGERALD. It will be later.

Mr. MONDELL. These thoughts are now upon my mind, and they might pass.

Mr. FITZGERALD. I hope the gentleman will keep them upon his mind. This will be germane at that point, and I hope the gentleman will reserve the discussion of it until then.

The CHAIRMAN. Without objection the pro forma amendment will be withdrawn and the Clerk will read.

The Clerk read as follows:

INTERSTATE COMMERCE COMMISSION.

To enable the Interstate Commerce Commission to carry out the objects of the act entitled "An act to amend an act entitled 'An act to regulate commerce,' approved February 4, 1887, and all acts amendatory thereof, by providing for a valuation of the several classes of property of carriers subject thereto and securing information concerning their stocks, bonds, and other securities," approved March 1, 1913, of which sum not exceeding \$15,000 may be expended for rent of buildings in the District of Columbia, being for the fiscal year 1914, \$300,000, together with the unexpended balance of the appropriation of \$100,000 made for this purpose in the general deficiency appropriation act approved March 4, 1913, which is reappropriated and made available for the fiscal year 1914: *Provided*, That no person in the classified service of the United States on March 1, 1913, or employed therein since that date, other than in the Interstate Commerce Commission, shall be employed hereunder, by certificate or otherwise of the Civil Service Commission or by transfer from other branches of the public service, at a rate of compensation exceeding that received from the United States on or since March 1, 1913, nor shall the rate of compensation of any person appointed hereunder be increased within 12 months after such appointment: *Provided further*, That this appropriation shall be available for payment of persons duly appointed, qualified, and actually employed prior to July 1, 1913.

Mr. MANN. Mr. Chairman, I reserve the point of order on the paragraph.

The CHAIRMAN. The gentleman from Illinois reserves the point of order on the paragraph.

Mr. MANN. First, Mr. Chairman, may I ask the gentleman whether the amount appropriated by the bill is sufficient for this fiscal year, according to the statement of the Interstate Commerce Commission? I believe the estimate is one million and a half.

Mr. FITZGERALD. The amount of the unexpended balance of \$100,000 will amount to a little over \$90,000, and the appropriation is about \$100,000 in excess of the amount that the commission estimates will carry them until about the 1st of February. It is said if we gave them about \$300,000 that by the next session of Congress their plans would be so much more definitely formulated and the information so much more accurate that they could very much better and more fully lay the matter before the Congress, and the committee gave them \$390,000, in the belief that it will be ample to carry them beyond the time when there would be another deficiency bill.

Mr. MANN. Of course, the estimate was one million and a half dollars. What I wish to inquire is whether the committee in reporting the bill has included as large an amount as the members of the commission say they now want?

Mr. FITZGERALD. Yes; with the understanding that in their opinion it would carry them beyond the 1st of February. There was no intention to withhold from the commission any needed money, but their plans had been delayed very much by the inability to have the examinations take place to obtain the required men. They believe that by the next session of Congress they could more accurately outline their plans and give the information that may be required.

Mr. MANN. May I ask the gentleman further in reference to the proviso, does that meet the approval of the members of the commission? Was that provision in reference to the transfer of persons from other branches of the service incorporated at the suggestion of the commission?

Mr. FITZGERALD. No; they were not consulted about it.

Mr. MANN. Could it not readily occur that some one in the Government service of aptitude and ability, transferred to another branch of the service where there was much greater responsibility, would demand a larger sum of money, especially in a service which in the end will be of a temporary character?

Mr. FITZGERALD. This situation was developed, that the Interstate Commerce Commission has fixed rates of compensation for the various places in excess of the compensation paid in other departments of the Government, and the attention of the committee was called to the fact that unless some such provision as this were inserted some of the offices in the Government would be depleted of the most valuable and competent men. The committee believed that if a man wished to leave one branch of the public service to go into this work, it would not be unfair to compel him to go in at the compensation he is now receiving and continue at that rate for at least a year.

Mr. MANN. Suppose some one in the Government service now is an expert accountant, it would hardly be expected he

would leave the place he is now in and go into the Interstate Commerce Commission to do this work, with greater responsibility, with a tenure of office less, at the same salary, and yet it might be to the interest of the Government in making this physical valuation, than which nothing is more important to have well made, to have that person in the Government service in that branch.

Mr. FITZGERALD. The trouble has been chiefly with men of technical ability. For instance, the Supervising Architect says that unless some such provision as this be adopted his office will be completely depleted.

Mr. MANN. I have very grave doubt about it, but I will yield to the committee, so far as my opinion is concerned, and I withdraw the point of order.

The CHAIRMAN. The gentleman from Illinois withdraws the point of order.

Mr. FITZGERALD. Mr. Chairman, I move to strike out the last word. The original estimates for the cost of the physical valuation of railroads of the country were about three and a half million dollars. I think the largest ever made was \$5,000,000. In the testimony taken before the committee it is apparent that the cost will be at least \$12,000,000.

Mr. MANN. The gentleman does not recollect the statement I made in the House that it would cost between \$15,000,000 and \$20,000,000 before you got through.

Mr. FITZGERALD. I was speaking of estimates, not of statements.

Mr. MANN. That was an estimate made at the time by an expert in railroad matters.

Mr. FITZGERALD. I mean made by officials in the executive department when the legislation was before the committee, and I quite agree with the gentleman from Illinois, from the information furnished to the committee, that it is more likely to cost \$20,000,000 than it is \$10,000,000, and I believe that this statement should be made to the House at this time. Commissioner Prouty said unless Congress was prepared to spend at least \$12,000,000 this work should not be commenced, and it is important that the House appreciate and realize the magnitude of the undertaking upon which it is now entering, so that hereafter when the cost will develop into these very large figures there will be no contention that information as to these facts was not furnished to the House.

Mr. MANN. Of course it is also perfectly certain that if the physical valuation is to be made, or valuation that is not confined to physical valuation, it is desirable to have it made as quickly as it can be done properly.

Mr. FITZGERALD. I believe that as soon as the commission gets its force organized that it is the part of wisdom to give them all the money they can utilize, so as to complete the work as quickly as possible. It is estimated, however, it will take about seven years to do it, but there was no difference of opinion and the committee gave them a little more than they thought they could possibly use, not with any intention at all to interfere with the work but simply to have Congress informed from time to time as estimates were submitted as to the progress of the work and the necessity for the various appropriations requested. There is a provision in this item which provides for employees, some of whom were appointed prior to the 1st of July and the appropriation ceased. After conference with the commission we suggested there is no question but that Congress will make provision for them in the interim and they should not be dismissed. One other thing. Mr. Chairman, may be of interest to the committee, and that is the President has issued an Executive order which permits the appointment of eight persons to be employed regardless of the provisions of the classified service, and only eight. There will be three of those employed as consulting engineers who will be paid at the rate of \$10,000 a year, and the engineers in charge of the five districts into which the whole country will be divided, each district containing about 50,000 miles of railroads. Those eight men the Interstate Commerce Commission will select at their discretion from the available talent in the country. All the other employees, they have been informed, must be taken through the civil service. Personally I believe there is at least another class that the commission should be permitted to select without regard to the civil service, and that is the expert real-estate appraisers who must be obtained in order to value the real estate of railroads, particularly in cities where the value of terminals will be of very great importance, but up to this time no provision has been made for that purpose.

Mr. MANN. Does the gentleman think that the President's order will prevent the employment temporarily of real estate experts in the different cities?

Mr. FITZGERALD. Well, I have had this experience. A gentleman residing in the county where I reside—not in my district, there are eight Members of Congress from the county—

who had been employed by men who have been engaged by the New Haven, the New York Central, and five of the great railroads of the country, in the valuation of their lines, and this man at various times has been engaged by these railroads as a real estate expert to appraise the value of the real estate of the railroads. He applied for an appointment under this authority and the commission has notified him that when that examination is held he will be apprised of it and be given an opportunity to compete in a competitive examination. That is all I wish to say, and I withdraw the pro forma amendment.

Mr. BARTLETT. Mr. Chairman—

Mr. FITZGERALD. Mr. Chairman, I withdraw the pro forma amendment.

Mr. BARTLETT. I move to strike out the last two words. I want to be heard on this proposition.

Mr. MURRAY of Oklahoma. Will you let my amendment be read?

The CHAIRMAN. The gentleman from Oklahoma [Mr. MURRAY] offers an amendment, which the Clerk will report.

The Clerk read as follows:

Page 8, line 2, after the word "fourteen," strike out the figures "300,000" and insert in lieu thereof "1,500,000."

Mr. BARTLETT. I would just as soon address myself to that amendment. Go ahead.

Mr. MURRAY of Oklahoma. Mr. Chairman, I have here an estimate of the Interstate Commerce Commission showing there is required \$1,500,000, together with \$100,000 heretofore appropriated. In this connection this statement is made by the Interstate Commerce Commission:

To enable the Interstate Commerce Commission to carry out the objects of the act entitled "An act to amend an act entitled 'An act to regulate commerce,' approved February 4, 1887, and all acts amendatory thereof, by providing for a valuation of the several classes of property of carriers subject thereto and securing information concerning their stocks, bonds, and other securities," approved March 1, 1913, of which sum not exceeding \$15,000 may be expended for rent of buildings in the District of Columbia.

It is regarded extremely desirable that this work should be done as of a common date; that is, that the period covered should be as short as is consistent with economy and efficiency. The present expense of the organization which we are perfecting is in the nature of an overhead charge, the amount of work depending upon the field parties which will operate under the organization. The commission should therefore be in a position to develop this field work as speedily as can properly be done. While it is impossible to precisely forecast the future of this work, we are confident that at least the above sum should be placed at our disposal if it is to be prosecuted to the best advantage.

Mr. HINEBAUGH. Will the gentleman yield?

Mr. MURRAY of Oklahoma. No.

Mr. HINEBAUGH. For just a question?

Mr. MURRAY of Oklahoma. If I had more time, I would be glad to yield.

Mr. BARTLETT. The gentleman can get all the time he wants.

Mr. MURRAY of Oklahoma. If I can get more time, I shall be glad to answer the question.

Mr. HINEBAUGH. I just wanted to ask whether the gentleman is informed that the commission, before the subcommittee of the Committee on Appropriations, stated in substance that they were getting all or more than they could use at this time; and if that is so, why a larger amount is appropriated now?

Mr. MURRAY of Oklahoma. I do not understand that is true.

Mr. BARTLETT. It is true.

Mr. MURRAY of Oklahoma. I do not understand that anywhere they have made the statement that they do not need this money and need it now.

Mr. FITZGERALD. The gentleman is mistaken. We have given the commission all the money they say they can use now.

Mr. MURRAY of Oklahoma. When you do you will not make your appropriation until next summer. I want to say, Mr. Chairman, that the statement that this will cost \$12,000,000 need not deter Congress. We are already paying in watered bonds and stocks in one corporation more than that amount annually. If we string this work out for the next 30 years, it will give time to overcapitalize every corporation of this country. The greatest example is the Steel Corporation. The Steel Corporation first issued \$500,000,000 of preferred stock. There are but \$375,000,000 of that stock that represents actual valuation. And yet it was sold on the market. Subsequently there were \$500,000,000 of common stock; every dime of it watered. But by the manipulation of Morgan and his associates it was enabled to be sold. Who bought it? Two hundred and forty thousand investors throughout the world. Now, the man who palmed that fraud upon the people does not care what becomes of it. Forty thousand of those shares are owned by the employees of the Steel Corporation. The continuation of the issuance of fraudulent bonds and stocks can never be destroyed. When the innocent purchasers, the widows, and the people

of small means who want to make an investment have purchased that property it will be property that we can not take from them, and yet to the end of time we will have to pay dividends in the form of increased rates upon all the corporations of the country.

The American people demanded of Congress a provision whereby the physical valuation of the property of the railroads might be made or the law would not have been enacted. And you might just as well not enact a law if you are not going to make it possible to put the law into practical operation. More than 60 per cent now of all of the stocks of the railroads is water.

If we had started out in the beginning to provide—and have provided—that no bonds or stocks could be issued by any public-service corporation, except for money paid, labor done, or property actually received, the cost to the American people would have been a saving of more than \$60,000,000,000 that we to the end of time must pay interest upon in the form of dividends. The Supreme Court has declared that we can not regulate the railroads beyond allowing them reasonable interest and dividends.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. BARTLETT. Mr. Chairman—

Mr. MURRAY of Oklahoma. You said a while ago that you would let me have more time.

Mr. FITZGERALD. Mr. Chairman, I ask unanimous consent that the gentleman may have five minutes more.

The CHAIRMAN. The gentleman from New York asks unanimous consent that the gentleman from Oklahoma may have five minutes more. Is there objection? [After a pause.] The Chair hears none. The gentleman from Oklahoma is recognized for five minutes more.

Mr. MURRAY of Oklahoma. The quicker that we put this law now on the statute books into practical operation the better it is going to be for the American people. If we delay, it is going to mean that they will throw more water into their stocks and bonds, which will be sold and purchased by innocent citizens of the country. Are we going to stand by and be scared at \$12,000,000?

Mr. Chairman, I call attention to the fact that there is a difference between a fair rate and a uniform rate upon railroads or other transportation companies. A uniform rate is a rate that is the same to everybody. A fair or just rate is one that gives the corporations only a reasonable amount of income on its investment, and that, under the decision of the Supreme Court, we have got to give them. And yet they use every means in the world to hide their expenditures. They will take up a piece of railroad track and reconstruct it, simply in order to hide the expenditures. I have no doubt but that that is done right here in this city by some of the street car lines. And why? Because if they did not make that expenditure and use some juggle, it would be discovered that they are making more than a reasonable dividend. Therefore every means is pursued in order to hide the real dividends that arise from that great corporate interest, and the people have to pay.

I am in favor of giving this commission that \$1,500,000 and every other dollar they ask for to enable them to accomplish their task, to use the language of the commissioner, on "as of the same date," so that the people of this country will not be further oppressed by being required to pay interest and dividends upon watered bonds and stocks. If you wait a few years we will have still more. What is true with respect to the Steel Corporation, with the issuance of more than half of its stock as water, disposed of to the purchasers, will apply to every corporation in this country.

Now, we have a law passed by Congress. Let us make it practical. Let us not deceive the people with the idea that we have a law when the law is not self-executing. It is a great problem. It will require men, an army of men, to make the physical valuation of the railroad properties so that we can not only fix a uniform rate, but a fair and just rate, and that fair and just rate can not be made until the Interstate Commerce Commission can value the physical property of the railroads. When that is done we shall forever prohibit the issuance of fraudulent bonds and stocks, as has been done in the past.

Mr. BARTLETT and Mr. THOMPSON of Oklahoma rose.

The CHAIRMAN. The gentleman from Georgia [Mr. BARTLETT] will be recognized first.

Mr. BARTLETT. Mr. Chairman, the gentleman from Oklahoma [Mr. MURRAY] and no one else in this House or elsewhere is more in favor of the law that has been put upon the statute books to have a physical valuation made of the railroads engaged in interstate commerce than myself. I served on the

Committee on Interstate and Foreign Commerce of this House for a number of years, and I aided as well as I could both my Democratic colleagues upon that committee and others in passing the law which makes the physical valuation of railroads incumbent upon the Interstate Commerce Commission.

We could not get it upon the bill as it was reported from the committee, but an amendment was offered from the floor of the House, as I recall, by the gentleman from Illinois [Mr. MADDEN], and it went upon the bill. It did not pass in 1910, but this Congress, this Democratic Congress, passed the bill through the House providing for the physical valuation of railroads.

I do not know, Mr. Chairman, what our power is when we shall have ascertained the physical value of these railroads to prevent the watering of stocks and bonds or to squeeze the water out of the railroad stocks that have heretofore been issued. But I do know that when we shall have secured a fair valuation of the physical property of the railroads we shall then be in a position to have the Interstate Commerce Commission fix a reasonable rate for the transportation of passengers and freight over their lines.

I am not stunned at the idea that it is going to take many more millions of dollars than we anticipated, because I believe at the time this law was enacted that the suggestion that was made then by some members of the Interstate Commerce Commission to the effect that we could perform this work for three or five million dollars was not accurate, because I thought then that it would take more; and that fear, that anticipation of increased cost, has now been realized, if the statement made by the members of the Interstate Commerce Commission, the chairman, and others who appeared before the subcommittee are to be taken as correct.

Now, this committee stands ready and has always stood ready—the chairman and the members of the subcommittee and the members of the full Committee on Appropriations—to appropriate every dollar of money that is necessary to carry out the purposes of Congress in this regard.

After the bill passed the House at the last session, and before it passed the Senate, Senator LA FOLLETTE offered an amendment, providing an appropriation of \$500,000 for this purpose, which was adopted in the Senate. The Interstate Commerce Commission had made no suggestion of what the amount would be, and the conference committee reported an appropriation of \$100,000 to start this matter, and the House and Senate agreed to that. The \$100,000 was appropriated, and up to the 1st of July the commission had not been able to expend over \$9,000 or \$10,000 of that \$100,000. It is true that they submitted to the Committee on Appropriations a detailed statement of what they proposed to do, of the various divisions of the work, the various employees and officials, what their salaries should be, and what it would cost, amounting to \$1,500,000, according to my recollection.

But when we sent for the commissioners themselves, Judge Prouty and Judge Clements, the oldest members of the commission—one has been a member of it for 20 years or more—they said that in view of the fact that they had to reorganize the force and to obtain the employees from the eligible list of the Civil Service Commission they could not possibly use more than \$200,000 or \$300,000 up to the 1st of February. The committee stated to them that if they would come back to us with an estimate of the expense necessary to be incurred in this work which the people have demanded and which they are justly entitled to, the committee would perform its part in seeing that the Interstate Commerce Commission got every dollar of money that they could use and that was necessary for this purpose. If we now appropriate a million and a half dollars for this purpose, it will simply load down the bill and make a showing of expenditure which will not answer any purpose except to have the money paid back into the Treasury at the end of the next fiscal year, because it can not possibly be used.

I sympathize with my friend from Oklahoma [Mr. MURRAY] and will cooperate with him all along the line to furnish the Interstate Commerce Commission with every dollar that is necessary in order to carry out this work, but it is not necessary, in order to show the people our good faith, that we should appropriate more money than is necessary. Here is what Judge Clements states:

The law was passed about the 1st of March and required us to begin within 60 days; then an appropriation got into a bill here for some \$500,000 for the balance of the fiscal year. Now, as to whose judgment that was based on, and how that estimate was made I do not know. It was not ours.

Mr. BARTLETT. You furnished no estimate for it?

Mr. CLEMENTS. It was impossible to use any such sum as that.

The CHAIRMAN. That amount was put in the bill in the Senate, and we realized that it was impossible to use that much money, and we made it \$100,000.

Mr. CLEMENTS. I do not suppose we have used \$20,000.

The CHAIRMAN. You could not push a button and start this organization.

Mr. CLEMENTS. No. I consented to this provision for \$1,500,000 for the next fiscal year, but I believed then we could not use it, and I do not believe we can use it now. But I felt justified in it for this reason: That was done in May; we did not know of the delays that were going to take place in getting an eligible list and organizing these various divisions and working parties, although now Mr. Prouty, who has been delegated to look more directly after it than any other commissioner, in the division of our work, thinks those things can be organized and put into the field in October or November. But there will be other unanticipated hitches and delays about it. Manifestly, experience would suggest that those things will happen, and I do not believe we can use any such sum as that during the balance of this fiscal year. At the same time this estimate having been made in May, and having in mind that we might get a great deal of this organization started by the 1st of July and then build it up rapidly afterwards, I consented to the \$1,500,000 estimate. My consent was given, because I had in mind the possibility of getting this organization nearly up to its maximum about the first of the coming year or soon thereafter, and having a good working organization, handling its work rapidly, it would be unfortunate to have it collapse for the want of money for a month or six weeks. Knowing that it is a misdemeanor to create a deficiency, and ought to be—I do not find any fault with that, for we ought not to do it—I felt warranted in making an estimate that would give us sufficient money. If we had a pay roll and things were going, and there was no particular overhead expense, or anything of that sort, it would not be such a serious matter; but if we lay out districts, and start these parties in these districts, scattered all over the country, with men at San Francisco, Louisville, New York, Washington, or wherever these places are, and have the thing collapse all at once for want of money, it is a serious thing to contemplate.

The CHAIRMAN. That will not happen.

Mr. CLEMENTS. I know; but sometimes you do not know when you will get your bills through here; sometimes unforeseen difficulties arise here which cause delays. So I felt justified, in view of the temporary character of this machine or organization to be built up to do this work and get through with it, and the appalling results that would come if, when about the time it is built up and going, we should be compelled to stop for six weeks, in consenting to this estimate, feeling it was better to ask for more money than to ask for too little, but not upon the idea that we are going to ask for more in order to get about what we want; I do not believe in that practice, and have no respect for it. But now, since the delays that have occurred, and those that are likely to occur, I still do not believe that we could use any such sum during the balance of this fiscal year, although time will show whether we can or not. Neither do I believe that it will take any such sums as have been stated here to finish this work. I think, and I believe it is the opinion of the commission generally, that the best thing to do is to proceed rather cautiously and carefully and select men of character, standing, and ability to put at the head of this work to organize and carry it forward, so that when it is finished it will be agreed that it was done in good faith and fairly to all interests. Necessarily we have got to give them directions as to what we will call on the railroads for and in what form it shall be put.

All of this requires the definition and segregation of the things that we are to call upon them to do in the performance of their duties as prescribed by this bill, and to cooperate with us in this matter so as to get the same sort of information in regard to the same questions from each and all of them alike for our utilization, for the utilization of our engineers and the people who make these estimates. All of that takes time and thought, and it takes consultation with people who know more about it than we do. Congress knew we could not make this valuation with our own hands, eyes, and minds, and that we must be careful in the selection of the people that we are to have help us, especially in the beginning. And it has been our hope that we could have more regard for quality from the start than for quantity and speed, and that when we have gone far enough to make sure of the satisfactory quality of the work, we could multiply the units of the organization more rapidly and turn it off at the greatest possible speed so as to be through with it as soon as possible. And it remains yet to be seen whether it is going to take more than five or six million dollars. I think Prof. Adams, over in the Senate, estimated some \$6,000,000; I have been told that, but I have not read his testimony. At any rate, I think all of us have done the best we could in sizing up the magnitude of this mountain to begin with, and the closer you get to it and begin to deal with it, the better you can deal with actual facts.

Mr. BARTLETT. How much money do you think you can spend between now and the 1st of February?

Mr. CLEMENTS. We have not now more than 15 men, and about half of them were put in this division of valuation, which will be a permanent division in our work, for the reasons heretofore stated, and they are to take care of and file the correspondence. The volume of this work has been very heavy, and will be heavier. Aside from that we have just gotten these chief engineers, and have agreed upon some assistant engineers, but we will be delayed until there is an eligible roll which will come along this fall, in August, September, or October.

I will state by way of parentheses that these examinations have to be held for these places under the civil-service law, and they have not yet furnished to the commission the eligibles from whom to make these selections.

Judge Clements continued:

I do not believe it can be wisely, judiciously, and carefully done with such rapidity that we will have anything like the full-fledged organization that is ultimately intended here, by the 1st of February, and there is a good deal of a guess about how far short we will fall of it by that time. The commission made this estimate in May upon the idea that we might get this thing going and build it up more rapidly than has been possible, and we thought of the misfortune that would result if we found ourselves without money after we got it built up and got it going.

The CHAIRMAN. You have no doubt that a couple of hundred thousand dollars will carry you along until about the 1st of February?

Mr. CLEMENTS. I have not any doubt that a couple of hundred thousand dollars, or \$250,000 at least, will do that, and I have not any doubt that a good deal less than \$1,500,000 would take us until the

1st of July, that we could judiciously expend in that time. Now, I expect the second year and the third year we will turn out a great deal more work and that it will cost a great deal more.

The CHAIRMAN. You will organize and press the work as rapidly as possible?

Mr. CLEMENTS. Yes, sir.

Mr. BARTLETT. Is there any suggestion you could make by which we could authorize the commission to employ these experts other than through and by means of a civil-service examination? In other words, men who will do a class of work other than that you have mentioned?

Mr. CLEMENTS. Well, the President has given us an order for some of the employees.

Mr. BARTLETT. Could you not secure a better class of employees if you got them outside of the civil service?

Mr. CLEMENTS. We will require such qualifications as to record, experience, and things of that sort, that I think we will secure at once the most competent people. If there are any incompetent ones we would not give them any thought. We have a right to reject those who are incompetent, or whom we believe so, and call for others, and out of the number which will come to us in that way I think we will have as good an opportunity as I can think of.

Mr. BARTLETT. You have a chance for selection even from those certified by the commission.

Mr. CLEMENTS. Yes, sir. I do not see how we could help ourselves out on that score.

Mr. MURRAY of Oklahoma. Until when does he say?

Mr. BARTLETT. Until the 1st of next July, the beginning of the next fiscal year.

Mr. MURRAY of Oklahoma. When will the next appropriation bill be passed?

Mr. BARTLETT. The House will meet on the first Monday in December, and the sundry civil bill will pass before the 1st of July, and I will say to my friend from Oklahoma—and I think I am authorized to make this statement as a member of the committee, and to speak for the chairman and other members of the committee, certainly for the subcommittee or the members of it on this side of the House whom I in part represent—that if the Interstate Commerce Commission shall, on the 1st of February or at any time after that, say to us that it is necessary to have more money with which to carry on this work, so far as the committee are concerned, they will get it at our hands.

Mr. MURRAY of Oklahoma. Now, according to that statement of Mr. Clements, they are going to need that from February to July.

Mr. BARTLETT. No, sir. He says he has no doubt that a good deal less than a million and a half will take them up until July.

Mr. MURRAY of Oklahoma. He first states that, and then says a good deal less than a million and a half. Now, what is he going to operate on from February to July?

Mr. BARTLETT. He has this money which he will not expend, all of it; he has \$690,000 under this bill.

Mr. MURRAY of Oklahoma. That is for the purpose of organization.

Mr. BARTLETT. Oh, no; it is to carry on the work.

The CHAIRMAN. The time of the gentleman from Georgia has again expired.

Mr. BARTLETT. I ask an extension of five minutes.

The CHAIRMAN. The gentleman from Georgia asks that his time be again extended for five minutes. Is there objection?

There was no objection.

Mr. MURRAY of Oklahoma. Is it true that the usual appropriation bills come along just before the adjournment of Congress in June or July?

Mr. BARTLETT. No; an urgent deficiency passes sometimes the first of the session.

Mr. MURRAY of Oklahoma. If you are going to appropriate the money, what hinders making the appropriation now and having it available as soon as the commission is ready to expend it?

Mr. BARTLETT. Because the commission is not now in a position to estimate and tell us what they need. Both the commission and the secretary filed a statement in detail and said that in the main it was mere guesswork as to what it was to cost. We were not called upon to appropriate money of the people, no matter for how good a purpose, on mere guesswork, and we are not going to do it.

Now, I will read the rest of this:

Mr. BARTLETT. Is there any suggestion you could make by which we could authorize the commission to employ these experts other than through and by means of a civil-service examination? In other words, men who will do a class of work other than that you have mentioned?

Mr. CLEMENTS. Well, the President has given us an order for some of the employees.

The President had given an order by which the high-class men may be employed without regard to the civil service. But as to all others the engineers are to be under the civil-service examination, and the Civil Service has not been able to hold examinations. It would be just like we did when we appro-

printed \$100,000 for them for March and July and they were only able to spend a part of it.

Now, Mr. Chairman, I know the gentleman who made that statement before the committee. I have known him since I was a very young man. He had been a Member of this House for years. He has been on the Interstate Commerce Commission for twenty-odd years. For years he was its chairman. He is a careful, prudent, faithful official, and when he came before us that was not disputed. Inasmuch as it was in favor of making the valuation, inasmuch as the committee was willing to start all the work, inasmuch as it was willing to incur this vast expenditure of money for the benefit of what would be received, we think the House ought not to turn us down, because we are not willing to put in five times as much money as these gentlemen say they can spend during the next few months when Congress is to be in session. To appropriate a million and a half dollars which the commissioners say they do not need would be mere "buncombe" and let the people know that we were after the railroads and willing to spend money, not only all the money necessary, but appropriate five times as much as is necessary.

Mr. Clements said that they would need \$250,000, and we have appropriated nearly \$400,000, and that is ample. I make this statement to show that the committee needs no suggestion, that it is in sympathy with the work. So far as I am concerned I have been uniformly in and out of season in favor of it. I voted for the bill that made the physical valuation of railroads compulsory, and I am one of those who were in favor of it, who made the legislation possible, who voted for it and supported it on the floor of the House. I would be the last man to cripple the service of the Interstate Commerce Commission in an effort to destroy the act of Congress. This amount is all that is necessary, and I do not think the House ought to turn it down.

Mr. Sisson. Will the gentleman yield?

Mr. BARTLETT. Yes.

Mr. Sisson. In reference to the amount asked for, did not Judge Clements state that it was very doubtful if they could find use for the amount carried in the bill?

Mr. BARTLETT. He did. I read that to the House a few moments ago.

Mr. THOMPSON of Oklahoma. Mr. Chairman, if there is any question that is more important to the people of this country than another, it is the question of transportation. We have had an illustration of that in the State of Oklahoma. When we adopted the constitution in 1907, we adopted as a part of that constitution a provision for a 2-cent rate for passengers on the railroads in that State, in intrastate passenger service. In 1909 the railroads went into the Federal court and secured an injunction against the State corporation commission, prohibiting the enforcement of the 2-cent rate. Early in this year, and after the Supreme Court in the Minnesota case had rendered its decision, the railroads made an agreement with the State corporation commission by which they abandoned their injunction proceedings. From 1909 until 1913, or during the period of less than four years, on intrastate business in Oklahoma alone the railroads of that State, with a mileage of 6,400 miles, have collected on the difference between a 2-cent fare and a 3-cent fare, more than \$6,000,000.

Mr. Chairman, there are more than 250,000 miles of railroad in the United States. If we figure up the same proportion we can readily understand the amount that is being collected from the people of the country by these public service corporations in excess of that to which they are justly entitled. It will amount on passenger traffic alone, not including interstate business, to the enormous sum of \$240,000,000 per year, or, including interstate travel, the sum of one-half billion dollars. Down in our State they bond the railroads for more than \$60,000 a mile, whereas, as a matter of fact, they do not cost the builders more than \$15,000 a mile. In other words, the people are paying interest on watered stock that amounts to \$3 every time they pay on a real investment of \$1. The provision offered by my colleague, Mr. MURRAY, is to ascertain the physical valuation, the real value of these railroads, the amount of real dollars that has been invested in them after the water has been squeezed out. Nothing more important can be done, because we can never arrive at a just basis for fixing either passenger rates or freight rates until the water is squeezed out of the stock of these corporations and their real value is known.

Mr. Chairman, I think in Oklahoma we have one of the best corporation commissions in the world. Yesterday evening one of the members of that corporation commission talked to me and he said that the valuation of these railroads could be made for \$10 per mile. When I was a member of the Senate of Oklahoma we made an appropriation for that purpose, and the

railroad corporation commission of Oklahoma, using that appropriation, made a physical valuation for less than \$10 per mile. I think one of the greatest railroad experts in this country, and one of the greatest men in the country, who stands at all times for the interests of the people, is ROBERT LA FOLLETTE, of Wisconsin. Senator LA FOLLETTE, in speaking upon this question in May, 1911, used the following language:

I think I am able to make a fairly authoritative answer to the question of the Senator from New Hampshire. I have referred before to the very careful valuation of the physical properties of the railroads made by the Wisconsin commission. Their engineers, contractors, bridge builders, architects, real-estate experts have been sent to inspect every detail of the property. Engineers have gone on foot over the mileage. They know what bridges are built of wood; what bridges are built of concrete; what bridges are constructed of steel. They know how all the depots are constructed, how much real estate each railroad company owns. They know the value of the terminals used by the Wisconsin railroads outside of our State and the extent to which the companies outside of Wisconsin use those terminals. They have gone step by step over every inch of this ground, and I can say to the Senator from New Hampshire that at an expense not exceeding \$10 per mile, or \$2,400,000 for the entire mileage of the United States, we can learn the value of the physical properties of the railroad companies of this country engaged in interstate commerce.

Mr. Chairman, the railroad mileage of the United States is approximately 250,000 miles; at \$10 per mile it will cost the taxpayers of the country \$2,500,000 to ascertain the real value of the railroads. This amount would be about one-fortieth of what the people of this country pay out every year in excess passenger fare, or, to be accurate, the difference between a 2-cent fare and a 3-cent fare. If the moneys expended by the consumers of the country as freight is taken into consideration it would multiply the amount unlawfully taken from the pockets of the people many times.

If the money now taken from the pockets of the American people in extortionate and unlawful freight and passenger fares were placed in a separate fund and turned over to the Government, every dollar now taken from the burdened taxpayers of this country for taxes, National, State, county, municipal, and district, could be returned to them.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I ask unanimous consent to proceed for five minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. THOMPSON of Oklahoma. Mr. Chairman, that statement of the Senator from Wisconsin is in line with a statement made by George A. Henshaw, who from 1907 until 1910, when he was elected a member of the State corporation commission, was assistant attorney general of our State and in charge of the litigation affecting the railroads of the State. He is the man who conducted all of the important litigations in our State, the man who prepared the case, and who, more than any other man in the country, finally won the 2-cent rate for Oklahoma and that line of States that run up and down the Mississippi Valley west of the great father of waters. That is in accord with his statement. It is exactly in accord with the figures of the corporation commission of Oklahoma. What do the railroads of the country want? They want a small appropriation. And why? Because a small appropriation extends the work out over a period of years, and this will permit the railroads to go on with their work of taking four dollars from the pockets of the people where, if they were making a reasonable earning on an honest valuation, they would be taking but one.

If the farmers, the laborers, the merchants, or any other honest and legitimate business of this country were to attempt to fasten on the shoulders of the American people a system one-half as hideous as the railroads have already fastened on them, the Congress would appropriate, and that, too, without quibble or question, many times the amount proposed by this amendment, and the people of this country would applaud our action.

Let us here and now take a stand for humanity as against greed, for man as against gold.

Now, Mr. Chairman, I want to say this: The corporations are the only people who are interested in extending this matter over a period of years. Now, the Interstate Commerce Commission at this time has appointed five division engineers. It is now trying to appoint one for every 5,000 miles of railroad in the country, to be called a division, to be engineers of the first class or first grade. That requires the appointment of about 50 additional men. Why, they could not begin to appoint these men, Mr. Chairman, unless there was an appropriation far in excess of \$300,000. I have been over there and talked with the Interstate Commerce Commission, and it tells me it needs the amount provided in the amendment of my colleague. I am willing to act on the judgment of the commission, for be it said to its everlasting credit, it is one of the departments of the Government that has always protected the rights of the great

common people. It may be true, as the gentleman from Georgia stated, that you will not expend between now and the 1st of February \$300,000, but they are making contracts or laying out work that means an expenditure of \$1,500,000.

Mr. BARTLETT. Oh, no; the gentleman is mistaken about that.

Mr. THOMPSON of Oklahoma. That is the gentleman's statement, and I oppose my statement to his.

The CHAIRMAN. Does the gentleman from Oklahoma yield to the gentleman from Georgia?

Mr. THOMPSON of Oklahoma. I do.

Mr. BARTLETT. The statement of Commissioner Clements, the oldest man on the commission, is to that effect; I am not making that statement. I do not know anything about it.

Mr. THOMPSON of Oklahoma. I will say this: That probably the statement of Commissioner Clements is correct, and it may be possible they will not use \$300,000 until the 1st of February; but they are trying to lay out work that requires \$1,500,000 according to their own estimate, and if the gentleman takes the testimony of Commissioner Clements he so states. Now, Mr. Chairman, I think this \$1,500,000 ought to be appropriated and that this work ought to be commenced. I think that work ought to be commenced on a broad basis, and that means that the water will be squeezed out of the stocks of these corporations and that the people of this country, the great producing masses of this country, will not be compelled to pay interest on three-fourths of the stock of railroad corporations that is watered stock and has no real value, but is purely fictitious—a charge against the people of this country, which, like Sinbad the Sailor, is riding the backs of our people and levying an unjust burden on every article produced by their industry.

Mr. Chairman, in this contest I take my place on the side of the people and against greed, graft, and monopoly in every form and everywhere.

Mr. MURDOCK. Mr. Chairman, I think the two gentlemen from Oklahoma who have preceded me are absolutely right in their statement that after this work shall have been begun it should be concluded as quickly as possible. This work ought not to stretch over a period of seven or eight years, but ought to be concluded in two or three or three and a half years. The New York, New Haven & Hartford Railroad has already made a physical valuation of its own property for use in court. It cost it \$75 a mile to do this. The Canadian Pacific has made a physical valuation of its property. It cost it \$65 a mile. The Union Pacific and the Southern Pacific have made valuations of their property for use in court, and it cost, I think, \$50 a mile.

Mr. BARTLETT. I will state that the average cost is \$50 a mile, the cost of making the valuation.

Mr. MURDOCK. If the gentleman will permit me, if the statement of the Interstate Commerce Commission is correct that the total railway mileage in this country is 250,000, and it should cost the Government anything like \$75 a mile, as it probably will, we will expend before we ascertain the physical valuation of the railroads something like \$18,000,000 to \$20,000,000. Now, I do not think it is material to appropriate more than \$300,000 at this time, but it will be material next year in February to make provision for a large sum for the quick inauguration and speedy continuation of this work. There is not any reason why when we do begin next year we should not begin in earnest. I do not think it will take over \$300,000 now, because the Interstate Commerce Commission is at present arranging and elaborating—

Mr. BARTLETT. Will the gentleman yield?

Mr. MURDOCK. Yes.

Mr. BARTLETT. If we gave those people a million dollars a minute they can not do any more work than they can do, because I know this department has plans which they propose to carry out as soon as they can, and they can only do so much work.

Mr. MURDOCK. It may not be material to increase this amount at this time, but it will be necessary for Congress next year to face the proposition that this is going to mean an enormous expenditure.

Mr. BARTLETT. There is no doubt about that.

Mr. MURDOCK. And when that time comes I hope the committee will not hold back but come through, full and free.

As a matter of fact, here is a very curious thing in our legislative life. One day we are presented with a document from the Interstate Commerce Commission which shows us that the New York, New Haven & Hartford Railroad Co. in its acquisition of the Rhode Island trolleys gave \$12,000,000 absolutely for nothing, and the next day we see in the newspapers where a wreck has taken place on the New York, New Haven & Hartford Railroad, with a loss of life and injury to the number of 25 or 30 or 40. It is curious, I say, that we do not seem to see

any connection between the two; that we do not seem to realize that the antiquated safety devices, the poor roadbeds, the old, ramshackle cars on that railroad are directly traceable to the swindling practices of the so-called captains of industry, who skin their property to the bone at the expense of decent service. And I think the time for dillydallying and dawdling and delay on the part of the American Congress in this matter has gone by, and I want to see this committee, when it comes here next session to make these appropriations, give this Interstate Commerce Commission enough money to do this thing, not in seven or eight years but in two or three years.

Mr. BARTLETT. They can not do it in that time.

Mr. MURDOCK. Take the plans of the Interstate Commerce Commission. They have five main engineers. They are to place those five main engineers each in charge of one-fifth of the United States, each district to have about 50,000 miles of railway. Each mile of that railway is to be surveyed and appraised. They are to appraise it by what they call field parties. At the head of each field party will be an engineer. Each field party will have in it, as I understand from the hearings—which, by the way, are very full and illuminating—five squads, and they will have at the head of each squad an engineer. Each one of these squads is to make an actual physical survey of the railroad property. It is estimated that each squad—

The CHAIRMAN (Mr. HOWARD). The time of the gentleman has expired.

Mr. MURDOCK. Mr. Chairman, I ask unanimous consent for five minutes more.

The CHAIRMAN. The gentleman from Kansas asks unanimous consent to proceed for five minutes more. Is there objection? [After a pause.] The Chair hears none.

Mr. MURDOCK. Each squad, it is estimated, can view physically about 2½ miles of property per day. The size of those squads may be increased or their number may be increased to expedite the work. If the number of squads is increased, it is going to take money, and lots of it, millions of dollars; and the thing for Congress to do is to make this work not only complete, but through early, adequate appropriations to make it as speedily as possible, as the gentleman from Oklahoma [Mr. MURRAY] has emphasized.

I have watched the railroad rate regulation proposition all during my years in this body. Originally the old interstate-commerce law was passed back in 1887, I think it was, or in 1889. In 1897, in a decision of the Supreme Court, some of its main provisions were emasculated, and there succeeded after the decision of the court in 1897 a long period of agitation, during which the potent features of the law were ignored, and new and evil practices grew up, among them the giving of rebates. We passed, along about 1903, the Elkins law against rebates, and a little later on we passed the Hepburn law. None reached the sore spot, none of them brought any remedy to this country, and we were compelled a little later on to pass still another railroad rate law. To-day we are to repeal a portion of that law, and all during the last 20 or 25 years Congress has been taking little, timid, mincing half steps, when it ought to have taken full strides toward some remedy for the railroad situation. The fact is we have reached now what approaches a remedy. We are getting down to brass tacks. We are to have physical valuation of these properties. We are to determine what part of them is water. And there is not anyone here who seriously doubts that the \$20,000,000,000 of capitalization of the railroads of the United States does have water in it.

We have gotten down to this point, to a place where we have at hand a remedy, or, at least, final steps toward an adequate remedy—a cure, not a palliative; actual correction, not cocaine. It is all right to appropriate the \$300,000 now, which will give the Interstate Commerce Commission the right to perfect its plans, but after its plans have been perfected and have been put before this body and the Senate next January, then it will be the business of Congress to grant them a full and free hand in the pursuance of this work to a speedy conclusion.

Mr. MANN. Mr. Chairman, just a word. I never was a very enthusiastic supporter of the physical valuation of railroads, because I was satisfied for years and am satisfied now that when the valuation is had it will prove that the railroads have higher valuation than the present capitalization, including stocks, bonds, watered stock, preferred stock, or any other form of capitalization or indebtedness. And if the rates are to be fixed in accordance with or on the basis of valuation the railroads will be in a far better position to demand an increase of rates after the valuation than they are when they have not been able to secure that increase. The cost—

Mr. SHARP. Will the gentleman yield?

The CHAIRMAN. Does the gentleman from Illinois [Mr. MANN] yield to the gentleman from Ohio?

Mr. MANN. In just a second. The cost of the railroad terminals of the United States, in the first instance, in the main, was comparatively little. The value at present is enormous.

A few years ago one railroad in Chicago, a railroad coming into that city, paid over \$10,000,000 to get terminal facilities. Other railroads which had paid practically nothing have far better terminal facilities than that road. But when you value the property, in my judgment, you have got to consider the present value as well as the original cost.

However, inasmuch as Congress has undertaken to provide for the valuation of the property, the sooner it can be done the better. Whenever we undertake something that can be finished we ought to finish it as soon as possible.

Now I yield to the gentleman from Ohio.

Mr. SHARP. Mr. Chairman, the gentleman's remarks, after I arose to interrupt him, have practically answered my question. The observation I was going to make was that the great increase in population, the business transacted, and the commercial development of this country in such expanding measure have enhanced the original valuation of the railroads as well as many of our private industrial corporations. I quite agree with the gentleman, so far as his statement is concerned, that when we do get the real valuation of many of these railroads it will be a surprisingly high figure. Quite as valuable for the purpose of imposing a just taxation as for fixing carrying rates will be this information.

Mr. MANN. Of course the railroads in the main have been projected ahead of the population.

Mr. SHARP. There is no question about that.

Mr. MANN. As the population has centered in certain localities, it has increased the value of the property of the farmers, and of the railroads, and of everybody else.

But the gentleman from New York [Mr. FITZGERALD], in charge of the bill, has assured us that the amount carried in the bill is all that the members of the Interstate Commerce Commission desire at this time. In private conversation with Commissioner Prouty some time ago concerning the appropriation for valuation, I said to him that in my judgment the Committee on Appropriations and Congress would give to the commission all the money at any time it said it needed for this purpose without question. I think that has been done in this case, and I have no doubt it will continue to be done, and that the valuation will proceed as rapidly as it is possible for the organization to carry it on.

Mr. FITZGERALD. Mr. Chairman, will the gentleman yield for a moment?

Mr. MANN. Certainly.

Mr. FITZGERALD. In the hearings that were had on this matter I made this statement:

These appropriations are made on the understanding that the amount put in this bill is to enable you to do this work, and the more quickly you do it the better everybody will be pleased.

That was my attitude in the committee. The purpose of the committee was to give the money that could be used until there could be an opportunity to make further provision.

Mr. MURRAY of Oklahoma. Mr. Chairman, I would like to ask one question of the chairman. I am convinced as to the amount of money that he says could be used until February, but I am not convinced as to the amount of money that can be used from February until July. I gathered from the statement of the gentleman from Georgia [Mr. BARTLETT] that the gentleman's committee intend to recommend another appropriation, whether in February or any other time, as soon as it is needed. Is that true?

Mr. FITZGERALD. That is true.

Mr. MURRAY of Oklahoma. With that understanding, then, I will withdraw the amendment. I was going on the assumption that the appropriation bills would not pass ordinarily until near the close of a session, or around about July.

Mr. FITZGERALD. We fixed the date as the 1st of February in the belief that at the next session of Congress before the 1st of February in all probability there would be an urgent deficiency bill.

Mr. MURRAY of Oklahoma. Then, Mr. Chairman, I will ask leave to withdraw my amendment in the light of that statement.

Mr. FITZGERALD. The intention was to give the commission all they could use. We gave them \$390,000. That is what the bill carries.

Mr. Sisson. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman from Mississippi [Mr. Sisson] moves to strike out the last word.

Mr. Sisson. Mr. Chairman, I did not intend to say anything, but there has been some criticism of the subcommittee and I want to answer it.

Now, so far as I am individually concerned, I do not suppose anybody in the House is more in favor of a proper physical valuation of the railroads than I am. But the very men who are going to organize this force and make this valuation, the men who are to have entire charge of this work, testified that they could not possibly use more money than we gave them. We gave them every dollar they asked for, and were willing to give them more than they asked for. Some gentlemen have talked as if we were just enacting a new law in reference to physical valuation. This is not true; we are simply providing funds for the commission to enforce the law as it is. I presume that every Member of the House is heartily in favor of carrying out the positive statutes on the books. It is only a question of how much money can be used, and this subcommittee recommended to the full committee and the full committee recommended to this House every dollar that these men said they could use. What more can we do? One of them said he was almost absolutely sure that by February they would not be able to use one-half of this money that we have given them, because under the civil-service rule insisted on by the President it will take 60 days to examine this vast army of men. Then it will take more than 30 days to get through with the results of the examinations and make the selections from that army of men who will be examined. After that they have got to organize this army of men who are appointed and assign them to their various places for the work. It is a Herculean task, and this does not require anything more than an office force, because these men will not be put upon the pay roll until they actually begin their work.

Mr. MURDOCK. Will the gentleman yield?

Mr. Sisson. I will.

Mr. MURDOCK. The gentleman will agree that after the organization is complete the work should then be prosecuted with all possible speed.

Mr. Sisson. Every member of the subcommittee was urgent that it should be done as quickly as possible.

Mr. MURDOCK. Then it will take a great deal of money, and take it all at one time.

Mr. Sisson. Yes; and nobody knows how much. Judge Prouty said he did not know. He started out with the idea that \$5,000,000 would be required. He soon got it up to \$12,000,000, and he said the chances are that it would cost \$20,000,000. Nobody knows, because it is such a Herculean task.

Some gentleman talks about crossties. If there are two or three crossties that are in bad condition in every hundred feet of track, these crossties are worth from 30 to 40 cents apiece in the raw and are worth from 50 to 60 cents apiece when put down; and when you take the vast mileage of the railways in the United States, if you do not ascertain the condition and value, even down to the crossties, your valuation will be far from correct. We must have a physical valuation upon which the courts of the country can sustain the freight and passenger rates which are made before that valuation will be worth the paper on which it is written. You ask whether they are going to count the crossties in four or five thousand miles of railway. I answer yes, and value them. At last it resolves itself into the question whether or not the people who make this valuation are honest men and are going honestly to do their duty by the people.

Mr. MANN. In valuing these ties does the gentleman think it will be necessary to take them up so that they can look at both sides of each tie?

Mr. Sisson. The gentleman from Illinois certainly does not ask that question seriously. I know the gentleman is not at all in sympathy with the idea of the physical valuation of railroads.

Mr. MANN. Oh, the gentleman is mistaken.

Mr. Sisson. I do not know how they are going to proceed about it. I am not an expert on crossties, but I will put the gentleman from Illinois on the stand and let him determine whether they shall look on both sides of each tie.

Mr. MANN. I do not think you will have to look on either side of the crossties in order to value a mile of railroad track.

Mr. Sisson. That shows what the gentleman knows about railroads, because it is the condition of the rails and the condition of the roadbed and the condition of the ties that fix the value of every mile of railroad; and the man who does not know that is a man who does not know enough about it to discuss the question. When I first commenced to look into this matter a little I did not myself realize the cost of the millions

of bolts, even, that go into thousands of miles of railroad. If we are to get a valuation that means anything to the country, all these things must be accurately determined. I believe the Interstate Commerce Commission will proceed with care and caution, and that they will obtain reports upon which the country can stand after they are made. I believe the personnel of the commission are doing their duty, and I believe they are asking for every dollar that they are entitled to, and that the subcommittee have done all they can do.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MANN. Mr. Chairman, I offer the following amendment.

The CHAIRMAN. The gentleman from Illinois offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amend, page 8, following line 20, by inserting as a new paragraph the following:

"To enable the Interstate Commerce Commission, at its discretion, to investigate and report in regard to the use and necessity for block-signal systems and appliances for the automatic control of railway trains and any appliances or systems intended to promote the safety of railway operation, including experimental tests of such systems and appliances as shall be furnished in completed shape, to such commission for such investigation and test, free of cost to the Government, in accordance with the provisions of the joint resolution approved June 30, 1906, and the sundry civil appropriation act approved May 27, 1908, \$25,000."

Mr. MANN. Mr. Chairman, this amendment was prepared by me some weeks ago.

Mr. BARTLETT. I would like to ask the gentleman from Illinois if the Interstate Commerce Commission has not this authority now?

Mr. MANN. The commission has the authority now.

Mr. BARTLETT. Is this to carry out the act passed in 1908?

Mr. MANN. In 1906. In 1906 Congress passed a joint resolution providing that the Interstate Commerce Commission, at its discretion, might investigate block signals and other automatic appliances for control of railway trains. Subsequently, in the appropriation bill of 1908, it was provided that this authority should be extended to all safety appliances. Under this authority an appropriation of \$50,000 was made in the first place, and the commission created a board of train control, which made investigations for several years, especially concerning the automatic control of railway trains. They found some devices which the persons who owned them claimed would automatically stop the train. For instance, one device provided, in a normal condition of the track, when it was not clear, that a little projection should rise up by the side of the rail, and if that projection was up it struck a projection on the engine which put on the air brake and turned off the steam. These devices have not been put in operation. I am not confident that that degree of perfection has yet been reached where Congress is authorized to require by legislation the use of any of those devices. I feel quite confident, however, that we ought to proceed with the investigation until we reach sufficient knowledge of some kind of an automatic device that we can compel the railroad companies to install—automatic devices which will absolutely prevent rear-end and head-on collisions.

Mr. ADAMSON. Mr. Chairman, will the gentleman yield?

Mr. MANN. Certainly.

Mr. ADAMSON. The gentleman is satisfied that the authority already exists for these investigations, but he merely wants to furnish the money to do it with?

Mr. MANN. That is all. The original resolution came from the Committee on Interstate Commerce, of which the gentleman from Georgia is now the distinguished chairman, and was then a distinguished member, and the gentleman from Georgia [Mr. BARTLETT], now a member of the Committee on Appropriations, was also a member.

The reason that this was dropped was, in the main, inactivity. The board of train control probably thought it had got all the information it could, and one year, in making estimates, there was no estimate submitted for that appropriation. I discussed the matter with members of the Interstate Commerce Commission and with members of the board of train control. I think everyone admitted, at least that was my understanding, that it was desirable to proceed in endeavoring to obtain further information.

Now, these tests are made where the appliances are furnished free of cost, so that the cost to the Government is not very great. I have named \$25,000. I do not suppose that amount would be expended, but if the appropriation of \$25,000 is made the commission would feel assured that on any arrangement it made the unexpended balance would be reappropriated, if need be. I hope the committee will agree to this amendment.

Mr. SHARP. Mr. Chairman, I am very much interested in what the gentleman from Illinois has said, because it is along the line of a reform sought by me in the introduction of a bill in the last Congress providing for the creation of a commission that should investigate the causes of the numerous railway acci-

dents that we have been witnessing during the past few years. Everybody knows what a disparity there is between the fatalities in foreign countries, especially in England, and in this country. It is true we have many adverse conditions that they do not have in the European countries. But that there has been in years past a very great and needless negligence on the part of the railroads, especially in the carrying of passengers, is undeniable. While it seems to me that Congress may have been dilatory, perhaps, in trying to provide a remedy, yet out of all of the agitation upon the subject by this body have grown improved conditions, and this discussion to-day is along the right line. I have noticed, and perhaps some of my colleagues have also noticed, during the past year or two that the railroads themselves have taken up with renewed energy and activity this much-needed reformation as it applies to the safety of the traveling public. They have undertaken to provide schools of instruction, especially the western roads, and have instructors who teach their employees what to do in cases of emergencies, the more skillful use of safety appliances, meaning of signals, and so on. They are, as much as possible, guarding against the liability of their own negligence.

Mr. KINKEAD of New Jersey. Mr. Chairman, will the gentleman yield?

Mr. SHARP. Yes; for a question.

Mr. KINKEAD of New Jersey. I am very glad to hear the gentleman from Ohio say a good word for the railroads.

Mr. SHARP. I have not yet finished.

Mr. KINKEAD of New Jersey. No; but I just want to call the gentleman's attention to something in which I know he will be interested. I do not remember whether it was he or the gentleman from New York [Mr. TALCOTT] who introduced a bill to do away in four or five years with the use of wooden cars.

Mr. SHARP. That was the gentleman from New York [Mr. TALCOTT].

Mr. KINKEAD of New Jersey. One of the commissions in New Jersey during the past week investigated that situation, and it reports that there are few cars leaving the Jersey City terminal that are not constructed of steel, and it bears out exactly what the gentleman from Ohio is saying, that there is an evidence of a practical desire upon the part of the railroad companies of the country to do that which Congress is anxious they should do.

Mr. SHARP. Mr. Chairman, I am very glad to hear that. It only corroborates what I have thought myself. It may be an unkind reflection, but I think it is true, that many times we are unwilling to say even a just word in favor of a railroad corporation. There seems to be something about a railroad company that arouses the antagonism of the average Representative. I am not here to say anything in praise of railroads that they do not deserve, nor do I desire to criticize them unfairly in respect to something that can not be helped, but I do think there is plenty of room for improvement. The tremendous increase in the volume of traffic renders constant improvements necessary. It was with that view that I introduced the bill to which I have referred providing for the creation of a special commission.

The Interstate Commerce Commission has its hands full. It is doing a great work, which has resulted in untold benefit to the American people, not only to those who are shippers of freight, but to the traveling public as well. I do think that a commission composed of a personnel of not alone experts in railroad building, but of business men of wide experience, men of common sense who themselves have occasion to travel a great deal, could be of much service in conducting such an investigation. There would be many instances where such a commission, after making careful examinations of conditions and practices, could make a report that would contain very profitable recommendations looking to the elimination of many common causes of accidents.

Mr. MANN. Mr. Chairman, will the gentleman yield?

Mr. SHARP. For a question.

Mr. MANN. The gentleman understands that under this original appropriation, which this follows, the Interstate Commerce Commission did create a commission which they called the board of train control, and undoubtedly that will be done again.

Mr. SHARP. Yes; I am in sympathy with that plan. I think it is a step in the right direction. I am not criticizing it. I am also in favor of the gentleman's amendment.

Mr. MANN. I understand.

Mr. SHARP. I want to speak of one instance. I remember the time—a year or more ago—when a former distinguished Government official was making what I think was called his swing around the circle. In any event, he stopped temporarily in the city of Cleveland, and he made a great deal of complaint because the car on which he was riding was shunted back and forth for a long time in that dungeon of a depot.

We have in Cleveland one of the greatest cities of the United States, a city that is rapidly overtaking its few remaining rivals in respect to population and commercial growth, but at the same time one of the most miserable cavelike depots in existence. I can not condemn that structure too much. What the aforesaid official complained of is a common practice. I have met with it many times in my own experience. Trains come in from the East or West, perhaps on time, but due to one cause or another they are often held there for 25 or 30 minutes beyond the time scheduled for departure. What is the result? The train starts out of that station 30 minutes late. If the train is going west to make, say, the next division terminal, Toledo, it must run much faster than its schedule to reach Toledo on time.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. SHARP. Mr. Chairman, I ask unanimous consent to proceed for five minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. SHARP. The engineers and the conductors are very conscientious men. They are a high class of employees. The result of this delay is that when their trains leave the stations they speed them and improve upon an already fast schedule, which, in some cases, involves 50 miles an hour between stations, so that they very often run up to 65 or 70 miles an hour in order to make up time. In this connection I desire to speak of a delusion which seems to obtain throughout the country. In the newspaper columns we read of a railroad wreck and it is stated that the train was going at a very high rate of speed, estimated to be 45 or 50 miles an hour.

As a matter of fact that train in nine cases out of ten was going 65 or even 75 miles an hour. Of course you can not do that with any safety on some roadbeds. We have the finest roadbed in the world between New York City and Chicago on the Lake Shore Railroad. There are also some very good roadbeds in other sections of the country, but the topography of the country between those two points and the quality of the roadbed permits that speed.

Mr. COOPER. Will the gentleman yield?

Mr. SHARP. I will.

Mr. COOPER. The gentleman makes a very forceful statement, and I think he would make it more forceful if instead of saying minutes and 30, 40, 50, or 60 miles an hour he would simply call attention to the fact that where a train is going 60 miles an hour it is going at the rate of 88 feet a second, which is practically the length of this hall.

Mr. SHARP. Yes; and carrying further the excellent illustration of the gentleman from Wisconsin, I wish to quote from an expert railway man in connection with one of the recent wrecks in which he found fault with the practice of trying to stop a train going at high speed within too short a distance. He pointed out the fact of the impossibility of stopping one of the long, heavy passenger trains going at the rate of 60 or 70 miles an hour within the distance often attempted. He said it was absolutely impossible; that the distance within which they could stop trains going at various rates of speed had been carefully demonstrated. Now, the bill I introduced provided for the consideration of many of these questions by the commission, and I think it would be productive of a great deal of practical good if we could have some sort of an examination of that kind made by unprejudiced men.

I am heartily in sympathy with this movement to compel a better observance of the rules of safety, for they are even more important than the securing of more reasonable rates of transportation of passengers and freight. Anything that I can do by voice or vote I will be glad to do to further such kind of legislation.

Mr. ADAMSON. Mr. Chairman—

Mr. WILLIS. Will the gentleman yield for a question?

Mr. SHARP. Yes; for a question.

Mr. WILLIS. I wondered whether the attention of the gentleman had been called to a statement recently appearing in the press, purporting to come from one of the officials of one of the great railroad systems of the country, in which that official stated that already his company had saved—

The CHAIRMAN. The gentleman from Georgia [Mr. ADAMSON] had been recognized.

Mr. SHARP. But, Mr. Chairman, I yielded time for a question. I had not taken up all of my time.

Mr. WILLIS. I was directing the attention of the gentleman to this statement of an official of that railroad, who said that this company had already saved through the use of steel cars more than the cost of the cars through the elimination of accidents.

Mr. SHARP. I have no doubt that is correct, and I have no doubt but what self-interest on the part of railroad companies

has mainly been the actuating motive, of course, for many of their improvements and their willingness to further perfect their service.

Mr. ADAMSON. Mr. Chairman, I do not speak often in the committee. In this case a good deal of discussion has been going on about matters concerning which I have been trying for many years to learn something. For many reasons I do not speak often. One is that other Members want to speak. I love to hear them, and I am too polite to consume time they wish to use. It is hard work for me to speak, and I do not love to speak except when duty seems to require it. Sometimes I absent myself from the committee when pending business comes from committees other than my own for fear something might be said to tempt me to talk. The tongue, you know, is an unruly and dangerous member, and if a man can just abstain from talking he will not have much to account for in the future. I have listened with great interest to the remarks of the gentleman from Illinois [Mr. MANN] and the gentleman from Ohio [Mr. SHARP], and if the gentleman from New York [Mr. FITZGERALD], in charge of the bill, is in favor of accepting the amendment of the gentleman from Illinois, I will acknowledge that it is wise to vote for it. I am a very great stickler for discipline, and the only way I know to stick together, do business, and carry out policies is for us great chairman of committees to stick together and vote with one another every time. [Applause.]

It is true that there is ample authority for the investigations proposed by the gentleman from Illinois [Mr. MANN]. It is equally true that those investigations ought to be made. It was likewise true that there was ample authority for many years for the commission to make a physical valuation of property of the carriers, the only thing lacking being the sinews of war. They did not have the money. If appropriations for the purpose had been made sufficient, the valuation could have been made years ago. Therefore it was necessary for us to enact a compulsory law requiring the physical valuation.

Together with others I have worked on that for the last nine years. As it is not proper to mention what is said and done in committee, the first outcropping of our work is found in the minority report signed by Judge BARTLETT, Judge RICHARDSON, Judge PETERS, and myself against the administration railroad bill in 1910. With the help of a few patriotic Republicans we succeeded in placing the physical valuation in that bill in the House. It went out, however, in a conference in which the Democratic conferees were not permitted to participate. I became chairman of the committee in the next Congress, introduced the bill in the House, and it became a law.

Now, the authority exists for these investigations about safety appliances of which we woefully stand in need. It ought to be done. We are willing to provide for saving life and property, but human understanding is fallible, human information is often short. Human fallibility in operating the trains, I think, is more to blame, perhaps, than the steel and the iron and the cross-ties and the charters of the corporation that are so much anathematized on many grounds, including watered stock and other questions. We want to know what to do. For many years we have cooperated with the Interstate Commerce Commission as to steel cars, headlights, and other safety appliances. We have referred bills to the commission and had them before us on hearings. We have considered the state of the market, the output of the Steel Trust, the rapidity with which steel cars could be substituted for wooden cars. We do not want to do anything rash or drastic. We want to protect the public. We think trains running at a high rate of speed ought to have strong and indestructible cars. We think on trains where both steel cars and wooden cars are used they ought to be placed in separate parts of the train and not mingled together.

The railroads have all the time professed to us that they were substituting steel cars for wooden cars as rapidly as possible. They do not want to confiscate and throw away their entire rolling stock. They wanted to utilize it as long as they could and gradually substitute the steel cars. On inquiry we found some foundation for their statement. We are informed that at the present time there are very few wooden cars being constructed and turned out of the shops. All new cars are of steel or have steel frames. We are informed that on almost all the railroads running out of Washington solid steel trains are operated. It appears that the railroad monopoly in New England is an exception to this statement and that they had not substituted steel cars as rapidly as the other roads; but if they are only waiting to dispose of their wooden cars before doing so, it will not be long before it happens, because I understand they are now disposing of their wooden cars at very rapid rates, as the very frequent wrecks have been acting as instruments of retirement.

Mr. ROGERS. Will the gentleman yield?

Mr. ADAMSON. I will.

Mr. ROGERS. Has the gentleman's attention been called to the statement given out yesterday by President Elliott, of the New Haven Railroad? In answer to the question of "How many steel cars are operated on the New Haven Railroad?" he said:

There are 56 all-steel cars in operation, of which 26 are in service on the electric zone between Stamford and New York. In addition to this there are 60 steel underframe Pullman cars in service.

The CHAIRMAN. The time of the gentleman from Georgia [Mr. ADAMSON] has expired.

Mr. ADAMSON. Mr. Chairman, I ask unanimous consent that I may be allowed to proceed for five minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. ADAMSON. I will state, in answer to the interruption of the gentleman from Massachusetts, that my information is that that road was slower than any of the others as to substitutions, and I hope the recent events there will suggest to them a different method of retiring the wooden cars and substituting steel cars more rapidly than they have been doing, without waiting for other wrecks to destroy them.

As to the subject of these investigations, I wish to say that I am opposed to creating any more original commissions. I am perfectly willing for the Interstate Commerce Commission to pursue the course already adopted by it of selecting its own expert agents to make these investigations. But we are not relying entirely upon them, however. We are all the time studying this question ourselves. Our committee has had at each Congress a subcommittee on the subject. It has one now. It has a subcommittee on safety appliances, including cars, including block signals, including headlights, and including spark deflectors. Hours of labor are included in that also, and that is a very great element in these wrecks.

The question of letting a sleepy man, working overtime, run a train and imperil the lives of a thousand passengers is a very important one. All of these questions are submitted to a subcommittee, headed by a Democrat from the rock-ribbed State of New Hampshire—a precious rarity—imbued with the ideas of reform and democracy and good government [Mr. STEVENS], who has two as good Republicans as you could find in the country and two other good Democrats on the subcommittee to help him, to study these questions in all their phases; and if any gentleman knows any quicker way to get at the truth, and better truth, and bigger truth, and more solid truth, than that, we would like him to appear before us and tell us anything he knows about it. We will do our best to find out as much about these subjects as we can. We do not propose to jump on the railroads and abuse them.

Mr. KINKEAD of New Jersey. God bless you for those kind words! [Laughter.]

Mr. ADAMSON. We want them. I know of sections of the country where thousands of miles of railroad are needed. It is the folks who run the railroads that give us the trouble, for they are human, and they are just as bad and just as good as the same quality of human nature would be if engaged in any other business. That is the trouble about that. They have the same amount of cupidity; they have the same amount of carelessness; they have all the supposed elements of original and acquired sin that any other mortals have if they get in the habit of using them. [Applause and laughter.]

That is the trouble. They ought to be treated just like any other citizens and just like any other owners of property—no better and no worse. They ought to be held up to the discharge of their duty like other citizens and not be required to do any more than other citizens in upholding the law and paying their taxes and discharging their responsibilities. [Applause.]

As common carriers, however, these corporations perform a public function by public authority. Every corporate official is a quasi public officer and charged with the same high degree of duty and obligation to the public that devolves on any other public official, and should be held to strict accountability accordingly. In view of what has been said by the gentleman from Ohio and others, it is but just to say that the railroads have been of late years making efforts to promote the safety of travelers and property. It is but natural that they should do so, because it is to their financial interests to protect their own property, which is usually destroyed in a wreck, although travelers may escape without injury. The fault to be found in the railroads was their resistance, strenuous and determined, against regulation by the Government, attempted in response to the demand for relief against discrimination as to persons and localities. If they had never done that, there would have been no prejudice against railroads. When regulation was attempted the carriers bitterly resented it and thereby provoked what ill feeling has

been indulged in against them. We do not promise now that our investigations will result in legislation. They may result in demonstrating no need for legislation. We have already indulged in much legislation on those subjects. People have gotten into a habit—more like a disease, which, having started, has spread like a contagion—that impels them to look to Congress for new legislation every time anything happens, whether that legislation be appropriate or pertinent to the subject or not. Many inquiries have come to us this week to know if we were going to investigate and legislate about the most recent New Haven wreck, when ample authority was conferred upon the Interstate Commerce Commission many years ago to do that work, instead of leaving it to Congress. What we need is more enforcement of law and more litigation instead of so much legislation. Law can not enforce itself. It is a dead letter unless human nature is willing to enforce it. Whatever we find necessary to perfect the legislation to protect life and property in transit and uphold the hands of the commission in securing just and reasonable rates and practices we shall be found trying to do, and we will thank our colleagues for their assistance.

Did the gentleman from New Jersey wish to interrupt me?

Mr. KINKEAD of New Jersey. No. I intended to speak after the gentleman had yielded the floor.

Mr. ADAMSON. Then I yield to the gentleman from Kansas [Mr. MURDOCK].

Mr. MURDOCK. I have no questions to ask. I shall want to make a statement in my own time.

Mr. ADAMSON. I thank the gentlemen of the committee for their attention. [Applause.]

Mr. KINKEAD of New Jersey. Mr. Chairman, the very interesting statement made by the gentleman from Georgia [Mr. ADAMSON] proves two things. The first is the truth of his statement that the great chairmen of great committees are strangely clannish. The second is that he proved that he merited the eloquent tributes paid to him by the gentleman from Illinois [Mr. MANN]. [Applause.]

I am glad, Mr. Chairman, that the committee this afternoon had an opportunity to listen to a business man talk. I am glad that the committee this afternoon heard the statement from the gentleman from Ohio [Mr. SHARP], a business man, relative to what the railroads in his State and the trunk lines that reach out from the metropolis on through Buffalo to the great city of Chicago are endeavoring to do in betterment of their service.

Too often we listen here to lawyers who are technical in their statements, as well as verbose and ambiguous in their arguments, and it was a genuine pleasure for me to hear the gentleman from Ohio [Mr. SHARP], in his plain, clear, concise method of addressing the committee, state that in his judgment the great railroads of this country are endeavoring, as the result of a desire to protect themselves, to protect the traveling public. Usually if a statement of that kind were made on this floor the motives of the railroads would be brought into the discussion. The gentleman from Ohio carefully, and I think manfully, avoided a discussion of that kind. None of us as representatives of the American people need question the motives of any public-service corporation in this country so long as we are convinced that they are endeavoring as best they may to protect the people who are temporarily committed to their care.

The public-service corporation of my State has been ridiculed and held up to scorn by the press of our State, sometimes Democratic and sometimes Republican. I do not know that one is any worse at times than the other in unfair criticism. What has it done under the able and intelligent direction of its president, Mr. Thomas N. McCarter? The public-service corporation of New Jersey examines physically, as well as mentally, all the men and women who come to them and ask that they may be appointed to some position in its service.

After they are employed this corporation grants them a pension of 50 per cent of their salary when they have been in its service for 25 years.

What else do they do? They have a restaurant in their big office buildings in Newark, N. J., and they feed their employees without charge for the midday meal. This, Mr. Chairman, I want to say to the gentleman who has so well stated his case this afternoon is the method by which the Public Service Corporation of the State of New Jersey has endeared itself to its employees, and the traveling public in our State is as well satisfied with its service as the employees are with their treatment. And it may be as a result of this method which extends to the Pennsylvania and possibly to some of the other railroads of New Jersey that the railway commissioners of our State were able to send on here to Washington yesterday the statement that of the through trains leaving Jersey City to go to Washington, to go to Buffalo, to go to Chicago, more than 90 per cent of the cars that were included in those trains were

built of steel. In these days of demagogic utterances against public-service corporations I am glad to have had an opportunity to state what one of the despised has done in New Jersey. [Applause.]

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. FITZGERALD. Mr. Chairman, in volume 35 of the Statutes at Large, page 325, is this provision:

Hereafter the Interstate Commerce Commission shall be, and is hereby, authorized, at its discretion, to investigate, test experimentally, and report on the use and need of any appliances or systems intended to promote the safety of railway operation, which may be furnished in completed shape to such commission for such investigation and test entirely free of cost to the Government. For this purpose the commission is authorized to employ persons familiar with the subject to be investigated and tested, and may also make use of its regular employees for such purposes.

This was carried in one of the appropriation bills for the fiscal year 1909, and thereafter provision was made specifically for such work.

In the estimates for the fiscal year 1913 no estimate was submitted for this purpose. In the hearings held by the Committee on Appropriations inquiry was made as to the failure to submit an estimate, and it was stated that it was the intention to discontinue the board, to which reference has already been made by the gentleman from Illinois.

My opinion is that the commission not only has authority but has ample funds to conduct this investigation for the fiscal year 1914. For 1913 the sum of \$1,000,000 was appropriated for the general purposes of the commission. The commission voluntarily submitted an estimate for the current fiscal year of \$950,000, and stated that they had a balance of \$191,000 from the previous year, but would expend \$40,000 additional in 1913. My recollection is that they would have about \$90,000 in excess of what they anticipated using out of the appropriation of \$950,000.

I believe there is a universal interest in the development of the block-signal system and safety-appliance devices, which interest has been accentuated by the recent disaster on the New Haven road.

I was about to suggest that we let this matter go over until to-morrow.

Mr. MANN. I am perfectly willing.

Mr. FITZGERALD. In the meantime I shall confer with the commissioners.

Mr. MANN. Before it goes over, let me remind the gentleman that the appropriation act from which he quotes only extended the authority of the commission to investigate all safety appliances.

Mr. FITZGERALD. That is true.

Mr. MANN. And that is the paragraph that provides for the use of the ordinary employees. The block-signal and automatic train-control provision was a joint resolution passed in 1906, and the purpose of that item in the appropriation bill by which the authority was extended over ordinary or other safety appliances was to give the same employees who were working on the block signals and automatic train control authority over other safety devices. I doubt whether that provision in the appropriation act would apply.

Mr. FITZGERALD. That may be true. In the hearing on March 26, 1912, this occurred in the committee:

The CHAIRMAN. Have you completed the investigations of the block-signal systems and appliances?

Mr. MILSTEAD. We have not completed the investigation, but we have not asked for any appropriation for another year. The block-signal board sits, on an average of about once a month, for a couple of days and passes on information submitted to them and the information collected by the block-signal inspectors, but their inspection of certain devices will be discontinued after the 1st day of July; there will be no block-signal board after that date.

The CHAIRMAN. Then you do not need them any more?

Mr. MILSTEAD. We do not say that; we do not say that we will not need them any more.

The CHAIRMAN. Then why do you discontinue them?

Mr. MILSTEAD. Well, the committee has given evidence a couple of times that they did not think we need them.

The CHAIRMAN. It was supposed when this investigation was started that it would be finished?

Mr. MILSTEAD. Yes; that is what I have reference to.

The CHAIRMAN. But it looked as though it was the intention to have it go on forever.

Mr. MILSTEAD. Well, there is evidence now that we have no intention of that at all.

The CHAIRMAN. Of course, if this block-signal board were allowed to drag along and keep drawing on the Treasury it would never finish its work?

Mr. MILSTEAD. Well, the commission decided to discontinue it and not ask for an additional appropriation.

Mr. MANN. I beg to say, having introduced both propositions, that it never was supposed that it ever would be completely finished.

Mr. FITZGERALD. That may be true; but, as I wish to have the committee rise now, I suggest that we allow the amendment to go over until to-morrow.

Mr. MANN. In view of the fact that the Democratic Members are going to have a caucus and that the Republican Members are not, but would like to go to the ball game, I hope the gentleman will make the motion.

Mr. FITZGERALD. I move that the committee do now rise. The motion was agreed to.

The committee accordingly rose; and the Speaker having resumed the chair, Mr. Flood of Virginia, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 7898) making appropriations to supply urgent deficiencies in appropriations for the fiscal year 1913, and for other purposes, and had come to no resolution thereon.

ADJOURNMENT.

Mr. FITZGERALD. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock and 5 minutes p. m.) the House adjourned until to-morrow, Saturday, September 6, 1913, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on preliminary examination of waterway to connect Tennessee River with Tombigbee River, in the State of Mississippi, by way of Big Bear Creek or other practicable route (H. Doc. No. 218); to the Committee on Rivers and Harbors and ordered to be printed with illustrations.

2. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on examination of Mosquito Inlet, Fla., with a view to securing a channel with suitable depth and width from the Atlantic Ocean to a point at or near the town of New Smyrna (H. Doc. No. 219); to the Committee on Rivers and Harbors and ordered to be printed.

3. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, reports on preliminary examination and survey of Beverly Harbor, Mass., with a view to securing a channel depth of 24 feet and of widening the channel on the northern side by the removal of the ledge near the Essex Bridge (H. Doc. No. 220); to the Committee on Rivers and Harbors and ordered to be printed with illustration.

4. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, reports on preliminary examination of Port Huron Harbor, Mich., with a view to constructing some compensatory structure in the St. Clair River fronting the city of Port Huron that the city of Port Huron may have a depth of water not less than 20 feet from the present dock line out to the thread of the stream (H. Doc. No. 221); to the Committee on Rivers and Harbors and ordered to be printed with illustration.

5. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on examination of Fenholloway River, Fla. (H. Doc. No. 222); to the Committee on Rivers and Harbors and ordered to be printed.

6. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on examination of Pearl River from Bogalusa, La., to Columbia, Miss. (H. Doc. No. 223); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

7. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on preliminary examination of Little Calumet River, Ill. and Ind., from the junction up to Blue Island (H. Doc. No. 224); to the Committee on Rivers and Harbors and ordered to be printed.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Military Affairs was discharged from the consideration of the bill (H. R. 7893) for the relief of Francis H. Connelly, and the same was referred to the Committee on Claims.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. PETERSON: A bill (H. R. 7935) to create in the War Department a roll to be known as the volunteer retired list, to authorize placing thereon with retired pay certain surviving officers of the United States Volunteer Army of the Civil War, and for other purposes; to the Committee on Military Affairs.

By Mr. STEENERSON: A bill (H. R. 7936) authorizing the Postmaster General to lease premises for post offices where the building is constructed upon plans approved by him for a term not exceeding 20 years; to the Committee on the Post Office and Post Roads.

By Mr. DEITRICK: A bill (H. R. 7937) for the acquisition of a site and the erection thereon of a public building at Medford, Mass.; to the Committee on Public Buildings and Grounds.

By Mr. RUCKER: A bill (H. R. 7938) to codify, revise, and amend the laws relating to publicity of contributions and expenditures made for the purpose of influencing the nomination and election of candidates for the offices of Representative and Senator in the Congress of the United States, limiting the amount of campaign expenses, and for other purposes; to the Committee on Election of President, Vice President, and Representatives in Congress.

By Mr. PEPPER: A bill (H. R. 7939) providing for the labeling, marking, and tagging of all fabrics and leather goods hereinafter designated and providing for the fumigation of the same; to the Committee on Interstate and Foreign Commerce.

By Mr. CHURCH: A bill (H. R. 7940) to provide for enlarging the United States building at Fresno, Cal.; to the Committee on Public Buildings and Grounds.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ADAIR: A bill (H. R. 7941) granting a pension to Ernest Miller; to the Committee on Pensions.

By Mr. CULLOP: A bill (H. R. 7942) granting a pension to Jacob B. S. Rice; to the Committee on Pensions.

By Mr. DILLON: A bill (H. R. 7943) granting an increase of pension to Archibald Branaugh; to the Committee on Invalid Pensions.

By Mr. FESS: A bill (H. R. 7944) granting a pension to Jefferson L. Wylie; to the Committee on Invalid Pensions.

By Mr. FARR: A bill (H. R. 7945) granting an increase of pension to Armina Miller; to the Committee on Invalid Pensions.

By Mr. HELM: A bill (H. R. 7946) granting a pension to Ann E. Fish; to the Committee on Pensions.

By Mr. PETERSON: A bill (H. R. 7947) granting an increase of pension to John B. Swoap; to the Committee on Invalid Pensions.

By Mr. J. M. C. SMITH: A bill (H. R. 7948) granting an increase of pension to Franklin W. Dickey; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. CARY: Petition of the Wisconsin State Federation of Labor, Milwaukee, Wis., protesting against the passage of the workmen's compensation bill (S. 959); to the Committee on the Judiciary.

By Mr. ROGERS: Petition of the American Free Art League, Boston, Mass., protesting against the placing of a tariff on art and artistic antiquities; to the Committee on Ways and Means.

By Mr. J. M. C. SMITH: Papers to accompany bill granting a pension to Franklin W. Dickey; to the Committee on Invalid Pensions.

SENATE.

SATURDAY, September 6, 1913.

The Senate met at 10 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

The Journal of yesterday's proceedings was read and approved.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the House had passed the concurrent resolution of the Senate (S. Con. Res. 5) providing for the printing and binding, with illustrations, of 16,500 copies of the proceedings in Congress and at the unveiling in the Statuary Hall of the statue of Zachariah Chandler.

COTTON CONTRACTS.

Mr. SMITH of Georgia. I desire to present two short telegrams that I have received with reference to a matter contained in the tariff bill. I should like to have them read. They are brief.

There being no objection, the telegrams were read and ordered to lie on the table, as follows:

HAWKINSVILLE, GA., September 5, 1913.

Hon. HOKE SMITH,
United States Senate, Washington, D. C.:

We, the undersigned merchants and farmers of Pulaski County, protest against passage of Clarke rider bill, and respectfully ask that you use every effort to prevent said passage.

E. J. Henry, D. R. Pearce, H. H. Sparrow, J. J. Pollock, J. D. Humphreys, T. R. Wilcox, J. T. Coleman, F. L. Royal, E. M. Coleman, T. B. Ragan, W. C. Merritt, J. R. Rogers, E. P. Walters, C. I. Anderson, M. H. Boyer, A. W. Lowry, J. B. Glover, J. K. Livingston, A. A. Smith, N. F. Powell, W. W. Wynne, E. F. Way, C. T. Smith, E. T. Pate, L. R. Langford, Mack D. Ferris, R. A. Anderson.

FORT GAINES, GA., September 5, 1913.

Hon. HOKE SMITH,
United States Senate, Washington, D. C.:

We respectfully urge you to have action on Clarke cotton-exchange bill deferred until cotton-selling season is past. The spinners would take advantage of the farmers who have to sell now and adopt a hand-to-mouth policy. To pass bill after Christmas would give country time to adjust before another selling season.

E. R. King, B. T. Castilo, E. W. Killingsworth, M. C. Gay, R. E. Peterson, J. R. Simpson, H. M. Shaw, R. L. Shaw, Emmett R. Shaw.

MEMORIAL.

Mr. PERKINS presented a memorial of the California State Board of Viticultural Commissioners, remonstrating against the imposition of the proposed tax of \$1.10 per gallon on brandy used for fortifying sweet wines, which was ordered to lie on the table.

MOSES HARRIS.

Mr. CHAMBERLAIN, from the Committee on Military Affairs, to which was referred the bill (S. 2600) for the relief of Moses Harris, asked to be discharged from its further consideration and that it be referred to the Committee on Claims, which was agreed to.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. PENROSE:

A bill (S. 3092) granting an increase of pension to Timothy D. Gallagher (with accompanying paper); to the Committee on Pensions.

By Mr. CHAMBERLAIN:

A bill (S. 3093) granting a pension to Adelaide W. Wheeler; to the Committee on Pensions.

By Mr. O'GORMAN:

A bill (S. 3094) to promote the safety of passengers and others upon railroads by compelling common carriers engaged in interstate commerce to use cars constructed of steel, and for other purposes; to the Committee on Interstate Commerce.

By Mr. BRADLEY:

A bill (S. 3095) for the relief of Oldham County, Ky.; to the Committee on Claims.

By Mr. SHIVELY:

A bill (S. 3096) granting an increase of pension to William H. Sherry; to the Committee on Pensions.

ENDOWMENT OF AGRICULTURAL COLLEGES.

Mr. SMITH of Georgia. I introduce a bill to provide for cooperative agricultural extension work between the agricultural colleges in the several States receiving the benefits of the act of Congress approved July 2, 1862, and of acts supplementary thereto, and the United States Department of Agriculture.

In connection with the introduction of the bill I wish only to say that the subject matter covers the same subject as a bill which passed the House at the last session and which was considered by the Senate. The new bill is the result of conferences between the Secretary of Agriculture, Congressman LEVER, and myself, and the executive committee of the colleges of agriculture, its object being to bring more completely into harmony the Department of Agriculture and the colleges for agricultural extension for performing demonstration work.

The bill (S. 3091) to provide for cooperative agricultural extension work between the agricultural colleges in the several States receiving the benefits of an act of Congress approved July 2, 1862, and of acts supplementary thereto, and the United States Department of Agriculture was read twice by its title and referred to the Committee on Agriculture and Forestry.

AMENDMENT TO THE TARIFF BILL.

Mr. JONES. On yesterday I offered an amendment, by request, intended to be proposed to the pending tariff bill, and asked that it be referred to the Committee on Finance. I notice that the amendment was ordered to lie on the table. I

move that it be taken from the table and referred to the Committee on Finance.

The VICE PRESIDENT. That order will be made.

IMPORTS AND EXPORTS (S. DOC. NO. 180).

Mr. BRISTOW. Some days ago I asked to have printed as a public document tables that were collected by the junior Senator from North Dakota [Mr. GRONNA] on the imports and exports of the agricultural productions of the country. I renew that request and ask unanimous consent that the tables may be printed as a public document.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

COMMISSION ON THE YAKIMA RECLAMATION PROJECT, ETC.

Mr. ROBINSON. I introduce a joint resolution and ask unanimous consent for its consideration.

The joint resolution (S. J. Res. 63) authorizing the Secretary of the Senate and the Clerk of the House of Representatives to advance to the chairman of the commission appointed under the act approved June 30, 1913, such sums of money as may be necessary for the carrying on of the work of the commission, and so forth, was read the first time by its title and the second time at length, as follows:

Resolved, etc., That to enable the commission appointed under section 23 of the act "Making appropriations for the current and contingent expenses of the Bureau of Indian Affairs for the fiscal year ending June 30, 1914," approved June 30, 1913, to make the investigation ordered in said section, in the States of Washington and New Mexico, that the Secretary of the Senate and the Clerk of the House of Representatives be, and they are hereby, authorized to advance to the chairman of said commission such sums as may be necessary to pay witnesses, stenographers at not exceeding \$1 per printed page, and for clerical assistance, and the traveling expenses of the commission incident to said investigation from the contingent fund of the Senate and House of Representatives; itemized vouchers for all such expenditures on the part of the Senate to be approved by the Committee to Audit and Control the Contingent Expenses of the Senate, and those on the part of the House of Representatives by the Committee on Accounts of the House of Representatives.

The VICE PRESIDENT. The joint resolution will be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. ROBINSON. I ask unanimous consent for its present consideration.

The VICE PRESIDENT. Under the statute of the United States the joint resolution must go to the committee.

Mr. GALLINGER. I suggest that it should be a concurrent resolution instead of a joint resolution.

The VICE PRESIDENT. There is a statute of the United States which requires all such resolutions to be first presented to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. ROBINSON. Very well, if objection is made—

The VICE PRESIDENT. It is not a question of objection. It is a question of complying with the law. It will go to the committee.

Mr. GALLINGER. I will suggest that it should be a concurrent resolution instead of a joint resolution. I think the Senator from Arkansas will agree to that change.

Mr. ROBINSON. A reference to the Committee to Audit and Control the Contingent Expenses of the Senate is, in my opinion, not imperative. The authority already exists for the expenditure, and it is the sole purpose of the joint resolution to obviate the inconvenience which will inevitably arise if the commission is to discharge its duties under the provision of law as it now exists without the right being granted to the disbursing officers of the House and Senate to make the advances.

The authority of law for the expenditure, I will say, is contained in the Indian appropriation act, and it is not contemplated by the joint resolution that that authority shall be increased or extended.

The sole purpose of the joint resolution is to prevent the commission from having to advance its own expenses. The joint resolution authorizes the Secretary of the Senate and the Clerk of the House of Representatives to advance such moneys to the commission, requiring that itemized vouchers shall be taken and filed and audited by the committee afterwards.

Further, Mr. President, the Senator from New Hampshire suggested that this should be a concurrent resolution. I do not want that. The resolution has been prepared by a disbursing officer who has been in the service of the Senate of the United States for 46 years, and he informs me that it is necessary that it shall be a joint resolution. For that reason, unless the Senator from New Hampshire can assign some particular reason for wanting to make it a concurrent resolution, I shall insist upon it as a joint resolution.

Mr. GALLINGER. I withdraw that suggestion. I will say to the Senator, if he will permit me, that I did not object to the

resolution at all. I merely made the suggestion, and that I very gladly withdraw.

Mr. ROBINSON. That was my understanding. Now I ask that the order referring the joint resolution to the committee be rescinded and I ask unanimous consent for its present consideration.

The VICE PRESIDENT. The Chair can not change the ruling of the Chair. This is the plain provision of the law:

Hereafter no payment shall be made from the contingent fund of the Senate—

That is what this calls for—

unless sanctioned by the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. ROBINSON. Mr. President, if you will hear me for a moment, the expenditure has already been authorized by law. I will read it to you.

The VICE PRESIDENT. The language of the law is clear, and the Chair rules that the joint resolution must go to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. ROBINSON. I hope the Chair will not grow impatient with me for calling attention to the fact that a law has already been passed authorizing this expenditure and that the rule does not apply. I submit, if the Chair will look at the statutes he will see that his ruling is erroneous, and that he will not adhere to it and will permit the matter to be considered now.

Mr. SMOOT. Will the Senator from Arkansas yield to me?

Mr. ROBINSON. Yes, sir; I yield.

Mr. SMOOT. In noticing the resolution I think the Chair is clearly right in his ruling because the law as it passed made appropriations for current and contingent expenses of the Bureau of Indian Affairs. The Senator by this resolution wants to have a part of the money paid from the contingent expenses of the Senate. The law says it shall be paid from the contingent expenses of the Bureau of Indian Affairs.

Mr. ROBINSON. Oh, no, Mr. President; here is the law.

Provided, That one-half of all necessary expenses incident to and in connection with the making of the investigation herein provided for, including traveling expenses of the members of the commission, shall be paid from the contingent fund of the House of Representatives and one-half from the contingent fund of the Senate on vouchers therefor signed by the chairman of the said commission, who shall be designated by the members of the said commission.

The language is just as plain as can be. This expense is already provided for by the statute, and is to be paid in equal amounts from the contingent fund of the House and Senate. It does not make any additional charge on either of those funds, but it is intended to relieve the commission, as I have already stated, from the necessity of having to advance its own expenses and the expenses of witnesses necessary for the investigation. The joint resolution does not add any charge; it does not require any additional appropriation or authorization.

The VICE PRESIDENT. But let the Chair state to the Senator from Arkansas, suppose the Committee to Audit and Control the Contingent Expenses of the Senate—a baseless supposition—should not willingly advance the money, but prefer to pay after the services were rendered?

Mr. CLARK of Wyoming. I ask the Senator from Arkansas, if the position which the Senator now takes is a correct one, what is the necessity of the resolution now presented?

Mr. ROBINSON. The necessity for it is to authorize an advance to be made.

Mr. CLARK of Wyoming. But, if the Senator's position is right, the law has already provided for that.

Mr. ROBINSON. No; the expense is authorized under the statute, but no advance of any sum can be made. I call attention to a statute of the United States—

Mr. CLARK of Wyoming. Exactly so.

Mr. ROBINSON. If it were not for that statute, section 3648—

No advance of public money shall be made in any case whatever—

The joint resolution would not be necessary.

Mr. CLARK of Wyoming. Just to pursue that—

Mr. ROBINSON. Just a moment. A statute has been passed which applies to the cases of committees on the part of the Senate in this language:

That when any duty is imposed upon a committee of the Senate involving expenses which are ordered to be paid out of the contingent fund of the Senate, upon vouchers to be approved by the chairman of the committee charged with such duty, the receipt of the chairman of such committee for any sum paid to him or his order out of said contingent fund by the Secretary of the Senate shall be taken and passed by the accounting officers of the Treasury as a full and sufficient voucher, but it shall be the duty of such chairman, as soon as practicable, to furnish vouchers in detail for the disbursement of such moneys to the Secretary of the Senate, who shall file them with the accounting officers aforesaid; and this provision shall apply to all cases in which orders of the Senate have already been made.

Now, if this were a committee of the Senate there would be no necessity for this authorization of the advance, but it being a joint commission composed of Members of the House and Senate, in the view of some of us, it is necessary to get the authority for the advance. If the Senator objects the joint resolution will go over.

Mr. CLARK of Wyoming. I have no objection.

The VICE PRESIDENT. Permit the Chair to state that the Chair is not desirous of doing anything except simply to comply with the statute and the rules. The Chair has no knowledge as to the condition of the contingent fund of the Senate. Nobody knows except the Committee to Audit and Control the Contingent Expenses of the Senate. The Chair assumes that there is enough money there; he hopes so, at least. In three minutes time that committee can report the resolution back, and if the report is favorable, it will be passed.

Mr. ROBINSON. Very well. Let the joint resolution go to the committee.

Mr. SIMMONS. I will not object to the pending matter if there is to be no further debate.

Mr. ROBINSON. I have already agreed to let the matter go to the committee upon the suggestion of the Senator from Wyoming and the Senator from Utah.

The VICE PRESIDENT. The joint resolution will be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. WILLIAMS subsequently said: From the Committee to Audit and Control the Contingent Expenses of the Senate I report back favorably without amendment the joint resolution introduced this morning by the Senator from Arkansas [Mr. ROBINSON], and I ask unanimous consent for its immediate consideration.

There being no objection, the joint resolution was considered as in Committee of the Whole.

Mr. GALLINGER. I would suggest to the Senator from Mississippi, as the joint resolution provides that the money shall be paid from the contingent fund of the two Houses, it might be well to insert the words "in equal parts."

Mr. WILLIAMS. Yes. I did not draw up the joint resolution.

Mr. GALLINGER. It is the usual form.

Mr. WILLIAMS. I ask to insert the words "in equal parts." This is an expenditure already authorized by law.

The VICE PRESIDENT. Without objection, the amendment suggested by the Senator from Mississippi will be made.

The joint resolution was reported to the Senate as amended, and the amendment was concurred in.

The joint resolution was ordered to be engrossed for a third reading, read the third time, and passed.

THE TARIFF.

The VICE PRESIDENT. The morning business is closed.

Mr. SIMMONS. I ask unanimous consent that the Senate proceed to the consideration of House bill 3321.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes.

Mr. PENROSE. I suggest the absence of a quorum, Mr. President.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Hollis	Overman	Smith, Ariz.
Bacon	Jackson	Owen	Smith, Ga.
Borah	James	Page	Smith, Md.
Bradley	Johnson	Penrose	Smith, S. C.
Brady	Jones	Perkins	Smoot
Brandeggee	Kenyon	Pittman	Sterling
Bristow	Kern	Poindexter	Stone
Bryan	Lane	Pomerene	Sutherland
Catron	Lea	Ransdell	Swanson
Chamberlain	Lippitt	Reed	Thomas
Chilton	Lodge	Robinson	Thompson
Clark, Wyo.	McCumber	Root	Thornton
Clarke, Ark.	McLean	Saulsbury	Vardaman
Cole	Martin, Va.	Shafroth	Walsh
Cummins	Martine, N. J.	Sheppard	Warren
Dillingham	Myers	Sherman	Williams
Fletcher	Nelson	Shields	Works
Gallinger	Norris	Shively	
Hitchcock	O'Gorman	Simmons	

Mr. JONES. I desire to state that the junior Senator from Michigan [Mr. TOWNSEND] is necessarily absent, and will be absent for the remainder of the day. He is paired with the Senator from Florida [Mr. BRYAN]. I will let this announcement stand for the rest of the day.

The VICE PRESIDENT. Seventy-four Senators have answered to the roll call. There is a quorum present.

Mr. LIPPITT. Mr. President, I have here a memorial, which was sent to me two or three weeks ago, signed by a very large number of the principal cotton manufacturers of New England, which I should like to have the Secretary read and to have the names printed in the RECORD as a part of my remarks.

The VICE PRESIDENT. In the absence of objection, the Secretary will read as requested, and the names will be printed in the RECORD.

The Secretary read as follows:

HON. HENRY F. LIPPITT.

United States Senate, Washington, D. C.

AUGUST 12, 1913.

DEAR SIR: We commend and thank you for your able exposition of the unjustifiable and extraordinarily unfair discrimination in the pending tariff bill against New England cotton products, which, as you show, are given a duty of from 7½ per cent to 30 per cent (an average of about 16 per cent), while silk cloth is given a duty of 45 per cent and woolen cloths of 35 per cent.

The percentage of labor cost, higher in cotton than in the other textile industries, seems to require at least as high a duty on cotton goods. With shorter working hours, higher wages, and a higher percentage of labor cost (as shown by the United States census reports) than maintain in the great cotton manufacturing States of the South New England seems to be the target of the framers of the pending tariff measure.

Not desiring any unfair advantage and being ready to compete on equal terms with any manufacturers in the world we urge you to continue your efforts to secure reasonably fair treatment for New England's greatest industry.

Southern manufacturers themselves are on record indorsing our position and the need of higher and fair rates for New England's products. They realize as do we that the continuation and development of the fine cotton goods manufacture of our mills is as important to the South as it is to the North.

Parkhill Manufacturing Co., Fitchburg, Mass.; Arthur H. Lowe, treasurer, Fitchburg, Mass.; Grant Yarn Co., by Geo. P. Grant, Jr., treasurer; Fitchburg Yarn Co., by Geo. P. Grant, Jr., general manager; Orswell Mills, by W. H. Stiles, treasurer, Fitchburg, Mass.; Star Worsted Co., by C. B. Smith, president, Fitchburg, Mass.; Theo. Parsons, treasurer, Lyman Mills, Exchange Building, Boston; Edward Lovering, treasurer, Massachusetts Cotton Mills, Exchange Building, Boston; Herbert Lyman, treasurer, of Merrimack Manufacturing Co., Boston; Wellington Sears & Co., Boston; Edward P. Nichols, treasurer, Great Falls Manufacturing Co., 53 State Street, Boston; Nathaniel F. Ayer, treasurer, Nyanza Mills & Farwell Mills, 70 Kelby Street, Boston; Amory Browne & Co., Boston; W. Amory, treasurer, Pepperell Manufacturing Co., 141 Milk Street, Boston; Sidney Coolidge, treasurer, Lowell Bleachery, Lowell; Bliss Fabyan & Co., Boston; Chas. B. Luther, treasurer, Luther Manufacturing Co., Fall River; C. P. Baker, treasurer, Lawrence Manufacturing Co., Ames Building, Boston; Charles O. Richardson, treasurer, Warwick Mills, Warwick, R. I.; Frederic C. McDuffie, treasurer, York Manufacturing Co. and Everett Mills, 120 Franklin Street, Boston; Geo. H. Sayward, treasurer, Pemberton Co. and Methuen Co., 78 Channey Street, Boston; Converse, Stanton & Co., Boston; A. G. Cunnock, treasurer, Appleton Co., 50 Congress Street, Boston; F. C. Dumaine, treasurer, Amoskeag Manufacturing Co., Ames Building, Boston; J. M. Prendergast & Co., Boston; Ernest Lovering, treasurer, Dwight Manufacturing Co., Exchange Building, Boston; F. A. Flather, treasurer, Boott Mills, 79 Milk Street, Boston; Frederic Amory, treasurer, Nashua Manufacturing Co. and Jackson Co., 82 Devonshire, Boston; H. DeF. Lockwood, assistant treasurer, Pacific Mills, Boston; Albert Greene Duncan, treasurer, Chicopee Manufacturing Co. and Harmony Mills, 70 Kilby Street, Boston; Minot, Hooper & Co., 110 Sumner Street, Boston; Charles F. Young, treasurer, Tremont & Suffolk Mills, 70 Kilby Street, Boston; Arthur R. Sharp, treasurer, Hamilton Manufacturing Co., 20 Devonshire, Boston; John E. Paige, treasurer, Central Mills Co., Southbridge, Mass.; Andrew G. Pierce, for Pierce Manufacturing Corporation, Grinnell Manufacturing Corporation, and Pierce Bros. (Ltd.), New Bedford; Wm. P. Covell, Bristol Manufacturing Co.; Albert G. Mason, Whitman Mills, New Bedford; Frederick C. Macy, Soule Mills, New Bedford; John Neild, Neild Manufacturing Corporation; N. B. Kerr, Butler Mills, New Bedford; W. H. Underdown, New Bedford Cotton Mills Corporation, New Bedford; Edw. T. Pierce, Wamsutta Mills, New Bedford; Geo. H. Hills, treasurer, Stevens Manufacturing Co. and Davol Mills, Fall River; Chas. M. Shove, treasurer, Granite Mills, Fall River; J. E. Osborne, treasurer, American Linen Co. and Merchants Manufacturing Co., Fall River; Robert W. Zuill, treasurer, Cornell Mills, Fall River; Wm. N. McLane, treasurer, Seacomet Mills, Fall River; W. F. Shove, treasurer, Pocasset Manufacturing Co. and Wampanoag Mills, Fall River; H. T. Whitin, treasurer, Paul Whitin Manufacturing Co., Northbridge; Ponemah Mills, J. A. Atwood, treasurer, Providence; International Braid Co., J. O. Arms, treasurer, Providence; Coventry Co., Robert W. Taft, treasurer, Providence; Slater Manufacturing Co., Wm. H. Harris, treasurer, Pawtucket; U. S. Cotton Co., Fred W. Easton, treasurer, Pawtucket; Waypoysset Manufacturing Co., Robt. B. Easton, secretary, Pawtucket; Interlaken Mills, E. C. Bucklin, Providence.

Mr. LIPPITT. Mr. President, the gentlemen who sign this memorial represent perhaps 100,000 employees and several thousand stockholders of cotton-manufacturing companies in New England, and the pay envelopes of the employees depend upon

the prosperity of these mills. It is for these people and their interests that I am speaking to-day.

When the Senate adjourned last night I was on the point of making a comparison of the effect of this change of duty from the high number of cotton yarns to the average number, as shown in Table No. 169 from the Tariff Board's cotton report. That table contains in the neighborhood of 100 different cotton fabrics, which were selected by the board at large through the dry-goods stores of the country as somewhat representative fabrics of the industry. Some of those fabrics contain silk, and as to some it is not possible from the data given by the board to discover just what effect the change in these duties would have; but upon about 80 of those samples it is possible to discover approximately what effect this change would produce in the duty applicable to them.

I have here a table, which I have prepared, showing the number of yarns of which the various fabrics are composed, showing the duty upon each that would be assessed under the principle of the high number of yarns and the duty that would be assessed upon each under the average number of yarns. The general result of that comparison is to show that on goods composed of coarse numbers of yarns there would be no change in duty at all; but that on goods composed of high numbers of yarns, in a very great number of instances, there would be a reduction of duty of from $2\frac{1}{2}$ to $7\frac{1}{2}$ per cent.

On the first 17 samples it will be seen, by an examination of the table, that they are all composed of coarse numbers of yarns. For instance, No. 1 is composed of 6 and 7; No. 3, of 10 and 11; No. 7, of 12 and 16; and so on down the list. On these 17 fabrics there will be no change in the duty.

We then come to numbers 18 to 21, and we find a reduction of the duty of $2\frac{1}{2}$ per cent on the first 3 of these and of 5 per cent on the other.

Sample 19 is composed of No. 80 and of No. 120 yarn; sample 20, of 80 and 100 yarn; sample 21, of 60 and 100. It is on account of the variation in numbers that occurs so frequently in goods composed of these fine yarns that this reduction is brought about. As we go on through the list, which I shall not read in full, it will be seen that wherever the numbers of the yarns are coarse almost without exception there is no change in the duty, and that almost without exception where the yarns are fine there is a reduction of the duty. In all, this table shows that there is a reduction on 31 of these samples that are composed of fine yarns and of fancy woven figures, which, as I have said, runs up as high as $7\frac{1}{2}$ per cent; and that there is no change on 49 of the samples composed of coarse yarn and ordinary weaves.

Mr. President, I do not know that there is any way in which the discrimination, if I may call it so, that this proposed amendment will make as against New England fabrics can be better illustrated than by that table.

Those fine yarn goods are not protected even in the bill as it came from the House to anything like the same extent that the coarser yarn goods are protected. The conditions of the industry, as has been several times stated in this Chamber, are such that for the present we can come very close to competing with foreign countries on some of the coarse fabrics of cotton, but we can not compete with them on the fine fabrics of cotton, where the proportion of labor, as compared with the proportion of cotton that enters into their cost, is very large.

After two years of Democratic study of this question, during all of which time it had been proposed to assess these duties by the high number contained in the cloth, suddenly at the last moment, after the bill had actually been presented in this body, owing to the difficulties of administering that method which ought to have been long since discovered, it is proposed to change this system. Under these circumstances it seems to me that a corresponding change should be made in the classification so as to leave the relative protection between these varieties of goods the same as originally proposed.

I have proposed an amendment, Mr. President, which to some extent will produce this result. This reduction in the duty is brought about on these goods because they are dropped from the class containing high yarns and a proportional duty to a lower class composed of goods made of a little coarser yarns and bearing a lower duty. In the amendment which I have proposed I simply apply the rate of duty of the high class in which these goods formerly came to the class into which they would now go. The average result of those changes is that where, under the previous rate, the duty was 17.8 per cent, under my proposed amendment it will be 17.5 per cent—a slightly lower average. I am proposing no duty higher than is contained in the present bill.

Mr. President, I offer the amendment which I send to the desk as a substitute for paragraph 257.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. As a substitute for paragraph 257, on page 76, it is proposed to insert the following:

257. Cotton cloth, not bleached, dyed, colored, stained, painted, woven figured, or mercerized, containing yarns the highest number of which does not exceed No. 9, $7\frac{1}{2}$ per cent ad valorem; exceeding No. 9 and not exceeding No. 19, 10 per cent ad valorem; exceeding No. 19 and not exceeding No. 29, $12\frac{1}{2}$ per cent ad valorem; exceeding No. 29 and not exceeding No. 39, 15 per cent ad valorem; exceeding No. 39 and not exceeding No. 49, 20 per cent ad valorem; exceeding No. 49 and not exceeding No. 59, $22\frac{1}{2}$ per cent ad valorem; exceeding No. 59 and not exceeding No. 79, 25 per cent ad valorem; exceeding No. 79, $27\frac{1}{2}$ per cent ad valorem. Cotton cloth when bleached, dyed, colored, stained, painted, printed, woven figured, or mercerized, containing yarn the highest number of which does not exceed No. 9, 10 per cent ad valorem; exceeding No. 9 and not exceeding No. 19, $12\frac{1}{2}$ per cent ad valorem; exceeding No. 19 and not exceeding No. 29, 15 per cent ad valorem; exceeding No. 29 and not exceeding No. 39, $17\frac{1}{2}$ per cent ad valorem; exceeding No. 39 and not exceeding No. 49, $22\frac{1}{2}$ per cent ad valorem; exceeding No. 49 and not exceeding No. 59, 25 per cent ad valorem; exceeding No. 59 and not exceeding No. 79, $27\frac{1}{2}$ per cent ad valorem; exceeding No. 79, 30 per cent ad valorem.

Mr. LIPPITT. Mr. President, in connection with what I have said on this subject, I should like to have the table to which I have referred in my remarks printed in full, and also a smaller table showing a brief résumé of the two rates of duty.

The VICE PRESIDENT. In the absence of objection, the tables will be printed as requested.

The tables referred to are as follows:

Kind of cloth, number of yarns, etc.

[From Table 169, Tariff Board's cotton report.]

Kind of cloth.	Number of yarns.	Average number.	High number duty.	Average number duty.	Reduction.
		P. ct.	P. ct.	P. ct.	
1. Duck.....	6-7	7.5	7.5	None.	
2. Duck.....	7-8	7.5	7.5	None.	
3. Osaburg.....	10-11	10	10	None.	
4. Sheeting.....	12-16	10	10	None.	
5. Sheeting.....	11-14	10	10	None.	
6. Domestic.....	18-22	12.5	12.5	None.	
7. Drill.....	12-16	10	10	None.	
8. Canton.....	9-14	10	10	None.	
9. Cheese bunting.....	20-36	12.5	12.5	None.	
10. Window holland.....	18	10	10	None.	
11. Linen finish.....	14	10	10	None.	
12. Sheeting.....	28-32	12.5	12.5	None.	
13. Shirting.....	28-30	12.5	12.5	None.	
14. Sheeting.....	22	12.5	12.5	None.	
15. Long cloth.....	30-36	12.5	12.5	None.	
16. Long cloth.....	40	17.5	17.5	None.	
17. Nainsook.....	55-60	22.5	22.5	None.	
18. India linen.....	60-80	67	25	2.5	
19. Persian lawn.....	80-120	95	25	2.5	
20. Persian lawn.....	80-100	87	25	2.5	
21. Fancy.....	16/2-60-100	75	27.5	2.5	
22. Nainsook.....	26	12.5	12.5	None.	
23. Dimity.....	40-60	47	22.5	17.5	5
24. Piqué.....	26-50	35	20	12.5	7.5
25. Fancy.....	40/2-80-100	85	27.5	25	2.5
26. Lawn.....	50-80	65	25	22.5	2.5
27. Corded check.....	10/2-24/2-70-90	75	25	22.5	2.5
28. Dotted swiss.....	14/3-14-55-80	65	25	22.5	2.5
29. Dotted swiss.....	7-60-80	67	25	22.5	2.5
30. Curtain swiss.....	20-50-60	53	22.5	20	2.5
31. Fancy swiss.....	8-60-70	50	22.5	20	2.5
32. Lappet.....	16/2-50-70	57	22.5	20	2.5
33. Jacquard.....	32-50	40	20	17.5	2.5
34. Fancy.....	40/2-50-80-130	85	27.5	25	2.5
35. Voile.....	70/2-45-120/4	75	27.5	22.5	5
36. Marquisette.....	55-120/2	80	27.5	25	2.5
37. Marquisette.....	40/2-55	20	20	None.	
38. Damask.....	16-24	12.5	12.5	None.	
39. Challie.....	28-32	12.5	12.5	None.	
40. Lawn.....	30-36	12.5	12.5	None.	
41. Calico.....	30	12.5	12.5	None.	
42. Calico.....	30	12.5	12.5	None.	
43. Calico.....	30	12.5	12.5	None.	
44. Percale.....	30-32	12.5	12.5	None.	
45. Printed lawn.....	45-65	33	22.5	20	2.5
46. Organdie.....	50-80	65	25	22.5	2.5
47. Batiste.....	55-90	72	25	22.5	2.5
48. Lawn.....	60-110	80	27.5	25	2.5
49. Lawn.....	65-100	80	27.5	25	2.5
50. Organdie.....	100-120	27.5	27.5	None.	
51. Scrin.....	20/2-26/2	12.5	12.5	None.	
52. Crêpe kimono.....	20-36	12.5	12.5	None.	
53. Drapery twill.....	18-28	12.5	12.5	None.	
54. Serge.....	26/2-28/2	12.5	12.5	None.	
55. Galates.....	20-22	12.5	12.5	None.	
56. Dimity.....	60-70	22.5	22.5	None.	
57. Dimity.....	45-90-120	65	25	22.5	2.5
58. Madras.....	55-80	20	20	None.	
59. Leno.....	28/3-60-70-85	25	25	None.	
60. Book cloth.....	24	12.5	12.5	None.	
61. Window holland.....	18	10	10	None.	
62. Chambray.....	28-36	12.5	12.5	None.	
63. Pongee.....	28-55	39	20	12.5	7.5
64. Soisette.....	40-80	55	25	20	5
65. Pongee.....	40-90	60	25	22.5	2.5
66. Poplin.....	30-60	45	22.5	17.5	5
68. Rep.....	5-32/2	16	12.5	10	2.5

Kind of cloth, number of yarns, etc.—Continued.

Kind of cloth.	Number of yarns.	Average number.	High number duty.	Average number duty.	Reduction.
69. Sateen.....	30-36		P. ct.	P. ct.	P. ct.
70. Sateen.....	45		12.5	12.5	None.
71. Gingham.....	24-30	27	17.5	17.5	None.
72. Gingham.....	26-40	32	12.5	12.5	None.
73. Cheviot.....	12-14		17.5	12.5	5
74. Madras.....	18-24		10	10	None.
75. Gingham.....	24-28-40	30	12.5	12.5	None.
76. Outing flannel.....	12-20-24-28		17.5	12.5	5
77. Ticking.....	9-14		12.5	12.5	None.
78. Denim.....	9-14		10	10	None.
79. Plaids.....	12-14		10	10	None.
80. Scotch gingham.....	50-55		10	10	None.
81. Fancy gingham.....	55		20	20	None.

This table shows that changing the basis of duty from the highest number of yarn in the cloth to the average number of yarn in the cloth makes a reduction from 2.5 to 7.5 per cent on 31 fine-yarn and fancy-woven styles; no change on 49 coarse yarn and ordinary woven; total of 80 styles.

Cloth, gray.

PROPOSED.	AS AT PRESENT.
Not above No. 9..... 7.5	Not above No. 9..... 7.5
9 to 19..... 10	9 to 19..... 10
19 to 29..... 12.5	19 to 29..... 12.5
29 to 39..... 15	29 to 39..... 12.5
39 to 49..... 20	39 to 49..... 17.5
49 to 59..... 22.5	49 to 59..... 20
59 to 79..... 25	59 to 79..... 22.5
Above 79..... 27.5	Above 79..... 25
	Above 99..... 27.5
\$140	\$142.5
17.5	17.3

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Rhode Island.

Mr. SMITH of Georgia. Mr. President, I understand the Senator from Rhode Island has the floor. When he finishes, I wish to say just a word.

Mr. LIPPITT. Mr. President, if the Senator from Georgia would like to speak on this subject, I will be very glad to yield.

Mr. SMITH of Georgia. I do not wish to speak upon the separate proposals the Senator offers in the nature of changes. I only wish to say that we do not agree with the conclusions of the Senator from Rhode Island in the figures which his calculation produces. I will not take the time of the Senate to go into them fully. In the first place, the Senate committee bill has changed the House classification by making a break at 79 and making a rise there. In the next place, the amendment which I offered on yesterday, providing that in the counting of threads all ply yarns shall be separated into singles of the count taken by the total singles, changes the classification. These two changes each raise the classification and increase the duty.

Illustrating by the numbers from 59 to 99, our classification shows that the duty on 12 items is not changed at all. That classification is also based upon the report of the Tariff Board and the classes of goods which they use. Six were reduced from 25 to 22½ per cent—making a reduction of 2½ per cent; one to 20 per cent, and one advanced to 30 per cent. That is the result of the calculation upon those goods, as shown in the Tariff Board report.

Mr. LIPPITT. In regard, Mr. President, to the effect of the change to which the Senator refers, of separating twisted yarns in the goods into their component parts and putting a special duty on twisted yarn goods, I will speak briefly in connection with an amendment which I propose to offer to a succeeding paragraph. I should like to have the question put on my amendment.

Mr. GALLINGER. Mr. President, I have taken no time whatever in the discussion of the cotton schedule, notwithstanding the people of New Hampshire are greatly interested in it.

I only wish to say this morning, in the briefest possible words, that there is a great deal of solicitude felt on the part of our manufacturers of the finer grades of cotton and of hosiery, and it is a matter of extreme regret to me that our Democratic friends do not see their way clear to agree to the schedule the Senator from Rhode Island [Mr. LIPPITT] has submitted this morning. I feel sure that there ought to be higher rates, though not to any great extent.

The increases proposed by the Senator from Rhode Island are very moderate, and it would be a great gratification if they

could be agreed to; but I assume that they will not be. All I can do or say, therefore, is that I feel that a great injustice—very likely inadvertently—is being done the manufacturers of New England in the matter of the finer grades of cotton and, as I suggested, of hosiery.

I should be glad if the amendment could be agreed to, but in view of the experiences we have had I confess I have not very much hope that it will be agreed to.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Rhode Island [Mr. LIPPITT].

The amendment was rejected.

Mr. LIPPITT. I offer an amendment to paragraph 268, which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. It is proposed to strike out, in paragraph 257, the words "woven figured," and, as a substitute for paragraph 268, to insert the following:

268. Figured or fancy cotton cloth woven by means of jacquard, dobby, drop box, lappet, leno, swivel, or other similar attachments, or containing novelty yarns in whole or in part other than the ordinary ply or cable-laid yarn or thread, there shall be paid a duty of 10 per cent in addition to the duty or duties imposed upon such cotton cloth by the various provisions of this section, the intent of this paragraph being to add this duty or duties to those to which such cotton cloth would be liable if the provisions of this paragraph did not exist.

Mr. LIPPITT. Mr. President, in this bill there are two special duties put upon fabrics that are fancy woven. One is in paragraph 268, for which I have proposed this substitute, which applies to cotton table damask and puts a duty of 25 per cent ad valorem upon it.

Cotton table damask is for the most part made out of yarns from 20s and 39s, and the duty upon that fabric, if it had not been put in this special paragraph, would be 15 per cent. The particular feature of cotton table damask is simply that it has a large brocade figure, usually a figure made by a Jacquard loom. The reason and excuse for raising the duty on this fabric from what it would be under the yarn clauses is the fact that it is woven upon a Jacquard loom.

In paragraph 263, as amended by the Senate, tapestries and other Jacquard figured upholstery goods received a duty of 35 per cent as the bill was first reported to the Senate, but as it was amended yesterday the word "Jacquard" was changed to "woven." So, as it would now read, woven figured upholstery goods receive a duty of 35 per cent.

These upholstery goods are also goods that are made for the most part out of coarse yarns. They are very expensive and very elaborate fabrics, and the duty of 35 per cent is not in any way an excessive duty for them; but if they did not have this special paragraph into which they fall they would also probably receive a duty of 15 per cent. So by this paragraph the duty is raised from 15 to 35 per cent, or something more than doubled.

The principle that is involved in both of these changes of duty is that decorated, figured, and fancy goods, on account of their greater labor cost as compared to their cotton cost, are entitled to some higher rate of duty than the more simple products of the loom; but there is no more reason for picking out these two kinds of fabrics to apply this duty to than there is for treating in a like manner all the other products of the fancy loom.

There are in this country in the neighborhood of 20,000 Jacquard looms. There are engaged upon tapestries and upon damasks perhaps between two and three thousand of those looms. Those two or three thousand looms have been very properly given this extra consideration in the duty. All I am maintaining and all I am asking is that the other 17,000, if that be the number, shall have their products treated in exactly the same way.

In addition to the Jacquard looms, there are perhaps in the neighborhood of 100,000 looms, all told, upon which fancy notions of some kind or other are in operation. They are dobbies, drop boxes, lenos, swivels, and lappets, such as I have referred to in my amendment.

The effect of the amendment is to put all the other fancy products upon a parity with these two products, which, for reasons known to the committee but which have not been very plainly put before this body, if at all, have been treated in this way.

I have not asked for a high duty. In one of these cases there is a difference made of 10 per cent. In the other case there is a difference made of 20 per cent. Day before yesterday there was passed, without debate and without explanation, a substitute for the paragraph applying duties upon silk cloth. In that substitute a duty of 45 to 55 per cent was put upon Jacquard goods made of silk. The percentage of labor cost in making those silk goods is no more than the percentage in making similar cotton fabrics. Nevertheless, this enormous discrimination has been made between the products of these two industries. It

seems to me that when in some cases such high duty has been applied, it is only a very moderate thing to ask that the lowest of those special duties shall be applied alike to all the other products of the fancy loom.

I noticed in the bill introduced by the Senator from Wisconsin [Mr. LA FOLLETTE] a paragraph very similar to the one which I have proposed and containing in effect practically the same duties upon these fancy cotton fabrics.

Mr. President, this is a matter that is of great importance to New England, because it is in New England that the great bulk of these advanced products of the loom are manufactured. I think every consideration of fairness and of equality, as between the treatment of one fabric and another in the various schedules of this bill, justifies the adoption of this amendment, and I ask for the yeas and nays upon it.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I have a pair with the junior Senator from Michigan [Mr. TOWNSEND], and therefore withhold my vote.

Mr. McCUMBER (when Mr. GRONNA's name was called). My colleague [Mr. GRONNA] is necessarily absent. He is paired with the junior Senator from Illinois [Mr. LEWIS]. I will let this announcement stand on all votes during the day.

Mr. JAMES (when his name was called). I have a general pair with the junior Senator from Massachusetts [Mr. WEEKS]. I transfer that pair to the junior Senator from Montana [Mr. WALSH] and will vote. I vote "nay."

Mr. McCUMBER (when his name was called). I have a pair with the senior Senator from Nevada [Mr. NEWLANDS]. I transfer that pair to the junior Senator from Maine [Mr. BURLEIGH] and will vote. I vote "yea."

Mr. THOMAS (when his name was called). I have a general pair with the senior Senator from Ohio [Mr. BURTON]. I transfer that pair to the junior Senator from Oklahoma [Mr. GORE] and will vote. I vote "nay."

The roll call was concluded.

Mr. BRYAN. I transfer my pair with the junior Senator from Michigan [Mr. TOWNSEND] to the junior Senator from New Jersey [Mr. HUGHES] and will vote. I vote "nay."

Mr. REED. I transfer my pair with the senior Senator from Michigan [Mr. SMITH] to the senior Senator from South Carolina [Mr. TILLMAN] and will vote. I vote "nay."

Mr. CHAMBERLAIN. I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. I transfer that pair to the senior Senator from Virginia [Mr. MARTIN] and will vote. I vote "nay."

Mr. LODGE. I desire to say that my colleague [Mr. WEEKS] has been suddenly called from the city by illness in his family. He stands paired with the junior Senator from Kentucky [Mr. JAMES], as has already been announced.

Mr. GALLINGER. I have been requested to announce pairs between the senior Senator from Delaware [Mr. DU PONT] and the senior Senator from Texas [Mr. CULBERSON] and between the junior Senator from West Virginia [Mr. GOFF] and the Senator from Alabama [Mr. BANKHEAD].

The result was announced—yeas 29, nays 41, as follows:

YEAS—29.

Borah	Gallinger	Nelson	Smoot
Bradley	Jackson	Norris	Sterling
Brandeggee	Jones	Page	Sutherland
Bristow	Kenyon	Penrose	Warren
Catron	Lippitt	Perkins	Works
Clark, Wyo.	Lodge	PoinDEXTER	
Colt	McCumber	Root	
Dillingham	McLean	Sherman	

NAYS—41.

Ashurst	Kern	Reed	Smith, S. C.
Bacon	Lane	Robinson	Stone
Bryan	Lea	Saulsbury	Swanson
Chamberlain	Martine, N. J.	Shafroth	Thomas
Chilton	Myers	Sheppard	Thompson
Clarke, Ark.	O'Gorman	Shields	Thornton
Fletcher	Overman	Shively	Vardaman
Hitchcock	Owen	Simmons	Williams
Hollis	Pittman	Smith, Ariz.	
James	Pomerene	Smith, Ga.	
Johnson	Ransdell	Smith, Md.	

NOT VOTING—25.

Bankhead	Cummins	La Follette	Tillman
Brady	du Pont	Lewis	Townsend
Burleigh	Fall	Martin, Va.	Walsh
Burton	Goff	Newlands	Weeks
Clapp	Gore	Oliver	
Crawford	Gronna	Smith, Mich.	
Culbertson	Hughes	Stephenson	

So Mr. LIPPITT's amendment was rejected.

Mr. POINDEXTER. Will the Senator from North Carolina inform me whether the committee has arrived at any conclusion

upon the amendment which they took under advisement in reference to lumber and shingles or a countervailing duty as against export duties levied upon logs? It is an amendment which I proposed to paragraph 157 of the bill. I do not know whether the Senator from North Carolina will recall it from my statement. I will read the amendment.

Mr. SIMMONS. I remember the Senator's amendment. I told the Senator I would present it to the committee for consideration. I did present it to the committee for consideration, as I promised the Senator I would do, and the committee did not approve of the amendment.

I call the Senator's attention to the fact, although it does not reach the case fully, that there is already such a provision in the bill. I think it is paragraph J of the section in the administrative part of the bill. It provides that whenever any foreign country imposes an export duty or a bounty upon any product shipped to this country the export duty and the bounty shall be added to the duty imposed upon that country by our tariff law. I confess frankly it does not reach the point the Senator has in view, although it does reach the general proposition of export duties imposed by foreign countries upon products imported into this country.

I simply desire to say to the Senator, in response to his question, that after consideration the committee did not agree to the amendment.

Mr. POINDEXTER. Mr. President, I am very much encouraged even by the committee taking the matter under advisement. I think it indicates considerable merit in the amendment that they were willing even to consider it. It is still pending. There is one modification that I should like to make in the amendment, and after a very brief statement in regard to it I shall ask for a vote upon it.

The VICE PRESIDENT. The Chair will state to the Senator from Washington that on his request the amendment was referred to the committee.

Mr. POINDEXTER. I will reoffer it in a somewhat modified form.

The VICE PRESIDENT. The amendment will be read.

The SECRETARY. On page 157, line 6, after the word "section," at the end of paragraph 649, insert the following proviso:

Provided, That when an export duty is imposed by any foreign country, or any Province or subdivision thereof, on logs, blocks, or other raw material from which lumber or shingles are manufactured, or if the export of such logs or raw material from such foreign country, or any Province or subdivision thereof, or any class of lands therein, into the United States shall be prohibited, then in either event there shall be levied and collected a duty of \$1.25 per thousand feet upon lumber and 25 cents per thousand upon shingles imported into the United States from such foreign country.

Mr. POINDEXTER. Mr. President, the amendment which the Secretary has just read to the lumber schedule in the bill is directly in line with the policy which the Democratic Party claims to believe in, namely, cheap raw materials, and is simply intended as a means by which this country may have some weapon by which it may induce a foreign country—and the foreign country, I will say frankly, I have in mind is Canada and its Provinces—to remit export duties which it now imposes upon the raw materials which go to the making of lumber in its various forms, and shingles. It is directly in line with the policy announced as one of the cardinal doctrines upon which this bill is framed, and at the same time it is not in conflict with any principle which the opponents of the Democratic Party believe in.

I want to call attention, Mr. President, to the laws which British Columbia and other Provinces of Canada have enacted in this regard. The Province of Ontario has this provision:

1. Every license or permit conferring authority to cut spruce or other soft wood, trees or timber, not being pine, suitable for manufacturing pulp or paper, on the ungranted lands of the Crown, or to cut such timber reserved to the Crown on lands leased or otherwise disposed of by the Crown, which shall be issued on or after the 30th day of April, 1900, shall contain and be subject to the condition that all such timber cut under the authority or permission of such license or permit shall, except as hereinafter provided, be manufactured in Canada, that is to say, into merchantable pulp or paper, or into sawn lumber, woodenware, utensils, or other articles of commerce or merchandise as distinguished from the said spruce or other timber in its raw or unmanufactured state.

The Province of Quebec has a regulation as follows:

All timber cut on Crown lands after the 1st of May, 1910, must be manufactured in Canada—that is to say, converted into pulp or paper, deals or boards, or into any other article of trade or merchandise of which such timber is only the raw material.

The Province of British Columbia has this provision:

All timber cut on ungranted lands of the Crown, or on lands of the Crown which shall hereafter be granted, shall be used in this Province, or be manufactured in this Province into boards, deals, joists, lath, shingles, or other sawn lumber.

The Province of New Brunswick has a similar provision, as follows:

And such condition shall be kept and observed by the holder or holders of any such timber licenses or permits, who shall cut or cause to be cut spruce or other soft-wood trees or timber, not being pine or poplar, suitable for manufacturing pulp or paper under the authority thereof, and by any other person or persons who shall cut or cause to be cut any of such wood trees or timber under the authority thereof, and all such wood trees or timber cut into logs or lengths or otherwise shall be manufactured in Canada as aforesaid.

The amendment, Mr. President, provides, in substance, that in such a case as that there shall be levied a duty of \$1.25 per thousand feet upon lumber from that country and 25 cents a thousand on shingles, which levy will be some inducement to Canada and its Provinces to remit this burden upon the manufacture of lumber, imposed by this obstacle; prohibition, in fact, in most of the Provinces, upon the export of logs.

I ask for a ye-a-and-nay vote upon the amendment.

Mr. CUMMINS. I should like to hear the amendment read.

The VICE PRESIDENT. The Secretary will read the amendment submitted by the Senator from Washington.

The Secretary again read Mr. POINDEXTER'S amendment.

The VICE PRESIDENT. Is the request for the yeas and nays seconded?

The yeas and nays were ordered.

Mr. JONES. Mr. President, I wish to submit just a word or two in behalf of this amendment. The ground has been well covered by my colleague [Mr. POINDEXTER]. I want to call especial attention to the fact that the committee, as he says, has recognized the justice of the principle involved in the amendment because it has provided that whenever a duty is imposed upon an article in this bill and restrictions are imposed in another country there shall be a countervailing duty. I can not see why that principle should not also be applied to articles which in this bill are placed upon the free list where some other country imposes restrictions upon the exports into this country. That is simply the situation in this case. If there was a duty, however small, upon any of these articles, then the general provision of the bill would apply and there would be a countervailing duty.

I will state what is the situation as it relates to the products in our State under the provisions of this bill. Nearly everything that we produce has been placed upon the free list—wheat, lumber and all its products, meat, coal, wool, cattle, sheep, swine, potatoes, sugar, and a great many other products—and practically everything that has not been put on the free list has been very greatly reduced in duty, such as fruit, oats, barley, hay, eggs, lime, horses, butter, and practically all the products of the farm.

It seems to me that we are asking nothing more than is fair and just; that upon these products of one of the greatest industries not only in our State but in the country, where the conditions are such that rigorous restrictions are placed upon the export of these articles to our country from an adjoining country, the principle of a countervailing duty should be applied.

In addition to what my colleague read as to the requirements in Canada, I want to call the attention of the committee to a few regulations set out in the British Columbia Timbermen's Guide for 1910. They state that—

Crown grant or patent gives absolute ownership in fee simple to land and timber thereon, and on the timber taken from land covered by deeds issued prior to the 7th of April, 1887, there is a tax of from \$1 to \$4 per thousand noted, which is refunded if the logs are manufactured into lumber in Canada. On all timber cut on deeded Crown-grant lands issued since the 7th of April, 1887, and prior to 12th of March, 1906, there is a royalty of 50 cents per thousand and no tax. Both these classes are exportable.

On any timber cut from Crown lands or from Crown-granted lands deeded since the 12th of March, 1906, there is a royalty of 50 cents per thousand, but the logs are not exportable until manufactured.

In other words, the regulations and laws relating to British Columbia and Canada are so framed as practically to compel the manufacture of the logs into lumber before they can be shipped or sent over into this country—legislation framed for the direct promotion of the development of manufacturing in Canada, and evidently aimed against the export of these products into this country until after they have been manufactured in Canada. They do not want us to get their raw material. They know the benefits arising from its manufacture in their own country by the employment of home labor and the development of home industries, and they do whatever is necessary to promote their own development.

All timber cut under lease, special license, or general license from provincial lands lying west of the Cascade Range of mountains, must be manufactured within the confines of the Province of British Columbia, otherwise the lease, special license, or general license shall be canceled.

That provision is aimed squarely and directly against the manufacturers in the industry of lumbering in the State of Wash-

ington, because it confines its application to lands in British Columbia west of the Cascade Mountains, and actually provides for the cancellation of the lease or the license if this timber is exported before it is manufactured. Not only do they impose export duties to encourage home industry, but they, by law, expressly require the raw material to be manufactured at home. This has been the British policy from time immemorial, and accounts for her greatness in many lines.

Now, it does seem to me that our people and Congress should endeavor to promote our industries, at least to a certain extent, when there are regulations and laws in force in an adjoining territory that are aimed directly and specifically at our people and our industries. If we do not protect ourselves and our industries, of course we need not expect other nations to have any regard for our interests. Then, again:

2. All timber cut on ungranted lands of the Crown, or on lands of the Crown which shall hereafter be granted, shall be used in this Province or be manufactured in this Province into boards, deal joists, lath, shingles, or other sawn lumber.

That applies specifically to lands and the industry in British Columbia, and is aimed directly at the industry in our State.

Then there is another regulation that is in force in that territory that operates against the export of logs into our territory, and that is the towage rates that are fixed in British Columbia. I have here a table showing the towage rates that are fixed, which I ask may be put into the Record.

The VICE PRESIDENT. In the absence of objection, permission to do so will be granted.

The table referred to is as follows:

British Columbia towage rates per mile.

From—	Vancouver.	Blaine.	Bellingham and Anacortes.
Squamish.....	\$0.20	\$0.80	\$0.90
Vancouver.....		.60	.75
Wilson Creek.....	.35	.75	.90
Harris Camp.....	.40	.75	.90
Jervis Inlet.....	.85	1.25	1.25
Vancouver Bay.....	.60	1.00	1.10
Captain Island.....	.50	.90	1.00
Sechelt Inlet.....	.60	1.00	1.10
Thunder Bay.....	.50	.90	1.00
Porpoise Bay.....	.75	1.10	1.10
Bute and Toba Inlets.....	1.00	1.25	1.25
This side Yucaltaw Rapids.....	.75	1.00	1.25
Discovery Passage.....	1.00	1.25	1.25
Hole-in-the-Wall.....	1.00	1.25	1.25
Between Yucaltaw Rapids and Johnston Straits.....	1.00	1.25	1.25
Johnston Straits to entrance Knight Inlet.....	1.25	1.50	1.50
Knight Inlet.....	1.50	1.75	1.75
Drury, Kingcome Inlet, and Greenway Sound.....	1.50	1.75	1.75
Comox.....	1.00	1.25	1.25

Towage from any of the above places to Chemainus or Nanaimo same rate as to Vancouver.

Towage to New Westminster and Victoria 25 cents per mile more than to Vancouver.

Mr. JONES. Mr. President, it does seem to me that with these facts and these conditions existing in an adjoining country, that apply specifically and directly, and are intended to apply specifically and directly to our industry, Congress would be derelict in its duty if it did not provide a way by which we might lead to a relaxation of those regulations in order that our industries may be protected to a certain extent at least. Can the majority afford to vote down a proposition that has for its purpose the securing of fair treatment for our own? Not only self-interest but self-respect requires us to insist upon fair and equal treatment.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Washington [Mr. POINDEXTER] on which the yeas and nays have been ordered. The Secretary will call the roll.

The Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I have a pair with the Senator from Michigan [Mr. TOWNSEND], and therefore withhold my vote.

Mr. CHAMBERLAIN (when his name was called). I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. In his absence, I withhold my vote.

Mr. JAMES (when his name was called). I have a general pair with the Senator from Massachusetts [Mr. WEEKS]. In his absence, I withhold my vote. If I were permitted to vote I should vote "nay."

Mr. McCUMBER (when his name was called). I have a general pair with the senior Senator from Nevada [Mr. NEWLANDS], and in his absence I withhold my vote.

Mr. THOMAS (when his name was called). I make the same announcement of the transfer of my pair as before and vote "nay."

The roll call was concluded.

Mr. JAMES. I transfer the pair I have with the Senator from Massachusetts [Mr. WEEKS] to the Senator from Virginia [Mr. MARTIN] and vote "nay."

Mr. REED. I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from South Carolina [Mr. TILLMAN] and vote "nay."

Mr. WILLIAMS (after having voted in the negative). I have just been informed that the senior Senator from Pennsylvania [Mr. PENROSE], with whom I am paired, did not vote. That being the case, I wish to withdraw my vote.

Mr. LEWIS. I desire to announce my pair with the junior Senator from North Dakota [Mr. GRONNA].

The result was announced—yeas 27, nays 43, as follows:

YEAS—27.

Borah	Dillingham	McLean	Smoot
Bradley	Fall	Nelson	Stephenson
Brandegee	Gallinger	Page	Sterling
Cañon	Jackson	Perkins	Sutherland
Clark, Wyo.	Jones	Poin Dexter	Warren
Colt	Lippitt	Root	Works
Cummins	Lodge	Sherman	

NAYS—43.

Ashurst	Kenyon	Pomerene	Smith, Ga.
Bacon	Kern	Ransdell	Smith, Md.
Bristow	Lane	Reed	Smith, S. C.
Chilton	Lea	Robinson	Stone
Clarke, Ark.	Martine, N. J.	Saulsbury	Swanson
Fletcher	Myers	Shafroth	Thomas
Hitchcock	Norris	Sheppard	Thompson
Hollis	O'Gorman	Shields	Thornton
Hughes	Overman	Shively	Thurman
James	Owen	Simmons	Walsh
Johnson	Pittman	Smith, Ariz.	

NOT VOTING—25.

Bankhead	Crawford	Lewis	Tillman
Brady	Cumbers	McCumber	Townsend
Bryan	du Pont	Martin, Va.	Weeks
Burleigh	Goff	Newlands	Williams
Burton	Gore	Oliver	
Chamberlain	Gronna	Penrose	
Clapp	La Follette	Smith, Mich.	

So the amendment of Mr. POINDEXTER was rejected.

Mr. SIMMONS. Mr. President, I ask that we recur to paragraph 646. The Senator from North Dakota [Mr. McCUMBER] desires to offer an amendment to that paragraph, which by inadvertence we passed by.

The SECRETARY. Paragraph 646 is on page 155.

Mr. McCUMBER. Mr. President, I move to amend paragraph 646, on page 156, line 1, by striking out the numerals "10" and inserting in lieu thereof the numerals "20."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 156, line 1, before the word "cents," it is proposed to strike out "10" and insert "20," so as to read:

That wheat shall be subject to a duty of 20 cents per bushel, etc.

Mr. McCUMBER. Mr. President, duty toward the people of my State, who will, under normal conditions, be injured to the extent of from ten to twenty million dollars annually if this bill passes unchanged, compels me to make a last attempt to penetrate the seemingly impregnable wall which a Democratic caucus has built around the Democratic conscience, with the hope that I might possibly reach that conscience, and, reaching it, it might influence and govern the Democratic will to do justice to the northwestern section of the country.

Mr. President, during my absence from the Senate there have been made upon the floor of the Senate and read into the Record editorial statements bearing upon the grain situation of the Northwest so deceptive in their wording and so false in their conclusions that I have felt it incumbent upon me to avail myself of the very first opportunity to uncover the deceptions and to refute the false inferences.

The CONGRESSIONAL RECORD of August 14, page 3376, contains the following:

Mr. SMITH of Georgia. Mr. President, I desire to relieve somewhat the apparent distress of my friend from South Dakota [Mr. CRAWFORD] and also my friend from North Dakota [Mr. GRONNA]. I sent this morning to the office of the Secretary of the Senate to obtain a paper with the prices of commodities, to see what the relative prices of wheat were in Minneapolis and in Winnipeg. I want to give the Senators the pleasing information that in Winnipeg No. 1 northern is selling at 95½ cents and at Minneapolis at 89½ cents per bushel, and No. 2 in Winnipeg is selling at 93½ and in Minneapolis at 87½ cents per bushel.

I have also a slip of a week ago quoting the market prices, which showed only No. 2, and it gives No. 2 at Winnipeg at 93 cents a bushel and at Minneapolis at 87½.

Mr. CRAWFORD. The same grade of wheat?

Mr. SMITH of Georgia. The same grade, No. 2—

The Senator from Georgia made a mistake in that, because it is not the same grade, although the denominating numerals are the same.

Mr. SMITH of Georgia. Mr. President—

The PRESIDING OFFICER (Mr. KERN in the chair). Does the Senator from North Dakota yield to the Senator from Georgia?

Mr. McCUMBER. Certainly.

Mr. SMITH of Georgia. I will say to the Senator that they were given in the paper as the same grade. I understand the Senator means not that the paper did not give them that same grade, but that the No. 2 to which the paper referred, while of the same apparent number, was really a different grade.

Mr. McCUMBER. Yes; the Senator quoted correctly from the paper, and I would not want to convey any other impression. The Senator from Georgia proceeded:

Furthermore, I wish to read to my friend a comforting assurance from one of the Republican papers of Dakota, known as Sheldon's Progress. It is headed:

"THAT TARIFF AGAIN."

"Yesterday No. 1 northern wheat sold at Winnipeg for 96 cents, at Minneapolis for 88 cents, at Duluth for 87 cents, and at Chicago for 91 cents. Would we suffer from the importation of Canadian wheat, or would we not?"

Furthermore, I desire to read from another Republican paper of North Dakota upon the subject of wheat. It is from the Fargo Forum. I understand it is one of the leading Republican papers of the State. I shall not read that portion of the editorial which comments upon the speech of my friend, the Senator from North Dakota, but I shall read a portion of it which refers to the relative prices of wheat in Winnipeg and in Minneapolis.

Mr. President, the Senator from Georgia properly refrained from quoting in the Senate the words in the editorial of the Forum because of their insinuating character; but that I may the better show the misleading character of this editorial and refute its conclusion I shall quote the greater portion of it. The editorial bearing upon this phase of the question is as follows:

GRONNA MADE A SPEECH.

Senator GRONNA, of North Dakota, made a speech in the United States Senate yesterday. He lammed right into that old Democratic tariff bill—for the sake of the folks back home—and he certainly did "soak 'er a good one." As Mr. Dooley would say, "Twas a turbid slaughter, Hinnissy."

Mr. GRONNA is not going to stand idly by and see rank indiscriminate against the farmer. Not on your life. If the farmers of North Dakota had been forced to have sold their 1912 crop, the 143,000,000 bushels of wheat that was raised in this State last year under the conditions that will be imposed by the new tariff, they would have lost \$15,000,000.

That's what GRONNA said. These are his figures.

The Forum wonders just what the hard-headed North Dakota farmers who make a study of the grain markets of the world—are often better posted on prices and conditions in the world's markets than professional traders—will think of a statement like that. Mr. GRONNA says that under the conditions obtaining in 1912, when there was a short crop in foreign countries; that if the farmers had been forced to sell in the open market of the world they would have lost \$15,000,000.

The North Dakota farmer will take that statement and subject it to a little analysis. He will pick up his last edition of the Forum—the one which was printed last night, and which contained the report of the speech made by Mr. GRONNA in Washington—and, turning to the market report, he will find the following very significant figures:

Winnipeg wheat, cash, close, No. 1 northern, 95 cents.

Minneapolis wheat, cash, close, No. 1 northern, 87 to 88½ cents.

And the North Dakota farmer knows that Winnipeg prices have been higher than North Dakota prices during almost if not the entire time since the 1912 crop was harvested. If the North Dakota farmer has any competition to fear in selling his wheat or any other crop, it is from the Canadian northwest; and the Canadian farmer, selling in the open market, has been obtaining higher prices than the American with his protected market.

Mr. President, the article is a criticism upon the address of my colleague, in which he showed to the Senate what would have been the loss to the farmers of North Dakota if we had had free trade during a number of preceding years, and if he inadvertently used the comparative prices of the 1912 crop in Winnipeg and Minneapolis, the only crop in years in which our price has dropped to the Canadian level, as a basis of calculation, that inadvertence was apparent and in no way detracted from the force of his argument, which was that under normal crop conditions our prices, by reason of protection, were very much higher than the Canadian prices. The editorial in question, seizing that one comparison, made it a basis for an argument that our tariffs did not protect and conveyed the idea that this was the usual condition.

The argument of my colleague was based upon normal conditions in the Northwest and was unassailable in any respect whatever.

The first answer to the claim that Winnipeg prices of wheat are higher than the Minneapolis prices is that it is wholly untrue. That No. 1 northern Manitoba grade is higher in Winnipeg than No. 1 northern Minnesota grade in Minneapolis is true. Why? Because No. 1 northern Manitoba grade is

entirely a different grade of grain from No. 1 northern Minnesota grade and is worth more. One might just as reasonably say that wheat is higher in Chicago than in Duluth by citing the price of Macaroni in Duluth and the price of Winter Red in Chicago. Minnesota No. 1 northern and Manitoba No. 1 northern are different kinds of wheat, as the following requirements for each of these commercial grades will show. I will have these grade requirements inserted so as to show the distinction:

MINNESOTA GRADE.	CANADIAN GRADE.
No. 1 northern spring wheat must be sound and well cleaned; it may be composed of the hard and the soft varieties of spring wheat, but must contain a larger proportion of the hard varieties and weigh not less than 57 pounds to the measured bushel.	No. 1 Manitoba northern wheat shall be sound and well cleaned, weighing not less than 60 pounds to the bushel, and shall be composed of at least 60 per cent of hard Red Fife wheat.

It will be noticed that the Manitoba grade for No. 1 northern requires a wheat that weighs not less than 60 pounds to the bushel, while the Minnesota grade requires a wheat that shall weigh not less than 57 pounds to the bushel, a difference of 3 pounds; that the Manitoba grade must be composed of at least 60 per cent of hard Red Fife wheat, while the Minnesota grade requires only a larger proportion of hard varieties than of soft, and Blue Stem takes the place of Red Fife. I assume that neither the North Dakota papers referred to nor the Senator presenting those excerpts on the floor of the Senate knew of these facts. Certainly the Senator would have disclosed them had he known them. The truth is, there is no material difference in the prices of the same kind of wheat. Both countries are on an export basis and are receiving exporting prices. We have not exported before, as I remember, for fully 15 years.

Now, if we will turn to the Liverpool prices—and I take my statement from the quotation as given in the Manitoba Free Press of August 16, quoting prices for August 15—we will find:

Manitoba No. 1	\$1.12½
Duluth No. 1	1.05½

Difference between these two grades in Liverpool, 7½ cents.

There is a difference of 7½ cents because the Manitoba No. 1 is a higher grade than the Duluth No. 1. If I turn to the Winnipeg prices for August 15 and Duluth for the same date, I find—

	Cents.
Manitoba No. 1	94½
Duluth No. 1	88½

Difference between the two grades in Duluth and Winnipeg, 5½ cents.

Winnipeg makes less difference between the two grades than does Liverpool.

I find in comparing the same grades with Minneapolis quotations—

	Cents.
No. 1 Manitoba (Winnipeg)	94½
No. 1 Minneapolis	90

Difference between the two grades in Minneapolis and Winnipeg, 4½ cents.

Again, that difference, while not as great as the two grades in Liverpool, represents a difference in quality of grade and not a difference in the price of the same grade.

In other words, Liverpool pays 7½ cents more for Manitoba than for Duluth No. 1, and Winnipeg pays 5½ cents more for Manitoba No. 1 than Duluth pays for Minnesota No. 1.

If Minnesota No. 1 northern were exactly the same quality as Manitoba No. 1 northern, there would be an actual difference of from 5 to 5½ cents in favor of Winnipeg. As a matter of fact there is no material difference in grain of the same quality between Winnipeg and Duluth or Minneapolis, because to-day both are on an export basis. I do not admit that there is 7½ cents difference in real value between the Duluth No. 1 northern and the Winnipeg No. 1 northern, as shown by the Liverpool quotations. There probably is an actual difference in value of from 4 to 5 cents. Why, then, is there 7½ cents made in Liverpool?

I have explained that before the Senate many times in my plea for Federal inspection of grain. Europe has confidence in the Canadian grades, where Government inspection is in force. It has not confidence that the American grade will measure up to the American requirements for that grade, which it would have to do with Federal inspection. It has been deceived so often by the mixing concerns of the country that it discounts the American grades in all European exchanges.

The next question which challenges attention, and the answer to which the American farmer is entitled to know, is this: Why is it that while our wheat has for the past 12 or 15 years prior to this 1912 crop averaged about 10 or 12 cents a bushel more

than the Canadian crop, the prices of our 1912 crop have suddenly gone down to the Canadian price?

Let us have the truth of this great change in prices on the 1912 crop. Let us take into consideration all the factors that enter into this changed condition.

Those unacquainted with grades, classes, and species of wheat raised in the United States seem to be imbued with the single idea that wheat is wheat; therefore if we raise more wheat in the United States than we consume in the United States our prices can not be seriously affected by importations. The fallacy of their reasoning follows the fallacy of the assumption. Blue Stem wheat is wheat, but it is not Fife wheat. Soft wheat is not hard wheat. Macaroni is not Winter Red. Turkey Red is not Velvet Chaff. Now, if Senators will just remember that each of these species of wheat makes its own character of flour; that each character of flour has its own markets; that each section of the country manufactures its particular kind of flour and has its own market for that flour, the conditions will not be quite so difficult for them to understand. What we call the hard and the northern wheat is raised principally in the States of Minnesota, North and South Dakota, and eastern Montana. Those States supply the wheat that makes the Pillsbury brand of flour, that makes the several brands of flour noted throughout the land for their superiority. The mills of the Dakotas and Minnesota, and especially of Minneapolis and Duluth, and of Buffalo and Rochester, manufacture this particular hard wheat into flour for the American and the foreign markets. Their market is fixed for a given amount of product. That given amount measures the full output of the hard wheat of those States under an ordinary yield, and demands a little more than the normal product. It is because of the higher price paid for the flour made of this wheat and the rather undersupply of the grain under normal conditions that gives the farmers an average of about 10 cents per bushel better price for their wheat.

Now, why does this not apply to the 1912 crop? It does not apply, Mr. President, simply because the 1912 crop of these States was a phenomenally large crop. The 1912 crop not only fully met the demand but more than met it. For the first time, therefore, in all these years our prices have gone down to an export basis. The crop of wheat of these four States aggregated:

	Bushels.
1908	178,550,000
1909	243,194,000
1910	156,200,000
1911	144,234,000
1912	282,389,000

In other words, the 1912 crop was almost double the 1911 crop. It was more than 100,000,000,000 bushels in excess of a normal crop. The result is that the 1912 crop not only gave us enough of this wheat to supply the home demand, but also forced us upon an export basis. That is why we dropped down this year to the level of the Winnipeg prices, which are always prices for export.

Mr. STERLING. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from South Dakota?

Mr. McCUMBER. Certainly.

Mr. STERLING. Notwithstanding conditions in 1912, was not the mean price—that is, the price between low and high—of No. 1 northern greater throughout the year at Minneapolis than it was at Winnipeg?

Mr. McCUMBER. That is, during the year 1912?

Mr. STERLING. During the year 1912.

Mr. McCUMBER. Yes, the mean price was greater; but I want to be perfectly fair. Part of 1912 takes the 1911 crop, and the 1911 crop was short, whereas the 1912 crop does not start to move, we will say, until October. I am dealing only with that crop, the marketing of which will run on into 1913. I am speaking now of the crop raised in 1912. The prices for this crop have been practically the same in Canada and the United States, because both are on an export basis.

This, Mr. President, explains why for a single crop we have not realized the benefit of our tariff upon wheat. But, Mr. President, during the preceding 15 years we did realize the benefit. We may not have a crop like that of 1912 for another 20 years. But it is when we have our normal crop, and especially when we have an abnormally small crop, that we need the better prices, and the protection that assures those better prices.

If the tariff does us no good and has done us no good on the 1912 crop, it has given us millions upon millions of dollars of benefit, as was shown by my colleague, and as I have shown

again and again, on the crops for the 15 years preceding, and will do us just as much good on the succeeding crops.

The articles therefore in the papers not only very unjustly criticize the argument of my colleague, but are deceptive and naturally mislead the people of the State as to the real conditions and effect of this tariff on wheat and other grains generally. Reduced to the simplest form of explanation: North and South Dakota, Minnesota, and Eastern Montana have a normal crop of wheat of about 175,000,000 bushels. Under such normal conditions the demand for home consumption is greater than the production of all hard wheat raised in those States.

Under such normal conditions and with protection, the American prices are much higher than the Canadian prices for the same grade and quality of grain. This has been the condition for about 15 years preceding the 1912 crop.

The 1912 crop was 282,000,000 bushels in these States, or nearly double the crop of 1911, and over 100,000,000 above the normal crop.

This created a large surplus, which must be exported, and reduced our price down to the export price.

This abnormal crop may not be produced again. The 1913 crop will at least in my State be less than normal and we should again receive the benefit of our protection. By removing it you will keep us down to an export basis with a lean crop. Why? Because Canada will have a large 1913 crop, nearly all of which must be exported, and with free trade between the countries, though she never imports a single bushel, her crop will be there ready to dump on our market the moment prices raise above an export basis and will therefore keep them down to an export basis.

The arguments of Senators ought to be fair to the farmers of the country; and the papers of North Dakota, no matter what their political views may be, ought to be honest with the Dakota farmers and give the full truth and not the one-fifteenth part of it, and thereby invite their readers to draw conclusions which are at absolute variance with the true facts.

Why do these commentaries deal with only the 1912 crop, and thereby mislead the farmers of the Northwest with the false assumption that the present spread of prices on the 1912 crop between Minneapolis and Winnipeg quotations represents the normal condition of affairs?

Mr. President, the half truth is far worse than a whole falsehood, and if that be true, then a fifteenth part of the truth must be just that much worse than a half truth. For a dozen or 15 years the American markets have averaged about 10 cents per bushel above Canadian markets for the same grain. Why, therefore, if these papers want to give its readers the exact situation, do they so carefully conceal the figures for the past 15 years and deal with the figures that range over only a few months? Why do they refrain from mentioning all of the years when our prices were so much higher than the Canadian prices?

As against the comparative prices for the 1912 crop between Winnipeg and Minneapolis let me place tables of comparative prices of the 1911 crop between these two places.

The 1912 crop was far in excess of the normal; the 1911 was below the normal, and, I think, shows a greater advantage in the Minneapolis markets than the average advantage during the past dozen or 15 years. But during all of that period we have had a very marked advantage in the Minneapolis markets, averaging an amount as I have heretofore stated.

The tables which I am now presenting to show the true facts and to bring these papers and the Senate to a realization of the real truth of the effect of the tariff bill on the products of the States of North and South Dakota, Minnesota, and Montana, were published in the Northwestern Agriculturist of January 20, 1912. The tables emanate from Mr. A. F. Mantle, deputy minister of agriculture, Regina, Saskatchewan.

Mr. Mantle, as I understand the article accompanying the tables, took samples of grain, had them graded in Winnipeg and in Minneapolis, and in his tables he gives the grade that is given at these two points and the respective prices for those grades at such points. The method of obtaining the prices paid in both countries will give you the exact truth, because in both instances the price is based upon identically the same grain.

By glancing at the first item in the first table it will be seen that the grain that was graded No. 1 northern in Minneapolis graded only good No. 2 northern at Winnipeg, confirming my statement that the Manitoba grade of a certain designation requires a better wheat than the same specified Minnesota grade.

Senators will also note that our Nos. 1, 2, 3, and 4 northern ranged from 12½ cents to 32 cents per bushel higher than in Winnipeg, ranging all the way from nearly 13 cents to 32 cents a bushel. I am speaking now of the identical prices at both

markets; oats from 10½ to 35 cents per bushel higher, barley from 41 to 48 cents per bushel higher, and flax from 21 to 28 cents per bushel higher.

Mr. President, the Senator from Arizona [Mr. SMITH] yesterday declared that all this protection we have been giving to the farmer was simply chimerical; that it was merely a sentiment; that there was not anything in it; and he cited the fact that as he had been a farmer at one time in his life it must necessarily follow that these figures do not speak the truth.

Mr. President, I do not know what kind of grain, wheat, corn, potatoes, or what not they raise in the State of Arizona. I know that a Senator who has not lifted anything heavier than a lead pencil for the last 40 years is hardly in a position to say to the farmer, who has carried the burden of taxation for years, that he is mistaken when he declares the prices which he sees day after day and year after year on one side of the line are greater than on the other.

If the Senator from Arizona were to go up to the little town of Portal, in North Dakota, which is divided from North Portal, in Canada, only by the main street, with the British flag flying on one side and the American flag flying on the other, and find that during all this period from 1911 the range of prices for wheat was in the neighborhood of 15 cents a bushel higher on the south side of the street than it was on the north side of the street, and then reiterate his statement he made here in the Senate, and if he would stand there and see barley sold for 30 cents a bushel more on the south side of the street than on the north, flax from 25 to 30 cents a bushel more on the south side of the street than on the north side of the street, and if he would tell a farmer there that it was a mere myth, that he was not really receiving any benefit from this protection, he would immediately be hauled before a board created by the laws of our State to pass judgment on the mental status of people who refuse to recognize undeniable and palpable facts.

Mr. President, our prices have been exceedingly higher, and they will remain higher under normal conditions with protection.

Now I will present this table. It is well worth reading by those who wish to get at the truth of these facts.

Table showing the values of samples of grain of certain of the established Minnesota grades on the exchanges of Minneapolis and Winnipeg, respectively, Dec. 19, 1911.

Graded at Minneapolis.	Closing cash price, Minneapolis.	Graded at Winnipeg.	Value Minneapolis sample market.	Closing cash price, Winnipeg.	Additional value per bushel, Minneapolis.
No. 1 northern wheat.	\$1.06	Good No. 2 northern wheat.	\$1.06½	\$0.92	\$0.14½
No. 2 northern wheat.	1.04	.....do.....	1.04½	.92	.12½
No. 3 northern wheat.	1.02	Good No. 3 northern wheat.	1.02½	.85	.17½
No. 4 northern wheat.	.....	No. 5 wheat.....	1.01	.69	.32
No. 2 white oats.	.....	No. 1 C. W. oats.....	.48½	1.38	.10½
No. 3 white oats.	(2)	No. 2 C. W. oats.....	.48	.37½	.10½
No. 1 flax.....	2.12	No. 1 H. W. flax.....	2.12	1.84	.28
No. 2 flax.....	.....	No. 1 Manitoba flax.....	2.07½	1.82	.25½
No. 4 barley.....	.....	No. 3 barley.....	1.04-1.07	1.59	(2)

¹About.

²45 cents and 45½ cents.

³45 cents to 48 cents.

There are no other established or specified grades of hard spring wheat on the Minneapolis market. All other wheat is graded either "No grade" or "Rejected" and finds its level and value on the sample market. On the other hand, in Port Arthur, Canadian Northern Elevator, there was, on October 31, 1911, wheat of 54 Canadian grades.

Table showing the values of composite samples of grain of certain of the Canadian grades on the exchanges of Winnipeg and Minneapolis, respectively, Dec. 19, 1911.

[By A. F. Mantle, deputy minister of agriculture, Regina, Saskatchewan. To F. W. Eva, chief inspector of grain, St. Paul, Minn.]

Graded at Winnipeg.	Closing cash price, Winnipeg.	Graded at Minneapolis.	Value, Minneapolis sample market.	Additional value, per bushel, Minneapolis.
No. 3 northern.....	\$0.85	Rejected.....	\$0.90	\$0.05
No. 4 wheat.....	.78	.....do.....	.85	.07
No. 5 wheat.....	.69	.....do.....	.80	.11
No. 6 wheat.....	.60	.....do.....	.75	.15
No. 2 C. W. oats.....	.37½	No. 3 white oats.....	.48	.10½
No. 1 feed oats.....	1.11½	No. 4 white oats.....	.46½	1.35
No. 3 barley.....	1.59	No. 4 barley.....	1.00	2.41
No. 1 Manitoba flax.....	1.82	No. 2 flax.....	2.08	.26

¹Approximated.

²About.

The samples of wheat graded "rejected" at Minneapolis were owing to the presence of frosted or of frozen grain in the sample.

Mr. President, the fact that once or twice in a lifetime we might raise such a bumper crop in these States that our tariff becomes inoperative is no reason on earth why in all the other years, when we are sadly in need of it, we should be deprived of its advantage.

My colleague's argument was sound and an earnest plea in behalf of the interests of the farmers of the State he represents.

Mr. President, every other great country in the world seeks by its legislation to advance the prosperity of its own people, without any thought whatever of the effect of its legislation upon the people of other countries. In the broad philanthropy of the Democratic Party for the foreigner and its seeming indifference to the people of our own country we are adopting the opposite plan. If England adopts the free-trade policy she does it because she believes that her own industries will better flourish under a free-trade arrangement. She makes no careful measurement of the cost of things at home and abroad. If Germany adopts a protective policy she does so solely with a view to stimulate and protect her own industries. She enters into no refined calculations as to comparative costs of production.

We, on the other hand, lose sight of our own highest industrial interest and adopt a policy that our industries shall yield no more net profit than the industries of any other country.

And so, some years ago, impelled more by fear than by reason, we adopted a tariff policy that the protection afforded the American industries should never be in excess of the difference between the cost of production at home and the foreign cost of production. Mr. President, as a Republican I have never given my assent to that doctrine, and I never will. That doctrine may meet a theory, but it fails to meet a condition. In some instances it will be right and just; in many instances it will not.

That doctrine, resolved to its ultimate results, means that the American farmer, the American producer of all important products, shall be satisfied with a profit equal to the profit which the foreigner secures in his own country. We forget that the profit of the foreigner may go further in the support of himself and family in his own country than a like profit would in this country. Our own people have gotten used to living upon a higher and a better plane than the foreigner, and there is no reason why we should drag them down to the foreign standard.

This in turn means that the producer in this country must live as cheaply as the producer in a foreign country.

Does Germany, in fixing her tariff schedules, ever base them upon the difference between the cost at home and abroad, or does she view the subject from a practical standpoint, not a theoretical one, and make her laws conform to the practical side—the actual needs of her own people? She finds herself in this twentieth century with a population of between 60,000,000 and 70,000,000 people. She finds that she has a territory capable of producing certain things. She knows that this population must secure a livelihood in the production of those particular things and she legislates to make such production profitable. She does not ask whether it costs the people of some other country as much or more to produce than it costs to produce in her own country. Her duty is to her own people, and she is by her protection and by her favors to exports making the whole country prosperous.

We have a country in which we not only can produce certain things but almost everything necessary for the comfort, convenience, and happiness of our people. We have lands capable of producing everything in abundance to feed our people. It has been estimated by Mr. Hill that we can produce sufficient food to take care of 800,000,000 people. We have mills and factories capable of supplying everything that the people of this country need. We have nearly 100,000,000 people dependent upon the production of these industries.

If those people stay Americans, they have got to live upon American land; they have got to work in American factories; they have got to make their living out of American resources.

Our highest legislative duty, therefore, so far as legislation can do it, is to make all those industries prosperous. The American people could still live and maintain their high standard of living by an interchange of their commodities if each producer had the whole American market for his production. The people can not be prosperous if that market is to be divided equally with the foreigner. Just to the extent that the foreign product enters into our own country, just to that extent are our own products displaced, just to that extent are our markets lessened, just to that extent is the demand for our products decreased, just to that extent is our money taken out of the country, and just to that extent is our prosperity diminished.

I do not care whether it costs more or less to produce a bushel of wheat in Canada than it does in the United States.

I know there are about 33,000,000 people in this country engaged in agricultural pursuits. I know that their business is not prosperous to-day compared with other businesses. I know that if they could hold the exclusive American market their prosperity would be greatly increased, and I know that if they could hold it until such time as their production would equal the normal consumption in this country they would then be placed upon a plane of industrial equality with the rest of the United States. That is what I want. But you legislate to protect the strong rather than the weak, the prosperous rather than the unprosperous.

It is a shame, Mr. President, that agriculture can not be carried on in this country on the same lines as any other business; that the farms of the country can not be made to pay a dividend where the labor employed is hired labor.

I have farms in my own State to-day, and I can not afford to work them with the present price of American labor where I have to hire all the labor done. The profits would not pay the expense. So I have to wait year after year until some year when the conditions are ripe and I can make a reasonably good profit under protection, when the Canadian crop is held in abeyance and can not be loaded upon us.

You legislate for the manufacturer with the idea and the purpose that the owner of a factory shall be able to make a reasonable profit upon his investment and hire all the work performed in that factory. And yet it strikes you with consternation if I insist that we ought to so legislate in regard to the agricultural interests that the owner of the farm shall make a profit, a reasonable profit, above what he must pay out for labor. This thing will adjust itself if you will give the farmer the same protection that you give the manufacturer. It will adjust itself just as soon as production and consumption equal each other. You are giving the manufacturer 25 and 35 per cent upon his product. Give the farmer 25 or 35 per cent upon his finished product and things would very soon equalize themselves. When that condition arises the farmer will be able to secure such prices for his products that he can afford to pay for labor the same wages that are paid in the city. When he can afford to pay those wages, then you will have a return back to the farm. Then the city laborer will go to the farm, where the rents are cheaper and where his earnings will in the end be equivalent to what he may obtain in the congested city.

But the Democratic Party, anticipating this condition and being fearful that the American farmer shall in time rise to this plane of equality, cuts off this possibility by destroying his home market, throwing it open to the people of the whole world.

By the adoption of this amendment you would give him some protection, which would last at least until the Canadian duty on our grain would be removed; and we will pray earnestly that that Government will make the same error it did when it turned down the reciprocity pact.

Mr. President, I ask for the yeas and nays on this amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I am paired with the junior Senator from Michigan [Mr. TOWNSEND]. I transfer that pair to the Senator from Mississippi [Mr. VARDAMAN] and vote "nay."

Mr. LEWIS (when his name was called). I again announce my pair with the junior Senator from North Dakota [Mr. GRONNA]. Were he here, I would vote "nay."

Mr. McCUMBER (when his name was called). I again transfer my pair to the junior Senator from Maine [Mr. BURLEIGH]. I vote "yea."

Mr. THOMAS (when his name was called). I make the same transfer as heretofore and vote "nay."

Mr. WILLIAMS (when his name was called). Did the senior Senator from Pennsylvania [Mr. PENROSE] vote?

The PRESIDING OFFICER. He has not voted.

Mr. WILLIAMS. I withhold my vote, then. I have a pair with him.

The roll call was concluded.

Mr. REED. I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from South Carolina [Mr. TILLMAN] and vote "nay."

Mr. BANKHEAD. I am paired with the junior Senator from West Virginia [Mr. GOFF]. I withhold my vote.

Mr. SWANSON. My colleague [Mr. MARTIN] is paired with the junior Senator from Vermont [Mr. PAGE]. If my colleague were present, he would vote "nay."

Mr. CHAMBERLAIN. I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. In his absence I withhold my vote.

Mr. DILLINGHAM. I desire to announce that my colleague [Mr. PAGE] is necessarily absent from the Chamber this afternoon and that he is paired with the Senator from Virginia [Mr. MARTIN].

Mr. WILLIAMS. I desire to transfer my pair with the senior Senator from Pennsylvania [Mr. PENROSE] to the junior Senator from Nevada [Mr. PITTMAN] and vote. I vote "nay."

Mr. JAMES. I transfer my pair with the junior Senator from Massachusetts [Mr. WEEKS] to the Senator from Maryland [Mr. SMITH] and vote "nay."

Mr. BANKHEAD. I desire to change the announcement of my pair. I transfer my pair to the Senator from Nebraska [Mr. HITCHCOCK] and vote. I vote "nay."

The result was announced—yeas 27, nays 41, as follows:

YEAS—27.

Borah	Dillingham	McLean	Smoot
Bradley	Gallinger	Nelson	Stephenson
Brandeggee	Jackson	Norris	Sterling
Bristow	Jones	Perkins	Sutherland
Cañon	Lippitt	Ransdell	Thornton
Clark, Wyo.	Lodge	Root	Warren
Colt	McCumber	Sherman	

NAYS—41.

Ashurst	James	Polindexter	Smith, Ga.
Bacon	Johnson	Pomeroy	Smith, S. C.
Bankhead	Kenyon	Reed	Stone
Bryan	Kern	Robinson	Swanson
Chilton	Lane	Saulsbury	Thomas
Clarke, Ark.	Lea	Shafroth	Thompson
Cummins	Martine, N. J.	Sheppard	Walsh
Fall	Myers	Shields	Williams
Fletcher	O'Gorman	Shively	
Hollis	Overman	Simmons	
Hughes	Owen	Smith, Ariz.	

NOT VOTING—27.

Brady	du Pont	Martin, Va.	Smith, Mich.
Burleigh	Goff	Newlands	Tillman
Burton	Gore	Oliver	Townsend
Chamberlain	Gronna	Page	Vardaman
Clapp	Hitchcock	Penrose	Weeks
Crawford	La Follette	Pittman	Works
Culberson	Lewis	Smith, Md.	

So Mr. McCUMBER's amendment was rejected.

The PRESIDING OFFICER. The question recurs on the amendment of the committee, which has been read.

The amendment was agreed to.

Mr. McLEAN. Mr. President, at the suggestion of a member of the majority of the Finance Committee, I desire to offer an amendment, and to ask to have it printed and referred to the Committee on Finance. I also offer an accompanying letter which is explanatory of the amendment.

The PRESIDING OFFICER. Without objection, it will be so ordered.

Mr. SHIVELY. To what does it relate, if the Senator please?

Mr. McLEAN. It is a mere matter of phraseology.

Mr. SHIVELY. Perhaps we can dispose of it right now. To what part of the bill does it refer?

Mr. McLEAN. On page 192, after the word "companies," in line 21, I propose to insert "or any business or manufacturing concern."

I called the attention of the Senate to the necessity of this amendment some two weeks ago. There are many very large manufacturing concerns that are neither joint-stock companies nor corporations nor associations, but are handed down from father to son and go by the family name. Under the bill they are deprived of the leeway which is given to all other manufacturing concerns which are incorporated.

Mr. SHIVELY. Are those partnerships?

Mr. McLEAN. No; not at all; the business may be carried on by one man, and the manufacturing concern only goes by his name.

Mr. SHIVELY. If the amendment can be so drawn as to absolutely distinguish such a concern from an individual, I think it should be incorporated in the bill.

Mr. McLEAN. It seemed to me that the words I have used would accomplish that purpose—"business or manufacturing concern." I suggest that the committee consider the amendment, because, unless some language which will cover the objection is adopted, it will result in great inconvenience to many very large manufacturing concerns.

Mr. SHIVELY. I think there is substance to what the Senator from Connecticut says in regard to the matter, and the committee will be very glad to take it up and consider it.

Mr. SMITH of Georgia. Mr. President, I have sent to the desk an amendment which, in behalf of the Committee on Finance, I ask to add at the close of paragraph 257, on page 77,

The PRESIDING OFFICER. The amendment proposed by the Senator from Georgia will be stated.

The SECRETARY. On page 77, the substitute of the committee has already been agreed to and an amendment was agreed to adding the words "or other suitable process."

Mr. SMITH of Georgia. The substitute of the committee has been agreed to for paragraph 257, and we wish to add at the close of it the additional sentence which I have sent to the desk.

The SECRETARY. On page 77, line 8, after the words "ad valorem," it is proposed to insert:

Plain gauze or leno woven cotton nets or nettings shall be classified for duty as cotton cloth.

Mr. SMITH of Georgia. On yesterday, Mr. President, I undertook to handle this same subject in connection with paragraph 68, but after some discussion the committee withdrew the proposed amendment. We submit this amendment to-day instead.

Mr. SMOOT. This provision covers mosquito nettings.

Mr. SMITH of Georgia. Mosquito nettings. We give them the same duty that the thread contained in them will carry.

The PRESIDING OFFICER. The question is on agreeing to the amendment proposed by the committee to the amendment. The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. BRANDEGEE. Mr. President, as appears on page 4556 of the RECORD, under date of September 3, I called the attention of the Senate to the question of photogelatin printing, and had inserted a part of a letter received from the Meriden Gravure Co., of Connecticut, on that subject. There was then some explanation by the Senator from Maine [Mr. JOHNSON], who was in charge of paragraph 335, one of the paragraphs dealing with the paper schedule. I have received a letter from the same company, which I shall send to the desk and ask the Secretary to read for the information of the Senate, and then I wish to make a statement.

Mr. LODGE. If the Senator will allow me a moment, I will say I received a telegram to the same purport as that received by the Senator from Connecticut in regard to photogelatin. We understood that the Senator from Maine said it came under the surface-coated papers, but I do not think it does.

Mr. BRANDEGEE. I think the subject will be cleared up a little if the letter which I have sent to the desk may be read, and then I will discuss it.

The PRESIDING OFFICER. In the absence of objection, the letter will be read as requested.

The Secretary read as follows:

MERIDEN, CONN., September 5, 1913.

HON. FRANK B. BRANDEGEE, Washington, D. C.

SIR: We have not seen the CONGRESSIONAL RECORD of yesterday ourselves but an interested friend in New York has just telephoned and read us part of the proceedings of yesterday, in which you introduced our letter to you regarding the tariff on photogelatin work. As near as we can understand the purport of the letter was overlooked, and the fact that the schedule on coated photogelatin paper had been placed at 35 per cent was offered as covering the point we raised. We therefore took the liberty of wiring you, and also Senator LODGE, who, we understand, took part in the debate, as follows:

"You misunderstand the purport of our letter. It is the finished product of the photogelatin press we are interested in. The schedule of 35 per cent on coated photogelatin paper will not help the manufactured product. It is a tariff on the printed photogelatin work; we need to hold our own with German competition."

If the writer is correctly informed, the matter as it stands will simply put 35 per cent on coated paper, which we think no people in our line of work are interested in at all, and leave the finished product out in the cold. The paper item we do not care at all about, but the finished work, or the photogelatin illustrations themselves, we are vitally concerned in.

Trust it is not too late to call your attention to this fact before the vote is taken.

Very truly, yours,

THE MERIDEN GRAVURE CO.,
J. F. ALLEN, Treasurer.

Mr. BRANDEGEE. Mr. President, the pending bill, paragraph 333, commencing on page 101, provides:

333. Pictures, calendars, cards, booklets, labels, flaps, cigar bands, placards, and other articles composed wholly or in chief value of paper lithographically printed in whole or in part from stone, gelatin, metal, or other material—

There is then a parenthesis including some exceptions—shall pay duty at the following rates.

And so forth. Then follow entirely new specifications of these lithographic prints based upon their thickness, and it adopts a rate of specific duties in relation to them. I find that the clause in the act of 1909, paragraph 412, provides:

412. Pictures, calendars, cards, labels, flaps, cigar bands, placards, and other articles, composed wholly or in chief value of paper, litho-

graphically printed in whole or in part from stone, metal, or material other than gelatin—

Then there is a parenthesis with some exceptions, and it continues—

shall pay duty at the following rates.

Then, paragraph 415 of the existing law provided:

Articles composed wholly or in chief value of paper printed by the photogelatin process and not specially provided for in this act, 3 cents per pound and 25 per cent ad valorem.

Mr. President, it is impossible for me to tell from the proposed classification based upon thickness, including the thickness of the card upon which the photogelatin engraving has been placed, exactly what the rates of these specific duties would provide as compared with the existing mixed rates consisting of a specific and an ad valorem; but I would ask the Senator from Utah [Mr. Smoot], who has the tariff notes in the large tariff handbook which was placed upon the desks of Senators, if he can give me any information upon that question.

Mr. SMOOT. Mr. President, in answer to the Senator's question, I will state that the equivalent ad valorem rate on the importation of photogelatin articles under the present law for the year 1912, is 29.61 per cent; that is, the rate of 3 cents per pound plus 25 per cent ad valorem is equivalent to a rate of 29.61 per cent.

Mr. BRANDEGEE. Now, will the Senator let me interpolate there something I wanted to say, and which I think ought to be in my statement?

Mr. SMOOT. Certainly.

Mr. BRANDEGEE. Mr. President, I omitted to state that on page 102, in line 15 of the pending bill the following language occurs:

All other articles not exceeding eight one-thousandths of an inch in thickness, 15 cents per pound; exceeding eight one-thousandths of an inch and not exceeding twenty one-thousandths of an inch in thickness and less than 35 square inches cutting size in dimension, 6 cents per pound.

The language is complicated and technical and, of course, nobody, from a superficial inspection of it, can tell anything about it. Now, I yield to the Senator from Utah.

Mr. SMOOT. Mr. President, I will begin by saying that 3 cents a pound duty on the valuation of this product imported for the year 1912 equals 4.61 per cent ad valorem; that is the specific rate changed into an ad valorem rate.

It is my opinion that the first bracket on page 102, lines 15 and 16, covers the paper upon which the photogelatin engravings are generally made; that is, I believe that the paper used in that process is not exceeding eight one-thousandths of an inch in thickness. Eight one-thousandths of an inch in thickness is the same thickness as view cards are printed upon. Therefore, I take it that the photogelatin engravings are printed upon no thicker paper than the view cards are; and, if that be the case, then it will carry a rate of duty of 15 cents per pound.

Based upon the value of the articles imported in 1912, 3 cents is equivalent to 4.61 per cent. Fifteen cents per pound is approximately five times that amount, or a rate of duty of 23.05 equivalent ad valorem; that is, if the 15 cents per pound under the pending bill is reduced to an equivalent ad valorem, based upon the value of the articles of this kind imported in 1912, it will give an equivalent ad valorem of 23.05 per cent. If the paper used for this process is thicker than eight one-thousandths of an inch, then, of course, the rate will be very much smaller.

Mr. BRANDEGEE. Well, Mr. President, in view of the statement just made by the Senator from Utah, let me call his attention to the fact that, in line 24, on page 102, the following language is found:

Providing that in the case of articles hereinbefore specified the thickness which shall determine the rate of duty to be imposed shall be that of the thinnest lithographed material found in the article, but for the purpose of this paragraph the thickness of lithographs mounted or pasted upon paper, cardboard, or other material shall be the combined thickness of the lithograph and the foundation upon which it is mounted or pasted.

Mr. SMOOT. I noticed that provision, which is a new provision; but, in my opinion, the paper that will be used for this process will come under bracket No. 1, being less than eight one-thousandths of an inch in thickness.

Mr. BRANDEGEE. I suggest to the Senator from Maine, in charge of this paragraph, that in line 15 the words "all other articles" are used, but it does not say—

Mr. JOHNSON. If the Senator will pardon me, to what paragraph does he allude?

Mr. BRANDEGEE. Paragraph 333, on page 102, line 15, where the words "all other articles" occur. Should not that be limited to "other articles of paper"?

Mr. JOHNSON. It seems to me from the context that the word "articles" could have no other meaning than to include paper. We are dealing under this paragraph with pictures, calendars, cards, and so forth.

Mr. BRANDEGEE. If it does, and if it is sufficiently plain, I have nothing further to suggest about it. Now, what does the Senator claim as to the decrease in the rates on the articles to which I have called his attention?

Mr. JOHNSON. I think the Senator from Utah [Mr. Smoot] is right, as I understood him. According to our information gelatin paper, printed, would come under the bracket "all other articles not exceeding eight one-thousandths of an inch in thickness, 15 cents per pound." Our information was that that is a reduction. Under the present law the ad valorem duty is 29 per cent plus.

Mr. SMOOT. Twenty-nine and sixty one-hundredths per cent.

Mr. JOHNSON. And we understand that our rate is a reduction of about 25 per cent from that duty.

Mr. BRANDEGEE. In the neighborhood of one-third reduction.

Mr. JOHNSON. Twenty-five per cent. That is the information that was furnished us.

Mr. SMOOT. The inconsistency of the rate lies in this: That the paper which the manufacturer has to purchase carries a rate of 35 per cent, whereas on the finished product you have only given 23.05 per cent. That is what the manufacturer is complaining of. He is not so much interested in the paper, as he states in his letter, but he does not think that there should be a rate of 35 per cent on the paper and only 23.05 per cent on the finished product.

Mr. BRANDEGEE. Mr. President, the letter which I put in the RECORD the other day states:

A large part of the paper used in this industry comes from Germany, on which the duty is 25 per cent. It surely can not be the purpose of the bill to assess raw material at 25 per cent and the finished product at 15 per cent.

The writer is mistaken about that if the Senator from Maine is correct—

Our presses are all imported under a duty, our gelatin likewise. With the tariff of 1909—3 cents per pound and 25 per cent ad valorem—we are in many lines in the closest competition with the German product. The new bill as it stands will simply hand the market over to our foreign competitors and close most of the shops in this country.

The process is of German origin, and in that country between 200 and 300 houses are engaged in it.

I will not read the rest of the letter, which was read the other day, but I want to ask the Senator from Maine, in view of the intricate character of this paragraph and the fact that this situation has arisen this morning by a telegram to me, and I have not been able to have any communication with my constituents interested in it, if he will not allow this matter to remain unacted upon as late as possible, so that I may offer an amendment?

Mr. JOHNSON. The paragraph has already been acted upon and adopted. Of course when the bill goes into the Senate, if the Senator wants to offer an amendment, opportunity will be then afforded, and I will look into the matter further.

Mr. BRANDEGEE. Very well, then. I wish the Senator would look into it, so that, if possible, he will accept an amendment if I can prepare one to his satisfaction.

Mr. JOHNSON. Mr. President, I wish to call up paragraph 651, which was passed over at the request of the senior Senator from Massachusetts [Mr. Lodge]. I have an amendment to offer for the committee to that paragraph. On page 157, line 18, after the word "pulp," I move to strike out the colon—

The PRESIDING OFFICER. The paragraph has not been read.

Mr. JOHNSON. I should like to have it read before the amendment is offered.

The SECRETARY. The paragraph was reported by the Committee on Finance with amendments. The first amendment was, on page 157, line 18, after the word "bleached," to insert the words "and rag pulp," so as to read:

651. Mechanically ground wood pulp, chemical wood pulp, unbleached or bleached, and rag pulp.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

Mr. LODGE. Mr. President, I understand that the Senator from Maine desires to offer an amendment to strike out the whole proviso following the words proposed to be inserted.

Mr. JOHNSON. That is the amendment which I wish to offer.

The PRESIDING OFFICER. The question is on agreeing to the amendment reported by the committee.

The amendment was agreed to.

Mr. JOHNSON. Now, for the committee, I move to strike out the colon after the word "pulp," in line 18, and to insert a period and to strike out the remainder of the paragraph beginning with the word "Provided," in line 18.

Mr. LODGE. Mr. President, in regard to that amendment I wish to say that I think it is just as well to do openly what the proviso as it stood permitted covertly. I pointed out, in discussing the paragraph in regard to the duties on paper, that the countervailing provisions there were nugatory, because they omitted, among the methods of discrimination employed by foreign countries, prohibition. They applied only in the case of an imposition of an export duty or license fee. I then showed, not only by the laws to which the Senator from Washington [Mr. JONES] has referred to-day, but by letters from Canadian ministers, that the policy was prohibition. They can and do prohibit the export of pulp wood, wood pulp, and everything going into the manufacture of paper, unless the people who own the land and wish to export it have a mill in Canada.

This paragraph was arranged with a countervailing duty falling only on mechanically ground wood pulp, which is imported in but small amounts from Canada, and which would have been of but little consequence.

The Senator from Washington in the amendment which he offered this morning seeking to perfect the wood paragraph covered the point of prohibition, which is the essential point, and it is needless to say that it was voted down.

The purpose of all these provisions is to transfer the business of making print paper to Canada—not merely to allow it to come in free, but to enable Canada to force the erection of paper mills by American capital on Canadian ground. That is a perfectly reasonable thing for Canada to do; she naturally would like to have all the print paper of the United States made on Canadian territory; but it is something rather new to legislate for the purpose of building up a foreign industry.

The duties imposed by all the civilized countries in the world except England are imposed with a view of benefiting the inhabitants and the industries of the particular country. England opens her market to the products of all the rest of the world on an equality with her own citizens, but she does not attempt to give to foreign producers any advantages over her own citizens. In this bill, in various clauses which I have pointed out, an advantage is given to the foreign producer by making the raw material of the industry bear absolutely a heavier duty, or a proportionately heavier duty, than the manufactured product. Of course that is almost in the nature of a bounty to the foreign producer; but in this case, in relation to Canada, it has been carried further than anywhere else.

This arrangement in regard to paper, of course, has been made in deference to the wishes of a group of newspaper publishers who have been carrying on this agitation for a long time. I think they will no doubt succeed in injuring, if not destroying, a branch of an American industry. I think they are very likely to succeed in transferring it to Canada. But I think when they have got it over the line they will find that American manufacturers on Canadian soil, or Canadian manufacturers on their own soil, are not engaged in philanthropic or charitable work, and that they will charge them, as anybody else would charge them, the highest price they can obtain.

Forces beyond the reach of tariff legislation are advancing the cost of papers made from wood pulp. The attempt to save money for certain great newspapers at the sacrifice of an American industry and its transference to Canada I am inclined to believe will fail. At the same time I think it is desirable to point out that these countervailing provisions are shams as they appear in this bill. They were drawn by people who knew undoubtedly exactly what they were doing, and they have no meaning in them. The same is true in regard to the powers of retaliation given to the President, because you will find there also that prohibition as a method of discrimination is artistically omitted.

Therefore I desire to say that I think it is more honest to drop entirely the pretense of countervailing duties which occur in paragraph 651. I think it is more honest to leave it out. It amounts to nothing, or to very little, as it stands. We might just as well abandon it and give to those who have dictated these paragraphs precisely what they are seeking.

Mr. SMOOT. Mr. President, I shall vote for the amendment offered, not because the paragraph itself is right, but because the proviso is a fraud and a sham, and in an underhanded way tries to make it appear that the authors of it wanted to be fair. It was written for no other purpose than to try, if possible, to appear consistent.

Of course this question has been a bone of contention for five or six years past. The Newspaper Publishers' Association have spent a great deal of money in bringing about this result. It is now about to be accomplished. I think perhaps it would be perfectly proper now for me to extend congratulations to Mr. John Norris upon the successful conclusion of this long fight; and the Newspaper Publishers' Association ought to increase his wage from now on, large as it has been in the past.

Mr. GALLINGER. Does the Senator think he has earned more than \$15,000 a year, which he testified he was receiving?

Mr. SMOOT. Before the committee of which the Senator from New Hampshire is a member it was testified that there was one man in the United States who would save \$600,000 if this provision should become a law, and that to another man, the publisher in New York of a paper printed in a foreign language, it meant a saving of over \$200,000 per year. When asked if the subscriber or the purchaser of his paper would receive one cent of benefit, he had to acknowledge that they would not. In fact, I will say now that my friend Norris is safe in leaving the Senate gallery, in abandoning the corridors of the Capitol, and going back to New York to-night and reporting the successful termination of the fight he has been waging for so many years.

I wish to predict, however, that it will not be many years after this great industry is transferred to Canada before the Canadian manufacturers, in connection with the American manufacturers who will be forced into Canada in order to manufacture print paper from Canadian pulp, agree upon a price for paper, and the newspaper publishers will receive no ultimate benefit from this provision. The only result will be that the paper will be made in Canada instead of this country; the profits will go to Canadian manufacturers; and the publishers are not going to be ultimately benefited through a lower price on print paper.

I shall say nothing further, but agree with the statement that was made by the Senator from Massachusetts [Mr. LODGE] as to the effect of this amendment.

Mr. HUGHES. Mr. President, I am not at all surprised that the Senator from Utah and the Senator from Massachusetts agree as to this provision. Regardless of their general attitude on the question of the tariff or reciprocity between Canada and the United States, it seems to me they must admit that inasmuch as the duties on paper have been materially decreased it hardly would have been fair to the manufacturers of paper to insist upon a countervailing duty, or any sort of legislation which might result in placing a tax upon their raw materials.

It has been urged in the other body and before our committee that in some mysterious way the levying of this countervailing duty would benefit the consuming public of the United States. I am totally unable to see why we should expect to do in the future by means of this duty what we have failed to do by it in the past.

Our retaliatory policy with reference to Canada on this subject started, as I recollect, back in 1897. I do not think anybody will contend that the relations of the two Governments with reference to this particular article have been improved since it was started, and everybody must admit that we are rapidly consuming our raw supply in this country. Nobody wishes more than I do that it were not so.

Mr. LODGE. Mr. President, if the Senator will allow me to interrupt him—

Mr. HUGHES. Certainly.

Mr. LODGE. I quite agree that under the Canadian provisions we can not import one foot of pulp wood to-day. It is not going to save one tree in our forests—not one.

Mr. HUGHES. I do not quite understand the Senator.

Mr. LODGE. If the Senator had taken the trouble to read the letters from some of the Canadian ministers which I put in the RECORD the other day, or if he would take the trouble to read the laws which the Senator from Washington read this morning, he would see that Canada prohibits the exportation of pulp wood and wood pulp. She has gone to the stage of prohibition instead of the mere imposition of duties on these things. I demonstrated it with letters from her own prime ministers of the Provinces.

Mr. HUGHES. I understand that. That argument was made before the committee. It is true that there is a prohibition in one or two Provinces, I think. Is not that correct?

Mr. LODGE. There is a prohibition in the Province of Quebec and in all the ones that have any wood.

Mr. HUGHES. That is not my understanding of the matter.

Mr. LODGE. That is absolutely the case. The exportation of pulp wood and wood for the manufacture of paper is prohibited in the whole region surrounding New England and

New York, and the Canadian authorities will prohibit it anywhere else where they find it goes. They do not mean to allow it to come into this country. There is no saving of the forests in this bill.

Mr. HUGHES. Assuming that the deplorable situation which the Senator from Massachusetts has depicted exists at the present time, would it improve it any if, in response to our retaliatory conduct, Canada should still shut off our supply?

Mr. LODGE. Canada has shut off our supply. If we did not allow her to bring in this product in the form of print paper unless she allowed us to import pulp wood and wood pulp, some of that paper would be made on American soil.

Mr. HUGHES. At the present time we are dependent upon Canada for, I think, \$29,000,000 worth of pulp and wood pulp. At least that is the amount now imported into this country from abroad.

Mr. LODGE. Wood pulp comes from Sweden and Norway, too.

Mr. HUGHES. Yes; I know it does. Fifteen million dollars' worth of it comes from the Dominion of Canada, however.

Mr. LODGE. Exactly; and that is what she has prohibited. She has entered upon that policy within a year. I read the letters on the subject. They are here in the Record.

Mr. HUGHES. What does the Senator suppose Canada is going to do with her pulp and her pulp wood?

Mr. LODGE. Why, she is going to have it made into paper on Canadian soil. She is refusing to allow wood and wood pulp to be sold to American companies and is saying to them, "If you will come on to our soil, we will give you all the wood and wood pulp you want, but you will have to make it into paper on Canadian soil." It is stated in an order of the council of Quebec that that is their purpose; and the Senator from Maine [Mr. JOHNSON], who sits by the Senator from New Jersey, knows I am stating the policy that has been adopted in Canada.

Mr. POINDEXTER. Mr. President—

The PRESIDING OFFICER (Mr. ASHURST in the chair). Does the Senator from New Jersey yield to the Senator from Washington?

Mr. HUGHES. Certainly.

Mr. POINDEXTER. I only wish to correct the assumption of the Senator from New Jersey, that these restrictions upon the exportation of wood and wood pulp operate only in two Provinces of Canada. They operate in practically all the Provinces of Canada. I read this morning the specific provisions of the Province of Ontario, the Province of British Columbia, the Province of Quebec, and the Province of New Brunswick.

Mr. HUGHES. It is impossible to decide these questions at this time. It was not claimed before our committee that more than two Provinces, as I recollect, had made this prohibition; and in my opinion no prohibition will continue. Canada will continue to do business with us, and we will continue to do business with the best customer we have.

Mr. POINDEXTER. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Jersey further yield to the Senator from Washington?

Mr. HUGHES. Certainly.

Mr. POINDEXTER. The Senator speaks about continuing to do business; and he inquired a moment ago as to the purpose of these restrictive provisions on the part of the Canadian Provinces. In response to that, all that is necessary is to read the provisions themselves. In express terms they state what the object is, and provide that the wood cut from these lands shall be manufactured on Canadian soil. That is what the law says.

Mr. HUGHES. It is not a law, as I understand. It is a license.

Mr. POINDEXTER. It is a law, Mr. President. It is a rule under executive order, made under a statute which gives it the effect of a law.

Mr. LODGE. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Massachusetts?

Mr. HUGHES. Certainly.

Mr. LODGE. They have gone even beyond the point described so clearly by the Senator from Washington. Within the year they have adopted the policy of saying squarely to American companies: "We will not allow you to export any pulp wood or any wood pulp or have any wood from our forests unless you build mills in Canada."

Mr. SMOOT. Mr. President, within the last two years there have been invested \$152,000,000 in mills for the manufacture of paper in Canada.

Mr. HUGHES. I am glad somebody is building new paper mills. It seems to be the declared policy of the Paper Trust in this country not to build mills, to starve the market, to re-

strict the output, to work only five days a week, and in every method human ingenuity can conceive to try to continue the plundering monopoly they have had for years.

Mr. CUMMINS. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Iowa?

Mr. HUGHES. Certainly.

Mr. CUMMINS. I rise to a parliamentary inquiry. What is the pending question?

Mr. LODGE. Striking out the proviso on page 157.

Mr. CUMMINS. I could not understand the argument.

Mr. LODGE. There is no use in leaving the proviso in. It is a sham and a humbug. Let it go out. It is proposed by the majority that it shall go out, but some of us want to call attention to one or two facts in relation to it.

I wish to call attention to one other fact, and that is that American companies and Americans individually who have bought lands in Canada long prior to this time are now forbidden to export wood pulp or wood unless they build mills in Canada.

Mr. HUGHES. So far as I am concerned, if everything the Senator says is true, I do not think the paper consumers of this country would be any worse off if left to the mercies of the Canadian Government in anything it can invent to their detriment than they will be if left to the mercies of the International Paper Co. It is admitted by everybody with whom I have talked that, outside of the great State of Maine, our supply of pulp wood is practically exhausted. Nobody is claiming anything else.

Mr. POINDEXTER. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Washington?

Mr. HUGHES. Certainly.

Mr. POINDEXTER. I just want to comment upon that statement of the Senator from New Jersey, which opens up a very interesting bit of information with regard to another great political question that has been before the country, and to some extent before Congress, by saying that in the Territory of Alaska we have an unlimited amount of very fine pulp-wood forests.

Mr. HUGHES. I am glad to hear that.

Mr. THOMAS. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Colorado?

Mr. HUGHES. Certainly.

Mr. THOMAS. While that is true, I should like to inquire how we can avail ourselves of that tremendous store of timber supply in view of the so-called conservation policy of the Federal Government, which regards these resources as too sacred for the use of the present generation and somewhat too sacred for the use of the next two or three succeeding generations of men?

Mr. HUGHES. Mr. President, I hope—

Mr. POINDEXTER. Mr. President, in view of this inquiry I hope the Senator from New Jersey will allow me to answer it in just a word.

Mr. HUGHES. Certainly; inasmuch as this conservation joint debate has been started I am going to let it go through. I can not do anything else. I wish, however, it had been started at another time.

Mr. POINDEXTER. I will make it very brief, so far as I am concerned. That was the other great question to which I referred; and I am not surprised that there was an immediate response from the Senator from Colorado, as he was present and heard the remark.

It seems to me that the remark of the Senator from Colorado illustrates the strange confusion of ideas that exists about this so-called conservation and the placing of the great forest of Alaska in a forest reserve. That does not shut it off from use for the making of wood pulp. The law expressly provides a method by which it can be used and the regulations under which it can be taken and used. As a matter of fact, there are dozens of sawmills sawing this wood for other purposes, such as fish boxes, at the present time. Anybody complying with these regulations, which are very reasonable, can obtain this timber for any purpose for which it is suited; and it is open to anybody who chooses to use it for the manufacture of wood pulp for paper.

Mr. THOMAS. Mr. President, I am not going to enter upon a discussion of this question. I merely wish to say that I am painfully familiar with the regulations to which the Senator refers, the operation of which, during the last year, saw 1 per cent or less of the timber reserves available for human needs, the remainder rotting and wasting away through the operation of a system which, upon its face, appears to be so fair.

Mr. HUGHES. Mr. President, there is another side of this question to be considered. Pulp wood and paper are not the only articles of commerce between the United States and Canada. The Treasury figures show that the Dominion of Canada has doubled its purchases from us within three years.

Mr. LODGE. Mr. President, I do not desire to interrupt the Senator in making a speech on our trade with Canada, as it seems an inopportune moment to do so. All I want to do is to call his attention to the fact that these countervailing duties relate alone to wood pulp and paper.

Mr. HUGHES. I understand that.

Mr. LODGE. They do not affect the general current of trade at all.

Mr. HUGHES. No, that is true; but the Senator knows, of course, as everybody must know, that it does not encourage commercial relations to slap in the face with a piece of legislation a neighboring nation with which we have a tremendous trade.

Mr. LODGE. Precisely; and Canada is encouraging it by prohibiting the export of an important commodity.

Mr. HUGHES. I simply wish to call attention to the trade we are doing with Canada outside of this particular commodity. Canada bought from us last year \$415,000,000 of goods of one kind or another as compared with \$216,000,000 in 1910. There is a growing, thriving trade with a neighboring nation. In addition to that, let me call the Senator's attention to the fact that out of 1,800,000 cords of pulp wood cut in Canada, the total Canadian cut, the United States took over 1,000,000 cords, or about 80 per cent, leaving only 20 per cent of her total cut for her own consumption. Does anybody think for a moment the Canadian Government is going to go out of its way to interfere with a neighboring nation with which it is doing such a profitable business and now has such profitable commercial relations?

I am satisfied that the Republican policy of retaliation against Canada is a failure. What will be the effect of our attempt to extend to them the hand of good-fellowship I shall not attempt to predict, because I am no more a prophet than is the senior Senator from Massachusetts. But I believe nations, to a great extent, are like individuals; and I believe our sincere effort to go on and do business with Canada should be appreciated and will be appreciated, and that Canada will continue to do business with us.

Mr. LODGE. Mr. President, if the Senator will allow me—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Massachusetts?

Mr. HUGHES. I yield.

Mr. LODGE. If Canada has been desirous of enlarging her trade with us and has shown an unselfish and generous disposition, I have not observed it; but if our policy is to be to conciliate Canada by opening our markets and asking no return, then the Senator, in order to be consistent, should strike out the pretended countervailing duty of the paper paragraph, and should take from the President all power to retaliate on other articles where Canada discriminates, and should not allow us any chance to retaliate against Canadian discrimination, because in that way, on the Senator's theory, we shall win her trade.

Mr. HUGHES. I will say to the Senator that if I had my way—had absolute power over this legislation—I would do that very thing. I do not expect the Senator to agree with me about that, of course. I regard our ability to purchase from the Canadians as fully as much of a benefit as their ability to purchase from us. I think the right of the American people to go into the Canadian market and get what they want for what it is worth is just as big a boon as it is to permit Canada to sell it to us for what it is worth. There is not any doubt about my position on that matter.

Mr. GALLINGER. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from New Hampshire?

Mr. HUGHES. Yes.

Mr. GALLINGER. Just a word. I have had occasion a great many times to make inquiry at close range as to the commercial relations between this country and Canada. It is well known that Great Britain gives to Canada a differential of something like 30 per cent; and yet Canada finds it to her advantage to buy from the United States, largely because of the fact that we are a contiguous people, and she gets her goods more promptly; she can buy them, as it were, in person. For that reason, and not from benevolent reasons, Canada trades largely with us. Of course we want to keep that trade, and I am satisfied that we will keep it without sacrificing what we are sacrificing in this matter of paper and pulp.

As I said about this bill the other day, however, I suppose the die is cast, and we are going to surrender this great industry absolutely and forever to our Canadian neighbors. We are going to plant American mills on Canadian soil, to give employment to Canadians instead of to Americans, and surrender the contest we have had heretofore between this country and the Dominion of Canada. That is the way I look at it.

Mr. THOMAS. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Colorado?

Mr. HUGHES. Certainly.

Mr. THOMAS. On yesterday I introduced and had read an article upon this subject, and I desire to reread the concluding sentences of the article, as they relate to this particular subject:

Canada is buying from the United States very much more than China is, 20 times as much, in fact; sixfold more than Japan; and 100 per cent more than France.

All this, Mr. President, in the face of this discriminating duty of 33½ per cent favoring Great Britain as against us.

Not until the magnitude of the figures which tell the story of our increased commerce within five years with Canada were published was there a realization of the fact that our neighbor on the north is now, if cotton be left out of consideration, our best customer, and is likely to be within a few years our best customer, no matter how much cotton the South sells to the manufacturers of Great Britain and the Continent of Europe.

Mr. HUGHES. Mr. President, I was about to call attention to the fact that with the exception of the United Kingdom Canada is the best customer we have. It is amusing to think that when we speak so boastfully of our foreign trade, that so much of it is commerce with our neighbor on the north; we seem to have set out to affront in every way possible the one neighboring nation we should not affront when it comes to establishing commercial relations.

Mr. LODGE. Is it not true that this great commerce with Canada that the Senator describes so accurately has all grown up under the tariff act of 1897, and the tariff act of 1909? There had been no other tariff act since 1894.

Mr. HUGHES. Of course, that is true; and I am not going to prophesy, as Senators on the other side do, as to how much greater it would have been but for those tariff acts. But it is significant to reflect that this tremendous increase of trade with Canada has grown up without any result in harmony with the gloomy forebodings of impending evil that emanate from the other side of the Chamber when a further extension of that trade in the present bill is contemplated. As the Senator from New Hampshire said, we are going to try a new policy. I can not, of course, prophesy what the effect of it is to be, but I fondly hope and imagine that it will result as the change of relations from hostility to a state of friendliness always results among individuals.

Mr. President, just one word more in closing. Whatever the effect of this legislation is going to be, whatever different effects it will have, there will be at least one effect. It will take the consumers of print paper out from under the control of one of the worst trusts that ever has afflicted the body politic of this great Nation.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Utah?

Mr. HUGHES. Certainly.

Mr. SMOOT. Does not the Senator think that it will fall under just the same sort of a trust in Canada and that perhaps greater hardships will be administered to them than at present?

Mr. HUGHES. I do not think so. I think if we abolished all antitrust legislation and repealed all the criminal statutes it would be hard to get a body of men who would combine together and treat the consumers of the products they manufacture as this outfit has treated its consumers.

Mr. SMOOT. The Senator must know that the greatest trusts in all the world are in Germany. They absolutely control not only the output but the price of most of the manufactured articles. They control the distribution of such goods as well as the division of the profits.

Mr. HUGHES. I understand that, and I understand, too, that they operate as the result of a definite governmental policy. They are not stockholders in corporations who by their machinations put burdens on the backs of the workmen and make a hypocritical plea that the tariff exactions are made for the benefit of those who pay them, and that they are simply trustees in the form of a monopoly for the benefit of those who work.

That is one of the distinctions between monopolies in this country and monopolies elsewhere. Abroad they are permitted to monopolize certain industries, and they are permitted to

monopolize them for the general good. I think it is a mistaken governmental policy, but at least it is a governmental policy.

Mr. SMOOT. I wish to say to the Senator that I have noticed from expressions made during the discussion of this bill that foreign trusts are looked upon as a blessing.

Mr. GALLINGER. They are all good trusts.

Mr. SMOOT. And they are all good trusts, as the Senator suggests, but if a company is large enough to control a fair percentage of the goods made in the United States they are bad, and all such are very wicked, indeed.

Mr. HUGHES. The Senator can make that statement—

Mr. SMOOT. Of course I do not intend to take the time of the Senator further. I know he does not want me to do so.

Mr. HUGHES. Probably we will not agree on that subject any more than on the infinite variety of tariff subjects, but I will frankly say I am glad we will have a chance to experiment with this proposition, because I am convinced—

Mr. SMOOT. That is a good confession.

Mr. HUGHES. Yes; in my opinion. And while I see Senators smile and shake their heads sagaciously and they are amused at the statement I make, I am absolutely satisfied that the makers of this particular kind of paper in the United States can make it as cheaply as it can be made anywhere in the world. I am satisfied that no labor conditions or the fact that different wages are paid in another country and this country will in any way affect this test that we are going to make, and it will be very interesting to discover whether in opening up this trust to a fair and even competition it will not have the effect we all hope, to compel them to compete in the markets of this country upon merit and efficiency and sell their product for what it is worth.

Mr. President, I ask permission to submit in connection with these somewhat disjointed remarks certain figures with reference to imports from Canada.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and permission is granted.

The matter referred to is as follows:

IN THE MATTER OF PARAGRAPHS 330 AND 651 OF THE TARIFF BILL RELATING TO A RETALIATORY DUTY UPON PAPER AND PULP.

The senior Senator from Massachusetts proposes that the retaliatory policy against Canadian pulp wood be continued. The information furnished to the Subcommittee on Finance showed that that policy of retaliation was started in the Dingley bill of 1897. Its continuance during 16 years has tended to aggravate conditions instead of composing them. In all that period the retaliatory duties have been maintained at the expense of the consumers and for the profit of speculative holders of spruce lands in the United States. The American newspapers, which use \$60,000,000 worth of paper per annum, paid in 1912-13 a direct tax of \$278,186 because there was not enough available freehold goods in Canada or in the United States to supply their immediate needs. The details follow:

An additional duty of \$5.75 per ton upon 28,725 tons of paper.....	\$165,168
An additional duty of \$1.67 per ton upon 19,886 tons of mechanical pulp.....	33,209
An additional duty of \$3.33 per ton upon 23,941 tons of chemical pulp, unbleached.....	79,804
An additional duty of \$5 per ton upon 1 ton of chemical pulp, bleached.....	5
Total.....	278,186

All the burdens of these retaliations must be borne by the American newspaper publishers who, in 1912, paid indirectly a penalty of more than \$3,000,000 in addition to the amount of retaliatory duties paid directly. This indirect tax was due to the uniform and agreed and artificial prices which the combination of the American paper makers has continuously maintained. No print paper can be bought in the open market. American mills will not sell news print paper unless they know the destination of the paper, the purpose for which it is to be used, and the name of the buyer. They starve the market by restricting production, as is shown by their monthly reports to the Bureau of Corporations. They have kept down the stock of paper on hand at the mills to an eight-day supply for all the newspapers of the country. They have dumped paper into Great Britain at lower prices than they sell to the American consumer. The policy of retaliation against Canada fosters and helps that arrangement.

Our stores of pulp wood outside of the State of Maine have been substantially exhausted. The subcommittee believes that as the duties on manufactured paper have been lowered by the proposed bill, the duties on mechanical and chemical wood pulp entering into this paper should be removed, in order that the American news print paper makers may be better equipped for competition. During the last fiscal year, 1912-13, the American paper makers paid \$29,520,000 for pulp wood and wood pulps from abroad to make their paper. These figures were approximately as follows:

Pulp wood from Canada, 1,036,000 cords.....	\$6,954,952
Transportation of wood, \$3.50 per cord.....	3,626,000
Mechanical wood pulp from Canada, 173,000 tons delivered, at \$20 per ton.....	3,460,000
Chemical wood pulp from Canada, 45,000 tons, at \$40 per ton.....	1,800,000
Total from Canada.....	15,840,952
Chemical pulps from elsewhere, 342,000 tons, at \$40 per ton.....	13,680,000
Total.....	29,520,952

The senior Senator from Massachusetts is proposing that we try to force terms from a customer ranking next to the United Kingdom in value of goods bought from us. The Dominion of Canada has doubled its purchases from us within three years. Its gain last year over the previous year was \$86,000,000, a larger increase than in any earlier year. Canada paid us last year over \$415,000,000 for materials as compared with \$216,000,000 in 1910. It bought from the United States 63 per cent of all the materials it imported, taking only 37 per cent of its importations from the rest of the world. It sold to us \$120,000,000 of materials. Why should we attempt to provoke reprisals from a customer whose trade interchanges with us exceed \$535,000,000 per annum? Why punish our own consumers in order that we may make a futile effort to continue a policy that has failed after a test of 16 years? If, as is not at all probable, Canada should resent the retaliatory policy proposed by the senior Senator from Massachusetts and should cut off all our supplies of wood and pulps, amounting to 30 per cent of all the raw material of our paper manufacture, the paper industry of the United States would be prostrated. The owners of 52 paper mills are inviting this sort of warfare because they pass the burden of its cost along to the consumers, who are helpless. The price of a newspaper is fixed like that of a postage stamp, so that 22,000 publishers who use the paper can not pass it along to the reader. They must carry that burden.

Canada cut last year 1,800,000 cords of pulp wood, of which the United States took 1,036,000 cords as pulp wood and 427,000 cords as pulp, a total of 1,463,000 cords, or 80 per cent of Canada's entire cut, leaving only 20 per cent of that cut for its own paper consumption and for its exportations of pulp and paper to other countries. The fact that the paper industry of the United States had its banner year in 1912 will indicate that the American paper makers are thriving under competition, thus justifying the underlying theory of this tariff bill.

The entire area of Quebec's pulp-wood supply is 208,000 square miles, of which 200,000 square miles is Crown land, or restricted land, and 8,000 square miles, or 4 per cent of the area, has freehold wood, which may now enter the United States without restriction. Because of that limited area of freehold wood an addition of from \$2 to \$3 per cord has been made within two years to the price which American paper makers must pay for Canadian freehold wood. At the present rate of consumption by American paper makers that supply from Canadian freehold land will soon be exhausted, and as the supply diminishes there will be corresponding increases every year in the cost of that wood.

The senior Senator from Massachusetts proposes that we tax all wood pulp produced from Crown lands of the Canadian Provinces. It is obvious that our spruce forests are nearing depletion and that our water powers, which would be necessary for grinding wood into pulp cheaply, are more profitably employed in other industrial ventures. Our paper mills must buy their raw materials of pulp and wood from Canada regardless of restrictions. The fact that \$278,186 was paid last year in retaliatory duties because the wood pulp could not be obtained otherwise emphasizes the fact of our absolute dependence upon Canadian forests and upon Canadian water powers. The retaliatory duties increased the cost of materials used by the American paper maker and the consumers paid for it when the pulp was converted into paper.

With respect to the countervailing duty provided for in paragraphs 330 and 651, equaling any export tax that might be levied upon paper or pulp or wood, there is no serious objection from consumers to the continuance of that phraseology, because it applies only to Finland, which alone imposes an export tax. Neither Canada nor any of its Provinces imposes an export tax of any kind, and therefore the provision is negligible so far as it applies to them.

The American print-paper maker needs no protection. His labor cost is no greater than that of Canada. He has advantages in supplies and transportation which offset Canada's advantages on wood. The figures for each of the six years ending June 30, 1912, show that the American mills exported more than they imported. We sold more paper of all kinds to Canada than we bought from it. The figures for the fiscal year 1913 show an increase of importations from Canada because the American paper makers have refused to meet the increased demand of consumers. In the year 1911 they did not build a single paper machine, though the consumption in the United States shows an average increase of over 90,000 tons of newspaper print per annum. The largest paper maker, the International Paper Co., has built only two new paper machines in 15 years. Big mills curtailed production to allow weaker mills to get into the market.

The admission of news-print paper from the rest of the world, while helpful to consumers in serving as a slight check upon prices, would have very little influence upon the vast volume of print-paper consumption in the United States. The importation of newspaper print paper for the year 1912 from countries outside of Canada was approximately 1,000 tons, whereas the United States used 1,440,000 tons in that year. In other words, the countries outside of Canada did not furnish but seven-thousandths of 1 per cent. The newspaper print makers have used the tariff on paper as a shelter for extortion. In the six years during which publishers have been trying to free themselves from this burden they have paid approximately \$35,000,000 in excessive and artificial prices for their raw material. This calculation is based upon prices in excess of 2 cents per pound, or \$40 per ton, under normal conditions.

1908, \$10 per ton upon approximately 1,100,000 tons.....	\$11,000,000
1909, \$2.50 per ton upon approximately 1,180,000 tons.....	2,950,000
1910, \$5 per ton upon approximately 1,260,000 tons.....	6,300,000
1911, \$5 per ton upon approximately 1,350,000 tons.....	6,750,000
1912, \$3 per ton upon approximately 1,440,000 tons.....	4,320,000
1913, \$2.50 per ton upon approximately 1,500,000 tons.....	3,750,000

Total..... 35,070,000

It is time this oppression should be stopped.

The latest device of the paper manufacturers is to operate their mills for five days of the week in order that they may starve the market and maintain higher prices.

The American paper manufacturers have continued to operate their mills with antiquated machinery and upon primitive lines regardless of the fact that when the United States Government imposed a duty upon the manufactures of an industry under the Republican policy of protection the beneficiaries of that action were under an implied obligation to provide for the needs of the consumer by the installation of modern machinery and modern methods. The paper machines of the International Paper Co. average 21 tons per day, although modern machines are capable of producing 60 tons per day.

Mr. GALLINGER. Mr. President, I do not want to delay this discussion and am ready to vote on the amendment, but

I will venture to ask the Senator from New Jersey if it is not a fact that beyond possibly disturbing or destroying what he calls the American Paper Trust the only effect of this legislation, provided Canada does not raise the price of paper, which I think she will do, will be to benefit the great metropolitan dailies, and the ultimate consumer will get no benefit from it whatever.

Mr. HUGHES. The Senator and I differ as to what constitutes an ultimate consumer. I will say that my view on that line is somewhat peculiar, and I do not criticize the Senator for differing with me.

Mr. GALLINGER. What I meant was that in the testimony taken before the Finance Committee last year it was agreed on all hands that the newspapers would not be sold for anything less or that the advertisers would pay any less because of this legislation.

Mr. HUGHES. That may be. It is not necessarily so, I will say to the Senator. I will explain my view, if the Senator will permit me.

Mr. GALLINGER. It was admitted that Mr. Hearst would save, supposing printing paper was sold as cheaply as was expected it would be if placed on the free list, \$600,000 a year. A German newspaper proprietor also admitted that he would save \$200,000 a year. I do not think they will save it, but that is what they testified to.

Mr. HUGHES. If I am correctly informed, Mr. Hearst is opposed to this tariff bill and opposed to this free print-paper provision in the tariff bill. I am quite satisfied of that, if my memory serves me correctly. But if it be true that Mr. Hearst and his paper have taken that position, if it be true that Mr. Hearst is to save \$600,000 by the operation, that it permits Mr. Hearst to purchase news print paper for what it is worth, I am glad of it. That is my object, so far as I am concerned, in supporting this legislation. It is to compel these concerns to sell this product for what it is worth. As I said a minute ago, I am glad that there are no collateral questions, as the cost of labor, entering into this matter to any great extent.

Mr. GALLINGER. Mr. President, it is not well to reopen the general tariff discussion on this item, and I have no intention of doing it, but the same line of reasoning would lead us to the conclusion that if Americans can purchase goods of any kind cheaper abroad than here, therefore we ought to take down the bars, just as we are taking them down in this particular, and let in the foreign products.

Mr. HUGHES. The Senator himself said some time ago that he was a free trader, and I think he will agree that if free trade could be established with all the nations of the earth he would be glad to see it, and subscribe to that doctrine.

Mr. GALLINGER. Did the Senator suggest that I had ever said that I was a free trader?

Mr. HUGHES. Yes; and I myself was surprised at it.

Mr. GALLINGER. The Senator heard somebody else say that.

Mr. HUGHES. No; I heard the Senator from New Hampshire say it, and I will say that it startled me a little.

Mr. GALLINGER. The Senator surely misunderstood me, or he has confounded me with some other Senator.

Mr. HUGHES. I will say that the Senator qualified the statement.

Mr. GALLINGER. If the Senator will look at the language I used, he will find that I said that free trade is the ideal condition if it was possible to establish it, but I said it was utterly impracticable.

Mr. HUGHES. I understand the Senator; he did not leave himself in such a position that anybody could be justified in believing he was a free trader.

Mr. GALLINGER. Indeed I did not. What I meant to say, and what I said, was that if conditions were similar in this country with the conditions prevailing in all the other countries of the world as to wages and the standard of living, we would not need any tariff. That is my view, honestly held.

Mr. HUGHES. That is exactly it. But in reference to this proposition, I am assuming—and it may be a violent assumption—that those conditions are similar in reference to this particular commodity.

Mr. GALLINGER. Some of us do not agree to that. I certainly do not.

Mr. HUGHES. I say it is a disputed fact. I am not asserting it; I am just assuming it for the sake of the argument.

I will trespass upon the patience of the Senate for a minute more to define my notion of who the legitimate consumer is in various instances. We have been confronted frequently with the argument before the subcommittee that it would be useless to take 10 or 15 per cent off a certain commodity; that there

was not any reason to think that the lowering of the rate of duty would be reflected in the price to the consumer. But the ultimate consumer is not necessarily the man who buys a package of chewing gum or a package of cigarettes or a hat. For our purposes or from our standpoint, if a man gets his goods for a dollar less per dozen or per case, to that extent he is better able to carry on a profitable business. The boy who sells a box of chewing gum on the street is compelled to sell at a uniform price. If he is able to get it for less, he will make a greater profit. If he is compelled to pay a little bit more, he is affected to that extent. He may be regarded as an ultimate consumer. In this case the ultimate consumers are the newspapers of the country. Not only the great metropolitan dailies but the newspapers of the country are the ultimate consumers of free print paper. Nobody has complained that they are combined in a trust; at least I have never heard of anybody making that claim. The law of supply and demand operates on them as it will under this legislation operate upon the people from whom they buy their supplies. The law of supply and demand will operate upon them when they come to make their advertising contracts, and undoubtedly in the course of time one of the direct results of the lowering of the price of paper will be the lowering of the price for advertising.

Mr. GALLINGER. I will say to the Senator from New Jersey that I borrowed the term "ultimate consumer" from that side of the Chamber.

Mr. HUGHES. I understand. We borrowed it from your side.

Mr. GALLINGER. The term was not an invention of mine; but it is a rather startling proposition, as suggested by the Senator from New Jersey, that the merchant is the ultimate consumer.

Mr. HUGHES. In a sense he is the ultimate consumer. You may call him the penultimate consumer if you choose.

Mr. GALLINGER. That is better; but he certainly is not the ultimate consumer. I am willing that he should be called the "penultimate."

Mr. BACON. I think we can congratulate ourselves upon having at last something original in the tariff discussion.

The PRESIDING OFFICER. The question is on the amendment which will now be stated by the Secretary.

The SECRETARY. On page 157, paragraph 651, line 18, the Senator from Maine [Mr. JOHNSON] proposes on behalf of the committee the following amendment: After the words "and rag pulp," in the committee amendment just agreed to, strike out the colon, the remainder of the paragraph down to the period following the word "government," on page 158, line 16.

The amendment was agreed to.

Mr. SHIVELY. The Senator from Connecticut called the attention of the Senate a few minutes ago to page 192. I move an amendment at that point.

On page 192, line 8, I move to strike out the word "or" before the word "insurance," and in line 9, after the word "company," to insert "or any manufacturing concern."

The amendment was agreed to.

Mr. SHIVELY. On page 192, line 21, after the word "associations" and the comma, I move to strike out the word "and," and between the words "companies" and "subject," in the same line, to insert the words "and manufacturing concerns."

The amendment was agreed to.

Mr. McLEAN. I was not in when the first amendment was voted upon. Does that apply to line 9?

Mr. SHIVELY. To line 9.

Mr. McLEAN. On the same page?

Mr. SHIVELY. The same page and to the same subject matter.

Mr. THOMAS. If the Senator from Indiana is through, we can proceed with the paragraphs passed over.

Mr. GALLINGER rose.

Mr. HUGHES. I desire to inquire of the Senator from New Hampshire if he has any objection to taking up paragraph 534 at this time.

Mr. GALLINGER. That is the one I rose to ask might now be taken up and disposed of.

Mr. THOMAS. I think the senior Senator from Massachusetts [Mr. LODGE] would like to be present when it is considered.

Mr. HUGHES. It is the harness paragraph. The senior Senator from Massachusetts has no objection to the paragraph as I will propose it.

Mr. THOMAS. I merely made the suggestion because he is not present.

Mr. GALLINGER. I hope that paragraph will be proceeded with.

Mr. HUGHES. I am directed by the committee to move, on page 141, at the beginning of line 10, after the word "foregoing," in the committee amendment, to insert the words "and all other leather."

The amendment was agreed to.

Mr. HUGHES. In line 12, after the word "belting," I move to insert the word "leather" and a comma.

The amendment was agreed to.

Mr. HUGHES. In line 13, page 141, there has been a transposition in the print. I desire to have the words "tanned but not finished" transposed so that they will follow the words "skins for morocco."

The SECRETARY. On page 141, line 13, insert the last four words of the committee amendment after the word "morocco," in the same line, so as to read:

Skins for morocco, tanned but not finished, rough leather.

The amendment was agreed to.

Mr. HUGHES. I move to insert a semicolon after the word "finished."

The amendment was agreed to.

Mr. HUGHES. On page 153, line 12, I move to strike out the proviso and substitute the following—

Mr. GALLINGER. Would not the Senator yield until we complete the consideration of the leather paragraph?

Mr. HUGHES. Certainly. We have finished the leather paragraph.

Mr. GALLINGER. No; the Senator has finished, so far as he is concerned, but some of us on this side desire to be heard.

Mr. HUGHES. I meant so far as I am concerned. I will accommodate the Senator from New Hampshire. What does the Senator desire?

Mr. GALLINGER. Mr. President, I wish to call attention to a line or two in the paragraph with a view of making a suggestion concerning it. I think the Senator from Connecticut also wishes to make some observations along the same line.

Mr. HUGHES. Then I withhold the amendment on page 153.

Mr. GALLINGER. I will say, Mr. President, that I presume the amendments made on motion of the Senator from New Jersey are all proper amendments. It is proposed that leather products, including boots and shoes, shall be put on the free list, and while I shall vote against putting them on the free list, evidently they are going there. But I want to call attention to the words in line 16, on page 141, reading "and saddlery, in sets or in parts, finished or unfinished."

Mr. President, here is a metal production placed in the leather paragraph. Saddlery in sets or in parts, finished or unfinished, are not leather products, but metal products. In paragraph 376, which likewise includes harness, and so forth, saddlery in sets or parts, finished or unfinished, are evidently recognized as metals, and placed in the bill as it passed the House at 20 per cent ad valorem.

I wish to say very briefly that those words ought to be stricken from paragraph 534 and that saddlery hardware ought to be placed on the dutiable list at as high a rate, at least, as the House provided.

Mr. President, I do not know how extensive this industry is. The Senator from Connecticut probably has much more information than I have about it; but I am sincerely of opinion that the industry will go to the bad if it is placed on the free list.

I have an impression that there is only one concern in my State making saddlery in part or in whole, and the gentleman at the head of it chances to be a very warm friend of mine. Some time ago he wrote me about it, and I want the attention of the Senator from New Jersey to this letter which my friend inclosed. The letter is from Mr. H. P. Nicklin, of Persehouse Street, Walsall, England. It is dated May 3, 1913, and is addressed to the Nashua Saddlery Hardware Co., of New Hampshire. Mr. Nicklin, an enterprising Englishman, writes my friend, ex-Mayor Beason, as follows:

The proposed revision of the tariff, which, I understand, will place saddlery on the free list—

He seemed to have advance information, because it was placed on the dutiable list in the bill as it came from the House. Mr. Nicklin continues:

will doubtless lead to an increased import of English saddlery, and I take this opportunity of offering my services as buying agent, on a commission basis, in which capacity I have acted for more than 20 years for some of the most important wholesale saddlery houses in Australia and New Zealand.

Having a practical knowledge of the trade, and being intimately acquainted with all the sources of supply, both large and small, I am in a specially advantageous position to buy for you at rock-bottom prices.

I should invoice at manufacturers' prices, charging buying commission of 2½ per cent on cased goods and 5 per cent on goods which I

had to assemble and pack, and drawing on you at an agreed date, with exchange.

I shall be pleased to learn that you will give this proposal a trial, and I shall be happy to quote for any lines in which you are interested on receipt of your specification.

Mr. President, here is an industry in my State employing not a large number of men. I chance to know that the concern has made very little money; it has had a hard time to exist in competition with the English manufacturers of saddlery, notwithstanding it has had a duty under the existing law of 35 per cent. The House proposed to reduce the duty to 20 per cent, and the Senate committee proposes to put it on the free list. This enterprising Englishman sees his opportunity, and he, as I think rather arrogantly, writes to an American manufacturer that he—the American—is going to be put out of business because the product he manufactures is going to be put on the free list, and that he—the Englishman—would like to act as his agent to buy English goods, and send them to him to sell to his customers.

I do not know whether the attention of the Senator from New Jersey [Mr. HUGHES] or that of the other members of the majority of the committee has especially been called to the fact that this is not a leather product, but a metal product, and whether or not they have given any consideration to that fact.

Mr. HUGHES. Mr. President, I will say to the Senator from New Hampshire that we were confronted with this situation: Saddlery and harness are placed upon the free list. Our attention was called to the fact by an absolutely disinterested person. Nobody has taken the slightest interest in this item, so far as I have been able to discover; nobody, so far as I now recollect, has appeared before our subcommittee or before the full committee with reference to this particular item; but it was pointed out to us that even if we placed harness and saddlery upon the free list, the American manufacturer would be handicapped because in the language of the House bill placing harness upon the free list is contained the qualifying clause "wholly or in chief value of leather"; and that separate part composed of metal would have to come in under the metal schedule, thus handicapping the American manufacturer who wanted to import some part of an English harness and put it together in this country. That was the situation which confronted us.

Mr. GALLINGER. Well, Mr. President, the American manufacturer of saddles will have no difficulty in getting these parts from the American manufacturer of saddlery hardware. There will be no inhibition if the American manufacturer continues in business. What we contend for is, that it is better to protect this American industry rather than to turn the entire matter over to Great Britain, which, if this provision is to stand, is going to be the result. This intelligent Englishman sees that very clearly, and he is casting an anchor to windward, with a view to getting American trade, which he undoubtedly will get if this provision remains in the bill.

I want to express the hope that the Senator from New Jersey, if he is not prepared to expressly and definitely state his convictions at the present moment, will let this go over for the present, so that he may look into it a little further. Possibly both the Senator from Connecticut and the Senator from New Hampshire somewhat neglected their duty in not specifically calling the attention of the committee to this matter, but I thought I had done so.

Mr. HUGHES. Mr. President, I do not wish to be put in the attitude of criticizing either the Senator from New Hampshire or the Senator from Connecticut. They both spoke to me about this item at various times.

Mr. GALLINGER. In addition to that I recall that it was discussed in the Senate a few days ago.

Mr. HUGHES. I mean so far as individuals directly interested appearing, there were none that I recollect. I presume they may have communicated by mail. I do not want the Record to show that I said that these two interested Senators had not appealed to me on the subject, for they have done so a great many times.

Mr. GALLINGER. I did not so understand the Senator, and I am glad to be assured by the Senator from New Jersey that I did not neglect my duty.

Mr. President, the only point I can make now about this matter is to repeat that this is a metal product and not a product of leather. It ought to be placed somewhere in the metal schedule, and it ought to be given a duty of a greater or less amount. The other House placed the duty at 20 per cent, in contradistinction to the 35 per cent duty under the existing law. I will be glad to have that amount of protection accorded to the product, because I think that very likely that duty would

save the industry of my friend. It is not a very large industry, and I hope he may be saved the humiliation of writing to Mr. Nicklin that he will be glad to employ him at a commission to buy English saddlery hardware and send it to him to sell to his American customers.

That is all I care to say at this time, but I think the Senator from Connecticut [Mr. BRANDEGEE] has something to say on the subject.

Mr. BRANDEGEE. Mr. President, I called this matter to the attention of the Senator from New Jersey the other day when I offered an amendment, to be pending, and asked that it be considered in connection with the amendment which he said the subcommittee had under consideration in relation to the leather schedule. The amendment which I sent to the desk and had referred to the Senator's committee, to which I called his attention, I now offer.

In paragraph 534, on page 141, at the end of line 17, I move to insert the words "except harness and saddlery hardware," and on page 117, paragraph 376, to reinsert the language that has been stricken out or to insert "harness and saddlery hardware, 20 per cent ad valorem."

I do not care particularly whether the rate of 20 per cent ad valorem is distinctly mentioned there or whether it is left to come in under paragraph 169, referred to by the Senator from New Hampshire [Mr. GALLINGER] as being the paragraph putting 20 per cent ad valorem on articles or wares not specially provided for in this section, being composed of the enumerated list of metals; but I will simply offer it in the form in which I have proposed.

Mr. President, I wish the Senator from New Jersey would consider this amendment. I have no desire to force it to a vote now. I know perfectly well, as we all do, that as to any amendment that comes in here, if the Senator at the time in charge of the bill on the majority side calls upon his party friends to vote the amendment down, they will vote it down; and it is only when they agree to an amendment that we can hope to remedy the situation.

I want in the beginning to call attention to the fact that this is not a reduction in duty per se. This comes about by a reclassification or a transferring of an article from one schedule to another. This, as the Senator from New Hampshire has well said, is a metal product. It is harness and saddlery hardware. It has nothing whatever to do with leather. It is just as much entitled to a protective duty as is any one of the metals enumerated in paragraph 376. If the duties imposed in that paragraph upon metals are not imposed for purposes of protection, but for purposes of revenue, this is just as legitimate an article on which to raise revenue as any other. It is one of the metals indicated. There can be no difference between this metal product and the metal products upon which a duty of 20 per cent is imposed.

Mr. GALLINGER. Mr. President, will the Senator permit me to interrupt him?

The PRESIDING OFFICER. Does the Senator from Connecticut yield to the Senator from New Hampshire?

Mr. BRANDEGEE. Certainly.

Mr. GALLINGER. On yesterday I telegraphed my constituent, an ex-mayor of our second city, asking him precisely what the product was that he made. His telegram comes to me, "We make saddlery hardware only." So it has nothing whatever to do with leather.

Mr. BRANDEGEE. Yes; of course, these things depend upon technical definitions, anyway. Most people have a general idea of what the word "saddlery" means, but I doubt very much if many of us could define it accurately as known to the trade. Saddlery hardware is a different thing from saddlery. Saddlery is a more comprehensive term, but hardware that goes into saddles and hardware that goes into harness is nothing but the metal products, and should no more, in my opinion, be classified under the paragraph that controls the duty upon sole leather and leather goods than it should come in under the paragraph about earthenware or plain glass or anything of that kind. It is a perfectly irrelevant matter.

What called my attention to this subject was a letter which I received from a constituent of mine in New Britain, Conn., where almost every variety of hardware is made. This house has selling offices in New York, Chicago, St. Louis, and San Francisco, and I think is quite a large establishment known as the North & Judd Manufacturing Co. I see at the head of their paper that they make the Anchor brand of harness hardware. I want the Secretary to read the letter which the gentleman writes me.

The PRESIDING OFFICER. The Secretary will read as requested.

The Secretary read as follows:

NEW BRITAIN, CONN., August 6, 1913.

HON. FRANK B. BRANDEGEE,

United States Senate, Washington, D. C.

DEAR SIR: This to acknowledge and thank you for your favor July 26. I am pleased to note that you will prepare an amendment to be inserted at the end of paragraph 534 making an exception to harness and saddlery hardware which will take this product off the free list and throw it automatically into the basket clause of the metal schedule, paragraph 169, where it will carry a duty of 20 per cent ad valorem. This amendment would seem to provide reduction sufficient to satisfy the advocates of "downward revision," since the effect would be a reduction of over 40 per cent from the present duty of 35 per cent (1909 tariff, par. 461).

Very truly, yours,

NORTH & JUDD MANUFACTURING CO.
H. C. NOBLE, Treasurer.

Mr. BRANDEGEE. Mr. President, I wish to address my remarks particularly to the Senator from New Jersey [Mr. HUGHES], because I know there is no use of talking on this subject unless I have his ear.

It is evident from that letter that the company that makes this harness hardware has grown up in New Britain and has quite an extensive business. Under the existing law they have a duty of 35 per cent ad valorem. This proposition absolutely reduces that duty 100 per cent; it cuts it entirely off, and transfers the articles to the free list. Of course they can not compete with the British and German makers of metal saddlery and harness attachments, and it simply singles them out for discrimination.

The reason that I appeal with some hope to Senators on the other side of the Chamber upon this question is that it simply "makes a goat" of that metal industry as distinguished from other metal industries. I do not ask any better treatment for them than the committee has conceded to other similar manufacturing concerns; I do not ask the committee or the Democratic Party to give a protective duty to them if they do not believe in that principle, but they have placed upon exactly similar metal products a duty of 20 per cent, and I think they ought to be at least consistent in the raising of their revenue. They claim and admit that the duty of 20 per cent upon metal products is for revenue purposes, and why should they not raise revenue from the imported articles of harness and saddlery hardware?

I do not care to press the matter further. I can not say anything more than I have said, if the mere statement of the case does not impress the committee. If the Senator has made up his mind so that it can not be changed, I will ask for a vote upon the amendment now, just to make the record; but if the Senator would comply with my suggestion that he consider it, I should like to defer the vote upon it.

Mr. HUGHES. Mr. President, I should like to have the paragraph acted upon, and then I will be glad to take up the suggestion of the Senator from Connecticut with the other members of the committee who have been here listening to the debate, and we can recur to it if there is a disposition on our part to recede.

I will state to the Senator that the reason why it was deemed necessary to put harness hardware on the free list was that harness and saddlery were placed upon the free list and we were confronted with this difficulty. Every time you free list eo nomine a finished article, everything that enters into the making of that article has to be considered. Sometimes it is found possible to take all the duties off the various component materials, and sometimes it is not. Sometimes it seems not to matter much whether you do or not. All sorts of inconsistencies may be discovered in investigating a given proposition of that kind; but I think, in so far as possible, when you put a finished article on the free list eo nomine you ought also to put everything that enters into the making of that article on the free list.

Mr. GALLINGER. Mr. President, I quite agree with the Senator on the general proposition, but yet the articles that follow the transfer of a general product to the free list are similar productions, as a rule.

It pleases me to say that no Senator on the other side has been more kindly and considerate to those of us on this side who have had little matters we wanted adjusted than has the Senator from New Jersey, and I am gratified to learn that the Senator will talk with his associates upon this subject. I am hopeful that, if no change is made in the Senate, when the matter goes to conference it will be given consideration. The discussion has been had. We have presented our case as best we could; we have presented it fairly; and I am quite willing, if the Senator from Connecticut is, that the paragraph should now be agreed to, with the understanding that it will be given some further consideration by the Senator from New Jersey and his

associates; and I will indulge the hope that what the Senator from Connecticut and I ask will be granted.

Mr. HUGHES. I will be very glad to consider it, and I will be very happy to have that disposition made of it.

Mr. LODGE. Mr. President—

The PRESIDING OFFICER. Does the Senator from Connecticut yield to the Senator from Massachusetts?

Mr. LODGE. I desire to say a word about this paragraph before it is disposed of, but I do not care to interrupt the Senator from Connecticut.

Mr. BRANDEGEE. Then, I will complete my statement, although it makes no difference to me who proceeds at this time.

So far as I am concerned, I am willing to let this paragraph be agreed to, with the hope that the committee will consider it, and that possibly the conference committee, if we can not get relief here, will take it up. It is the best we can do, Mr. President.

Mr. HUGHES. Mr. President, I will say that I will make an investigation of the subject. The only interest that I have considered, so far as I am concerned in this matter—and the Senator from Maine [Mr. JOHNSON] and myself had considerable to do with it—is the interest of the manufacturers of harness and saddlery, who are placed in the position of having harness and saddlery put upon the free list and saddlery hardware put upon the dutiable list at 20 per cent. It may be that this is one of the cases where that does not make any particular difference. There are many cases of that kind. If competition is free and untrammelled in this country, it may be that the manufacturer can buy his metal here as cheaply, or practically as cheaply, so far as his purposes are concerned, as he can import it, or it may be, as in the case of boots and shoes, that, getting the leather free, he may be able to pay a tax upon some other material and still meet foreign competition; but that is the question, and the only question, which presented itself. As I have said, however, I shall be glad to consider the matter, and I hope that the disposition which has been suggested may be made of it at this time.

Mr. BRANDEGEE. Mr. President, in view of the last few words uttered by the Senator from New Jersey, I take the liberty of stating—and I think it is important—that as to the part which is allowed to be imported at the same rate of duty as the completed product, the part is of the same material and substance as the thing itself.

The peculiar language of this paragraph—"harness, saddles, and saddlery, in sets or in parts, finished or unfinished"—allows a man to import as parts of harness two or three tons of buckles and rings, which are entirely metal, but which are parts of harness and useful for no other purpose. It is not a question of bringing in the parts and assembling them into the completed product in this country. Under this language they can be imported free and sold separately to the people of the country, if the importer wants to do so, and he does not need to put them to harness at all. It affects an entirely separate factory. The factory which makes the leather harness does not make the metal parts at all. The latter is an entirely different business, located frequently in different parts of the country, and involving an entirely different process of manufacture; and yet by this language, which I do not think is intentional, but was simply inserted because the point had not been sufficiently emphasized to the committee in the hearings. Under this language the product of factories making metal parts of harness is put on the free list—the entire duty is cut off—while other factories right in the same town making similar articles out of the same metals are enjoying 20 per cent protection, as we regard it; or, as the Senator from New Jersey would regard it, they are collecting 20 per cent revenue from the competitive product of one and not collecting anything from the competitive product of the other.

Mr. LODGE. Mr. President, I believe the modifications, which I was shown I think this morning by the chairman of the subcommittee, have been adopted in the wording of the amendment, have they not; that is, inserting the words "tanned, but not finished skins for morocco"?

Mr. HUGHES. They have been adopted by the Senate, as I understand, so that the paragraph will stand as I showed it to the Senator from Massachusetts.

Mr. LODGE. Yes; the Senator showed it to me this morning. I think that is a great improvement in the wording and puts beyond doubt any question there might be as it now stands.

Mr. President, this paragraph involves the boot and shoe industry, which now and always has been one of the great industries of my State. We are the greatest producers of boots and shoes in the country, and the welfare of that industry is of the utmost importance to us.

I do not propose to discuss the question of a duty upon boots and shoes. The present tariff law imposes 10 per cent, which is no more than a revenue duty; and I do not know why this product, a finished product, should be selected to be placed on the free list, except with the idea that it may be a popular change. The duty certainly is very low. There are some of our manufacturers who believe that, with economies in various directions and with some reductions to be made, they can meet fair competition under the terms of absolute free trade. I think they are building too much on the old conditions which existed for so many years in the boot and shoe industry of the United States.

We made the great inventions in shoe machinery. When we operated them under patents through those machines and the skill of the American workman the boot and shoe industry of the United States needed no protection, and never asked for it. Its product went into all the markets of the world. Since then the patents have expired, and the shoe machinery invented in the United States is now made in Europe by an American company, is set up under American supervision, and European operatives are taught by the agents of the machinery company in its use.

Mr. SHIVELY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Massachusetts yield to the Senator from Indiana?

Mr. LODGE. Certainly.

Mr. SHIVELY. If the Senator will allow me just there, do not the statistics of our export trade in boots and shoes for the last year show a constant and growing increase in our export of boots and shoes, notwithstanding the use of American machinery abroad?

Mr. LODGE. That is perfectly true. I was coming to that point in a moment. The advantage we had through our machinery has gone; the advantage that we always possessed in the superior skill of our workmen remains in part; but the gap between our workmen and those of Europe is rapidly diminishing.

We still have certain marked advantages in the manufacture of the better grades of boots and shoes. Our shoes are better standardized. We have, perhaps, 150 shapes and sizes in certain lines of shoes where the foreign competitor will have only 5 or 10 or 20. We have an export trade in boots and shoes of the finer kinds, and it has been growing, not rapidly, but it has been growing steadily.

Where I fear competition is coming in our own market and where I think our shoe industry is going first to suffer by the removal of the duty is in the manufacture of the coarser grades of boots and shoes, the very cheapest, heaviest, and coarsest, such as are worn by the men who work and who buy a coarse, strong shoe. I may be mistaken; I hope I am; but I think that a great risk to the industry is being taken in removing what was merely a revenue duty.

I desired to make this statement simply because I wished it to be known to those who are interested in the subject why it was that I did not discuss at length and fully the paragraph affecting one of the three great industries of my State and one of the great industries of the country. It is for that reason that I make the explanation, not only on my own behalf, but on behalf of my colleague [Mr. WEEKS], who has, unfortunately, been called away by serious illness in his family.

Mr. GALLINGER. Mr. President, in behalf of a great industry in my own State—that of the manufacture of boots and shoes—I desire simply to say that I agree with what the Senator from Massachusetts [Mr. LODGE] has said. Much solicitude is felt as to the result of placing boots and shoes on the free list, but it is evident that any persistent opposition on our part to the decree of the committee would be fruitless, and so we yield to the inevitable.

Mr. CUMMINS. Mr. President, I offer the following amendment—

Mr. HUGHES. I should like first to have the committee amendment acted upon, if that is in order.

The PRESIDING OFFICER. That is the regular order.

Mr. CUMMINS. I am perfectly willing that that should be done. I had supposed that that had been done.

Mr. SHIVELY. Let us first dispose of the committee amendment.

The PRESIDING OFFICER. The committee amendment will be stated.

The SECRETARY. In paragraph 534, page 141, line 3, after the numerals "534," it is proposed to strike out, "All leather not specially provided for in this section and leather board or compressed leather; leather cut into shoe uppers or vamps or

other forms suitable for conversion into boots or shoes," and to insert:

Sole leather, leather board or compressed leather, grain, buff, and split leather, all dressed upper leather including patent, japanned, varnished or enameled upper leather and shoe-lining leather, all of the foregoing and all other leathers for boot and shoe manufacturing purposes; leather cut into vamps or other forms suitable for conversion into boots or shoes; belting leather, harness and saddle leather, leather waste, skins for morocco tanned but not finished, rough leather.

The PRESIDING OFFICER. The question is on agreeing to the amendment reported by the committee.

Mr. POINDEXTER. As I followed the reading of the amendment by the Secretary, it is not the same as the amendment printed in the bill.

Mr. HUGHES. I will say to the Senator that there have been some amendments adopted to the committee amendment.

Mr. POINDEXTER. It is not the same as printed in the book, then?

Mr. HUGHES. No.

The amendment was agreed to.

The SECRETARY. On page 141, line 16, before the word "parts," it is proposed to insert the word "in."

The amendment was agreed to.

The SECRETARY. On line 17, after the word "unfinished," it is proposed to strike out the comma and the remainder of the paragraph and insert a period.

The amendment was agreed to.

Mr. HUGHES. As I understand, the Senator from Connecticut [Mr. BRANDEGEE] withholds his amendment?

Mr. GALLINGER. I will take the liberty of saying in behalf of the Senator that the amendment will be withheld.

Mr. SHIVELY. Mr. President, I am directed by the committee to submit an amendment, in line 21, page 109, by striking out "one-fourth" and inserting "three-eighths."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In paragraph 355, page 109, line 21, it is proposed to strike out "one-fourth" and insert "three-eighths."

The amendment was agreed to.

Mr. SMOOT. That raises the duty to 6.33 per cent; that is all?

Mr. SHIVELY. It will be not to exceed that.

Mr. SMOOT. Yes.

Mr. SHIVELY. If the Senator will observe, the present rate, which is three-fourths of 1 cent per 1,000 matches, amounted to an ad valorem rate of 10.27 per cent on the basis of the importations in 1912. This reduces that rate one-half, so that probably it will be less than 6 per cent ad valorem.

Mr. SMOOT. That is as I understand it. I asked that it be changed the other day.

Mr. WORKS. Mr. President, I offer an amendment—

Mr. HUGHES. If the Senator from California will permit me, I should like to call his attention to the fact that I have an amendment pending at the desk which I do not think it will take any time to act upon. Then I have another committee amendment which I am very anxious to dispose of, because I am holding up the income-tax provisions of the bill until that is done.

Mr. WORKS. I shall be very glad to give way to the Senator.

Mr. HUGHES. I thank the Senator very much for permitting me to get this off my mind.

The VICE PRESIDENT. The amendment submitted by the Senator from New Jersey on behalf of the committee will be stated.

The SECRETARY. In paragraph 629, page 153, it is proposed to strike out the first proviso, beginning in line 12, and to insert the following:

Provided, That the cans, boxes, or other containers of tea, lacquered or printed by any process of lithography whatever, packed in packages of less than 5 pounds each, shall be dutiable at the rate chargeable thereon if imported empty.

Mr. SMOOT. I should like to ask the Senator why he limits the particular coverings?

Mr. HUGHES. It has been brought to my attention, and has been stated, that a practice has grown up of bringing in fancy and valuable articles as alleged containers of tea and then throwing the tea away or paying no attention to it except using it for the purpose of enabling fancy containers to be brought into this country without paying the duty which otherwise would be levied upon them. The object of this amendment is to permit ordinary tea containers to come in without the payment of any duty, but lacquered or lithographed fancy tea containers will be dutiable at the same rate that would obtain if they were imported empty. That is the object.

Mr. SMOOT. I am fully aware of the evil practice that is spoken of by the Senator, and I fully agree with him as to the desirability of putting a stop to it; but what I thought as I

caught this amendment was that it was limited to just one class of coverings. I know of certain instances where tea has been imported here from Canada in the most valuable of cases, worth three or four times what the tea was worth. I know that the Senator desires that such cases should be covered, and I wondered whether the amendment really did cover them. For that reason I was going to ask that it be stated again.

Mr. HUGHES. I desire to call the Senator's attention to the fact that there is administrative language which deals with this subject generally.

Mr. SMOOT. Yes.

Mr. HUGHES. I feel quite satisfied that that, in conjunction with the language sent to the desk, will bring about the desired result.

Mr. SMOOT. May the Secretary read the amendment once more?

The VICE PRESIDENT. The amendment will be again stated.

The SECRETARY. On page 153, in line 12, it is proposed to strike out the first proviso in the House print and insert:

Provided, That the cans, boxes, or other containers of tea, lacquered or printed by any process of lithography whatever, packed in packages of less than 5 pounds each, shall be dutiable at the rate chargeable thereon if imported empty.

Mr. SMOOT. It seems to me that if that amendment is adopted it will apply only to containers of tea that are lacquered or printed, and I do not believe that is what the Senator really wants to do.

Mr. HUGHES. Yes; I will say to the Senator that that is just exactly what I want to do. I think the other language will prevent the free importation of containers which obviously are not intended for the transmission of tea. But there is a close line so far as lacquered and lithographed containers are concerned. A great many of them have been shipped in as tea containers, and it seems that the general administrative law is not strong enough to cover the matter.

Mr. SMOOT. I will look at the general administrative feature of the bill, and if that is the case I have no objection.

Mr. HUGHES. I should be very glad if the Senator would permit me to have this amendment agreed to, and I will take up the matter with him at any time.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee.

The amendment was agreed to.

Mr. HUGHES. Just one further amendment, and then I will be through. I call up paragraph 358, on page 111—the fur paragraph.

I will say that I have given some attention to the suggestion made by the Senator from Utah [Mr. SMOOT]. I took up the question that he raised with reference to furs not further advanced than dyeing in order to discover what there might be in his suggestion. I am informed by the authorities at the port of New York that it has been held by the customs authorities that the language with reference to repairs, which, as I understand, is left out of the proposed law but is contained in the present law, is ignored by the customs authorities, on the ground that it seemed it was sought to apply it only to skins which had been injured in the operation of removing them from the animal. Even if repairs were made upon those skins, it was held that they were still not so valuable as perfect skins, and that they should not receive any additional or advanced classification of duty. I have been assured by the gentleman who handles these goods at the port of New York that the present language is amply sufficient for his purposes.

Mr. SMOOT. Mr. President, the trouble with that is that the practice at the port of entry has not been as suggested by the Senator. The Senator knows that there are furs dressed on the skin, not further advanced than dyeing, that get torn perhaps in the handling, and before they are shipped into this country they are repaired. If they were not repaired, of course they would not be received at the port of entry.

When a case of that kind was brought before the general appraisers they held that the repairing of the fur put it into the second bracket, as manufactures of fur; and they actually put upon fur of that kind a higher duty than they did upon perfect fur. It was for that purpose, and that purpose only, that I suggested adding the words "or repairing." I am quite sure that the words will not hurt anything.

Mr. HUGHES. Was it the Senator's suggestion to make it read "furs dressed on the skin or repaired, not advanced further than dyeing"?

Mr. SMOOT. I will read it to the Senator just as it will read if my amendment is adopted:

Furs dressed on the skin, not advanced further than dyeing or repairing.

Mr. HUGHES. I will say to the Senator that I misunderstood the purpose and object of his amendment.

Mr. SMOOT. That is all I desired to accomplish, and I cannot see that it will in any way affect the rate.

Mr. HUGHES. I will accept the Senator's amendment. I do not know where I got the other notion in my head.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 111, line 7, after the word "dyeing," it is proposed to insert "or repairing."

The amendment was agreed to.

Mr. HUGHES. Has the paragraph been read?

The VICE PRESIDENT. The paragraph has been read.

Mr. HUGHES. I have one further amendment to suggest. On page 111, line 23, by direction of the committee, I move to strike out the numerals "15" and insert the numerals "20."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In paragraph 358, page 111, line 23, it is proposed to strike out "15" and insert "20."

Mr. SMOOT. I understand this amendment places those particular fur skins at the same rate as the present law, 20 per cent?

Mr. HUGHES. Yes.

Mr. SMOOT. And that there will be no objection on the part of the hatters if that is done?

Mr. HUGHES. No; I understand it is satisfactory to everybody concerned. This item produces a revenue of about \$90,000 a year.

The amendment was agreed to.

Mr. WORKS. Mr. President, I offer an amendment, which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 277, after line 20, it is proposed to insert the following:

That a permanent commission is hereby created and shall be known as the Tariff Commission, to be composed of nine members, who shall be appointed by the President, by and with the advice and consent of the Senate. The commissioners first appointed under this act shall continue in office for the term of 3, 4, 5, 6, 7, 8, 9, 10, and 11 years, respectively, from the 1st day of January, A. D. 1914, the term of each to be designated by the President, but their successors shall be appointed for terms of 10 years, except that any person appointed to fill a vacancy shall be appointed only for the unexpired term of the commissioner whom he shall succeed. Any commissioner may be removed by the President for inefficiency, neglect of duty, or malfeasance in office. No person shall be eligible for appointment as a commissioner under this act who has been elected or served as a Senator or Representative of the United States. Not more than four of said commissioners shall be members of the same political party. Said commissioners shall be selected for their knowledge of the questions involved in the matter of arriving at and fixing just rates of tariff in its various branches and schedules. No vacancy in the commission shall impair the right of the remaining commissioners to exercise all of the powers of the commission.

Each commissioner shall receive a salary of \$10,000 per annum, payable in monthly installments. Said commission, as soon as qualified by taking the oath of office, shall without delay meet for organization in the city of Washington, in the District of Columbia, and shall elect one of its number to be chairman and one of its number to be vice chairman. It shall appoint a secretary and such other employees as it may find necessary to the proper performance of its duties and fix the compensation of each. Until otherwise provided by law the commission may select and rent suitable offices for its use, and shall have authority to procure all necessary office supplies. The expenses of the commission, including necessary expenses of transportation incurred by the commissioners or by their employees under their order in making any investigation or upon official business in any other place than the city of Washington, shall be allowed and paid upon presentation of vouchers therefor approved by the chairman of the commission. The principal office of the commission shall be in the city of Washington, where its general sessions shall be held, but whenever the convenience of the public or the commissioners may be promoted, or delay or expense prevented thereby, the commission may hold its sessions in any part of the United States; it may also, by one or more of the commissioners or its employees, prosecute any inquiry necessary to the performance of its duties in any part of the United States or in any foreign country: *Provided*, That not more than three members of said commission shall be absent from the United States at one time.

Said commission is authorized and directed to fully investigate and inquire into the rates of tariff now imposed by law and provided for in this act, the justice or injustice thereof, and the changes necessary to fairly adjust such tariff rates as hereinafter provided. Said commission shall divide the tariff into proper schedules covering articles of a like or similar kind, and shall so adjust the rates as to reasonably protect all legitimate industries of whatever kind in this country from unjust, oppressive, or injurious foreign competition and at the same time furnish the necessary revenue for carrying on the affairs of government and to prevent the imposition of such tariffs as will protect the industries in this country not needing protection or such as will destroy legitimate and fair competition on the part of products of foreign countries. To that end the commission shall as nearly as possible ascertain the difference in the cost of producing articles of the same or substantially the same quality and kind in this country and in competing foreign countries, and shall ascertain in connection with the several articles affected by the rates to be fixed the wages, the hours of service, the efficiency of labor employed, the standard of living of such laborers, and generally the cost of production of such articles in this country and abroad, and the cost of transportation, respectively, in this and foreign countries of such articles or products to the markets of this country. It shall also ascertain the cost of raw material, the cost of labor, the fixed charges, depreciation upon the true value of the capital invested, and all other items necessary to determine the true cost of the finished product, and also the market conditions and the prices at which protected productions of the United States are sold in

foreign countries as compared with the prices of products sold in the United States, and the effect of transportation rates upon the markets and prices of dutiable products, the relation between Government revenues and tariff schedules, and so far as practicable make an investigation of all questions and conditions relating to the agricultural, manufacturing, mining, commercial, and labor interests with reference to the tariff schedules and classifications of the United States and foreign countries. Said commission is authorized to call upon any department or officer of the Government for any information in the possession of such department or officer and relating to any subject matter under investigation by the commission, and it shall be the duty of such department or officer to furnish such information. It shall be the duty of said commission, upon petition or upon its own initiative by one or more of its members, from time to time to hold hearings at such places as it may designate to determine industrial, commercial, and labor conditions in relation to the tariff; and any person desiring to be heard before said commission shall upon proper notice and request therefor be fully heard upon any matter to be affected by the establishment or change of tariff rates. The commission shall, whenever practicable, give at least 10 days' public notice of any and all hearings; and at any such hearings, whether undertaken upon the initiative of the commission or upon petition or request, any person may appear before such commission and be heard or may be represented by attorney and may file any written statement or documentary evidence bearing upon any matter it may have under investigation; and all such hearings shall be public, except that in case of any witness examined as to any secret process used in the production of any article the commission may take the testimony in regard thereto in executive session, and the same shall not be reduced to writing nor made public. The commission shall, upon such investigations being made, present such tariff bills as it may agree upon, based upon the principles above set forth, to Congress for its action, and Congress shall take up and consider such bills as may be reported from said commission. The said commission shall accompany the bills proposed by it with a full transcript of the evidence taken by it at the hearings it may have held, and also a full report of its proceedings and conclusion with respect to the rates provided for in such bills. Congress may ratify or change the rates so fixed and agreed upon by said commission or reject the same in toto; and if the same shall be rejected, further investigation and report shall be made by said commission; and if any subsequent investigations are for any reason called for, the commission shall recommend to Congress from time to time any changes or additions that in its judgment should be made to any bill relating to the tariff that may have been enacted by Congress.

Said commission, for the purpose of determining what articles shall be placed upon the dutiable or free list and the rates of tariff to be established by law, or for any other purpose necessary to the proper carrying out of this act, is authorized to require of any person, firm, copartnership, corporation, or association producing any such article or articles, the production of the books, papers, contracts, agreements, invoices, inventories, bills, and documents of any such person, firm, copartnership, corporation, or association, and make any inquiry necessary to a determination of the value of such property or the proper rate of tariff to be fixed with reference thereto. It is also authorized to require by notice or subpoena the attendance and testimony of witnesses and the production of all books, papers, contracts, agreements, inventories, invoices, bills, and documents relating to any matter pertaining to any investigation it may make. Such attendance of witnesses and the production of documentary evidence may be required at any place in the United States, at any designated place of hearing, and witnesses shall receive the same fees as are paid in the Federal courts. In case of failure to comply with such a notice or subpoena, or in case any person, firm, copartnership, corporation, or association shall fail to comply with any of the requirements of this act the commission shall make a report to Congress of such failure, specifying the names of each person, the individual names of such firm or copartnership, and the names of the officers and directors of each such corporation or association guilty of such failure; and such report shall specify each particular in which said person, firm, copartnership, corporation, or association has failed to comply with such requirements, and shall also specify the article or articles on the dutiable list produced by such person, firm, copartnership, corporation, or association and the tariff schedule which belongs to each such article. The commission shall ascertain whether any persons, firms, copartnerships, corporations, or associations engaged in the production or sale of any dutiable article cooperate by agreement or other arrangement of any kind to control production, prices, or wages in the United States or to control prices in any foreign market, and whether any person, firm, copartnership, corporation, or association owns or controls such a proportion of any dutiable product as to enable such person, firm, copartnership, corporation, or association to control productions, prices, or wages in the United States or to control the price of such product in any foreign market.

Said commission shall provide rules and regulations for the conduct of its business. The testimony of any person taken before said commission shall be taken under oath, and each of the said commissioners is hereby authorized to administer oaths to such witnesses.

The commission shall make annual reports to Congress of its investigations and recommendations, together with the testimony and information on which such recommendations are based, and such special reports as it may deem advisable. The testimony and information so reported shall be accompanied by a complete topical digest or analysis and by a topical index of all the testimony taken during the period covered by the report. Said report, with the accompanying testimony, report, and digest, shall be printed as a public document. The annual report shall be published and ready for distribution on the first Monday in December of each year. At all times during the sessions of Congress said commission shall be on duty in the city of Washington for the purpose of furnishing information and advice to Congress.

Mr. WORKS. Mr. President, I am not going to take up the time of the Senate in making a speech in support of this amendment. It presents a question that is perfectly familiar to every Member of the Senate. It would be little better than a crime, it seems to me, to take up the time of the Senate under existing conditions in an effort to support an amendment without hope of accomplishing something in that way.

I only wish to say that for a long time I have been earnestly in favor of the establishment of a permanent tariff commission. I think it is absolutely necessary to the fair and just levying of tariff rates. If I had ever had any doubts on the subject, they would have been dispelled by the experiences we have had here

during this summer in the attempt to formulate the bill which is now before the Senate.

I am going to ask for a yea-and-nay vote upon the amendment without taking up the time of the Senate with discussion.

The yeas and nays were ordered.

Mr. SUTHERLAND. Mr. President, I am in entire sympathy with the proposed amendment. I think, as the Senator from California has said, that the debate on this bill has illustrated the absolute necessity of a tariff commission. I intend to vote for this amendment, but I desire to say before casting my vote that I do not wish to have it construed as an indorsement of the amendment in all its details. There are some details of the proposed amendment that I should want to change if I had any expectation that it would be agreed to.

Mr. THORNTON. Mr. President, I have always been intensely in favor of the principle of a tariff commission to assist Congress in getting the data that would provide for a more scientific tariff than I think we have ever yet had. I so stated to the Legislature of Louisiana at the time I was elected.

I voted for the tariff-commission bill that was offered here two years ago, being one of the five Democrats who voted for it. I am always ready to vote for a tariff commission, provided an opportunity has been given to provide for one in a bill that I consider properly drawn. I do not say that that has not been done in this case, but I do not think there has been proper time given for consideration of the matter.

For that reason, and for that reason only, while expressing my thorough sympathy with the proposal to create a tariff commission, I shall vote against the amendment.

Mr. LEWIS. Mr. President, before the roll call proceeds I should like to be indulged in this observation:

I do not assume to speak for the committee, to whose ability the eminence of its members certifies in this respect. But for those Democrats who live in the zone for which I do assume to speak, our vote against the proposition presented by the distinguished Senator from California is to indicate, not our objection or opposition to some such creation at a proper time, but that it shall be done by a separate bill, in a separate organization, and not encumber the tariff bill, which should be free from all encumbrance not necessary to its execution.

Mr. WILLIAMS. Mr. President, I wish to express briefly my objection to a tariff commission. I think, in short meter, it is simply protectionism reduced to a science. Therefore I do not see how Democrats can support it.

The VICE PRESIDENT. The Secretary will call the roll on agreeing to the amendment of the Senator from California [Mr. WORKS].

The Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I have a pair with the junior Senator from Michigan [Mr. TOWNSEND], and therefore withhold my vote.

Mr. STERLING (when Mr. CRAWFORD's name was called). My colleague [Mr. CRAWFORD] is necessarily absent. He is paired with the senior Senator from Tennessee [Mr. LEA]. If my colleague were present and at liberty to vote, he would vote "yea."

Mr. LEWIS (when his name was called). I must again announce my pair with the junior Senator from North Dakota [Mr. GRONNA], and thereby am restrained from voting.

Mr. MARTIN of Virginia (after having voted in the negative, when Mr. PAGE's name was called). I desire to withdraw my vote. I voted inadvertently. I am paired with the Senator from Vermont [Mr. PAGE] on this vote.

Mr. THOMAS (when his name was called). I make the same transfer as heretofore announced, and vote "nay."

The roll call was concluded.

Mr. LANE. I desire to announce that my colleague [Mr. CHAMBERLAIN] is necessarily absent from the Senate and that he is paired with the junior Senator from Pennsylvania [Mr. OLIVER].

Mr. JAMES. I have a general pair with the Senator from Massachusetts [Mr. WEEKS]. I transfer that pair to the Senator from Nebraska [Mr. HITCHCOCK] and vote "nay."

Mr. McCUMBER. I have a general pair with the senior Senator from Nevada [Mr. NEWLANDS]. I understand that he has not voted. Therefore I transfer my pair to the junior Senator from Maine [Mr. BURLEIGH] and vote "yea."

Mr. TILLMAN (after having voted in the negative). I have a general pair with the Senator from Wisconsin [Mr. STEPHENSON]. He has not voted, and I withdraw my vote.

Mr. LEA. I am paired with the senior Senator from South Dakota [Mr. CRAWFORD]. If I were at liberty to vote I would vote "nay." I understood that the senior Senator from South

Dakota would not leave before to-night, but I am informed that he has already left the city.

Mr. REED. I am paired with the Senator from Michigan [Mr. SMITH]. I can not obtain a transfer and therefore withhold my vote.

Mr. BACON (after having voted in the negative). I am informed that the senior Senator from Minnesota [Mr. NELSON] has not voted.

The VICE PRESIDENT. He has not.

Mr. BACON. I withdraw my vote, for I have a general pair with him.

The result was announced—yeas 32, nays 37, as follows:

YEAS—32.

Borah	Colt	La Follette	Poindexter
Bradley	Cummins	Lippitt	Root
Brady	Dillingham	Lodge	Sherman
Brandeggee	Fall	McCumber	Smoot
Bristow	Gallinger	McLean	Sterling
Cañon	Jackson	Norris	Sutherland
Clapp	Jones	Penrose	Warren
Clark, Wyo.	Kenyon	Perkins	Works

NAYS—37.

Ashurst	Martine, N. J.	Shafroth	Swanson
Chilton	Myers	Sheppard	Thomas
Clarke, Ark.	O'Gorman	Shields	Thompson
Fletcher	Overman	Shively	Thornton
Hollis	Owen	Simmons	Vardaman
Hughes	Pittman	Smith, Ariz.	Walsh
James	Pomerene	Smith, Ga.	Williams
Johnson	Ransdell	Smith, Md.	
Kern	Robinson	Smith, S. C.	
Lane	Saulsbury	Stone	

NOT VOTING—26.

Bacon	Culberson	Lewis	Smith, Mich.
Bankhead	du Pont	Martine, Va.	Stephenson
Bryan	Goff	Nelson	Tillman
Burleigh	Gore	Newlands	Townsend
Burton	Gronna	Oliver	Weeks
Chamberlain	Hitchcock	Page	
Crawford	Lea	Reed	

So Mr. WORKS's amendment was rejected.

Mr. SIMMONS. Mr. President, we started out on a definite plan and we have deviated far from it. The amendment that we have just voted upon is an amendment to the end of the bill. The understanding upon which we started out was that we would take up first the paragraphs of the bill which had been passed over at the request of particular Senators and dispose of those paragraphs, and then, if there were any additional amendments proposed by the committee, we would consider those amendments.

I ask unanimous consent—and I hope it may be done; I think it is in the interest of time, certainly it is more orderly—that we now return to the practice we started out to follow and that we have deviated from.

Mr. WORKS rose.

Mr. SIMMONS. I see the Senator from California rising. He must not understand that I am criticizing him at all, because others have done it. He has not been the first one.

Mr. WILLIAMS. Does the Senator propose that we shall begin with the income-tax provision?

Mr. SIMMONS. No; when we drifted afield we had reached paragraph 654, which was passed over at the request of the senior Senator from Massachusetts [Mr. LODGE]. I ask that we begin there and take up in their order such paragraphs as have been passed over at the request of Senators. That is the regular order.

Mr. SUTHERLAND. Before that is done, will the Senator from North Carolina permit me to call his attention to a provision in the administrative part of the bill which I think ought to be considered by the committee? It will take only a moment.

Mr. SIMMONS. If it is something that the Senator desires to call the attention of the committee to, of course, I think it is proper to do it now, so that we may have the time to give it the consideration that he asks it should have.

Mr. SUTHERLAND. The provision to which I call attention is on page 274, subdivision T. That subdivision undertakes to repeal the act of August 5, 1909, being the Payne-Aldrich Act, and after doing that this proviso follows:

That nothing in this act shall be construed—

And I omit a portion—

Mr. SIMMONS. The Senator will pardon me; we have anticipated that and we will bring in an amendment to that provision which I think will probably meet the view he has.

Mr. SUTHERLAND. I do not know that the Senator knows what provision I am calling attention to.

Mr. WILLIAMS. The Cuban treaty provision?

Mr. SIMMONS. No; that is not the provision.

Mr. SUTHERLAND. Not at all.

Mr. SIMMONS. I beg the Senator's pardon for interrupting him. I will let him complete his statement.

Mr. SUTHERLAND (reading)—

Provided, That nothing in this act shall be construed to repeal or in any manner affect the following numbered sections of the aforesaid act approved August 5, 1909, viz: Subsection 29 of section 28 and subsequent provisions relating to the establishment and continuance of a Customs Court.

That is as far as I desire to read.

Mr. SIMMONS. What line did the Senator begin to read on?

Mr. SUTHERLAND. I began to read on line 22, and after omitting a phrase I concluded the reading on line 4 of page 275.

Mr. SIMMONS. I was about to state to the Senator that we are going to propose an amendment, after the word "act," in line 23, adding "or in section 2862 of the Revised Statutes."

Mr. SUTHERLAND. I am referring to the Customs Court, and if the Senator would hear me I think he would have a better understanding of what I am trying to get at.

Mr. SIMMONS. Very well.

Mr. SUTHERLAND. Rather than attempting to anticipate what I am going to say.

The provision of this section is first to repeal the whole of the Payne-Aldrich Act, which includes section 29. Section 29 of that act created the Customs Court, provided for its jurisdiction, fixed a salary of \$10,000 each for the members of it, and generally dealt with the subject matter.

Section 29 of that act was revised in the Judicial Code which was adopted in 1911 and became of force January 1, 1912. Section 29 above quoted was put into a chapter by itself, consisting of 12 sections—chapter 8.

In some particulars that I do not now recall section 29 was altered. For example, section 29 provides for a salary of \$10,000 a year for each of the members. The provision of the code is that they shall receive \$7,000 a year. The effect of chapter 8 of the code is to substitute its provisions in place of section 29, and this would operate as a repeal of section 29.

Now, this bill proceeds upon the theory that section 29 is still in force, and it amounts to an expression at least of an opinion upon the part of Congress that section 29 is still in force, and to that extent amounts to an expression of opinion that those provisions of section 29 which differ from the provisions later enacted in the code are still in force. It seems to me that all reference to section 29 ought to be omitted.

Mr. SIMMONS. Mr. President, I desire to apologize to the Senator. I think I owe it to him to do so. I thought when he began he had reference to a part of the section which related to oaths. I find he had reference to another part of it altogether. I will say to the Senator that the committee will take very great pleasure in looking into the matter which he has very kindly brought to our attention.

Mr. SHIVELY. Has the Senator from Utah [Mr. SUTHERLAND] an amendment to submit in relation to that matter?

Mr. SUTHERLAND. It occurred to me that the proper amendment would be to omit all reference to subsection 29.

Mr. SHIVELY. I only inquired whether the Senator would formally offer an amendment.

Mr. SIMMONS. I ask that the Secretary read paragraph 654 and that the committee's amendment be adopted.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 159, paragraph 654, the committee proposes to strike out all of that paragraph as printed in the House bill and to insert a new paragraph 654, reading as follows:

654. Paintings in oil or water colors, pastels, drawings, and sketches in pen and ink or pencil or water colors, etchings, engravings, lithographs, and sculptures which are proved to the satisfaction of the Secretary of the Treasury under rules prescribed by him to have been in existence more than 50 years prior to the date of the importation, but the term "sculptures" as herein used shall be understood to include professional productions of sculptors only, whether round or in relief, in bronze, marble, stone (terra cotta), ivory, wood, or metal; and the word "paintings" as used in this paragraph shall not be understood to include any article of utility nor such as are made wholly or in part by stenciling or any other mechanical process. And the words "etchings" and "engravings" as used in this paragraph shall be understood to include only such as are printed by hand from plates or blocks etched or engraved with hand tools, and not such as are printed from plates or blocks etched or engraved by photo-chemical or other mechanical processes.

Mr. LODGE. Mr. President, this paragraph should properly be considered in conjunction with paragraph 658, because those two paragraphs cover the whole subject of works of art and their introduction into this country without duty. In the last tariff bill, after a struggle which had lasted many years, we succeeded in embodying in the Payne-Aldrich Act a provision that paintings and sculptures should come in free if they were more than 20 years old. We also embodied a provision that other works

of art should come in free of duty if more than 100 years old. The second provision was a wholly new one. The House of Representatives have pursued the same enlightened policy, as I regard it, with reference to works of art. They took the provision in regard to works of art other than paintings and sculptures and reenacted it as it stood in the Payne-Aldrich law. They went even further than the Payne-Aldrich law in regard to paintings and sculptures, for they took off entirely the time limitation. I believe the attitude of the House of Representatives in these respects was in the highest degree to be commended; and I wish to say, in justice to the Democratic Party in the past, that such has been their uniform attitude.

I call attention to one or two statements on this subject. In 1857 Judah P. Benjamin, then a Senator from Louisiana, said in the Senate:

I think we ought by every means in our power to put before our people such objects of art as shall elevate their taste. So far as American artists are concerned, I have no doubt that the free introduction of articles of this kind will benefit the native artists by inducing a taste for articles of this kind which is now lamentably deficient in our country.

And free art was embodied in the act of 1857.

In 1861 Stephen A. Douglas said in the United States Senate:

I believe it is the policy of all nations to encourage the introduction of works of art. I wish we could get a model of every work of art, a cast of every piece of statuary, a copy of every valuable painting and rare picture, so that our artists might pursue their studies and exercise their skill at home.

Mr. Wilson, of West Virginia, the author of the tariff bill of 1894, embodied free art in his bill and spoke for it in the House of Representatives. Senator Vest, of Missouri, I think at that time, but certainly in a speech which I recall on this subject—and a very fine speech it was—said:

The greatest peoples of the whole world have been those who were practical and who at the same time were devoted to art and sculpture. I shall by every vote and word of mine encourage sculpture, painting, music, literature, and all that makes our human life better.

Senator Bayard also said in debate:

Nothing is so expensive to the people of the country as a revenue obtained at the loss of their intellectual advancement and education.

In April, 1906, ex-President Cleveland said:

On every ground the United States should not only permit but affirmatively encourage free art.

I make these quotations simply to show what has been the uniform attitude of the Democratic Party on this question; and I say without hesitation and with regret that the resistance to free art in the past has, in the main, come from the party to which I have always belonged. Personally, I have always labored to put all works of art upon the free list, and I confess that I was greatly gratified when I saw the position taken by the present House of Representatives. I was more than greatly astonished when I saw the amendment suggested by the committee of the Senate, for on this question the Senate hitherto has been, I think, more liberal and more civilized than has been the House of Representatives.

In this bill the Senate has raised the time limit on works of art. The House put no time limit; the Senate has put 50 years, which is 30 years more than the existing law. The Senate committee has also stricken out the clause providing that works of art other than paintings and sculptures shall come in free if more than 100 years old and has put in a provision which practically nullifies the intent of that section.

The objection that is always made to their free admission, Mr. President, is that these works of art are the purchases of rich men who can afford to pay the duty and who ought to be taxed on the enjoyment which they receive from the works of art which they buy; but it seems to me that in the interest of the public at large that is a very shortsighted policy. We ought to encourage the importation by individuals of works of art of all kinds. In the end they all find their way to the public museums. The statement which I understood the Senator from Colorado [Mr. THOMAS] to make the other day that our millionaires brought works of art from the museums of Europe, where the public could enjoy them, is a mistake. Works of art are never taken or bought from the public museums of Europe; they can not be. The works of art which have been brought here by our millionaires have been bought from private collections which have been occasionally opened on card to people who were interested, but they have all come from sources which were not within the public reach abroad; and sooner or later, as I have said, here, as in Europe, great paintings as well as statuary slowly find their way into the museums and become the property of the public.

I was interested not long ago in finding in a little publication which appears in Washington called Art and Progress a series of views and some account of the art museums that have been established in this country.

I was amazed at the number and at the distribution of these institutions. There was one, as I recall, at Fort Worth, Tex., certainly in one of the Texas cities. Not only was the building an extremely good one architecturally, but there were many interesting works of art in it. That is but an example of the art museums which are being started all over this country, not merely in the great cities, but in the smaller cities and towns. They absorb sooner or later, as do the greater museums, all the works of art that come within their reach.

In this country works of art find their way from private to public ownership much more rapidly than is the case in Europe, for the simple reason that we do not have, and never have had, in this country the large family estates, and the great houses which descend from generation to generation under the law of entail, and which carry with them all their contents. As a rule, here, on the death of any rich man who has made a collection of pictures, they may be divided among his children, but most of them find their way to the museum of some city.

I do not believe, Mr. President, that unless Senators have taken the trouble to go to some of these great museums, as I have done very frequently in New York and Boston and here, on the free days—and most of the days are free—and especially on Sunday, and looked not at the works of art there collected, but watched the people who come to those museums and pass hours there, they can appreciate the popular interest in this matter.

Take the great Metropolitan Museum of New York, of course the largest and finest in the country, and soon to equal, if it does not now, the best museums of the Old World. I have seen that museum on a Sunday afternoon filled with people, a large part of them people of the very poorest classes, families, including children, who would pass hours there, which might be spent in a much less desirable way. There is nothing, in my judgment, which affords such pleasure to the masses of the people as the great museums thrown open to them without money and without price.

I do not recall the number of people who visit the Metropolitan Museum of Art in New York in a year, but the Senator from New York [Mr. Root] tells me it is 800,000. I know in Boston the number is in the neighborhood of 600,000. To all those people museums of art are not only a pleasure and a gratification, but they are a means of instruction, of elevation, of improvement. Children can not be taken to these great museums and see the collections of the art of the world, beginning with the solemn and imposing figures of Egyptian sculpture, and coming down through all the perfect beauties of Greek sculpture and the sculpture, the paintings of Italy, of Holland, of Spain, and of France, without carrying away an education and an improvement and a joy in life which I believe nothing else can give.

At this moment a portion—a very small portion—of the collection of pictures of Mr. Morgan fills one room in the Metropolitan Art Museum. The whole of that great collection of pictures will be there in a short time. A wing is being built to cost, I believe, some \$700,000, which will contain not the great collections which Mr. Morgan had already given in his lifetime but the wonderful collection of pictures which now comes to the museum since his death. That wing is being built by the public money of the people of New York, so highly do they esteem the value of this great gift for the benefit of all the people of that city, and, indeed, of the whole country. In that single room which I have mentioned there are gathered now pictures which would be an honor to any museum in Europe, pictures of the very first order. They have been all bought by Mr. Morgan, a man of great wealth and great generosity and public spirit, and they have all passed into the possession of the people of the United States.

I think, Mr. President, that it is the greatest possible mistake to do anything to discourage the importation of works of art. In the second paragraph to which I have alluded, works of art which are not paintings and sculpture include tapestries, all over 100 years old, carvings in wood, and articles of household decoration, coming down from the past centuries, in which are innumerable lessons for our builders and our furniture makers to learn. It seems to me, as was so well said by Senator Vest, that—

The greatest peoples of the whole world have been those who were practical and who at the same time were devoted to art and sculpture.

We are an eminently practical people, and American art and architecture have advanced with enormous strides in the last 25 years. We should do everything to encourage it. I think the amendments proposed by the Senate committee are a distinct discouragement; I think they are a step backward, a retreat in what should be the onward march of civilization. I

wish that the Senate would consent to accept the provisions of the House bill.

Certainly, if it is conceivable that there should be party feeling on a question like this, the Democratic House can be trusted to sustain Democratic principles; but, Mr. President, this surely is something that rises far above politics and party lines. This is the cause of art, of beauty, of all that is most inspiring and best in our life on earth.

When we look back over the past and consider what has lived and what has died, what is it that remains to us from all those great civilizations which have gone before and grown dim among the shadows of the past? Their art and their literature. The battles and the wars of the Greeks are of no moment to-day except to the lover of history, but the thought, the literature, the poetry, the drama, and the art of Greece are the greatest inheritance of civilized man.

It is the same with the art of other people. The rich merchants of Venice have vanished forever, but the art of Titian remains to-day as beautiful and inspiring as ever. The works of material civilization perish and disappear, but the works of imagination, the works of beauty, remain. We are the heirs of that great inheritance. Surely we ought to carry it on and not barter it away for the sake of a few dollars at the custom-house.

Here we have this vast and growing people. I think it is our duty, looking not at to-day in the hope, perhaps, of gathering a little revenue—far more expensive than any expenditure we could make—but looking at it in the broad vista of time, in the interest of civilization and education, to open the doors to the gathering in this country of all the great monuments of art which we can possibly secure.

Mr. President, I have made this plea before. I have striven to make it for many years when my own party was charged with the work of preparing revenue bills. I make it again; and I sincerely hope that the Senate, which has almost always been in the advance and in the lead hitherto, will not now take a backward step, but will stand with the House in making an even more liberal provision, in opening the doors even wider to the works of art of the past and of the present than was done in the last act or in any previous act upon the statute books of the United States.

Mr. THOMAS. Mr. President, I do not care to take the time of the Senate in adding anything to what I said the other day upon this subject. It is proper, however, that before a vote is taken I should say that I cordially agree with every word that has just fallen from the lips of the distinguished Senator from Massachusetts; and I think every Senator in this body is at one with him as to the educational value of art, its great benefits to the general mass of the people, and the deplorable consequences of depriving them of the opportunity to see and drink in the beauties of these wondrous creations and to be elevated and idealized by their uplifting influences.

We are not interfering with that spirit or placing any embargo whatever upon its exercise. What we are seeking to do is to enlarge it and to make it universal, and enable every picture, every piece of statuary, every antique, and every tapestry, if you please, which has that educational value to contribute to that end.

We do propose, if we can, to place some limitation upon that modern spirit which finds ostentatious expression in gathering together for private collections these priceless heritages from the past, and not only to give the 800,000 men and women and children of New York the opportunity which they possess with the galleries which there are public and which they can visit, but to enlarge those galleries as far as possible.

When the multimillionaire of the land imports such objects for the purpose of gratifying his personal vanity, and simply ministering to the desire to obtain things of priceless value that he may exercise over them his own sovereign dominion, limiting the enjoyment of their beauties to the selected few from time to time and denying to the public the inestimable benefit of their presence, we say he should pay the Government something for it.

That is all there is about it; that is the only difference between us. I firmly believe that this measure, as we have prepared it, will serve to enlarge the collections of our public galleries and prove a benefit instead of a burden to the spirit of love of beauty which has been so eloquently voiced by the distinguished Senator from Massachusetts.

Mr. ROOT. Mr. President, I desire to add to the enumeration of distinguished Democrats who have spoken in the Senate in favor of most liberal treatment of art a reference to the admirable and noble speech made by the senior Senator from South Carolina [Mr. TILLMAN] during the debate upon this subject four years ago, an expression which, if I remember cor-

rectly, had the sympathy and the adherence of a majority of the Democrats of the Senate. I know he has not changed his view and I hope the majority of the Democratic Senators have not changed their views.

The Senator from Colorado agrees with the motive to which the Senator from Massachusetts has referred, but I do not think he appreciates how serious an obstacle to the fruition of that motive would be the provision he advocates. I look at it from the point of view of the museum, from many years of active interest in the conduct of the museum; and I know that the one way in which an American museum secures a great body of works of art for the education and the pleasure of the public is by having works of art come here.

We never get a picture or a statue or an engraving or any other object of art from anyone who has possessed it in Europe. So long as these articles remain on the other side of the Atlantic they never come to us. Once brought into our own country they soon find their way to the general public use.

The man who has made the collection, as a rule—not as an exception, but as a rule—when he comes to the close of his career finds that practically the only thing he can do with it to gratify his interest in the objects he has collected, to insure that the collection, for which he has the affection of a collector, shall be useful, shall be preserved, and perhaps his name continued with it, is to give it to the museum of his own city. It is in that way, sir, through the gifts of the paintings and the sculptures and the works of art generally which have been brought here by individual Americans, that the museums all along, from one ocean to the other, in all our considerable towns, have been built up and are being built up year by year.

It is not alone in the great cities that these museums are found. The museums in the cities of the second order of size—cities like Buffalo, Cleveland, Detroit, and Cincinnati—are worthy of the highest commendation and admiration; and they have grown up from the possession by Americans on this side of the Atlantic of the articles which make a museum.

While if you are going to look at the transaction with a microscope, the argument of my friend from Colorado [Mr. THOMAS] would be applicable, that when a particular man who has the means to buy some paintings brings them in he should pay a tax upon them, because they are for his benefit; still when you come to the large view of public policy the imposition of such a tax is a hindrance to the development of the art of America, and it is checking the stream that has been flowing into America for the benefit of all our people.

Mr. President, I should like to state definitely exactly what the situation is as to this legislation, comparing the present law, which was enacted four years ago, the Payne-Aldrich law, with the bill as it came from the House and the bill as it is reported by the committee of the Senate.

Under the Payne-Aldrich law paintings, sculptures, engravings, etchings, and similar articles which are more than 20 years old are admitted free. Other works of art more than 100 years old are admitted free. Under the pending bill as it came from the House paintings, sculptures, engravings, etchings, and so forth, are admitted free whether 20 years old or not—that is, the age limit is taken off—and other works of art are admitted free when more than 100 years old. That is to say, the House bill enlarged the provisions of the present law regarding paintings, sculptures, and so forth, and made them more liberal, and kept the provision as to other works of art. The bill as reported by the committee goes back, and instead of liberalizing the Payne-Aldrich provision as to paintings, sculptures, and so forth, it fixes the limit at 50 years instead of 20 years, and entirely repeals the provision regarding other works of art. So the House has liberalized the Payne-Aldrich bill, and the Senate committee has narrowed it and made it less liberal.

This is not a question of logical reasoning about what ought to be and what ought not to be. It is a question of the working of human nature. The House provision is going to contribute to the building up of our museums and put at the service of all our people, fully and freely, the inestimable privilege of seeing the works of art of all times and all lands. The provision reported by the committee is going to put a serious obstacle in the way of building up our museums and in the way of securing those benefits for our people.

Mr. President, I suppose we ought to think of something besides the merely material things which are necessary for life. I think we all recognize that. In all the wonderfully liberal provisions of our legislation in regard to education we realize it. It is certainly true that the happiness of a people does not depend merely upon having sufficient food and clothing and shelter. After all that, what is there to make a people happy? What can there be beyond the material things and beyond the con-

solutions of religion to make life more happy for the millions of people of slender means in our country than opportunity and encouragement for the cultivation of taste, than to enable them to bring up their children with capacity for receiving pleasure from the countless works of genius which it is possible for us to set before them?

Mr. President, I think no one can observe the poor people of some of the European countries—France, for instance, is a notable example—without realizing that the poor people are happy largely because they love everything beautiful, because in all about them in nature and in art they find the means to gratify their taste for beauty. The greatest happiness in life comes from things not material. It does not come from eating and drinking and wearing fine clothes; it comes from the elevation of character, from the love of beauty gratified, from the many influences that ennoble mankind.

I think we have no higher duty, sir, than by our legislation to promote the opening to Americans of every opportunity to secure these means of happiness. I feel certain that the narrowing of these provisions by the Senate committee will be an injury to the people of the United States and that the liberal policy of the House will be a great and lasting benefit to them.

Mr. LODGE. Mr. President, the Senator from New York referred to the speech made on the 12th of June, 1909, by the Senator from South Carolina [Mr. TILLMAN], who is still, I am glad to say, a Member of this body. It is very short, and I ask that the Secretary may be allowed to read it.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Secretary will read as requested.

The Secretary read as follows:

Mr. TILLMAN. Mr. President, in this debate it has not been my good fortune to be very often found indorsing the views expressed by the Senators from New York and Massachusetts. But on this question I feel bound to say, in a humble and modest way, making no pretense whatever of being an art connoisseur, that if that poet who told us that "a thing of beauty is a joy forever" told the truth, this is not the place where the American Senate should display a niggardliness, a narrowness, and a penny-wise-and-pound-foolish policy.

The contemplation of beautiful paintings and statuary by even the most ignorant person must exert an elevating and refining influence. Many a boy has become inspired to do likewise, has had his soul enthused and his mind fired with the ambition to become a painter or a sculptor, by seeing great works of art.

I had the misfortune last year to become very ill, and I was ordered to Europe as a means of relaxation and rest. I had the opportunity to visit the great art galleries of Florence, Paris, and London, to say nothing of the smaller ones in other cities where I sojourned briefly. While I did not get as enthusiastic over some of those things as other people seemed to be, I saw enough to convince me that the American people can afford to encourage the importation of some of those masterpieces, something that we can get as a means of elevating the thought and inspiring the artistic genius of our people.

Therefore I for once in this debate, as I said, feel anxious to see the gates thrown wide open and every opportunity offered for wealthy Americans, who have been made rich as they are going to be made rich by this very bill, to bring in works of art. If you want to whack these multimillionaires, cut out some of the special privileges you are giving them elsewhere in the getting of money; but if they want to bring anything from abroad here which is worth while, let us let them do it. They will in time die out and an art gallery will become, in all probability, the legatee of their collections.

I noted in London that a half dozen of the finest collections were donated to the public by private individuals who had spent a lifetime and a fortune, or two or three fortunes, in collections such as are no more to be gathered together on the globe, because they have scoured the four corners of the earth almost to get these curios and artistic gems which have been given to those people; and they are the greatest treasures in London to-day.

When we consider that a painting is imperishable if it is cared for—that is, for several centuries at least, and no one hardly knows how long a well-cared-for painting will last—we can understand how it is impossible that these multimillionaires will not add to the stock of artistic wealth in this country, and in time they will increase the artistic genius of our people by merely having their galleries accessible. Many of these rich people are liberal enough to allow their art galleries to be visited by the public on given days, and others have loaned their masterpieces to this or that public gallery.

As I said, if you want to be hard on these rich people and want to make them do this, that, and the other, let us cut out some of the methods by which they get this money, but let us allow them to spend it to bring as many great and glorious works of art to America as possible.

Mr. LODGE. I also ask leave to print in my remarks a statement from the American Free Art League in regard to paragraph 658, showing what those who are most concerned with art think of the change proposed.

There being no objection, the matter referred to was ordered to be printed in the Record as follows:

THE TARIFF ON ANTIQUITIES A BLUNDER.

The conference committee on the tariff bill should not fail to correct the blunder which has been made in taking "artistic antiquities" and "collections in illustration of the progress of the arts" from the free list. This is equally important with restoring paintings and sculptures to the free list. In fact, the Senate itself might well make these changes without waiting for the conference committee. This would place the Senate in agreement with the House on the schedules and would also be a recognition of the universal demand throughout the country that these educational art objects should be free in the new tariff act.

No intelligent person can advocate a duty on artistic antiquities over 100 years old. They furnish models which are of great value to our designers and manufacturers and contribute directly to our business success and prosperity. An old Flemish sideboard, for instance, is full of suggestions for our designers of furniture; Gobelin tapestries, Belgian laces, and old embroideries are eagerly studied by the students of our industrial art schools, and old Chinese porcelains and Etruscan vases help our manufacturers of pottery to raise their standard of excellence.

The touch of art is to be seen all about us on almost every article of utility. Thus it is evident that art and industry are very closely related.

Moreover, as Samuel Isham says in his *History of American Painting*: "The tariffs which we have imposed upon art objects in the past at different periods have seriously diminished the beauty of the surroundings of the great body of the people. The carpets on their floors, the chairs in which they sit, the dishes from which they eat, and the ornaments on their walls are all uglier than they should be because the models which would have instructed both the people and the manufacturers have been kept out."

The countries of the Old World are full of these instructive models, and therefore their designers have a distinct advantage over Americans. In spite of this fact the Governments of Europe do everything possible to encourage art education, expending thousands of dollars upon art schools, art museums, and prizes. It goes without saying that as a part of this policy, with almost no exception, they make importations of art objects free. How much more necessary is it for our country, which has so few inherited art treasures, to encourage art education at least to the extent of making works of art duty free.

Former Commissioner of Education William T. Harris once said: "We must light our torches where art was a religion." We can not give our students the inspiration of the past if we build a tariff wall to shut out the art treasures of the older countries of the world.

Up to the present time the Democratic Party has a clean "free art" record. No tariff bill ever framed by the Democratic Party has ever placed an import duty upon either paintings, sculptures, or antiquities. It would be a grave mistake for the Democrats in the Senate in this twentieth century to smirch the record of their party by insisting upon any such taxes on knowledge and education. In a certain sense their action will be a test of our progress in civilization.

MR. THOMAS. Mr. President, I am more than ever convinced, after listening to the Senator from New York, that our only difference upon this subject is one of viewpoint. The Senator believes that works of art, all contributions of genius to the common stock of beauty and of artistic creation, should be permitted to come to our shores and be welcome, whether they after arrival are to form parts of a private collection or of a public one, because he believes that in the end the private collection will become a public one, since it is assumed that sooner or later all of these articles do find their place in public galleries.

Now, I am neither disputing nor asserting, because, in the first place, it does not, I think, concern the argument, because if it be true that these works and collections do ultimately become public property, then it makes little difference whether a duty is imposed upon their importation when designed for private collections or not. If, on the other hand, it is not true, then there is the greater argument, in my judgment, in favor of the imposition of the duty.

I quite agree, indeed the expression is so beautiful and so natural that it finds response in every human heart, that "a thing of beauty is a joy forever." But because it is a thing of joy forever, because it possesses an attribute which gives a sort of public proprietary interest in it, because every man and woman and child in existence should be privileged and permitted to see it, to drink in its beauty and to receive all the idealism and inspiration that can be obtained from it, because of that fact, I say, these works of genius should not be immured in the palaces and homes of the rich. I consider it a crime against the aesthetic taste of mankind, an offense against that love of beauty which has caused successive generations to preserve these wondrous creations and to hand them from the one to the other.

I believe therefore that every nation should frown upon the obtaining and holding of these treasures as private property for the enjoyment of the few or to satisfy the ostentatious vanity of those who may be able to afford them and make the practice as expensive as possible.

It was my privilege, not many years ago, to visit a private gallery of paintings. Occasionally I have been allowed a glimpse beyond the portals of the wealthy and powerful. I saw as attractive and beautiful and wondrous a collection of paintings as there is perhaps upon this continent outside the city of New York. As I enjoyed this splendid opportunity, which as a whole and in detail forms one of the happy experiences of my life, I felt that these beautiful, valuable, glorious paintings should belong to mankind and should not be in any private collection, accessible only to those whom the proprietor in his generosity or magnanimity might extend the privilege. When he confidently informed me of the enormous price which three or four of the gems in this collection had cost him, it instantly occurred to me that the amount which he had been required to pay, and which he willingly paid, rather than any desire to gratify himself or his

country after his death, constituted the chief motive which inspired the purchase and the collection.

Now, I believe it is wise to place a duty upon the importations of these invaluable treasures when they are acquired for private purposes and for such purposes alone, and this, Mr. President, whether ultimately or not these collections find repose in public galleries for the benefit of the high and the low and the rich and the poor.

I know, as was said by the distinguished Senator, that the poor are made happy because of the pleasure that they derive by coming into contact and association with the beautiful, and it is because I know it that I would require them all to be accessible to the multitude.

No one, I believe, appreciates a beautiful picture, a fine piece of statuary, more than the average man, woman, and child. The besotted and the ignorant, like the wise and the good, are lifted, temporarily at least, from the dull level of their monotonous and sordid lives by the ideals which they encounter in some of these priceless, wondrous collections.

Now, is it possible when a provision of the law requires that when these treasures are obtained merely to gratify a fad or the ostentatious fancy of a rich individual and segregated from the public and immured in their private residences, that for the privilege of doing so they should pay a duty thereon to the Government of the United States?

That is the theory of this bill upon this subject. If within five years after their acquisition they are given to the public, donated or sold to any gallery or other institution which allows the public for five days in a week, eight months in a year, access to them, the duties are refunded. An inducement is thus extended to the public spirit of the owners.

I think that a more judicious provision could not be made; and when it is further considered that these properties, when more than 50 years of age, are exempt from these duties entirely, and can be brought here absolutely free of duty, we have, in my judgment, framed a system as applicable to this sort of commodity, if that be a proper expression as applied to a work of art, that is as near just as it is possible to make it.

I referred the other day to the fact, Mr. President, that the widespread custom of investments in these expensive creations have resulted in the building up of a business of manufactured imitations, spurious creations, palmed off upon the unsuspecting or the careless or the ignorant as genuine, that has assumed very large proportions. Certainly the best lover of art is the identical one who frowns upon and would discourage as a general proposition, independent of its fraudulent and miserable character, the development or the continuation of such a pursuit.

I firmly believe, Mr. President, that this measure as it has been prepared and reported by the Senate Finance Committee will put a quietus, to a very large extent at least, upon this nefarious industry. Considered from that standpoint alone, every lover of art should applaud instead of condemning a policy that is designed for the real, the genuine protection of all works of art.

Now, my friends, the distinguished Senators from Massachusetts and New York, are earnestly desirous that the House instead of the Senate committee paragraphs relating to this subject should be adopted. But, Mr. President, would either of them vote for this bill if we should accede to their request and restore the House provisions? Do either of them expect to allow his love of beauty, his devotion to these splendid creations, the insistent desire that all sorts and conditions of men shall be permitted at all times to approach the altar and worship at the shrines of the public galleries and there obtain the full benefits of their valuable contributions—will they permit their exalted spirit of love and devotion to art to overcome their scruples concerning the paragraphs on print paper, and cotton, and bread, and meat, which they do not desire to see upon the free list, and vote for this bill?

I do not believe that any concessions which we may make upon this or any other subject, however dear to their hearts, will carry them across the line and give us the benefit of their support of this measure.

I hope, therefore, that the majority reporting these paragraphs will adopt them as they stand.

MR. LANE. Mr. President, I wish to say a word in explanation of my vote on this question. The Democratic Party will be criticized, and I expect it to be, and it would be subject to just criticism were it not for the fact that it is first attempting to place the necessities of life within the reach of the people of this country. It is necessary that the Government should raise a certain amount of revenue to carry on its affairs. In order to do that, it has seemed to be more wise to attempt to raise such

revenue from articles of luxury, leaving the necessities of life as near as may be within the reach of people who are poor.

Thirty-three and one-third per cent of all children born in the large cities die before they are 5 years of age for lack of proper nourishment, fresh air, sunlight, and the opportunity to receive the ordinary benefits which they would have under conditions where they had an equal opportunity to enjoy the gifts of nature. No painting executed by the greatest master of art will appeal to the eye of the mother of a child dying from lack of the necessities of life.

First, then, let us provide those necessities of life. Give the people an opportunity to get enough to properly raise their children and allow them to live. After we have accomplished that, I will join with my friends on the other side in placing works of art upon the free list and to pay a bounty to the man who will bring them in for the edification of the people of this country.

Mr. LODGE. I ask unanimous consent that the vote may be taken on the amendments to paragraphs 654 and 658 together.

Mr. THOMAS. We consent to that.

Mr. SIMMONS. There is no objection to that.

Mr. LODGE. That will save the calling of the roll twice.

Mr. THOMAS. Paragraph 658 will have first to be read.

Mr. LODGE. Paragraph 658 will have to be read. Then I ask for the yeas and nays on the two amendments at once. It will save calling the roll a second time.

The VICE PRESIDENT. Is there objection to the request of the Senator from Massachusetts? The Chair hears none. The Secretary will read paragraph 658.

The SECRETARY. The Committee on Finance proposes to strike out paragraph 658 as it appears in the House print of the bill and in lieu thereof to insert the following:

658. That when works of art, including paintings in oil and water colors, pastels, drawings and sketches in pen and ink, or pencil or water colors, etchings, engravings, lithographs, photographs, collections in illustration of the progress of the arts, works in bronze, marble, wood, terra cotta, parian, pottery, porcelain or glass, artistic antiquities, and objects of art of ornamental character or educational value on which duties shall have been paid under the provisions of the act, and shall within five years after the importation be purchased by or for, or presented to, and accepted in good faith, by a national institution or any State or municipal corporation or incorporated religious society, college, or other public institution, or any society or institution established for the encouragement of the arts, sciences, agriculture, or education, as its permanent property for permanent free exhibition at a fixed place for at least four days in each week, of at least eight months in each year, and not to be sold, there shall be paid by the Secretary of the Treasury to the purchaser or donor from any moneys in the Treasury not otherwise appropriated an amount equal to the amount of duties paid, upon production of evidence satisfactory to him of such purchase or donation and acceptance upon the terms and conditions herein prescribed.

The VICE PRESIDENT. The question is on agreeing to the committee amendments on which the yeas and nays have been asked for.

The yeas and nays were ordered.

Mr. BACON. Mr. President, is the question on the adoption of the amendments proposed by the Committee on Finance?

Mr. LODGE. Yes; on the adoption of the amendments proposed by the Committee on Finance.

The VICE PRESIDENT. That is correct.

The Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I have a general pair with the Senator from Michigan [Mr. TOWNSEND]. In his absence I transfer that pair to the Senator from Nebraska [Mr. HITCHCOCK] and vote "yea."

Mr. STERLING (when Mr. CRAWFORD's name was called). I wish to again state that my colleague [Mr. CRAWFORD] is necessarily absent and is paired with the senior Senator from Tennessee [Mr. LEA]. If my colleague were present and at liberty to vote, he would vote "nay."

Mr. JAMES (when his name was called). I transfer the pair I have with the junior Senator from Massachusetts [Mr. WEEKS] to the junior Senator from New Jersey [Mr. HUGHES] and vote "yea."

Mr. LEA (when his name was called). I have a pair with the Senator from South Dakota [Mr. CRAWFORD]. If I were at liberty to vote, I should vote "yea."

Mr. LEWIS (when his name was called). I announce my pair with the junior Senator from North Dakota [Mr. GRONNA]. If he were here, I should vote "yea."

Mr. SWANSON (when the name of Mr. MARTIN of Virginia was called). My colleague [Mr. MARTIN of Virginia] is paired with the junior Senator from Vermont [Mr. PAGE]. If he were present, my colleague would vote "yea."

Mr. DILLINGHAM (when Mr. PAGE's name was called). My colleague [Mr. PAGE] is necessarily absent this afternoon; but, as has been stated, he is paired with the Senator from Virginia [Mr. MARTIN].

Mr. THOMAS (when his name was called). I make the same transfer of my pair as heretofore announced, and vote "yea."

Mr. WILLIAMS (when his name was called). I notice the absence of the senior Senator from Pennsylvania [Mr. PENROSE]. I have a pair with that Senator, and therefore withhold my vote. The roll call was concluded.

Mr. GALLINGER (after having voted in the negative). I have a general pair with the Senator from New York [Mr. O'GORMAN], who has not voted. I transfer that pair to the junior Senator from Maine [Mr. BURLEIGH], and will allow my vote to stand.

Mr. SUTHERLAND. I inquire whether the Senator from Arkansas [Mr. CLARKE] has voted?

The VICE PRESIDENT. He has not.

Mr. SUTHERLAND. I withhold my vote on account of my pair with that Senator.

Mr. REED. I have a pair with the Senator from Michigan [Mr. SMITH]. Being unable to arrange for the transfer of the pair, I withhold my vote. If permitted to vote, I should vote "yea."

Mr. MYERS. I announce my pair with the Senator from Connecticut [Mr. McLEAN] and withhold my vote.

Mr. CHAMBERLAIN. I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. In his absence I withhold my vote.

Mr. SUTHERLAND. I transfer my pair with the Senator from Arkansas [Mr. CLARKE] to the Senator from Idaho [Mr. BRADY] and vote "nay."

Mr. GALLINGER. I am requested to announce a pair between the Senator from Wisconsin [Mr. STEPHENSON] and the senior Senator from South Carolina [Mr. TILLMAN].

The result was announced—yeas 32, nays 27, as follows:

YEAS—32.

Ashurst	Kern	Saulsbury	Smith, Md.
Bacon	Lane	Shafroth	Smith, S. C.
Bryan	Overman	Sheppard	Stone
Chilton	Owen	Shields	Swanson
Fletcher	Pittman	Shively	Thomas
Hollis	Pomerene	Simmons	Thompson
James	Ransdell	Smith, Ariz.	Vardaman
Johnson	Robinson	Smith, Ga.	Walsh

NAYS—27.

Bradley	Cummins	La Follette	Sherman
Brandegge	Dillingham	Lippitt	Smoot
Bristow	Fall	Lodge	Sterling
Catron	Gallinger	Norris	Sutherland
Clapp	Jackson	Perkins	Thornton
Clark, Wyo.	Jones	Poindexter	Warren
Colt	Kenyon	Root	

NOT VOTING—36.

Bankhead	du Pont	McLean	Penrose
Borah	Goff	Martin, Va.	Reed
Brady	Gore	Martine, N. J.	Smith, Mich.
Burleigh	Gronna	Myers	Stephenson
Burton	Hitchcock	Nelson	Tillman
Chamberlain	Hughes	Newlands	Townsend
Clarke, Ark.	Lea	O'Gorman	Weeks
Crawford	Lewis	Oliver	Williams
Culberson	McCumber	Page	Works

So the committee amendments were agreed to.

Mr. THOMAS. Mr. President, I think that completes the schedules, with the exception of one or two matters which the Secretary has called to my attention, but which, I think, have also been disposed of. The first is paragraph 65. If it has not already been done the words "chlorate of," on page 16, line 24, of that paragraph, should be stricken out.

The VICE PRESIDENT. The Chair is informed they were stricken out, and the paragraph agreed to.

Mr. THOMAS. In paragraph 657, my recollection is that the amendments offered by the committee have been adopted; but there seems to be some difference about that.

The VICE PRESIDENT. The Chair is informed that the committee amendments to paragraph 657 have been agreed to. The Chair will state that paragraph 254, on page 70, stands recommitted to the committee.

Mr. SIMMONS. I desire to say that the subcommittee is considering some change in that paragraph, and I ask that it be temporarily passed over. I hope to be able to report it very soon.

The VICE PRESIDENT. It is already before the committee.

Mr. CUMMINS. Mr. President, if it is not a violation of the agreement made some time ago, I desire now to offer an amendment to follow paragraph 659. I send the amendment to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. At the end of section 1, page 164, it is proposed to add a new paragraph, as follows:

It shall be unlawful from and after January 1, 1914, for any common carrier to charge, collect, or receive a higher rate for the transporta-

tion of any of the articles or commodities hereinbefore mentioned, or of substantially similar articles and commodities having been grown, produced, or manufactured in the United States, over the same line in the same direction than it charges, collects, or receives for the transportation of such articles or commodities when imported into the United States from a foreign country.

No common carrier in conforming to the foregoing provision shall increase any rate without the approval of the Interstate Commerce Commission, entered after a full hearing upon an application for such increase.

Mr. CUMMINS. Mr. President, I regret that I feel compelled to propose an important question of this kind under the circumstances which now surround us. I do not know how other Members of the Senate feel, especially the Members on this side of the Chamber, but I feel that it is a farce through which we are passing, so far as argument is concerned, and nothing but the highest sense of duty impels me to consume the time of the Senate in the suggestions that I am about to make.

The question presented in this amendment has nothing whatever to do with percentages of duty levied upon imports, but it has a great deal to do with the tariff. It is a question that will be easily understood throughout the country, and, while I do not hope to reach the judgment of the majority at this time, I shall hope that there will appear for the proposition which I have now submitted more potent advocates than can be summoned at this moment. The question is intimately connected with the tariff duties that are here imposed.

We all understand, Mr. President, that in determining the rate of duty upon any particular commodity, whether we are speaking from a protection or a competitive standpoint, we must not forget the cost of transportation from the point of production to the point of consumption.

Every man who presumes to deal with the subject intelligently knows that we must give due consideration to the cost of transportation. The bill now before us reduces duties, and at this moment I am not complaining of that. Duties are reduced to a point much below the protective point, as admitted—indeed, as claimed—by those who are responsible for the bill. My amendment simply asks the Senate and asks the country whether, in view of this very material, very substantial, and, as I am bound to think, indefensible reduction of duties, we shall continue to give our rivals in other countries the added advantage of discrimination in rates of transportation.

These rivals have that advantage now. They have possessed it for a long time. Our own producers have been able to overcome the discrimination because there have been attached to most of these commodities duties that were sufficient and oftentimes more than sufficient to enable them to meet their competitors from abroad, notwithstanding the lower freight rates which these competitors have so long enjoyed.

I beg to restate my amendment in a simpler way than found in its phraseology.

I propose that hereafter the products of the United States shall be carried by our common carriers at no higher rate, over the same line, in the same direction, than products of similar character are so carried when imported from other countries. In view of the fact that upon many commodities the import freight rate is much lower than the domestic freight rate at this time, to avoid the increasing of all these rates I provide that the common carriers, in adjusting themselves to this amendment, if it shall become a law, shall not increase any rates without the approval of the Interstate Commerce Commission.

I shall be as brief as it is possible for a man to be in presenting this question, and I therefore proceed immediately to the facts. What are the facts with regard to the rates charged on imported products as compared with the rates charged upon domestic products?

Fortunately, we have before us the result of an investigation held by the Interstate Commerce Commission long ago. It was held under a resolution, which I intend to read in order that there may be in the RECORD the basis for the investigation made by the commission. The resolution was adopted by the Senate on the 24th of June, 1902, and it reads as follows:

Resolved, That the Interstate Commerce Commission be, and is hereby, directed to investigate and report to the Senate during the month of December next in such form and to such extent as may be practicable—

1. The rates filed with said commission by common carriers subject to the act to regulate commerce and now in force on import and domestic traffic of like kind carried from ports of entry in the United States to interior points of destination which show material differences, if any, in favor of through shipments of imported articles and against shipments of like articles originating at such ports of entry.

2. What, if any, kinds or classes of imported articles have actually been transported at any time between January 1 and July 1 of the present year by common carriers subject to the act to regulate commerce at rates from ports of entry in the United States to interior points of destination materially less than the rates contemporaneously charged

by such carriers upon the same kinds or classes of articles as domestic shipments from such ports of entry to the same interior points of destination; and whether, if it can be ascertained, the rates actually charged upon both the import and domestic traffic were in conformity with the rates in effect thereon, as shown in rate schedules filed with said commission.

3. Show in said report in connection with any such differences in schedule rates in favor of import and against domestic shipments the tariff or customs duties in force under the laws of Congress upon such import traffic carried at any time during the six months' period above specified; and to enable compliance with this requirement the Secretary of the Treasury is hereby directed to furnish the said commission, upon its application, a statement showing the tariff or customs duties applicable to such import traffic.

Under this comprehensive authority the Interstate Commerce Commission made an examination, and on the 28th day of February, 1903, it reported the results of its hearings to the Senate. I do not intend, of course, to read at length from the report, nor do I intend to embody it all in my observations, but it is a report which anyone who is at all interested in American industry as opposed to foreign industry, anyone who really desires the welfare of the people of his own country as distinguished from the welfare of the people of other countries, might well consult.

Among other things the commission says:

The following summary shows the import and domestic all-rail rates, in cents per 100 pounds, on the different classes from Newport News to Chicago:

I but repeat a fact known to every Senator, surely, when I say that in the territory of which I am about to speak there are six classes of commodities aside from the special commodity rates.

The import rate from Newport News to Chicago from November 15 to May 15 was, on the first class, 67 cents. The domestic rate upon the same class was 59 cents per hundred pounds. That is to say, an article in this class coming from abroad and shipped from the ocean at Newport News to Chicago was charged 67 cents per hundred pounds, but if it originated in the United States and was shipped from the same point to the same point the rate was 59 cents.

We now come to the second class. The second-class rates were 57 cents and 51 cents, respectively; the third-class rates, 47 and 43; the fourth-class rates, 32 and 29; the fifth-class rates, 27 and 25; and the sixth-class rates, 22 and 20.

I call attention to these things in order that you may mark the distinction which is made between class rates, upon which comparatively little of the traffic is carried, and commodity rates, upon which a large part of the traffic is carried. Commenting on this table, the commission says:

It thus appears that from Newport News to Chicago the import class rates are materially higher than the domestic class rates for half the year and nearly the same as the domestic class rates the other half of the year.

This is substantially the true theory of adjusting freight rates. There is no reason for any material difference between the import freight rate and the domestic freight rate. But let us pass on:

The domestic class rates from Montreal, Canada, to Chicago are, in cents per 100 pounds—

Now mark you and see where this difference and injustice arises—

The domestic class rates from Montreal, Canada, to Chicago are, in cents per 100 pounds, 66, 58, 45, 31, 26, and 22 cents on the six classes, respectively. The import class rates from Montreal to Chicago on the six classes are 54, 47, 37, 27, 23, and 20 cents, respectively.

Mr. POINDEXTER. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Washington?

Mr. CUMMINS. I do.

Mr. POINDEXTER. The Senator stated the last paragraph in a little different way from his statement of the rates from Newport News. As I understood the first statement, from Newport News to Chicago the import rates were higher than the domestic class rates.

Mr. CUMMINS. They were.

Mr. POINDEXTER. Is that true as to the rates from Montreal?

Mr. CUMMINS. They were just the reverse. I will read them again.

Mr. POINDEXTER. I should like to have the Senator, if he will, when he reads the import rates for the first class, read next the domestic rates for the first class.

Mr. CUMMINS. I will reread the figures in that way, Mr. President.

The domestic class rate from Montreal, Canada, to Chicago, on first-class freight per hundred pounds, was 66 cents. The import rate on that class was 54 cents.

On second-class freight the domestic rate was 58 cents, and the import rate 47 cents.

On third-class freight the domestic rate was 45 cents, and the import rate was 37 cents.

On fourth-class freight the domestic rate was 31 cents, and the import rate was 27 cents.

On fifth-class freight the domestic rate was 26 cents, and the import rate 23 cents.

On sixth-class freight the domestic rate was 22 cents, and the import rate 20 cents.

I now pass over to the tables submitted by the commission upon commodity rates. With respect to the commodity rates, upon which a large part of the traffic of the country is carried, in many instances the import rate is less than the domestic rate.

For instance, taking the first table, which is a "statement showing import and domestic rates on various commodities from New York and other seaboard cities to the several points thereinafter shown, in effect June 24, 1902," the domestic rate from New York to Cleveland upon sulphate of ammonia was 18 cents. The import rate was 15 cents.

Upon bagging the domestic rate was 25 cents, and the import rate 18 cents.

Upon burlaps the domestic rate was 25 cents, and the import rate 18 cents.

Upon cement the domestic rate was 16 cents, and the import rate 13 cents.

Upon fuller's earth the domestic rate was 16 cents, and the import rate 15 cents, although that is not a very important matter so far as competition is concerned.

Upon carbonate of potash the domestic rate was 21 cents and the import rate 15 cents per hundred pounds.

I am reading the table which applies from New York to Cleveland, because it is typical of nearly all of them.

Upon salt the domestic rate was 16 cents and the import rate 13 cents per hundred pounds.

Upon crude sulphur the domestic rate was 18 cents and the import rate 16 cents.

I might read through these tables by the hour in showing these disparities in rates. Take the item of crockery: We have greatly reduced the rates on crockery. Whether that reduction is wise or not is not material to this argument. But upon crockery in crates from Portland, Me., to Cincinnati—this happens to be a table from Portland to Cincinnati—the domestic rate was 24 cents per hundred pounds and the import rate was 18 cents per hundred pounds. The class rates over the same distances show the same unfavorable comparison with the domestic rates.

Mr. STERLING. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from South Dakota?

Mr. CUMMINS. I do.

Mr. STERLING. As I understand it, the Senator is reading now the rates in 1903 and prior to that date.

Mr. CUMMINS. These tables were compiled in the early part of 1903.

Mr. STERLING. I wish to have the Senator's opinion as to whether, under the enlarged powers of the Interstate Commerce Commission, that commission would have power to prevent this discrimination between domestic and import rates.

Mr. CUMMINS. I intend to refer to that in a few moments, if I may be permitted to defer my remarks upon it until I reach that phase of the case.

Mr. STERLING. Certainly.

Mr. CUMMINS. I ask that I may print as a part of my remarks the tables from page 12 to page 33, inclusive, contained in the report of the Interstate Commerce Commission, and from which I have read.

The VICE PRESIDENT. Is there objection? The Chair hears none.

The matter referred to is as follows:

TABLE I.—Statement showing import and domestic rates on various commodities from New York, N. Y., to the several points hereinafter shown, in effect June 24, 1902. (Rates in cents per 100 pounds, unless otherwise shown, c. l.)

Commodities.	From New York, N. Y., to—																														
	Buffalo, N. Y.			Cleveland, Ohio.			Pittsburgh, Pa.			Detroit, Mich.; Toledo, Ohio; Columbus, Ohio.			Cincinnati, Ohio.			Indianapolis, Ind.			Grand Rapids, Mich.			Chicago, Ill.; Louisville, Ky.			Peoria, Ill.			East St. Louis, Ill.			
	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.				
Ammonia, sulphate of.....				15	18	3				15	20	5	15	22	7	15	23	8	15	24	9	15	25	10	17	28	11	17	29	12	
Asphaltum.....	18	19	1	18	25	7	13	14	1	18	25	7	18	25	7	18	19	1	18	19	1	18	20	2	20	22	2	21	23	2	
Bagging.....				15	16	1				15	16	1	15	16	1	15	17	2	15	17	2	15	18	3	17	20	3	17	21	4	
Bleach.....				16	18	2				16	20	4	16	22	6	16	23	7	16	24	8	16	25	9	18	28	10	19	29	10	
Brimstone, crude, in bulk.....				18	19	1	18	25	7	18	21	3	18	27	9	18	30	12	18	33	15	18	34	16	18	35	17	20	39	21	41
Burlaps.....	18	19	1	18	25	7	18	21	3	20	23	3	20	26	6	20	28	8	20	29	9	20	30	10	22	33	11	23	35	12	
Castor beans.....				20	21	1				20	23	3	20	26	6	20	28	8	20	29	9	20	30	10	22	33	11	23	35	12	
Cement.....				13	16	3	13	14	1	13	16	3	13	17	4	13	19	6	13	19	6	13	20	7	14	22	8	15	23	8	
Clay.....				15	16	1				15	16	1	15	17	2	15	19	4	15	19	4	15	20	5	17	22	5	17	23	6	
Crockery:																															
Common (see note).....				18	21	3				18	23	5	18	26	8	18	28	10	18	29	11	18	30	12	20	33	13	21	35	14	
English (see note).....				16	21	5	16	18	2	16	23	7	16	26	10	16	28	12	16	29	13	16	30	14	18	33	15	19	35	16	
Fuller's earth.....				15	16	1				15	16	1	15	17	2	15	19	4	15	19	4	15	20	5	17	22	5	17	23	6	
Iron pyrites, per gross ton.....				207	284	76	207	240	32	247	285	37	247	305	57	247	326	78	247	336	88	247	350	102	272	385	113	287	406	119	
Kaolin.....				15	16	1				15	17	2	15	19	4	15	20	5	15	22	7	17	24	7	17	24	7	17	26	9	
Magnesite.....				15	16	1				15	16	1	15	17	2	15	19	4	15	19	4	15	20	5	17	22	5	17	23	6	
Magnesite, Grecian, in bags or in bulk.....													16	17	1	16	19	3	16	19	3	16	20	4	18	22	4	19	23	4	
Ore (iron, chrome, or manganese), per ton.....	216	240	24	256	320	64	216	336	120	281	351	70	313	392	79	335	419	84	346	432	86	360	450	90	366	495	99	418	522	104	
Potash:																															
Carbonate of.....				15	21	6	15	18	3	15	23	8	15	26	11	15	28	13	15	29	14	15	30	15	17	33	16	17	35	18	
Muriate of.....				15	16	1	15	18	3	15	17	2	15	19	4	15	20	5	15	21	6	15	22	7	17	24	7	17	26	9	
Sulphate of.....				15	16	1	15	18	3	15	17	2	15	19	4	15	20	5	15	21	6	15	22	7	17	24	7	17	26	9	
Rice, brewers'.....										18	20	2	18	22	4	18	23	5	18	24	6	18	25	7	20	28	8	21	29	8	
Salt, mineral, in barrels, 30,000; in boxes, sacks, or bulk, 48,000 pounds.....				13	16	3	13	14	1	13	16	3	13	17	4	13	19	6	13	19	6	13	20	7	14	22	8	15	23	8	
Salt cake.....				15	16	1				15	16	1	15	17	2	15	19	4	15	19	4	15	20	5	17	22	5	17	23	6	
Soda ash.....				15	16	1				15	16	1	15	16	1	15	17	2	15	17	2	15	18	3	17	20	3	17	21	4	
Soda:																															
Bicarbonate of.....				15	16	1				15	16	1	15	17	2	15	19	4	15	19	4	15	20	5	17	22	5	17	23	6	
Caustic.....				15	16	1				15	16	1	15	16	1	15	17	2	15	17	2	15	18	3	17	20	3	17	21	4	
Nitrate.....	15	16	1	15	21	6	15	18	3	15	23	8	15	26	11	15	28	13	15	29	14	15	30	15	17	33	16	17	35	18	
Sal.....				15	16	1				15	16	1	15	16	1	15	17	2	15	17	2	15	18	3	17	20	3	17	21	4	
Silicate.....				15	16	1				15	16	1	15	16	1	15	17	2	15	17	2	15	18	3	17	20	3	17	21	4	
Sulphate of.....				15	16	1				15	16	1	15	16	1	15	17	2	15	17	2	15	18	3	17	20	3	17	21	4	
Spiegeleisen, ferromanganese, silicon, and pig iron, per ton.....	284	320	36	240	403	163	312	351	39	348	392	44	372	419	47	384	432	48	400	450	50	440	495	55	464	522	58	494	522	58	
Sulphur, crude, in bulk.....				16	18	2				16	20	4	16	22	6	16	23	7	16	24	8	16	25	9	18	28	10	19	29	10	

NOTE.—Will include cheap tableware invoiced at prices not exceeding those of English crockery, in crates, although such shipments may be marked as china; also includes English crockery, in packages other than crates.

Domestic rate on crockery, in boxes or slatted boxes, l. c. l. from New York to Chicago, 65 cents per 100 pounds. Domestic rate on crockery in crates, barrels, tierces, casks, or hogsheads, l. c. l. from New York to Chicago, 40 cents per 100 pounds. Rates to other points, as shown above, are adjusted to the New York and Chicago basis.

TABLE 2.—Statement showing import and domestic rates on various commodities from Portland, Me. (via Grand Trunk Railway), to the several points hereinafter shown, in effect June 24, 1902.

[Rates in cents per 100 pounds, unless otherwise shown.]

Commodities.	From Portland, Me., to—																	
	Cincinnati, Ohio.			Indianapolis, Ind.			Grand Rapids, Mich.			Chicago, Ill.; Louisville, Ky.			Peoria, Ill.			East St. Louis, Ill.		
	Im- port.	Do- mes- tic.	In favor of im- port.	Im- port.	Do- mes- tic.	In favor of im- port.	Im- port.	Do- mes- tic.	In favor of im- port.	Im- port.	Do- mes- tic.	In favor of im- port.	Im- port.	Do- mes- tic.	In favor of im- port.	Im- port.	Do- mes- tic.	In favor of im- port.
Asphaltum.....	18	22	4	18	22	4	18	22	4	18	19	1	20	21	1	21	22	1
Bagging.....	18	22	4	18	22	4	18	22	4	18	22	4	20	25	5	21	26	5
Bleach.....	18	20½	2½	15	16	1	15	16	1	15	17	2	17	19	2	18	20	2
Brewers' rice.....	18	20½	2½	18	21½	3½	18	22½	4½	18	23½	5½	20	26½	6½	21	27½	6½
Brimstone, in bulk.....	18	22	4	18	22	4	18	22	4	18	17	1	18	19	1	19	20	1
Burlaps.....	13	16	3	13	18	5	13	18	5	13	19	6	14½	21	6½	15	22	7
Cement.....	15	16	1	15	18	3	15	18	3	15	19	4	17	21	4	18	22	4
Clay.....	18	24	6	18	26	8	18	27	9	16	28	12	20	31	11	21	33	12
Crockery in crates.....	15	16	1	15	18	3	15	18	3	15	19	4	17	21	4	18	22	4
Fuller's earth.....	15	16	1	15	18	3	15	18	3	15	19	4	17	21	4	18	22	4
Grecian magnesite, in bulk.....	15	16	1	15	18	3	15	18	3	15	19	4	17	21	4	18	22	4
Kaolin.....	15	17	2	15	18	3	15	19	4	15	20	5	17	22	5	18	24	6
Muriate of potash.....	15	16	1	15	18	3	15	18	3	10	19	9	17	21	4	18	22	4
Salt.....	15	16	1	15	18	3	15	18	3	15	19	4	17	21	4	18	22	4
Salt cake.....	15	16	1	15	18	3	15	18	3	15	19	4	17	21	4	18	22	4
Soda:																		
Ash.....	15	17	2	15	18	3	15	19	4	15	17	2	17	19	2	18	20	2
Bicarbonate.....	15	17	2	15	18	3	15	19	4	15	17	2	17	19	2	18	20	2
Carbonate.....	15	17	2	15	18	3	15	19	4	15	17	2	17	19	2	18	20	2
Caustic.....	15	16	1	15	18	3	15	18	3	15	19	4	17	21	4	18	22	4
Nitrate of.....	15	16	1	15	18	3	15	18	3	15	17	2	17	19	2	18	20	2
Sal.....	15	16	1	15	18	3	15	18	3	15	17	2	17	19	2	18	20	2
Silicate.....	15	16	1	15	18	3	15	18	3	15	17	2	17	19	2	18	20	2
Sulphate.....	15	16	1	15	18	3	15	18	3	15	17	2	17	19	2	18	20	2
Sulphur, in bulk.....	15	16	1	15	18	3	15	18	3	16	17	1	18	19	1	19	20	1
CLASS RATES.																		
First class.....	55	60	5	60	65	5	62	67	5	65	70	5	73	78	5	77	82	5
Second class.....	49	53	4	52	56	4	54	58	4	57	61	4	64	68	4	67	71	4
15 per cent less than second class.....	42	45	3	44	48	4	46	50	4	48	52	4	54	58	4	57	61	4
Third class.....	38	41	3	41	44	3	42	45	3	44	47	3	49	52	3	52	55	3
20 per cent less than third class.....	30	33	3	33	36	3	34	36	2	35	38	3	39	42	3	42	44	2
Fourth class.....	26	28	2	29	31	2	30	32	2	31	33	2	35	37	2	37	39	2
Fifth class.....	22	24	2	24	26	2	25	27	2	26	28	2	29	31	2	31	33	2
Sixth class.....	19	20½	1½	20	21½	1½	21	22½	1½	22	23½	1½	25	26½	1½	26	27½	1½

TABLE 3.—Statement showing import and domestic rates on various commodities from Boston, Mass., and Portland, Me., to points hereinafter shown, in effect June 24, 1902.

[Rates in cents per 100 pounds, unless otherwise shown, c. l.]

Commodities.	From Boston, Mass., and Portland, Me., to—																	
	Cleveland, Ohio.			Detroit, Mich.; Toledo, Ohio; Columbus, Ohio.			Cincinnati, Ohio.			Indianapolis, Ind.			Grand Rapids, Mich.			Chicago, Ill.; Louisville, Ky.		
	Im- port.	Do- mes- tic.	In favor of im- port.	Im- port.	Do- mes- tic.	In favor of im- port.	Im- port.	Do- mes- tic.	In favor of im- port.	Im- port.	Do- mes- tic.	In favor of im- port.	Im- port.	Do- mes- tic.	In favor of im- port.	Im- port.	Do- mes- tic.	In favor of im- port.
Asphaltum.....	18	25	7	18	25	7	18	25	7	18	19	1	18	19	1	18	20	2
Bagging.....	15	16	1	15	16	1	15	16	1	15	17	2	15	17	2	15	18	3
Bleach.....	18	20	2	18	20	2	18	22	4	18	23	5	18	24	6	18	25	7
Brewers' rice.....	16	18	2	16	20	4	16	22	6	16	23	7	16	24	8	16	25	9
Brimstone, in bulk.....	18	25	7	18	27	9	18	30	12	18	33	15	18	34	16	18	35	17
Burlaps.....	20	21	1	20	23	3	20	26	6	20	28	8	20	29	9	20	30	10
Castor beans.....	13	16	3	13	16	3	13	17	4	13	19	6	13	19	6	13	20	7
Cement.....	15	16	1	15	16	1	15	17	2	15	19	4	15	19	4	15	20	5
Clay.....	18	21	3	18	23	5	18	26	8	18	28	10	18	29	11	18	30	12
Crockery:																		
In crates (see note).....	16	21	5	16	23	7	16	26	10	16	28	12	16	29	13	16	30	14
English, in crates.....	15	16	1	15	16	1	15	17	2	15	19	4	15	19	4	15	20	5
Fuller's earth.....	15	16	1	15	16	1	15	17	2	15	19	4	15	19	4	15	20	5
Grecian magnesite, in bulk.....	207½	284	76½	247½	285	37½	247½	305	57½	247½	326	78½	247½	336	88½	247½	350	102½
Iron pyrites, per ton 2,240 pounds.....	15	16	1	15	17	2	15	19	4	15	20	5	15	21	6	15	22	7
Kaolin.....	15	16	1	15	16	1	15	17	2	15	19	4	15	19	4	15	20	5
Muriate of potash.....	15	16	1	15	17	2	15	19	4	15	20	5	15	21	6	15	22	7
Carbonate of potash.....	15	16	1	15	16	1	15	17	2	15	19	4	15	19	4	15	20	5
Salt, c. l., minimum weight in barrels, 30,000; in boxes, sacks, or in bulk, 40,000 pounds.....	13	16	3	13	16	3	13	17	4	13	19	6	13	19	6	13	20	7
Salt cake.....	15	16	1	15	16	1	15	17	2	15	19	4	15	19	4	15	20	5
Soda ash.....	15	16	1	15	16	1	15	16	1	15	17	2	15	17	2	15	18	3
Soda:																		
Bicarbonate.....	15	16	1	15	16	1	15	17	2	15	19	4	15	19	4	15	20	5
Caustic.....	15	16	1	15	16	1	15	16	1	15	17	2	15	17	2	15	18	3
Nitrate.....	15	21	6	15	23	8	15	26	11	15	28	13	15	29	14	15	30	15
Sal.....	15	16	1	15	16	1	15	16	1	15	17	2	15	17	2	15	18	3
Silicate.....	15	16	1	15	16	1	15	16	1	15	17	2	15	17	2	15	18	3
Sulphate.....	15	16	1	15	16	1	15	16	1	15	17	2	15	17	2	15	18	3

TABLE 3.—Statement showing import and domestic rates on various commodities from Boston, Mass., and Portland, Me., to points hereinafter shown, in effect June 24, 1902—Contd.

Commodities.	From Boston, Mass., and Portland, Me., to—																							
	Cleveland, Ohio.			Detroit, Mich.; Toledo, Ohio; Columbus, Ohio.			Cincinnati, Ohio.			Indianapolis, Ind.			Grand Rapids, Mich.			Chicago, Ill.; Louisville, Ky.			Peoria, Ill.			East St. Louis, Ill.		
	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.
Spiegelisen, per ton.....	284	320	36	312	351	39	348	392	44	372	419	47	384	432	48	400	450	50	440	495	55	464	522	58
Sulphate of ammonia.....	15	18	3	15	20	5	15	22	7	15	23	8	15	24	9	15	25	10	17	28	11	17	29	12
Sulphate of potash.....	15	16	1	15	17	2	15	19	4	15	20	5	15	21	6	15	22	7	17	24	7	17	26	9
Sulphur, in bulk.....	16	18	2	16	20	4	16	22	6	16	23	7	16	24	8	16	25	9	18	28	10	19	29	10
Ferromanganese, per ton.....	284	320	36	312	351	39	348	392	44	372	419	47	384	432	48	400	450	50	440	495	55	464	522	58
Ferrosilicon, per ton.....	284	320	36	312	351	39	348	392	44	372	419	47	384	432	48	400	450	50	440	495	55	464	522	58
Pig iron, per ton.....	284	298	14	312	328	16	348	365	17	372	391	19	384	403	19	400	420	20	440	462	22	464	487	23
Ore, iron, chrome, and manganese, per ton.....	256	320	64	281	351	70	313	392	79	335	419	84	346	432	86	360	450	90	396	495	99	418	522	104
CLASS RATES.																								
First class.....	50	53	3	54	59	5	60	65	5	65	70	5	67	72	5	70	75	5	78	83	5	82	87	5
Second class.....	43	46	3	47	51	4	53	57	4	56	60	4	58	62	4	61	65	4	68	72	4	71	75	4
15 per cent less than second class.....	37	39	2	40	43	3	45	48	3	48	51	3	49	53	4	52	55	3	58	61	3	60	64	4
Third class.....	33	36	3	36	39	3	41	44	3	44	47	3	45	48	3	47	50	3	52	55	3	55	58	3
20 per cent less than third class.....	27	29	2	29	31	2	33	35	2	35	38	3	36	38	2	38	40	2	42	44	2	44	46	2
Fourth class.....	23	25	2	25	27	2	28	30	2	31	33	2	32	34	2	33	35	2	37	39	2	39	41	2
Fifth class.....	20	21	1	21	23	2	24	26	2	26	28	2	27	29	2	28	30	2	31	33	2	33	35	2
Sixth class.....	16½	18	1½	18½	20	1½	20½	22	1½	21½	23	1½	22½	24	1½	23½	25	1½	26½	28	1½	27½	29	1½

NOTE.—Will include cheap tableware invoiced at prices not exceeding those of English crockery in crates, although such shipments may be marked as "china"; also includes English crockery in packages other than crates.

TABLE 4.—Statement showing import and domestic rates on various commodities from Philadelphia, Pa., to several points as shown below, in effect June 24, 1903.

[Rates in cents per 100 pounds, unless otherwise shown, c. l.]

Commodities.	From Philadelphia, Pa., to—																							
	Cleveland, Ohio.			Pittsburgh, Pa.			Detroit, Mich.; Toledo, Ohio; Columbus, Ohio.			Cincinnati, Ohio.			Indianapolis, Ind.			Grand Rapids, Mich.			Chicago, Ill.; Louisville, Ky.			Peoria, Ill.		
	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.	Im-port.	Do-mes-tic.	In fa-vor of im-port.
Ammonia, sulphate of.....	13	16	3	13	13	.....	13	18	5	13	20	7	13	21	8	13	22	9	13	23	10	15	26	11
Asphaltum.....	16	23	7	16	19	3	16	23	7	16	23	7	16	23	7	16	23	7	16	23	7	18	20	2
Bagging.....	13	14	1	13	14	1	13	14	1	13	14	1	13	15	2	13	15	2	13	16	3	15	18	3
Bleach.....	14	16	2	14	16	2	14	18	4	14	20	6	14	21	7	14	22	8	14	23	9	16	20	4
Brimstone, crude, in bulk.....	16	23	7	16	19	3	16	25	9	16	28	12	16	31	15	16	32	16	16	33	17	18	37	19
Burlaps.....	18	19	1	18	19	1	18	21	3	18	24	6	18	26	8	18	27	9	18	28	10	20	31	11
Castor beans.....	11	14	3	11	12	1	11	14	3	11	15	4	11	17	6	11	17	6	11	18	7	12	20	8
Cement.....	13	14	1	13	14	1	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	21	6
Clay.....	13	14	1	13	14	1	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	21	6
Crockery:																								
Common (see note).....	16	19	3	16	19	3	16	21	5	16	24	8	16	26	10	16	27	11	16	28	12	18	31	13
English.....	14	19	5	14	16	2	14	21	7	14	24	10	14	26	12	14	27	13	14	28	14	16	31	15
Fuller's earth.....	13	14	1	13	14	1	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	20	5
Iron pyrites, per ton.....	167½	244	76½	167½	200	32½	207½	245	37½	207½	265	57½	207½	286	78½	207½	296	88½	207½	310	102½	232	345	113
Kainit.....	13	14	1	13	14	1	13	15	2	13	17	4	13	18	5	13	19	6	13	20	7	15	22	7
Kaolin.....	13	14	1	13	14	1	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	20	5
Magnesite, Grecian, in bags or bulk.....	13	14	1	13	14	1	13	15	2	13	17	4	13	18	5	13	19	6	13	20	7	15	22	7
Ore, iron, chrome or manganese, per ton.....	216	280	64	176	291	115	241	311	70	273	352	79	295	379	84	306	392	86	320	410	90	356	455	99
Potash:																								
Carbonate of.....	13	19	6	13	13	.....	13	21	8	13	24	11	13	26	13	13	27	14	13	28	15	15	31	16
Muriate of.....	13	14	1	13	13	.....	13	15	2	13	17	4	13	18	5	13	19	6	13	20	7	15	22	7
Sulphate of.....	13	14	1	13	13	.....	13	15	2	13	17	4	13	18	5	13	19	6	13	20	7	15	22	7
Rice, brewers'.....	11	14	3	11	12	1	11	14	3	11	15	4	11	17	6	11	17	6	11	18	7	12	20	8
Salt, mineral, in barrels, 30,000, in boxes, sacks, or bulk, 40,000 pounds.....	13	14	1	13	13	.....	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	20	5
Salt cake.....	13	14	1	13	13	.....	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	20	5
Soda ash.....	13	14	1	13	13	.....	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	20	5
Soda:																								
Bicarbonate.....	13	14	1	13	14	1	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	20	5
Caustic.....	13	14	1	13	14	1	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	20	5
Nitrate of.....	13	19	6	13	16	3	13	21	8	13	24	11	13	26	13	13	27	14	13	28	15	15	31	16
Salt.....	13	14	1	13	14	1	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	20	5
Silicate.....	13	14	1	13	14	1	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	20	5
Sulphate.....	13	14	1	13	14	1	13	14	1	13	15	2	13	17	4	13	17	4	13	18	5	15	20	5
Spiegelisen, ferromanganese, silicon, pig iron, per ton.....	244	280	36	200	358	158	272	311	39	308	352	44	332	379	47	344	392	48	360	410	50	400	455	55
Sulphur, crude, in bulk.....	14	16	2	14	14	.....	14	18	4	14	20	6	14	21	7	14	22	8	14	23	9	16	20	10

NOTE.—Will include cheap tableware invoiced at prices not exceeding those of English crockery in crates, although such shipments may be marked as "china"; also includes English crockery in packages other than crates.

TABLE 5.—Statement showing import and domestic rates on various commodities from Baltimore, Md., to the several points hereinafter shown, in effect June 24, 1902.
[Rates in cents per 100 pounds, unless otherwise shown, c. l.]

Commodities.	From Baltimore, Md., to—																	
	Cleveland, Ohio.			Pittsburgh, Pa.			Detroit, Mich.; Toledo, Ohio; Columbus, Ohio.			Cincinnati, Ohio.			Indianapolis, Ind.			Grand Rapids, Mich.		
	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.
Ammonia, sulphate of.....	12	15	3	10	11	1	12	17	5	12	19	7	12	20	8	12	21	9
Asphaltum.....	15	22	7	15	18	3	15	22	7	15	22	7	15	22	7	15	22	7
Bagging.....	12	13	1	12	13	1	12	13	1	12	13	1	12	14	2	12	14	2
Bleach.....	13	15	2	13	15	2	13	17	4	13	19	6	13	20	7	13	21	8
Brimstone, crude, in bulk.....	15	22	7	15	18	3	15	24	9	15	27	12	15	30	15	15	31	16
Burlaps.....	17	18	1	17	18	1	17	20	3	17	23	6	17	25	8	17	26	9
Castor beans.....	10	13	3	10	11	1	10	13	3	10	14	4	10	16	6	10	16	6
Cement.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Clay.....	15	18	3	15	18	3	15	20	5	15	23	8	15	25	10	15	26	11
Crockery:																		
Common (see note).....	13	18	5	13	15	2	13	20	7	13	23	10	13	25	12	13	26	13
English (see note).....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Fuller's earth.....	147½	224	76½	147½	180	32½	187½	225	37½	187½	245	57½	187½	266	78½	187½	276	88½
Iron pyrites, per ton.....	12	13	1	12	13	1	12	14	2	12	16	4	12	17	5	12	18	6
Kainit.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Kaolin.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Magnesite, Grecian, in bags or bulk.....	196	260	64	221	269	48	221	291	70	253	332	79	275	359	84	286	372	86
Ore, iron, chrome, or manganese, per ton.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Potash:																		
Carbonate of.....	12	18	6	12	18	6	12	20	8	12	23	11	12	25	13	12	26	14
Murate of.....	12	13	1	12	13	1	12	14	2	12	16	4	12	17	5	12	18	6
Sulphate of.....	12	13	1	12	13	1	12	14	2	12	16	4	12	17	5	12	18	6
Rice, brewers'.....	10	13	3	10	11	1	10	13	3	10	14	4	10	16	6	10	16	6
Salt, min. in barrels, 30,000; in boxes, sacks, or bulk, 40,000 pounds.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Salt cake.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Soda ash.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Soda:																		
Bicarbonate.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Caustic.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Nitrate of.....	12	18	6	12	15	3	12	20	8	12	23	11	12	25	13	12	26	14
Sal.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Silicate.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Sulphate.....	12	13	1	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4
Spiegelstein, ferromanganese, silicon, and pig iron, per ton.....	224	290	66	180	335	155	252	291	39	288	332	44	312	359	47	324	372	48
Sulphur, crude, in bulk.....	13	15	2	13	15	2	13	17	4	13	19	6	13	20	7	13	21	8

NOTE.—Will include cheap tableware invoiced at prices not exceeding those of English crockery in crates, although such shipment may be marked "china"; also includes English crockery in packages other than crates.

TABLE 6.—Statement showing import and domestic rates on various commodities from Newport News, Va., to various points shown below, in effect June 24, 1902.
[Rates in cents per 100 pounds, unless otherwise shown.]

Commodities.	From Newport News, Va., to—																	
	Cleveland, Ohio.			Detroit, Mich.; Toledo, Ohio; Columbus, Ohio.			Cincinnati, Ohio.			Indianapolis, Ind.			Grand Rapids, Mich.			Chicago, Ill.		
	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.	Import.	Domestic.	In favor of import.
Ammonia, sulphate of.....	12	16	4	12	17	5	12	18	6	12	18	6	12	19	7	12	20	8
Asphaltum.....	15	22	7	15	17	2	15	18	3	15	18	3	15	19	4	15	20	5
Bagging and burlaps.....	12	13	1	12	13	1	12	13	1	12	14	2	12	14	2	12	15	3
Bleach.....	15	16	1	15	17	2	15	18	3	15	18	3	15	19	4	15	20	5
Brewers' rice.....	224	259	35	252	291	39	288	332	44	312	358	46	324	372	48	340	390	50
Fireproofing—building tile, per ton.....	224	448	224	252	448	196	288	493	205	312	515	203	324	537½	213½	340	560	220
Salt glazed brick, per ton.....	13	16	3	13	17	4	13	18	5	13	18	5	13	19	6	13	20	7
Brimstone, in bulk.....	17	20	3	17	20	3	17	22	5	17	23	6	17	24	7	17	25	8
Castor beans.....	10	13	3	10	13	3	10	14	4	10	16	6	10	16	6	10	17	7
Cement.....	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4	12	17	5
Clay.....	15	20	5	15	20	5	15	22	7	15	23	8	15	24	9	15	25	10
Coal facings or ground anthracite coal.....	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4	12	17	5
Crockery, in crates.....	11	16	5	13	17	4	13	18	5	13	18	5	13	19	6	13	20	7
Earth paint, in iron, or ocher, dry, in sacks, barrels, bags, or bulk.....	147½	224	76½	187½	381	198½	187½	288	160½	187½	403	215½	187½	425½	238	187½	340	152½
Fuller's earth.....	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4	12	17	5
Grecian magnesite, in bulk.....	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4	12	17	5
Iron pyrites, per ton 2,240 pounds.....	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4	12	17	5
Kainit.....	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4	12	17	5
Kaolin.....	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4	12	17	5

TABLE 6.—Statement showing import and domestic rates on various commodities from Newport News, Va., to various points shown below, in effect June 24, 1902—Continued.

Commodities.	From Newport News, Va., to—																							
	Cleveland, Ohio.			Detroit, Mich.; Toledo, Ohio; and Columbus, Ohio.			Cincinnati, Ohio.			Indianapolis, Ind.			Grand Rapids, Mich.			Chicago, Ill.			Peoria, Ill.			East St. Louis, Ill.		
	Im-port.	Do-mes-tic.	In favor of im-port.	Im-port.	Do-mes-tic.	In favor of im-port.	Im-port.	Do-mes-tic.	In favor of im-port.	Im-port.	Do-mes-tic.	In favor of im-port.	Im-port.	Do-mes-tic.	In favor of im-port.	Im-port.	Do-mes-tic.	In favor of im-port.	Im-port.	Do-mes-tic.	In favor of im-port.	Im-port.	Do-mes-tic.	In favor of im-port.
Paper:																								
Building or roofing, in rolls, bundles, or crates.....	17	20	3	19	20	1	20	22	2	20	23	3	20	24	4	22	25	3	25	28	3	26	30	4
Printing, n. o. s., in bundles, crates, or boxes.....	17	20	3	19	20	1	20	22	2	20	23	3	20	24	4	22	25	3	25	28	3	26	30	4
Wrapping, n. o. s., in bundles or crates.....	17	20	3	19	20	1	20	22	2	20	23	3	20	24	4	22	25	3	25	28	3	26	30	4
Wrapping, straw or manila, in rolls, bundles, or crates.....	17	20	3	19	20	1	20	22	2	20	23	3	20	24	4	22	25	3	25	28	3	26	30	4
Wrapping, wood pulp, in rolls or bundles.....	17	20	3	19	20	1	20	22	2	20	23	3	20	24	4	22	25	3	25	28	3	26	30	4
Phosphate, concentrated.....	13	15	2	14	17	3	16	18	2	17	18	1	18	19	1	19	20	1	21	23	2	23	24	1
Potash, muriate and sulphate.....	12	13	1	12	14	2	12	16	4	12	17	5	12	18	6	12	19	7	14	21	7	14	23	9
Salt, minimum weight in barrels, 30,000 in boxes, sacks, or bulk, 40,000 pounds.....	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4	12	17	5	14	19	5	14	20	6
Salt cake.....	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4	12	17	5	14	19	5	14	20	6
Soda:																								
Bicarbonate.....	12	13	1	12	13	1	12	14	2	12	16	4	12	16	4	12	17	5	14	19	5	14	20	6
Nitrate.....	12	20	8	12	20	8	12	22	10	12	23	11	12	24	12	12	25	13	14	28	14	14	30	16
Soda ash, soda silicate, sulphate, caustic, and sal.....	12	13	1	12	13	1	12	13	1	12	14	2	12	14	2	12	15	3	14	17	3	14	18	4
Spiegeleisen, per ton of 2,240 pounds.....	224	260	36	252	288	331	288	331	43	312	324	324	340	390	50	380	50	380	404	404	404	404	404	4
Starch.....	17	20	3	19	20	1	20	22	2	20	23	3	21	24	3	22	25	3	25	28	3	26	30	4
Sulphur, in bulk.....	13	16	3	13	17	4	13	18	5	13	18	5	13	19	6	13	20	7	15	23	8	16	24	8

CLASS RATES.

Classes.	From Newport News, Va., to—																							
	Buffalo, N. Y.			Pittsburgh, Pa.			Cleveland, Ohio.			Detroit, Mich.			Toledo, Ohio.			Cincinnati, Ohio.			Grand Rapids, Mich.			Chicago, Ill.		
	Im-port.	Do-mes-tic.	Favor im-port.	Im-port.	Do-mes-tic.	Favor im-port.	Im-port.	Do-mes-tic.	Favor im-port.	Im-port.	Do-mes-tic.	Favor im-port.	Im-port.	Do-mes-tic.	Favor im-port.	Im-port.	Do-mes-tic.	Favor im-port.	Im-port.	Do-mes-tic.	Favor im-port.	Im-port.	Do-mes-tic.	Favor im-port.
First class.....	39	59	20	37	54	17	49	45	54	51	51	54	51	54	3	57	54	62	54	64	56	59	67	59
Second class.....	33	50	17	31	47	16	42	38	47	44	43	47	43	47	4	49	47	52	47	54	48	51	57	51
15 per cent less than second class.....	28	42	14	26	40	14	36	33	40	37	36	40	36	40	3	43	40	47	40	48	41	47	43	43
Third class.....	23	41	13	27	35	8	33	33	35	34	36	36	36	36	3	41	38	44	40	45	41	40	47	43
20 per cent less than third class.....	22	33	11	22	28	6	26	26	28	27	29	29	29	29	2	39	36	42	38	43	39	37	43	39
Fourth class.....	19	28	9	18	24	6	23	22	24	25	24	24	24	24	2	27	25	30	27	31	28	29	32	29
Fifth class.....	16	24	8	15	20	5	20	18	20	21	20	20	20	20	2	23	22	25	23	26	24	25	27	25
Sixth class.....	13	19	6	12	16	4	17	15	16	18	17	17	17	17	1	19	18	20	18	21	19	21	22	20

NOTE 1.—Applicable on import shipments in force from May 15 to Nov. 15 of each year.

NOTE 2.—Applicable on import shipments in force from Nov. 15 to May 15 of each year.

TABLE 7.—Statement showing class rates, import and domestic, from Montreal, Quebec; Quebec, Quebec; and Halifax, Nova Scotia, to Chicago, Ill.

[Rates in cents per 100 pounds.]

From—	To Chicago, Ill.					
	Class 1.	Class 2.	Class 3.	Class 4.	Class 5.	Class 6.
Montreal, Quebec:						
Domestic.....	66	58	45	31	26	22
Import.....	54	47	37	27	23	20
Quebec, Quebec: ¹						
Domestic.....	75	63	49	36	31	27
Halifax, Nova Scotia: ¹						
Domestic.....	85	75	60	45	38	32

¹ No import rates on file.

The import commodity rates shown in the preceding statements as applying from New York, Boston, and Portland, to Chicago, Ill., and points in the Middle West, also apply from Montreal, Quebec, to same points.

There being no domestic commodity rates applying on the same commodities covered by the import tariffs, no comparison of import with domestic rates on such commodities has been made from Montreal.

TABLE 8.—Statement showing import and domestic rates on various commodities from New Orleans, La., to Texas common points, in effect June 24, 1902.
[Rates in cents per 100 pounds.]

Commodities.	From New Orleans, La., to Abilene, Bowie, Brownwood, Corpus Christi, Dallas, Denison, Fort Worth, Gainesville, Marshall, Paris, Sherman, Terrell, Texarkana, Weatherford and Wichita Falls, Tex.					
	Import.		Domestic.		In favor of import.	
	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.	C. L.
Ale and porter, in glass, packed, o. r. b.	59	47	87	64	28	17
Beer, in glass, packed	59	26	87	42	28	16
Bags, burlap, gunny, or jute, in bales or bundles, straight or mixed, c. l.	61	47	81	64	20	17
Burlaps, in bales or bundles	61	47	81	64	20	17
Bagging for baling cotton, in bales or rolls	61	21	81	30	20	9
Bleaching powder, n. o. s. (see also Soda)	61	35	81	47	20	12
Chicory, in double bags:						
Ground	61	47	81	64	20	17
Not roasted	78	61	103	81	25	20
China, majolica, and porcelain ware, o. r. b., viz:						
In barrels, boxes, casks, or tierces	87	87	120	120	33	33
In crates	130 1/2	130 1/2	153	153	22 1/2	22 1/2
China clay, in casks	65	19	87	30	22	11
Chloride of zinc	68	47	81	64	13	17
Crockery, o. r. b., released (value not to exceed \$500 per car), viz:						
In barrels or boxes	78	47	103	64	25	17
In crates, tierces, casks, or ho sheads	65	47	87	64	22	17
Cotton piece goods (as described in note 1, p. 5)	61	61	81	81	20	20
Cyanide of potassium	87	87	120	120	33	33
Drugs, n. o. s., in boxes	87	87	120	120	33	33
Duck, cotton, unbleached, in bales	61	61	81	81	20	20
Dry goods, n. o. s.	87	87	120	120	33	33
Fuller's earth, in casks	61	36	81	48	20	12
Furniture, viz:						
Iron bedsteads, k. d.	78		103		25	
Brass bedsteads, k. d.	87		120		33	
Glass (common window), boxed, viz:						
External measurement of package exceeding 86 united inches, o. r.	87	45	120	57	33	12
External measurement of package not exceeding 86 united inches, o. r.	78	45	103	57	25	12
External measurement of package not exceeding 68 united inches, o. r.	61	45	81	57	20	12
Glass, common, viz: Light or heavy, in crates, casks, or hogsheds, released	78	61	103	57	25	
Groceries, n. o. s., viz:						
Classified first class in western classification	87	87	120	120	33	33
Classified second class in western classification	78	78	103	103	25	25
Classified third class in western classification	65	65	87	87	22	22
Classified fourth class in western classification	61	61	81	81	20	20
Hardware	78		103		25	
Iron articles:						
Bar, band, boiler, and rod, straight or mixed, c. l.	61	32	81	44	20	12
Galvanized sheet iron	61	39	81	64	20	25
Jute yarn	87		120		33	
Mineral water, viz:						
In glass, cans, or jugs, packed	65	32	87	44	22	12
In wood	61	32	81	44	20	12
Paper stock		25		37		12
Pickles:						
In glass, packed, o. r. b.	52	36	103	48	51	12
In barrels, kegs, kits, or casks	52	36	81	48	29	12
Preserves, viz:						
In glass or stone jars, packed, o. r. b.	65	47	81	44	16	
In tin cans, boxed	61	47	81	44	20	
Rice, in bags, barrels, or tierces, o. r. b.	61	32	81	44	20	12
Sauces, in glass, packed, o. r. b.	55	36	87	64	32	28
Saltpeter	61	47	81	64	20	17
Sheep dip, viz:						
Liquid or powdered, straight, c. l.	65	36	87	48	22	12
Paste	61	36	81	48	20	12
Soda:						
Ash, in barrels or casks, minimum weight, 30,000 pounds	61	35	81	47	20	12
Caustic, in barrels or casks, minimum weight, 30,000 pounds	61	35	81	64	20	29
Bicarbonate of	65	35	87	64	22	29
Sulphate of copper, in iron-banded casks only	61	47	81	64	20	17
Tin plate, in boxes, released, o. r., wet, rust, or damage	61	47	81	64	20	17
Toys, n. o. s. (except toy drums and trunks), boxed, released	87	87	120	120	33	33
Wine, whisky, brandy, and cordials, viz:						
In glass, boxed, o. r. released, value limited to 50 cents per gallon	59	50	120	84	61	25
In wood, released	59	59	103	84	44	25

TABLE 9.—Statement showing rates on various commodities, import and domestic, from New Orleans, La., to Denver, Colorado Springs, Pueblo, Trinidad, and intermediate points in Colorado and New Mexico, in effect June 24, 1902.
[Rates in cents per 100 pounds.]

Commodities.	From New Orleans, La., to Denver, Colorado Springs, Pueblo, Trinidad, and intermediate points in Colorado and New Mexico.					
	Import.		Domestic.		In favor of import.	
	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.	C. L.
Ale, beer, and porter, in glass, packed, o. r. b.	110	65	125	77	15	12
Bags, burlap, gunny or jute burlap, gunny or jute bagging, straight or mixed c. l., minimum weight, 30,000 pounds	110		125		15	
Bleaching powder, n. o. s.	110	65	125	77	15	12
Cement, c. l., minimum weight, 30,000 pounds	84		97		13	
Minimum weight, 40,000 pounds		25		35		10
Chicory, in double bags	84	65	97	77	13	12
China and majolica ware, o. r. b., released, in barrels, boxes, casks, or tierces	180		205		25	
China clay, in casks	110	65	125	77	15	12

TABLE 9.—Statement showing rates on various commodities, import and domestic, from New Orleans, La., to Denver, Colorado Springs, Pueblo, Trinidad, and intermediate points in Colorado and New Mexico, in effect June 24, 1902.—Continued.

Commodities.	From New Orleans, La., to Denver, Colorado Springs, Pueblo, Trinidad, and intermediate points in Colorado and New Mexico.					
	Import.		Domestic.		In favor of import.	
	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.	C. L.
Chloride of zinc.....	84	65	97	77	13	12
Crockery and earthenware, o. r. b., released (value not to exceed \$500 per car), viz:						
In barrels or boxes.....	148	65	165	77	17	12
In crates, tierces, casks, or hogsheads.....	110	65	125	77	15	12
Cotton piece goods (as described in note 1).....	150	150	205	205	55	55
Cyanide of potassium.....	180	110	205	125	25	15
Denims, straight c. l., minimum weight 30,000 pounds.....		100		175		75
Duck, cotton, unbleached, in bales, straight c. l., or in mixed c. l. with brown cotton bags and bagging, minimum weight 30,000 pounds.....		82		175		93
Drugs, n. o. s.....	180	180	205	205	25	25
Dry goods, n. o. s., in boxes.....	180	180	205	175	25	25
Fuller's earth, in casks.....	84	82	97	62	13	40
Furniture, viz:						
Brass bedsteads, minimum weight 12,000 pounds.....	180	95	205	110	25	15
Iron bedsteads, minimum weight 20,000 pounds.....	148	82	165	95	17	13
Glass, common window, boxed, viz:						
External measurement of packages exceeding 85 united inches, o. r.....	180	65	205	77	25	13
External measurement of packages not exceeding 85 united inches, o. r.....	148	65	165	77	17	12
External measurement of packages not exceeding 68 united inches, o. r.....	84	65	97	77	13	12
Glass, common, viz:						
Classified first class in western classification.....	180	180	205	205	25	25
Classified second class in western classification.....	148	148	165	165	17	17
Classified third class in western classification.....	110	110	125	125	15	15
Classified fourth class in western classification.....	84	84	97	97	13	13
Light or heavy, in crates, casks, or hogsheads, released.....	148	84	165	97	17	13
Hardware.....	148	148	165	165	17	17
Iron articles, viz:						
Angle, bar, rod, band, boiler, tank, and skelp, and boiler plates, straight or mixed, c. l.....	84	65	97	77	13	12
Galvanized sheet iron.....	84	65	97	77	13	12
Jute yarn, in bales, boxes, or hogsheads.....	148	84	165	97	17	13
Mineral waters, viz:						
In glass, cans, or stone jugs, packed.....	110	30	125	37	15	7
In wood.....	84	30	97	37	13	7
Paper stock.....		43		53		10
Pickles, in tin or in glass, packed or in barrels, kegs, or kits.....	84	65	97	77	13	12
Porcelain ware, viz:						
In barrels, boxes, or kegs.....	180		205		25	
In casks or hogsheads.....	148		165		17	
Preserves, viz:						
In glass or in stone jars, packed, o. r., released.....	84	65	97	77	13	12
In tin cans, boxed.....	84	65	97	77	13	12
Rice, in bags, barrels, or tierces, o. r. l., released.....	84	65	97	77	13	12
Saltpeter.....	84	65	97	77	13	12
Sheep dip, viz:						
Liquid or powdered, straight, c. l.....	110	52	125	63	15	11
Paste.....	84	52	97	63	13	11
Soda:						
Ash, in barrels or casks, minimum weight 30,000 pounds.....	84	48	97	55	13	7
Caustic, in barrels or casks, minimum weight 30,000 pounds.....	84	48	97	55	13	7
Bicarbonate of.....	84	65	97	77	13	12
Stoneware (not crockery), n. o. s., o. r. b., released value not to exceed \$500 per car, viz:						
In barrels or boxes.....	148	62	165	72	17	10
In crates, casks, or hogsheads—						
Weighing 1,000 pounds or less.....	84	62	97	72	13	10
Weighing over 1,000 pounds.....	110	62	125	72	15	10
Sulphate of copper (blue vitriol), in iron-bound casks only.....	84	53	97	65	13	12
Table sauces, in glass or tin, boxed or in bulk, in barrels.....	110	65	125	77	15	12
Tin plate, minimum weight 30,000 pounds.....	84	62	97	69	13	7
Toys, n. o. s. (except toy drums), boxed, released.....	180	180	205	205	25	25
Wine, whisky, brandy, and cordials, viz:						
In wood, o. r., released value limited to 50 cents per gallon, c. l., minimum weight 24,000 pounds.....		105		115		10
In wood.....	148		153		5	
In glass.....	180		200		20	

TABLE 10.—Comparison of import and domestic rates from New York, N. Y., to Chicago, Ill., effective Dec. 31, 1902–Jan. 1, 1903.

[Rates in cents per 100 pounds, except those marked *, which are per ton of 2,240 pounds.]

Commodities.	Dec. 31, 1902.				Jan. 1, 1903.			
	Import.		Domestic.		Import.		Domestic.	
	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.	C. L.
Ammonia, sulphate of.....		15		25		15		25
Asphaltum, minimum weight 40,000 pounds.....		18		20		18		20
Bagging.....		18		25		18		30
Beans (castor).....				30		20		30
Bleach.....		15		18		15		25
Brimstone, crude, in bulk.....		16		25		16		25
Burlaps.....		18		25		18		35
Cement, minimum weight 38,000 pounds, except that when capacity of the car is less the actual capacity of the car will govern, but in no case shall minimum c. l. weight be less than 30,000 pounds.....		13		20		13		20
Clay.....		15		20		15		25
Crockery: ¹								
Common.....	18	18						
English, in crates.....	18	16			25	25		
English, except in crates, and all German crockery and china, in boxes, slatted boxes, barrels, casks, or hogsheads.....					40	30		

¹As described in import tariffs.

TABLE 10.—Comparison of import and domestic rates from New York, N. Y., to Chicago, Ill., effective Dec. 31, 1902-Jan. 1, 1903—Continued.

Commodities.	Dec. 31, 1902.				Jan. 1, 1903.			
	Import.		Domestic.		Import.		Domestic.	
	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.	C. L.
Crockery or earthenware, n. o. s. ¹								
In boxes or slatted boxes, minimum weight 24,000 pounds.....	18	18	65	30	40	30	65	30
In crates, barrels, tierces, casks, or hogheads, minimum weight 24,000 pounds.....	18	18	40	30	40	30	40	30
In bulk, to be loaded and unloaded by consignor and consignee, minimum weight 24,000 pounds (rule 5 C to apply upon excess c. l. quantities when in packages).....				30				30
Ferromanganese.....		*400		*450		*420		*495
Fuller's earth.....		15		20		15		22
Glass, plate, minimum weight 30,000 pounds.....		35		65				
Iron pyrites, minimum 15 gross tons.....		*247½		*330		*260		*350
Kainit.....		15		22		15		22
Kaolin.....		15		20		15		20
Magnesite, Grecian, in bags or in bulk.....		16		20		15		22
Manganese.....		*360		*450		*360		*495
Ore (iron chrome or manganese).....		*360		*560		*360		*495
Pig iron, all kinds.....		*400		*420		*420		*462
Potash:								
Carbonate of, in casks.....		15		30		15		
Muriate of.....		15		22		15		22
Sulphate of.....		15		15		15		22
Rice, brewers'.....		18		18		18		25
Salt, minimum weight in barrels, 30,000 pounds, in boxes, sacks, bulk, or in mixed c. l., 40,000 pounds.....		13		20		13		20
Salt cake.....		15		20		15		20
Soda ash.....		15		18		15		18
Soda:								
Bicarbonate.....		15		20		15		20
Caustic.....		15		18		15		18
Nitrate.....		15		30		15		
Sal, silicate, or sulphate.....		15		18		15		18
Spiegeleisen.....		*400		*450		*420		*495
Sulphur, crude, in bulk.....		16		25		16		25

¹ As described in official classification.² In crates, 25 cents, any quantity.

TABLE NO. 11.—Customs duties upon articles mentioned in the commodity rate tables.

Ale, in casks, 20 cents per gallon; in bottles or jugs, 40 cents per gallon; nonalcoholic, unmalted, 20 per cent.
Ammonia, sulphate of, three-tenths of a cent a pound.
Asphaltum:
Manufactures of, 35 per cent.
Cells, 35 per cent.
Crude, not dried or advanced, \$1.50 a ton.
Dried or otherwise advanced, or treated, \$2 a ton.
Epure, \$3 a ton.
Ground or in leaves, 20 per cent.
Limestone rock, containing not over 15 per cent bitumen, 50 cents a ton.
Trinidad, \$1.50 a ton.
Bagging:
Dundee, not suitable for covering cotton, 45 per cent.
Fireproof, exported and returned, free.
For cotton, composed of single yarns of jute, jute butts or hemp, not bleached, dyed, or colored, not over 16 threads square inch, and weighing not less than 15 ounces square yard, six-tenths of a cent per square yard.
Jute for tailors' use, 45 per cent.
Jute press cloth, 45 per cent.
Waste, fit only for manufacture of paper, free.
Bags:
Made from plain woven fabrics of single jute yarns, not dyed, colored, stained, painted, printed, or bleached, and not exceeding 30 threads to the square inch, seven-eighths of a cent a pound and 15 per cent.
American, exported with allowance for drawback and reimported, subject to duty equal to drawback.
Beaded, 60 per cent.
Bead, 35 per cent.
Burlap, seven-eighths of a cent a pound and 15 per cent.
Burlaps, striped, 45 per cent.
Domestic, exported filled and returned empty, to exporter thereof, free.
Domestic, imported by agent of exporter, free.
Game—
Leather, 35 per cent.
Leather and flax, flax chief value, 45 per cent.
Hemp, manufactures of, 45 per cent.
India rubber—
For balloons, 30 per cent.
With tin whistles, 30 per cent.
Jute, striped, 45 per cent.
Paper, 35 per cent.
Silk, 50 per cent.
Beans, castor, 50 pounds to the bushel, 25 cents per bushel.
Bedsteads:
Iron, 45 per cent.
Brass, 45 per cent.
Beer:
In bottles or jugs, 40 cents a gallon, no additional duty on the bottles or jugs.
Otherwise, 20 cents a gallon.
Condensed, 40 per cent.
Peptonized (minimum, 25 per cent), 55 cents per pound.

Bleach:

Bleaching liquid, 25 per cent.
 Bleaching powder, one-fifth of a cent a pound, or 20 per cent.
 Brandy, \$2.25 a gallon.
 Brick, soft glazed, 45 per cent.
 Brimstone, crude, free.

Burlap:

Plain woven of single jute yarns, not exceeding 60 inches in width, weighing not less than 6 ounces per square yard and not exceeding 30 threads per square inch, five-eighths of a cent per pound and 15 per cent; exceeding 30 and not exceeding 55 threads per square inch, seven-eighths of a cent a pound and 15 per cent.
 Bags or sacks made from plain woven fabrics of single jute yarn not dyed, colored, stained, painted, printed, or bleached, and not exceeding 30 threads per square inch, seven-eighths of a cent a pound and 15 per cent.
 Bagging for cotton composed of single jute yarns not bleached, dyed, colored, stained, painted, or printed, not exceeding 16 threads per square inch and weighing not less than 15 ounces per square yard, six-tenths of a cent per square yard.
 Black, 45 per cent.
 Crash, 45 per cent.
 Jute press cloth, 45 per cent.
 Manufactured in part of flax, 45 per cent.
 Starched buckram, 45 per cent.
 Tubing, 45 per cent.

Cement:

Bicycle, 20 per cent.
 Fire, 20 per cent.
 Furnace, 20 per cent.
 India rubber, 20 per cent.
 Roman, Portland, and other hydraulic, in packages, including weight of package, 8 cents per 100 pounds.
 In bulk, 7 cents per 100 pounds.
 Not specifically provided for, 20 per cent.

Chicory, ground, 2½ cents per pound.

China:

Balls, for sign work, plain, 55 per cent.
 Clock cases, with or without movements, decorated, 60 per cent; plain white, 55 per cent.
 Dolls and doll heads, 35 per cent.
 Plaques—
 Decorated, 60 per cent.
 Plain white, 55 per cent.
 Toys and tea sets, decorated, 60 per cent.
 Toys and tea sets, plain white, 55 per cent.
 Vases, decorated, 60 per cent; plain white, 55 per cent.

Clay, including kaolin, \$1 to \$2.50 per ton; molding clay, 20 per cent; common blue clay, free.

Coal facings not specifically provided for.

Coal, anthracite, free.

Copper, sulphate, one-half of a cent per pound.

Cordials, \$2.25 a gallon.

Cotton piece goods, duty depends upon number of threads per square inch, whether bleached, dyed, colored, stained, painted, or printed, and also upon value.

Crockery, decorated, 60 per cent; plain, 55 per cent.
Denims, straight, as cotton cloth.

Duck:

Cotton, 35 per cent.

Crown cotton, not specifically provided for.

Earth, fullers', unwrought and unmanufactured, \$1.50 a ton; wrought and manufactured, \$3 a ton.

Earthenware, brown, common, 25 per cent. Articles not specifically provided for: Decorated, 60 per cent; plain, white, 55 per cent. Numerous other kinds of earthenware are specified.

Ferromanganese, \$4 a ton.

Glass:

Common window—

Not exceeding 10 by 15 inches square, 1½ cents a pound.

Exceeding 10 by 15, not exceeding 16 by 24 inches square, 1½ cents a pound.

Exceeding 16 by 24, not exceeding 24 by 30 inches square, 2½ cents a pound.

Exceeding 24 by 30, not exceeding 24 by 36 inches square, 2½ cents a pound.

Exceeding 24 by 36, not exceeding 30 by 40 inches square, 3½ cents a pound.

Exceeding 30 by 40, not exceeding 40 by 60 inches square, 3½ cents a pound.

Exceeding 40 by 60 inches square, 4½ cents a pound.

If imported in boxes, shall contain 50 square feet, as nearly as sizes will permit, and the duty shall be computed thereon according to the actual weight of glass.

Plate, fluted, rolled, ribbed, or rough, or the same containing a wire netting within itself—

Not exceeding 16 by 24 square inches, three-fourths of a cent a square foot.

Exceeding 16 by 24, not exceeding 24 by 30 inches square, 1½ cents a square foot.

Exceeding 24 by 30 inches square, 1½ cents a square foot.

If weighing over 100 pounds per 100 square feet, it shall pay an additional duty on the excess at the same rate herein imposed; if ground, smoothed, or otherwise obscured, pay same rate of duty as cast polished plate glass unsilvered.

Plate, cast, polished, finished, or unfinished, and unsilvered—

Not exceeding 16 by 24 inches square, 8 cents a square foot.

Exceeding 16 by 24, not exceeding 24 by 30 inches square, 10 cents a square foot.

Exceeding 24 by 30, not exceeding 24 by 60 inches square, 22½ cents a square foot.

Exceeding 24 by 60 inches square, 35 cents a square foot.

Plate, cast, polished, silvered, and looking-glass plates exceeding 144 square inches—

Not exceeding 16 by 24 inches square, 11 cents a square foot.

Exceeding 16 by 24, not exceeding 24 by 30 inches square, 13 cents a square foot.

Exceeding 24 by 30, not exceeding 24 by 60 inches square, 25 cents a square foot.

Exceeding 24 by 60 inches square, 38 cents a square foot.

Plate and looking-glass plate, silvered, when framed, shall not pay a less rate of duty than that imposed on similar glass not framed, but shall pay in addition the duty upon said frames.

Plate, cast, polished, silvered, or unsilvered, when bent, ground, obscured, frosted, sanded, enameled, beveled, etched, embossed, engraved, flashed, stained, colored, painted, or otherwise ornamented or decorated, shall pay in addition to the rates chargeable thereon 5 per cent.

Gunny bags, seven-eighths of a cent per pound and 15 per cent.

Gunny cloth, composed in whole or in part of hemp, flax, jute, or jute butts, not bleached, not exceeding 16 threads to the square inch, weighing not less than 15 ounces per square yard, six-tenths of a cent per square yard.

Iron:

Pig, \$4 a ton.

Boiler, plate, not thinner than No. 10 wire gauge, sheared or un-sheared—

Valued at 1 cent per pound or less, five-tenths of a cent per pound.

Above 1 cent and not above 2 cents, six-tenths of a cent per pound.

Above 2 cents and not above 4 cents per pound, 1 cent per pound.

Valued at over 4 cents per pound, 25 per cent.

Boiler, plate, thinner than No. 10 wire gauge shall pay as iron or steel sheets.

Scrap, \$4 a ton.

Russian sheet, no specific provision for.

Pyrites, containing in excess of 25 per cent sulphur, free.

Ironware, manufactures of iron, not otherwise provided for, 45 per cent.

Jute, free.

Jute, dyed, 45 per cent.

Kainit, free.

Kaolin:

Ball clay, as clay unwrought, \$1 per ton.

Cornish stone, as crude mineral, free.

Kiln dried, for clearing wines, 20 per cent.

China clay, \$2.50 per ton.

Magnesite, Grecian:

Magnesite—

Crude, free.

Calcined and ground as cement, 20 per cent.

Ore:

Iron, 40 cents a ton.

Chrome, free.

Manganese, free.

Paint:

Ocher and ochery earths, crude or not powdered, washed or pulverized, one-eighth of a cent per pound; if powdered, washed, or pulverized, three-eighths of a cent per pound; if ground in oil or water, 1½ cents per pound.

Sienna and sienna earths, crude, not powdered, washed, or pulverized, one-eighth of a cent per pound; if powdered, washed, or pulverized, three-eighths of a cent per pound; ground in oil or water, 1½ cents per pound.

Paint—Continued.

Umber and umber earths, crude, not powdered, washed, or pulverized, one-eighth of a cent a pound; if powdered, washed, or pulverized, three-eighths of a cent per pound; ground in oil or water, 1½ cents per pound.

Paper stock:

Fit only for such use, free.

Flax card waste, free.

Jute waste, free.

Linen thread waste, free.

Linen waste, free.

Rag pulp, cotton, chief value, 45 per cent.

Tow, free.

Spruce, cull deals, \$1 a thousand feet.

Wood, free.

Paper:

Wall, 25 per cent.

Surface coated, not specifically provided for, 2½ cents a pound and 15 per cent if printed, or wholly or partly covered with metal or its solution, or with gelatin or flock, 3 cents a pound and 20 per cent.

Phosphate, concentrated, not specifically provided for.

Pickles of all kinds, not specifically provided for, 40 per cent.

Plate:

Tin or sheets, iron or steel, or taggers' iron or steel, coated with tin or lead or with a mixture of which these metals or either of them is a component part, by the dipping or any other process, and commercially known as tin plates, terne plates, and taggers' tin, 1½ cents per pound.

Tin, nickel plated, 1½ cents per pound.

Porter, in bottles or jugs, 40 cents per gallon; no additional duty on coverings; otherwise than in bottles or jugs, 20 cents per gallon.

Potash:

Carbonate of, free.

Muriate of, free.

Sulphate of, free.

Potassium, cyanide, 12½ per cent.

Preserves, 1 cent per pound and 35 per cent.

Proofing, fire, not specifically provided for.

Rice, brewers'; no specific provision for.

Salt:

In bags, sacks, barrels, or other packages, 12 cents per 100 pounds.

In bulk, 8 cents per 100 pounds.

Salt cake, \$1.25 per ton.

Salt-peter:

Crude, free.

Refined or partly refined, ½ cent per pound.

Sauces:

Apple, 1 cent per pound and 35 per cent.

French mustard, 10 cents per pound.

Other sauces, 30 to 40 per cent.

Sheep dip, liquid, powdered, or paste, free.

Silicon, not specifically provided for.

Soda:

Ash, three-eighths of a cent per pound.

Bicarbonate of, three-fourths of a cent per pound.

Caustic, three-fourths of a cent per pound.

Nitrate, free.

Sal, two-tenths of a cent per pound.

Silicate, one-half cent per pound.

Sulphate, \$1.25 per ton.

Spiegeleisen, \$4 per ton.

Starch, 1½ cents per pound.

Stoneware:

Common brown, 25 per cent.

Decorated, 60 per cent.

Plain white, 55 per cent.

Sulphur, crude, free.

Tile:

Valued not over 40 cents per square foot, 8 cents per square foot. Over 40 cents per square foot, 10 cents per square foot and 25 per cent.

Hard bodied, plain, unglazed, 4 cents per square foot.

Slate, 20 per cent.

Toys:

Dolls, doll heads, toy marbles of whatever materials composed, and all other toys not composed of rubber, china, porcelain, parian, bisque, earthen or stone ware, and not specifically provided for, 35 per cent.

Composed of bisque, china, crockeryware, earthenware, parian, porcelain or stoneware, plain white, 55 per cent; if decorated, 60 per cent.

Waters, mineral, all imitations of natural mineral waters and all artificial mineral waters not specifically provided for in green or colored glass bottles:

Containing not more than 1 pint, 20 cents per dozen.

Containing over 1 pint, not over 1 quart, 30 cents per dozen.

No additional duty on the bottles.

Otherwise than as above specified, 24 cents per gallon. Additional duty on coverings.

Whisky, \$2.25 per gallon.

Wine:

Chinese, \$2.25 per gallon.

Champagne and all other sparkling wines, in bottles—

Containing each not more than 1 quart and more than 1 pint,

\$8 per dozen.

Containing not more than 1 pint and more than one-half pint,

\$4 a dozen.

Containing one-half pint each or less, \$2 a dozen.

In bottles or other vessels containing more than 1 quart each,

in addition to \$8 a dozen bottles on the quantity in excess of 1 quart, \$2.50 per gallon, but no additional duty on the bottles.

Yarn, jute, single, not finer than 5 lea or number, 1 cent per pound and 10 per cent; finer than 5 lea or number, 35 per cent.

Zinc, chloride, 1 cent per pound; in solution, 25 per cent.

TABLE 12.—Customs duties upon articles mentioned in testimony which take class rates, with the classification of such articles in less than carload and carload quantities under the official classification.

Articles.	Customs duties.	Classification.	
		L. C.	L. C.
Acid.....	Acetic, 1.047 specific gravity and under, three-fourths of a cent per hundred pounds; over 1.047 specific gravity, 2 cents per pound; boracic, 5 cents per pound; chromic, 3 cents per pound; citric, 7 cents per pound; gallic, 10 cents per pound; lactic, 3 cents per pound; salicylic, 10 cents per pound; n. s. p. l. or oil of vitrol, one-fourth cent per pound; tannic, 50 cents per pound; tartaric, 7 cents per pound.		
Acetic, liquid, in barrels or iron drums.....		3	5
Boracic, chromic, citric, gallic, salicylic, n. o. s.—			
Dry—			
In boxes.....		2	2
In kegs, barrels, or casks.....		3	4
Liquid—			
In glass packed in boxes or barrels (c. l. minimum weight, 20,000 pounds).....		1	3
In carboys (c. l. minimum weight, 24,000 pounds).....		1	5
In iron drums.....		(1)	5
In tank cars to be furnished by consignors (minimum weight, maximum capacity tank, empty tanks returned free).....			5
Lactic, in kegs or barrels.....		3	5
Tannic, in barrels.....		1	5
Tartaric—			
In boxes.....		2	
In kegs, barrels, or casks.....		3	4
Almonds.....	Not shelled, 4 cents per pound; shelled, 6 cents per pound; bitter, not shelled, 4 cents per pound; bitter, shelled, 6 cents per pound.		
Nuts, edible, n. o. s.—			
In shell—			
In single bags (c. l., minimum weight 24,000 pounds).....		2	4
In double bags or boxes (c. l., minimum weight 24,000 pounds).....		2	4
In barrels or casks (c. l., minimum weight 24,000 pounds).....		3	4
Shelled.....		1	1
Books.....	Children's lithographed, weighing not over 24 ounces each, 8 cents a pound.....	1	2
Chocolate.....	Valued not over 15 cents a pound, 2½ cents a pound.....	2	3
Corks:			
Over three-fourths inch diameter at larger end.....	15 cents a pound.....	1	1
Three-fourths inch and less in diameter at larger end.....	25 cents a pound.....	1	1
Crackers, fire.....	Including weight of wrappers, 8 cents per pound.....	2	4
Creosote, wine of.....	55 cents per pound.....	(1)	5
Currents, Zante.....	3 cents a pound.....	3	4
Dates.....	One-half cent a pound.....	2	4
Fertilizer material.....	Sulphate of ammonia, three-tenths of a cent a pound.....	4	6
Filberts.....	Unshelled, 3 cents a pound; shelled, 5 cents a pound.....		
Classification—			
Nuts, edible, n. o. s.—			
In shell—			
In single bags (c. l., minimum weight 24,000 pounds).....		1	4
In double bags or boxes (c. l., minimum weight 24,000 pounds).....		2	4
In barrels or casks (c. l., minimum weight 24,000 pounds).....		3	4
Shelled.....		1	1
Fish, dried and salted.....	Three-fourths of a cent a pound.....	5	5
Glycerin.....	Crude, 1 cent a pound; refined, 3 cents a pound.....	3	4
Hemp.....	\$20 a ton.....	(1)	5
Hops.....	12 cents a pound.....	1	2
Lead, red.....	2½ cents a pound.....	4	5
Linens:			
Hydraulic hose.....	20 cents a pound.....	1	1
Threads, twines, or cords.....	Made from yarn not finer than 5 lea or number, 13 cents a pound; if made from yarn finer than 5 lea or number, additional for each lea or number in excess of 5, three-fourths of a cent a pound.	1	1
Yarns.....	Single in the gray, not finer than 8 lea or number, 7 cents a pound.....	1	1
Macaroni.....	1½ cents a pound.....	3	5
Prunes.....	2 cents a pound.....	3	4
Pumice stone:			
Manufactured wholly or in part.....	\$6 per ton.....	(1)	5
Artificial.....	do.....	(1)	5
Powdered.....	do.....	(1)	5
Rags, wool:			
In bales.....	10 cents per pound.....	5	5
In sacks or crates.....	do.....	2	2
Rope:			
Wire, with hemp core.....	Highest rate assessable on wire used and in addition 1 cent per pound.....	(1)	5
Wire.....	do.....	(1)	5
Seeds, rice.....	1 cent per pound.....	4	6
Sisal grass or sun cables, cordage and twine made of, excepting binding twine.....	do.....	3	4
Soap.....	Castile, 1½ cents per pound; fancy, perfumed, and all descriptions of toilet soap, including so-called medicinal or medicated soaps, 15 cents per pound.	(1)	5
Steel:			
Sheets—			
Cleaned by acids or by any other material or process. Common or black, of whatever dimensions, value 3 cents per pound or less.....	In addition to rate on steel sheets two-tenths of 1 cent per pound.....		5
Thinner than No. 10 and not thinner than No. 20 wire gauge, seven-tenths of 1 cent per pound; thinner than No. 20 but not thinner than No. 25 wire gauge, eight-tenths of 1 cent per pound; thinner than No. 25 wire gauge, 1.1 cents per pound; thinner than No. 32 wire gauge, 1.2 cents per pound.....			5
Coated with tin or lead or a mixture of tin or lead with other metal and commercially known as tin plate or taggers' tin.....	1½ cents per pound.....		5

1 Rule 26, 20 per cent less than third class.

TABLE 12.—Customs duties upon articles mentioned in testimony which take class rates, etc.—Continue 1.

Articles.	Customs duties.	Classification.	
		L. C. L.	C. L.
Steel—Continued.			
Sheets—Continued.			
Cold rolled.....	In addition to rate on steel sheets two-tenths of 1 cent per pound.....		5
Galvanized or coated with zinc or spelter or other metal.....	do.....		5
Pickled by acid or by any other material or process.....	Pay duty on steel sheets and in addition two-tenths of 1 cent per pound.....		5
Polished or planished.....	2 cents per pound.....		5
Smoothed only, not polished.....	As sheets, common or black, and in addition two-tenths of 1 cent per pound.....		5

Mr. CUMMINS. I desire now, in order to bring this subject to date, to say that some time ago I addressed a communication to the Interstate Commerce Commission asking them to give me some information with regard to the existing rate on certain things, and I hold in my hand the reply of the commission to that request.

The first sheet is thus described by the commission itself:

Rates on grain, c. l.—

Which means carload, I suppose—

from points in Canada to points in the United States, compared with the rates on grain, c. l., from points in the United States for like distances to same points of destination.

This, Mr. President, is peculiarly interesting because we have now established free trade between the United States and Canada, or free trade on our part in these grains, and it is of the highest importance, therefore, that railroads shall not discriminate against our own producers of wheat or of grain and in favor of Canadian producers of grain. Everyone who knows anything about the subject knows that the discrimination of a cent a bushel, or even less than that, will give Canada our market as against our own farmers.

Now, I want the chairman of the Finance Committee to listen while I read not what may be done, but what is being done now.

Canadian points by way of Canada Northern Railway:

To Duluth, Minn., that being a point at which comparison can be made, the freight rate on grain from Emerson, Manitoba, 370 miles from Duluth, is 12 cents per hundred. The freight rate upon the same grain from Fairdale, N. Dak., 368 miles from Duluth, is 13 cents per hundred. So the grain buyer or the grain producer who lives in or near Emerson, or any point that takes the same freight rate, is now enabled to bring his grain to an American market over a distance of 370 miles for 1 cent per hundred pounds less than can his American competitor.

Mr. CLAPP. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Minnesota?

Mr. CUMMINS. I do.

Mr. CLAPP. Are both those points on the same road?

Mr. CUMMINS. They are not. That is, these rates are not given over the same road. The rate that I have read from Fairdale, N. Dak., to Duluth is given over the Soo Line.

Again, Boynton, N. Dak., is 371 miles away from Duluth, and it pays 14½ cents per hundred pounds in order to get its grain to Duluth, while Winnipeg, which is 376 miles away, gets the grain of that vicinity at 12 cents per hundred pounds, and these same disparities exist with regard to barley and rye and flaxseed, all of which are mentioned and collected in the sheet to which I refer.

It can not be that the American Congress is willing that a discrimination of this sort shall be practiced against our own people in view of the fact especially that we have now withdrawn from the American farmer the protection which he has hitherto enjoyed.

Mr. CLAPP. Mr. President—

Mr. CUMMINS. I yield to the Senator from Minnesota.

Mr. CLAPP. More to elicit information, if the Senator has it, has the Senator any comparison there on the same line of railway, as a rate from a Canadian point to Duluth and a rate from a State point to Duluth?

Mr. CUMMINS. No; I have not. I assume there is no opportunity to make that exact comparison. There may be, however, I am not familiar enough with the situation to know whether there is or not.

Mr. CLAPP. Let me say that I was curious to know, as I had not given any personal investigation to it of late, whether

under the existing conditions as to the regulation of freight that would apply with reference to the same railroad.

Mr. CUMMINS. I will presently show just how the commission looks at this matter. I do not think, however, that what I will present will be an answer to the question just propounded. I do not know whether it would be permitted or not by the commission. I want to make it impossible for the commission to permit it.

Mr. CLAPP. If the Senator will pardon a further interruption—

Mr. CUMMINS. Certainly.

Mr. CLAPP. I rose merely for the purpose of ascertaining whether the Senator had that information.

Mr. CUMMINS. From Saskatoon, Canada, to Duluth, \$93 miles, the rate is 22 cents per hundred. The domestic rate from Billings, Mont., which is the same distance from Duluth, is 28 cents per hundred pounds. On flaxseed from Saskatoon to Duluth the rate is 23 cents and from Billings 30 cents, the distance being within a mile of the same.

I ask, Mr. President, to print, in connection with what I am now saying, the two sheets which have been furnished me by the Interstate Commerce Commission, and to which I have referred.

The VICE PRESIDENT. Is there objection? The Chair hears none, and permission is granted.

The matter referred to is as follows:

INTERSTATE COMMERCE COMMISSION,
DIVISION OF TARIFFS,
Washington, August 26, 1913.

MEMORANDUM.

Rates on grain, c. l., from points in Canada to points in the United States, compared with the rates on grain, c. l., from points in the United States of like distances to same points of destination:

From—	Distance from Duluth.	To Duluth, Minn., and Superior Wis.			
		Wheat.	Barley and rye.	Corn and oats.	Flaxseed.
Canadian points via Canadian Northern Ry.:	Miles.				
Emerson, Manitoba.....	370	12	12	12	13
Winnipeg, Manitoba.....	376	12	12	12	13
Portage la Prairie, Manitoba.....	432	12	12	12	13
Brandon, Manitoba.....	512	13	13	13	14
Dauphin, Manitoba.....	554	15	15	15	16
Kamsack, Saskatchewan.....	655	17	17	17	18
Regina, Saskatchewan.....	733	18	18	18	19
Saskatoon, Saskatchewan.....	893	22	22	22	23
United States points via Soo Line:					
Fairdale, N. Dak.....	368	13	13	13	14
Boynton, N. Dak.....	371	14½	14½	14½	15½
Nekoma, N. Dak.....	377	13	13	13	14
Bisbee, N. Dak.....	424	13	13	13	14
Bismarck, N. Dak.....	503	16	16	16	17
Lansford, N. Dak.....	517	16	16	16	17
Kenmare, N. Dak.....	556	17	17	17	18
United States points via Northern Pacific Ry.:					
Parkin, N. Dak.....	656	18	18	18	19
Allard, Mont.....	657	21	21	21	23
Mott, N. Dak.....	729	18	18	18	19
Tusler, Mont.....	737	23½	23½	23½	25½
Billings, Mont.....	892	28	28	28	30

NOTE.—There are no published through rates on grain, c. l., from Canadian points to Chicago, Ill., St. Louis, Mo., etc. Rates are only named to the eastern terminals of the Canadian lines, such as Duluth, Minn., etc. The Canadian Pacific Ry. published commodity rates on grain, c. l., to Duluth, St. Paul, etc., but canceled them on July 5, 1913, providing that class rates would thereafter apply. Tariff reference: Canadian Northern Ry., I. C. C. W-194; Canadian Pacific Ry., I. C. C. W-478; M. St. P. & S. S. M. Ry., I. C. C. 2972 and 3188; Northern Pacific Railway, I. C. C. Nos. 5179, 5360, and 5387.

Class and commodity rates applying on domestic and import traffic from Boston, Mass., and New York, N. Y., to points shown below.
[Rates in cents per 100 pounds, except as noted.]

From—	To Cleveland, Ohio.				To Cincinnati, Ohio.				To Toledo, Ohio.			
	Bos- ton.	New York.	Bos- ton.	New York.	Bos- ton.	New York.	Bos- ton.	New York.	Bos- ton.	New York.	Bos- ton.	New York.
	Domestic.		Import.		Domestic.		Import.		Domestic.		Import.	
Articles taking first class.....	53	53	48	53	65	65	60	65	59	59	54	59
Articles taking second class.....	46	46	42	46	57	57	53	57	51	51	47	51
Articles taking third class.....	36	36	33	36	44	44	41	44	39	39	36	39
Articles taking fourth class.....	25	25	23	25	30	30	28	30	27	27	25	27
Articles taking fifth class.....	21	21	19	21	26	26	24	26	23	23	21	23
Articles taking sixth class.....	18	18	16½	18	22	22	20½	22	20	20	18½	20
Earthenware, earloads, in boxes, tierces, crates, and hogsheds.....	29	29	126	126	35	35	129	129	31	31	123	123
Dry goods in boxes.....	53	53	48	53	65	65	60	65	59	59	54	59
Bar iron, c. l.....	21	21	19	21	26	26	24	26	23	23	21	23
Billets and blooms, c. l., iron, per 2,240 pounds.....	355	355	116½	118	435	435	204	222	390	390	118½	120
Band iron, c. l.....	21	17½	17½	21	26	20½	20½	24	23	18½	18½	23
Wire in bundles or coils (not copper covered or insulated), c. l.....	21	21	15½	21	26	26	18½	26	23	23	16½	23
Wire rope (iron or steel), on reels or in coils.....	21	21	17½	21	26	26	20½	26	23	23	18½	23
Pig iron, c. l., per 2,240 pounds.....	337	297	118	118	413	373	222	222	331	331	220	220
Iron ore, c. l., per 2,240 pounds.....	230	230	118	118	291	291	22	22	256	256	220	220
Architectural iron, including beams, columns, trusses, bolts, nuts, washers, log bolts, and screws, c. l.....			19	21			24	26			21	23
Hardware, c. l.....			23	25			28	30			25	27
Meat, salt, in boxes, taking fifth class in official classification, c. l.....			19	21			24	26			21	23
Terra cotta, c. l.....			19	21			24	26			21	23
Marble and granite, rough, c. l.....			16½	18			20½	22			18½	20

From—	To Indianapolis, Ind.				To Chicago, Ill.				To Minneapolis, Minn.			
	Bos- ton.	New York.	Bos- ton.	New York.	Bos- ton.	New York.	Bos- ton.	New York.	Bos- ton.	New York.	Bos- ton.	New York.
	Domestic.		Import.		Domestic.		Import.		Domestic.		Import.	
Articles taking first class.....	70	70	65	70	75	75	70	75	115	115	110	115
Articles taking second class.....	60	60	56	60	65	65	61	65	99	99	95	99
Articles taking third class.....	47	47	44	47	50	50	47	50	76	76	73	76
Articles taking fourth class.....	33	33	31	33	35	35	33	35	53	53	51	53
Articles taking fifth class.....	28	28	26	28	30	30	28	30	46	46	44	46
Articles taking sixth class.....	23	23	21½	23	25	25	23½	25	38	38	36½	38
Earthenware, earloads, in boxes, tierces, crates, and hogsheds.....	38	38	129	129	40	40	129	129	61	61	58	58
Dry goods in boxes.....	70	70	65	70	75	75	70	75	115	115	110	115
Bar iron, c. l.....	28	28	26	28	30	30	28	30	44	44	44	46
Billets and blooms, c. l., iron, per 2,240 pounds.....	465	465	221½	223	500	500	223½	225	700	700	700	700
Band iron, c. l.....	28	21	21	28	30	21	21	30	44	44	44	46
Wire in bundles or coils (not copper covered or insulated), c. l.....	28	28	19	28	30	30	19	30	35	35	44	46
Wire rope (iron or steel), on reels or in coils.....	28	28	21	28	30	30	21	30	37	37	44	46
Pig iron, c. l., per 2,240 pounds.....			402	223			435	225			635	38
Iron ore, c. l., per 2,240 pounds.....			313	223			340	225			600	238
Architectural iron, including beams, columns, trusses, bolts, nuts, washers, log bolts, and screws, c. l.....			20	28			28	30			44	46
Hardware, c. l.....			31	33			33	35			51	53
Meat, salt, in boxes, taking fifth class in official classification, c. l.....			26	28			28	30			44	46
Terra cotta, c. l.....			26	28			28	30			44	46
Marble and granite, rough, c. l.....			21½	23			23½	25			36½	38

¹ L. c. l.

² Per 100 pounds.

Mr. CUMMINS. I have also, Mr. President, a sheet furnished by the commission showing the disparity in rates upon some commodities and some classes of goods from the eastern coast into the West. They are substantially different from those I have already indicated and which existed several years ago, but inasmuch as they are of recent date I ask that this sheet may also be inserted.

Mr. NORRIS. I wish to ask the Senator a question.

Mr. CUMMINS. I yield to the Senator.

Mr. NORRIS. In connection with the other rates the Senator gave from the eastern coast, I wish he would give us some rates that he has tabulated there.

Mr. CUMMINS. The first-class rate on domestic products from Boston to Cleveland is 53 cents per hundred. The import rate is 48 cents per hundred. On the second class the domestic rate is 46 cents and the import rate 42 cents.

On the sixth class the rates are the same. On band iron, for instance (and that covers a very large class of iron), the domestic rate from Boston to Cleveland is 21 cents and the import rate is 17½ cents.

In some of these they have not given the domestic rate. They have not given the domestic rate upon meat; I do not know why; but while there are some commodities upon which the rates are the same, in by far the greater number the rate upon the domestic product is greater than upon the imported article of like kind.

Mr. NORRIS. Is that the commodity rate?

Mr. CUMMINS. The last I gave was the commodity rate.

Mr. POINDEXTER. I suppose that the statistics which the Senator has are confined to import rates as compared with domestic rates.

Mr. CUMMINS. Entirely.

Mr. POINDEXTER. They do not deal with the discriminations in the export rate of the railroads.

Mr. CUMMINS. They do not. I have not sought to include export rates, because they are in no wise connected with the tariff. Whatever discriminations may exist is properly a discrimination in favor of our own people against some foreign country, and I am not half as solicitous about that as I am about the discrimination against our own people.

Mr. POINDEXTER. On the contrary, the kind of export rates which I have in mind are discriminations against our own people. The only difference is the character of the discrimination. What the Senator is now referring to is a discrimination against the domestic shipper, and the rates I refer to are discriminations against our consumers of domestic goods—in both cases in favor of the foreigner. For instance, the State of Washington pays higher rates from Minneapolis, Chicago, and other eastern points than the export rates to Yokohama and Hongkong from the same points. They catch us going and coming.

Mr. CUMMINS. My amendment covers the import rate, of course.

Mr. POINDEXTER. I am speaking of the exports. However, that is a different subject.

Mr. CUMMINS. It is a different subject. There are discriminations in export rates that are entirely indefensible, but

inasmuch as they do not pertain in any way to the protection of the American producer, which I think is unduly taken from him in this bill, I have not sought to incorporate that subject into the amendment.

Mr. NORRIS. I wish the Senator would give us the date of this table.

Mr. CUMMINS. The date of the table I now have is August 26, 1913. I will send it to the desk.

After I presented the amendment, Mr. President, some time ago, I received a letter from the Standard Rice Milling Co., of Austin, Tex. I will not read the letter, as the whole of it would not be material to the subject I am discussing, but I desire to read a part of it:

The following are the rates quoted us on domestic and imported brewers' rice by the railroads, applying from Galveston, Tex., to the points named below: To Chicago, Ill.,—domestic rate, 28 cents; imported rate, 15 cents.

I pause here to say that evidently the common carriers are given the same rate from the point of origin for this rice, whether Japan, China, Java, or wherever it may be grown, to the point of consumption as is given from Galveston to the point of consumption or to the market.

To La Crosse, Wis., the domestic rate is 29½ cents, and the imported rate 24½ cents.

To Milwaukee, Wis., domestic rate, 30; imported rate, 15.

To Minneapolis, Minn., domestic rate, 29½; imported rate, 24½.

To Quincy, Ill., domestic rate, 24; imported rate, 15.

To St. Louis, Mo., domestic rate, 20; imported rate, 15.

To St. Paul, Minn., domestic rate, 29½; imported rate, 24½.

To Cincinnati, Ohio, domestic rate, 26½; imported rate, 15.

To Peoria, Ill., domestic rate, 28; imported rate, 17.

And so on throughout the list, which means practically all the States in the northern part of our country. Mr. President, I ask that I may be permitted to insert this table as a part of my remarks.

The VICE PRESIDENT. It may be inserted.

The table referred to is as follows:

Following are the rates quoted on domestic and imported brewers' rice by the railroads applying from Galveston, Tex., to the points named below:

To Chicago, Ill., domestic rate, 28 cents; import rate, 15 cents.
To La Crosse, Wis., domestic rate, 29½ cents; import rate, 24½ cents.
To Milwaukee, Wis., domestic rate, 30 cents; import rate, 15 cents.
To Minneapolis, Minn., domestic rate, 29½ cents; import rate, 24½ cents.

To Quincy, Ill., domestic rate, 24 cents; import rate, 15 cents.
To St. Louis, Mo., domestic rate, 20 cents; import rate, 15 cents.
To St. Paul, Minn., domestic rate, 29½ cents; import rate, 24½ cents.
To Des Moines, Iowa, domestic rate, 28 cents; import rate, 28½ cents.
To Cincinnati, Ohio, domestic rate, 26½ cents; import rate, 15 cents.
To Peoria, Ill., domestic rate, 28 cents; import rate, 17 cents.
To Council Bluffs, Iowa, domestic rate, 28 cents; import rate, 15 cents.
To Omaha, Nebr., domestic rate, 28 cents; import rate, 23 cents.
To Fort Dodge, Iowa, domestic rate, 39 cents; import rate, 23 cents.
To Fort Scott, Kans., domestic rate, 32 cents; import rate, 20 cents.
To Dubuque, Iowa, domestic rate, 35 cents; import rate, 22 cents.
To Leavenworth, Kans., domestic rate, 32 cents; import rate, 20 cents.
To Alton, Ill., domestic rate, 35 cents; import rate, 15 cents.
To Cedar Rapids, Iowa, domestic rate, 38 cents; import rate, 25.0 cents.

To Jefferson City, Mo., domestic rate, 25 cents; import rate, 20 cents.
To Lincoln, Nebr., domestic rate, 37 cents; import rate, 26 cents.
To Ogden, Utah, domestic rate, \$1.04; import rate, 68 cents.
To Salt Lake City, Utah, domestic rate, \$1.04; import rate, 68 cents.
To St. Joseph, Mo., domestic rate, 32 cents; import rate, 20 cents.
To Atchison, Kans., domestic rate, 32 cents; import rate, 20 cents.
To Sioux City, Iowa, domestic rate, 37 cents; import rate, 25 cents.
To Springfield, Mo., domestic rate, 32 cents; import rate, 20 cents.

Mr. CUMMINS. I need not go further with regard to the facts which are known to everybody. I have read these illustrations that it might be known that I am not trying to legislate against a phantom. It is a real condition and it is a serious one to the American producer.

I now refer to the law of the matter, and that I can do very briefly. When the interstate-commerce act was passed in 1887 most people believed that it prohibited, as a matter of law, just such discriminations as I have cited, just as most people believed that it conferred upon the commission the power to fix a rate after it had condemned a rate that had been established by the railway company.

I have now no doubt, speaking for myself alone, that the original act prohibited just such disparities as I have been reciting.

Any fair, reasonable interpretation of the law must reach that result, and so thought the commission and so ruled the commission for years. One of their very luminous decisions upon this question occurred in 1891, in the case of the Commercial Exchange of Philadelphia and the San Francisco Chamber of Commerce against the Pennsylvania Railroad Co. and a great many other railroad companies, practically all the railroad companies in the United States.

The very question I am now discussing arose before the commission, namely, whether an imported commodity should be carried from New York to Chicago at a lower rate than a simi-

lar commodity produced in the United States and given to the railroad company or the common carrier at that point for the first time.

The Interstate Commerce Commission upon that hearing—and it was a very extensive and careful hearing—ruled that the law of 1887 required the railroad companies of this country to carry freight under those conditions for a like rate, and that any difference between the rates brought about by the fact that one article may have been imported from abroad and the other article produced in the United States was an unfair and an unjust and an unreasonable discrimination against the domestic producer.

That remained for some time the accepted law of the country; it remained for some time the rule of the Interstate Commerce Commission; but in 1896 a case reached the Supreme Court involving that construction of the law. Indeed the case was one brought to enforce the very order to which I have referred, to carry out the ruling that had been made in the case which I have already mentioned. Then the Supreme Court of the United States held that, as a matter of law, there was no discrimination by allowing different rates upon like commodities, one being shipped from abroad and one having originated in the United States.

Senators will remember that this was about the time that the Supreme Court of the United States seemed to be industriously engaged in limiting the powers of the Interstate Commerce Commission. It was just before we entered upon that era when real life was given to the commission; it was just a year later, as Senators will remember, that the Supreme Court held that the act of 1887 did not give to the commission the power to fix a rate for the future after it had rejected one that had been established by the railway company on account of its unreasonableness or on account of its discrimination; but, at any rate, the court held in the case to which I have referred—it being the case of the Texas Pacific Railway against the Interstate Commerce Commission, in one hundred and sixty-second United States Reports, page 197—that the shipment from abroad must be examined from exactly the same standpoint as the shipment at home, and that the same rule that permitted the commission to authorize or to approve a regulation to charge a less rate per ton per mile for a long haul than for a short haul permitted a lesser rate proportionately to be charged upon freight shipped from a foreign country; and it remitted the whole subject to the commission with the direction that in each case the commission must determine, as a matter of fact, whether a discrimination existed. Since that time these discriminations have been permitted. It is to change the law that I introduced this amendment.

Without any censure or criticism of the Supreme Court, I find an interpretation of the law of 1887 that is not in accordance with the intent of its authors; that is not in accordance with the best thought of the American people; that is not just. Therefore I desire to change it and treat shipments coming from abroad a little differently from the way in which we treat shipments originating in our own country.

Just a moment with regard to the long and short haul idea.

Mr. GALLINGER. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from New Hampshire?

Mr. CUMMINS. I do.

Mr. GALLINGER. Before the Senator reaches that point in his argument, will the Senator tell me, if he can, why it is that these arrangements are made with the shipper of foreign goods that their shipments shall be carried over the American railroads at a less rate than the products of our own people are carried?

Mr. CUMMINS. I do not know why the Interstate Commerce Commission permits it. I do know that the Supreme Court has held that the law does not require foreign products to be carried at the same rate that domestic products are carried; and the Interstate Commerce Commission, looking at a shipment originating in Liverpool and ending in Chicago, treats the shipment as one covering 4,000 miles and, therefore, entitled to be carried at a less rate per ton per mile than in case the shipment were only a thousand miles. Of course, after reaching that kind of result, the proportion which the American railroad receives from the entire haul must be less than is charged to the domestic shipper.

Mr. GALLINGER. That is, they count the water transportation as a part of the haul?

Mr. CUMMINS. They do. That is the very theory upon which the Supreme Court proceeded in its construction of the act of 1887.

Mr. WARREN. And the object, of course, of those interested in the merchandise is to get it delivered to the destination at a

lower price than the local home product could be delivered at the same place?

Mr. CUMMINS. Precisely. One of the instances which appeared in the case to which I refer before the Interstate Commerce Commission was this: The rate on dry goods from Liverpool to San Francisco through New Orleans was \$1.17 a hundred, and the rate on dry goods from New Orleans to San Francisco was \$3.74 a hundred. The whole traffic at that time was full of such glaring instances of discrimination.

Mr. GALLINGER. It would seem that it comes pretty near nullifying any advantage that might arise from the tariff duties.

Mr. CUMMINS. The Senator from New Hampshire was not here, I think, when I put into the Record a report of the Interstate Commerce Commission made in 1903 under a resolution of the Senate, which was intended to discover to what extent this discrimination had nullified the protection that had been given to our own industries. In one of the tables that will be printed it will be found just how far this discrimination invaded the protection that had been given by the law. In many of the commodities the difference in the transportation charge between domestic products and foreign products over our own soil was more than the duty itself.

Mr. GALLINGER. Mr. President, I regret that I was unavoidably kept out of the Chamber when the Senator discussed that feature of this most interesting question. I am very glad that it has gone into the Record, and I will now take the liberty of saying, if the Senator will permit me one moment, that I am in profound sympathy with the effort the Senator is making to remedy this very flagrant evil, as I regard it.

Mr. CUMMINS. Mr. President, I was about to comment upon the reason which does allow a lesser charge per ton per mile for a long haul than a short haul. It is said, first—and it is true probably—that the cost of service per ton per mile is slightly less. Why? Because the terminal expense is distributed over a longer distance and results, therefore, in a lesser cost per mile. The second reason—and I desire Senators to mark that, because it is a part of the history of the development of this science in America—the second reason is to bring every part of the United States as closely together as possible, to bring the producing regions close to the consuming regions, to annihilate distance, in other words, because it is believed that it results in the welfare of all the people. For that reason the rate of freight on butter from my own State to Boston is not much greater than the rate on butter from New Hampshire to Boston.

Whether or not that can be defended I will not pause to inquire. I only know that it is inspired and founded upon the patriotic sentiment that we are one country, that we ought to bring ourselves as close together as it is possible to do, and therefore, we do permit, in many instances, the carriage of freight over long distances at a greatly disproportionate rate as compared with a shorter distance.

But I beg you to reflect and to ask yourselves whether that should apply to the foreign producer? Is it our purpose to apply that same patriotic sentiment to the development of foreign enterprises? Do we desire by the application of this rule to bring the foreign producer, our competitor, into our market upon the application of the same principle? I disclaim it. I want to do our rivals abroad justice, but I am not willing to confer upon them the same privileges that we are willing to confer upon our own distant producers. If we waive what might be called the strict rule of transportation in favor of an American, we are not compelled to waive it in favor of those across the sea.

Mr. BRANDEGEE. Mr. President—

Mr. CUMMINS. I yield to the Senator from Connecticut.

Mr. BRANDEGEE. I wanted to ask the Senator, who evidently has given a great deal of attention to this matter, whether it is his idea that unless this cheaper rate were given to the product of the foreign country the railroad would not get the business?

Mr. CUMMINS. The railroad would get the business. If the foreign product comes to the United States, it has to employ a railroad to get very far into the United States after it reaches our ports.

Mr. BRANDEGEE. Certainly; but the object of my inquiry is to find out if the foreign producer knew that he would have to pay the same rate as is charged to our domestic producer in the limits of our country, whether the market would sustain him in shipping his product to this country?

Mr. CUMMINS. Mr. President, that question can not be answered generally and with either yes or no; but under the bill which we are about to pass, with its greatly reduced duties,

I think the foreign producer will be able to enter our markets with a great many articles and take our markets, even though he is compelled to pay the same freight rate as his domestic competitor. There may be some articles of which it would be true that, with the enforcement of a reasonable freight rate, he would not be able to enter our markets; but that would not displease me. If, with a fair rate of duty and with a fair rate of transportation, the foreign producer can not compete in our markets with our own people, it is not an occasion, I think, for concern. They have hitherto enjoyed privileges that have not been accorded to our own people, and I now want to remit them to their proper position in the commercial world. Then, if they can compete with us, well and good; but, if they can not, they must suffer the consequences.

Going back for a moment to the rule that controls the lesser charge per ton per mile for the longer distance, allow me to say that there is no difference between foreign freight and home freight so far as the expense of handling it is concerned. If I ship a carload of merchandise from New York to Denver and it passes over the New York Central to Chicago and is there transferred to the Chicago, Rock Island & Pacific and is carried to Denver, there is no terminal charge or cost save that which attaches either to its beginning or to its end; but if I load a carload of freight at a point 300 miles away from Denver and consign it to that city, there is practically the same terminal charge that was incurred in the shipment of 2,000 miles. When freight comes from abroad it is not transferred upon our shores by switching a car and putting it into a train; it is transferred by picking it up and loading it into a car, and it bears no other relation to the transportation of the country than though the same freight were loaded into the car at the initial point.

There is no reason in the through rate or the single charge for freight from points in other countries to points in our own country, because it all comes here on shipboard—that is, I am now speaking of the freight that involves water carriage. It must all be moved from the hold of the ship to the car that is to transport it, and therefore there is no expense saved on the part of a common carrier in taking its freight from the ship as compared with taking its freight from the warehouse of the domestic producer or the domestic shipper. I challenge the citation of any reason whatever, either from the standpoint of the cost of the service or the standpoint of the good of the country, that will lead to a lower charge for a carload of merchandise that comes to America from other countries than for a carload of merchandise that is given to the carrier within the borders of our own country.

Mr. BRANDEGEE. Mr. President, that recurs again to the topic about which I interrogated the Senator a few moments ago. I trust the Senator does not think that in asking these questions I am disagreeing with him. I am inclined to agree with him as at present advised, but I am wondering why this discrimination is granted.

I assume that the railroad would like to get a higher rate, and charges all it can get. The Senator says it does give to the foreign product a lower rate, considering the joint rate covering rail and water transportation. Does the Senator know whether or not under the present tariff schedules the roads could get the business if his amendment prevailed?

Mr. CUMMINS. I do know that there is a great deal that comes from abroad under the present tariff schedule. The proposed tariff schedule is very much lower than the present one; and if anything can come in from abroad under the present tariff schedule more will come in from abroad under the proposed tariff schedule, even though the importer is required to pay a higher freight rate into the interior.

Mr. BRANDEGEE. But still I do not arrive at an answer to the question which I asked, which is, What is the Senator's opinion as to why the railroads give this lower rate now under the proposed tariff or irrespective of the tariff? Why do they discriminate in favor of the foreign producer?

Mr. CUMMINS. Simply for this reason: They make a rate from the foreign country to the interior point in our country. That rate is ordinarily higher, of course, than any local rate in our own country; but in dividing that rate the railroad company is willing to take, and does take, less than the rate which the law has established, or which it has established for a like carriage within our own country.

I can not answer whether or not a particular foreign importer will be able to do business here, if my amendment prevails, without first inquiring into the reduction that is made in the duty upon the article, and comparing that with the disparity in the freight rates.

For instance, I suggested a few moments ago the fact that a crate of crockery, as I remember, coming from abroad through one of our ports to Chicago, had an inland rate of 15 cents a hundred pounds; but if a domestic pottery made the shipment and put it in a car it had to pay 18 cents a hundred pounds for carriage over the same distance to the same point. Baltimore, with its pottery, has to pay a good deal more to get its product to Cincinnati or to Chicago or anywhere in the West than the importer of crockery at Baltimore has to pay when his material comes in.

I have not inquired in each particular instance what effect it would have upon imports. I want to apply a rule which is just and fair and allow the consequences to be whatever they may be. It matters not to me whether or not the foreign manufacturer or producer can endure the change. If he has to have a bounty to do business in America, I do not want him to do business here.

Mr. BRANDEGEE. Mr. President, if the Senator will allow me, I assume that even the preferential rate which the Senator states is now given to the foreigner is a profitable rate to the railroad or else it would not give that rate.

Mr. CUMMINS. I believe it is. Therefore I have provided that in adjusting themselves to this amendment, if it shall become a law, the railroads shall not be permitted to raise the import rate to the domestic rate without the approval of the Interstate Commerce Commission. The rates are not to be raised unless application is made to the commission and approval is given for the increase. I assume that these rates are remunerative; and therefore, until the commission acts, the domestic rates must be reduced to the foreign or import rates.

Mr. President, as usual, I have discussed this matter at much greater length than I had originally intended. I believe it involves a most important question. I believe it is intimately connected with the tariff law. My friends on the other side may reject it with the scorn that was intimated by the Senator from Mississippi [Mr. WILLIAMS] a day or two ago. He may treat it lightly; but there will come a time when the American people will insist upon fair and decent justice in this regard, and it will not be sufficient to say to them that the amendment has no home in a tariff bill. Its very purpose is to repair, in some degree, the losses that may be sustained through undue reductions in import duties. But whatever the purpose may be, I can not conceive of any sufficient answer save the answer the amendment proposes, namely, to take away from foreign countries the unjust advantages they now enjoy.

I ask for the yeas and nays on the amendment.

Mr. SIMMONS. Mr. President, I do not desire to enter upon any discussion of the amendment proposed by the Senator from Iowa, and I do not wish to deny that his amendment has merit in it. It will be observed, however, that the amendment deals only with rates upon articles imported into this country, and seeks to prevent a discrimination in freight rates in favor of those articles as against articles produced in this country. It does not apply in its terms—it does not pretend to so apply—to any discriminations that are made by the railroads in favor of articles exported from this country to foreign countries.

Of course it would be very easy for the Senator to say that the committee might have amended his amendment so as to extend the principle of it to articles exported as well as to those imported. We have not done this, because we did not deem it expedient to undertake to deal with the question of railroad rates in this bill. The Senator has described the gross discrimination practiced by the railroads with reference to transportation charges upon articles of import as compared with rates charged upon articles of domestic consumption. The Senator could have found just as striking cases of discrimination in rates on different articles transported from one section to another section of this country as he has presented to the Senate upon articles imported from abroad into this country.

It is evident that there is something radically wrong in our legislation with reference to railroad rates. In recent years a good deal of the time of the Senate and the House has been occupied in efforts to remedy these evils; but up to this time we have not succeeded in getting at the root of the evil.

Everybody knows that if justice is to be done to the shippers of this country there must be radical reformations in our railroad legislation, and that the powers of the Interstate Commerce Commission must be greatly enlarged in order to enable that body to deal effectively with this great and vital question.

How that is to be done I will not now attempt to discuss. Heretofore I have been rather disposed to support a proposition to eliminate from our legislation the troublesome clause, "under similar conditions and circumstances," which so greatly circumscribes to the powers of the commission and out of which I think much of the trouble has originated. It may be that we shall

in the end find that the Interstate Commerce Commission can not adequately deal with this situation without eliminating that clause and giving it plenary powers to deal with each situation. The question is a large one, and one to which we should give thorough investigation and consideration before action.

I do wish to say, without any reference to the merits of the amendment proposed by the Senator from Iowa, the committee thought, after consideration, that it was best not to undertake in the tariff bill to deal with the railroad question. We thought it was best, in dealing with the tariff, to confine ourselves to the single proposition of reforming and revising the tariff, and in dealing with the currency question we should confine ourselves to reforming and revising our currency legislation. When we shall have settled these great questions, as we hope to do at this session, we will take up the trust and the railroad questions and deal with them as broadly and as comprehensively as we are now dealing with the tariff and the financial questions.

Mr. President, I arose only to give expression to the opinion of the committee that it was not expedient to encumber this bill with the subject matter of the amendment of the Senator from Iowa. I wish we had the time, before the special session ends, to remedy the admitted evils in our railroad legislation. But I think we all feel that when we shall have dealt with the tariff and with the currency we shall be entitled to a little vacation before the next session. At the next session I assure the Senator it is the purpose of the Democratic Party to take up the trust question and the railroad question, and to consider both in an effective and comprehensive way.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Iowa [Mr. CUMMINS], upon which the yeas and nays have been demanded.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I am paired with the junior Senator from Michigan [Mr. TOWNSEND], and therefore withhold my vote. If I were at liberty to vote, I would vote "nay."

Mr. CHAMBERLAIN (when his name was called). I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. In his absence I withhold my vote.

Mr. STERLING (when Mr. CRAWFORD's name was called). I again announce the necessary absence of my colleague [Mr. CRAWFORD]. He is paired with the senior Senator from Tennessee [Mr. LEA]. If present and at liberty to vote, my colleague would vote "yea."

Mr. LEA (when his name was called). I again announce my pair with the Senator from South Dakota [Mr. CRAWFORD]. If I were at liberty to vote, I would vote "nay."

Mr. MARTIN of Virginia (when his name was called). I will state that I am paired with the Senator from Vermont [Mr. PAGE], and therefore refrain from voting. If at liberty to vote, I would vote "nay."

Mr. MYERS (when his name was called). I am paired with the Senator from Connecticut [Mr. McLEAN], and on account of his absence I withhold my vote. If at liberty to vote, I would vote "nay."

Mr. OVERMAN (when his name was called). I have a general pair with the senior Senator from California [Mr. PERKINS]. He being absent, I will withhold my vote. If at liberty to vote, I would vote "nay."

Mr. THOMAS (when his name was called). I make the same transfer as heretofore announced, and vote "nay."

The roll call was concluded.

Mr. CHILTON. I wish to inquire whether the junior Senator from Maryland [Mr. JACKSON] has voted?

The VICE PRESIDENT. He has not voted.

Mr. CHILTON. I have a pair with that Senator, and can not vote for that reason.

Mr. JAMES. I am paired with the junior Senator from Massachusetts [Mr. WEEKS], and therefore withhold my vote. If I were at liberty to vote, I should vote "nay."

Mr. REED. I have a pair with the Senator from Michigan [Mr. SMITH]. I transfer that pair to the Senator from Arizona [Mr. ASHURST] and vote "nay."

Mr. CLARKE of Arkansas (after having voted in the negative). I desire to ask whether the junior Senator from Utah [Mr. SUTHERLAND] has voted?

The VICE PRESIDENT. He has not.

Mr. CLARKE of Arkansas. I withdraw my vote.

Mr. DILLINGHAM. I wish to announce that my colleague [Mr. PAGE] is paired with the senior Senator from Virginia [Mr. MARTIN].

Mr. SMOOT. I desire to announce that the junior Senator from Idaho [Mr. BRADY] was called from the Chamber. If he were here, he would vote "yea."

Mr. SMITH of Georgia (after having voted in the negative). I wish to withdraw my vote. I am paired with the senior Senator from Massachusetts [Mr. LODGE], and he has not voted.

The result was announced—yeas 24, nays 33, as follows:

YEAS—24.			
Borah	Colt	Kenyon	Poin Dexter
Bradley	Cummins	La Follette	Root
Brandegee	Dillingham	Lippitt	Sherman
Bristow	Fall	Nelson	Smoot
Cañon	Gallinger	Norris	Sterling
Clapp	Jones	Penrose	Warren
NAYS—33.			
Bacon	O'Gorman	Sheppard	Thomas
Fletcher	Owen	Shields	Thompson
Hitchcock	Pittman	Shively	Thornton
Hollis	Pomerene	Simmons	Vardaman
Hughes	Ransdell	Smith, Ariz.	Walsh
Johnson	Reed	Smith, Md.	Williams
Kern	Robinson	Smith, S. C.	
Lane	Saulsbury	Stone	
Martine, N. J.	Shafroth	Swanson	
NOT VOTING—33.			
Ashurst	Crawford	Lodge	Smith, Ga.
Bankhead	Culberson	McCumber	Smith, Mich.
Brady	du Pont	McLean	Stephenson
Bryan	Goff	Martin, Va.	Sutherland
Burleigh	Gore	Myers	Tillman
Burton	Gronna	Newlands	Townsend
Chamberlain	Jackson	Oliver	Weeks
Chilton	James	Overman	Works
Clark, Wyo.	Lea	Page	
Clarke, Ark.	Lewis	Perkins	

So Mr. CUMMINS's amendment was rejected.

Mr. PENROSE. Mr. President, I desire to offer an amendment to come in at the end of the free list. I should like to have the amendment read.

The VICE PRESIDENT. It will be read.

The SECRETARY. On page 164, after line 5, at the end of section 1, insert:

That whenever articles are exported to the United States of a class or kind made or produced in the United States, if the export or actual selling price to an importer in the United States or the price at which such goods are consigned is less than the actual market value or wholesale price of the same article when sold for home consumption in the usual and ordinary course in the country whence exported to the United States at the time of its exportation to the United States, there shall, in addition to the duties otherwise established, be levied, collected, and paid on such article on its importation into the United States a special duty (or dumping duty) equal to the difference between the said export or actual selling price of the article for export or the price at which such goods are consigned and the said actual market value or wholesale price thereof for home consumption in the country of exportation, and such special duty (or dumping duty) shall be levied, collected, and paid on such article although it is not otherwise dutiable: *Provided*, That the said special duty shall not exceed 15 per cent ad valorem in any case, and that goods whereon the duties otherwise established are equal to 50 per cent ad valorem shall be exempt from such special duty.

"Export price" or "selling price" or "price at which such goods are consigned" in this section shall be held to mean and include the exporter's price for the goods, exclusive of all charges thereon after their shipment from the place whence exported directly to the United States.

Invoices of such goods shall show in parallel columns the export or selling price or price at which the goods are consigned and the actual market value or wholesale price thereof for home consumption in the country of exportation, and the Secretary of the Treasury shall make such rules and regulations as are necessary for the carrying out of the provisions of this section and for the enforcement thereof.

Mr. WILLIAMS. I wish to ask the Senator from Pennsylvania a question. Is not this the dumping clause as it came over from the House?

Mr. PENROSE. No; it goes much further. I was going to explain it briefly to the Senate.

Mr. WILLIAMS. In what part of the bill does the Senator propose to insert it?

Mr. PENROSE. The dumping clause as it came from the House applied only to dutiable articles. This applies also to the free list. Therefore I thought it might come in here. It also could come in after the administrative clause. But I do not think the Senator need raise that point. We might as well dispose of it now as at any other time.

Mr. WILLIAMS. I was going to suggest to the Senator that it had better come in in its regular place.

Mr. PENROSE. As the amendment is not expected to get very far, I hope it may come up now.

Mr. WILLIAMS. All right. I am willing to consider it now.

Mr. PENROSE. Mr. President, this amendment has been drawn with very great care. It goes considerably further than the House provision. In my opinion, there is nothing more desired by the manufacturers of the country than some kind of a dumping clause to be embodied in our tariff law. It is surprising to me that we have not heretofore had some kind of a provision in the protective tariff acts that have been passed during the last 16 years.

Many duties in the pending bill are greatly reduced. The chief use of the duties in a great many cases under the protective system has been to act as a dumping barrier. With the reduction in duties it becomes all the more important to have some kind of a dumping clause in the present bill.

In the pending tariff bill as it passed the House of Representatives there was embodied in the then section 4, now section 5, a subdivision lettered R, which has become somewhat well known under the colloquial designation of the "anti-dumping clause." Briefly stated, it was a statutory provision relating to imported goods which were sold or consigned to the United States at prices lower than at the prices at which such goods were sold for home consumption in the country of exportation. It imposed upon such goods, in addition to the regular duty thereon, a special duty, or dumping duty, equal to the difference between the special export price and the fair market price thereof for home consumption. It extended only to dutiable goods, provided that in no case should it exceed 15 per centum ad valorem, and did not apply at all to goods on which the regular duty equaled 50 per cent. This was new legislation, and in reporting it to the House the chairman of the Ways and Means Committee and his associates made the following remarks:

Paragraph R is new legislation and provides for a dumping duty to guard the producers of the United States against the demoralization of American markets caused by the exportation from foreign countries of articles into the United States at prices less than the fair market value of the same articles when sold for home consumption in the usual and ordinary course in the country from whence they are exported to the United States. We have endeavored to reduce the duties provided for in the present law to a revenue basis, expecting reasonable and fair competition at normal prices, and we are of the opinion that this paragraph will have a tendency to maintain steady and continuous importations all along the line and prevent the demoralization of American markets when abnormal conditions exist abroad, and at the same time have a tendency to maintain a continuous and normal flow of revenue into the Federal Treasury at all times.

This paragraph originated in a Democratic Ways and Means Committee. It was strongly supported on the floor of the House in speeches by two of the Democratic members of that committee, and it passed the House of Representatives by a unanimous vote. It would seem that a measure with such a legislative pedigree would have found favor with the majority members of the Senate Finance Committee as well, but when this bill was reported to the Senate this paragraph was found to have been stricken out entirely and it is no longer in the bill. The following explanation of this action was given by the Finance Committee majority in its report on the pending measure:

We struck out the dumping clause of the House provision, first, because it applied to only dutiable articles, and if to be applied to any articles at all it seemed to us it ought to apply to all; secondly, if it did apply to all it was capable, under an unfriendly administration, of being used as a means of increasing the duty upon dutiable articles 15 per cent, and of putting articles upon the free list under a duty of 15 per cent.

The provisions contained in the existing law with regard to under-valuations and the increasing tax because of it up to 70 per cent is a very good antidumping provision, and, as we are informed and believe, immediately stopped dumping in the American market, and this, too, without making it discretionary with any executive officer (to be exercised in a broad way) to raise the duty.

I shall refer to these objections later on and I hope to demonstrate that one of them has no basis in fact and that the other can be easily mended. They are cited at this point only because they are a part of the history up to the present time of the antidumping clause.

Mr. President, the amendment I have proposed, apart from some slight verbal changes, differs from the provision which came to the Senate in the important feature that its scope is extended so that it applies to free goods as well as to dutiable goods. The Finance Committee majority was of the opinion that if it applied to any articles at all it should apply to those that are free of duty as well as to articles that are dutiable, and I am glad to express my cordial concurrence with my brethren of the committee in this belief.

There is great intrinsic merit in this proposed provision, and in view of the extremely heavy reductions which the bill makes in tariff rates, the amendment is nothing more than common fairness to American growers, producers, and manufacturers. The oft-proclaimed purpose of the majority is to bring about a free and fair competition on even terms between the foreigner and the American, and this amendment is intended to and will have that effect and no other. It must be obvious that you can not have a fair competition unless the competitors are placed on even terms, and this is not the case if the foreigner is permitted to dump his surplus on our markets at prices that do not represent fair or normal conditions of trade and that sometimes are, in fact, below cost. It has been shown time and time again that it is quite common for foreign houses to sell their products for export to the United States at prices mate-

rially lower than they sell them for home consumption, and it has also been shown that in this practice they are not only encouraged but actually aided by their Governments in the way, for example, of preferential rates on State railways for goods intended for exportation. Now, what is this but a species of bounty on exported goods? And when you give the foreigner the privilege of doing this are you not in effect nullifying to an extent the terms of that other provision which you have retained in the law (par. E, sec. 5) and which directs that the amount of any bounty paid upon exportation shall be added to the duties otherwise imposed by this act? The foreign governmental approval and encouragement of the practice of selling goods cheaper abroad than at home is really a tax upon home consumption for the benefit of the export trade and is, in fact, a bounty upon exportation. Because it is not a direct payment it does not fall within the letter of the countervailing duty provision (par. E, sec. 5), and hence it can not be reached through that provision. This circumstance is another reason for the passage of this proposed amendment.

This practice on the part of European nations of dumping their surplus products into foreign markets—and into our markets in particular, for this country, with its vast population and buying power, is ideal for that purpose—has attained astounding proportions in these later days owing to two causes: First, the gigantic development of manufacturing industries in European countries, resulting in a production that can not possibly be absorbed by the home country and must be exported; and, second, the organization and maintenance in European countries of syndicates, conventions, or cartels, as they are variously called, the openly avowed, approved, and effectually accomplished purpose of which is to fix and maintain selling prices in the country of production, punishing any deviation from fixed prices by fines and penalties which are specified in and are part of the convention or agreement. These conventions or agreements sometimes include several European countries, but they always leave the members of the syndicate, convention, or cartel at perfect liberty to sell at whatever price they please in countries that are not included in the convention. Right here I should like to remind the Senate that agreements of this character, which would be made the subject of a criminal prosecution in this country, do not at all incur the disfavor of the Government in foreign countries, but, on the contrary, are actually fostered and encouraged by them. As a matter of fact, the Prussian Government is a partner in the great potash syndicate which controls the world's supply. A very interesting description and discussion of the great German syndicates in the chemical industry will be found in the "Report on Schedule A," made by the Ways and Means Committee of the Sixty-second Congress, second session, on House bill 20182, Report No. 326, page 378 et seq. I referred to it a day or two ago in this Chamber in the discussion of the chemical schedule.

It may be objected that such a provision as this is not in harmony with the general purpose of this bill in that it savors of protection and might deprive the ultimate consumer of the benefit of competition. To that I answer that it is strictly in accord with the repeatedly announced purpose of the pending bill for it does precisely what the bill aims at, namely, it preserves competition by preserving the competitors. It is better by far when there are two competitive groups that both groups shall continue to exist and compete rather than that competition should be wholly eliminated by the destruction of one of the groups of competitors. Such a consummation is not to the public benefit. Since we pass laws and create a commission for the purpose of preventing railroads from bankrupting themselves by cut-throat competition in rates, may we not in framing our tariff laws keep in mind the desirability of preserving competition by preventing the destruction at least of American competitors? This must appeal to all, whether of the high tariff, low tariff, or tariff for revenue persuasion.

I am not asking in the guise of this amendment for a tariff wall to protect American producers from fair competition. Expose them to the severest competition if you will—and you seem bound to do so—but at least be fair and give them an even chance. They do not get an even chance when we permit our markets to be glutted with foreign goods dumped here at prices with which it is hopeless to compete. No commercial or manufacturing enterprises can stand up against such a competition, and it is not an honest competition in the broad sense. The principle underlying my contention is the essential unfairness and the economic unsoundness of this abnormal cutthroat competition. Taking a broad view, this practice on the part of foreign manufacturers of dumping vast quantities of their products on the American market, often at an actual loss, in competition with domestic goods manufactured and sold at honest prices that are regulated by normal but active competi-

tion, is really against public policy. It is surely for the best interests of the State as well as of the individual citizen that workers should have at all times steady remunerative employment. But this is not possible when foreign goods are suddenly dumped into the market place where the products of the American workers must find sale at prices which make competition hopeless.

It seems to me that it is quite as desirable to avoid the great losses to producers and manufacturers, caused by the disturbing of values consequent upon the dumping of extraordinary and unusual quantities of foreign goods upon the American market, as it is to prevent an extraordinary and unusual boosting of prices consequent upon a cornering of said market. No permanent good comes from a ruinous competition that results in the elimination of all the competitors except one or a few. Somewhere, somehow, and sometime the community must make up those losses.

The merits of my amendment can not be set forth in better language than that chosen by one of the majority members of the Ways and Means Committee when the antidumping clause was under discussion on the floor of the House of Representatives. I quote from the speech of Mr. PETERS, which will be found in the CONGRESSIONAL RECORD of May 7, 1913, page 1365:

Another feature of this new provision is that there will be increased stability in prices. The dumping duty will discourage foreign countries from unloading a large temporary surplus on our markets, which tends for a period to disturb prices and to unsettle business. This provision, obviously, will be a great benefit to the American producer.

An indirect benefit, and a very important one, which arises from increased uniformity in prices and the absence of unnatural fluctuation in market values is that the revenue of the Government will be more dependable and more accurately estimated. This tariff bill has been drawn on a revenue basis. We wish to make sure that there will be sufficient funds available to run the Government. On the other hand, we do not wish an unwarranted surplus, which means excessive taxation. In order to determine with any exactness the amount of revenue to be expected from the different tariff schedules, we must have a definite basis for our calculations. The market values of articles in the country from whence exported are easy to ascertain, and will afford the assistance which is so essential to a satisfactory administration of our customs laws.

Mr. President, while such a provision as this is new in our tariff legislation, it has been thoroughly tried in the neighboring country of Canada under conditions of importation which closely approximate those of our own country. Since 1904 there has been in effect in Canada an antidumping clause, which was first enacted to save the wire-rod industry from extinction, threatened by extensive dumping of wire rods into Canada. This was found to be so satisfactory in operation that it was made a part of the Canadian customs act of 1907, and it was extended so as to apply to articles on the free list. I have information from gentlemen who have personally investigated the workings of the Canadian act that it has worked very satisfactorily there, and that it has accomplished the purpose for which it was devised, and that it has not resulted in imposing any oppressive duties.

On the point of free goods, it would seem that logically there is, if possible, more reason for extending the provisions of this amendment to free goods than there is to dutiable goods, for American manufacturers of dutiable goods have at least the benefit of whatever tariff is on them. The American manufacturers of goods which are on the free list ought to be protected, at least, against having unfair advantage taken of them by foreigners.

The extensive additions which have been made to the free list by the pending bill make the question raised by this amendment one of surpassing importance, and its passage or its failure may mean either life or death, perhaps, to a whole industry, but in any event to a large number of producers. Senators of the majority, while admitting the absolute certainty of the destruction of the Louisiana cane-sugar industry, have insisted that even with free sugar our beet-sugar industry will continue to thrive. Recalling to the minds of the Senators the well-known fact that many countries of the world pay bounties upon the exportation of sugar, I should like to ask how it can be expected that with this tremendous addition to the handicaps which will beset the beet-sugar industry it can still be expected to prosper or even exist. It should be remembered that the countervailing-duty provision (par. E, sec. 5) does not extend to goods that are on the free list. There can be no possible doubt of the propriety of making this amendment apply to all goods, whether dutiable or free.

As to the fear voiced by the Finance Committee majority that this amendment "was capable, under an unfriendly administration, of being used as a means of increasing the duty upon dutiable articles 15 per cent and of putting articles upon the free list under a duty of 15 per cent," I think I can assure them that, in view of the things that have been said by the spokesmen of the administration regarding American manu-

We note report in the press that you have introduced an amendment to the tariff bill providing for a "dumping duty" and would request you to kindly send us a copy of same.

The "dumping duty" clause in the bill as passed the House was not applicable to goods admitted free of duty; this provision is a wise one and in the interest of "fair" trade generally, without regard to the policy of high or low duty or free trade, as it prohibits unfair advantage of American business men being taken by foreigners and, if it is desirable in the case of dutiable goods, it is all the more necessary in the case of free goods—not only sugar, but all articles imported.

As a precedent in this regard we have the Canadian tariff which provides for a "dumping duty" not only on dutiable goods but on free goods, as specially provided; we inclose a copy of this clause in the Canadian tariff for your information in case of need.

The clause in the new tariff bill (sec. V, par. E) providing for a countervailing duty against export bounties is not applicable to free goods but should be made so as such countervailing duty will be needed more on imports of free goods than on dutiable goods; the principal should be applied equally to both classes of imports.

If sugar is made free of duty it will be specially necessary to apply a "dumping duty" against "unfair" practices of foreign cartels, exchanges, business organizations, governments, or individuals, and also to apply "countervailing duty" against foreign export bounties.

Russia produces enormous crops of sugar and pays an export bounty thereon of about 71 cents per 100 pounds, and other countries have in the past paid large export bounties to encourage home production, and the workings of cartels have enabled foreign exporters to ship sugars to the United States at very much below normal prices.

We beg to call attention to the wording of the reciprocity treaty with Cuba, which apparently prohibits any reduction in present rates of duty on sugar, although it is evident that such was not intended, and the question may not be raised officially, but as Congress is now passing a new tariff bill it would seem wise to make it plain that the intention is for Cuban sugar to be admitted at a concession of 20 per cent on the rates of duty provided in the bill and not leave the question in the least doubt.

Referring to the proposed date of effect of sugar schedule (Mar. 1, 1914), we beg to advise that date of effect should come at a time when the stocks in dealers' hands are the smallest, which will be during the three months from October 1 to January 1.

The Cuba crop is in full swing during January and February, receipts being very heavy, amounting to more than 400,000 tons in those months and, the necessities of the planters for funds are such that they will sell at best price obtainable; if therefore, the reduced duty is to become effective March 1, 1914, the reduction in duty will doubtless be discounted in the price of sugar sold in January and February because of the pressure to sell Cuban sugar and, the domestic sugar of Louisiana and western beet will be no better off than if the new tariff is put in force January 1, while trade generally will be much disturbed.

Louisiana cane and western beet crops begin in October and the bulk of those crops will come in before January 1, which date for change of duty would now seem to suit the majority of the sugar interests.

Yours, very truly,

WILLETT & GRAY.

Mr. PENROSE. I ask for the yeas and nays on the amendment.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Pennsylvania, on which he demands the yeas and nays.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I again announce my pair and withhold my vote. If at liberty to vote, I should vote "nay."

Mr. CHAMBERLAIN (when his name was called). I again announce my pair with the junior Senator from Pennsylvania [Mr. OLIVER], and withhold my vote. If I were permitted to vote, I should vote "nay."

Mr. CHILTON (when his name was called). I again announce my pair, as on the previous vote.

Mr. MYERS (when his name was called). I announce my pair with the Senator from Connecticut [Mr. McLEAN] and the transfer of that pair to the Senator from Arizona [Mr. ASHURST] and vote "nay."

Mr. O'GORMAN (when his name was called). I have a general pair with the senior Senator from New Hampshire [Mr. GALLINGER]. In his absence, I withhold my vote.

The roll call was concluded.

Mr. JAMES. I transfer my pair with the Senator from Massachusetts [Mr. WEEKS] to the Senator from South Carolina [Mr. SMITH] and will vote. I vote "nay."

Mr. BRYAN. I transfer my pair with the junior Senator from Michigan [Mr. TOWNSEND] to the Senator from Nebraska [Mr. HITCHCOCK] and vote "nay."

Mr. THOMAS. I make the same transfer of my pair as heretofore and vote "nay."

Mr. BACON. I inquire whether the Senator from Minnesota [Mr. NELSON] has voted?

The VICE PRESIDENT. The Chair is informed that he has not voted.

Mr. BACON. Then I withhold my vote, as I have a general pair with that Senator. If he were present, I should vote "nay."

Mr. OVERMAN. I have a general pair with the senior Senator from California [Mr. PERKINS], who is absent on account of sickness. If at liberty to vote, I should vote "nay." I withhold my vote on account of the pair.

Mr. KERN. On account of my pair with the Senator from Kentucky [Mr. BRADLEY], I withhold my vote.

Mr. LEA. I announce my pair with the senior Senator from South Dakota [Mr. CRAWFORD]. If at liberty to vote, I should vote "nay."

Mr. CHILTON. I wish to announce the necessary absence of the Senator from Virginia [Mr. MARTIN] and his pair with the Senator from Vermont [Mr. PAGE].

Mr. REED. I have a pair with the Senator from Michigan [Mr. SMITH]. I am unable to arrange a transfer. I desire to inquire if a quorum has voted?

The VICE PRESIDENT. The Chair is informed that a quorum has not yet voted.

Mr. REED. My arrangement with the Senator from Michigan in regard to the pair is that I am at liberty to vote if necessary to make a quorum. I therefore vote "nay."

Mr. KERN. My pair with the Senator from Kentucky [Mr. BRADLEY] is so arranged that in case my vote is necessary for a quorum I shall have the right to vote. I therefore vote "nay."

Mr. CHILTON. I understand my arrangement with my pair has the same condition, enabling me to vote to make a quorum. I vote "nay."

Mr. OVERMAN. I am authorized by the Senator from California [Mr. PERKINS] to vote to make a quorum. I therefore vote "nay."

Mr. BRANDEGEE. The Senator from New Mexico [Mr. CATRON] is paired with the junior Senator from Arizona [Mr. SMITH].

The result was announced—yeas 15, nays 34, as follows:

YEAS—15.			
Brady	Cummins	Lodge	Sherman
Brandegee	Jones	Norris	Sterling
Bristow	Kenyon	Penrose	Warren
Colt	Lippitt	Root	
NAYS—34.			
Bryan	Martine, N. J.	Saulsbury	Swanson
Chilton	Myers	Shafroth	Thomas
Fletcher	Overman	Sheppard	Thompson
Hollis	Owen	Shields	Thornton
Hughes	Pittman	Shively	Vardaman
James	Pomerene	Simmons	Walsh
Johnson	Ransdell	Smith, Ga.	Williams
Kern	Reed	Smith, Md.	
Lane	Robinson	Stone	
NOT VOTING—46.			
Ashurst	Crawford	Lea	Smith, Ariz.
Bacon	Culberson	Lewis	Smith, Mich.
Bankhead	Dillingham	McCumber	Smith, S. C.
Borah	du Pont	McLean	Smoot
Bradley	Fall	Martin, Va.	Stephenson
Burleigh	Gallinger	Nelson	Sutherland
Burton	Goff	Newlands	Tillman
Catron	Gore	O'Gorman	Townsend
Chamberlain	Gronna	Oliver	Weeks
Clapp	Hitchcock	Page	Works
Clark, Wyo.	Jackson	Perkins	
Clarke, Ark.	La Follette	Poindexter	

So Mr. PENROSE's amendment was rejected.

Mr. BRANDEGEE. Mr. President, I have a few amendments that I have agreed in some cases to offer to the bill. I wish to do it at some time when it will be least inconvenient to Senators. I have some letters which I will submit in connection with them. If I may offer them now, if this is as good a time as any, I will offer them, and not ask for roll calls.

Mr. HUGHES. Mr. President, are they to the schedules, or are they to the administrative sections?

Mr. BRANDEGEE. No; they are to the sections.

Mr. SIMMONS. Mr. President—

Mr. BRANDEGEE. I yield to the Senator from North Carolina.

Mr. SIMMONS. We had an understanding, and really there was a unanimous-consent order, that we should go on and take up the sections or paragraphs that have been passed over at the request of Senators, and finish them, and then take up any amendments that might be offered to any schedule. I think the last vote was somewhat in violation of that; but the Senator from Pennsylvania obtained recognition, and nobody objected, and so we acted upon the amendment.

Mr. PENROSE. The Senator from Iowa rose—

Mr. SIMMONS. So I hope the Senator from Connecticut will let us go on, under the rule we have adopted, with the income-tax section, and as soon as we have finished that and the administrative sections, the Senator can offer his amendments.

Mr. BRANDEGEE. I said when I rose that I wanted to do it at the most convenient time. I did not know there was any such understanding as the Senator has spoken of, and I will wait until another time.

Mr. WILLIAMS. Mr. President, on behalf of the committee, I offer an amendment, which I send to the desk.

The PRESIDING OFFICER (Mr. LEA in the chair). The amendment will be stated.

The SECRETARY. On page 165, line 12, after the word "elsewhere," it is proposed to insert a colon and the following:

Provided, That the tax herein imposed upon individuals with respect to their incomes shall likewise be levied upon all interests as such which may be due or payable to any nonresident alien, subject to the exemptions and deductions provided for in this section, which shall be made at the source in his behalf.

The amendment was agreed to.

Mr. WILLIAMS. I now offer another amendment, on behalf of the committee, which I will send to the desk.

The PRESIDING OFFICER. The Secretary will state the amendment.

The SECRETARY. On page 166, line 1, after the word "exceed," it is proposed to strike out "\$100,000" and insert "\$75,000"; after the comma, in the same line, it is proposed to strike out the word "and"; in line 3, after the word "exceeds," it is proposed to insert "\$75,000 and does not exceed"; in line 3, after "\$100,000," it is proposed to insert "4 per cent per annum upon the amount by which the total net income exceeds \$100,000 and does not exceed \$250,000; 5 per cent per annum upon the amount by which the total net income exceeds \$250,000 and does not exceed \$500,000; and 6 per cent per annum upon the amount by which the total net income exceeds \$500,000."

Mr. BRISTOW. Mr. President, as I understand, that increases the tax on incomes from \$75,000 to \$100,000 per annum 1 per cent; on incomes from \$100,000 per annum to \$250,000 per annum 2 per cent—

Mr. WILLIAMS. No; 1 per cent.

Mr. BRISTOW. One per cent?

Mr. WILLIAMS. The increase of 1 per cent is kept up right to the end.

Mr. BRISTOW. Then from \$250,000 to \$500,000 there is an increase of 2 per cent, is there not?

Mr. WILLIAMS. No; there is an increase of 1 per cent each time—a jump of 1 per cent at each step.

Mr. BRISTOW. Yes; but I mean the increase over the existing bill.

Mr. WILLIAMS. I will explain it to the Senator.

First there is the normal tax up to 20 per cent. Then there is 1 per cent additional tax between \$20,000 and \$50,000, 2 per cent additional tax between \$50,000 and \$75,000—

Mr. BRISTOW. If the Senator will permit me just there, the tax up to \$75,000 is just the same as now exists in the bill?

Mr. WILLIAMS. Precisely. Then from there on it is increased 1 per cent until it gets to the last stage, which is \$500,000 or over. That is the maximum, and it carries an additional tax of 6 per cent, making a total, normal and additional, of 7 per cent.

Mr. BRISTOW. I desire to say that when the bill gets into the Senate I expect to offer the amendment which I offered the other day. I think this improves the bill somewhat, but not so much as I should like to see it improved. It is somewhat better, however. My objection is that the increases should have started lower down, because I do not think there will be many incomes reported exceeding \$500,000 per annum.

Mr. WILLIAMS. The Senator and I of course differ diametrically. I think the increases start too low down, and I think by the time we get to the maximum we have levied a sufficient maximum. When we get to the Senate of course the Senator will offer his amendment, and he can then discuss it.

The PRESIDING OFFICER. The question is on the amendment offered by the committee.

The amendment was agreed to.

Mr. WILLIAMS. I now offer another amendment on behalf of the committee; and I ask that in connection with that amendment, and as part of my remarks, a letter which I send to the desk may go into the Record and be printed.

The PRESIDING OFFICER. Without objection, it will be so ordered.

The letter referred to is as follows:

SOUTHERN RAILWAY CO.,
Washington, D. C., August 15, 1913.

In connection with the conference you were kind enough to have with me this morning in respect to lines 14 to 24 on page 166 of the tariff bill, H. R. 3321, I take the liberty of now handing you a succinct statement of certain considerations, which it seems to me present objections to the language as it now stands, to which I invite your careful attention.

It seems to me that the language of the bill as it now stands is not materially different in effect from the language as it was in the original draft of the bill in the Senate. The change now made substitutes for these words, "who would be entitled to the same," the words "who would be legally entitled to enforce the distribution or division of the same." Inasmuch as both expressions are qualified by the words "if divided or distributed, whether divided or distributed or otherwise," my legal judgment is that they mean exactly the same thing, as nobody would be entitled to enforce distribution or division of dividends which are not declared. The effect of the provision as it now stands in the bill would unquestionably be, as it seems to me, to tax the stockholder of the bank (who would be liable to an additional tax) on the undivided surplus of the bank, and to tax a stockholder in a railroad company on

his undivided share of the undivided earnings of the railroad; and yet it is manifestly in the public interest that both the bank and the railroad and, in fact, many other useful corporations should accumulate a proper surplus from their earnings in order to build up their credit and perform the service for which they were incorporated.

The suggestion which I have made would prevent a fraud upon the law through an undue accumulation of profit, and that is as far, I think, as it is the policy of your committee to go.

I noted this morning that you inserted after the word "not," in the ninth line from the bottom of my suggested draft, the words "of itself." I wish you would consider whether there is not serious objection to the insertion of these words. The object of requiring the certificate of the Secretary of the Treasury is to prevent unnecessary annoyance to business concerns, unreasonable demands, whether in court or otherwise, for this tax, and to prevent any suit lying on the subject at all, unless the Secretary of the Treasury shall certify that, in his opinion, such accumulation of gains and profits is unreasonable for the purposes of the business. If you now insert the words "of itself," that principal object of this provision is done away with, and suits might be brought, and the business corporation greatly inconvenienced and annoyed, even though the Secretary of the Treasury was of opinion that the accumulation of profits was proper for the legitimate purposes of the company. I think legitimate business is entitled to the protection of not having such demands made or suits brought against it, unless the Secretary of the Treasury shall be of opinion that such demands are legally justified. I would be glad to have you consider this view of the matter.

I have ventured to put this in written form so you may, in the multitude of matters pressing for your consideration, have it conveniently at hand for the consideration of your subcommittee.

Yours, very truly,

ALFRED P. THOM.

The provision that as to the additional taxes imposed upon individuals, their share of the undivided gains and profits of corporations in which they are stockholders shall be treated as a part of their income, was apparently adopted to prevent the possibility of a rich man forming a corporation to manage his property and to accumulate the profits therefrom without declaring dividends. Through such a device a rich man might escape paying the additional tax, since his corporation would pay only the 1 per cent.

Such cases would be exceedingly rare and could be adequately met by a special provision that in cases of that sort where the Secretary shall find that the corporation was organized or is being conducted for the purpose of evading the payment of the additional taxes by its stockholder or stockholders such stockholder or stockholders shall be charged, for the purposes of the additional taxes, with his or their share of the undistributed profits.

But the provision as it now stands is so broad as to prove exceedingly troublesome to legitimate corporations in the regular and proper conduct of their business.

To illustrate: For the fiscal year ending yesterday—June 30, 1913—the Atchafalaya will probably show that after paying operating expenses, taxes, and interest, and dividends on preferred stock, its remaining income is something over 8 per cent on the common stock. The dividend on the common stock for the year was 6 per cent. Theoretically, therefore, there was an undistributed gain or profit of a little over 2 per cent. Practically, however, that gain or profit will never be available and much of it will have to be spent for purposes which will never increase the earnings of the company, or at least not proportionately with the expenditures: such, for example, as removal of grade crossings, construction of steel underframe cars, steel cars, building of handsome passenger stations, etc. It would be very unfair to the company to make it go on record as stating that all of this surplus 2 per cent was a clear gain or profit, whereas little, if any, and perhaps none at all, would represent gain or profit in any sense.

Any effort to draw the line between the part of the surplus earnings devoted to these necessary purposes and the part, if any, which could fairly be regarded as a clear gain would be almost hopeless and would entail an immense accounting burden upon the corporations and upon the Treasury Department.

Moreover, as to railroad companies, it would seem necessary for the Interstate Commerce Commission to prescribe the rules by which such separation would be made, and then the commission would have to be bound by the rules which it prescribed.

Furthermore, if the Government adopts the principle of recognizing that as to all corporations all undivided profits belong to the stockholders, I do not see how the Government can thereafter dispute the right to issue to the stockholders stock representing the profits upon which the stockholders have already been taxed.

Furthermore, a corporation in one year may earn (at least theoretically) 9 per cent and pay a 6 per cent dividend; and the next year may earn 5 per cent and pay a 6 per cent dividend, the 1 per cent being out of the extra profit made the previous year. Under this provision as it stands the stockholder in the first year will pay his additional tax with respect to the 3 per cent of undivided profits, and the next year he will, as to one-third of this amount, pay the tax again because of his receipt of that amount as a part of his dividend.

In many cases corporations do not pay any dividends at all, and earn a very small surplus over their fixed charges. But this provision will necessitate the Treasury Department obtaining reports from all these corporations as to their dividends and also reports as to their entire list of stockholders. Besides this, of course, the Treasury Department will have to obtain lists of stockholders in all corporations which do pay dividends. Altogether there are over 300,000 corporations in the United States.

It seems to me this provision unduly burdens the corporations and unduly burdens the Treasury Department, and yet accomplishes no purpose in addition to what would be accomplished by a provision much more special and restricted in character.

Beyond all this is the very serious constitutional question. I believe the cases have settled it very clearly that the profits of a corporation do not belong to the stockholders until declared as dividends. Therefore the undivided profits of a corporation can not be regarded as income of the stockholders (except in cases where the corporation is a mere fraud on the law for the purpose of evading the tax). The constitutional amendment authorizes nothing but a tax on incomes. An effort to tax, to the individual, the undistributed profits of a legitimate corporation (as distinguished from a mere corporate device to defraud the law) is not a tax on income of the individual, and therefore seems to be a plain violation of the constitutional provision.

Another serious difficulty is that stock is constantly bought and sold. It is not feasible to apportion undivided profits among various owners during the year. The entire undivided profits should not be charged to the man owning the stock on the dividend date. The dividend is

announced and is taken into account in purchasing the stock, but the undivided profit can not be ascertained in advance, so a temporary owner might be charged with large undivided profits which he never counted on and, of course, never received.

The PRESIDING OFFICER. The Secretary will state the amendment.

The SECRETARY. At a previous session the Senator from Mississippi reported back a paragraph passed over, beginning on line 14, page 166, with the words "For the purpose of," and extending to the bottom of the page. In lieu of that paragraph the Senator from Mississippi now proposes to insert the following:

For the purpose of this additional tax the taxable income of any individual shall embrace the share to which he would be entitled of the gains and profits, if divided or distributed, whether divided or distributed or not, of all companies, whether incorporated or partnership, formed or fraudulently availed of for the purpose of preventing the imposition of such tax through the medium of permitting such gains and profits to accumulate instead of being divided or distributed; and the fact that any such company or partnership, or that the gains and profits are permitted to accumulate beyond the reasonable needs of the business, shall be prima facie evidence of a fraudulent purpose to escape such tax; but the fact that the gains and profits are in any case permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape the said tax in such case unless the Secretary of the Treasury shall certify that in his opinion such accumulation is unreasonable for the purposes of the business. When requested by the Commissioner of Internal Revenue, or any district collector of internal revenue, such company shall forward to him a correct statement of such profits and the names of the individuals who would be entitled to the same if distributed.

Mr. WARREN. Mr. President, may I ask the Senator a question? That alludes to profits in a corporation that are not divided?

Mr. WILLIAMS. Yes.

Mr. WARREN. What would be the construction where a business is of such a nature that the risks are such that they are in the habit of going along for two or three—

Mr. WILLIAMS. This does not apply to all profits that are not divided at all. It applies only to such profits and the heaping up of such surplus as shall justify the Secretary of the Treasury in concluding that it is done for the purpose of evading the tax. Its main purpose is to prevent the formation of holding companies.

Here is a man, for example, with an income as large as Mr. Carnegie's income, let us say. There would be nothing to prevent him from organizing a holding company and passing his income from year to year up to undivided profits. I think if the Senator will watch the reading of the amendment he will understand its object. I ask that it may be read again.

Mr. WARREN. I undertook to keep up with it, but I want a plain declaration about the intention of the proponent of the amendment, because it could be construed so as to prevent the necessary accumulation to cover risks.

Mr. WILLIAMS. If the Senator had read it, or had noticed the reading, he would have seen that it could not have been so construed.

Mr. WARREN. I understand, then, that the intention is to prevent fraud; but it is not the intention to take away from or divide or assess a stockholder for the necessary funds that are kept in surplus in order to protect and insure the business?

Mr. WILLIAMS. No. Here is the provision:

Unless the Secretary of the Treasury shall certify that in his opinion such accumulation is unreasonable for the purposes of the business.

It is only in that event that it applies.

Mr. BRANDEGEE. Of course that leaves it absolutely to the Secretary of the Treasury to decide whether a surplus is an evidence of fraud or not, and turning the matter over to the discretion of the Secretary of the Treasury as to exactly how much surplus—

Mr. WILLIAMS. It is only prima facie.

Mr. BRANDEGEE. If the Senator will allow me to finish my sentence—

The PRESIDING OFFICER. The Senator from Connecticut has the floor.

Mr. BRANDEGEE. It gives the Secretary of the Treasury absolute power to say exactly what surplus shall be in his opinion proper for the conduct of any business, and if the views of the managers of the business do not coincide with his views they are guilty of a fraud.

Mr. WILLIAMS. Somebody has to sit in judgment as to whether there is a fraud or not.

Mr. BRANDEGEE. I should think that it is a very dangerous amendment.

Mr. PENROSE. You might associate the Secretary of Agriculture with him.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Mississippi.

The amendment was agreed to.

Mr. SHIVELY. On page 185, line 11, after the word "system" I move to insert:

or for the exclusive benefit of the members of a fraternity itself operating under the lodge system.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Indiana.

The amendment was agreed to.

The SECRETARY. On page 187 the proviso was recommitted to the committee beginning with the words "That mutual life insurance companies"—

Mr. O'GORMAN. In what line?

The SECRETARY. The proviso on page 187, beginning in line 6 and extending down to line 13.

Mr. WILLIAMS. Strike out the language.

The PRESIDING OFFICER. The Secretary will read the amendment.

The SECRETARY. The amendment as printed in the bill reads as follows:

Provided, That mutual life insurance companies shall not be required to return as a part of their income any portion of premium deposits actually returned to their policyholders within the year for which the income tax return is made, nor any portion actually credited to the policyholders by being applied as a deduction from the amount of the premium otherwise due to the company within the year for which the income tax is returned.

Mr. WILLIAMS. I want to have the committee amendment disagreed to.

The amendment was rejected.

The SECRETARY. In line 13, after the word "*Provided*," the Senator from Mississippi proposes to strike out the word "*further*."

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. SIMMONS. On page 186, at the end of line 9, on behalf of the committee I offer the following amendment.

The SECRETARY. On page 186, line 9, after the words "Porto Rico" and before the period, insert:

Provided, That whenever any State, Territory, or the District of Columbia, or a political subdivision of a State or Territory, shall have entered in good faith into a contract with any person or corporation, the object and purpose of which is to acquire, construct, operate, or maintain a public utility, no tax shall be levied under the provisions of this act upon the income derived from the operation of such public utility so far as the payment thereof will impose a loss or burden upon such State, Territory, or the District of Columbia, or a political subdivision of a State or Territory; but this provision is not intended to confer upon such person or corporation any financial gain or exemption or to relieve such person or corporation from the payment of a tax as provided for in this section upon the part or portion of the said income to which such person or corporation shall be entitled under such contract.

The amendment was agreed to.

The SECRETARY. On page 187 the proviso beginning at line 21 was recommitted on the 29th of August. It reads:

Provided further, That mutual marine insurance companies—

Mr. WILLIAMS. The committee ask the Senate to disagree to the committee amendment.

The amendment was rejected.

Mr. WILLIAMS. Let the amendment sent up be stated.

The SECRETARY. On page 188, line 3, before the word "interest," insert the words "the amount of"; in line 4, after the word "its," insert the words "bonded or other"; in line 5, after the word "indebtedness," strike out "to an amount of such indebtedness"; and in line 8, before the word "capital," insert the words "amount of interest paid within the year on an amount of its indebtedness not exceeding the amount of."

The amendment was agreed to.

The SECRETARY. In the proviso on page 190 insert, in line 1—

Mr. WILLIAMS. Wait a minute. The Secretary is going very fast.

Mr. SHIVELY. What is the amendment just read from the desk?

The SECRETARY. On page 188, line 3, before the word "interest"—

Mr. SHIVELY. That has been adopted.

The PRESIDING OFFICER. It has been adopted.

Mr. SHIVELY. What is the next amendment?

The SECRETARY. The proviso at the top of page 190 was recommitted to the committee.

Mr. WILLIAMS. I send this amendment to the desk.

The PRESIDING OFFICER. The Secretary will read the amendment.

The SECRETARY. On page 190, line 1, beginning with the word "*Provided*," strike out all the language down to and including the word "returned," on line 8.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee inserting those words.

The amendment was rejected.

The SECRETARY. On page 190, the provision beginning in line 16, after the word "reserves," down to and including the word "thereof," in line 3, was recommitted to the committee.

The PRESIDING OFFICER. Has the committee a report?

Mr. WILLIAMS. I thought I just sent up that amendment.

Mr. SHIVELY. It ought to be disagreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee.

The amendment was rejected.

The PRESIDING OFFICER. The two committee amendments have been disagreed to upon that page.

Mr. WILLIAMS. The first one has and the second one has not. I move to disagree to the Senate committee amendment beginning on line 1 and running down to and including the word "returns" in line 8.

The PRESIDING OFFICER. That amendment has been disagreed to.

Mr. WILLIAMS. Now I ask the Senate to agree to the committee amendment beginning in line 16, page 190, with the word "Provided," and running down to the word "thereof" in line 23.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee.

Mr. SMOOT. Can the Senator tell me why that is to be agreed to and the same provision on page 187, in virtually the same words, was disagreed to?

Mr. WILLIAMS. It ought not to have been disagreed to. The Secretary was reading so rapidly that my colleague and I were dividing out the words, and we did not keep up with him. I am informed by the Senator from Utah that the Senate committee amendment beginning in line 21, on page 187, and including the word "thereof" in line 3, on page 188, was disagreed to. I move to reconsider the vote and ask that the amendment be agreed to.

The PRESIDING OFFICER. Without objection, the vote will be reconsidered, and, without objection, the amendment is agreed to.

The SECRETARY. On page 187, line 21, after the word "reserves," insert the proviso running down to and including the word "thereof," in line 3, page 188, just agreed to.

On page 190, the proviso in line 16, after the word "reserves," down to and including the word "thereof," in line 23, was recommitted.

Mr. WILLIAMS. That we wish to have agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment reported by the committee.

The amendment was agreed to.

Mr. WILLIAMS. The amendment beginning with line 1, on page 190, including the word "returned," in line 8, I believe was disagreed to. Is that correct?

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was rejected.

The PRESIDING OFFICER. The next section will be read by the Secretary.

Mr. SMOOT. I should like to ask the Senator from Mississippi if, on page 190, line 23, after the word "(third)" and before the word "interest," the words "the amount of" should not be included there to conform with the amendment the Senator made on page 188, line 3, before the word "interest."

Mr. WILLIAMS. I do not think it makes any difference, but we might just as well insert it.

The PRESIDING OFFICER. The amendment proposed by the Senator from Utah will be stated.

The SECRETARY. On page 190, line 24, before the word "interest," insert the words "the amount of."

The amendment was agreed to.

The SECRETARY. On page 194 the proviso in line 25, ending with the word "thereof," on line 14, page 195, was recommitted to the committee.

Mr. SHIVELY. I offer an amendment there.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee.

Mr. SHIVELY. That is striking out the amendment beginning in line 25, page 194, with reference to mutual life insurance companies.

Mr. WILLIAMS. And ending with the word "returned," in line 7, page 195. That is to be disagreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment proposed to that portion of the committee amendment.

The amendment was rejected.

The SECRETARY. The remaining portion of the committee amendment, beginning in line 7, on page 195, reads as follows:

Provided further, That mutual marine insurance companies shall include in their returns of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be en-

titled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment thereof and the payment thereof.

Mr. WILLIAMS. We ask that that committee amendment be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee.

The amendment was agreed to.

The SECRETARY. On page 196, the proviso beginning in line 8 and ending with the word "thereof" was recommitted to the committee.

Mr. SHIVELY. I ask that it be disagreed to. I move as an amendment to strike out that part of the committee amendment.

The SECRETARY. On page 196, line 8, beginning with the word "Provided," strike out all the language down to and including the semicolon in line 16, as follows.

Mr. SHIVELY. I ask that it be stricken out.

Mr. GALLINGER. The question is on agreeing to it.

The PRESIDING OFFICER. The Chair is under the impression that the motion can be put in the affirmative.

Mr. LODGE. Certainly.

The SECRETARY. The following language was proposed to be inserted by the committee:

Provided further, That mutual life insurance companies shall not be required to return as a part of their income any portion of premium deposits actually returned to their policyholders within the year for which the income tax return is made, nor any portion actually credited to the policyholders by being applied as a deduction from the amount of premium otherwise due to the company within the year for which the income tax is returned.

Mr. LODGE. Merely on the matter of procedure, if that is an independent amendment, the proper thing to do is to disagree to it. The Chair is quite right in putting the question on agreeing to it, because that is the form. If it is part of the amendment, then we amend it by striking it out.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee striking out the part of the committee amendment which has been read. [Putting the question.] The ayes have it, and the amendment striking out this part is agreed to.

The SECRETARY. On page 196, line 16, after the word "returned," just stricken out, insert the following proviso:

Provided further, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof.

Mr. SHIVELY. I ask that the amendment be agreed to.

The amendment was agreed to.

Mr. GALLINGER. Now, Mr. President, I will ask the Senator from Mississippi as to the precise shape the amendments that are agreed to leave this matter concerning life insurance companies. Of course, we could not understand it from simply hearing it read. Will the Senator state it in a few words?

Mr. WILLIAMS. In every case we have stricken out the Senate committee amendments providing for mutual life insurance companies to be exempt. In every case we have kept in the bill the committee amendment providing for marine insurance companies to be exempt.

Mr. GALLINGER. That, I should think, would meet the contention that has been made.

Mr. WILLIAMS. I think so. I can not hear the conversation going on between the Senator from New Hampshire and the Senator from Utah.

Mr. GALLINGER. The Senator from Utah suggested to me that mutual insurance companies had insisted they ought to have the exemption, and the committee has recommended that that should be stricken out, so they are not exempted.

Mr. WILLIAMS. They are not exempted. Under the present law they are not exempted and we found out if we undertook to exempt so-called mutual life insurance companies, in order to do complete justice we would have to exempt all life insurance companies that issued a mutual participating policy. We concluded that that was losing entirely too much revenue, and as they were already taxed under the present excise law we said we would continue it.

Now mutual marine insurance companies are upon a different footing. They do not make any profit at all. The only thing they make is enough money to pay the officers who manage the business.

Mr. GALLINGER. I appreciate the difficulty that confronted the committee, because it has been urged very vigorously that if mutual companies were exempt all the companies that issue mutual policies ought to be exempt.

Mr. WILLIAMS. We finally came to that conclusion.

Mr. GALLINGER. I presume the committee took a very wise course.

Mr. WILLIAMS. Now I offer an amendment on page 213.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. Amend by adding as a new provision on page 213—

Mr. WILLIAMS. By the way, section 3 was passed over and has not been adopted. I ask for the adoption of section 3 first.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee to insert as section 3 what will be read.

The SECRETARY. It is proposed to insert as section 3, beginning at page 210, the following:

SECTION III.

That upon each sale, agreement of sale, or agreement to sell, any cotton for future delivery at or on any cotton exchange, or board of trade, or other similar place, or by any person acting in substantial conformity to the rules and regulations or market quotations of any such cotton exchange, board of trade, or other similar place, there is hereby levied a tax equal to one-tenth of 1 cent per pound on the quantity of cotton mentioned and described in any such contract: *Provided*, That in all cases where the quantity and kind of cotton mentioned and described in such contract is actually delivered, in compliance in good faith therewith, by the seller to the buyer therein respectively named, the tax levied by this section shall be refunded to the party paying the same in such manner and under such regulations as the Secretary of the Treasury shall prescribe. Any sale, agreement of sale, or agreement to sell, any cotton for future delivery, at or on any cotton exchange, board of trade, or other similar place, or by any person acting in conformity to the rules and regulations of any such cotton exchange, board of trade, or other similar place, in any foreign country, where the order for such sale has been transmitted from the United States to such foreign country and either the buyer or the seller described in such contract of sale is at the time of the execution thereof a resident of the United States, shall be deemed and considered in all respects a sale, agreement of sale, or agreement to sell, for future delivery, of the cotton described therein within the meaning of this section. A corporation organized under the laws of any State or country shall be deemed for all purposes a person within the meaning of this section. All contracts for the sale as aforesaid of cotton for future delivery at the places and by the persons herein mentioned shall be in writing, plainly stating the terms of such contract and indicating the parties thereto and signed by the party to be charged, by himself or his agent. The said tax shall be paid by means of stamps affixed to such written contract and shall be paid by the party named as buyer therein.

That the Secretary of the Treasury is hereby authorized and empowered to make, prescribe, and publish all rules and regulations necessary to the enforcement of the foregoing section and to the collection of the tax thereby imposed. To further effect this purpose, he is hereby authorized to require all persons coming within its provisions to keep such records and systems of accounting as will fully and correctly disclose the transactions in connection with which the said tax is authorized; and he may appoint such agents as he may deem necessary to conduct the inspection necessary to collect the tax herein authorized and otherwise to enforce this statute and all rules and regulations lawfully made in pursuance thereof, as in his judgment may be required, and to fix the compensation of such agents.

That any cotton exchange, board of trade, or other similar place, its officers and agents, or persons acting in substantial conformity with the rules and regulations or market quotations of any such cotton exchange, board of trade, or other similar place where contracts for the sale of cotton for future delivery are made in violation of this statute, and every person who is made liable for the tax thereby imposed who shall fail to pay, or shall evade, or attempt to evade, the payment of the tax levied by this section, or shall otherwise violate this statute, or any rule or regulation lawfully made by the Secretary of the Treasury in pursuance thereof, shall be guilty of a misdemeanor, and upon conviction thereof shall pay a fine in any sum not less than \$100 nor more than \$20,000; and in case of natural persons or unincorporated associations of persons violating this act an additional punishment by imprisonment for not less than one year nor more than three years may be imposed, at the discretion of the court.

In addition to the foregoing punishment, there is hereby imposed a penalty of \$2,000 on each separate sale made in violation of this statute, to be recovered in an action founded on this statute in the name of the United States as plaintiff, and when so recovered one-half of said amount shall be paid over to the person giving the information upon which such recovery is based.

That no person whose evidence is deemed material by the officer prosecuting on behalf of the United States shall withhold his testimony because of complicity by him in any violation of this statute, but any such person so required to give evidence as a witness shall be exempt from prosecution in any court of the United States for the particular offense in connection with the prosecution whereof such testimony was given.

That the payment of the tax levied under authority of this section shall not exempt any person from any penalty or punishment now or hereafter provided by the laws of any State for entering into contracts for the future delivery of cotton; nor shall the payment of taxes imposed by this section be held to prohibit any State or municipality from imposing a tax on the same transaction.

The amendment was agreed to.

Mr. WILLIAMS. Now, I move as an amendment what I have sent to the desk.

Mr. NORRIS. We have passed over some amendments that I think the RECORD shows were offered. As to page 209, I simply wish to announce that I have offered an amendment to provide for an inheritance tax. In order that the committee may get the bill out of Committee of the Whole and into the Senate, after consulting with others who are interested in this amendment, we have decided not to press the amendment until the bill gets into the Senate.

Mr. WILLIAMS. All right.

Mr. SIMMONS. That is the inheritance tax amendment?

Mr. NORRIS. Yes. The same thing can be said in regard to another amendment on page 250 of the bill providing for including some provision against the so-called Brazilian valorization of coffee proposition. Both those amendments will take considerable time, and understanding the purpose we did not want to hinder the committee from getting the bill out of committee into the Senate. So we will not offer the amendments until Monday.

Mr. WILLIAMS. I do not know that that will help us particularly. They might just as well be considered now as then.

Mr. NORRIS. I do not know either.

Mr. WILLIAMS. Still the Senator has the right to offer the amendments when he chooses.

Mr. NORRIS. I will state to the Senator from Mississippi that I adopted that course after consulting with the chairman of the committee and with other Members on this side who are interested in the amendments.

Mr. JONES. In that connection I desire to say that I had an inheritance tax amendment that I had offered and expected it to follow the amendment of the Senator from Nebraska. If that is not adopted, I am going to follow the same course as he and wait until we get the bill into the Senate before presenting the amendment.

The PRESIDING OFFICER. The next amendment will be stated.

The SECRETARY. The next amendment proposed by Mr. WILLIAMS is on page 213, after line 20, to insert:

The provisions of the foregoing section shall take effect and be in force from and after the first day of September, 1914.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Mississippi.

Mr. NORRIS. Mr. President, I notice that the senior Senator from Iowa [Mr. CUMMINS] is not in the Chamber. He has an amendment, I believe, as a substitute for this section, which was referred to the committee.

Mr. WILLIAMS. Though the Senator from Iowa is not in the Chamber, we can not stop the whole bill.

Mr. KENYON. The substitute can be offered in the Senate.

Mr. WILLIAMS. Well, we passed this over once. The Senator from Iowa can offer his substitute in the Senate.

Mr. SIMMONS. He can offer it to-night if he gets back in time.

Mr. WILLIAMS. Oh, yes; if he gets back in time he can offer it to-night. I ask unanimous consent that the section may be returned to for the purpose of the senior Senator from Iowa [Mr. CUMMINS] offering a substitute therefor, if he returns to-night.

The PRESIDING OFFICER. Without objection, it is so ordered. The question is on agreeing to the amendment offered by the Senator from Mississippi.

The amendment was agreed to.

The SECRETARY. In section 4, on page 219, beginning with line 4, the amendment was recommitted down to and including the word "article," in line 7, on page 220.

Mr. WILLIAMS. I move to disagree to the Senate committee amendment and leave the language in the bill as it came from the House.

The PRESIDING OFFICER. The amendment proposed by the committee will be stated.

The SECRETARY. In section 4, page 219, line 21, after the word "subsequently," the Committee on Finance propose to insert:

That the Secretary of the Treasury and the Secretary of Commerce are hereby authorized and directed to establish from time to time for statistical purposes a list or enumeration of articles in such detail as in their judgment may be necessary comprehending all goods, wares, and merchandise imported into the United States, and that as a part of the declaration herein provided there shall be either attached thereto or included therein an accurate statement specifying, in the terms of the said detailed list or enumeration, the kinds and quantities of all merchandise imported, and the value of the total quantity of each kind of article.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was rejected.

The PRESIDING OFFICER. The Secretary informs the Chair that the amendment was agreed to on August 30. Therefore a motion to reconsider the vote by which the amendment was agreed to will have to be made.

Mr. WILLIAMS. Very well. If that is the case, I move that the vote by which the amendment was agreed to be reconsidered.

The PRESIDING OFFICER. Without objection, the vote by which the amendment was agreed to will be reconsidered. The question now is on the motion of the Senator from Mississippi [Mr. WILLIAMS] to disagree to the amendment of the committee.

The motion was agreed to.

Mr. WILLIAMS. On page 248, line 19, before the word "earthen," I move to insert the word "lime" and a semicolon. The amendment was agreed to.

Mr. WILLIAMS. On page 249, line 13, before the word "cheese," I move to insert the word "lime" and a semicolon.

Mr. JONES. I want to ask the Senator from Mississippi what real rates the committee intend to make on lime in the case provided by the amendment?

Mr. WILLIAMS. It is the rate named here. It is now 5 per cent.

Mr. JONES. Yes.

Mr. WILLIAMS. Is that right?

Mr. JONES. Is it the intention of the committee to make the rate 6½ per cent? That is what one and one-half times the rate means. I can not believe that the committee intended that. That only permits the President to make an increase of 1½ per cent.

Mr. WILLIAMS. The committee agreed that it should be put at 10 per cent.

Mr. JONES. Then, that would be twice the rate.

Mr. WILLIAMS. Yes.

Mr. JONES. It would be twice the rate, instead of one and one-half times.

Mr. WILLIAMS. Yes.

Mr. JONES. Then, the Senator from Mississippi should offer such an amendment.

Mr. SIMMONS. It ought to go right there, in line 10, "lime, 10 per cent."

Mr. WILLIAMS. I was mistaken.

Mr. SIMMONS. If the Senator from Mississippi will permit, I have looked into this matter somewhat, and the insertion ought to be immediately after the retaliatory duty imposed on tea, in line 10. Add there, "lime, 10 per cent ad valorem."

Mr. WILLIAMS. Mr. President, the Senator from North Carolina will disarrange the paragraph if his suggestion is followed, because it now reads, "On the following articles one and one-fourth times the rate specified in section 1 of this act." If the Senator from North Carolina should insert the word "lime" there, then we should have to change all of the succeeding language.

Mr. SIMMONS. That refers to the articles mentioned after "tea."

Mr. JONES. The Senator from North Carolina suggests to make the insertion before that.

Mr. WILLIAMS. If the Senator from North Carolina will listen to me, I will read the language. It is as follows:

On the following articles one and one-fourth times the rate specified in section 1 of this act, namely, on earthen, stone, and china ware; expressed oils; lemons; cheese; wines of all kinds; malt liquors; knitted goods; silk dresses and silk goods; leather gloves; laces and embroideries of whatever material composed and articles made wholly or in part of the same; toys; jewelry and precious, semiprecious, and imitation precious stones suitable for use in the manufacture of jewelry.

Mr. SIMMONS. I propose to put it right there before the beginning of what the Senator has read—immediately after the words "tea, 10 cents per pound."

Mr. WILLIAMS. Very well. Then I move to reconsider the vote whereby the amendment putting the word "lime" just before the word "cheese," in line 13, was adopted, and then I will move to insert the word "lime," in line 10, just after the word "tea."

Mr. JONES. It ought to be after the word "pound."

The PRESIDING OFFICER. The first question is on reconsidering the amendment just adopted.

Mr. JONES. That amendment was not adopted, because I had risen and addressed the Chair with reference to the proposition. It was simply proposed.

Mr. WILLIAMS. It should read, "tea and lime, 10 cents a pound."

Mr. JONES. I should like to have it that way, but that is not the way the Senator from North Carolina wants it.

Mr. SIMMONS. The retaliatory duty on tea is 10 cents a pound, and on lime it should be 10 per cent ad valorem.

The PRESIDING OFFICER. The Senator from Washington [Mr. Jones] is correct. The amendment was not agreed to.

Mr. WILLIAMS. The Senator from North Carolina insists that the word "lime" should come immediately after the word "tea." It ought to come right after the word "pound," in line 10, so as to read, "lime, 10 per cent."

Mr. SIMMONS. The Senator from Mississippi is entirely mistaken when he says I insisted on putting it immediately after the word "tea." I did nothing of the kind.

Mr. WILLIAMS. I thought the Senator did.

Mr. SIMMONS. I insisted on putting it immediately after the retaliatory duty imposed on tea, which is 10 cents per pound.

Mr. WILLIAMS. I understood the Senator the other way.

Mr. SIMMONS. I did not say anything of the sort.

The PRESIDING OFFICER. The Secretary will state the amendment proposed by the Senator from Mississippi.

The SECRETARY. On page 249, in line 10, after the word "pound" and the semicolon, it is proposed to insert "lime, 10 per cent ad valorem."

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Mississippi.

The amendment was agreed to.

The SECRETARY. The next amendment passed over is on page 262, J, subsection 5, line 19, passed over on the request of Mr. GALLINGER.

Mr. GALLINGER. Mr. President, I have looked into the matter, and am quite willing that the amendment shall be agreed to.

The PRESIDING OFFICER. The amendment will be stated with the committee amendment.

The SECRETARY. In paragraph J, subsection 5, page 262, line 19, after the word "of," it is proposed to insert "naval vessels of the United States," so as to make the subsection read:

J. Subsection 5. That all materials of foreign production which may be necessary for the construction of naval vessels of the United States, vessels built in the United States for foreign account and ownership, or for the purpose of being employed in the foreign or domestic trade, and all such materials necessary for the building of their machinery, and all articles necessary for their outfit and equipment, may be imported in bond under such regulations as the Secretary of the Treasury may prescribe; and upon proof that such materials have been used for such purposes no duties shall be paid thereon.

The amendment was agreed to.

The SECRETARY. In paragraph J, subsection 6, page 263, line 5, after the words "repair of," it is proposed by the committee to strike out "American vessels" and insert "naval vessels of, or other vessels owned or used by, the United States and vessels admitted to registration under the laws of the United States," so as to make the subsection read:

J. Subsection 6. That all articles of foreign production needed for the repair of naval vessels of, or other vessels owned or used by, the United States and vessels admitted to registration under the laws of the United States may be withdrawn from bonded warehouses free of duty under such regulations as the Secretary of the Treasury may prescribe.

The amendment was agreed to.

Mr. WILLIAMS. On page 250, line 20, I move the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On page 250, line 20, after the word "same," it is proposed to insert "except in so far as paragraph 179 of Schedule E, section I, may be determined to be in conflict with the proviso to article 8 of said treaty."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Mississippi.

The amendment was agreed to.

Mr. WARREN. Mr. President, I should like to recur to page 262 for a moment. I desire to ask a question. At the top of page 262 there seems to have been an amendment put in by the Senate, reading as follows:

Models of women's wearing apparel imported by manufacturers for use as models in their own establishments.

Of course the articles referred to in that provision are dresses or gowns, wraps, and so forth, and they are sold as such. Is it the idea to bring them in free while other articles of dress are made dutiable?

Mr. WILLIAMS. When they come here in this way they are imported by manufacturers and are used as models in their own establishments and not for sale.

Mr. WARREN. But they are invariably sold, I think; in fact, it is quite the thing for ladies to buy models. They buy them in large numbers, and pay high prices for them.

Mr. WILLIAMS. There were several people who came before the subcommittee and urged that, while they were allowed to bring in samples solely for use in taking orders for merchandise and various other things, amongst others model patterns for use in manufacturing casts, and so forth, there was no such provision in regard to models of women's wearing apparel.

Mr. WARREN. Mr. President, that may be the intention, and I do not know that I object to bringing in ladies' wardrobes untaxed, but the fact is that dozens, yes, scores and scores, of dresses are brought over as models, sold as models, and called "models." This provision, of course, will allow them to come in by the hundred.

Mr. WILLIAMS. I do not think so, because it says "imported by manufacturers for use as models in their own establishments."

Mr. WARREN. That is true, but—

Mr. WILLIAMS. If the models go out of their own establishments they would be subject to the tax.

Mr. WARREN. Every dressmaking establishment brings over models and sometimes makes one or two dresses like the models and only that number, because the purchasing public like to have but very few of a kind, perhaps one of a kind.

Mr. WILLIAMS. So as to clear up that ambiguity, if it exists, I suggest to the Senator whether or not it would be satisfactory to insert after the word "establishments" the words "and not for sale."

Mr. WARREN. That is satisfactory.

Mr. WILLIAMS. I move, then, to insert those words in line 3, after the word "establishments."

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On page 262, line 3, after the word "establishments," it is proposed to insert the words "not for sale."

Mr. SMOOT. Mr. President, I think if the Senator will read the subsection, he will not ask that those words be put in, either. This is what it says:

That machinery or other articles to be altered or repaired, molders' patterns for use in the manufacture of castings intended to be and actually exported within six months from the date of importation thereof.

Of course, it does not hurt if you want to put in those words.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Mississippi.

The amendment was agreed to.

Mr. WILLIAMS. I offer an amendment to come in on page 267, line 12.

The PRESIDING OFFICER. The attention of the Senator from Mississippi is called to the fact that there is something passed over on a preceding page which the Secretary will state.

The SECRETARY. On page 263 the committee amendment proposes to strike out lines 11 to 14, both inclusive. That paragraph was passed over at the request of the senior Senator from Washington [Mr. JONES].

Mr. JONES. I simply desire to say that on account of the small attendance here I am not going to oppose adoption of the committee amendment to-night. I desire to say, however, that I shall ask for a separate vote on the committee amendment when the bill comes into the Senate, and shall have an amendment to propose to it, and shall then oppose the adoption of the committee amendment.

Mr. WILLIAMS. Very well.

The amendment was agreed to.

The PRESIDING OFFICER. The Secretary will now report the amendment of the Senator from Mississippi.

The SECRETARY. On page 267, line 12, after the word "and," it is proposed to insert the words "boxes or packages containing."

The PRESIDING OFFICER. The amendment just offered by the Senator from Mississippi was agreed to on the 30th day of August.

Mr. WILLIAMS. The committee amendment there in the bill has been already adopted, I think.

The PRESIDING OFFICER. Yes.

Mr. WILLIAMS. Now, I have offered an amendment to that amendment, after the word "and," in line 12, to insert "boxes or packages containing."

Mr. GALLINGER. That was agreed to.

The PRESIDING OFFICER. That amendment was inserted on the 30th day of August, and agreed to.

Mr. WILLIAMS. Oh, it was?

Mr. GALLINGER. Yes.

The SECRETARY. On page 267, subdivision N, beginning "That the works of manufacturers engaged in smelting or refining, or both, of ores and crude metals," etc., running over to and including line 16, on page 268, was recommitted to the committee on the 30th day of August.

Mr. WILLIAMS. At whose request was that done?

The PRESIDING OFFICER. At the request of the Senator from Mississippi.

Mr. WILLIAMS. I have no note of its having been recommitted. Oh, I remember now, Mr. President. It was recommended that in place of paragraph N there should be inserted a substitute in the language I will send to the desk. By my neglect this matter was not submitted to the committee. It was accompanied by a letter, I will state, to the chairman of the committee from the Secretary of the Treasury, accompanied by a letter from James L. Gerry, of New York, and a communication recommending the insertion of the matter which I will send up as a substitute. I read it over, and I think it ought to be substituted for the paragraph.

Mr. SIMMONS. Mr. President, I think that is all right. I have been over it, and I think it is satisfactory.

The PRESIDING OFFICER. The Senator from Mississippi reports back the amendment from the committee with an amendment, which the Secretary will read.

The SECRETARY. On page 267, it is proposed to strike out paragraph N and insert the following in lieu thereof:

N. That the works of manufacturers engaged in smelting or refining, or both, of ores and crude metals, may, upon the giving of satisfactory bonds, be designated as bonded smelting warehouses. Ores or crude metals may be removed from the vessel or other vehicle in which imported, or from a bonded warehouse, into a bonded smelting warehouse without the payment of duties thereon and there smelted or refined, or both, together with other ores or crude metals of home or foreign production: *Provided*, That the bonds shall be charged with the amount of duties payable upon such ores and crude metals at the time of their importation, and the several charges against such bonds may be canceled upon the exportation or delivery to a bonded manufacturing warehouse established under paragraph M of this section of an amount of the same kind of metal equal to the actual amount of dutiable metal producible from the smelting or refining, or both, of such ores or crude metals, as determined from time to time by the Secretary of the Treasury: *Provided further*, That the said metals so producible, or any portion thereof, may be withdrawn for domestic consumption or transferred to a bonded customs warehouse and withdrawn therefrom and the several charges against the bonds canceled upon the payment of the duties chargeable against an equivalent amount of ores or crude metals from which said metal would be producible in their condition as imported: *Provided further*, That on the arrival of the ores and crude metals at such establishments they shall be sampled and assayed according to commercial methods, under the supervision of the Government officers to be appointed by the Secretary of the Treasury and at the expense of the manufacturer: *Provided further*, That antimonial lead produced in said establishments may be withdrawn for consumption upon the payment of the duties chargeable against it as type metal under existing law and the charges against the bonds canceled in a similar sum: *Provided further*, That all labor performed and services rendered pursuant to this section shall be under the supervision of an officer of the customs, to be appointed by the Secretary of the Treasury, and at the expense of the manufacturer: *Provided further*, That all regulations for the carrying out of this section shall be prescribed by the Secretary of the Treasury.

The amendment was agreed to.

Mr. SIMMONS. Mr. President, with the consent of the Senator from Mississippi, if it does not interfere with him, there is an amendment which I wish to offer for the committee on page 67, in line 12, after the word "spirits." It is the amendment recommended by the department.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On page 67, line 12, after the word "spirits" and before the period, it is proposed to insert the following:

Except that when written protest is filed with the collector of customs by the importer before he accepts the goods, reciting that a cask or package has been broken or otherwise injured in transit from a foreign port, and that as a result a part of the contents thereof, amounting to 10 per cent or more of the value of the contents of said cask or package in the condition as exported from said foreign port before such breakage or injury occurred, has been lost, particularly specifying and identifying the package, consignment, and invoice from which the loss has occurred, it shall be the duty of the collector to separate said package or packages so alleged to have been broken or injured, or the consignment from which a portion thereof is alleged to have been lost, and to cause a separate inventory and appraisal thereof to be made, and duties shall be collected only upon the balance remaining in said cask or package, less normal outage or wantage, as determined by the official gauger.

Mr. SMOOT. Mr. President, there was so much noise in the Chamber that I could hardly hear the amendment, but I should like to ask the Senator from North Carolina a question.

Mr. SIMMONS. Mr. President, I withdraw the amendment until we get into the Senate.

Mr. SMOOT. No; the Senator need not withdraw it. I am in favor of the amendment if I understand it correctly. I just wish to ask the Senator a question. That applies only in a case where 10 per cent of the contents of the cask has leaked out?

Mr. SIMMONS. Yes.

Mr. SMOOT. Anything less than 10 per cent it would not apply to?

Mr. SIMMONS. It would not apply to anything less than 10 per cent.

Mr. SMOOT. I have no objection to the amendment.

Mr. SIMMONS. I submitted the amendment to the department, and they said it ought to be adopted.

Mr. SMOOT. There is not any question about it.

Mr. SIMMONS. It is an amendment offered by the Senator from Ohio [Mr. POMERENE].

Mr. SMOOT. We had a similar bill before the Senate, and tried to pass it, once. I think it is a very just provision.

Mr. POMERENE. I have been advised that where there has been an accident to a cask, and part of its contents has leaked out, the Government will not allow a rebate under the present law.

Mr. SMOOT. The Government can not allow a rebate under the present law.

Mr. POMERENE. That has been held; and it is to remedy that that this amendment is offered.

Mr. SMOOT. I think it is a very proper measure.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Carolina.

The amendment was agreed to.

Mr. WILLIAMS. I wish to ask whether, when we went over the bill before, the matter on page 273 beginning with line 11 and ending with line 17 was stricken out or not?

The PRESIDING OFFICER. The amendment was disagreed to on the 30th day of August.

Mr. WILLIAMS. That is right, then. On page 274, line 23, after the word "act," I wish to insert the matter which I send to the desk.

The PRESIDING OFFICER. The Secretary will state the amendment.

The SECRETARY. On page 274, on August 30, the amendment of the committee was recommitted to the committee.

Mr. WILLIAMS. Now the committee is ready to report it with an amendment. I have just sent the amendment to the Secretary.

The PRESIDING OFFICER. The Senator from Mississippi reports back the committee amendment with an amendment, which will be stated.

The SECRETARY. In lieu of the committee amendment as reported it is proposed to insert the following:

To permit any oaths to be demanded or fees to be charged except as provided in this act or in section 2862 of the Revised Statutes of the United States, nor.

Mr. WILLIAMS. Some Senator on the other side called attention to that, and there was fear expressed that the bill as worded now might dispense with the consular oaths demanded by the Department of State. Section 2862 is the section of the Revised Statutes which requires consular oaths; so I provided for it in this way, to continue the consular oaths.

Mr. CLARK of Wyoming. Mr. President, I wish to call the attention of the Senator from Mississippi to the fact that in that same subdivision T occurs the matter that was again taken under consideration by the committee to-day, at the suggestion of the junior Senator from Utah [Mr. SUTHERLAND], in relation to providing for the Customs Court. It is in the same section.

Mr. WILLIAMS. That can be very easily cured.

Mr. CLARK of Wyoming. It will require some change of language in order to cure it.

Mr. WILLIAMS. I do not know that it will. It reads:

Subsection 29 of section 28 and subsequent provisions relating to the establishment and continuance of a Customs Court.

The contention of the Senator from Utah was that the words "subsequent provisions" necessarily referred to subsequent provisions in that subsection, but after we finish a subsection there can be no subsequent provision.

Mr. CLARK of Wyoming. If the Senator from Mississippi is satisfied, very well. I merely wanted to call his attention to the fact that the Senator from Utah, who is not at present in his seat, called attention to it to-day.

Mr. WILLIAMS. I suggested to the Senator this morning, though he had not time to reply to me and look into it, that perhaps it would be well to strike out the word "provision" and say "subsequent enactments," or "subsequent laws," or "subsequent amendments." In order to get the opportunity to amend the matter in conference, at any rate, I move to strike out the word "provision" and substitute "laws and amendments."

The PRESIDING OFFICER. There is an amendment already pending. The question is on the former amendment.

The amendment was agreed to.

The PRESIDING OFFICER. Now the Senator from Mississippi offers an amendment, which will be stated.

Mr. WILLIAMS. In line 2, page 275, I move to strike out the word "provisions" and insert "laws and amendments."

The PRESIDING OFFICER. The Secretary will state the amendment.

The SECRETARY. On August 30 the committee amendment at the bottom of page 275 was agreed to. All the matter commencing with the word "Subsection," on line 1, down to and including the word "act," in line 18, page 276, was recommitted to the committee.

Mr. WILLIAMS. Now, Mr. President, I wish to call the attention of the Senator from Connecticut [Mr. BRANDEGEE] to the fact that at his request we took back the proviso beginning in line 21 so that we might use the precise language of the excise tax.

Mr. CLARK of Wyoming. I will suggest to the Senator that the amendment which he proposed to the word "provisions" has not yet been acted upon.

Mr. WILLIAMS. I thought it had been.

The PRESIDING OFFICER. No; it has not. The question is on agreeing to the amendment offered by the Senator from Mississippi, which the Secretary will state.

The SECRETARY. On page 275, line 2, it is proposed to strike out the word "provisions" and insert the words "laws and amendments."

The amendment was agreed to.

Mr. WILLIAMS. Now, Mr. President, in lines 21 and 22, page 275, following the amendment—and I call the attention of the Senator from Connecticut [Mr. BRANDEGEE] to this—I have gone back and gotten the precise language of the excise law, and have substituted it for the language of the amendment.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On page 275, line 21, after the word "that"—

The PRESIDING OFFICER. That amendment has already been agreed to. Does the Senator from Mississippi move to reconsider the action of the Senate in agreeing to the amendment on August 30?

Mr. WILLIAMS. The amendment has already been agreed to, and I am now amending the amendment as agreed to.

The PRESIDING OFFICER. The Senator from Mississippi offers an amendment to the amendment of the committee as agreed to. The Secretary will report the amendment to the amendment.

The SECRETARY. On page 275, line 21, after the word "that," it is proposed to insert the words "a special"—

Mr. WILLIAMS. Strike out the indefinite article "an" and substitute the words "a special."

Mr. SMOOT. If that is the case, this will have to be reconsidered.

The PRESIDING OFFICER. The Chair is of that opinion. The Chair is of opinion that a motion to reconsider will have to be made by the Senator from Mississippi.

Mr. WILLIAMS. I differ with the Chair; but, as the court said to the young man, "Your opinion goes right now, and we won't stop to argue it."

The PRESIDING OFFICER. Does the Senator from Mississippi move to reconsider?

Mr. WILLIAMS. I move, then, to reconsider.

The motion to reconsider was agreed to.

The PRESIDING OFFICER. The Secretary will now state the amendment.

The SECRETARY. On page 275, line 21, after the word "That," it is proposed to strike out "an" and insert "a special."

The amendment was agreed to.

The SECRETARY. In line 22, after the word "tax," strike out the words "upon the" and insert the words "with respect to the carrying on or."

Mr. WILLIAMS. So as to read:

That a special excise tax with respect to the carrying on or doing of business.

That is the exact language of the old bill. It is not very good grammatically, but I thought it safer to follow it.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. WILLIAMS. I took notes, and I think we have covered everything that was passed over. Is there anything else at the clerks' desk passed over which has been omitted?

Mr. SMOOT. Paragraph 254½ was passed over.

Mr. SIMMONS. I think I will be ready to deal with that in a few minutes. The Senator from Georgia [Mr. SMITH] desires to submit some remarks. I wish to ask the Senator from Iowa [Mr. CUMMINS] if he desires to submit his amendment?

Mr. JOHNSON. I wish to recur to paragraph 328, on page 97, for the purpose of offering an amendment.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On page 97, paragraph 328—

Mr. JOHNSON. In behalf of the committee, I move to insert, after the word "felt," in the eleventh line, the words "common paper-box board, not coated, lined, embossed, printed, or decorated in any manner, nor cut into shapes for boxes or other articles."

Mr. SMOOT. Let it be read.

The PRESIDING OFFICER. The amendment will be read.

The SECRETARY. On page 97, line 11, after the word "felt" and the comma, insert the following:

Common paper-box board, not coated, lined, embossed, printed, or decorated in any manner, nor cut into shapes for boxes or other articles.

Mr. SMOOT. Let me suggest to the Senator that he ought to strike out the word "and" before "roofing," so that the paragraph will read:

328. Sheathing paper, pulpboard in rolls, not laminated, roofing felt, and common paper-box board, not coated, lined, embossed, printed, or

decorated in any manner, nor cut into shapes for boxes or other articles, 5 per cent ad valorem.

Mr. JOHNSON. I think the Senator from Utah is correct. I also move to strike out the word "and" before "roofing," on page 97, the first word in line 11.

The PRESIDING OFFICER. The Senator from Maine modifies his amendment. The question is on agreeing to the amendment as modified.

The amendment as modified was agreed to.

Mr. CUMMINS. A few days ago I presented an amendment suggesting that I would offer it as a substitute for the committee amendment found on pages 210 to 213, being section 3 of the bill. In my absence the amendment of the committee was adopted, and I do not care to have the action of the Senate reconsidered. In fact, upon reflection—

The PRESIDING OFFICER. The Chair will state to the Senator from Iowa that it was agreed by unanimous consent that it could be recurred to.

Mr. CUMMINS. I so understood; but upon reflection I have reached the conclusion that I would prefer to offer the amendment as an addition to the bill rather than as a substitute to the amendment proposed by the Senator from Arkansas [Mr. CLARKE] that came through the committee. Therefore I shall offer the following as an amendment to follow line 20, on page 213.

Mr. CLARKE of Arkansas. There has been an amendment to that paragraph added after line 20 by the committee. It would follow that.

Mr. CUMMINS. Very well; it is to follow the amendment that has now been adopted by the Senate.

Mr. SIMMONS. I think the amendment has been read once. Does the Senator from Iowa desire to have it read again?

Mr. CUMMINS. I stated what the amendment is the other day.

Mr. SIMMONS. The Senator can restate it.

Mr. CUMMINS. I do not ask that it be read, but I do desire the opportunity of restating what it provides. It proposes to levy a tax of 10 per cent upon all sales made on stock exchanges, boards of trade, and other like institutions wherein the seller is not the owner of the things sold at the time the transaction takes place. Whatever may be its revenue-producing quality, the uppermost thought in my mind is to restrict if not to entirely abolish what is known as short sales upon exchanges and boards of trade. I speak of them as short sales. I am very moderate and polite when I so describe them. If I were to be entirely accurate in describing these transactions, I would call them speculative gambling.

I regard these transactions as one of the great evils of our modern commercial system, an evil that has wrought a more serious effect not only upon the stability of business but upon the morality of those who engage in the business than any other phase of our State or interstate commerce. I believe that we ought to put this limitation upon them, knowing that it will very greatly reduce the extent of the gambling and hoping and believing that it will entirely exterminate that method of doing business. I presented the subject at a good deal of length the other day. I have not the heart to impose further upon an already overworked and wearied Senate. Therefore, I do nothing more at this time than to ask for the yeas and nays upon my amendment.

Mr. CLARKE of Arkansas. Mr. President, I shall not be able to vote at this time for the amendment offered by the Senator from Iowa. I do not refrain from voting for it, however, because I do not approve of the general principle upon which it is cast. I most heartily agree with him, and on some appropriate occasion I hope to serve in cooperation with the Senator in putting upon the statute books just such legislation. I believe that the gambling carried on by the exchanges of this country is a most demoralizing force in our commercial life. I believe it is doing more to disturb the lines of legitimate commerce than everything else combined.

I shall not, however, be able to vote for the amendment because of the lateness of the hour and because of the fact that this bill has been practically matured under supervision that did not involve consultation with the distinguished Senator from Iowa. I am sure that many features of it must have been improved had we had that opportunity, but the conditions under which we were called upon to act deprived us of it. I am committed absolutely and unconditionally to the exertion of every power at the command of this Government to suppress gambling upon the organized exchanges of the country.

Mr. BRISTOW. Mr. President, I am in hearty accord with the amendment that is contained in the bill as section 3, so far as it goes. I regret that it does not include gambling in grain as well as cotton. I believe the amendment proposed by the Senator from Iowa would accomplish the result as to grain that is sought to be accomplished by the amendment in the bill

as it relates to cotton. I can not see why gambling in cotton should be prohibited and then permitted in other farm products. The demoralization so far as it relates to cotton is just as bad in regard to wheat and other farm products.

I hope that those who believe that this form of gambling should be stopped will vote for the amendment which the Senator from Iowa has offered. It is the most corrupting influence to-day in American business life. It is worse than the Louisiana lottery ever was. It has destroyed the fortunes of more men and destroyed more people, morally and financially, ten to one than the Louisiana lottery ever did. Still we permit it to go on year after year.

I do hope that the Democratic Members will consent to extend this prohibition so as to include these stocks.

Mr. NORRIS. Mr. President, I listened the other day with a great deal of interest to the argument which was made by the Senator from Arkansas [Mr. CLARKE] in favor of the provision in the bill as it now stands. The speech that he delivered made an impression upon me. I was pleased to see the position he had taken. I was struck with the wonderful ability that he showed on that occasion and the broad comprehension that he had of the subject he was discussing. I am satisfied that what he said made a deep and lasting impression upon all those who listened to him with open minds.

I believe that I listened with an open mind, as I think I have at least tried to do with every argument that has been made upon every provision in the bill. But everything that he said seemed to me to be an argument not only for his amendment but for the broader and more comprehensive amendment offered by the Senator from Iowa [Mr. CUMMINS]. I will not detract one single iota from what the Senator from Arkansas said when I say that the good which would come from his amendment would all be reached and accomplished, and much more of the same kind, if we could adopt the amendment proposed by the Senator from Iowa.

I am struck with the remarkable proposition that the Senator from Arkansas has just announced in saying that practically he agreed with all the Senator from Iowa had said in favor of his amendment. I regret that such able Senators as the Senator from Arkansas and many others on the other side feel that under the circumstances they can not vote for an amendment which appeals so conclusively to their consciences.

I believe that the amendment proposed by the Senator from Iowa would do a wonderful lot of good to the country. The evil which exists in the cotton exchange exists in all the other exchanges, either to a greater or less degree. The same principle, it seems to me, applies to all. For one, I should like to strike this evil now, when we have an appropriate occasion to do it, and do it in such a way that it would be effective not only against the gambling in cotton but against the gambling on all other exchanges, in all the products of the farm and the necessities of life that pass through such boards of trade and exchanges.

The Senator from Arkansas said that at some future time he would be glad to cooperate with the Senator from Iowa to have this provision enacted into law. The same thing has been said in regard to several other amendments. I think the same thing will be said in regard to several amendments that are yet to be offered. It can not be said that the amendment of the Senator from Iowa is not in order, that it is not appropriate, because we had just passed an amendment proposed by the Democratic caucus that prohibits gambling in cotton futures, and yet we stop at that and do not take any steps to prohibit it in wheat and in corn and in the other products of the country.

There never was a more appropriate time and a more appropriate place, it seems to me, to put this law into effect than right now and right here. If we wait for other opportunities, I am afraid many of them will never come. We all know the difficulty that a measure of this kind must encounter before it gets to the point in parliamentary procedure we have now reached where the amendment is applicable. We may favor a great many other amendments and on account of caucus or other party considerations vote against them, believing that we are right, wishing for the opportunity to come when we are not surrounded by such conditions, when we are not compelled to vote against them, wishing that we might support them. But I want to say to you that in most instances those opportunities will not be presented, at least not for a long time. Before the Senator from Iowa can get his amendment in the shape of an independent bill as far along as it is now he will have many serious obstacles to contend with.

Mr. CUMMINS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Nebraska yield to the Senator from Iowa?

Mr. NORRIS. I do.

Mr. CUMMINS. At this point I wish to remind the Senator from Nebraska, emphasizing what he has just said, that a bill of this character can not originate in the Senate of the United States, that we must await the pleasure of the House before we can ever consider it.

Mr. NORRIS. I thank the Senator for the suggestion. The Constitution of the United States provides that bills for raising revenue must originate in the House of Representatives. While the object of this particular amendment, as I presume was the object of the amendment of the Senator from Arkansas, is to prevent gambling in futures, the constitutional reason why it is in order here is because the taxing power of the Government is being exercised as is provided in the amendment. Some such bill must originate and pass through the other House, and we will never have an opportunity in this body to vote for it unless it is put on as an amendment to some bill similar to the one now pending.

I say in all seriousness, Mr. President, I regret more than I am able to express in words that an amendment like this and an amendment like the Senator from Iowa offered earlier in the evening, which appeals, I believe, to a vast majority of the Members of this body, must, on account of partisan considerations, be voted down by many Senators who would like to see it enacted into law.

The PRESIDING OFFICER. The Senator from Iowa requests the yeas and nays on agreeing to his amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. STERLING (when Mr. CRAWFORD's name was called). My colleague [Mr. CRAWFORD] is necessarily absent. He is paired with the senior Senator from Tennessee [Mr. LEA]. If here and at liberty to vote, my colleague would vote "yea" on this proposition.

The PRESIDING OFFICER (when Mr. LEA's name was called). The occupant of the chair again announces his pair with the senior Senator from South Dakota [Mr. CRAWFORD]. If the occupant of the chair were at liberty to vote he would vote "nay."

Mr. MYERS (when his name was called). I transfer my pair with the Senator from Connecticut [Mr. MCLEAN] to the Senator from Arizona [Mr. ASHURST] and vote "nay."

Mr. OVERMAN (when his name was called). I have a general pair with the Senator from California [Mr. PERKINS]. If the Senator from California were present I should vote "nay." In his absence I withhold my vote.

Mr. REED (when his name was called). I transfer my pair with the senior Senator from Michigan [Mr. SMITH] to the Senator from Ohio [Mr. POMERENE] and vote. I vote "nay."

Mr. SAULSBURY (when his name was called). I have a pair with the junior Senator from Rhode Island [Mr. COLT], and therefore withhold my vote. If at liberty to vote, I should vote "nay."

Mr. THOMAS (when his name was called). I make the same transfer as announced heretofore and vote "nay."

The roll call was concluded.

Mr. JAMES. I have a general pair with the Senator from Massachusetts [Mr. WEEKS]. I transfer that pair to the Senator from Mississippi [Mr. VARDAMAN] and vote "nay."

Mr. BRYAN. I have a pair with the junior Senator from Michigan [Mr. TOWNSEND], which I will transfer to the senior Senator from Nebraska [Mr. HITCHCOCK] and vote "nay."

Mr. KERN. I transfer my pair with the Senator from Kentucky [Mr. BRADLEY] to the Senator from New Jersey [Mr. HUGHES] and vote "nay."

Mr. CHAMBERLAIN. I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. In his absence I withhold my vote.

Mr. GALLINGER. I have been requested to announce that the Senator from New Mexico [Mr. CATRON] is paired with the Senator from Arizona [Mr. SMITH] and that the Senator from Wisconsin [Mr. STEPHENSON] is paired with the Senator from South Carolina [Mr. TILLMAN].

The result was announced—yeas 16, nays 35, as follows:

YEAS—16.

Brady	Clark, Wyo.	Kenyon	Smoot
Brandegge	Cummins	La Follette	Sterling
Bristow	Gallinger	Norris	Warren
Clapp	Jones	Poindexter	Works
NAYS—35.			
Bryan	Lane	Robinson	Smith, S. C.
Chilton	Martin, Va.	Shafroth	Stone
Clarke, Ark.	Martine, N. J.	Sheppard	Swanson
Fletcher	Myers	Sherman	Thomas
Hollis	O'Gorman	Shields	Thompson
Jackson	Owen	Shively	Thornton
James	Pittman	Simmons	Walsh
Johnson	Ransdell	Smith, Ga.	Williams
Kern	Reed	Smith, Md.	

NOT VOTING—44.

Ashurst	Culberson	Lippitt	Pomerene
Bacon	Dillingham	Lodge	Root
Bankhead	du Pont	McCumber	Saulsbury
Borah	Fall	McLean	Smith, Ariz.
Bradley	Goff	Nelson	Smith, Mich.
Burleigh	Gore	Newlands	Stephenson
Burton	Gronna	Oliver	Sutherland
Catron	Hitchcock	Overman	Tillman
Chamberlain	Hughes	Page	Townsend
Colt	Lea	Penrose	Vardaman
Crawford	Lewis	Perkins	Weeks

So the amendment of Mr. CUMMINS was rejected.

Mr. SMITH of Georgia. Mr. President, many times during this debate Senators upon the Republican side of the Chamber have made the claim that the passage of this tariff bill will probably bring the country to financial distress. They have appealed to the history of tariff legislation to sustain the claim. They have sought to show that the reduction of tariff taxes will flood this country with foreign products, and they have cited the panic during the last administration of President Cleveland to support their suggestions of hard times as the result of tariff reduction.

As this bill is to pass substantially in its present shape, it is well for the public to understand that the historical references made by Senators on the Republican side are inaccurate and their fears utterly without foundation.

Before dealing with the panic from which this country suffered during the last administration of President Cleveland let me call attention to the fact that the tariff legislation of 1846 can justly be compared to the present bill. The reduction of the tariff taxes in 1846 was followed by unprecedented prosperity. So that we have a record of substantial tariff-tax reductions accompanied with improvement and progress upon all lines of activities.

One of the severest panics from which this country ever suffered was in 1873. At that time we had a high protective tariff with no suggestion of its reduction, so that we have had a severe panic under a protective tariff. In all the woeful speeches made during this debate especial stress has been placed upon the panic during the last administration of President Cleveland, and with general terms, but without logic or reason, the effort has been made to connect the tariff legislation passed during his administration with the panic and to charge tariff-tax reductions as the cause of the panic.

Mr. Cleveland was inaugurated the second time on March 4, 1893. The panic was already in progress before his inauguration and before his election. The extreme period of the panic was during the year 1893, and the Wilson bill reducing tariff taxes was not passed until during the last half of the year 1894. No great increase of importation followed the tariff reductions of 1894. Our tariff importations were less in 1895 than they were in 1893, and less in 1896 than they were in 1892. The total importations for those four years were as follows:

1893	\$844,454,000
1895	731,162,000
1892	813,601,000
1896	759,694,000

The panic of 1893, which began, as I have already stated, prior to that time, took place under a high protective tariff. If it is urged that in 1893 it was known that the Democrats contemplated reducing the tariff and that this brought on the panic, we may well reply that a majority of the Senate was opposed in 1893 to tariff legislation in full compliance with Democratic principles, and this fact was generally known. To-day a majority of both Houses of Congress are known to be thoroughly in accord with the Democratic principle of tariff reduction. They are on the point of passing legislation, yet the business record of our country for the past 12 months has been one of prosperity and progress.

Our imports for the past fiscal year amounted in value to \$1,803,622,000 and our exports to \$2,477,514,000.

It is true that just at this time business halts. Merchants are waiting for the passage of this bill to know just what decreases of prices will be made on account of relief from tariff taxes. Barring this, the country is prosperous. By the 1st of September, 1893, the severest part of the panic of that period was passing.

It is easy to find causes for the panic of 1893. Those causes and the conditions of 1893 should be presented that all doubt, due to protestations of fear on the other side of this Chamber, may be removed from the public mind and evil consequences which might otherwise be caused from the doleful speeches we have heard be prevented.

The panic of 1893 was due to a number of causes. The large failure of Barring Bros. took place on November 20, 1890, and was followed with world-wide financial disturbance. The disturbance was so great in New York City that the banks were

forced to issue fifteen millions in clearing-house loan certificates, and loan rates rose in New York City at times to over 100 per cent, accompanied by numerous banking failures. This in itself affected conditions throughout the United States. There were, however, other agencies at work here that necessitated serious trouble.

Mr. Cleveland closed his first term as President on March 4, 1889. During the first four years of his service the country enjoyed unprecedented prosperity. The Government, financially, was strong. The revenues largely exceeded the appropriations. The surplus in the Treasury was so great that not only were those Government bonds retired which the law required, but Government bonds were bought upon the market, reducing the national debt, to prevent an excessive accumulation of money in the National Treasury. At the close of the administration of Mr. Cleveland on March 4, 1889, all liabilities had been paid and there was in the Treasury a surplus of \$180,000,000 and the gold reserve was ample. No Secretary of the Treasury ever turned over to his successor a Treasury more fully supplied or a national credit more absolutely established.

Under President Harrison, who followed President Cleveland, Mr. Windom became Secretary of the Treasury, and the measures which were then adopted wiped out the surplus in the Treasury and seriously affected the credit of the Government. In 1890-91 the tariff was revised upward. It was increased 10 per cent, not for the purposes of raising revenue, but for the purpose of excluding importations of foreign goods. Appropriations were also largely increased. The revenue was decreased over \$50,000,000 annually, while the appropriations were increased over a hundred million dollars annually. These two pieces of legislation changed the net balance in the Treasury annually over one hundred and fifty millions of dollars. The surplus from Mr. Cleveland's administration was rapidly wiped out, and by the 4th of March, 1893, the Treasury was reduced to the lowest state that it had been in for many years.

But the attack upon the national credit was not limited to emptying the Treasury. Secretary Windom recommended that all silver bullion offered to the Treasury should be bought and Treasury notes issued in payment. The House of Representatives did not accept his view, but it did pass a bill providing for the issuance of \$4,500,000 Treasury notes each month with which to purchase silver bullion. When this bill reached the Senate that body promptly substituted for it a bill providing for the free coinage of silver at the ratio of 16 to 1. This was done without regard to the fact that President Harrison had declared that a "free-coinage bill would be discreditable to our financial management and disastrous to all business interests." As a compromise a bill was passed providing for the purchase monthly of 4,500,000 ounces of silver bullion and the payment therefor with Treasury notes.

In the midst of a world-wide financial distrust the United States began issuing over fifty millions annually of Treasury notes, with nothing back of them but silver, and that, too, under a statute which required this continued increase of paper money with no provision for its absorption.

To quote from a subsequent report of a Republican Treasurer:

The people who had demanded this hundred million of ready cash made their use of it and were willing to part with it, but the Treasury which had found a means of paying it out could not call it back.

Foreign exchange began to rise and gold bars began to be taken from the Treasury for shipment abroad. By the end of June, 1891, the exports of gold had reached the unexampled figure of \$70,000,000 for the six months.

The big wheat crop of 1891, with the short crop abroad, checked the trouble, only to begin again in the early part of 1892. In the first six months of 1892, \$41,500,000 in gold was shipped abroad. In July and August gold was going out at the rate of two to seven millions weekly. Gold began to be so short that it ceased to enter into commerce, and the fear of a depreciated currency caused gold to be hoarded.

By the middle of July, 1892, both the Treasury and the banks ceased to pay gold through the clearing house. Up to this time the demand for gold for exportation had been obtained through the clearing house. During the latter part of the month of July, 1892, Government legal tenders were again carried to the Treasury and redemption in gold was demanded. This was the first demand for redemptions of Government legal tenders in gold of any large quantities since 1879.

Appropriations were still exceeding revenue, the gold reserve in the Treasury was depleted, and the Secretary of the Treasury, Mr. Foster, stated in December, 1892, that a heavy deficit in revenue was impending and that the whole machinery of the Government was imperiled.

In December, 1892, and January, 1893, upward of twenty-five millions of gold was withdrawn from the Treasury for export.

The gold reserve had fallen to only a few millions more than the legal minimum, and in February, 1893, before the inauguration of Mr. Cleveland, Secretary Foster gave orders to prepare the engraving plates for a bond issue under the Republican act to provide gold to meet legal-tender notes presented at the Treasury. He avoided the actual issue of these bonds in February by appealing to the New York banks to furnish him gold to prevent a panic. To his successors in the Treasury, on March 4, 1893, Mr. Foster left less than a million dollars in excess of the required gold reserve of one hundred millions and only twenty-five millions of available cash.

Referring to the situation on March 4, 1893, Noyes, in his *Thirty Years of American Finance*, declares:

Probably no financial administration in our history has entered office under such disturbing conditions. The Treasury was empty and public credit shaken.

The same author states, speaking of this period in March and April, 1893:

The very sight of this desperate struggle going on to maintain the public credit was sufficient to alarm both home and foreign interests, and this alarm was now reflected everywhere. The feverish money market, the disordered and uneasy market for securities, and the renewed advance in foreign exchange, combined to bring matters to a head.

In the meantime the reserve against the legal tenders had fallen below the statutory minimum. The same author states, referring to the same period:

The public mind was on the verge of panic. During a year or more it had been continuously disturbed by the undermining of the Treasury, a process visible to all observers. In all probability the crash of 1893 would have come 12 months before had it not been for the accident of the great harvest in 1891 in the face of European famine.

In 1893 the panic in the West had reached the stage which seemed to foreshadow general bankruptcy. During the summer of 1893 clearing-house certificates were issued against the assets of the banks and were used nearly everywhere instead of cash. Many banks adopted the extreme measure of refusing to pay cash for the checks of their own depositors. Certified bank checks upon perfectly solvent banks could not obtain money on presentation and were sold by brokers at a discount.

Mr. Cleveland called Congress together on August 7, 1893, to repeal the silver-purchase law of 1890, and Mr. Noyes, in his work already quoted, declares:

In the popular discussion of the day entire responsibility was laid on this law for the existing distress. * * * Repeal of the silver-purchase law stopped future mischief of inflation, but it could not change the mischief already done.

It is true that Coxey's army marched to Washington in the spring of 1894. It is true that many labor troubles existed during the spring and summer of 1894, but I have presented the facts sufficiently to show that most of these troubles—certainly the worst of them—and the causes which produced them preceded tariff legislation. The causes which brought on the panic of 1893 were entirely disconnected with the tariff bill of 1894.

I long for the prosperity of our entire country—for a prosperity which will bring wealth not alone to a few, but furnish a broad opportunity to the great masses of the people. The doleful misrepresentation of the panic of 1893 should cease. It has no bearing upon the present. To-day the Treasury of the United States contains \$1,250,000,000 in gold. It is amply supplied with funds to meet the wants of the Government. The Treasury is so strong that it is able to furnish a hundred millions of dollars to move the crops in the West and the South. Conditions are reassuring in all parts of the country.

Splendid crops are being gathered, the exportation of which, in part, will bring additional wealth to our people and add to our gold supply. Doleful countenances should give way to smiles. The time has passed when the people of this country will submit to the inexcusably high protective tariff, which even President McKinley condemned.

We believe in this bill, the passage of which we are pressing. It is an honest revision of the tariff downward, free from all favoritism. The bill is framed primarily to procure revenue, but at the same time we seek to attain this end in a way that will not injure legitimate industries. It is constructed not only to free the consumer from unjust burdens, but to place the manufacturing industries where they will not be confined to American markets. It is built upon the competitive theory, to the end that revenue may be raised and no concern be able to feel that it has a monopoly of the home market gained other than through the fact that it is able to furnish better goods at lower prices than others.

It is true that some of our manufacturing industries will feel the spur of competition where heretofore they have been without it, but there is no reason why they should fail to continue in lines of prosperity with broader trade. Given no longer the privilege of arbitrarily taking the dollars of their neighbors,

they will reach still further into the markets of the world for the sale of their commodities. The great body of consumers will feel a lightening of their burdens. A wider opportunity will be given for individual effort. The average man will have a better chance. I do not mean that these changes will come instantly. They will come gradually and be more and more perceptible each year for several years.

We may turn to the future with confidence. The wrangling over the bill is practically ended, and the business of the country will resume normal conditions with the passage of this measure.

Mr. STONE. Mr. President, I will ask the Secretary to read paragraph 254½.

The PRESIDING OFFICER. The Secretary will read as requested.

The SECRETARY. On page 70, after line 2, the amendment heretofore agreed to, it is proposed to insert the following:

254½. Every producer of pure sweet wines, other than those actually exported, is hereby required to pay to the Government as a revenue tax the sum of \$1.10 per proof gallon for the wine spirits or grape brandy or pure neutral alcohol used by him in the fortification of said wine, the same to be paid upon the removal thereof from the distillery or from any special bonded warehouse: *Provided, however*, That the time of the payment of said tax upon such wine spirits or grape brandy or pure neutral alcohol used in fortifying pure sweet wines may be extended not exceeding two years upon the producer of such pure sweet wine giving bond in a penal sum of not less than double the amount of said tax with sureties to the satisfaction of the collector of internal revenue of the district and the Commissioner of Internal Revenue conditioned upon the payment of said tax within said two years.

That so much of the act entitled "An act to reduce the revenue and equalize duties on imports, and for other purposes," approved October 1, 1890, as relates to the use, free of tax, of wine spirits or grape brandy in the fortifying of pure sweet wine, and all acts amendatory thereof, so far as they relate to the fortification of such wines and the charge therefor, which may be inconsistent with this paragraph are hereby to that extent repealed.

That upon all wines or liquors known or denominated as wines (other than distilled spirits) not made exclusively from fresh grapes, berries, or fruits, and upon all wines to which have been added spirits distilled from any material other than grapes, berries, or fruits exclusively, except pure neutral alcohol, there shall be levied, collected, and paid before removal from the place of manufacture a tax of 25 cents on each and every wine gallon where the alcoholic strength of such wine does not exceed 24 per cent, by volume, and upon all such wines or liquors containing an alcoholic strength of over 24 per cent, by volume, there shall be levied, collected, and paid a tax at the same rate as is imposed by law on distilled spirits: *Provided*, That the tax herein imposed shall not be held to apply to pure sweet wine made exclusively from fresh grapes, berries, or other fruits to which has been added before or during fermentation sugar, pure boiled or condensed grape must, or water not exceeding in either case 20 per cent of the weight of such wine.

That every person before producing any wine or liquor subject to tax under the provisions of this paragraph shall file with the collector of the district in which such wine or liquor is to be produced such notice and bond, and shall comply with such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may from time to time prescribe; and all provisions of law relating to the assessment and collection of internal-revenue taxes and to the preparation, issuing, use, and accounting of tax-paid stamps, so far as applicable, are hereby extended and made applicable to the tax imposed by this paragraph.

Any person who shall sell or dispose of any wine or liquor subject to the tax herein imposed without such tax being first paid, or who shall produce, sell, or dispose of any such wine or liquor contrary to any of the provisions of this paragraph, or to any regulation issued pursuant thereto, shall for each such offense be fined not less than \$1,000 nor more than \$5,000, and shall be imprisoned not more than two years; and all wines or liquors upon which the tax herein imposed has not been paid before removal from the place of manufacture and within one year from the date of such manufacture shall be forfeited to the United States.

That all containers of wines, or liquors known or denominated as wines, which contain benzoic acid, benzoate of soda, salicylic acid, or fluorides, shall be labeled plainly with the per cent of such contents, under such rules and regulations as shall be prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury. Any person knowingly or willfully selling, or exposing for sale, any such wines or liquors without such label or with a false label shall be guilty of a misdemeanor, and upon conviction shall be fined not less than \$50 nor more than \$2,000 or imprisoned not more than one year, or both, in the discretion of the court.

The provisions of this paragraph (254½) shall be effective on and after January 1, 1914.

Mr. STONE. Mr. President, in line 6, page 70, after the word "neutral," I move to strike out the word "alcohol" and insert the word "spirits."

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The SECRETARY. On page 70, line 6, after the word "neutral," it is proposed to strike out the word "alcohol" and insert the word "spirits."

The amendment to the amendment was agreed in.

Mr. STONE. In line 11, on the same page, I move to strike out "alcohol" and insert "spirits."

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The SECRETARY. On the same page, line 11, it is proposed to strike out the word "alcohol" and insert the word "spirits."

The amendment to the amendment was agreed to.

Mr. STONE. In line 6, page 71, after the word "neutral," I move to strike out the word "alcohol" and insert the word "spirits."

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The SECRETARY. On page 71, line 6, it is proposed to strike out the word "alcohol" and insert the word "spirits."

The amendment to the amendment was agreed to.

Mr. STONE. On line 18, page 71, between the word "case" and the numerals "20," I move to insert the words "in the aggregate."

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The SECRETARY. On page 71, line 18, after the word "case," it is proposed to insert the words "in the aggregate."

The amendment to the amendment was agreed to.

Mr. STONE. On page 73, in the committee amendment, I move to strike out lines 4 to 6, inclusive.

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The SECRETARY. On page 73, it is proposed to strike out of the committee amendment the following words:

The provisions of this paragraph (254½) shall be effective on and after January 1, 1914.

The amendment to the amendment was agreed to.

Mr. STONE. Mr. President, I should state to the Senate that since this amendment was adopted by the committee hearings have been had that have somewhat shaken the confidence of some of the members of the committee in the wisdom of the action that was taken.

In the last two days, or parts of two days, as far as the pressing duties on the floor would permit, the members of the subcommittee have been looking into this matter and listening to gentlemen interested in opposition to each other in the questions involved and listening to the suggestions of the department officials.

I am frank to say that I am not by any means satisfied with this provision myself; but the subcommittee, because of the press of business here, desiring to get the bill into the Senate and into conference, determined that it would not take the time necessary to go into this matter thoroughly—which perhaps would require several days—and that this provision would be offered by the committee and agreed to by the Senate in order that it might go into conference. In the interval the subcommittee will thoroughly go into the subject.

I ask that the committee amendment as now amended be agreed to.

The PRESIDING OFFICER. The question is on the amendment of the committee as amended.

The amendment as amended was agreed to.

The PRESIDING OFFICER. If no further amendments be proposed, the bill will be reported to the Senate.

Mr. POINDEXTER. Mr. President, there is an amendment still pending not disposed of.

The PRESIDING OFFICER. The Secretary will state the amendment.

Mr. KERN. I desire to ask unanimous consent that when the Senate adjourns to-night it adjourn until Monday at 10 o'clock.

Mr. GALLINGER and others. That is right.

The PRESIDING OFFICER. Does the Senator from Washington yield for that purpose?

Mr. POINDEXTER. I do.

The PRESIDING OFFICER. The Senator from Indiana asks unanimous consent that when the Senate adjourns to-day it adjourn to meet at 10 o'clock on Monday. Is there objection? The Chair hears none, and it is so ordered. The Senator from Washington will proceed.

Mr. POINDEXTER. Mr. President, the amendment to which I refer provides for a tariff commission. The Senate this afternoon voted upon an amendment to come in at another place. The amendment upon which I am now speaking contains a different proposition entirely from that which the Senate acted upon this afternoon. Consequently, I desire to make a few observations upon it. I do not intend to detain the Senate to discuss at length the principles of a tariff commission.

The amendment which I have offered, Mr. President, confers upon a commission of five members, acting under a rule laid down by Congress, authority to fix a bill of rates in accordance with that rule. Before proceeding to state my reasons for believing that some such arrangement as this is absolutely essential if the question of the tariff is ever to be finally and permanently settled in this country, I will state that the terms of the members of the commission as proposed in the amendment are 15 years; that the salary provided for each member is

\$12,500; and that the term of one member of the commission expires each three years.

Mr. President, it is quite remarkable that in the century of discussion and division of political parties of the United States over the question of a protective tariff, or a tariff for revenue, or upon whatever differences the political parties may have been divided, with all the intelligence and capacity for self-government with which our people are blessed, the question is as far from being settled to-day as it was a hundred years ago. It seems to me that fact would cause intelligent people and those who represent them in the Government to inquire the cause of that condition. It does not exist in any other country in the world. Different countries have different policies and theories as to a tariff. At least one great country has established its system upon a basis of free trade. A number of the great nations of the world have adopted the system of protection. But whatever system may have been adopted as applicable to the conditions of their countries, the system which has been adopted has been put in operation, and their political parties are not divided upon that issue, however they may be divided upon others.

My explanation of this difference between the United States and foreign countries is not that we have been unable to agree upon a tariff policy, because I think it can be demonstrated that there is an American policy very well agreed upon and almost generally conceded by all great political parties and by the vast majority of the people of this country, but the reason why the tariff is still unsettled is because of our system of making schedules. The tariff bills which have been turned out have not accorded with the principle which the country has agreed upon. There has been no machinery by which a scientific tariff bill could be evolved.

In order to satisfy ourselves of the truth of that proposition it is only necessary for those of us who have been here during the making of several tariff bills to revert to what has occurred under our eyes. I recollect very distinctly—for while I was not a Member of this body at that time, I was a Member of the other body of Congress—the manner in which the existing law was produced. It did not represent the result of painstaking and impartial investigation of facts or of conclusions drawn without partisan prejudice for the purpose of arriving at a correct answer to the proposition which they were attempting to solve. It was the result, in the first place, of secret committee meetings with experts, or so-called experts, representing the protected industries, and these experts instructing the members of the committee as to the proper rates to be placed in the bill as to various items which they and their employers were interested in.

When the bill came before the two Houses of Congress the form and structure of those two bodies in itself rendered it impossible for any investigation to take place or any conclusion to be arrived at based upon scientific principles, or correctly carrying out the policy which the party in power was committed to; but even if the structure of the House of Representatives or of the Senate was such as to make it possible to do that, the party management in both branches of Congress was such that that machinery could not operate.

The same thing was true when the Wilson bill, which preceded the Dingley Act, was enacted. Hundreds of paragraphs amending the bill as it originated in the House of Representatives were attached to it in the Senate, and went back to the House of Representatives presumably to be deliberated upon and to get the consensus of the opinion of that body by the votes of a majority of it; yet there was no opportunity for the expression of an opinion, much less a scientific investigation. That was under the reign of the Democratic Party.

When the Payne bill came before the Senate it was generally assumed by his party that the chairman of the Finance Committee, Senator Aldrich, of Rhode Island, was better informed as to just rates and of the theory upon which the tariff bill was supposed to be framed than other Members of the Senate. Whether he was or not, no evidence has ever been given, and there has been no opportunity for anyone to judge; but that was the assumption; and upon that assumption the general spirit of the Senate during the final perfection of the bill was that other Senators, not knowing anything about the various schedules, should follow the lead of the chairman of the Finance Committee. This was the famous "bellwether" system of making tariffs. The chairman of the Finance Committee, in his turn, as is well known, was guided by a number of experts employed by the committee or by the Senate, as I have said, most of them being interested parties or representing interested parties.

That is the system upon which tariff bills have been framed heretofore. That is the system upon which this bill is being

framed, although the representatives of the chief beneficiaries of the tariff are less in evidence as the confidential advisers of the committee. There has been no difference between the Republican and Democratic Parties in the general manner of arriving at particular rates. We have heard discussion over different items here, and, as a rule, the general result was a eulogy of the two sides upon their respective experts. A very fair sample of the manner in which this bill has been considered in the Senate was the debate on acetic ether as to what percentage of alcohol it contains, the tariff rate depending upon its percentage of alcohol. For the purpose of illustrating the manner in which this bill has been considered and the manner in which the existing law was considered, and in which a tariff bill necessarily must be considered so long as the present system continues, I ask leave to print as a part of my remarks a portion of the CONGRESSIONAL RECORD of July 23, 1913, beginning at page 2650, containing a portion of the debate upon acetic ether. It is quite illuminating as to method and as representing a Senate in the very act of framing a tariff bill.

The PRESIDING OFFICER (Mr. LEA in the chair). Without objection, permission is granted.

The matter referred to is as follows:

Mr. BRISTOW. I call the attention of the chairman of the committee to the figures on this paragraph as to the value of the average unit. The whole paragraph in 1896 under the Wilson Act was valued at 15 cents per pound. In 1905, under the Dingley Act, it was valued at 36.3 cents per pound; in 1910, under the Payne Act, at 29.1 cents; in 1912, under the Payne Act, at 90 cents. Its estimated value under this bill is 30 cents. With a duty of 10 cents a pound imposed on an article that has been on the free list, how do you get an average reduction in the value per unit from 90 cents to 30 cents?

Mr. JOHNSON of Maine. Mr. President, it seems to me there must be a misprint there. It must be that instead of 90 it should be 30. I can not see any other explanation. Being only 29.1 cents for 1910, of course there could not be such a rise in the value as that.

Mr. BRISTOW. That probably may be true, but I am afraid this is not of as much value to us as it might be, because of the many errors it seems to contain.

The reading of the bill was continued.

The next amendment was, in paragraph 30, page 8, line 12, after the word "containing," to insert "more than 5 per centum of."

Mr. SMOOT. Mr. President, I wish to offer an amendment to that amendment by making it "10 per centum of." I wish to call the attention of the Senate to the reason why I offer the amendment. If it is not 10 per cent, ethyl acetate or acetic ether will fall back into paragraph 17 and take the extreme high rate provided for articles manufactured and containing 20 per cent of alcohol or less. The 5 per cent takes care of sulphuric ether, which is, of course, the great anesthetic that is prepared from ethyl alcohol with sulphuric acid, but ethyl acetate or acetic ether is prepared from alcohol with acetic acid and contains about 10 per cent of alcohol. Unless we increase 5 per cent to 10 per cent, ethyl acetate and acetic ether will fall back into paragraph 17 and take the higher rate. If you leave it at 5 per cent, it takes care only of the sulphuric ether, which is the anesthetic.

Mr. President, I sincerely hope that the Senate will agree to this amendment, at least, and not allow those articles to take an extremely high rate, and that is what they will do if the bill passes as reported.

Mr. JOHNSON of Maine. Mr. President, the reason why the committee used that percentage was because the expert upon whom we relied stated, and he now states, that 5 per cent of alcohol is sufficient; that beyond that they should pay the duty which articles containing alcohol pay; but so far as sulphuric ether is concerned, the expert informs us that 5 per cent is sufficient.

Mr. SMOOT. Five per cent on sulphuric acid is sufficient. There is only 4 per cent of alcohol used in the compounding of sulphuric acid. That is the great anesthetic. But 5 per cent will not take care of the ethyl acetate or the acetic ether, because about 10 per cent of alcohol is used in the ethers I have mentioned. If you leave the rate at 5 per cent, then those two ethers will fall into paragraph 17 and take the rate that is provided for compounds containing not more than 20 per cent of alcohol.

Mr. BRISTOW. Let me ask the Senator, if I may interrupt him, what will be the specific difference in the rate? How much higher than this rate will that make it?

Mr. SMOOT. I will tell the Senator in a moment. On all alcohol compounds not specifically provided for in this section, if containing 20 per cent of alcohol or less, it would be 10 cents per pound and 20 per cent ad valorem. That is where it would fall, because that is the least that is provided for in that paragraph. I have not figured as to the equivalent ad valorem, but I will assure the Senator that it will be a very high rate.

Mr. BRISTOW. The rate in this paragraph is 5 cents per pound.

Mr. SMOOT. It is the proviso that I am speaking of now.

Mr. BRISTOW. Oh, the proviso.

Mr. SMOOT (reading).—

"Provided, That no article containing more than 5 per cent of alcohol shall be classified for duty under this paragraph."

Therefore, if the ethers contain more than 5 per cent of alcohol they are not assessed under this paragraph, but fall under paragraph 17.

Mr. BRISTOW. And under paragraph 17, as I understand it, the rate is 10 cents per pound and 20 per cent ad valorem.

Mr. SMOOT. Yes; 10 cents per pound and 20 per cent ad valorem, which would be an exceedingly high rate on those ethers.

Mr. BRISTOW. It is 10 cents a pound more, this duty.

Mr. CRAWFORD. What will be the amount of those articles in commerce as to the volume of importations?

Mr. SMOOT. I have not.

Mr. CRAWFORD. I mean the two ethers that the Senator claims will not be within the 5 per cent limit.

Mr. SMOOT. I will see if the figures are here.

Mr. CUMMINS. While the Senator from Utah is preparing to answer the question of the Senator from South Dakota, I should like to ask the Senator from Maine whether he disputes the statement made by the Senator from Utah in regard to some of the articles here in their

ordinary form, that they would fall under another paragraph with a higher duty.

Mr. JOHNSON of Maine. I, of course, have no special knowledge of my own about it. I do not pretend to have; but we had an expert upon whom we relied, and the expert now states to me that that percentage is sufficient, notwithstanding the statement made by the Senator from Utah.

Mr. SMOOT. I will say to the Senator from Iowa that I am perfectly aware that it is sufficient for the sulphuric ether.

Mr. JOHNSON of Maine. I have called the expert's attention particularly to the other articles. He is here present. He says it is sufficient for them. I know nothing except what he says.

Mr. SMOOT. I say it is not sufficient for them; manufacturers of those ethers say they do contain more than 5 per cent of alcohol.

Mr. LANE. I should like to ask the Senator from Utah why they do?

Mr. WILLIAMS. I wish to ask the Senator—

Mr. SMOOT. Because it requires that quantity of alcohol to produce them.

Mr. WILLIAMS. Where does the Senator get his information?

Mr. LANE. What is the reason?

Mr. SMOOT. They can not be prepared in any other way.

Mr. LANE. Then the Senator says that acetic acid is not as good a solvent as sulphuric acid. Acetic acid is one of the most perfect solvents known by chemists. I should like to know the reason why it will not dissolve as much alcohol as sulphuric acid.

Mr. SMOOT. It takes more alcohol.

Mr. KERN. Mr. President, I rise to a point of order.

The VICE PRESIDENT. The Senator from Indiana will state his point of order.

Mr. KERN. The point of order is that we do not hear a word said by the Senators engaged in the colloquy, and we would like to hear.

Mr. WILLIAMS. Before the Senator from Utah takes his seat, he has made the assertion that it will take 10 per cent. May I ask the Senator whence he obtains his information?

Mr. SMOOT. I obtain my information not only from men who pass upon the rate of duty levied at the port of New York, but from the manufacturers themselves.

Mr. WILLIAMS. You have obtained your information from the manufacturers?

Mr. SMOOT. Yes; from the manufacturers.

Mr. WILLIAMS. Have you obtained your information from any men who are experts with regard to these particular matters and found that amount of alcohol to be necessary?

Mr. SMOOT. I have.

Mr. WILLIAMS. So it is a difference of opinion between your expert and the expert who serves the Senator from Maine, is it?

Mr. SMOOT. I have not confined my investigation of this question to one man. I have gone further than that, and I am fully convinced that the ethers spoken of by me contain about 10 per cent alcohol.

Mr. CRAWFORD. Is the Senator prepared to give an answer to my interrogatory a moment ago as to the amount of importation of these classes of ether and what—

Mr. SMOOT. The importations even under the present rate are very, very small. In fact, I will say that the specific duties do not amount to 25 per cent, as shown by the Democratic handbook. The value of imports in 1905 was \$3,485; in 1910, \$3,656.

Mr. CRAWFORD. To what extent are they manufactured in this country? To what extent are they articles of commerce?

Mr. SMOOT. A large quantity of them are manufactured here.

Mr. CRAWFORD. Of these particular classes of ether?

Mr. SMOOT. Yes.

Mr. CRAWFORD. Has the Senator any figures on that?

Mr. SMOOT. Not as to the production in this country, but even with the rate to-day there is very little importation of those ethers.

Mr. CRAWFORD. What I want to find out is whether we are spending time over some technical classification of ether which may not be in general significance or general use or whether it is something of more consequence. I am sure I do not know.

Mr. SMOOT. They are used very extensively.

Mr. BRISTOW. Mr. President, I should like to ask the Senator from Utah what is the present duty, and whether the proposed duty as he estimates increases or decreases the rate of the present law?

Mr. SMOOT. If they fall into paragraph 17, as the wording of the paragraph will take them, then they will carry an increased percentage.

Mr. LANE. Mr. President, I should like to say, for the information of Senators who are not familiar with this subject, that it does not require a particle of alcohol to make acetic ether, for the reason that acetic acid and alcohol are made by the same process. Just one particle more of oxygen converts alcohol into ether. Stopping just short of that process in distilling it, the ether, with the alcohol which goes on into ether, will be converted into acetic ether. I do not know of any reason, physical or chemical, why it would require or would take a larger proportion of alcohol than do the other ethers. That is not known to us who use the article.

Mr. SMOOT. Those who make it know, and they say that it does take about 10 per cent of alcohol.

Mr. STONE. Mr. President, while I do not want to be offensive—far from it—I should like to inquire again of the Senator from Utah [Mr. SMOOT] just upon what information he bases this positive assertion of his about a technical matter of this kind?

Mr. SMOOT. Mr. President, the information upon which I base my statement is obtained from an expert who has given me the information and also from the manufacturers of ether.

Mr. STONE. The expert who gave the information! I am curious, if I may venture the inquiry, to know who this expert is. Whom does he serve—the Government or some private interest?

Mr. SMOOT. He serves the Government; but any Senator has a perfect right to write to New York to find out exactly how these articles enter into this country, the classifications under which they come, and the rates that are imposed upon them, or for any other information connected therewith.

Mr. STONE. But the committee can not write to the expert unless we know who he is. If he is a Government official, we would like to communicate with him and see whether the other expert furnished by the Government of the United States, in the employ of the United States, and supposed to be thoroughly competent in matters of this particular kind, tells the committee what has been related here in the hearing of the Senate. This expert is here at the call this moment of Senators. He states one thing. The Senator from Utah assumes to contradict him and assumes to have some special scientific knowledge of this matter, but when we ask him about it it seems he quotes from some mysterious man off in New York, who, he says, is in the Government employ. Of course, I accept his statement that the man is in

the Government employ; and if so, I should like to question him and the committee would like to question him. Who is he?

Mr. SMOOT. Well, Mr. President, so far as that is concerned, I am not compelled to tell the Senator to whom I write or where I get my information.

Mr. STONE. No; the Senator is not compelled to do so.

Mr. SMOOT. I want to say that if the Senator really desires to know, and is interested in finding out, I can tell the Senator and will tell him.

Mr. WILLIAMS. I will tell the Senator from Missouri. I have the information here.

Mr. STONE. Very well.

Mr. WILLIAMS. The expert the committee had was an expert chemist who happens to have a German name, and I find that this language occurs in some notes and observations compiled by Thomas J. Doherty, Esq., who is a special attorney of the Customs Division. He seems evidently to have been the expert who gave the Senator from Utah his information.

Now, we will put the chemical expert whom the committee had against the legal expert whom the Senator had, and try it out anyhow in the shape of the law as we have drawn it.

Mr. POINDEXTER. Mr. President, in 1882 a tariff commission was created with rather peculiar jurisdiction, a tariff commission without any limitation of policy as to protection or tariff for revenue to guide it in making a tariff bill and without any power to put its findings into effect. It was given the power to frame a tariff bill, although the law did not provide that the bill which was framed should become a law. The act provided that the rates fixed by the commission should be submitted to Congress for its instruction and guidance and action before they should become effective.

The same principle has been involved in all amendments that have been offered here for a tariff commission. The one that was voted on this afternoon provided for a commission practically without any limitation as to the policy or rule which was to guide the commission in framing schedules and fixing the rates of the bill, leaving it to the sense of justice—I think that word was used—of the commission as to what the rates should be. But at the same time, while giving it universal discretion as to what the rates should be, giving it no power whatever to put any rates at all into effect.

It seems to me that there are two fatal primary defects in the provision for the tariff commission of 1882 and of every effort to get a tariff board or a tariff commission which Congress has considered. On the one hand, their power was unlimited in that they were guided by no rule or policy; there was no limitation laid down by Congress for their strict guidance in arriving at a conclusion as to proper rates; and, on the other hand, they were given no power at all to put into effect any conclusion at which they arrived.

Mr. SHIVELY. What does the Senator mean by putting into effect any conclusion at which they arrived?

Mr. POINDEXTER. I mean that when upon investigation, in pursuance of a tariff policy declared by Congress, they arrived at a conclusion they should have the power to fix the rate upon a basis which they consider to be in accordance with the rule laid down by Congress.

Mr. SHIVELY. That is, the commission itself should have that power?

Mr. POINDEXTER. Yes. I will discuss very briefly in a moment the question as to the power of Congress to adopt such a policy with reference to a tariff commission. I know it has been objected to as being a delegation of the legislative power. It is not a delegation of legislative power in any sense except that it delegates to an administrative body the duty of administering a policy which the legislature itself has laid down. The same thing is true of the entire administrative branch of the Government, so far as that objection is concerned, with the exception of that portion which is specifically provided in the Constitution. Every other function of the Government is operated upon that principle except those parts of it which are set up in the fundamental law.

So, Mr. President—and I shall be very brief—the two main considerations which seem to me will compel us eventually, and I think before a very long time, to establish a tariff commission, with such power as I have mentioned, strictly limited by a rule laid down by Congress, but with ample powers within that rule, are, in the first place, that this great body, with its numerous membership, is incapable of arriving at the necessary facts or of obtaining the necessary information; and, in the second place, under our system of party government, is incapable, by reason of the condition which necessarily exists, of applying the facts to the proposition so as to arrive at an accurate or scientific conclusion—that is, so far as the making of the bill is concerned.

The second main reason is that after the bill has been made, after we have enacted a tariff law, there should be machinery framed by which that law can adjust itself to the changing conditions of business from year to year. Business is not fixed. Tariff rates ought to be proportionate to the needs of

the business of the country and to the condition of that business, so as to measure up at all times to the rule on which the bill is framed in the first instance, to carry out the object which the Government has in view; and if business changes the law should be elastic, so that it could adjust itself to the changing conditions and circumstances of business. The difference in the cost of production here and abroad is one thing to-day and another next month; the difference in wages varies from year to year; weak concerns grow great and strong, and the rate which would put them on a fair competitive basis is a variable quantity.

Before passing on to discuss the question which the Senator from Indiana [Mr. SHIVELY] suggested in his remark, I want to call attention to the amendment which I have offered to the bill as to the structure and constitution of this commission, with the object in view which I have just mentioned, in the first place, of having a set policy laid down by Congress for its guidance, and, in the second place, giving the commission such power that by their action, within the rule so declared, the law would be elastic and would adjust itself to the changing cost of production in the various countries of the world, including our own, as they are constantly changing through the decades. The amendment I have offered contains this provision:

It shall be the duty of the tariff commission to ascertain as nearly as possible such facts and information concerning the production and manufacture of articles of trade and commerce in this country and foreign countries as will enable said commission to determine the comparative cost of production and manufacture of the same in this country and abroad; and shall also ascertain as nearly as possible all other facts, circumstances, and conditions of production and manufacture, including the amount consumed, the amount produced, and the amount imported into this country of the several articles under investigation as will enable said commission to decide approximately what rate of duty upon the several articles would place the domestic and foreign producer and manufacturer upon an equal and fair competitive basis in our home market: *Provided*, That the cost of transporting the several articles from the foreign country to the United States shall not be taken into account, but a rate shall be ascertained which will give our domestic producers or manufacturers any natural advantage which they may have by reason of such cost of transportation.

When said commission shall have decided upon such rate in any particular case or item it shall have power to issue an order changing the existing rate so as to make it conform or more nearly conform to such fair competitive rate mentioned above; but in making such changes the commission shall avoid such sudden and extensive changes as will, in the opinion of the commission, unsettle the general business of the country, it being the intention of this act that such changes shall be made by degrees if necessary, but at the same time as speedily as possible, so as to adjust tariff rates to the principle of just protection and fair competition stated above, and to keep the same so adjusted from time to time according to changing conditions of trade and industry. Every rate so adjusted by the commission shall at all times be subject to change or modification by Congress.

It is proposed by the amendment that the members of the commission shall be subject to removal by a majority vote of Congress at any time, and that the commission be required to report annually to Congress as to all the matters within its jurisdiction, as specified in the amendment.

Now, Mr. President, it provides for a competitive tariff, so called. I have heard that word used in debate by members of the Finance Committee during the pendency of this bill. I heard it used to-day by a Senator upon this side. What do you mean by a competitive tariff? My understanding of a competitive tariff is that it is a protective tariff, and, as I shall show by citation of recognized authorities of both the great political parties which have dominated this country during the last 50 years, that has been the accepted policy of this country—of all political parties and of the great mass of the people.

I know there have been extremists upon this side and upon the other side. There are those who are opposed to any tariff at all. I have heard men say they would take down the custom-houses. There are those on this side who would have no trouble whatever about writing a tariff bill, because, to quote a distinguished gentleman whom I heard characterizing one of his associates in that regard upon one occasion, if they had the power to draft a tariff law they would write it in one line, and that would be that no article which could be manufactured in the United States should be imported from abroad. There are advocates of that policy. But neither of these extremes is the consensus of American public opinion.

As I understand the political platforms, and I think I do, which the great political parties of this country have enunciated during the last half a century, both the Democratic and Republican Parties have declared in favor of a tariff which shall be guided in its formation, to some extent at least, by the difference in the cost of production at home and abroad of the article to be taxed; and when that is done we arrive at the thing that is called a competitive tariff, where the foreign manufacturer and the American manufacturer will be upon a somewhat near equal footing in the American market, giving the American manufacturer the benefit, as this amendment says, of the difference in the cost of transportation, which is usually

against the foreign manufacturer and which is a natural advantage. I am not in favor myself of the Government guaranteeing a profit to manufacturing, but am in favor of leaving to our domestic industries natural advantages, such as the larger cost of transportation which the foreign manufacturer is compelled to undergo, an advantage the domestic manufacturer is entitled to in our home market because of his more favorable location, just as the foreign manufacturer has a similar advantage in the foreign market.

It is said, Mr. President, that Congress has no power to delegate the right to frame schedules. It has done that for generations. It is doing it under existing law, and it proposes to do it under the pending bill. If it can do it under one set of circumstances, it has the power to do so under others. The existing tariff is a changeable one.

The rates itemized in the law now in force are not regular rates, but 25 per cent ad valorem additional are the regular tariff rates under the existing law, and Congress has delegated to the President of the United States power to investigate certain facts, namely, as to whether or not foreign countries discriminate against the United States. If he finds that there is no such discrimination, then he can by proclamation establish a certain set of rates which otherwise would not be applicable. That is the application of variable rates through an administrative or executive branch of the Government on authority conferred by Congress.

Mr. SHIVELY. Mr. President—

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Indiana?

Mr. POINDEXTER. I yield to the Senator from Indiana.

Mr. SHIVELY. The Senator does not contend that that involves any discretion in the President of the United States when he enforces those rates? Is it not a fact that he only ascertains a particular fact and that he issues a proclamation by which the law enacted by Congress goes into effect?

Mr. POINDEXTER. Exactly. There is a kind of discretion vested in the President to determine whether or not there is discrimination by a foreign country against us. Somebody must judge whether there is discrimination. It is a similar class of facts to be investigated and the same kind of power which this amendment proposes to confer upon a tariff commission. It is not different in principle at all. They are to investigate certain facts; they have to ascertain within a well-defined rule laid down by Congress what is the difference in the cost of production here and abroad and other circumstances attending the manufacture and sale of articles of commerce; and they are to ascertain as a matter of fact, not as a matter of discretion, what tariff rates would put the American manufacturer upon an equal footing with his foreign competitor, making allowance for the difference in the cost of production here and abroad. It is no more discretion, so far as the principle is concerned, than the duty which is imposed by the bill now pending upon the President of the United States to ascertain whether or not certain bounties are bestowed or duties are levied upon exports by foreign countries, and it is certainly not any more than is vested in the President under the existing law.

But, Mr. President, we are not confined to that illustration. We can go outside of tariff making and find examples by the score where Congress has laid down a policy and delegated to an Executive or to an administrative body a power to carry that policy into effect. We do not have to go any further than the example of the Postmaster General a few days ago, when he changed the classification and rates of articles to be shipped in the parcel post. He is doing that under the authority vested in him by Congress.

I will say in passing that while he has incurred apparently a great deal of criticism from his own party he has received a great deal of credit for his action from the country in general. My opinion is that it is one of the best things that this administration has done, and I am perfectly willing to give the administration credit for those things for which, in my opinion, it is entitled to credit. The Postmaster General is doing that under the same kind of authority that a tariff commission would exercise under the proposition which I am now discussing. It is not different in principle; in fact, the Postmaster General has far more discretion than such a tariff commission would have, for he is not limited by such a distinct rule as that proposed in this amendment.

The greatest object lesson, however, of the exercise of this sort of administrative power is the Interstate Commerce Commission. Congress has power to fix railroad rates, and it could fix railroad rates almost as easily as it can fix tariff rates. It is almost as well adapted in its structure and constitution to sit here and determine a fair railroad rate between New York and San Francisco, or Chicago and Spokane, as it is to ascertain what

tariff upon cloth with a certain number of threads to the square inch will give the American manufacturer a fair amount of protection within the policy which it has accepted. It is not qualified in either case to arrive at a scientific result as to details.

I think the institution of recent creation by Congress which has given the greatest satisfaction to this country is the Interstate Commerce Commission. It has accomplished what it was intended to accomplish, so much so that it is now in universal favor. Nobody proposes to limit its powers; it is universally claimed that its powers ought to be extended. The same thing would result, Mr. President, with a tariff commission once it was created and the country got the benefit of a careful, painstaking, scientific reclassification and rescheduling of the tariff rates.

There has been no effort, or but a very feeble one, in the first place, to make any scientific classification of the thousands of articles which are subject to customs duties under tariff bills. In some instances, as in china and earthen ware, for the first time, so far as I know, in the history of tariff bills, the Senate has made a new classification, making in the instance cited two classes of china where formerly there was but one. There are, in fact, perhaps hundreds of different classes of china and earthen ware. As to some of those our manufacturers need a certain rate of duty for their protection; as to others they need a different rate; as to some they need none at all. There has been no effort to ascertain what particular rate in each of the varied classes of the several manufactures would serve the purpose of protecting the American producer.

If the Senate Committee on Finance—of course I do not expect the Finance Committee is going to heed this in any way at all, but I hope that this matter is going to come up hereafter and that the continual agitation of it will, at least, have some effect—if the Finance Committee had no other things to occupy its attention it could not in a session of Congress, if it devoted itself exclusively to the task, inform itself so as to legislate efficiently upon a single schedule in the tariff bill. A tribunal which undertakes to fix specific rates or percentages to classify a vast multitude of articles upon a scientific basis and to give American manufacturers such protection as they need, and no more, will have to devote their lives to the work. That is the only way that we shall ever develop in this country a body of high-class experts who will be competent to report a tariff law which will really accomplish the purposes which Congress has in view.

Mr. PITTMAN. Mr. President—

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Nevada?

Mr. POINDEXTER. I yield to the Senator.

Mr. PITTMAN. Did I understand the Senator to say that he believed in giving an advantage to the American manufacturer?

Mr. POINDEXTER. Yes.

Mr. PITTMAN. Is it possible for a producer—

Mr. POINDEXTER. I will say, for fear that it might escape attention, that the advantage which I said I believed in giving him was a natural advantage. Such natural advantages as he has by reason of his situation I do not believe in taking away from him.

Mr. PITTMAN. If it costs one person more to place a certain article on the market than another, and there is competition in such market, does not the one who can place an article on the market at the cheapest price drive the other out of competition?

Mr. POINDEXTER. That is true as the Senator states it, but it does not always follow that the competitor who has the advantage can put the article in the market at the cheapest price.

Mr. PITTMAN. As I understood the Senator, he desires to give an advantage to the local producer equal to the difference in transportation. Is that true?

Mr. POINDEXTER. I desire him to have the benefit of the situation which nature gives him, so far as transportation is concerned.

Mr. PITTMAN. As I understand the Senator, he wishes to make the cost of production equal by virtue of a tariff?

Mr. POINDEXTER. I believe myself—I think I have stated my position here clearly—in a protective tariff which will protect the American manufacturer from unfair competition by reason of cheaper labor or other cheaper circumstances of production in the foreign country; and I think that that tariff should be fixed at such a rate that the American manufacturer and the foreign manufacturer will be upon an equal footing.

Mr. PITTMAN. That means an equal cost of production.

Mr. POINDEXTER. Not altogether.

Mr. PITTMAN. If the cost of production is equal, and there is an advantage in favor of the local production due to the difference in freight rates, is not the local producer, then, able to drive the foreign producer out of competition?

Mr. POINDEXTER. Not at all.

Mr. PITTMAN. Why not?

Mr. POINDEXTER. Because there are a thousand and one other circumstances that enter into it—enterprise, activity—

Mr. PITTMAN. Is it not the Senator's intention to equalize those conditions, with the exception of freight rates?

Mr. POINDEXTER. It is.

Mr. PITTMAN. Then the home producer has the advantage of the freight rates.

Mr. POINDEXTER. Not at all. If you insist on voting the way you voted this evening upon an amendment to this bill offered by the Senator from Iowa [Mr. CUMMINS], the foreign producer has the advantage in freight rates.

Mr. PITTMAN. But the Senator's object is to give the advantage to the local producer, is it not?

Mr. POINDEXTER. My object is to allow him to retain any advantage which he already has.

Mr. PITTMAN. The Senator would so regulate the tariff as to put the foreign and domestic manufacturer on an equality, with the exception of freight rates—I believe the Senator so stated his policy—so he would give the advantage of the freight rate to the local producer. Then, that is an advantage, is it not?

Mr. POINDEXTER. Wherever the local producer had that advantage that would be a natural advantage. However, there are many places where the foreign producer would have less rates to pay than the local producer. It depends altogether upon their situation in reference to that, and—

Mr. PITTMAN. The Senator desires—

Mr. POINDEXTER. If the Senator will allow me to finish, the same difference exists between our domestic manufacturers. One has a certain freight transportation to reach his customers, and another has another. All those are natural conditions that international lines do not so much affect as do the tables of distances.

Mr. PITTMAN. Then, in other words, the Senator desires so to arrange the tariff that the local producer will have a natural advantage. If the Senator prefers that language?

Mr. POINDEXTER. Oh, no.

Mr. PITTMAN. But he has an advantage under the tariff, has he not?

Mr. POINDEXTER. Not at all. I never did propose a thing which was obviously, to me at least, impossible. You can not arrange a tariff so as to change natural advantages, such as transportation costs, which depend largely on location, either to deprive a man of them or to give them to him.

Mr. PITTMAN. Then, if that be the case, why have any protection at all?

Mr. POINDEXTER. Principally on account of the advantages which I do not consider natural advantages; at least I do not include them in that class. Advantages in cost of production on account of the different modes of life, different wages, and considerations of that kind are in quite a different class, in my judgment, from the distance which goods have to be shipped.

Mr. PITTMAN. Well, does the Senator desire to make the opportunities in the American market equal or not?

Mr. POINDEXTER. I do.

Mr. PITTMAN. The Senator desires them to be equal?

Mr. POINDEXTER. Why, Mr. President, I think I will have to decline to continue to answer these questions over and over again. I have answered the same question a number of times. If the Senator has anything new to ask, I will be glad to answer, but I have stated very concisely, I think, what I did believe in that regard.

Mr. PITTMAN. I will not ask any further questions if they are objectionable to the Senator.

Mr. POINDEXTER. Not at all.

Mr. PITTMAN. I was trying to ascertain whether or not I understood the Senator. What occurred to me was simply this: I heard him say that there would be an advantage in freight rates given to the home producer.

I believe that such policy would enable the home producer to eliminate competition. It occurs to me that the only difference between the Senator's views and the views of others on his side of the Chamber are differences as to the height of a wall, both walls being impassable to competition.

Mr. POINDEXTER. Well, that certainly is not the case, Mr. President, even under a much higher tariff than I advocate. There has been more or less importation and more or less

competition even under the Payne-Aldrich law. I think I can illustrate the error of the Senator's position with reference to the effect of freight rates. As I understand, he claims that they would always be in favor of the domestic producer. I naturally recur to some of the great products in my section of the country. Take wheat, for instance, or take lumber. In both cases the place of production of those great staples is much closer to the western American market and to the cities on the Pacific coast from the foreign producer in Canada than from the domestic producer in the eastern part of the United States. There are great lumber districts in the eastern part of the United States which, even if other things were equal, could not possibly compete with British Columbia lumber in the markets on the Pacific coast merely on the question of freight rates. British Columbia has water transportation; it has a shorter distance; while our domestic manufacturers in the Eastern States have rail transportation across the continent. Those are natural conditions which I do not propose to undertake to offset or to consider in any way at all in fixing a tariff.

I did not say, as the Senator undertook to quote me as saying, that I believed in offsetting by the tariff the advantage which the foreign manufacturer had by reason of freight rates, wherever he had it. What I did say was that any advantage of freight rates should not be taken into account in framing a tariff—just the reverse of what the Senator stated.

Mr. PITTMAN. If the Senator will permit me a moment, Mr. President, I understood him to say—and I think I am right in my understanding—that the tariff would equalize the different costs of production, leaving the home producer the advantage of transportation charges.

Mr. POINDEXTER. The amendment which I have introduced provides that "the cost of transporting the several articles from the foreign country to the United States shall not be taken into account."

Now, Mr. President, to pass on, without occupying too much of the time of the Senate, to another phase of our system of tariff making—and I think that this is a question, undoubtedly, which the American people are going to consider—it is not only a question of what you have enacted, but how it was enacted. It does not lie entirely in the difficulty in a body like this of giving careful examination to the facts and weighing those facts so as to arrive at a scientific conclusion, but it lies perhaps more in the system of party government under which we are operating.

I do not say this in any spirit of hostility to the Democratic Party, because, for various reasons which ought to be obvious to everyone, I am very much in sympathy with much that the Democratic Party is trying to do just at this particular time. I am not any more in sympathy with the system of party government under which this bill has been produced in the Democratic Party than I was in sympathy with the same system, perhaps in a little different degree, in the Republican Party four years ago.

I hear it said constantly by Senators who are interested in passing this bill that it was necessary, in order to pass a tariff bill at all, that the members of the party should be absolutely governed by the caucus which framed the bill. I deny that, Mr. President. It is not necessary in order to pass a bill that any Senator here should surrender his judgment upon any vote which comes before him. You might get a somewhat different bill from the bill which you are going to get, but you would get a bill which represented the opinions and judgment of a majority of this body.

Why could not the Senate pass a tariff bill if every member of the Democratic Party exercised his judgment in voting upon every question which came up? It would be settled one way or the other. You may say you could not get free wool, or you could not get free sugar, if you did not have caucus rule and if every member of the party was not subservient to caucus dictation. If you could not get it, you ought not to have it. If free wool and free sugar do not represent the opinion of a majority of the Senate, the Senate ought not to vote for free wool and free sugar. The bill ought to represent the consensus of opinion of the Senators from all the States, their opinions presumably more or less representing the interests of their constituents.

Mr. SHIVELY. Mr. President—

Mr. POINDEXTER. Just a moment, if the Senator please. A bill framed upon the system upon which this bill is being framed and upon which all previous tariff acts have been framed does not represent the wishes or the interests of a majority of the people or the judgment of a majority of the Senators.

I now yield to the Senator.

Mr. SHIVELY. From a statement just made by the Senator I infer that he feels that the provision in regard to a tariff board in the act of 1909 was not sufficient.

Mr. POINDEXTER. I do. I do not think that was in any sense at all an adequate tariff commission.

Mr. SHIVELY. Why?

Mr. POINDEXTER. Why, in the first place it did not even have power under the law to investigate the facts as to the difference in cost of production at home and abroad. It did not have authority under the law to investigate the facts upon which any principle or policy of tariff legislation was to be based. The fact of the matter is that it was a special board, created for a special purpose, limited by law, to an agency to aid the President in determining whether or not a foreign country discriminated against this country in its tariff. That was the limit of its power.

Mr. SHIVELY. But whatever was the limit of its power under the statute, the Senator knows that that board went to the extent of actually investigating the question of relative costs at home and abroad.

Mr. POINDEXTER. Yes; I think it exceeded any authority that was conferred upon it by the law. It did that as to some schedules.

Mr. SHIVELY. I think the Senator is right in that respect. I question whether the board did not go beyond its powers. But does not the Senator feel that there may be established here in Washington a consolidation of the various bureaus of statistics we have that will have power to go into all these questions, secure all this information, and equip Congress, so far as the executive departments of government can, with the necessary facts on which to legislate intelligently on the tariff question as well as on all other questions that involve statistics?

Mr. POINDEXTER. Undoubtedly, Mr. President, that could be done. There are hundreds of different forms, of varying degrees of merit, in which this policy could be carried out. I think such a proposition as the Senator has just stated, if we could get nothing else, would be a very meritorious piece of legislation. But it would not be efficient; it would not be sufficient. It would be simply the application of some of the petty bureaus, with which we have so much difficulty now in their administration, to the great question of tariff information and tariff rate making.

A tariff commission ought to be a great body. It ought to be composed of men of the highest class. They ought to be independent. They ought to be above suspicion, just as much so as the members of the Supreme Court of the United States.

Mr. SHIVELY. Will the Senator yield just there?

Mr. POINDEXTER. Yes.

Mr. SHIVELY. Of course the statute that we enact can not give high class to these appointees or separate them from the usual passions and prejudices of human nature. These appointees are bound to be men. They are not going to be arch-angels. The probabilities are that they will all come to their task with certain prejudices, with certain predilections, with certain views upon the tariff question. I assume that what the Senator wants, after all, is not conclusions, not opinions, not doctrines, not policies, not maxims, to be disclosed and presented by some tariff board, but simply the naked facts, so far as they can be presented by statistics. In that respect and to that extent I am thoroughly in sympathy with the Senator's ideas on this question.

We have been going forward here and establishing this bureau of statistics and the other bureau of statistics and still another bureau of statistics. I observe that within the last few months one of these bureaus reported the number of sheep in the United States at 40,000,000, and another bureau reported the number of sheep in the United States at 61,000,000. It seems to me that what we need is not new boards or new commissions, that we do not require a new symposium of tax eaters in the Treasury of the United States so much as we do a little more coordination and efficiency in the departments we now have.

Mr. POINDEXTER. It would undoubtedly require a good deal more coordination and efficiency in the departments than we now have to properly perform the duties of tariff administration. I am very much in sympathy with the statements that have been made here by distinguished Senators to the effect that millions and hundreds of millions of expense could be saved yearly in the administration of the Government by greater efficiency in the departments we already have. I have not the slightest doubt of that.

There are some departments of the Government, however, which are extremely efficient. There are many officials in the executive departments of the Government who are efficient.

Some of the bureaus of the Government which the Senator has in mind, those which have been engaged in scientific work, have been especially efficient. If the Senator chose to establish them upon a basis of sufficient jurisdiction, it would answer the purposes of the amendment.

The amendment does not undertake to say who shall compose the commission. If the commission is to be appointed, it will be appointed by the Democratic President. I am willing to leave it to him, to his honor and integrity, to appoint men who will carry out the rules laid down by Congress. We shall have to leave it to somebody.

I heard a gentleman suggest the other evening that he was opposed to a tariff commission because its members would be partisans; they would be prejudiced; and they would not carry out the rule laid down by Congress. If we are so pessimistic as that, we ought to stop the effort of self-government. There is not any function of government that does not have to be executed by some one. You have to trust somebody.

It seems to me that with a commission whose members draw good salaries and have long terms of office, and who are appointed by the President with the advice and consent of the Senate, we ought to be able to trust them to carry out honestly the instructions of Congress within the limits of their powers, just as we can trust the members of the Supreme Court of the United States, regardless of their predilections—I hope we can trust them; I am willing to trust them; the country does—to decide the law, not their wishes or predilections upon the great questions of public policy which come before them. There is no reason why we can not appoint a commission to deal with the tariff, by means of which we collect and have collected for years some \$300,000,000 or more of revenue each year.

The Senator talks about "tax eaters." The comparatively small cost of this commission would be a mere bagatelle if they did the work well that would be expected of them.

Mr. SHIVELY. Mr. President, will the Senator yield to me again?

Mr. POINDEXTER. I yield.

Mr. SHIVELY. If the Senator thinks for a moment that I do not sympathize with his view of adopting the best means of securing reliable information on which Congress shall act with regard to the tariff, as well as with regard to other matters, he is entirely mistaken.

Mr. POINDEXTER. I am satisfied that the Senator does.

Mr. SHIVELY. But what any agency that is employed should be required to do is simply to report the facts, to give us the facts. What do we care about its conclusions as to this or that? If the Senator will permit me, of course there is a fundamental difference of view at the bottom of this question.

Mr. POINDEXTER. If the Senator is going down to the fundamentals, there is just one other matter that I wish to present, and then I shall be through.

Mr. SHIVELY. No; I am not going to do that; but I was going to suggest to the Senator that one of the difficulties of this whole matter is that he would require statistics and information in regard to subjects that it seems absolutely, or at least approximately, beyond the power of the Government to get.

Under our present statutes we have a bureau in the Department of Commerce that has the power to enlist the entire consular service of the United States in securing and laying before us the statistics with reference to commerce abroad as it may affect the business and commerce of the United States. Whatever might be adopted in the way of any commission you might establish, you would at last have to rely upon those agencies to secure that information and to lay it before Congress. The Senator knows full well that Congress has no power by which it can compel a foreign manufacturer, miner, or producer in any other department of industry to open up his books and exhibit his costs. Any tariff board that you might establish would at last have to rely upon the reports that were made by the consular agents of the United States, who hold their positions in substantially every town and city of any importance in the whole world. So I suggest that the Senator is magnifying the importance of the agency that is to be called a tariff board or a tariff commission.

Mr. WARREN. Mr. President—

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Wyoming?

Mr. POINDEXTER. I yield to the Senator.

Mr. WARREN. I take it that the Senator from Washington wants a tariff board or commission of a higher character than the one we formerly had, and one in which Congress can feel more confidence, because they will collect, collate, and edit. If I may so term it, the information from all these bureaus and lay it before Congress for its use.

The Senator from Indiana [Mr. SHIVELY] alluded to the difference in one particular, in the matter of sheep, one au-

thority placing the number at 40,000,000 and the other at 60,000,000. Both were correct. One was taking the sheep of shearing age, the other was taking all of the sheep. Reports of that kind, although they may appear to be imperfect and heterogeneous, may come before a commission such as the Senator from Washington proposes, of high class, and out of all that and what they may get in the first instance we will have less to do and can do it better, as I understand what the Senator is proposing by his amendment.

Mr. POINDEXTER. That was the intention.

Mr. SHIVELY. Mr. President, that suggests precisely the question. If we had one bureau of statistics, equipped and qualified to assemble all these statistics, to make these investigations, and to present this information, that kind of misunderstanding and conflict would not occur.

Mr. POINDEXTER. Mr. President, at different times both branches of Congress have voted in favor of a tariff commission. In 1911 a tariff commission was provided in a bill which passed the House of Representatives and passed the Senate. Undoubtedly the people of this country desire the tariff to be put upon a permanent basis. It is not the wish of any political party, I imagine, that it shall be continually engaged in campaigns over the tariff, and that the business of the country shall be in a state of uncertainty as to what tariff rates are going to be. They want the matter to be settled. It was not settled when the last tariff bill was passed. It was not settled when the Dingley bill was passed. It was not settled when the Wilson Act was passed. It will not be settled when this bill is passed. You will go from this Congress into the next political campaign to defend what? To defend not so much a tariff policy, but a schedule of rates which you have framed here. You can not defend them, however, because they are not scientifically framed. There is not any machinery for doing it.

Mr. SHIVELY. Mr. President, will the Senator yield for a moment?

Mr. POINDEXTER. I will yield for a question, but I should like to conclude what I have to say.

Mr. SHIVELY. If the Senator yields only for a question, I must admit that it was a suggestion I had to make, and not merely a question.

Mr. POINDEXTER. I shall be through in just a moment, if the Senator will pardon me.

The tariff-commission bill in 1911 came to the point of having a final vote taken upon the Senate amendments to the House bill. In the House of Representatives it is the rule to have two roll calls. One roll call was completed as the hands of the clock in the Hall of the House of Representatives approached the hour which marked the end of the Sixty-first Congress. As the Clerk announced the result of the first roll call in the midst of this significant proceeding the following remarkable interruption occurred, which I read from the CONGRESSIONAL RECORD:

GENERAL DEFICIENCY APPROPRIATION BILL.

Mr. TAWNEY. Mr. Speaker, I submit the conference report on the general deficiency appropriation bill, H. R. 32957. There is only one amendment in disagreement, and that is 108. I move that the House recede and concur.

The SPEAKER. The gentleman from Minnesota submits a conference report on the general deficiency appropriation bill, which the Clerk will read.

This was in the middle of a roll call on a tariff commission bill. One call had been made, and they were proceeding to make the other one when these proceedings took place:

Mr. HARDWICK. Mr. Speaker, a question of order.

Mr. TAWNEY. I move that the House recede and concur.

Mr. HARDWICK. Mr. Speaker, I rise to a point of order.

The SPEAKER. The gentleman will be in order.

Mr. HARDWICK. I am in order. I rise to make—

The SPEAKER. The gentleman is not in order.

Mr. HARDWICK. A parliamentary inquiry, Mr. Speaker.

The SPEAKER. What motion does the gentleman make?

Mr. TAWNEY. I move that the House recede and concur in the Senate amendments.

The SPEAKER. The gentleman moves, then, that the House agree to the conference report?

Mr. TAWNEY. Yes.

Mr. FITZGERALD. Mr. Speaker—

The SPEAKER. As many as favor the motion will say aye.

The affirmative vote was taken.

Mr. FITZGERALD. Mr. Speaker, I rise to a question of order.

Mr. HARDWICK. A point of order, Mr. Speaker.

The SPEAKER. The House is dividing.

Mr. FITZGERALD. No; the House was not dividing.

The SPEAKER. The House is dividing.

Mr. FITZGERALD. But, Mr. Speaker, I am entitled to recognition—

The SPEAKER. The House is dividing.

Mr. FITZGERALD. Mr. Speaker, the Chair can not divide the House—

The SPEAKER. The gentleman will be in order.

And so forth.

This is interesting both as a specimen of the parliamentary procedure under which tariff schedules, as well as other laws, have heretofore been framed, and also as a unique incident in the struggle to provide a scientific method of perfecting the mere details of customs rates.

That was the end of the effort to obtain a tariff commission in 1911.

Mr. President, I judge from the questions of the Senator from Nevada [Mr. PITTMAN] that he objects to the rule which is laid down in this proposed amendment for the guidance of a tariff commission, and the Senator from Indiana [Mr. SHIVELY] objects to the tariff commission having any authority to fix rates at all. However the Senator from Nevada or other Democratic Senators may regard it, it is in strict accordance with Democratic tariff doctrine, and, strange to say, and I say it with perfect deliberation, it is also in accordance with Republican tariff doctrine. The difference between the two parties in this country, if you read their platforms, has not been a difference on tariff policy, but the difference has been in the schedules of rates which the two parties have framed when they were in power. We have advanced also in the matter of the tariff, and what the Democratic Party declared in 1884 the Republican Party promulgated in 1908.

I read the other day into the RECORD, and without reading them again I will simply refer to the Democratic platform declarations in 1872, in 1884, and in 1888, when the Democratic Party declared in favor of tariff rates which would represent the difference in the cost of production, or the difference in wages, at home and abroad. The Republican Party has made the same declaration a great many times. In 1880 the Republican platform declared:

We reaffirm the belief avowed in 1876 that the duties levied for the purpose of revenue should so discriminate as to favor American labor.

Many times the Democratic platform has contained precisely the same declaration. In 1884 the Republican platform said:

The Republican Party pledges itself to correct the inequalities of the tariff and to reduce the surplus.

That was a declaration in favor of tariff reform. In 1888 the Democratic platform was as follows:

Our established domestic industries and enterprises should not and need not be endangered by the reduction and correction of the burdens of taxation. On the contrary, a fair and careful revision of our tax laws, with due allowance for the difference between the wages of American and foreign labor, must promote and encourage every branch of such industries and enterprises.

That is the Democratic platform of 1888. In 1892, and that is some time ago, the Republican Party declared:

We believe that all articles which can not be produced in the United States, except luxuries, should be admitted free of duty, and that on all imports coming into competition with the products of American labor there should be levied duties equal to the difference between wages abroad and at home.

Those were practically the same words that were used in the Democratic platform in 1888. So far as giving a tariff commission the power to frame a bill within the limitation of a fixed rule laid down by Congress, let us see the Republican declaration that the party is not committed to any set schedules. In 1896 the Republican Party declared expressly:

We are not pledged to any particular schedules. The question of rates is a practical question to be governed by the conditions of time and of production; the ruling and uncompromising principle is the protection and development of American labor and industry. The country demands a right settlement, and then it wants rest.

In 1908 the Republican Party declared unequivocally for a revision of the tariff. In 1912 it declared that the rates of the existing law should be reduced. Both parties periodically have declared in favor of a revision. Both have declared in favor of protection. The Progressive platform in 1912 contained these words:

We believe in a protective tariff which shall equalize conditions of competition between the United States and foreign countries, both for the farmer and the manufacturer, and which shall maintain for labor an adequate standard of living. We pledge ourselves to the establishment of a nonpartisan scientific tariff commission.

The leaders of the Democratic Party in this debate have admitted that they are in favor of the protection of American industries, but at other times disclaim it.

Let me turn just for a moment, Mr. President, to the declaration of the chairman of the House committee. My only purpose in referring to this declaration is to show that the work of a tariff commission with such powers as are specified in the amendment which I have offered will be but carrying out the policy of the Democratic Party, and at the same time the policy of the Republican Party, and that those policies, so far as platform declarations are concerned, are substantially the same. In certain parts of his report the chairman of the Ways and Means Committee of the House denounces the Republican doctrine of protection, but when he comes down to specific statements as to what he believes in, he says as follows, on page 18 of his report:

The dividing line between the positions of the two great parties on this question is very clear and easily ascertained in theory. Where the tariff rates balance the difference in cost at home and abroad, including an allowance for the difference in freight rates, the tariff

must be competitive, and from that point downward to the lowest tariff that can be levied it will continue to be competitive to a greater or less extent.

I fail to see how he can reconcile the latter part of that statement with the first part; but he declares that a competitive tariff—and that is the kind of tariff which Democrats say they propose to frame—is a tariff where the rates balance the difference in the cost of production at home and abroad, including an allowance for the difference in freight rates.

During this debate the chairman of the Finance Committee of the Senate said:

I will state to the Senator—

I am reading from page 2639 of the RECORD—

that it is exceedingly difficult to get figures showing the domestic production of many articles manufactured or produced in this country. None of the departments has had any systematic scheme for making these estimates. We have to rely altogether almost upon the census estimates, and, as the Senator very well knows, the Census Office groups the separate articles under some general head. Therefore we are not able through that source to secure the production except as to all the numerous articles embraced in the schedules.

There is the express declaration from the chairman of the Finance Committee of two things; first, that the committee made the effort to obtain this information as a factor, evidently, to be considered in fixing rates upon manufactured articles, and, in the second place, that there was no adequate source of information.

The Senator from Maine [Mr. JOHNSON], a member of the Finance Committee, made a similar declaration:

So far as I am concerned—

He says on page 2643 of the RECORD—

I think I have already stated my belief in regard to these estimates, that they are merely speculations, and I think the Senate so understands.

That admission was made by a number of Senators.

They may be made by the experts on some basis, but I think they are not to be depended on and are simply approximations or estimates.

He proceeds to state:

I shall be very glad to have the Senator suggest any better method than has been adopted and has been followed in this bill, of taking the imports under the rates which have existed and making an approximation as to what, in the opinion of the experts, the imports may be under new conditions. I know of no way in which one can look into the future and determine what it is to bring forth.

Further on he says:

My only source of information was the glossary prepared by the expert of the Tariff Board, who stated that there is no supply of chalk of good quality in this country.

The report submitted by the Finance Committee when this bill was submitted to the Senate declares on the first page of the report:

Following the lead of the House, your committee has sought in the amendments it now proposes to the House bill to further carry out and perfect the theory of establishing a revenue-producing tariff—

Now mark these words. Upon what basis?—

upon the basis of competitive rates as a just and fair interpretation in the light of existing conditions of the latest authoritative utterances of the party in power upon that subject.

But, Mr. President, we do not have to rely upon general declarations of the chairman of the Finance Committee that he and his committee attempted to protect American industry in this bill.

In regard to the tariff on lead, one of the important schedules in the bill, I read from the report of the Finance Committee the admission and the declaration that the Senate committee raised the House rate upon lead and zinc ore for the purpose of giving a protective rate. On page 12 it says:

The reductions made in the House bill on lead ore, zinc ore, and zinc appealed to the Finance Committee as too radical and below the point of competition. In the interest of the industry, a continuation of which is absolutely essential for the welfare of the mining interests, the Senate committee raised the duty from one-half cent per pound to three-fourths of 1 cent per pound on lead ores, which was also the rate of the Wilson law.

So, Mr. President, the Democratic Party and the Republican Party, in numerous platforms, as well as the Progressive Party, have declared in favor of protecting American industry by putting it upon an equal footing with foreign competitors, and the declaration is contained here that in a specific case the rate was raised for that purpose. The rule laid down in the proposition which I have submitted for the guidance of the tariff commission is that same rule. There is nothing in the platforms or the principles of either of the political parties of this country which would prevent them from submitting the question to such a commission upon the basis specified, that the difference in cost of production at home and abroad, with all other circumstances considered, so as to ascertain the true competitive rate, should control the findings and the rates fixed by the commission.

Some have objected to a tariff commission for the reason that it would leave the tariff unsettled. It could not be any more unsettled than it has been ever since I can recollect. It has been unsettled, and the prospect is that it will continue to be unsettled as long as the present system is continued.

The Republic may well say, having in mind the perennial horrors of tariff campaigns:

Myself, when young, did eagerly frequent
Doctor and saint, and heard great argument
About it and about, but evermore
Came out by the same door that in I went.

My judgment is that if a tariff commission should be established with the powers which I have advocated the tariff question would be settled at least for a long period of time. It would be settled if the commission performed the duties imposed upon it under this amendment, because without disturbing the general business of the country, the rates which they would fix would be subject to constant revision, item by item, to meet new conditions of manufacture and distribution constantly arising as the years go by.

Mr. President, I ask for a yea-and-nay vote on the amendment.

Mr. SHIVELY. Mr. President, I have no wish to prolong this debate, but I am unwilling that the proposed amendment go to a vote without reply to certain contentions in its behalf. Senators on this side of the Chamber are quite as solicitous as any Senator on the other side can be that Congress shall be equipped with the widest, most accurate, and reliable information obtainable, not only on the tariff question but on all other questions which become the subjects of congressional action. In the next place, we are quite as solicitous as the junior Senator from Washington [Mr. POINDEXTER] can be that the tariff question shall be settled; that the tariff shall cease to be a vexing business question; that it shall cease to be a sectional question, a class question, or a partisan question. To place the tariff question in process of such settlement and remove it from the domain of disturbing agitation is the central purpose of the tariff measure now before the Senate.

I ask Senators to keep this declaration in mind while I briefly recall an instructive chapter in the tariff history of the country bearing directly on the point. For the past eight weeks we have been regaled with gloomy prophecy as to the calamities that are to smite the country if this bill is enacted into law. If the Senators who have uttered these melancholy predictions will open the old Congressional Globe at the pages reciting the proceedings in the Senate on the passage of the Walker tariff of 1846, they will find themselves novices in the art of prophecy.

That bill was not referred to the Finance Committee of the Senate. Vice President Dallas delivered the casting vote that prevented its reference to the committee. The reference was refused by the friends of the bill because of their conviction that a majority of the committee was hostile to the measure. As the time for the final vote approached the opponents of the bill redoubled the fury of their denunciation of it, both on the ground of its adoption of ad valorem rates and the marked reduction of duties. Senator Simmons, of Rhode Island, the remote predecessor of the man whose name is inseparably associated with the act of 1909, vehemently prophesied that only calamitous results would follow its enactment. Senator Cameron, of Pennsylvania, who was then a Democrat and afterwards served in this body as a Republican, joined in the chorus of dark prophecy. These and others confidently predicted that the act would be repealed by the next Congress. But Daniel Webster was not satisfied with these predictions. They were not strong enough, and he insisted that so overwhelmingly disastrous on all lines of industry and so universal would be the devastating effect of the legislation that the country would not tolerate postponement of repeal to the next Congress, but would demand and secure its repeal at the ensuing short session of the same Congress.

Despite the clamor, the denunciations, and the dark forebodings, the bill was passed and became a law. In 1848, two years after its enactment, so completely had the legislation vindicated itself in practice within the intervening months that no political party in its national platform dared utter a protest against it. In 1852, when the Whig Party was exhausting every resource to raise an issue on which to escape the slavery question, it dared not assail the tariff of 1846. In 1856, when the new Republican Party was attempting to weld all elements of discontent into a force to expel the Democracy from power, not a word of protest was uttered against that tariff.

Mr. GALLINGER. But, Mr. President, Buchanan, a Democrat, declared against it in 1857.

Mr. SHIVELY. Does the Senator from New Hampshire desire that I yield to him?

Mr. GALLINGER. Just for a moment. President Buchanan, a Democrat, declared against it in 1857 very vigorously.

Mr. SHIVELY. On the contrary, not only did President Buchanan not declare against the act of 1846 in 1857, but he declared in his message to Congress in 1857 that the panic of 1857 was not caused by and had no connection with the tariff act of 1857.

Now I come to the crux of this matter. Here we had the gloomiest prophecies ever conceived by the minds of men of the frightful disaster that was to follow the act of 1846. Not a single one of all these lurid prophecies came true. Every one of them was falsified by the general prosperity enjoyed by the country under the act. This alone accounts for the general acquiescence by all parties, all sections, and all interests in that tariff through a long term of years.

Mr. WARREN. May I ask the Senator from Indiana a question there?

Mr. SHIVELY. Certainly.

Mr. WARREN. My understanding of the Walker Tariff Act is that it was one providing a revenue tariff on raw materials, and it differed from the present bill, did it not, in that respect?

Mr. SHIVELY. It is not contended that the pending bill is a reenactment of the act of 1846.

Mr. WARREN. Is it not almost distinctly contrary?

Mr. SHIVELY. No; not contrary; in the main, in harmony with the revenue principle of that act. We have put a number of articles on the free list that were dutiable under the Walker tariff, and this has been done in the light of conditions as they exist to-day.

Mr. WARREN. But the policy of that law was to tax raw materials, while the policy of the pending bill is not to tax them. Is not that true?

Mr. SHIVELY. The policy of that law was to raise the necessary revenue with as light taxation as possible except as to luxuries. In the case of every article importable at all there is what is known as a maximum revenue point. To reduce the rates below this point is to reduce both taxation and revenue. To raise the duty above this point is to increase taxation and reduce revenue. The prohibitive duty is all taxation and no revenue. The effort in the Walker Act was to approximate as nearly as possible to the maximum revenue line of rates, and, like the pending bill, wherever practicable, prefer ad valorem to specific duties. These were distinctive features of policy of the Walker tariff. There were dutiable articles in that act which are free listed in the pending bill; but nothing in the philosophy of the Walker tariff precludes free listing either raw materials or finished products where taxation is not necessary for the purposes of revenue.

In 1857 the Walker tariff had been in force 11 years. What had become of the gloomy prophecies of ruin and desolation made in 1846? The answer was overwhelming in the high tide of prosperity which the country had enjoyed through all those years. The prediction that the act would not produce sufficient revenue, like the prophecies of its effect on industry, had failed to come true. The income was ample, the public debt had been met, the public credit had reached the highest point in our history up to that time, and an excess of revenue was flowing into the Federal Treasury. Because of this excessive revenue, it became necessary in 1857 to review and revise the rates. Then came the supreme test of public opinion on the question of so-called protection as a principle of customhouse taxation. Where were the voices to proclaim then the doctrine of feebleness and to insist on a recurrence to the higher rates of the act of 1842?

The House of Representatives was controlled by Republicans and Free Soil Democrats, who joined in the election of Nathaniel P. Banks as Speaker. The Committee on Ways and Means was Republican. So far from recurring to the discarded and discredited dogmas of the early protectionist, the House passed and sent to the Senate a bill reducing the rates one-fourth below the rates in the act of 1846. What had become of the protective economist? What had become of the manufacturer who once trembled lest a revision of the tariff would spell his ruin?

Mr. KERN. Mr. President—

The VICE PRESIDENT. Does the Senator from Indiana yield to his colleague?

Mr. SHIVELY. I do.

Mr. KERN. I desire to ask my colleague if it is not true that every Republican Member of Congress from New England present at the time when the vote was taken on the tariff of 1857 voted for it?

Mr. SHIVELY. That is my recollection. When the bill came to the Senate it was passed by an overwhelming majority. Not all Members of both branches of Congress voted for it. There will always be differences of opinion as to reductions and increases advisable even when the rule of duties exclusively for revenue is conceded. But such differences are not on principle,

and on that vote involved no partisan division. If the principle of protection is vital to the life of our industries, if it be true that our industrial enterprises are so parliamentary in character as to depend on the yeas and nays of Congress, why was there no loud clamor then against the reduction of the rates below those which 11 years before had been denounced as ruinously low and certain to strew the country with the wrecks of disrupted and expiring enterprises?

The reason is plain. The act of 1846 had taught its lesson and the country refused to become alarmed. When the time for that vote arrived the tariff question had ceased to be a vital business question. It had ceased to be a sectional question. It had ceased to be a class question. It had ceased to be the subject of struggle by private interests for advantages in the taxing power of the Government. It had ceased to be a party question. When the roll was called Henry Wilson, of Massachusetts, and William H. Seward and Hamilton Fish, of New York, all Republicans, voted for the lower duties along with Robert Toombs, of Georgia, and Judah P. Benjamin, of Louisiana.

The country had learned the wholesome lesson of self-confidence and self-respect. The manufacturer had learned that his enterprise rested not on the yeas or nays of Congress or the whimsicalities of politics, but on the solid natural resources of the country and his energy and capacity in the development of them. And make no mistake about it, this lesson is being learned again. The delirium of wealth by taxation is passing away. Men everywhere are recovering from the paralysis of dependence on tariffs for their success. We were producers and exporters of iron before the American Revolution. We were producers and exporters of window glass before the American Revolution. We were producers and exporters of fabrications of wool before the American Revolution. The doctrine of feebleness, helplessness, and incapacity has been badly overworked through the last 50 years. It has had its effect on the temper of millions of people, but the delusion is bound to pass away.

It is bound to pass and is now passing, and all because there is a point beyond which human credulity declines to go. Imagine an agent of American enterprise meeting his foreign rival in one of the world's neutral markets. His rival says, "You certainly can not hope to compete with us in this market. I have with me copies of the messages to your Congress by Republican Presidents through the past 40 years, copies of the reports of your Republican Committees on Ways and Means and on Finance, copies of your Republican national platforms, speeches of the great leaders of the party dominant, with slight interruption, in the politics of your country through the past half century, and, finally, the act of your Congress of 1909, all solemnly and unitedly proclaiming your inability to hold your own market at home without a tariff wall 40 cubits high against us, to say nothing of your coming outside your wall and contesting with us in open competition for the world trade."

The American appreciates both the exigencies and the humors of American politics. I fancy him replying, "You need not exhibit your documents. On your paper case, the proof is conclusive that we are an exquisite collection of industrial paralytics, but my answer to it all is the cargoes of American goods down at the wharf, and the \$2,300,000,000 worth of the products of American labor and capital sent out last year, not only into the neutral markets, but often taking the hostile market right in the shadow of the foreign factory, and this in spite of domestic tariffs which hamper and handicap domestic production for the foreign trade."

And now, Mr. President, is it necessary to set up a new agency of Government to adjust private enterprise on the subjects of standards of wages, standards of living, and differences of costs of production with which a vicious principle in custom-house taxation has entangled it? When the Mexican Central Railroad was in process of construction the contractor found it cheaper to pay workmen from the United States \$1.50 a day and board them than to employ native Mexican labor at 37½ cents a day. When building railroads in India, Lord Brassey found it cheaper to employ workmen from England and Ireland at \$1.50 per day than to employ native labor at 12½ cents a day. The standard of wages and the standard of living are in the day's work. If the day's work produces large product, both the standard of wages and the standard of living may be high. Whether because of mechanical inefficiency, manual inefficiency, or adverse natural conditions in the industry, if the product of the day's work is small the standard of wages and the standard of living are bound to be low. No tariff board can change the fundamental facts of production, distribution, and consumption, and to balance a tariff on a difference of cost, even if ascertainable, is to attempt to economically abolish the only inducement to trade that ever has existed or ever can exist.

While conceding their entire good faith, I submit that the appeals of Senators to the functions of the Interstate Commerce Commission as parallel and illustrative of the functions of the proposed tariff commission or board bring into notice the very vice that distinguishes the latter from the former. The transportation companies of the country are public utilities, operated for private profit. Whatever taxes in the way of rates are charged the public go into private hands. It is the function of the Interstate Commerce Commission, within the power conferred, to conserve equitable relations between charges made and the service rendered. Is the customhouse also an agency of private enterprise? Is the proposed commission to study conditions of production and trade with a view to apportioning and distributing the usufruct of tariff taxation among private beneficiaries? If not, then is it pretended that the Government needs this agency to inform it how much revenue is required to meet its necessary annual expenditure?

No, Mr. President; I see no useful function that the proposed tariff board can serve that may not be as well or better served by agencies already available to the Government. It is no purpose of the pending tariff bill to magnify the customhouse as a factor in industrial enterprise. We do not propose to treat as permanent a principle in custom taxation which contemplates the use of the taxing power as an instrument of private profit. Yet all the projects for a tariff commission relate back to this principle and revolve around the theory of wealth by statute and prosperity by taxation.

The proposed board would not take the tariff question out of politics or out of business. The appointees would be human beings. Angels are not available. It can not be assumed that the men appointed would come to their tasks with minds white blanks on the subject of the tariff. Each would approach his work with his own bias, prejudices, and predilections. The theory of protection offers the widest latitude and the greatest temptation to include in the consideration of the tariff all manner of collateral and even unrelated subjects. Like every new bureau, the commission would at once become an appetite that grows with what it feeds on. It would feed on the Federal Treasury. Every temptation would confront it to broaden its power, magnify its function, augment its patronage, and to perpetuate its existence. It would mean no settlement of the tariff question, but rather a constant agitation and clamor for favor, first before the commission and then before Congress.

Mr. President, do Senators want information as to cost of production in this country? In the Department of Commerce and in the Department of Labor are forces of experts, maintained at great expense, and on whose cooperation to secure this information the proposed commission would expect to rely. Do Senators want information as to cost of production abroad? The organic act creating the Department of Commerce expressly places the whole Consular Service of the United States at the command of that department to procure such information in so far as it is procurable at all, and the proposed commission itself would expect to rely on the same sources of information. Do Senators want accurate information as to the status of the tariff laws and regulations in foreign countries? Our Diplomatic Service, represented at every seat of government in the world, is available to supply this information, and this is the source from whence the proposed commission would secure it.

We have departments, bureaus, and divisions now maintained at enormous expense that should be available to supply every variety of information desired by Senators on the tariff or on any other question of legislation. We have too many bureaus of statistics. These should be brought together in a single bureau, with their work organized, coordinated, standardized, and the organization equipped to the highest efficiency. We should have no further duplication and triplication of statistics and other information and none of the conflict of returns that casts suspicion on the accuracy and reliability of official reports.

I oppose the creation of the proposed commission because it is not needed and is, I fear, more promising of mischief than of good. The pending tariff bill contemplates a reduction both in rates and in the number of dutiable articles. The disentangling process is already on. When it became certain that this measure or one approximating to it is to become law, thousands of business men reexamined the relation of tariffs to their enterprises only to be convinced that they have been the victims rather than the beneficiaries of the rates in the existing law. As this conviction grows under the operation of the new act all clamor for a tariff board will cease. When moderate rates are in force, changes with reference to revenue occasion no industrial disturbance. The fate of industry is no longer affected by the vicissitudes of politics. Less and less consequence attaches to customhouse taxation as an economic force. The habit of self-reliance displaces the sense of dependence and the steadiness of normal conditions succeeds to the eccentricities

attending artificial expedients. While denying to no one any necessary source of information on all public questions, I am opposed to the creation of a special agency on the tariff question.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Washington [Mr. POINDEXTER], on which the yeas and nays have been ordered. The Secretary will call the roll.

The Secretary proceeded to call the roll, and Mr. ASHURST voted "nay."

Mr. BRISTOW. I should like to inquire on what amendment we are voting?

Mr. THORNTON. Mr. President—

The VICE PRESIDENT. The roll call has been started on the amendment proposed by the Senator from Washington.

Mr. THORNTON. Did the Chair recognize me?

The VICE PRESIDENT. The Chair understands that the roll call has begun.

Mr. THORNTON. I did not know that the first name had been called.

The VICE PRESIDENT. The Senator from Arizona [Mr. ASHURST] has responded to his name.

The Secretary resumed the calling of the roll.

Mr. BRYAN (when his name was called). I have a pair with the junior Senator from Michigan [Mr. TOWNSEND]. I transfer that pair to the senior Senator from Nebraska [Mr. HITCHCOCK] and will vote. I vote "nay."

Mr. CHAMBERLAIN (when his name was called). I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. In his absence, I withhold my vote.

Mr. STERLING (when Mr. CRAWFORD's name was called). I announce the necessary absence of my colleague [Mr. CRAWFORD], also his pair, and state that if present he would vote "yea."

Mr. KERN (when his name was called). In the absence of the senior Senator from Kentucky [Mr. BRADLEY], with whom I am paired, I withhold my vote.

Mr. MYERS (when his name was called). I announce my pair with the junior Senator from Connecticut [Mr. McLEAN], and on account of his absence I refrain from voting.

Mr. OVERMAN (when his name was called). I have a general pair with the senior Senator from California [Mr. PERKINS], and therefore withhold my vote.

Mr. DILLINGHAM (when Mr. PAGE's name was called). My colleague [Mr. PAGE] is necessarily detained from the Senate tonight. He is paired with the senior Senator from Virginia [Mr. MARTIN].

Mr. SMITH of Arizona (when his name was called). I am paired for this evening with the junior Senator from New Mexico [Mr. CATRON], and therefore withhold my vote.

Mr. THOMAS (when his name was called). I make the same transfer of my pair as heretofore, and will vote. I vote "nay." The roll call was concluded.

Mr. LEA. I announce my pair with the senior Senator from South Dakota [Mr. CRAWFORD], and withhold my vote.

Mr. JAMES. I announce my pair with the junior Senator from Massachusetts [Mr. WEEKS], and in his absence withhold my vote. If permitted to vote, I should vote "nay."

Mr. REED. I am paired with the senior Senator from Michigan [Mr. SMITH], and therefore withhold my vote. If I were at liberty to vote, I should vote "nay."

Mr. GALLINGER. I have been requested to announce the following pairs: The senior Senator from Delaware [Mr. DU PONT] with the senior Senator from Texas [Mr. CULBERSON]; the junior Senator from West Virginia [Mr. GOFF] with the Senator from Alabama [Mr. BANKHEAD]; the junior Senator from North Dakota [Mr. GROONNA] with the junior Senator from Illinois [Mr. LEWIS]; the junior Senator from Pennsylvania [Mr. OLIVER] with the senior Senator from Oregon [Mr. CHAMBERLAIN]; the junior Senator from Vermont [Mr. PAGE] with the senior Senator from Virginia [Mr. MARTIN]; the junior Senator from Michigan [Mr. TOWNSEND] with the junior Senator from Florida [Mr. BRYAN]; the junior Senator from Wisconsin [Mr. STEPHENSON] with the senior Senator from South Carolina [Mr. TILLMAN]; and the senior Senator from North Dakota [Mr. McCUMBER] with the senior Senator from Nevada [Mr. NEWLANDS].

Mr. MARTIN of Virginia (after having voted in the negative). I desire to withdraw my vote. While there was no pair between myself and the junior Senator from Vermont [Mr. PAGE], yet, as there was an impression to that effect, I am very willing to stand paired with him on this vote, and do so by withdrawing my vote.

Mr. BACON. I inquire whether the senior Senator from Minnesota [Mr. NELSON] has voted?

The VICE PRESIDENT. He has not.

Mr. BACON. I have a general pair with that Senator and therefore withhold my vote. If he were present, I should vote "nay."

The result was announced—yeas 22, nays 33, as follows:

YEAS—22.

Brady	Dillingham	La Follette	Root
Brandeggee	Fall	Lippitt	Smoot
Bristow	Gallinger	Lodge	Sterling
Clapp	Jackson	Norris	Warren
Colt	Jones	Penrose	
Cummins	Kenyon	POINDEXTER	

NAYS—33.

Ashurst	Martine, N. J.	Sheppard	Thomas
Bryan	O'Gorman	Shields	Thompson
Chilton	Owen	Shively	Thornton
Clark, Wyo.	Pittman	Simmons	Vardaman
Fletcher	Pomerene	Smith, Ga.	Walsh
Hollis	Ransdell	Smith, Md.	Williams
Hughes	Robinson	Smith, S. C.	
Johnson	Saulsbury	Stone	
Lane	Shafroth	Swanson	

NOT VOTING—41.

Bacon	du Pont	Martin, Va.	Smith, Ariz.
Bankhead	Goff	Myers	Smith, Mich.
Borah	Gore	Nelson	Stephenson
Bradley	Gronna	Newlands	Sutherland
Burleigh	Hitchcock	Oliver	Tillman
Burton	James	Overman	Townsend
Catron	Kern	Page	Weeks
Chamberlain	Lea	Perkins	Works
Clarke, Ark.	Lewis	Pomerene	
Crawford	McCumber	Reed	
Culbertson	McLean	Sherman	

So Mr. POINDEXTER's amendment was rejected.

The VICE PRESIDENT. If there are no further amendments as in Committee of the Whole the bill will be reported to the Senate.

The bill was reported to the Senate as amended.

Mr. SIMMONS. Mr. President, I ask that the bill as amended in Committee of the Whole may be printed for the use of the Senate. I move, then, that the bill be laid aside for the day.

The VICE PRESIDENT. Is there any objection?

Mr. SIMMONS. I understand the bill has been reported to the Senate.

Mr. LODGE. The bill is in the Senate now, and open to amendment.

The VICE PRESIDENT. Is there any objection to the printing of the bill showing the amendments made as in Committee of the Whole? The Chair hears none, and it is so ordered.

Mr. SIMMONS. Mr. President, I wish to say further that I understand we have agreed, when we do adjourn, to adjourn until 10 o'clock on Monday. I hope that when we meet on Monday at 10 o'clock we shall not adjourn until we shall have passed the bill.

Mr. GALLINGER. Mr. President, I desire to express the same hope that we may conclude the consideration of the bill on Monday next before adjournment.

Mr. KERN. I move that the Senate adjourn.

The motion was agreed to, and (at 10 o'clock and 50 minutes p. m.) the Senate adjourned until Monday, September 8, 1913, at 10 o'clock a. m.

HOUSE OF REPRESENTATIVES.

SATURDAY, September 6, 1913.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Father Almighty, as years come and go and time sweeps on with ceaseless flow, what has it brought to us as individuals, substance or show, false or true, strength or weakness, honor or dishonor, eternal or transient? Thine all-seeing eye can penetrate the inmost depth. "Now we see through a glass, darkly; but then face to face: now I know in part; but then shall I know even as also I am known." Show us our self now, O Father, and help us to cleanse ourselves from guile that we may be true to Thee, ourselves, and our fellow men after the manner of the Christ. Amen.

The Journal of the proceedings of yesterday was read and approved.

ELECTION OF MEMBERS TO FILL COMMITTEE VACANCIES.

Mr. UNDERWOOD. Mr. Speaker, I move the election of the following Members to committees which I send to the Clerk's desk. They were selected by the Democratic caucus.

The Clerk read as follows:

NOMINATIONS FOR DEMOCRATIC VACANCIES.

Hon. A. C. HART, of New Jersey, to be a member of the Committees on Invalid Pensions and Expenditures in the Department of Justice.

Hon. HORATIO C. CLAYPOOL, of Ohio, to be a member of the Committee on the District of Columbia.

Mr. UNDERWOOD. Mr. Speaker, I move the previous question on the nominations.

The previous question was ordered.

The SPEAKER. The question is on the election of the Members nominated.

The question was taken, and the Members were elected.

THE SEATTLE RIOTS.

Mr. BRYAN. Mr. Speaker, I have a privileged motion. I ask that the Naval Affairs Committee be discharged from further consideration of House resolution 211, and that it be taken up immediately.

Mr. FITZGERALD. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7898, the urgent deficiency bill.

Mr. BRYAN. I ask that my motion be considered, Mr. Speaker, for I claim it is privileged.

The SPEAKER. Both are privileged motions.

Mr. MANN. I think, Mr. Speaker, that the rulings have always been that where a resolution of inquiry has been before the committee for the requisite time a motion to discharge the committee is more highly privileged than a motion to go into Committee of the Whole House on the state of the Union.

Mr. FITZGERALD. The motion I have submitted is in order at any time after the reading of the Journal. The only motion of a higher privilege would be a motion affecting a Member's right to his seat.

Mr. MANN. Under a ruling of that sort you could keep out a motion to discharge a committee forever, because there is always an appropriation bill up.

Mr. FITZGERALD. I hope to finish this bill very speedily, with the assistance of gentlemen on the other side.

Mr. MANN. Then we had better dispose of this matter first.

The SPEAKER. Has the gentleman any authority to submit?

Mr. FITZGERALD. My authority is the rule that provides that at any time after the reading of the Journal it shall be in order, by direction of the proper committee, to move that the House resolve itself into Committee of the Whole House on the state of the Union for the consideration of bills raising revenue or general appropriation bills.

Mr. MANN. The gentleman from New York would not claim that the Committee on Appropriations has any higher privilege than any other committee that has an appropriation bill?

Mr. FITZGERALD. Not at all.

Mr. MANN. And it has always been held that this motion is highly privileged.

The SPEAKER. If that is so, where is the gentleman's authority?

Mr. MANN. The Speaker himself has so held.

The SPEAKER. That is good authority. [Laughter.]

Mr. MANN. The Speaker can recollect of no case in the 18 years he has served where a gentleman calling up a resolution of inquiry and moving to discharge the committee was held out of order on the ground that another motion was privileged.

Mr. FITZGERALD. I do not ask that the gentleman from Washington be held out of order. I ask the Speaker to recognize me on my motion.

Mr. MANN. Or where a Member was taken off the floor by another motion to go into Committee of the Whole House on the state of the Union. The Speaker will recall that there is always some motion which is privileged, except in those rare cases where there is a call of committees, which does not happen on an average once a month, or late in the session once in three months, except on Calendar Wednesday by special order.

The SPEAKER. The Chair is inclined to think, without ruling finally, that the resolution should have precedence.

Mr. HARDWICK. Mr. Speaker, I reserve a point of order on the resolution which the gentleman from Washington presents.

The SPEAKER. The gentleman will state his point of order.

Mr. HARDWICK. The point of order is the concluding sentence of the resolution, which takes it out of the rule.

Mr. BRYAN. I ask that the resolution be reported.

Mr. MURDOCK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MURDOCK. Did the Chair rule that the gentleman from Washington was in order?

The SPEAKER. Of course the gentleman would be in order, and so would the gentleman from New York. Both are privileged motions. The Chair has not passed on which one has precedence, but the gentleman from Georgia raises a point of

order against the resolution being privileged, and the Clerk will report it.

The Clerk read as follows:

House resolution 211.

Whereas it is widely reported in the public press that certain enlisted men of the United States Navy did on Friday, July 18, 1913, at Seattle, Wash., engage in a riot and in wanton destruction of private property: Therefore be it

Resolved, That the Secretary of the Navy be, and he is hereby, requested and directed to give to the House full details and particulars of the said occurrence, together with the names of all enlisted men who participated, and a full record of any and all proceedings had to investigate the said lawlessness and punish the guilty parties.

Resolved further, That the Secretary of the Navy be, and he is hereby, directed to furnish a detailed statement of the losses incurred, to the end that full reparation may be made to such persons as may be found to be entitled thereto.

Mr. HARDWICK. Mr. Speaker, the point of order I make is twofold; first, that the resolution contains a preamble, and under repeated rulings of this House that destroys its privileged character, and, second, the concluding sentence of the resolution commits the House to make reparation, and that is something different and beyond a mere resolution of inquiry.

The SPEAKER. It is unnecessary to bother about the second point, because the first point is well taken. The Chair sustains the point of order.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted to Mr. BRYAN, for six weeks, on account of important business.

URGENT DEFICIENCY APPROPRIATION BILL.

Mr. FITZGERALD. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7898, the urgent deficiency appropriation bill.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the urgent deficiency appropriation bill, with Mr. FLOOD of Virginia in the chair.

Mr. FITZGERALD. Mr. Chairman, when the committee rose yesterday there was under consideration an amendment offered by the gentleman from Illinois [Mr. MANN] to appropriate \$25,000 to enable the Interstate Commerce Commission to continue the investigation of block signal apparatus. This morning, in company with Judge BARTLETT, of Georgia, I called at the office of the Interstate Commerce Commission, and called the attention of Judge Prouty, who was present, to the amendment of the gentleman from Illinois, and stated that the disposition of Congress had always been to give the Interstate Commerce Commission such appropriations as it desired to carry on the work imposed upon it under the various statutes; that I believed that if the commission expressed the belief that it were wise or desirable to make this appropriation, the amendment would be adopted by the House. Judge Prouty stated—and he said that he had no objection to this statement being made as coming from him—that under the law under which the tests were made, the work was never satisfactory; that he did not believe that the appropriation would be of any value at this time, and that in his opinion it would be better to defer the matter until the next session of Congress, at which time he believed the commission would be prepared to submit recommendations for certain legislation, which would enable it to conduct tests along lines and in connection with the various railroads of the country that would result beneficially in the improvement of the various block systems; that he did not think that the authority conferred upon the commission under the existing law made the expenditure of money under it of any value. Under these circumstances I wish to suggest to the gentleman from Illinois the desirability of not pressing the amendment at this time.

Mr. MURDOCK rose.

Mr. FITZGERALD. Does the gentleman from Kansas wish to ask a question?

Mr. MURDOCK. Mr. Chairman, I desire to call the attention of the gentleman from New York to the fact that in its last report the Interstate Commerce Commission makes specific mention of the desirability of the investigation of automatic-stop devices, which seems to be in contradiction of the statement made by Commissioner Prouty.

Mr. FITZGERALD. Mr. Chairman, there is no contradiction. The commissioner states that the law at present is such that they are unable to make the character of tests and investigation that is necessary in order to be of any value. Under the joint resolution of 1906, if I recall it correctly, the Interstate Commerce Commission established a board, and under that law there was submitted to this board block-signal devices which the inventors believed would be serviceable, and the

board tested them; but he said the work of the board was wholly unsatisfactory, and the authority under which the commission acted was insufficient to enable them to do what in their opinion was important and desirable. He expressed the belief that it would not be of any particular value to appropriate under that former provision, and said that the commission would be prepared to submit to Congress at the next session a recommendation for legislation which would confer these powers they believed should be given to them, and then they would be glad to have an appropriation to carry on the work in the manner they would suggest.

Mr. MURDOCK. I read the report of the commission otherwise.

Mr. FITZGERALD. The report of the commission speaks for itself. I am repeating the statement made by Commissioner Prouty in response to a request as to whether he believed it was desirable to make this appropriation. I said that if that were his opinion I should favor the appropriation.

Mr. MANN. Mr. Chairman, of course I was well aware yesterday when this item went over until to-day that if the distinguished gentleman from New York [Mr. FITZGERALD], accompanied by his equally distinguished colleague from Georgia [Mr. BARTLETT], waited upon the Interstate Commerce Commission, the Interstate Commerce Commission or some member would say that the proposition was useless. That is what they are there for when the Committee on Appropriations are not for and do not want to make the appropriation. But what are the facts? The law provides:

That the Interstate Commerce Commission be, and it is hereby, directed to investigate and report on the use of the necessity for block-signal systems and appliances for the automatic control of railway trains in the United States.

No legislation could be broader or of far greater effect. The absolute authority to make the investigation is given:

And to carry out and give effect to the provisions of this resolution the commission shall have power to issue subpoenas, administer oaths, examine witnesses, require the production of books and papers and receive depositions taken before any proper officer in any State or Territory of the United States.

Absolute full authority is given the commission to make the investigation. Now, the gentleman says that Commissioner Prouty says that this legislation is not ample enough and they are going to recommend some legislation which will be ample. Why, this resolution is as broad as the world. It is complete and full authority. Any addition to it would necessarily be a restriction, not an extension of authority. I grant you that the investigation so far carried on is not entirely satisfactory. A board of block signal and train control was appointed of men of eminence and high character which met occasionally in the city of Washington and made some investigation. I have no criticism of the commission for making the investigation in this way, but I think it was a mistake. The commission ought to have some one employed under it who understands in reference to the operation of railroads and who gives his exclusive attention and time to this investigation. The question is not whether you can increase the authority by postponing consideration. The question is whether it is the intention of Congress to make the investigation by which we can control when we obtain the knowledge of the use of automatic appliances upon railroads which will absolutely prevent collisions between trains, and I assure the gentleman from New York [Mr. FITZGERALD] that so far from withdrawing the proposition that if it shall be voted down in the Committee of the Whole and I have the opportunity I will see to it that there will be a roll call upon the proposition in the House to recommend, unless I am cut off from that right, which I hope I will not be.

Mr. FOSTER. Will the gentleman permit?

Mr. MANN. Certainly.

Mr. FOSTER. Was the matter which the gentleman read to the committee a little while ago an act of Congress?

Mr. MANN. It is an act of Congress.

Mr. FITZGERALD. What is the act?

Mr. MANN. A joint resolution approved June 30, 1906.

Mr. FOSTER. By that provision they had the power to compel railroads to put into operation—

Mr. MANN. No; that gave them the right to investigate and report to Congress.

Mr. FOSTER. I misunderstood the last part.

Mr. BARTLETT. May I interrupt the gentleman?

Mr. MANN. Certainly.

Mr. BARTLETT. They did that and made a report in 1910, did not they?

Mr. MANN. Oh, they have made several reports.

Mr. BARTLETT. But the last report they made.

Mr. MANN. The board of block signal and train control has made, I think, three reports.

Mr. BARTLETT. And spent \$50,000?

Mr. MANN. They have spent \$50,000; but I take it that the expenditure of \$50,000, or a greater sum, is inconsiderable as compared with safety on the railways.

Mr. BARTLETT. May I again interrupt the gentleman?

Mr. MANN. Certainly.

Mr. BARTLETT. I thoroughly agree with the gentleman—

Mr. MANN. I understand that.

Mr. BARTLETT. I thoroughly agree with him—

Mr. MANN. But I am afraid that my friend from Georgia has been slightly misled temporarily by my distinguished friend from New York [Mr. FITZGERALD].

Mr. BARTLETT. No, indeed.

Mr. FITZGERALD. The gentleman from Illinois is absolutely in error when he charges me with visiting the Interstate Commerce Commission for the purpose of persuading them that they do not need this money.

Mr. MANN. Oh, Mr. Chairman, I do not think the gentleman from New York [Mr. FITZGERALD] would go there for the purpose of persuading them. But the gentleman from New York is the chairman of the Committee on Appropriations, and he is so constituted that he attends diligently to the duties of his office, and one of the duties of that office is to prevent the item going into an appropriation bill reported from his committee which he does not himself report—

Mr. FITZGERALD. The gentleman is mistaken. The Interstate Commerce Commission—

Mr. MANN (continuing). And he very seldom falls down in attending to that duty.

Mr. FITZGERALD. The Interstate Commerce Commission has the confidence of everybody who has ever had any dealings with it or any knowledge of it.

Mr. MANN. Then let us give them this money and it will not hurt.

Mr. FITZGERALD. Commissioner Prouty, who is one of the best members of the commission, said that to appropriate the money would be useless. They could not use it to any useful purpose under the law. And he said that when his colleagues—

The CHAIRMAN. The time of the gentleman from Illinois [Mr. MANN] has expired.

Mr. FITZGERALD. Mr. Chairman, I ask that the time of the gentleman from Illinois be extended five minutes.

The CHAIRMAN. Is there objection? [After a pause.] The Chair hears none.

Mr. FITZGERALD. He said that when his colleagues would return to the city they would be prepared to recommend certain legislation. The mere authority to investigate does not help them. What they want is some authority which will compel the railroads to do certain things and the commission to do certain things. They have investigated. They can not originate these devices. The various inventors have submitted to them various devices that in their opinion were satisfactory. They have tested numbers of them, and they approved of some.

But what they desire is some different arrangement so that they can utilize money that will be given in some manner that will be of some benefit. No request came from the commission for this money. In good faith I went to the commission to ask whether it would be desirable or beneficial to make this appropriation, and I said to the commissioner that regardless of the opinion of any Member of the House as to the desirability of the matter, in view of the recent New Haven disaster, if the commission intimated that this appropriation was desirable there would be no doubt that it would be granted. He repeated that there was no value, so far as he could see, in making the appropriation, but preferred that the commission would have the opportunity to recommend at the next session legislation that they believed should be enacted, and would then be pleased to get an appropriation to carry out the work. I said to the commissioner that in all my experience Congress had uniformly granted the Interstate Commerce Commission all of the money it requested for every duty imposed upon it by law. He made the statement that in his opinion Congress had treated the Interstate Commerce Commission better than any other department of the Government, and there is no question but that statement is accurate. There has never been any argument or dispute as to the amount of money given to the Interstate Commerce Commission.

Mr. MANN. Except once.

Mr. FITZGERALD. Well, I do not know of any. Nothing they have ever asked for, in my recollection, has been refused.

Mr. MANN. The gentleman will remember one very hot dispute, but that is neither here nor there.

Mr. FITZGERALD. As I say, according to my recollection. However, I think the gentleman recollects that the one he

speaks of was not exactly a request of the commission. It was at the request of somebody else, and in that instance—

Mr. MANN. That is not in point.

Mr. FITZGERALD. The commission was justified, because, as was then demonstrated, the commission could not expend all the money that the committee recommended it should have.

Mr. MANN. Now, if the gentleman will permit, I drew the provision that went into the appropriation bill extending the authority. I have kept track of its investigations from the start. I have read every report of the block-signal and train-control board, and I am willing to wager my life that Mr. Prouty has never read any of them. I doubt whether any other Member of the House has read them, unless he be a member of the Committee on Interstate and Foreign Commerce. I do not claim that I have read them intelligently, because much of them was technical and beyond my comprehension. They have never made a report yet upon which Congress was justified really in passing legislation.

Mr. FITZGERALD. They have never been able to determine the devices which they were satisfied should be reported.

Mr. MANN. I have introduced several times bills requiring the use of automatic appliances on railroads, in order to prevent collisions. I have no complaint that the committee has not reported them. Such a bill was before the last Committee on Interstate and Foreign Commerce and probably is before the present one.

The commission has never made, up to this time, a definite recommendation in regard to the matter, except a general recommendation that block signals ought to be installed. That recommendation they made many years ago, and the installation of the block-signal system which the commission originally started for would not prevent collisions.

Now, here is a proposition to permit them to go ahead with the authority already conferred upon them. Commissioner Prouty is a good commissioner. He is giving special attention to the physical valuation of railroads. He is not especially attentive to the subject of railway collisions. He can not be, because he can not take the time for it. We are charged with that responsibility. Why not let them proceed with the investigation that they are carrying on? I hope, if it is done, they will not again appoint a board, but will have somebody investigate the subject. There ought to be some of those appliances which will be capable of being put into use.

Mr. ADAMSON. Mr. Chairman, if I correctly understand the trend of the statement of the gentleman from New York [Mr. FITZGERALD], it amounts to this, that the commission, according to Mr. Commissioner Prouty, has already satisfied itself with information on the subject, and will be prepared to make definite recommendations to Congress at the next session without further investigation.

Mr. FITZGERALD. No. The gentleman misunderstands me. The commissioner said that under the authority they now have they can not make that character of investigation or do the things they think should be done in order to determine these devices, and that they wish to submit to Congress recommendations for legislation that will clothe them with certain powers—he did not outline them—that would enable them to work in connection with the railroads so as to develop these devices.

Mr. ADAMSON. Then do I correctly understand the gentleman to say that the commission intends to recommend legislation that will enable them to put in force their ideas as developed by investigation?

Mr. FITZGERALD. They have not acquired any valuable ideas. They wish legislation that will put them in a position so to expend the money that they can make recommendations that will be of some value.

Mr. ADAMSON. Now, it is true that we all have great confidence in the Interstate Commerce Commission. We have already derived great benefit from its work, and we expect a great deal more, immensely more, in the future. It is the duty of Congress to legislate. There are two functions with which we charge the Interstate Commerce Commission. One of them is to seek information and report to us, to aid us in enacting necessary legislation. The other is, when we determine upon the proper legislation, to delegate to the commission the power to enforce the provisions of that legislation.

Now, it is not proper when we authorize the commission to make an investigation for them to halt and say, "We want power to enforce our ideas after we have formed them." Many bills have been introduced. The gentleman from Illinois [Mr. MANN] is correct. Not only he, but many other Members have introduced innumerable bills on various phases of this subject. We have not enacted them into law, we have not reported them, because our minds have not concurred with that degree of cer-

tainty which would justify us in recommending legislation that would force upon the railroads and upon the country also any particular things and devices. We have in the past year or two had some investigations referred to that commission. There are bills now for the same purpose that we expect to refer to them, and new bills introduced now for specific legislation are referred to them, and they are again questioned as to the propriety and efficiency of the proposed legislation.

Now, a great many people make inventions, and they wisely opine that if they can just get Congress to order all the railroads to adopt their particular devices they will have a Golconda; it will not be a mint, but it will just be a regular Golconda. They are correct in that view, but they are not correct in assuming that Congress will ever be foolish enough to enact any such personal legislation.

We want this commission, if it can help us, to help us by securing information as to these devices, as to the effectiveness of these devices; to report to us; and then we shall be glad to report to this House proper legislation. Not that any man may be made rich by the legislative adoption of his device, but that the railroads shall be required to place in operation such devices as shall be approved by the commission, if that be the authority to which we delegate the duty of approval as will effect the purposes of that legislation. I believe the Interstate Commerce Commission ought to go on and make further investigations, for there are new devices constantly being presented, new inventions constantly being made, all of them claimed to be the best. They are certainly entitled to have trials and investigations made of them, not only for their own benefit, but also for the common good. If they are beneficial to the country we want it known.

Mr. ESCH. Mr. Chairman, under a law which I had the honor to introduce and have passed in 1910, Commissioner McChord, of the Interstate Commerce Commission, is to-day conducting an inquiry into the recent wreck on the New Haven road. In the course of that inquiry he will doubtless make a thorough investigation of the block-signal system adopted by that road, and also an investigation of all other safety devices in connection with the operation of the two trains the collision of which resulted in such a loss of life. Under that law the commission, through its officials, has made an investigation of every wreck resulting in serious loss of life or property in the United States since its enactment in 1910, and the recommendations based on such investigations are of great interest and value.

The object we had in mind in introducing that bill was to enable the commission to lay before Congress the data upon which Congress could base wise and salutary legislation. Now, if we had—in the commission or outside of it, but under its control—authority to investigate all safety appliances and make recommendations thereon we would supplement the act of 1910. The work that the block-signal and train-control board has thus far done is of great value in backing up the recommendations of the Interstate Commerce Commission. That board has passed on no less than half a dozen safety devices known as the automatic stop, and also automatic block-signaling systems. It has, in effect, given its approval to those systems, and they had met its requirements, and hence any road that would put them in use would be promoting the safety of the traveling public. Why can we not pass this appropriation, continue that good work, and thus permit recommendations to be made of all safety devices which could be put upon railroads on recommendation of the Interstate Commerce Commission, acting under the law of 1910?

The information which will be secured under this appropriation, for the benefit of Congress and the commission, will be of great value in promoting the safety of travel on the railways of the United States. This act of 1910 has shown us defects in the block-signal system, in the interlocking system, in the management of railroads through train dispatching, in systems of timing trains, in the examination of watches of men engaged in train operation, in telegraphic devices, in the protection of drawbridges and dangerous crossings and other places where danger might be expected. Now, if we had this appropriation to carry on an investigation of patented safety devices, it would enable the commission to indicate some standard devices which a railroad could install and thus meet the requirements of safety. I sincerely trust that this appropriation may be passed.

Mr. BARTLETT. May I ask the gentleman a question?

Mr. ESCH. Certainly.

Mr. BARTLETT. Under authority granted by Congress the Interstate Commerce Commission had what they called the safety appliance board, which conducted enough investigations to expend \$50,000?

Mr. ESCH. Yes.

Mr. BARTLETT. I do not mean to intimate that the amount is too large for the purpose. I would be in favor of the expenditure of any reasonable amount of money for the prevention of accidents by the investigation of safety appliances; but so far as requiring the railroads to equip their tracks or their cars with safety appliances, what has been the practical result of this investigation?

Mr. ESCH. I have already stated that as a result of their examination they have approved some six or seven automatic stop devices, and they have also investigated the more approved systems of block signaling, and have also recommended interlocking devices.

Mr. BARTLETT. The gentleman did not quite catch my question, or I did not make myself plain.

The CHAIRMAN. The time of the gentleman from Wisconsin [Mr. Esch] has expired.

Mr. BARTLETT. I ask that the time of the gentleman may be extended.

The CHAIRMAN. The gentleman from Georgia asks unanimous consent that the time of the gentleman from Wisconsin be extended. Is there objection?

There was no objection.

Mr. BARTLETT. Those reports have been made and certain devices have been approved. What more can be done, unless we give the commission or some one else authority to require the railroads to adopt the approved systems?

Mr. ESCH. I agree with the gentleman.

Mr. BARTLETT. That is what I mean by the question. The commission has done all it can. Now, ought not Congress to do something in the way of requiring these railroads to adopt some sort of safety appliances approved by the Interstate Commerce Commission to prevent these accidents?

Mr. ESCH. I agree with the gentleman that Congress should further supplement the act of 1910 so as to give the commission the power of ordering any common carrier engaged in interstate business to adopt approved safety devices.

Mr. BARTLETT. As we did the coupling provision.

Mr. ESCH. The block signal and automatic devices are to some extent still in an experimental stage, but great progress has been made. Great progress has been made since the commission made its last report and investigated the signal devices, and hence the necessity of continuing the investigation.

Mr. ADAMSON. Will the gentleman yield?

Mr. ESCH. Certainly.

Mr. ADAMSON. Mr. Speaker, if the gentleman will permit the suggestion, Congress can not be required to act on the recommendation until Congress is satisfied with its correctness and sufficiency. I protest against the commission saying that education is finished, all knowledge is exhausted, when inventions are constantly being made, and we are not satisfied that the best has been attained; and I insist that they shall go on with the investigation until we are satisfied with something that we ought to compel railroads to do.

Mr. ESCH. And for that reason we should give the money to such a body as will give us the information.

Mr. Chairman, in no particular have the investigations of the block signal and train control board been more definite or valuable than with reference to block-signal systems. Their efficiency and reliability, especially when automatically operated, are abundantly confirmed in the annual reports, and justify the recommendation that Congress enact the necessary legislation to make the installation of some form of block signaling compulsory on the part of the common carriers engaged in interstate commerce. Owing to the present widespread interest in the subject I wish to discuss the—

COMPULSORY BLOCK SYSTEM.

Among the rules for the operation of English railroads is the following:

The safety of the public must, under all circumstances, be the chief care of the servants of the company.

That this rule is substance and not mere form, their splendid record of immunity from injury and death from preventable accidents fully attests. This immunity in Great Britain, as well as in France, Germany, and other parts of the Continent, is the result of good roadbeds and block signals as well as of the rigid discipline of employees.

After making full allowances for our greater mileage, more rapid extension of lines, heavier freight traffic, and lack of public supervision, the record of accidents on American railroads is becoming more doleful and hence more humiliating and discreditable with each year.

During the fiscal year 1912, 318 passengers were killed and 16,386 injured; during 1911, 356 were killed and 13,433 injured. President Roosevelt, in his annual message of 1904, deemed the statistics of railroad casualties of such grave import that he

called them to the attention of Congress and recommended as a partial remedy the adoption of the block system, a system which has received the strong indorsement of the Interstate Commerce Commission in every annual report for the last 10 years.

I do not intend to enter into a discussion at this time of all the various remedies for preventable accidents. Concentration of effort upon one class of accidents and urgent appeal to support the remedy suggested for such class are my present objects. A careful study of the quarterly accident bulletins issued by the Interstate Commerce Commission discloses the fact that collisions of various kinds constitute the most prolific source of injuries to persons and property.

For the fiscal year 1912 there were 5,483 collisions resulting in death to 68 persons, injury to 4,716, and in a property loss of \$4,330,206, while for the fiscal year 1911 there were 5,605 collisions, 436 deaths, 6,994 injuries to person, and a property loss of over \$4,000,000.

As rear and butting collisions are preventable accidents, should the lives and limbs of passengers and trainmen be longer jeopardized if practicable devices to lessen or prevent them are available? Some progressive railroad managers, actuated by both pecuniary and humanitarian motives, have made answer by adopting the block system on a part or the whole of their lines. Their action is strong proof that such system is the most effective in preventing collisions, and that the increase of safety secured thereby justifies the cost of installation and maintenance. Commendable as this is, the public is not warranted in expecting that managers of passenger lines in this country will follow their example within a reasonable time, if ever. Experience has shown that even the coercion of a mandatory statute with penalties attached has been insufficient to secure from some railroads full compliance with the safety-appliance act of 1893, requiring air brakes and automatic couplers on all freight and passenger cars engaged in interstate traffic. This act, nevertheless, hastened a devout consummation and spurred the laggards to action. The question is, as recommended by President Roosevelt, the Interstate Commerce Commission, various railroad organizations, and numerous civic bodies, "Shall Congress make the adoption of the block system compulsory on the passenger lines of the United States?"

By block system, as defined by the Interstate Commerce Commission, is meant "the methods and rules by means of which the movement of railroad trains (cars and engines) may be regulated in such manner that an interval of space of absolute length may at all times be maintained between the rear end of a train and the forward end of the train next following." The system has been applied to single as well as multiple track roads. As to method of operation, it may be, as in Great Britain and on the Continent, manual, the signals at each end of a fixed length of track or block being operated by hand power upon telegraphic information; or controlled manual, as used on several of the leading roads in the country, requiring the cooperation of the signal man at both ends of the block to display a "clear signal"; or automatic, wherein the signals, whether disks or semaphores, are "actuated by the passage of the wheels of the cars and engines along the track or by certain conditions affecting the use of a block."

Our present purpose makes a discussion of the relative merits of the various kinds of block systems unnecessary further than to emphasize the fact that some approved and practical kind now exists, adaptable to every class of railroads in the United States.

The block system aims to secure and maintain between trains a space interval of sufficient length to prevent collisions. The present method of operation on most of our roads aims to secure at stations only a time interval, which may or may not continue to be maintained between stations. While the human factor, which enters so largely into all railroad accidents, can not be eliminated under either system, it can be and has been largely minimized, especially where the automatic block signals are used. When trains are run by time-tables and dispatcher's orders, the dispatcher himself may issue a wrong order or the trainmen may misread or forget the order or some one may sleep at his post. Granted that the manual block system where signals are operated as directed by telegraph is subject to but a part of this gantlet of possible dangers, the automatic system fails only when the mechanism fails or trainmen ignore the signals. As failures of the mechanism in most systems put the signals to "danger," delay, not disaster, is the usual result. So far have our American engineers developed the automatic principle that, as in the case of the New York subway, the brakes are set and the train brought to a standstill when the motorman carelessly or otherwise passes a "stop" signal. In the words of a signal expert:

The automatic block system is a mechanism that has neither the ability to go to sleep, get drunk, become insane, nor to lie; it speaks for itself.

To carry out the repeated recommendations of the Interstate Commerce Commission as to the efficacy and necessity of the block system, I introduced in the Fifty-eighth Congress, and each succeeding Congress including this, a bill "To promote the safety of employees and travelers upon railroads by requiring the use of the block system by common carriers engaged in interstate commerce, and for other purposes." By its terms the commission is given power to order the adoption of this system on such railroads, on one-fourth part (in length) of their lines, within a certain specified time, and during each succeeding year on another one-fourth part the system should be adopted, so that by January 1, 1917, all passenger lines should be fully supplied. Where the receipts for passenger and express traffic and carriage of the United States mails aggregate \$1,500 per annum per mile or more, the commission can order the system to be adopted by July 1, 1914. Where such receipts, together with those derived from freight traffic, aggregate \$3,000 per annum per mile or more, a like order can be issued. Provision is made for annual reports by the railroads affected by the bill showing receipts from various sources of traffic derived from the different divisions into which the road may be divided. Plans and sketches of all main and side tracks, switches, crossings, fixed signals, signal towers, and so forth, showing the length of each division, branch, and separate line, and what lines or parts of lines are worked by the block system, specifying the kind. Within three months after receiving an order, each carrier shall file with the commission a plan of the line or lines affected by the order, with a statement of the means and methods, including rules as to the block system intended to be used in carrying out the order, and in case the carrier does not select the part or parts of its line making up the fraction to be installed the commission may do so. For the purposes of the act a passenger line shall be deemed to be any railroad or part of a railroad on which one or more trains for the conveyance of passengers are regularly run in each direction each week day, and an engine or a car running by itself shall be deemed a train. No order for adoption of the block system as above provided shall be issued by the commission without due and full hearing having first been given to all persons and carriers interested. A penalty of \$1,000 per day for each day's failure to comply with the lawful orders of the commission shall be recoverable and obedience to such orders shall be enforced through writs of mandamus. Annual reports shall be filed with the commission. Finally, no order shall specify the kind of block system, or make or cause any discrimination between automatic, so called, and nonautomatic.

This measure by extending the adoption of the system over a series of years requiring installation first on those divisions of the line having densest traffic and allowing freedom of choice as to kind and cost is one in every way moderate and reasonable, but even such a measure will meet the strenuous opposition of the managers of some roads which can by no means be considered impecunious. Objection has already been made that it is unconstitutional in that it is an unwarranted interference with the rights of the States. Under the provisions of the Constitution, giving Congress the power to regulate commerce between the States, the act of 1893 was passed requiring railroads doing an interstate business to provide their cars with automatic couplers and air brakes, and this act, under a broadened interpretation of the above provision, has been held constitutional by the Supreme Court. There is no difference in principle between this act and the proposed measure which seeks to install the "greatest safety appliance" known to the railroad world. Objection is made that to compel the use of the block system would be inexpedient and unnecessary, the plea being that this is a matter which should be left to the initiative of the carriers; that they have already adopted the system as rapidly as their circumstances and the state of the art of signal apparatus will warrant; that compulsion would only lead to the use of much cheap and dangerous material. In answer it is proper to submit the experience of the Government in its administration of the safety-appliance act of 1893. That law was not enacted until long after the Janney coupler and the Westinghouse air brake had been proven practical property and life-saving devices by the railroads themselves. The railroads led the way and Congress followed by giving to a good thing a universal application. Prior to 1893 the voluntary adoption of the air brake and coupler was so slow that only 17 per cent of all freight cars had automatic couplers and 12 per cent had brakes, and even in 1898, after five years had been given to the railroads of the country within which to equip their cars, there were only 61 per cent with automatic couplers and 41 per cent with air brakes. Hard times may have furnished some excuse; nevertheless, upon the expiration of another extension

to August, 1900, there were 93 per cent with automatic couplers and only 64 per cent with air brakes.

If this be our experience with the compulsory use of such efficient life-savers as automatic couplers and air brakes, when would the passenger lines of the country be supplied with block systems without compulsion? If this system saves lives and property, why should safety be longer dependent upon the whim, prejudice, or selfishness of boards of directors? Managers and superintendents are not always responsible for delay in adopting the most modern and efficient equipment upon their respective lines. Often their recommendations are unheeded by directorates bent on increasing dividends and willing to run risks.

Further objection is made that the use of the block system on many of the roads of the country has not lessened accidents nor rendered them impossible. As already stated, this system was devised to prevent the class of accidents known as collisions, being the most frequent and disastrous form of railroad wrecks. With 84,000 miles supplied with some form of the block system in the United States on January 1, 1913, no one can tell how many more collisions would have occurred had such mileage not been so equipped. Great Britain, with the manual block system installed on all her railroads and carrying more passengers than our roads, had not a single passenger killed in 1901, only six in 1902, and none in 1908, only six employees being killed in the latter year. Apologists for the large number of casualties on our American lines deny the fairness of any such comparison, but conceding its inadequacy in some respects, the stubborn fact remains that the railroads of Great Britain, with but one-eighth of the mileage of our own, running many more fast trains and carrying almost twice as many passengers, have practically no death roll and but few casualties, being operated universally by the block system. The record of roads on the Continent is equally significant.

For the fiscal year ending June 30, 1912, as shown by the accident bulletins, there were 1,846 rear-end and butting collisions, resulting in a loss of 274 lives, injury to 5,155 persons, and in a property loss of two and a half million dollars. Most of these could have been prevented by the use of the approved block system.

Had there been a block system on the road running through Newmarket, Tenn., the killing of 63 and injuring of over 100 persons September 24, 1904, would not have happened. This collision occurred on a curve in daylight, the engineman and conductor of the west-bound train having forgotten a meeting order. Had this road been divided into blocks, two trains would not have been permitted to occupy the same block at the same time, and the place of meeting would have been at a convenient block station where advance, distance, home, or switch signals would have given the necessary warning. This is but a type of numerous similar accidents which in the light of present improved appliances makes their repetition not merely unnecessary, but in a sense criminal. It is further demonstrated that most accidents arising from misplaced switches, open drawbridges, railroad crossings, and such as result from errors in giving, receiving, and executing train orders are avoidable.

Objection is also made that the block system would breed dependence and carelessness in employees, in that enginemen especially, "accustomed to rely on signals, rely on them implicitly and get into habits of recklessness which lead inevitably to accidents, for which they contend the signals and not they themselves are responsible." This is an old and long-discredited argument. As long ago as 1872 Capt. Tyler, in his annual report to the British Board of Trade, answered it in these words: "Allowing to the utmost for these tendencies to confide too much in additional means of safety, the risk is proved by experience to be very much greater without them; and, in fact, the negligence and mistakes of servants are found to occur most frequently and generally with the most serious results, not when the men are overconfident in their appliances or apparatus, but when, in the absence of them, they are habituated to risk in the conduct of the traffic. * * * The more they are accustomed to incur risk in order to perform their duties, the less they think of it, and the more difficult it is to enforce discipline and obedience to regulations. * * * It is difficult to prevent men who are in constant danger themselves from doing things which may be a source of danger to others or to compel them to obey regulations for which they do not see altogether the necessity, and which impede them in their work." Proper means and appliances would diminish this difficulty and permit of stricter discipline.

This notion that devices for comfort and safety begot carelessness no doubt accounted for keeping the enginemen on

English roads exposed to the weather and without the protection of a cab up to a comparatively recent date.

It is true that engineers ignore block signals, but as each signal guides him on his way, observance of such signals becomes methodical. Under the dispatcher or time-interval system he goes on, unless stopped; under the space interval or block system he stops, unless signaled to go on.

A final and most common objection urged against the compulsory adoption of this system is its cost of installation. The proposed bill anticipating this argument provides for gradual adoption with an outside time limit of four years. Most of the leading roads have already equipped those portions having the densest traffic, and, as to them, the passage of the bill would incur no burden for one or two years, while those roads would not be affected at all which are now using a system which meets with the requirements.

That the cost is not prohibitive is shown by the fact that some roads with "far flung" but thin traffic lines have installed the telegraphic block system and have found the service so satisfactory that they advertise the fact as an inducement to increase their passenger trade. Under the proposed bill the carriers must file with the commission annual reports showing the location and amount of track supplied with block signals. These reports should then be made known to the end that the traveling public may be advised as to the safest lines of travel. The thinner the traffic, the less the number of blocks required to be established. On such roads the regular stations serve as block stations, and the agent attends to the signals in addition to his other duties. In order to avoid delay in the passage of trains from station to station, it may become necessary to add new signal stations and operators, but even here, if fewer trains are run by night than by day, night operators may be dispensed with.

On the main eastern trunk lines and at terminal points where trains run on intervals of two minutes or even less, more elaborate and expensive appliances are necessary, and where the blocks are reduced to intervals of 4,000 feet or less the cost may run from \$1,000 to \$4,000 per mile. Only great traffic would permit such expenditure, and yet the managers and directors of some trunk lines have so fully realized the value of the block system in expediting trains and saving lives and property that they have already equipped many thousand miles with the most approved apparatus and are making preparations to extend the service. Such managers and officials need no coercion from Congress to continue their laudable work.

The argument based on cost has been overworked. After reasonable dividends have been paid on actual valuation, the public has a right to expect that a part at least of the surplus should be invested in promoting the safety of travel. During recent years our railroads have been prosperous. Money invested in the block system is not dead capital, but yields large dividends in the way of fewer wrecks and damage suits. As already stated, during the fiscal years 1911 and 1912, the property loss resulting from collisions alone amounted to over \$8,000,000. Were this vast sum expended in a block-signal system, costing as high as \$1,000 per mile, three transcontinental lines extending from coast to coast could be equipped.

In meeting the various objections to the compulsory use of the block system the argument in its support has in part been already presented. Its universal use in Great Britain and voluntary adoption years ago on some of the leading roads in the United States is conclusive proof of its efficiency. No road that has given it a fair trial has abandoned it, and long lines with small traffic have not found its first cost and maintenance prohibitive. Its failures, few as they have been, were due more to the "human factor" than to defective mechanism. As with all other devices, dependent upon man's cooperation, mistakes will happen unless the man is subject to discipline and held to strict accountability. The proposed bill does not provide rules of operation or prescribe standards of efficiency. These may come through a gradual evolution. Let it suffice for the present that Congress require, in the interest of the public welfare, a system which the railroads themselves have shown to be safe and feasible. This proposed action by Congress is not hasty or ill considered. In the words of an editorial in a leading railroad journal:

The people of the country have a right to require of the railroads a reasonable assurance of safety, and the way to enforce this right is now plain. The railroads have had their chance to make a good showing; too many have neglected it, and their showing is appallingly bad. Unless the managers act of their own motion in adopting safety appliances, the only thing they have to expect is a mandatory law with heavy penalties for its violation.

I wish to close with a brief statement giving the mileage of railroads equipped with block signals in the United States Janu-

ary 1, 1913, as compiled by the Division of Safety Appliances of the Interstate Commerce Commission on that date:

The total length of road in the United States operated under the block system on January 1, 1913, was 83,949.8 miles. Of this total 22,218.8 miles were automatic, and 61,731 miles were nonautomatic. There was an increase of 1,883.9 miles in the length of road operated by the automatic block system, and an increase of 5,656.2 miles in the length of road operated by the nonautomatic block system over the figures shown in the bulletin of January 1, 1912. The total increase in the mileage of road operated by the block system, during the year, was 7,540.1 miles.

The total track mileage in the United States is about 250,000 miles.

Mr. FOSTER. Mr. Chairman, the question occurs to me in relation to the amendment of the gentleman from Illinois, that it is whether Congress shall ask the Interstate Commerce Commission to go out and make these investigations or not. The Interstate Commerce Commission, or at least one member of it, says in answer to the gentleman from New York [Mr. FITZGERALD] and the gentleman from Georgia, members of the Committee on Appropriations, that it is unnecessary, and that this money could not be used to any advantage at this particular time, or at least until Congress shall have passed such legislation as in its judgment will be necessary to carry out whatever recommendation they may make.

We are all of us inclined to go along in the even tenor of our way until some great catastrophe overtakes the country, and then we look about for some remedy that may prevent such disasters in the future. We remember that a short time ago, within the recollection of every Member of this House, when the great disaster occurred to the *Titanic*, that legislation was immediately put through Congress to safeguard the lives of those who travel by sea.

I believe when it comes to a question of safety of travel that there is not a Member of this House or a citizen of the United States who is not willing that any amount of money should be appropriated necessary to make travel safer and to save human life, whatever that amount may be. I would like to see a proper device whereby in the future we may prevent the accidents to trains and disasters like that in the last few days that occurred over on the New Haven Railroad may be prevented.

It is very evident from the discussion of the gentleman from Illinois [Mr. MANN] and the gentleman from New York [Mr. FITZGERALD] this morning that there is some legislation by Congress necessary in order to put into operation any regulations made by the Interstate Commerce Commission. If that commission says that it does not desire, does not want, and can not use this money, I do not know that it is necessary that Congress should make the appropriation, and yet I think that Congress has the absolute right to say to any officer of this Government that we expect you to go out and make certain investigations along the lines indicated under an appropriation, and when you make the investigation you shall report back to Congress the result of your investigations. Then it becomes the duty of Congress to put into operation such legislation as in its judgment will best carry out the recommendation made by the officers of the Government.

I am thoroughly in sympathy with the idea of studying these devices, that we may in the future prevent if possible this great loss of life to people traveling on railroads. If I believed for one minute that this appropriation recommended in the amendment offered by the gentleman from Illinois would help to accomplish this and bring it about one minute sooner, then I would be thoroughly for that appropriation and in favor of asking the Interstate Commerce Commission to go and make this investigation as soon as possible.

Mr. TAYLOR of Colorado. Will the gentleman yield?

Mr. FOSTER. Yes.

Mr. TAYLOR of Colorado. Does the gentleman agree with the statement made by the gentleman from Illinois that the Interstate Commerce Commission has now the authority to make recommendation concerning these life-saving devices?

Mr. FOSTER. I think under the act of 1906 the Interstate Commerce Commission has that power now if they have the appropriation, and it also gives them the right to use the regular employees of the office for that purpose. I believe they have that authority under the joint resolution.

Mr. TAYLOR of Colorado. If the Interstate Commerce Commission has that authority now, is it good policy for us here and now to admit they have not that authority and allow all of these railroads a loophole for escaping from adopting these appliances to save life? It seems to me they have the authority, and they ought to enforce it.

Mr. FOSTER. From reading this joint resolution it seems to me they have the authority to make the investigation, but no

power to put in operation what in their judgment is necessary to prevent these wrecks. The appropriation does not give them that power. It only gives them the power to make further investigation in reference to these appliances.

Mr. TAYLOR of Colorado. I want to suggest that if there is any more power necessary, we ought to give it to them. There is no sense in going ahead and repeating investigations. We are always investigating and not doing very much after we investigate.

Mr. FOSTER. The gentleman is right. One trouble with Congress is that we are too often investigating and not often enough putting into operation the laws that will do the very thing that we are trying to accomplish by investigation.

Mr. MANN. Mr. Chairman, will the gentleman yield?

Mr. FOSTER. Certainly.

Mr. MANN. Does my colleague think, after all, we ever learn too much?

Mr. FOSTER. No.

Mr. MANN. As a rule does the gentleman think that Congress is too well informed?

Mr. FOSTER. I think that when we do learn a thing we ought to put it in operation. Let me suggest to my colleague—and I know he was in thorough sympathy with this legislation—that when it was discovered that the vessels belonging to the United States were not equipped with sufficient life-saving boats Congress passed a bill appropriating \$300,000 with which to equip all the vessels of the United States with lifeboats. That condition of affairs was not called to our attention until the great disaster occurred to the *Titanic*, so that it is necessary when we get this information that we should put it in operation. I am thoroughly in accord with the gentleman from Illinois [Mr. MANN] upon the proposition that we should do these things. I know that his work in this House in reference to interstate commerce has been of great value to the country, and I am always glad to hear him upon any question of this kind when it comes before Congress.

Mr. MURDOCK. Mr. Chairman, I favor the amendment offered by the gentleman from Illinois [Mr. MANN] because I have a hope, although it is a faint hope, that it will do some good. The annual railroad casualties in this country have reached now the figure of 180,000, and 10,000 of those are deaths. The total is going up by leaps and bounds every year. We have passed safety-appliance acts, and, in a measure, I suppose, they have helped. We have limited hours of service. We have inaugurated block systems, and in a way they have helped; but block systems do not stop wrecks, for some of the worst wrecks we have had in the last year have occurred where the block systems were the most perfect. As long as the Pennsylvania Railroad and the New York Central Railroad run 18-hour trains between New York and Chicago and pay back to the passengers a rebate if the train does not make schedule time, just so long, block system or no block system, will there be wrecks on both of these roads, endangering not only the lives of the passengers on the fast trains but of the passengers on all of the other and slower traffic.

I have read very carefully the report of the Interstate Commerce Commission this last year on the question of accidents. The commission does make certain recommendations, and I call the attention of the gentleman from New York [Mr. FITZGERALD] to this paragraph in the recommendations of the commission:

With the facilities at its command it is manifestly impossible for the commission to investigate more than a comparatively small proportion of the accidents that occur.

It was that which I had in mind when I interrupted him a few moments ago. It may be that the commission does not need any more money—

Mr. FITZGERALD. This appropriation is not to investigate accidents.

Mr. MURDOCK. But the commission repeatedly does that. It says that it has not had all of the facilities necessary.

Mr. FITZGERALD. That may be, but it had all of the money that it ever asked for.

The CHAIRMAN (Mr. HARDWICK). The time of the gentleman from Kansas has expired.

Mr. MURDOCK. Mr. Chairman, I ask unanimous consent to continue for three minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. FITZGERALD. It may be that the commission was unable to obtain the experts required to make the investigation, but the commission for this year requested \$50,000 less than it asked and was given last year.

Mr. MURDOCK. The natural inference is that it does not have the money.

Mr. FITZGERALD. It has gotten all the money it requested.

Mr. MURDOCK. The commission says, also:

It is probable that in many places the use of some form of an automatic stop device might properly be regarded as necessary to the safe operation of trains.

I confess that is rather a weak recommendation, and does not bind the commission as to what sort of recommendation it makes.

Mr. FITZGERALD. Commissioner Prouty stated that in Chicago some one had experimented with an automatic stop; but the trouble with that was it got out of order so often, particularly in cold weather, that it stopped everything, and stopped it effectively, for several hours at a time.

Mr. MURDOCK. It would be better for it to stop everything than to go on having wrecks.

Mr. FITZGERALD. That may be true, but the trouble was that the device was not sufficiently perfected to make it practicable. When it worked a certain way things stopped, but the unfortunate part of it was that it stopped the whole system most of the time.

Mr. MURDOCK. Even if it stopped the system it is better to have that than to continue having the wrecks.

Mr. FITZGERALD. I do not know—

Mr. MURDOCK. I desire to say this before my time expires, I am glad to be interrupted, but—

Mr. FITZGERALD. I think the gentleman thinks we ought not to stop all railroad operations because there are wrecks.

Mr. MURDOCK. At least we ought to minimize the wrecks which take place. Mr. Chairman, I want to say in conclusion—how much time have I left?

The CHAIRMAN. The gentleman has half a minute remaining.

Mr. MURDOCK. I would like to have an extension of two or three minutes more time.

Mr. MANN. Mr. Chairman, could not we reach some agreement as to how much more time will be spent on this? How many gentlemen want to be heard?

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. MANN. How much time does the gentleman from Kansas want?

Mr. MURDOCK. Three or four minutes more.

Mr. FITZGERALD. Mr. Chairman, I ask unanimous consent—

Mr. MANN. The two gentlemen from Pennsylvania want to be heard.

Mr. MURDOCK. I will ask for five minutes.

Mr. FITZGERALD. Mr. Chairman, I will ask that all debate on the pending amendment and amendments thereto close in 25 minutes.

The CHAIRMAN. The gentleman from New York asks unanimous consent that all debate on the pending amendment and all amendments thereto be closed in 25 minutes.

Mr. MANN. The Chairman understands how that time is to be apportioned.

The CHAIRMAN. The Chair thinks so.

Mr. FITZGERALD. I ask that the time be made 30 minutes. I might possibly wish to reply.

The CHAIRMAN. Is there objection to the request? [After a pause.] The Chair hears none.

Mr. MANN. Now, Mr. Chairman, I ask that the gentleman from Kansas may have five minutes more.

The CHAIRMAN. The gentleman from Kansas is recognized under that understanding.

Mr. SHARP. Will the gentleman yield to me for a question?

Mr. MURDOCK. If the gentleman will not take up too much of my time. I yield to the gentleman from Ohio for a question.

Mr. SHARP. The gentleman states that this commission ought to have given greater attention to investigating these questions than they have done, but, in view of the demands made on the Interstate Commerce Commission recently, just recited by the gentleman, does not the gentleman think that the commission is already loaded down with so many different kinds of work that it can not properly discharge all its duties done, or supposed to be done, under the law, and if it is not time now for it to have more assistance, either by separate commissions or a limited division of its work?

Mr. MURDOCK. That might be; but I do not think there is any duty paramount to stopping this waste of human life and limb in wrecks.

Mr. SHARP. I quite agree with the gentleman.

Mr. MURDOCK. Now, the ordinary daily spectacle in this country is found in the morning papers carrying a story of a wreck, and a story following the wreck, which recounts the arrest, usually, of the driver of the locomotive. Now, the driver of a locomotive in this country, as a rule, lives in an atmos-

phere of caution. His daily vocation leads him to be careful. Everything is an admonition to him. He is intelligent, alert, skillful, and above all cautious. He does not willfully run into things. He does not collide with trains in front of him or ditch his own train. But he is driven by a system. And the first thing that occurs when a wreck happens is the arrest of the engineer. Now, what is the matter in this country? It is not with the train operatives. Why not face the truth? Why not read the reports of the Interstate Commerce Commission and accept the facts they set forth? The trouble in this country is with poor equipment, defective equipment, broken wheels, broken flanges, defective axles and journals, brake rigging, draft gear, failure of power brakes, failure of couplers, irregular roadbeds, broken rails, spread rails, soft track, bad ties, and irregular tracks. Why not face this proposition? Here is the report of the Interstate Commerce Commission. It is issued yearly. It is distributed to the Members of Congress. It is within the reach of everyone. The tables are full and complete, and those tables show that the chief trouble in this country in this toll on the traveling public is with the equipment of the railroads and with the roadbeds. And I say to the gentleman that the cause lies so deep that any mere appropriation of \$25,000 for further investigation will not reach it.

Mr. SHARP. Will the gentleman yield?

Mr. MURDOCK. Yes; I will.

Mr. SHARP. Has it not occurred to the gentleman that there is one further element that enters into this trouble, which is partly due to the American people traveling twice as fast as they used to travel, and that is the reason for the demand for these fast 18-hour trains?

Mr. MURDOCK. But the Interstate Commerce Commission shows in its report where there was one notable derailment of a train on a straight track where the speed was only 30 miles an hour. Investigation showed that most of the ties under the rails were poor, and that 12 of them under one rail were absolutely rotten. The fact is that in thousands of instances the equipment is poor, the roadbed is irregular. Of 31 derailments investigated by the commission, 14 were either directly or indirectly caused by bad track. What is the matter? Why, the gentlemen know what the matter is. Most of the alleged captains of industry in this country are stripping their roads in Wall Street gambling games and in speculative devices at the expense of the public service and at the cost of human lives. You will not reach this thing by passing an appropriation of \$25,000.

Mr. FITZGERALD. Will the gentleman answer a question?

Mr. MURDOCK. I will.

Mr. FITZGERALD. Does the gentleman blame me for all this?

Mr. MURDOCK. No; I do not. But I do blame it to the causes I have stated, and to the inaction of Congress in not going to the bottom of these national wrongs.

Mr. FITZGERALD. I thought he was blaming me.

Mr. HULINGS. Mr. Chairman, this debate, I think, has drifted along on about two lines, one of which is suggested by my friend from Kansas [Mr. MURDOCK], that there ought to be lodged in the Interstate Commerce Commission power authorizing it to compel the railroads to adopt the use of safety appliances which it has investigated and found to be useful. The other is, and that which is reached by the amendment itself, directed to the question of whether the Interstate Commerce Commission shall be supplied with additional money to make investigations of these safety inventions. Now, as I understand, the gentleman from New York [Mr. FITZGERALD] has stated that the commission say they have plenty of money, and therefore do not need any more now.

Mr. FITZGERALD. I did not say that, if the gentleman will permit me. I said that the commission stated it would be useless to appropriate this money, because they could not use it.

Mr. HULINGS. Have they money for this purpose that they do not use?

Mr. FITZGERALD. I do not know.

Mr. HULINGS. Mr. Chairman, the enormous increase in the weight of locomotives and rolling stock has made our rail systems the weak point in practical railroad operation. A short time ago a gentleman came to me who has made what he claims to be a very valuable invention in switches on railroads, or rail attachments, or something of that sort, that he claims will meet one of the hardest questions which railroad managers to-day go up against, namely, their rail attachments. He presented that invention to the Interstate Commerce Commission with a request that it be investigated under the power which Congress has given to that commission, but was met with the reply that they would like very much to investigate that invention but were precluded because there was no money available for the purpose.

That is the statement that comes to me from a reliable person, and at that time I introduced a bill into this Congress (H. R. 7294), which is substantially word for word with the amendment of the gentleman from Illinois [Mr. MANN]. I believe from the facts as I have ascertained them that the Interstate Commerce Commission ought to be required to continue the investigation of new safety appliances and be supplied with necessary money. It has the power, but it should be supplied with money to go on and make the investigations, and if for any reason it refuses to investigate it should be required to do so. For these reasons I am in favor of this amendment.

Mr. CULLOP. Mr. Chairman, I would like to ask the gentleman from Illinois [Mr. MANN] a question with regard to his resolution. I understood the gentleman to say that he introduced the resolution of June 30, 1906. Now, I find one provision in that resolution which reads as follows. It is the second paragraph of it, if it may be divided into paragraphs—

Mr. MANN. Probably the one the gentleman from New York referred to yesterday.

Mr. CULLOP. It says, in transmitting its report to Congress, the commission shall recommend such legislation as the commission shall deem advisable. This paragraph requires the commission to recommend legislation on this subject. It is mandatory.

I understood the gentleman from Illinois [Mr. MANN] to say that he had read all of the reports of the commission that had been made on this subject. Has it in any one of its reports recommended the enactment of legislation on this subject?

Mr. MANN. I think no definite legislation.

Mr. CULLOP. Do they give any reason as to why no legislation has been recommended on the subject?

Mr. MANN. I think on reading the reports and recommendations by the commission it will appear that they have not yet reached a conclusion that any device is sufficiently satisfactory to enforce its installation.

Mr. CULLOP. Is that because the inventions or discoveries up to date are in crude form and not perfected?

Mr. MANN. Probably they are not sufficiently perfected or not sufficiently experimented with to make it certain that they will work.

Mr. CULLOP. One requirement of this resolution of June 30, Mr. Chairman, was that the commission should not only investigate this subject but should report, recommending legislation.

Now, the claim is made here that such legislation has not been recommended yet. This sum is a very small sum compared with the great advantage and safety to human life that might be secured by the adoption of the amendment offered by the gentleman from Illinois [Mr. MANN]. This proposition, it seems to me, is apparent. It has been urged as an objection here that the Interstate Commerce Commission did not need this money—that it had no use for it at this time. Of course, if the commission does not expend the money it will revert to the Treasury.

But Congress, it seems to me, ought to put itself in a position where no blame can possibly be attached to it in not providing the necessary funds and have them available for use. Here is a great disaster that has happened only this week up here on the New York, New Haven & Hartford Railroad, and complaints are made that proper safeguards are not thrown around the protection of travelers—of human life and property. Now, if this appropriation is made that kind of complaint can not be made. In my judgment, the commission ought to have at all times ample funds on hand so that when an emergency arises it can immediately enter into these investigations. New discoveries and new inventions are constantly being made as to devices for the purpose of avoiding such a catastrophe as happened only this week on the New Haven road. This fund, if the appropriation were made, would enable the commission to investigate the subject and make recommendations to Congress.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. CULLOP. Certainly.

Mr. COOPER. Does the gentleman think that the adoption of any sort of a device would prevent wrecks, in view of the testimony taken yesterday at that inquest to the effect that there were six trains running at speed on that road within 10 miles, which would make them within 2 miles of each other on the average? The men on the trains swore that it was customary to run by signals and not stop; and not only that, but some of them were incompetent and had not been examined, and that some of them did not have watches.

Mr. CULLOP. In answer to the gentleman I will say it might not, and yet it might. But I would further say it was the grossest carelessness to operate any railroad in the man-

ner in which the testimony shows yesterday that road was operated, and it was criminal negligence to do so. It seems to me such carelessness is in utter disregard of human life and property.

Mr. MANN. Mr. Chairman, will the gentleman yield?

Mr. CULLOP. I do.

Mr. MANN. The gentleman has given the subject study in his committee. Is it not a fact that these automatic appliances would stop the train, regardless of what the engineer or switchman or anybody else does? Unless the track is clear the train stops. It can not go ahead.

Mr. CULLOP. That is the purpose of them, and the claim made in their behalf. It is a regrettable fact that trains in too many instances are operated in total disregard of human safety. Both equipment and speed employed are against the safety of property and persons, and to their careless operation in this respect the injuries resulting may be attributed. In the strenuous endeavor to make large earnings, to pay dividends, and boost stocks life and property are both imperiled and the public suffers. Instances of this kind are too frequent, and the practice should not be tolerated. Every safeguard which can be devised should be employed to protect the traveling public, and if the roads do not willingly adopt them then by proper legislation they should be required to do so.

The CHAIRMAN. The time is controlled by agreement.

Mr. FARR rose.

The CHAIRMAN. The gentleman from Pennsylvania is recognized.

Mr. FARR. Mr. Chairman, I think we are losing sight of the real cause of the accident the other day. You may install all the safety appliances possible with the present knowledge, and yet you will not eliminate accidents resulting from the high speed and closeness at which these trains were going. The engineer stated that he was going so fast that although he saw the signal he could not stop his train in time to prevent the accident.

Mr. NORTON. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Pennsylvania yield?

Mr. FARR. I do.

Mr. NORTON. Was not that due to the fact that it was not a proper kind of signal?

Mr. FARR. He saw the signal, but on seeing the signal he could not stop his train in time to prevent that accident, because that train could not have been stopped, even with the emergency brakes on, within 1,500 feet.

Mr. NORTON. Did he not state that the signal was of such a character that he did not see it until he was within 150 feet of it?

Mr. FARR. Even if he had seen it at a greater distance than that, three or four times that distance, there was no way in which that accident could have been prevented, except by lessening the speed of the train he was running, and he was going at that speed under orders. The dispatcher gave no instructions as to slowing down of these trains running so closely together, within a few minutes apart, in foggy weather, and stated that he had no instructions from the head office as to their regulation in bad weather, and that he acted on his own judgment, permitting six trains to pass by within 32 minutes.

The way to stop accidents on a road like that is to give the Interstate Commerce Commission the power to regulate train operations, particularly where wooden cars are used. Steel cars on this New Haven train undoubtedly would have saved some lives, but would not have eliminated the probability of fatalities. We can devise all the safety appliances we want to, but we are not going to get rid of the human element, and we want to put more power into the hands of the Interstate Commerce Commission, especially with reference to roads whose equipment is bad and whose roadbeds are not in good condition. That is the lesson to be learned from this latest and most sad disaster.

This country has made wonderful progress in the matter of safeguarding railway transportation. I make that statement on the authority of the block signal and train control board, who say:

Nowhere in the world have appliances for safeguarding railway transportation been so highly developed as within this country.

This significant statement is made by another authority:

In a sane analysis of railway casualties it is quickly apparent that less than one-twelfth are in any way due to causes that can be remedied by mechanical appliances for the protection of trains.

Mr. SHARP. From what report is the gentleman reading?

Mr. FARR. That is a quotation from the Railway Statistics of the United States, prepared by Slason Thompson:

Fast running of trains, encouraged and demanded by the traveling public, is responsible for many accidents. Excessive speed, necessary to maintain the schedules of fast trains, says the 1912 report of the

Interstate Commerce Commission, has been an important factor in many train accidents.

Continuing, this report says—

The conditions of safe operation are often ignored in the effort to bring these fast trains in on time. In connection with some of the fast excess-fare trains, a premium is placed on speed to the extent of returning to passengers a portion of the fare charged whenever schedules are not maintained. This is a bad practice, for which the traveling public is largely responsible, and it should be discontinued. The incentive should be to maintain safety rather than speed, and adequate measures should be taken to compel low speed wherever conditions require it, whether schedules are maintained or not.

So, I say to the Members of this House, if you want to stop these accidents, give the Interstate Commerce Commission some power relative to the operation of trains. Railroad men with whom I come in contact are in a state of nervous apprehension.

Their responsibilities have increased tremendously. The railroads are forced to meet the great and growing demands upon them. Competition is keen and the rivalry spirited, with the result that to-day freight trains are being run as fast as passenger trains were not many years ago.

[Mr. HOWARD addressed the committee. See Appendix.]

Mr. FITZGERALD. Mr. Chairman, how much time is left? The CHAIRMAN (Mr. HARDWICK). Eight minutes.

Mr. TALCOTT of New York. Mr. Chairman, it was said yesterday by the gentleman from Georgia, and this morning by the gentleman from Pennsylvania, that no matter what the mechanical devices are there will always be a human element in railroad operation, and that brings us back to the fact that there must be sufficient strength in the cars to withstand the strain and shock of collision. The increased speed and weight of trains make this necessary, and the superiority of the steel car over the wooden car is proved by the adoption of them by some of the most enterprising railroads in the country and by the reports of the Interstate Commerce Commission and the reports of experts in relation to the subject.

Reference was made yesterday to a bill I introduced for steel cars on railroads. I would like permission to include as a part of my remarks the text of that bill. Hearings are to be held by a subcommittee of the Committee on Interstate and Foreign Commerce upon the general subject of safety appliances; and, of course, it is very desirable that Members who have any suggestions to make along the line of that bill should have the opportunity of becoming familiar with its provisions.

The CHAIRMAN. The gentleman from New York asks unanimous consent to extend his remarks in the Record. Is there objection?

There was no objection.

The bill referred to is as follows:

A bill (H. R. 3374) to promote the safety of passengers and others upon railroads by compelling common carriers engaged in interstate commerce to use cars constructed of steel, and for other purposes.

Be it enacted, etc., That from and after the 1st day of January, 1918, it shall be unlawful for any common carrier engaged in carrying United States mails to use on its lines any mail car not constructed of steel, and that from and after the 1st day of January, 1918, it shall be unlawful for any common carrier engaged in interstate commerce to use on its lines in interstate traffic or in interstate transportation of passengers any express car, baggage car, or passenger car not constructed of steel.

Sec. 2. That from and after January 1, 1914, it shall be unlawful for any common carrier engaged in carrying United States mail to locate or run in any train between adjoining steel cars or between the engine and an adjoining steel car, any mail car not constructed of steel; and from and after the said 1st day of January, 1914, it shall be unlawful for any common carrier engaged in interstate commerce to locate or run in any train on its line in interstate traffic or in interstate transportation of passengers between adjoining steel cars, or between the engine and an adjoining steel car, any express car, baggage car, or passenger car not constructed of steel.

Sec. 3. That from and after January 1, 1914, any common carrier engaged in carrying United States mail is prohibited from bringing into use on its line any new mail car not constructed of steel; and that from and after January 1, 1914, any common carrier engaged in interstate commerce is prohibited from bringing into use on its line in interstate traffic or interstate transportation of passengers any new or additional express cars, baggage cars, or passenger cars unless constructed of steel in accordance with plans approved by the Interstate Commerce Commission.

Sec. 4. That any such common carrier using on its lines any mail car, express car, baggage car, or passenger car in violation of any of the provisions of this act shall be liable to a penalty of \$1,000 for each and every such violation, to be recovered in a suit or suits to be brought by the United States district attorney in the district court of the United States having jurisdiction in the locality where such violations shall have been committed; and it shall be the duty of such district attorney to bring such suits upon duly verified information of such violation being lodged with him; and it shall be the duty of the Interstate Commerce Commission to lodge with the proper district attorneys information of any such violations as may come to its knowledge. Every distinct violation shall be a separate offense, and in case of a continuing violation each day shall be deemed a separate offense.

Sec. 5. That the Interstate Commerce Commission may from time to time, upon full hearing and for good cause, extend the period within which any common carrier shall comply with the provisions of section 1 of this act, and the Interstate Commerce Commission may from time to time, after such investigation as may be necessary, permit any such common carrier to use particular mail cars, express cars, baggage cars, or passenger cars, the use of which shall be deemed by the commission to be reasonable and proper.

Mr. FITZGERALD. Mr. Chairman, this debate has taken a somewhat wide range, and as many Members have entered the Hall who were not present when it commenced, I desire to review the situation. Yesterday just before the committee rose the gentleman from Illinois [Mr. MANN] offered an amendment to appropriate \$25,000 to enable the Interstate Commerce Commission to continue investigations authorized under the joint resolution passed in 1906. I requested that the matter go over until to-day, until an opportunity had been offered to confer with the Interstate Commerce Commission. No estimate had been submitted for the money, no intimation had been given to the committee that such an appropriation was desirable.

Ever since I have been connected with the Committee on Appropriations the Interstate Commerce Commission has been given, in the annual appropriation bill, the various sums requested for the various purposes for which the commission required money to perform properly the duties imposed upon it under the law. This morning Judge Bartlett, of the committee, and myself called at the office of the Interstate Commerce Commission and inquired for various members of the commission. Finally we saw Judge Prouty whom I believe at this time alone is in the city. The statement was made as to the amendment which had been introduced and was pending. I stated to Judge Prouty that if the commission desired this money, or if it needed it to conduct its work there would be no opposition to it. Commissioner Prouty said that if the appropriation were made it would be practically useless, and he believed it would be much better not to appropriate in this way at this time, but to defer it until the next session of Congress.

In the meantime the commission would prepare and submit to the next session of Congress certain recommendations for legislation that would enable the commission to do certain things and to make investigations of a certain character in connection with railroads that they believed would result in enabling the commission to recommend legislation to compel the adoption of safety devices. Under these circumstances it seemed to me unwise to appropriate money for the purpose that the commission states can not be usefully expended.

So far as I am concerned, I desire to do everything possible to eliminate these great disasters upon the railroads of the country. I know of no one who does not wish to do everything possible to eliminate accidents and to prevent the tremendous destruction of life and injury to persons and property which is continually resulting from them, but it seems to be futile to appropriate money for the use of the commission when in its opinion it would be useless to appropriate it, and for that reason I hope the amendment will not be adopted.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois.

The question was taken; and on a division (demanded by Mr. MANN) there were—ayes 34, noes 30.

So the amendment was agreed to.

Mr. GILLET. Mr. Chairman, I offer the following amendment as a new section, and send the same to the desk and ask to have it read.

The Clerk read as follows:

Insert as a separate section the following:

"No money appropriated by this or any other act shall be used for the compensation of any publicity expert unless specifically appropriated for that purpose."

Mr. GILLET. Mr. Chairman, my attention was called—and that was the reason for my offering this amendment—to a recent circular issued by the Civil Service Commission. That circular, in its essential part, reads as follows:

(No. 878.)

UNITED STATES CIVIL-SERVICE EXAMINATION—PUBLICITY EXPERT
(MALE)—SEPTEMBER 15, 1913.

The United States Civil Service Commission announces an open competitive examination for publicity expert, for men only. From the register of eligibles resulting from this examination certification will be made to fill a vacancy in this position in the Office of Public Roads, Department of Agriculture, Washington, D. C., at \$8 a day, when employed, and vacancies as they may occur in positions requiring similar qualifications, unless it is found to be in the interest of the service to fill any vacancy by reinstatement, transfer, or promotion.

The duties of this position will consist of the preparation of news matter relating to the work of the Office of Public Roads and securing the publication of such items in various periodicals and newspapers, particularly in country newspapers. It is desired to secure the services of a man who has had wide experience in newspaper work and whose affiliations with newspaper publishers and writers is extensive enough to insure the publication of items prepared by him.

Competitors will not be assembled at any place for examination, but will be rated on the following subjects, which will have the relative weights indicated:

SUBJECTS.	Weights.
1. General education and training.....	25
2. Professional experience and fitness.....	45
3. Publications.....	30
Total.....	100

Not less than five years' practical experience in newspaper work is a prerequisite for consideration for this position. Publications relating to the subject of good roads will be given additional credit under subject 3.

Statements as to training, experience, and fitness are accepted subject to verification.

Age, 25 years or over on the date of the examination.

Under an act of Congress applicants for this examination must have been actually domiciled in the State or Territory in which they reside for at least one year previous to the date of the examination.

This examination is open to all men who are citizens of the United States and who meet the requirements.

Persons who meet the requirements and desire this examination should at once apply for Form 304 and special form to the United States Civil Service Commission, Washington, D. C.; the secretary of the board of examiners, post office, Boston, Mass.; Philadelphia, Pa.; Atlanta, Ga.; Cincinnati, Ohio; Chicago, Ill.; St. Paul, Minn.; Seattle, Wash.; San Francisco, Cal.; customhouse, New York, N. Y.; New Orleans, La.; Honolulu, Hawaii; old customhouse, St. Louis, Mo.; or to the chairman of the Porto Rican civil-service commission, San Juan, P. R. No application will be accepted unless properly executed and filed in complete form with the commission at Washington prior to the hour of closing business on September 15, 1913. In applying for this examination the exact title as given at the head of this announcement should be used.

Issued August 11, 1913.

Mr. MANN. Mr. Chairman, will the gentleman yield for a question?

Mr. GILLET. Certainly.

Mr. MANN. Some years ago when it was charged the Forestry Service was giving more attention to publishing items than to doing work, with which charge I did not agree, I thought Congress passed some legislation upon the subject of publicity agents in the Agricultural and other departments.

Mr. GILLET. I am not aware of such legislation.

Mr. FITZGERALD. It several times put limitations on the appropriations for the Forestry Service.

Mr. MONDELL. The provision to which the gentleman from Illinois refers, which was an amendment offered by myself, applied only to the Forestry Service. It is current law.

Mr. MANN. I was sure we did something, but I was thinking that it applied to the entire department.

Mr. GILLET. Mr. Chairman, the observations of the gentleman from Illinois [Mr. MANN] and the gentleman from Wyoming [Mr. MONDELL] indicate that the House has already expressed its opinion upon such employment as this. I do not think we can have any difference of opinion about it. The different departments of the administration certainly are not very modest in finding men and means to put before the country in the press the duties and purposes of their administration, and I think they can do so without the employment of a man like this who is avowedly simply a publicity agent. It does not seem to me that it is proper for any department of the Government to employ a person simply as a press agent to advertise the work and doings of that department, and it is to prevent that in any department that this amendment is offered. In the ordinary work of the department, anything which requires the knowledge of the public certainly finds its way into the press at this time, and I am surprised to find that apparently there is existing some such position as this. I think that it ought not to exist without, as my amendment suggests, a special appropriation by Congress or special recognition and approval by Congress of such an official. Therefore, I hope the amendment will be adopted.

Mr. FITZGERALD. Mr. Chairman, I should be very much surprised at any attempt to employ what is known as a publicity agent in any department of the Government. I recollect that some years ago I was somewhat instrumental in calling the attention of the House to the fact that a publicity agent had been employed in connection with one service of the Government at a compensation of \$10,000 a year, which resulted in very emphatic action by Congress to prevent such employment. At various times in consideration of the agricultural appropriation bill provisions have been inserted to prohibit the employment of publicity agents, not to prevent information about the work of the different services being made public, but because of the belief that there was no place in the Government service for an employee whose sole duty was to extol and to advertise the activities of any particular service of the Government. I have been informed that this examination to which reference has been made by the gentleman from Massachusetts [Mr. GILLET] for a publicity agent has been withdrawn by the Civil Service Commission.

Mr. GILLET. I will say I was not aware of that fact.

Mr. FITZGERALD. I was just informed this moment. I have such pronounced views about the impropriety of the employment of publicity experts in connection with any service of the Government that so far as I am concerned I shall be glad to see definite legislation enacted which will prevent the use of public moneys for any such purpose unless Congress specifically and deliberately authorizes such employments. I know of no appropriation made for any service of the Government wherein

it is contemplated that it shall be used for such a purpose, and I do not believe that any department or bureau or service should employ men to extol its virtues or its activities.

Mr. LEVER. Will the gentleman yield for a question?

Mr. FITZGERALD. I yield.

Mr. LEVER. I take it the gentleman from New York would not object to a department employing experts or editorial writers for the purpose of making our farm bulletins more readable to the public and more practical in their make-up.

Mr. FITZGERALD. That is an entirely different matter.

Mr. LEVER. The gentleman's purpose goes—

Mr. FITZGERALD. My purpose is that no service of the Government should employ a man whose duty is to prepare press matter in order to extol or to advertise the work of the service with which he is connected. That will be best advertised by the efficiency with which the work is performed.

Mr. LEVER. If the gentleman will permit—

Mr. FITZGERALD. This notice does not cover the character of the service to which reference is made by the gentleman from South Carolina. It is for a publicity expert—

Mr. LEVER. And I was about to say in so far as the gentleman says he is not in favor of employing press agents to extol the work of these departments, I agree with him; but I do believe we ought to have men in the various departments to make available the work of those departments, so as to reach the mind of the average reader, and particularly the Department of Agriculture.

Mr. FITZGERALD. If they are competent to do their work, they ought to be able to tell about it in plain, ordinary English.

Mr. AUSTIN. Mr. Chairman—

Mr. HELM. Mr. Chairman, the chairman of the Committee on Appropriations will recall that at the last session of Congress when the sundry civil bill was up for passage I directed the attention of the chairman to the fact that funds appropriated were used by the Army for the purpose of disseminating propaganda for the Army.

Mr. FITZGERALD. I recall the matter. I understand it was an argument on one side of a question that was then pending and in which certain officials of the War Department were interested which was published and circulated at public expense.

Mr. HELM. And paid out of appropriations which were made by Congress.

Mr. AUSTIN. I desire to ask the gentleman if this expert was not for the use of the Bureau of Good Roads?

Mr. FITZGERALD. I do not know what his employment was to be. I do not know whether he was to be used in connection with the Bureau of Good Roads or any other bureau, but I know of no reason why any bureau or any service of the Government should employ men to write newspaper articles extolling the work of the bureau and magnifying the importance of those connected with the work.

The CHAIRMAN. The time of the gentleman has expired. Mr. FOSTER. Mr. Chairman, I ask unanimous consent that the gentleman may have five minutes more.

Mr. FITZGERALD. I have said all I want to say.

Mr. BRYAN. Mr. Chairman—

Mr. CAMPBELL. I desire to ask the gentleman a question.

Mr. FITZGERALD. I will ask for one minute more.

Mr. BRYAN. Mr. Chairman, I will desist for that purpose.

Mr. CAMPBELL. Mr. Chairman, I simply desire to call the attention of the gentleman from New York to the further fact, to which he has not alluded, that there have been in the departments of this Government within recent months—I can not say just when—employees paid by the Government for making newspaper clippings and giving out interviews and gathering up things for the purpose of advertising the chiefs of bureaus and heads of departments.

Mr. FITZGERALD. Well, there are some practices, Mr. Chairman, that will hang over into a virtuous administration, but as speedily as possible we hope to eliminate all of those evil practices. This provision I am concerned will prevent the possibility of the development of what I would conceive to be a very unfortunate situation in the Government service.

The CHAIRMAN. The gentleman from Washington [Mr. BRYAN] is recognized.

Mr. BRYAN. Mr. Chairman, speaking to the subject of newspaper articles and publicity agents, it is very natural to revert to the subject that I had in my mind this morning when I called up the resolution that I had offered a short time ago in reference to certain riots at Seattle.

I desire now to present a few facts in connection with those matters. I feel it my duty to answer some of the statements that were made by my colleague yesterday or day before yesterday to this body. But more important than that, and, for that

reason, I am going to proceed first, is the presenting to this Congress and to the Members of the House certain facts that are not known in connection with that incident out there at Seattle.

Mr. MANN. Will the gentleman yield?

Mr. BRYAN. I will.

Mr. MANN. Of course the gentleman knows he would be out of order. At the first of next week the gentleman would have a chance to get into general debate and discuss this.

Mr. BRYAN. I am going to leave on the 6.45 train this afternoon for the Pacific coast.

Mr. FOSTER. I think the gentleman from Washington ought to have a chance.

Mr. MANN. If the gentleman is going away, then I shall make no objection.

Mr. ADAMSON. Mr. Chairman, I ask unanimous consent that the gentleman may proceed regardless of the rule.

The CHAIRMAN. For how long?

Mr. BRYAN. I would like to have 15 minutes, anyway.

Mr. FOSTER. How much time does the gentleman want?

Mr. BRYAN. At least 15 minutes.

Mr. THOMPSON of Oklahoma. I object, Mr. Chairman.

The CHAIRMAN. The gentleman from Washington [Mr. BRYAN] asks unanimous consent that he may be allowed to proceed for 15 minutes.

Mr. FITZGERALD. Mr. Chairman, I ask unanimous consent that when the pending amendment is disposed of the gentleman may proceed.

Mr. BARTLETT. Mr. Chairman, I reserve the right to object.

Mr. THOMPSON of Oklahoma. I object.

Mr. ADAMSON. Mr. Chairman, I want to ask the gentleman from Washington [Mr. BRYAN], anyhow, in his remaining time—

Mr. THOMPSON of Oklahoma. Mr. Chairman, I withdraw my objection.

Mr. BARTLETT. Mr. Chairman, I will not withdraw my acquiescence to the suggestion of Mr. FITZGERALD until this proposition is over. After it is over I will not object to what is asked for. If the request is withdrawn now, and made after this amendment is voted on, I will not object now. If the request is that the gentleman shall have the time now, I want to reserve my right to object.

Mr. FITZGERALD. I ask the gentleman from Washington [Mr. BRYAN] to withdraw his request for the present and until after the amendment is disposed of.

Mr. ADAMSON. I would like to ask the gentleman from Washington a question.

Mr. BRYAN. I realize I am out of order. I am willing to yield, as suggested by the chairman of the Committee on Appropriations, for the present.

Mr. ADAMSON. I want to ask the gentleman something that is in order.

The CHAIRMAN. Does the gentleman from Washington [Mr. BRYAN] decline to yield?

Mr. ADAMSON. He is willing to yield. I want to ask him if he is the gentleman who secured six weeks' leave of absence this morning?

Mr. BRYAN. I am the gentleman.

Mr. ADAMSON. Does he not think it cruel sarcasm on the rest of us at this stage of the session to have that published?

Mr. BRYAN. The gentleman perhaps is aware that it takes me two weeks nearly to go and come. Considering the temperature as it stands to-day, I guess I am guilty of cruelty to animals.

Mr. AUSTIN. Mr. Chairman, in all seriousness I think the House ought to hesitate at the adoption of this amendment offered by the gentleman from Massachusetts [Mr. GILLET] until we know more of the merits contained in this circular calling for an expert for the Department of Agriculture. The Secretary of Agriculture ought to be consulted about the matter. We ought to know some of the reasons that prompt the department to ask for the service of a man of this character, and we ought not to permit this case to be prejudiced because there was an abuse of this privilege in connection with some other department of the Government. Now, just from scanning this circular, calling for the man, it is strictly in connection with the Good Roads Bureau of the Department of Agriculture.

This House has recently created a new committee—the Committee on Good Roads. The previous Congress created a Joint Commission on Good Roads. There is no subject now engaging the attention of the American people that is of more interest or more value, especially to the interior of the country, the agricultural sections in various parts of the country, than that

of national aid to good roads, and I doubt the wisdom of this House, on the mere discussion that we have had here this afternoon, voting this amendment into the appropriation bill.

My constituents—and I make the assertion from the standpoint of 75 per cent of the Members of this House—are vitally interested in the question of good roads, of national aid for good roads.

Mr. FITZGERALD. All the information available will be used anyway by all of the newspapers and magazines, and nobody will be given a monopoly of it and put on a salary at the expense of the Government to write newspaper stuff and advertisements.

Mr. AUSTIN. I contend, Mr. Chairman, that the Secretary of Agriculture and the Chief of the Bureau of Good Roads ought to have an opportunity to "come into court" and give us their reasons for this service. Otherwise our action here will be regarded as adverse on the part of the Members of this House to good roads—against the interest of good roads and against the movement in favor of national aid to good roads. We ought not to do it.

Mr. GILLETT. Mr. Chairman, my suggestion of this amendment was for no such purpose as the gentleman from Tennessee [Mr. AUSTIN] indicates. I care not what department it affects. I do not think any department of the Government, in the Bureau of Good Roads or any other, should be supplied with a publicity expert, a man on the salary roll, for the sole purpose of exploiting and advertising that department or bureau.

Mr. LEVER. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. GILLETT. Certainly.

Mr. LEVER. The gentleman has defined the publicity expert in his statement just now, to the effect that he is a man whose business it is to extol and exploit the virtues of this department. The gentleman does not undertake in this amendment to prevent some one employed in the Department of Agriculture, for instance, giving to the country information as to the work of the department?

Mr. GILLETT. Of course not. Of course, they are doing it all the time and have been. All the departments are doing it.

Mr. LEVER. I do not mean in the capacity of one of the regularly employed editors, but I mean a man employed to make more democratic the reports of the Department of Agriculture. I do not mean "Democratic" in the partisan sense.

Mr. GILLETT. I understand.

Mr. LEVER. I mean to put it in popular language.

Mr. GILLETT. Of course, I do not object to that at all.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Massachusetts [Mr. GILLETT].

Mr. AUSTIN. Mr. Chairman, I ask that the amendment be again reported.

The CHAIRMAN. Without objection, the amendment will again be reported.

The amendment was again read.

Mr. COOPER. Mr. Chairman, I would like to ask the gentleman from New York [Mr. FITZGERALD] a question. It would not in any wise affect the publication of the Panama Canal Record?

Mr. FITZGERALD. Oh, not in the slightest degree. The Panama Canal Record is published by the Panama Canal Commission and not by a publicity expert.

Mr. COOPER. But it is Government money that pays for it.

Mr. FITZGERALD. So is it with respect to the CONGRESSIONAL RECORD.

Mr. GILLETT. It would not apply to that at all.

Mr. COOPER. It says "No money appropriated by this or any other act shall be used for the compensation of any publicity expert," and so-and-so. I do not want a misinterpretation to be put upon it.

Mr. FITZGERALD. There is no doubt about that.

Mr. AUSTIN. The adoption of this amendment, Mr. Chairman, will prevent what the Secretary sets out in this letter:

The duties of this position will consist of the preparation of news matter referring to the Office of Public Roads.

It is for that purpose.

Mr. COOPER. Mr. Chairman, I ask unanimous consent to have the amendment offered by the gentleman from Massachusetts reported again.

The CHAIRMAN. Without objection, the Clerk will again report the amendment.

The amendment was again read.

The CHAIRMAN. The question is on the amendment.

The amendment was agreed to.

The Clerk read as follows:

DISTRICT OF COLUMBIA.

Excise Board: For three members of the Excise Board, at the rate of \$2,400 per annum each; clerk, at the rate of \$1,500 per annum; inspector, at the rate of \$1,500 per annum; in all, \$8,500, or so much thereof as may be necessary during the fiscal year 1914.

Mr. BRYAN. Mr. Chairman, I move to strike out the last word. I desire to proceed for at least 15 minutes, and I ask unanimous consent that I may do so without speaking to the provisions of this particular item.

The CHAIRMAN. The gentleman asks unanimous consent that he may be permitted to proceed for 15 minutes, without reference to the rule which requires Members, in the five-minute debate, to speak to the paragraph under consideration.

Mr. BARTLETT. Reserving the right to object, I desire to ask the gentleman is it his intention in any part of his speech to refer to any newspaper statements concerning the Secretary of the Navy in this matter?

Mr. BRYAN. I think it will be necessary for me to refer to the Secretary of the Navy in my remarks; but it is my theory of this case that the newspapers which gave to the people out there the alleged report of Secretary Daniels's speech deliberately falsified the report, and that the blame rests on the newspapers.

Mr. JOHNSON of Washington. I make the point of order that the gentleman is out of order.

Mr. FITZGERALD. He is not out of order.

The CHAIRMAN. The gentleman is not out of order. He is asking unanimous consent, and he is answering a question asked him by the gentleman from Georgia [Mr. BARTLETT]. The question is on the request of the gentleman.

Mr. BARTLETT. I have no objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Washington?

Mr. JOHNSON of Washington. Mr. Chairman, reserving the right to object, I want to ask my colleague if he proposes to criticize the Secretary of the Navy and then run away for six weeks?

Mr. BRYAN. I will not answer the gentleman's inquiry in the way I feel like answering it, and will simply say that I have no intention of running away or of escaping anything. I am going to leave on that train this afternoon, however.

Mr. JOHNSON of Washington. Still reserving the right to object, I should like to say that this dispute in Seattle has been running for six or seven years. I live in a neighboring district, and can look upon it with some fairness. I am inclined to believe that if we discuss and publish in the CONGRESSIONAL RECORD all that is printed in the Seattle newspapers concerning the newspaper fight in Seattle it will go on forever. Therefore I object.

The CHAIRMAN. The gentleman from Washington objects.

Mr. BRYAN. Mr. Chairman, I move to strike out the last word. I have nothing to say on the particular paragraph of the deficiency bill that is pending, but I believe that I may be permitted to proceed for at least five minutes without being considered out of order in discussing the subject that I mentioned a few moments ago. It is a subject on which a resolution was introduced here, and concerning which my colleague from Washington [Mr. HUMPHREY] addressed the House at some length a day or two ago. The gentleman was given the privilege of printing liberally in the RECORD, and he did print something like 8 or 10 pages in the RECORD, in reference to the matter, and I consider it important. Therefore I am proceeding on that line.

There was an investigation of this incident by the officers of the Navy. A report was made, and on that report a finding was given out to the country. I say that the Secretary of the Navy was misled by the report that was given to him and that the investigation was entirely insufficient. The investigation did not reach to the merits of the case and was conducted secretly and without due regard for the proprieties of the case. It was held on board ship. The mayor was not called. None of the city police were called. None of the civil authorities were called as witnesses. Yet, after listening to the testimony of an enlisted man or two and of one member of the board who was on the naval patrol force that should have maintained order the night before, the commission made their finding.

The result of these conclusions was to censure the city government of Seattle and its mayor. There is nothing in the facts of the case to warrant any such censure. There are no facts that can be adduced at a fair and impartial hearing or investigation of the case that will warrant the charges against the mayor and people of Seattle, which now stand practically confirmed by the Navy Department. There have been no such outbursts as have been claimed out there by alleged labor forces,

by the Industrial Workers of the World, or Socialists. There has been considerable talk, of course, as in all the cities of this country, but the flag has not been traduced, as the Seattle Times alleged. The flag has not been dragged in the streets, and the reports have been entirely diverted and falsified in order to advance local issues, local purposes, and local politics.

I want to call attention to the fact that in my remarks the other day there was only one man to whom I referred with any degree of censure. I called him by name—the editor of the Seattle Times. When my colleague [Mr. HUMPHREY] answered the other day, he referred to practically all the history of the State of Washington, the government, the judges, but he did not make any reference directly in defense of the editor of the Seattle Times. He did not say that the extreme statement I had given as to the partiality and unfairness of that man, his immorality, and the way it had shown up in this particular case, was not true; he did not attempt to show any facts to the contrary, but called the roll of the heroes of the State of Washington for times past.

In this statement he made on the floor of the House he did not challenge anything that I had presented in my speech the other day. He did not by anything he said controvert the fact that there had been an awful civil fight between various forces, and Editor Blethen had assumed the rôle of the defender of the flag in order to capitalize his own political ventures, and thus defeat his opponents.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. ADAMSON. Mr. Chairman, if the gentleman from Washington is going away and not to speak again soon, I hope there will be no objection to his continuing five minutes longer.

The CHAIRMAN. The gentleman from Georgia asks unanimous consent that the time of the gentleman from Washington be extended five minutes. Is there objection?

Mr. JOHNSON of Washington. I object.

Mr. BRYAN. Mr. Chairman, I move to strike out the last two words.

The CHAIRMAN. That is not in order.

Mr. DYER. Mr. Chairman, I offer the following amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Page 8, line 26, after the word "fourteen," strike out the period, insert a colon, and add the following, to wit: "Provided, That hereafter no person shall be eligible for appointment as a member of the excise board or any employee thereof unless he or she shall be a bona fide resident of the District of Columbia and shall have actually resided in said District of Columbia for a period of two years prior to his or her appointment."

Mr. FITZGERALD. Mr. Chairman, I make the point of order that this is legislation.

Mr. DYER. I do not think it is subject to a point of order.

Mr. FITZGERALD. It is subject to a point of order.

Mr. DYER. Will the gentleman from New York withhold his point of order?

Mr. FITZGERALD. For how long?

Mr. DYER. For three minutes.

Mr. FITZGERALD. I will withhold the point of order for three minutes.

Mr. DYER. Mr. Chairman, the amendment I have offered is in no sense intended as a criticism upon the present administration or any of its officials. For some time past the custom has grown up in the city of Washington to appoint men to office here to administer purely local affairs who do not and have never claimed to be residents of this city.

Now, this provision here in the bill has reference to the excise board. It is a new law, put upon the statute books in the last session of the Sixty-second Congress. The money that comes for the support of this board is derived entirely from revenue collected from the citizens of Washington. It seems to me that not only in this matter but in other matters where people of Washington contribute all the money which goes to pay these officials—direct taxes, so to speak, as this is—that citizens should be appointed to administer these offices.

I can not see any excuse for bringing people here from other States and appointing them to places for the pure administration of local affairs. This is a city of several hundred thousand inhabitants, and is large enough to have people competent to exercise the functions that pertain to the administration of local matters.

There has been a great deal of criticism not only of this administration but of the administrations in the past in regard to this matter. I make no criticism of the present administration any more than I do of past administrations of the Government in this country in depriving the citizens of Washington of an opportunity to administer their own local affairs. I hope the time will come, Mr. Chairman, when the people of Washington will not be deprived of every opportunity to exercise the

functions and duties of citizens as other citizens of the United States do in the way of making laws under which they must live as well as the execution of them after they have been made. There is no place in this country, not even in Porto Rico, the Philippines, or Hawaii, wherein the people are deprived of these functions as much as the people of Washington are deprived of an opportunity to take part in the enactment of laws under which they must live and under which they pay taxes.

The CHAIRMAN. The time of the gentleman has expired. The point of order is sustained, and the Clerk will read.

The Clerk read as follows:

For 1912, \$50.

Mr. KINKEAD of New Jersey. Mr. Chairman, I move to strike out the last word. Of course one could not fail to notice that when addressing himself to the point of order the gentleman from Missouri [Mr. DYER] did not say a word about the parliamentary ruling which was invoked against his proposed amendment. It was merely a plea that future appointments to boards in the District of Columbia should be made from citizenship of the District. In the main, I have a great deal of sympathy with the gentleman's feeling toward the people of the District of Columbia. I think at times that they are entitled to more consideration than we are wont to give them in this Chamber. But now with regard to the question that he had in mind, let me say to him that the three members of the Board of Excise Commissioners of the District of Columbia are bona fide residents of the District.

Mr. DYER. Mr. Chairman, will the gentleman permit an interruption?

Mr. KINKEAD of New Jersey. Mr. Chairman, I refuse to be interrupted at this point. I want to continue and enlighten the gentleman about this matter. What the gentleman had in mind was that the commissioners showed the rare good judgment to go to the eighth district of New Jersey and select a thoroughly competent and capable young man, Edward J. Hart, to perform the duties of clerk to this commission.

Mr. DYER rose.

Mr. KINKEAD of New Jersey. Mr. Chairman, I can not yield to the gentleman at this time.

Mr. DYER. But the gentleman surely does not mean my district?

Mr. KINKEAD of New Jersey. No; I said New Jersey, and the gentleman, if I remember rightly, comes from Missouri, which is some distance from New Jersey. On other occasions the gentleman has taken opportunity to find fault. If my memory serves me well, in the last administration, when a man from his State was selected to come and perform duties here in Washington similar to the one he complains of at this time, the gentleman was not in any great hurry to rise from his seat and protest against the action of the former administration.

Mr. DYER. I think the gentleman ought to permit me to interrupt him—

Mr. KINKEAD of New Jersey. Mr. Chairman, I can not permit the gentleman to interrupt.

Mr. DYER. I do not know to whom the gentleman refers.

Mr. KINKEAD of New Jersey. The gentleman from Missouri knows that usually I am in accord with the reforms that he and some of the other members of the Committee on the District of Columbia are endeavoring to bring about here in the District; but it does not seem to me to be particularly proper for him, while he was addressing the House, to fail to bear testimony to the fact that he knew, as I believe he does, that this young man who is coming here to assume the duties of clerk of this board is eminently fitted for this position. If the commissioners went through the country from one end to the other, they would not be able to secure the services of a young man who is better fitted by education and training to perform the duties incumbent upon the clerk of the excise commission.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. DONOVAN. Mr. Chairman, I notice that the gentleman from Kansas [Mr. CAMPBELL] has returned to the room. I do not believe there is a more able or painstaking Member of this body than the gentleman from Kansas, but I fear he has done what a great many others have done, and that is to neglect his duty or, that is, he has been absent from duty. Attention was called to the fact that somebody had been earning a salary in Government employ by the mere cutting of clippings from newspapers, and if the gentleman had been present when the gentleman from Massachusetts [Mr. GILLET] was talking the other day he would have discovered that a man had been in the employ of the Government for two years, drawing a salary of \$3,000 a year, and not even cutting clippings. I merely suggest this to put my intelligent friend right

and call his attention to the fact that there are people in Government employ who do not do anything and who receive \$3,000 a year.

The Clerk read as follows:

Refund of erroneous collections: For amount required to refund certain erroneous collections on account of special assessments, charges, fees, etc., covered into the Treasury of the United States to the credit of the United States and the District of Columbia in equal parts, \$709.62.

Mr. BRYAN. Mr. Chairman, I move to strike out the last word. In reference to the matter that I was talking about a few moments ago, it has been asserted that in the city of Seattle the public—

Mr. JOHNSON of Washington. Mr. Chairman, I suggest that my colleague is out of order, and is not talking to his amendment.

The CHAIRMAN. The point of order is sustained.

Mr. BRYAN. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD upon that subject, a privilege liberally granted to my colleague [Mr. HUMPHREY] yesterday.

The CHAIRMAN. The gentleman from Washington asks unanimous consent to extend his remarks in the RECORD upon the subject that he is discussing. Is there objection?

Mr. JOHNSON of Washington. Mr. Chairman, reserving the right to object, I desire to make it clear to the Members of this House that this matter of the Seattle riots was brought before the House and given great space in the CONGRESSIONAL RECORD first on one side by my colleague, Mr. BRYAN. That was answered by my colleague, Mr. HUMPHREY. Both sides have been carrying on this newspaper war. The question of the right of free speech or the violation of the right of free speech has gone on in Seattle for not less than seven years and has not ended yet. The speech of Secretary Daniels was a mere incident. My colleague, Mr. BRYAN, has proceeded to-day out of order for five minutes, and has stated the nub of his whole argument, and I did not object. There is no need to print more newspaper clippings and argument. It is not a matter that should be paraded in such length before this body, and I object to its continuance.

Mr. BRYAN. The interruptions and objections have prevented my answering my colleague [Mr. HUMPHREY].

Mr. MURDOCK. Will the gentleman withhold his objection?

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Militia: For pay of officers and enlisted men of the naval battalion for the annual cruise, June 28 to July 10, inclusive, 1913, \$2,774.11.

Mr. BRYAN. Mr. Chairman, I move to strike out the last word. While on this subject of the militia of this country, I desire to say that the Navy is an arm of the militia, and I have a few remarks to present on that subject. In the city of Seattle it is alleged that a couple of soldiers were walking the streets—

Mr. JOHNSON of Washington. Mr. Chairman, I object. The gentleman is out of order.

The CHAIRMAN. For what purpose does the gentleman from Washington rise?

Mr. JOHNSON of Washington. I suggest my colleague is out of order.

The CHAIRMAN. The point of order is sustained.

Mr. MURDOCK. Now, Mr. Chairman, will the Chairman permit me to say that I submit nothing has been said here that makes the gentleman's remarks out of order? The item relates—

Mr. FITZGERALD. It is an entire waste of time.

Mr. MURDOCK. The item relates to enlisted men—

Mr. FITZGERALD. It is very apparent—

Mr. MURDOCK. There is nothing apparent about the remarks of the gentleman, so far as he has made them, to show that they are out of order.

Mr. BRYAN. Mr. Chairman, I will not ask any further opportunity to debate the matter, but just to make this one statement.

The CHAIRMAN. The gentleman is not in order.

Mr. BRYAN. If the committee will permit me just to make this one statement, I will state, gentlemen, that I am going to leave for Seattle in about three hours, and I am going to speak next Saturday at the King County Fair, Seattle, where no one can stop me and where I do not have to proceed under the courtesy of my colleague, Mr. JOHNSON.

Mr. HUMPHREY of Washington. Mr. Chairman—

The CHAIRMAN. For what purpose does the gentleman rise?

Mr. HUMPHREY of Washington. Mr. Chairman, I ask just a moment.

Mr. MURDOCK. Mr. Chairman, now I object.

Mr. HUMPHREY of Washington. Now, if the gentleman will just wait a moment, he will not object.

Mr. MURDOCK. But I do object.

Mr. BRYAN. I object.

Mr. MANN. The gentleman is very quick to resent objection to himself and then would not let the gentleman try to help him out.

Mr. MURDOCK. The gentleman was not going to try to help him out.

Mr. BRYAN. Why did not he try long ago?

Mr. HUMPHREY of Washington. I had no objection.

Mr. MANN. The gentleman did not object.

Mr. HUMPHREY of Washington. What I was going to do was to ask my colleague, Mr. JOHNSON, to withdraw his objection and let my colleague, Mr. BRYAN, proceed.

The CHAIRMAN. The gentleman is out of order, and the Clerk will read.

The Clerk read as follows:

Subsistence of the Army, fiscal year 1913, \$229,625.16; water and sewers, fiscal year 1913, \$443.85; in all, \$654,448.49.

Mr. MURRAY of Oklahoma. Mr. Chairman, I move to strike out the last word. Mr. Chairman, possibly what I intend to say would have more bearing upon the general appropriation bill that will arise in the next Congress. Here is a large sum appropriated for Army purposes. I have a notion that the use of these Army purposes is not what ought to be made.

I am not ready to vote for a continuation of Army and Navy appropriations if they are not to be used for the purpose for which they are legitimately intended. The only arguments I know of that will sustain appropriations for the Army and Navy in time of peace are these: First, to repel an unexpected invasion; second, to suppress insurrection or riot; third, to enforce neutrality and treaty obligations; fourth, to protect our citizens in foreign lands and commerce on the high seas; and fifth, to form a nucleus around which an army may be organized and officered in case of war.

Mr. MANN. Mr. Chairman, I make the point of order that the gentleman is not in order. He is not discussing the matter before the committee.

Mr. MURRAY of Oklahoma. Now, the gentleman's imagination, he will find, is not true. I am discussing the propriety of making appropriations for the Army and Navy.

Mr. MANN. Yes; but that is not involved in these items.

Mr. MURRAY of Oklahoma. I am speaking of the whole paragraph. I perhaps might have put it in a little earlier, but I thought I would wait until the entire sums were reported.

Mr. MANN. The gentleman waited too long. I make the point of order—

The CHAIRMAN. The Chair thinks the gentleman from Oklahoma [Mr. MURRAY] is in order.

Mr. MANN. Very well. The Chairman is the chairman of the Committee on Foreign Affairs.

Mr. MURRAY of Oklahoma. I hope my time will not be taken up by the gentleman's objections. Mr. Chairman, the objects of an Army or Navy are those that I have stated. If any man can give any reason for the taxation of the American people in time of peace for an Army and Navy for any other purpose, I would like to know it.

But we find that our Armies are too often used for some other purpose. We find in the organization of the military establishment of this country that it is largely used to aid certain towns and localities. We find, in addition, that the scattering of our Army posts has crippled the efficiency of the Army. I can prove by the military experts of this Government or of any other first-class power in the world that a stronger military power than our military arm can be inaugurated for \$5,000,000 less than it cost to keep up our present establishment. Besides this they are used to build up an aristocracy. In the Naval Academy, when we appoint a boy as a congressional right, if the boy fails, before the boy knows it or before I or one of you know it, some man who is an officer in the Army or Navy will send a telegram, "Your boy has failed, and therefore I want my boy appointed." The only aristocracy built up in this country has been built up through the Army and Navy. To my thinking that is a wrong use and a wrong purpose for the Army. And then again, we find that the Army and Navy are used to promote the Steel Trust; but the greatest abuse of its use is when it is made to fire on a lot of laboring men in a strike.

Now, if these are the purposes for which our Army and Navy are to be used, and they are not to repel insurrection, to enforce neutrality, to protect commerce and the rights of treaties, and for the protection of life and property of the American citizen in foreign lands, I am ready to quit voting for an Army and Navy in time of peace.

The CHAIRMAN. The gentleman's time has expired.

Mr. MURRAY of Oklahoma. Mr. Chairman, I ask unanimous consent to extend my remarks in the Record on this subject.

The CHAIRMAN. The gentleman asks unanimous consent to extend his remarks on this subject. Is there objection? [After a pause.] The Chair hears none.

Mr. ESCH. Mr. Chairman, I would like to make a similar request.

The CHAIRMAN. The gentleman from Wisconsin [Mr. ESCH] asks unanimous consent to extend his remarks in the Record. Is there objection? [After a pause.] The Chair hears none.

Mr. MONDELL. Mr. Chairman—

Mr. MANN. Mr. Chairman—

The CHAIRMAN. For what purpose does the gentleman from Illinois [Mr. MANN] rise?

Mr. MANN. I rise to a point of order. The gentleman from Wyoming [Mr. MONDELL] desires to address the committee, as I understand, and I think he ought to have a larger audience, and it seems to me doubtful whether he can obtain it this afternoon. Therefore I make the point of order that there is no quorum present.

Mr. MONDELL. I trust, Mr. Chairman, that the gentleman will reserve his point of order.

The CHAIRMAN. The gentleman from Illinois [Mr. MANN] makes the point that there is no quorum present. The Chair will count.

Mr. FITZGERALD. Mr. Chairman, I move that the committee do now rise.

The CHAIRMAN. The gentleman from New York [Mr. FITZGERALD] moves that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. FLOOB of Virginia, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 7898) making appropriations to supply urgent deficiencies in appropriations for the fiscal year 1913, and for other purposes, and had come to no resolution thereon.

ADJOURNMENT UNTIL MONDAY AT 11 O'CLOCK A. M.

Mr. FITZGERALD. Mr. Speaker, I ask unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock on Monday.

The SPEAKER. The gentleman from New York [Mr. FITZGERALD] asks unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock on Monday morning. Is there objection. [After a pause.] The Chair hears none, and it is so ordered.

EXTENSION OF REMARKS.

Mr. FARR. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record.

The SPEAKER. The gentleman from Pennsylvania [Mr. FARR] asks unanimous consent to extend his remarks in the Record. Is there objection?

There was no objection.

Mr. MCKELLAR. Mr. Speaker, I desire to extend my remarks in the Record by placing therein an article by Mr. JAMES HAY on our preparedness for war.

The SPEAKER. The gentleman from Tennessee [Mr. MCKELLAR] asks unanimous consent to insert in the Record an article by the Hon. JAMES HAY, chairman of the Committee on Military Affairs, on our preparedness for war. Is there objection?

Mr. THOMPSON of Oklahoma. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record on the subject of preparation for war.

The SPEAKER. The gentleman from Oklahoma [Mr. THOMPSON] asks also unanimous consent to extend his remarks in the Record on preparation for war. Is there objection to these requests?

Mr. MURDOCK. Mr. Speaker, I failed to hear the request.

The SPEAKER. He desires to extend remarks in the Record on the subject of preparation for war.

Mr. MURDOCK. Preparation?

The SPEAKER. He wants to make a speech about our preparing for war.

Mr. MURDOCK. Does the gentleman want to extend his remarks in the Record on that subject?

The SPEAKER. Yes; on that subject.

Mr. THOMPSON of Oklahoma. Yes; I will make my speech now if the gentleman will hear it.

Mr. MURDOCK. Yes; I would rather hear it than read it.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee [Mr. MCKELLAR] and the request of the gentleman from Oklahoma [Mr. THOMPSON] to extend their remarks in the Record?

There was no objection.

ADJOURNMENT.

Mr. FITZGERALD. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 2 o'clock and 35 minutes p. m.) the House adjourned, pursuant to the order previously made, until Monday, September 8, 1913, at 11 o'clock a. m.

EXECUTIVE COMMUNICATIONS.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Acting Secretary of Commerce, transmitting a letter in reference to the appropriation for beacon lights, Newark Bay, N. J. (H. Doc. No. 225); to the Committee on Appropriations and ordered to be printed.

2. A letter from the Acting Secretary of War, transmitting a letter from the Chief of Engineers, submitting reports of the various district officers having charge of river and harbor improvements on water terminal and transfer facilities contiguous to harbors, rivers, and other waters under improvement by the United States, said reports having been prepared in compliance with provisions of section 4 of the river and harbor act of July 25, 1912 (H. Doc. No. 226); to the Committee on Rivers and Harbors and ordered to be printed.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 965) granting an increase of pension to Clarissa J. Freeman; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 4365) granting a pension to John H. Opperman; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. MOSS of West Virginia: A bill (H. R. 7949) to authorize Parkersburg-Ohio Bridge Co., a corporation created and existing under the laws of the State of West Virginia, its successors and assigns, to construct a bridge across the Ohio River from the city of Parkersburg, State of West Virginia, to the town of Belpre, State of Ohio; to the Committee on Interstate and Foreign Commerce.

By Mr. SHARP: A bill (H. R. 7950) to provide for the survey of the shores of Lake Erie at Lorain, Ohio, for the purpose of determining the cause of the recent increased erosion of the banks, and the relation thereto of certain Government improvements at that place; to the Committee on Rivers and Harbors.

By Mr. LEVER: A bill (H. R. 7951) to provide for cooperative agricultural extension work between the agricultural colleges in the several States receiving the benefits of an act of Congress approved July 2, 1862, and of acts supplementary thereto, and the United States Department of Agriculture; to the Committee on Agriculture.

By Mr. TALCOTT of New York (by request): A bill (H. R. 7952) to promote safety in the operation of railroads by compelling common carriers engaged in interstate commerce to equip their locomotives with efficient and suitable headlights, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. MOON: A bill (H. R. 7967) to amend the act approved June 25, 1910, authorizing a postal savings system; to the Committee on the Post Office and Post Roads.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ALEXANDER: A bill (H. R. 7953) granting an increase of pension to James C. Baker; to the Committee on Invalid Pensions.

By Mr. BORLAND: A bill (H. R. 7954) for the relief of the heirs of Thomas Rogers, deceased; to the Committee on Claims.

By Mr. GORMAN: A bill (H. R. 7955) to remove the charge of desertion from the military record of Daniel G. Lang; to the Committee on Military Affairs.

By Mr. HOLLAND: A bill (H. R. 7956) to waive the age limit for admission to the Pay Corps of the United States Navy for five years in the case of Paymaster's Clerk Frank Edward Herbert; to the Committee on Naval Affairs.

By Mr. HINEBAUGH: A bill (H. R. 7957) to correct the military record of Henry Keeler; to the Committee on Military Affairs.

By Mr. KALANIANAOLE: A bill (H. R. 7958) to correct the military title of Fred R. Nugent; to the Committee on Military Affairs.

By Mr. PEPPER: A bill (H. R. 7959) for the relief of Frank P. Sammons; to the Committee on Claims.

By Mr. SMITH of New York: A bill (H. R. 7960) granting an increase of pension to George H. Harris; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7961) granting an increase of pension to Ira Baker; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7962) granting an increase of pension to Conrad Haag; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7963) granting an increase of pension to Chauncy C. Robinson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7964) granting a pension to Albert Hahn; to the Committee on Pensions.

Also, a bill (H. R. 7965) granting an increase of pension to Thomas M. Johnson; to the Committee on Invalid Pensions.

By Mr. STEPHENS of Texas: A bill (H. R. 7966) for the relief of the heirs of J. D. Bellah, sr.; to the Committee on War Claims.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. ASHBROOK: Papers to accompany bill (H. R. 7219) for the relief of Margaret E. Hurrey; to the Committee on Pensions.

By Mr. SHARP: Petition of Local Union No. 1426, United Brotherhood of Carpenters and Joiners of America, of Elyria, Ohio, favoring the passage of legislation granting to the citizens of the District of Columbia the voting franchise; to the Committee on the District of Columbia.

By Mr. SPARKMAN: Petition of sundry citizens of Lake County, Fla., favoring the passage of H. J. Res. 163, to prevent liquor traffic; to the Committee on Interstate and Foreign Commerce.

By Mr. TALCOTT of New York: Petition of the New York State Retail Jewelers' Association, Binghamton, N. Y., favoring the passage of legislation providing for the stamping of trademark, quality, and proportion of gold contained in gold-filled watch cases; to the Committee on Interstate and Foreign Commerce.

SENATE.

MONDAY, September 8, 1913.

The Senate met at 10 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

The Journal of the proceedings of Saturday last was read and approved.

PROPOSED CURRENCY LEGISLATION.

Mr. STERLING. I present resolutions adopted by the Commercial Club of Pierre, S. Dak., which I ask may be printed in the RECORD and referred to the Committee on Banking and Currency.

There being no objection, the resolutions were referred to the Committee on Banking and Currency and ordered to be printed in the RECORD, as follows:

At a meeting of the Pierre Commercial Club, held September 2, 1913, the following resolution was unanimously adopted:

"That the proposed currency bill now before Congress is of such vital interest to the business and agricultural interests of the country that it merits and demands a careful and comprehensive study by Congress. Its passage should not be unduly hastened by any consideration, and it should be made the subject of public hearings before being enacted into law. A long, careful, and impartial consideration of the proposed measure convinces us that if enacted into law in its present form serious injury would follow, not particularly to the banks but to all classes of business by reason of the inevitable contraction of the power and ability of banks to extend the customary credit facilities.

"Through the mandatory transfer to the proposed Federal banks of several hundred million dollars, which is at present supplying a part of the basis of credit in the United States, the loaning power of banks will be enormously reduced. To the extent that bank reserves are locked up in the new Federal banks the ability of banks in the United States not only to extend new and better credit facilities but to maintain unimpaired the credit facilities they are now able to extend will be gradually reduced. This is by far the most important and serious contingency arising under the proposed system.

"The hope of banking reform has been a hope that credit facilities to those who need them most—to the young man in business, to the growing institution, to the units of business in developing sections of the United States—might be made more stable. To so direct credit facilities as to give them their maximum usefulness to sound business should be the first purpose of this legislation. Underlying all of this should be the thought that the defects of an inadequate system press hardest, not upon the well established, prosperous, and wealthy business

men and institutions of the United States but upon those who can least afford to suffer. Every farmer, every salaried man, and every wage earner feels the brunt of financial stress first of all.

"Adequate banking reform can not be built upon a substructure that of itself causes contraction of credit. This measure, any analysis shows, must inevitably reduce the loaning power of banks in an unprecedented degree, due to the forced withdrawal from commercial banks of large deposits on which they base their present loaning power. When it is considered that the sum of this contraction will be in direct proportion to the withdrawal of funds amounting to more than a half billion of dollars, now part of the basis of the loaning power of banks, the danger involved becomes very real, and the causes of keen apprehension become very sound and well founded.

"It is not sufficient to say that banks through the exercise of the privilege of rediscount, will save business from this danger. It is true that they will do the best they can, but no law can force them to become heavy borrowers through the process of rediscount, and banking and business judgment certainly would not justify these institutions in assuming a line of discounts sufficient to meet such a condition as is here involved."

J. L. LOCKHART, President.
ALBERT GUNNERSON, Secretary.

COTTON CONTRACTS.

Mr. SMITH of Georgia. I have two short letters and several telegrams with reference with the cotton-contract amendment that I should be glad to have read. Very little time was taken in the discussion of the subject of cotton futures, and I ask that they be read.

There being no objection, the letters and telegrams were read and ordered to lie on the table, as follows:

BANKERS' TRUST CO.,
Atlanta, Ga., September 5, 1913.

Hon. HOKE SMITH,
Washington, D. C.

MY DEAR SIR: The price of cotton in country towns broke nearly \$3 per bale to-day, the cause of which appears to be due to action of the caucus on the Clarke amendment. The people express regret that this action was not deferred until after the greater part of this crop had been sold. There seems to be no particular objections to the law, but inopportune just as we are harvesting a great crop, and the prosperity of the cotton States depending a great deal on the price they receive. I just want to give you this report of widespread adverse criticism along this line.

Yours, very truly,

W. S. WITHAM.

THE GRANTVILLE MANUFACTURING CO.,
Augusta, Ga., September 6, 1913.

Senator HOKE SMITH,
Washington, D. C.

HONORED SIR: Knowing of the absurd claims that some of the cotton speculators were making in their opposition of the amendment, concerning the downward trend of cotton, I have taken the liberty of wiring you as per inclosed confirmation.

While I do not know that the Clarke amendment is a "cure-all" for the evils of speculation, and in the wisdom of Congress it may yet have to be amended somewhat, I do know one thing, and that is that the cotton exchanges as they now exist are not run for legitimate people, and while I do not wish to see them abolished, yet some of their business transactions should certainly be rectified so as to prevent the wild speculation, both up and down, that we have in cotton at all times. I do not think it makes a particle of difference to these speculators which side of the market they are on, just so they can make money. They have sympathy neither for the manufacturer nor the farmer.

With kindest regards, I am, very truly, yours,

T. J. HICKMAN, President.

[Telegram.]

AUGUSTA, GA., September 6, 1913.

Senator HOKE SMITH, of Georgia,
Washington, D. C.:

Do not allow Senate to be deceived by numerous protests against Clarke amendment, as nine-tenths of them emanate from rankest cotton speculators, who have been attempting bull movement this early in season. Cotton having advanced speculatively 2 cents pound, yesterday's reaction natural. Conservative people believe Clarke amendment will prevent unwarranted gambling and put cotton at its fair value based upon supply and demand.

T. J. HICKMAN.

DAWSON, GA., September 6, 1913.

Hon. HOKE SMITH,
United States Senate, Washington, D. C.:

After a canvass of this section the opinion seems to be unanimous against the Clarke cotton rider placing tax on cotton futures as detrimental to the farmers of the South. We ask that you give your support in favor of the farmers by using your influence and vote against this measure. If adopted by the National Congress we feel that it will mean a loss of \$10 per bale or more to the farmers.

LOWREY & DAVIDSON,
J. P. PERRY & CO.,
HILL & PACE,
KENNEDY & BRIM,
G. W. DOZIER & CO.,
(And others).

AMERICUS, GA., September 6, 1913.

Hon. HOKE SMITH,
United States Senate, Washington, D. C.:

The agitation Clarke tax bill on cotton contracts at this time will work hardship on Southern people. Why not defer until cotton-marketing season over. Note yesterday's serious decline. The success of this measure would result in the abolishment of our exchanges and enable foreign cotton trade to dictate.

L. G. COUNCIL.

CONCORD, GA., September 6, 1913.

Hon. HOKE SMITH.

Washington, D. C.:

If possible, kindly give us your opinion as to passage of Clarke bill against future cotton contracts. Would be glad if you would oppose same. Answer collect.

THE R. F. STRICKLAND CO.

Mr. CLARKE of Arkansas. I present a telegram in the nature of a petition, which I will ask may be printed in the RECORD.

There being no objection, the telegram was ordered to lie on the table and to be printed in the RECORD, as follows:

AUGUSTA, GA., September 6, 1913.

Hon. JAMES CLARKE.

Washington, D. C.:

You have the hearty good wishes of the conservative business interests in your endeavor to cure the manipulation of cotton futures by the New York Cotton Exchange. Such manipulation is a serious detriment to the business of the spinner and a direct encouragement to ruinous speculation on the part of the gamblers. Opposition to your bill is due to the efforts of the speculators.

LONDON THOMAS.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. CLAPP:

A bill (S. 3097) granting a pension to Jennie J. Sheehan (with accompanying paper); to the Committee on Pensions.

By Mr. SUTHERLAND:

A bill (S. 3098) granting an increase of pension to Mary Robertson (with accompanying paper); to the Committee on Pensions.

THE TARIFF.

The VICE PRESIDENT. The morning business is closed.

Mr. SIMMONS. I ask unanimous consent that the Senate proceed to the consideration of House bill 3321.

There being no objection, the Senate resumed the consideration of the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes.

The VICE PRESIDENT. The bill has been reported from the Committee of the Whole to the Senate, and the question is on concurring in the amendments made as in Committee of the Whole.

Mr. DILLINGHAM. Are amendments now in order?

The VICE PRESIDENT. The Chair states to the Senator from Vermont [Mr. DILLINGHAM] that amendments are in order.

Mr. DILLINGHAM. I desire to offer an amendment.

Mr. BRISTOW. As I remember, the usual practice is for the Senate to concur in the amendments made as in Committee of the Whole except as to reservations. What I wanted to know was when the opportunity would be given to make such reservations as we desire.

The VICE PRESIDENT. At any time prior to the vote.

Mr. BRISTOW. It seems to me that we ought to have a quorum for the consideration of the bill, especially for the reservations, and I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Hitchcock	Nelson	Smith, S. C.
Bacon	Hollis	Norris	Smoot
Bankhead	Hughes	O'Gorman	Sterling
Borah	James	Overman	Stone
Brady	Johnson	Owen	Sutherland
Brandeggee	Jones	Page	Swanson
Bristow	Kenyon	Perkins	Thomas
Bryan	Kern	Pomerene	Thompson
Cañon	La Follette	Ransdell	Thornton
Chilton	Lane	Robinson	Tillman
Clapp	Lea	Root	Vardaman
Clark, Wyo.	Lewis	Saulsbury	Walsh
Clarke, Ark.	Lodge	Shafroth	Warren
Coit	McCumber	Sheppard	Weeks
Cummins	McLean	Sherman	Works
Dillingham	Martin, Va.	Shields	
Fletcher	Martine, N. J.	Simmons	
Gallinger	Myers	Smith, Ga.	

Mr. LANE. I desire to announce that the Senator from Oregon [Mr. CHAMBERLAIN] is absent unavoidably, and that he is paired with the Senator from Pennsylvania [Mr. OLIVER].

Mr. JONES. I desire to state that the junior Senator from Michigan [Mr. TOWNSEND] is necessarily detained from the Chamber. He is paired with the Senator from Florida [Mr. BRYAN].

The VICE PRESIDENT. Sixty-nine Senators have answered to the roll call. A quorum is present. The Senator from Vermont [Mr. DILLINGHAM] offers an amendment which will be read.

The SECRETARY. On page 209, after line 12, insert the following:

P. That it shall be the duty of the Secretary of the Treasury to annually distribute such sum as may be derived from the imposition of

the income tax, as provided for in the preceding paragraphs of this section, to the several States in the proportion which the population of each State bears to the total population of the United States, to be expended in the construction and maintenance of the public highways in such States, respectively: *Provided, however*, That no such annual apportionment shall be claimed by or delivered to any State until it appears to the satisfaction of the Secretary of the Treasury that such State has appropriated for expenditure during the current year for the construction and improvement of its public highways a sum equal in amount to the apportionment under this act.

Mr. SIMMONS. If the Senator from Vermont will excuse me for a moment, I ask that the Senate concur in the amendments made as in Committee of the Whole except those that have been reserved or may be reserved.

Mr. BRANDEGEE. How will anyone know whether an amendment has been reserved or not?

Mr. CLARK of Wyoming. Or may be reserved.

Mr. BRANDEGEE. Or may be reserved.

Mr. SIMMONS. So far as I am concerned I would take the word of any Senator on the floor that he had asked that an amendment be reserved.

Mr. BRANDEGEE. When will the time for reserving amendments close?

Mr. SIMMONS. I make the request only as to committee amendments.

Mr. BRANDEGEE. I understand that, but a great many amendments have been agreed to as in Committee of the Whole. What is meant by having everything agreed to except what may be reserved?

Mr. SIMMONS. What has been reserved.

Mr. BRANDEGEE. That is plain; the other expression is not plain.

Mr. SIMMONS. All that are now reserved.

Mr. BRANDEGEE. That is plain, but the expression "what may be reserved" I do not understand.

Mr. SIMMONS. I will change it to "now reserved."

Mr. GALLINGER. Before the vote is taken on concurrence in the amendments not reserved.

Mr. BRISTOW. Mr. President, I desire to reserve the amendments made to Schedule E. That is the schedule relating to sugar and molasses.

The VICE PRESIDENT. All amendments to Schedule E are reserved.

Mr. BRISTOW. And the amendments to paragraphs 188, 189, 190, 198, 208, 227, 548, 646, and 652, subdivisions 1 and 2 of section 2 of the bill, and subdivision O, on page 207.

The VICE PRESIDENT. The Senator from Kansas makes a reservation of amendments, which will be stated by the Secretary.

The SECRETARY. The amendments in Schedule E; the amendments made to paragraphs 188, 189, 190, 198, 208, 227, 548, 646, 652; subsections 1 and 2 of section 2 of the bill; and subsection O, on page 207.

Mr. STERLING. Mr. President, I desire to reserve the right to submit an amendment to the second paragraph of the bill on page 182, and also to the last paragraph of section 2 of the bill, found on page 222.

Mr. NORRIS. Mr. President, I should like to suggest to the Senator from South Dakota, and also to the Senator from Kansas, that two prints of the bill are now on our desks, and we ought to have an understanding as to which print we are going to use.

The VICE PRESIDENT. The old print will be used at the Secretary's desk. That is the only way in which the record can be kept straight.

Mr. STERLING. In my suggestion I had reference to the new print of the bill.

Mr. NORRIS. The Senator from South Dakota ought to change his request.

Mr. BRANDEGEE. If I may be allowed to suggest to Senators, the paragraphs of the bill remain the same.

Mr. SIMMONS. The paragraphs are the same.

Mr. BRANDEGEE. Though the page may be different.

The VICE PRESIDENT. The Senator from South Dakota [Mr. STERLING] has not given the numbers of the paragraphs to which he referred.

Mr. STERLING. I refer to the second paragraph on page 182, as it appears in the new print of the bill.

The VICE PRESIDENT. That does not agree with the old print.

Mr. STERLING. It is in subdivision O.

Mr. NORRIS. While the Senator from South Dakota is looking up his reference, I wish, on behalf of the Senator from Wisconsin [Mr. LA FOLLETTE], who is temporarily absent from the Chamber, and at whose request I make the reservation, to reserve the amendments to subdivision 2 of section 2 of the bill, on pages 165 and 166.

The SECRETARY. The amendments to subdivision 2 of section 2, on pages 165 and 168, are desired to be reserved by the Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. BRANDEGEE. Mr. President, I stated on Saturday before adjournment that I had several amendments that I wished to offer, and at the request of the Senator from North Carolina [Mr. SIMMONS] I deferred them. Now, I will reserve—but will not ask for the yeas and nays—a few amendments which I will designate. I simply offer them and ask leave to print in the Record a letter that has been written to me concerning them. These are the amendments:

On page 19, line 4, the first amendment already agreed to; on page 36, line 9; on page 41, line 21; on page 97, line 10; on page 99, line 2; on page 104, line 2; on page 109, line 5; and on page 124, line 15.

The SECRETARY. Mr. BRANDEGEE makes the following reservations: The amendment on page 19, line 4; on page 36, line 9; on page 41, line 21; on page 97, line 10; on page 99, line 2; on page 104, line 2; on page 109, line 5; and on page 124, line 15.

Mr. GALLINGER. Mr. President, I desire to reserve paragraphs 376 and 534, relating to harness leather, and so forth.

The SECRETARY. Mr. GALLINGER makes reservation on paragraphs 376 and 534.

Mr. STERLING. The reservation I now make, referring to the old print of the bill, is on page 169, line 15; and from line 16, on page 208, to the close of the paragraph on page 209.

The SECRETARY. Mr. STERLING makes reservations as follows: On page 169, the amendment beginning in line 15, and on page 208, line 16, to the close of the paragraph on page 209.

The VICE PRESIDENT. Are there any further reservations? If not, is the Senate prepared to concur in the other amendments in gross?

Mr. SMOOT. I desire to reserve paragraph 367. I take it for granted that I do not have to reserve Schedule K. I expect to offer a substitute for that schedule, which was not voted upon as in Committee of the Whole. So, for that reason, I do not reserve it.

The SECRETARY. Mr. SMOOT reserves paragraph 367.

Mr. BRANDEGEE. Mr. President, I wish to reserve—I had nearly forgotten it and can not point to the paragraph now, though I do not know whether or not any use will be made of the reservation—the question of the importer being allowed to appeal from the rate of duty fixed by the customhouse where he claims that his merchandise was assessed too low.

Mr. ROOT. Mr. President, I will suggest to the Senator from Connecticut that that will be met, not upon any Senate amendment, but by proposing an amendment to the House provision; so a reservation is not necessary.

Mr. WARREN. I want to ask the Senator in charge of the bill a question. In view of the reservation just mentioned by the Senator from Utah [Mr. SMOOT] regarding Schedule K, I think there was no reservation made on the free list as to wool when we passed through the bill, but I assume that the bringing up of Schedule K will also bring up the question of placing wool on the free list.

Mr. SIMMONS. I assume that that necessarily would be so.

Mr. WARREN. So I do not wish to make any further reservation.

The VICE PRESIDENT. Are there any further reservations?

Mr. SIMMONS. Mr. President, I wish to reserve subdivision O, on page 207.

Mr. THOMAS. I wish to reserve paragraph B, on page 250, for the purpose of offering an addition thereto.

The VICE PRESIDENT. The reservations named will be made.

Mr. McCUMBER. I wish to reserve paragraph 646 if it has not already been covered by the reservation made by the Senator from Kansas [Mr. BRISTOW].

The VICE PRESIDENT. The reservation will be made. Are there any other reservations?

Mr. ROOT. I desire to reserve the amendment on page 172, paragraph D, section 2.

The VICE PRESIDENT. The reservation will be made.

Mr. GALLINGER. Mr. President, I will add to the reservations which I have made, paragraph 137, page 40, of the old print of the bill. The paragraph relates to needles.

The VICE PRESIDENT. The reservation will be made. Is the Senate ready to vote upon the question of concurring in gross in the amendments made as in Committee of the Whole, save and except such reservations as have been made? [A pause.] All in favor of concurring will say "aye," those opposed "no." [Putting the question.] The "ayes" have it, and the amendments made as in Committee of the Whole, save those which have been reserved, are concurred in.

Mr. DILLINGHAM. Mr. President, I find from an examination of the journal of the Vermont Senate, under date of January 15 of the present year, that one of the strong men of the State introduced resolutions on the subject embodied in the amendments which I have offered, which were referred to the committee on Federal relations. These resolutions never came up for adoption, for the reason that the constitutional amendment, which has since been ratified and has become a part of the organic law, was then awaiting action and nothing could have been accomplished; but the resolutions, I find by inquiry, represent what I conceive to be the settled conviction of men in Vermont who have given serious thought to the subject, and who think they see in the provisions of this bill serious danger to American institutions. The resolutions to which I have referred are as follows:

JOINT RESOLUTION REGARDING A GRADUATED INCOME TAX.

Resolved by the senate and house of representatives:

Whereas Congress has submitted to the States a proposed amendment to the Constitution of the United States to empower Congress to levy a graduated tax upon incomes for the purposes of the Federal Government; and

Whereas the General Assembly of Vermont of 1910 rejected the proposed amendment. Now that the attitude of Vermont may be fully understood: Be it

Resolved, 1. That we indorse and approve the general proposition of a graduated tax upon incomes. We believe that such a tax, properly graduated, would be a long step toward the solution of the serious problem of the concentration of wealth which now confronts this Nation. We believe that such a tax, justly levied and properly applied, would in a large measure alleviate class feeling and class jealousies.

2. We are in accord with the idea that the States separately are impotent to levy and collect an income tax for the reason that investments of persons of wealth are or can be so easily and widely distributed throughout the different Commonwealths which constitute the Nation.

3. We are firmly convinced, however, that it is both unwise and unjust to levy and collect an income tax and apply the same to the purposes of the Federal Government: Because

(a) The general functions of government are, under our political system, exercised by the States and not by the Federal Government, and therefore any direct tax, like a tax on income, ought to be applied directly to governmental purposes within the State.

(b) The levy and collection of an income tax for the purposes of the Federal Government would tend to engender extravagance on the part of Congress; would tend to induce sectionalism in fixing the rate of the tax and in the appropriation of the proceeds thereof; would place the expenditure of the tax largely out of the sight of the common people and in that way minimize the good effect upon class feeling which such a tax ought to bring about, and would tend to induce Congress to embark upon the expenditure of the funds in the Federal Treasury for local or sectional development and so tend to create political trading and political jealousies.

4. We express our strong belief that a graduated income tax should be assessed and collected by the Federal Government and the proceeds thereof distributed to the States in a just and equitable division and used by the States for such elementary functions of government as the maintenance of our educational system and the construction and maintenance of our public highways.

5. We urge upon Congress the views expressed in these resolutions and hereby petition Congress to submit to the States for ratification of an amendment to the Federal Constitution empowering Congress to levy a graduated income tax to be collected by the Federal Government for the benefit of the States and to be justly and equitably apportioned and distributed to the States for their use.

6. We request our Senators and Representatives at Washington to present these resolutions to Congress.

Mr. President, when these resolutions were introduced the Vermont Legislature had been in session more than three months, during which time the subject which overshadowed all others in both branches of that body related to methods of taxation. The one great question was how best to secure revenue sufficient in amount to meet the rapidly increasing expenses of State and municipal governments. During the last 20 years the demand for public improvements there, as everywhere else in the Nation, has increased beyond measure. Advanced educational facilities, the establishment and maintenance of permanent systems of highways, the installation of public water, sewerage, and lighting systems, have more than doubled the public expenses before that time deemed necessary. Almost every municipality throughout the United States is now bonded for public improvements, and it is a significant fact that during the last week such bonds bearing an interest rate of 4½ per cent and issued by one of the most enterprising and best governed municipalities in New England have been selling at par. It follows, as a matter of course, that the local rates of taxation throughout the country must constantly grow higher, and for this reason the States are jealous of any action on the part of the General Government which invades that great field of taxation which heretofore has been appropriated by them.

They look with alarm upon any proposition to change the policy of the General Government which during the entire period of its existence has provided revenue sufficient to meet all of its demands through customs duties, internal-revenue taxes, and other similar indirect methods.

They believe, as was said by the Senator from Utah [Mr. SUTHERLAND] in the debate upon the Payne-Aldrich bill, that—except in cases of necessity the taxes of the Federal Government should be confined to those things as to which, either under the Constitution

or under the operation of this common consent, the power of the Federal Government is exclusive, because when we undertake to impose taxes upon subjects which are also open to State taxation it is bound to result in more or less confusion and in more or less inequality. It will result in double taxation, in multiple taxation, sometimes. If we impose a tax upon incomes, we are taxing a subject which is also open to the State, a subject which has heretofore not engaged very much attention of the State-taxing power, but a subject which is taxed in some of the States of the Union and which may be taxed in all of them.

I can illustrate best what I mean by that by calling attention to the proposition which was contained in the bill as it came from the House proposing a tax upon inheritances. Twenty-one, I think, of the States of the Union already impose a tax upon inheritances, and several of the States, through their legislatures, protested to the Congress of the United States against imposing taxes of that class, because it would interfere with and embarrass the State. In the same way, if we impose taxes upon incomes, and as that subject of taxation becomes more popular with the States, we shall find that we are engaged in a conflict of interests which will become more and more embarrassing as time goes on.

So I say that form of taxation or any other form of taxation laid upon the subjects which are also open to the States ought not to be adopted except in cases of emergency.

And the people, or those who believe in the principle of protection in imposing customs duties, cordially indorse the position assumed by the Senator from Iowa [Mr. CUMMINS] when, in the debate upon the Payne-Aldrich bill, he said:

I am not in favor of an income tax for the purpose of destroying the efficiency of the system of protection; and if it be true that an import-duty law can not be adjusted so as to afford ample and adequate protection to American industry without foreclosing the opportunity for the operation of an income-tax law, then I abandon the income-tax provision, for I have no desire to invade by a hair's breadth the established and long-continued policy of the party to which I belong of giving full and ample protection to the American as against every other man on the face of the earth. * * * The Senator from Rhode Island [Mr. Aldrich] on Monday morning stated in substance, as I understood him, that we did not need more revenue than will be received at the customhouses, and that, if the adjustment of the import duties presented by the committee is disturbed, we will have either too large a revenue or too little protection. This, in effect, was the statement made by the distinguished chairman of the Committee on Finance. If these conclusions are sound, I for one abandon my proposal for an income tax, for I say without hesitation that if in securing adequate protection a revenue is necessarily raised that will meet the reasonable expenditures of the Government, then, from my standpoint, it would be an economic crime to impose a tax on incomes.

Again, later on:

I will restate it. I said that if I must choose between an adequate and complete protection to the industries of the United States and an income-tax law, I unhesitatingly would choose the former.

But at this time we are confronted by the avowed purpose of the Democratic Party to wipe out of existence any resemblance of the protective principle in tariff legislation. Under the pending bill they have gone so far in this direction as they can at present, but they propose to carry on the work in the future as rapidly as possible and until their purpose shall be fully accomplished. Under the pending measure they have carried it so far that they admit a deficit of substantially \$50,000,000, which must be provided for outside of the usual sources of revenue, and for this purpose they have, under the authority of the sixteenth amendment to the Constitution, provided for a tax upon incomes above \$3,000 a year. They tell us that this is but the beginning of the process, and that in the progress of time we must expect to see that which has been promised by their leaders, a system under which the Government will cease to rely upon those classes of revenue which have provided for all of its wants—both in war and in peace—during more than a century of its life.

Their position has been disclosed in many ways, but never more frankly than by the utterances of Mr. Bailey, formerly a Senator from Texas, who during the discussion of the Payne-Aldrich bill in 1909 engaged in the following colloquy with Mr. Carter, of Montana:

Mr. CARTER. I ask the Senator this question, for the purpose of ascertaining whether or not I correctly understand his position: Do I understand the Senator to mean that he would raise by customs duty only such an amount as equalled the deficiency in the revenue raised by an income tax?

Mr. BAILEY. The Senator states it differently. I think, from what he intends to state it. If he means to ask me if I would deduct from customs duties the amount to be collected through the income tax, I answer "yes."

Mr. CARTER. Then I will put my question in a different form. The Senator, according to my understanding, would first pass an income tax, and rely upon customs duties to raise such revenue as the income tax did not raise to meet public necessities. The amount of the revenue duties would therefore be dependent upon the proceeds of the income tax, instead of having the proceeds of the income tax rest on deficiencies arising from the failure of the customs dues to meet the needs of the Government. Do I correctly understand the Senator?

Mr. BAILEY. The Senator undoubtedly understands me, and has stated my position correctly. I do not propose the income tax as a mere means of providing for an emergency. I propose it as a deliberate, fixed, and permanent part of our fiscal policy. (CONGRESSIONAL RECORD, p. 2446, May 27, 1909.)

And during another discussion of the same measure, Mr. Bailey said:

I do not shrink from saying that if our Constitution would permit us to levy a direct tax in proportion to wealth instead of requiring it

to be levied in proportion to population, I would favor the abolition of all customs duties, and I would support the General Government by the same system of ad valorem taxation which now prevails in our several States and their subdivisions. This would not only be more equal and more just, but it would strongly tend, in my opinion, to insure that economy in governmental expenditures which is necessary to the strength and simplicity of a republic.

This policy was steadily fought by many Republicans then in the Senate. They were referred to by the then Senator from Colorado, Mr. Hughes, when he said:

I have respect for open, undisguised opposition. If Senators who are opposed to it—the income tax—say, "We will fight forever against the income tax, because we believe that if it is adopted it will grow and spread to every subject of income, until there will be nothing left to be cared for by customhouse duties, and for the sake of protection we are utterly against it," we can understand their palpable position.

Moreover, Mr. President, the Democratic Party was at that time pledged to this system, for in their national convention of 1908 they adopted this plank in their platform:

We favor an income tax as part of our revenue system, and we urge the submission of a constitutional amendment specifically authorizing Congress to levy and collect a tax upon individual and corporate incomes, to the end that wealth may bear its proportionate share of the burdens of the Federal Government.

The danger arising from the dependence upon an income tax for the maintenance of the different branches of the General Government, particularly when incomes of less than \$3,000 in amount are exempt from its operation, have not, I fear, been properly considered.

Speaking upon this subject during the pendency of the Payne bill, the Senator from New York [Mr. Root] said:

Mr. Choate, in the argument of the Pollock case, said that under the \$2,000 limit of the old income-tax law four-fifths of the tax was paid by the States of New York, New Jersey, Pennsylvania, and Massachusetts. Since that time there has been a wide diffusion of wealth, of course, but the limit is moved up to \$5,000; and I apprehend that the substantial effect of the adoption by this Congress of the income-tax provision as it is drawn, with that limitation, would be that a large majority of Congress would be imposing a tax from which their constituents would be, in a great measure, free and under which the constituents of others would, in the main, be taxed.

Mr. President, I am quite indifferent about whether my constituents pay the tax. I think in this favored land the burden of taxation bears very lightly. I think that the people of New York can afford to pay this tax or can afford to pay the tax proposed to be imposed in the general income-tax amendment, but I do not like to see Senators of the United States vote for a tax which is free from objection at home because it does not strike their constituents. If once we do that, we are in a fair way to realize the anticipation of Luther Martin in his address to the Legislature of Maryland. What limit is there to the extravagance of expenditure, except the fact that the burden will come upon the men who vote the expenditure? What a temptation it would be to our successors, ay, to us, when it is proposed to expend \$50,000,000 or \$100,000,000 for improvements in the West. If we have a system of taxation which will make the people of the East pay for the improvements, or to vote for the expenditure of \$50,000,000 or \$100,000,000 for improvements in the East when the money will be paid under our taxing system by the people of the West.

Ah, Mr. President, be tender of the people whose means are small in arranging our taxation. I would not make a man whose income is \$2,000 or \$3,000 or \$4,000 pay as large a percentage as a man whose income was three, four, or five hundred thousand dollars or thirty or forty or fifty thousand dollars; but I would have him bear some burden. I would never assent to a law, or I would with the greatest reluctance assent to a law, which seemed to be so framed that it took away from a large part of the people of a geographical section of our Union the burden which leads them to scrutinize expenditures and to measure the load that bears upon the people. In no other way lies safety, sir, for our country. The people of every section, of every class, of every condition and degree and calling ought to bear some part of the public burden. (CONGRESSIONAL RECORD, p. 4004, July 1, 1909.)

These suggestions, so pointedly made, bring us face to face to the proposition whether we shall encourage the development of a system in which sectionalism must of necessity prevail, in which class will inevitably be arrayed against class, under which the poor will be urged to action against the rich, and under which, whether fairly or unfairly, burdens in which each and all ought to bear some part will be unfairly avoided by some and be made unwarrantably severe upon others.

It can not be denied that the vast majority of the voters of the country are wholly exempt from the operation of this law, and are thus enabled to use it not only to relieve themselves but also to impose upon a small minority burdens which they ought not to be called upon to assume. I am not, Mr. President, objecting to a graduated system of imposing income taxes. I fully believe in a system that lays higher rates upon large incomes than those laid upon incomes of lesser amounts. What I object to, and what I look upon as a real danger to our system of Government, is the exemption of nine-tenths of all the voters of the United States from any share whatever in the burdens of this system, and which not only empowers but also tempts them to use their power unfairly against the small minority in financing any project which may be devised, whatever its character may be. No other civilized government has so much as considered a proposition so fraught with injustice and danger.

At this point, Mr. President, I desire to call attention to what is said by Mr. Kennan in his work on Income Taxation. He says:

From a tabulation of 56 countries which have exemptions it appears that the average amount deemed to be necessary as a minimum of existence, and therefore exempt at the foot of the scale, is \$406.30. If, however, these 56 countries are divided into two groups, the first to consist of England, 14 of her colonies, and Hawaii, and the second composed of the countries and States of continental Europe together with Japan, it will be found that the first, or what might be called the English-speaking group, has an average exemption of \$1,098.50, or, in round numbers, \$1,100, while the average of the second group, comprising 40 countries and political subdivisions, is only \$153.13.

The income tax in Europe is imposed substantially upon all classes, so that all, rich and poor, join in meeting the expenses of government, and so are better fitted to perform the obligations of good citizenship. The rates upon small incomes are, and should be, small and equitable; and, I believe, under popular government it is wrong in principle and will prove dangerous in operation to adopt any system which confers destructive powers upon the masses without check of personal participation in the consequences of their action.

Out of the thirty-odd millions of people who are engaged in gainful occupations in the United States, how many, think you, are recipients of \$3,000 annually as incomes? Out of the 12,000,000 engaged in agriculture, how many are thus blessed? How many out of the six or seven millions engaged in domestic and personal service?

In trade and transportation we had in 1900 seven and a half millions of persons employed, but a close examination of the different classes discloses the fact that less than 250,000 were either bankers, brokers, wholesale merchants, officials of banks or companies, packers, or shippers. And among the more than 7,000,000 of those engaged in manufacturing less than 250,000 were classed as manufacturers or officials. The balance of those engaged in gainful occupations were the professional classes, numbering something over a million in number, which list includes actors, designers, draftsmen, clergymen, dentists, musicians, as well as those of more liberal professions.

But, to make a more concrete statement of the proposition that but few among the many are affected by this provision, let me call attention to the results of the imposition of the income tax of the Civil War.

In 1870 we had a population of 38,000,000. Of this number only 54,048, or fourteen one-hundredths of 1 per cent, had incomes in excess of \$3,000.

We now have a population of about 100,000,000. By this same proportion we should have 140,000 with incomes in excess of \$3,000.

But, supposing that this class has increased tenfold over this proportionate number, yet we should have but 1,400,000 with incomes in excess of \$3,000, which is only about 10 per cent of our present voting population of 15,031,169, as given in the last election.

In other words, we should have a majority of 13,631,169 voters who have escaped the operation of this law and who have the power to demand of their Representatives that the whole amount of the expenses of the Government be placed upon 1,400,000 of their fellow citizens.

As a result of such consideration as I have been able to give the subject I am convinced that it is not only unwise but dangerous to embark upon this system with an exemption from its operation of more than nine-tenths of the voting population of the United States; it is a temptation to every irresponsible person in the country to exercise his right of franchise either selfishly or dishonestly and to his own advantage rather than to the advantage of the country as a whole; it will tempt demagogues to appeal to the poor against the rich, to arraign class against class, and it opens the way to a condition which may endanger the very foundation of government. We should impose these taxes so that they will be felt by all, lightly by those of small incomes and more heavily by those more fortunately situated, and so secure that sense of responsibility on the part of all classes which is essential to good citizenship, or we should adopt some method for the distribution of the avails of the tax which will tend to destroy the temptations to which I have alluded.

In the proposed division of the fund arising from the imposition of this tax among the States in proportion to the population of each, such a purpose will be achieved and the States will be enabled to meet the growing demands of the age and advance to higher and better conditions. The Nation does not need the money; the States do. I care not whether it is devoted to education or good roads or whether it is divided between the two objects. But to send it to the States in some form and for some purpose is directly in line with the thought of vast numbers of our people.

Assuming that this tax will yield forty-five to fifty millions of dollars, and that the same be distributed according to the plan proposed by the pending amendment, it would under the census of 1900 give to the different divisions of States substantially the following amounts annually:

Division.	Population.	Amount.
New England.....	6,552,681	\$3,276,340
Middle Atlantic.....	19,315,892	9,657,946
East North Central.....	18,250,621	9,125,310
West North Central.....	11,637,921	5,818,900
South Atlantic.....	12,194,895	6,097,447
East South Central.....	8,409,901	4,204,950
West South Central.....	8,784,534	4,392,207
Mountain.....	2,633,517	1,316,759
Pacific.....	4,192,304	2,096,152
Total.....		45,986,131

Mr. BRISTOW. I should like to inquire if the Senator has the figures by States?

Mr. DILLINGHAM. I have not.

Mr. President, I can not close without reminding the Senate that during the period of 10 years between 1900-1910 the number of foreign-born white residents in the United States which came from the United Kingdom, Germany, the Scandinavian countries, the Netherlands, Belgium, Switzerland, and France has increased only about 38 per cent, while the increase in the foreign-born white population in the United States during the same period which came from Portugal, Italy, Russia, Finland, Austria-Hungary, Roumania, Servia, Montenegro, Bulgaria, and Greece has been over 321 per cent. During this period substantially 10,000,000 immigrants have been admitted to the United States, 75 per cent of whom came from the countries last mentioned. Of these nearly 70 per cent were males and about 86 per cent of them are leading single lives in the United States, being unmarried, or if married, having left their wives in Europe. They have moved in racial bodies toward our large cities. Of more than a million Italians coming during this period—1900-1910—over 78 per cent went to the cities; of the 1,304,000 Russians 87 per cent went to the cities; of the 1,233,000 coming from Austria-Hungary 75 per cent went to the cities; of the Roumanians almost 92 per cent went to the cities, while of the Turks 83 per cent sought these centers of population.

These figures are potent in their suggestion of the danger that lies in any proposition to place the imposition of an income tax in the hands of a majority of the people which constitute nine-tenths of the whole, but as this course has been adopted by the Democratic Party and we are forced to submit to it by virtue of a decree of their caucus, I can only hope that the result of their action may be modified by the adoption of the amendment which I have offered and that this fund may be divided among the States to be applied to State purposes.

Mr. GALLINGER. I will ask the Senator from Vermont if it might not be well to limit the authority, say, for two years, so that it shall be the duty of the Secretary of the Treasury to annually distribute the fund for a period of two years, after which time Congress may determine whether the distribution shall be continued.

Mr. DILLINGHAM. I am perfectly willing to adopt that amendment to the amendment. I have offered this amendment for the purpose of bringing to the attention of the committee what I believe to be a great danger and what I believe would be a wise solution of this question.

Mr. GALLINGER. The Senator will accept that modification of his amendment?

Mr. DILLINGHAM. I will accept that.

Mr. GALLINGER. I have written very hurriedly words that it has occurred to me should be added to the amendment, or words somewhat similar. I do not insist upon the phraseology, because I have written it hurriedly:

And if any State fails to make appropriation as above during any year, the amount designated and set aside for such State shall revert to the Treasury of the United States.

Mr. DILLINGHAM. I am satisfied with that.

Mr. GALLINGER. The Senator from Vermont will modify his amendment in that way. I pass it to the desk.

The VICE PRESIDENT. The modification will be stated.

The SECRETARY. The Senator from Vermont modifies his amendment by inserting in line 2, after the word "distribute," the words "for a period of two years"; and at the end of the amendment to insert a comma and the words:

And if any State fails to make appropriation as above during any year the amount designated and set aside for such State shall revert to the Treasury of the United States.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Vermont as modified. [Putting the question.] The yeas seem to have it.

Mr. GALLINGER. I will ask for the yeas and nays on the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I am paired with the junior Senator from Michigan [Mr. TOWNSEND]. I transfer my pair to the junior Senator from South Carolina [Mr. SMITH] and vote "nay."

Mr. CHAMBERLAIN (when his name was called). I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. In his absence, I withhold my vote.

Mr. LEWIS (when his name was called). I beg to announce my pair with the junior Senator from North Dakota [Mr. GRONNA]. He is still absent. I refrain from voting.

Mr. McCUMBER (when his name was called). I have a general pair with the junior Senator from Nevada [Mr. NEWLANDS]. I will transfer that pair to the junior Senator from Maine [Mr. BURLEIGH] and vote "yea."

Mr. THOMAS (when his name was called). I have a general pair with the senior Senator from Ohio [Mr. BURTON]. I transfer that pair to the Senator from Oklahoma [Mr. GORE] and vote "nay."

Mr. WILLIAMS (when his name was called). I have a pair with the senior Senator from Pennsylvania [Mr. PENROSE], and I observe that he is not present. I withhold my vote.

The roll call was concluded.

Mr. LEEA. I will announce my pair with the senior Senator from South Dakota [Mr. CRAWFORD]. If I were at liberty to vote, I would vote "nay."

Mr. BANKHEAD. I transfer my pair with the junior Senator from West Virginia [Mr. GOFF] to the senior Senator from Maryland [Mr. SMITH] and vote "nay." I make this announcement for the day.

Mr. SHEPPARD. My colleague the senior Senator from Texas [Mr. CULBERSON] is unavoidably absent. He is paired with the Senator from Delaware [Mr. DU PONT]. This announcement will stand for the day.

Mr. CHAMBERLAIN. I observe that my pair has returned to the Chamber, and I vote "nay."

Mr. BACON (after having voted in the negative). I am informed that the Senator from Minnesota [Mr. NELSON] has not voted. I withdraw my vote. I have a general pair with that Senator.

Mr. REED. I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from Indiana [Mr. SHIVELY] and vote. I vote "nay."

Mr. WILLIAMS. I transfer my pair to the Senator from New Jersey [Mr. HUGHES] and vote "nay."

Mr. GALLINGER. I desire to announce the absence of the Senator from Maine [Mr. BURLEIGH] on account of continued illness. I will also announce that the Senator from Ohio [Mr. BURTON] is paired with the Senator from Colorado [Mr. THOMAS]; the Senator from Delaware [Mr. DU PONT] with the Senator from Texas [Mr. CULBERSON]; the Senator from West Virginia [Mr. GOFF] with the Senator from Alabama [Mr. BANKHEAD]; and the Senator from Michigan [Mr. TOWNSEND] with the Senator from Florida [Mr. BRYAN].

The result was announced—yeas 14, nays 55, as follows:

YEAS—14.			
Bradley	Clark, Wyo.	Gallinger	Stephenson
Brandegee	Colt	McCumber	Warren
Bristow	Dillingham	Page	
Catron	Fall	Perkins	
NAYS—55.			
Ashurst	James	Pittman	Smith, Ga.
Bankhead	Johnson	Poindexter	Sterling
Borah	Jones	Pomeroy	Stone
Brady	Kenyon	Ransdell	Sutherland
Bryan	Kern	Reed	Swanson
Chamberlain	Lane	Robinson	Thomas
Chilton	Lodge	Root	Thompson
Clapp	Martin, Va.	Saulsbury	Thornton
Clarke, Ark.	Martine, N. J.	Shafroth	Tillman
Cummins	Myers	Sheppard	Vardaman
Fletcher	Norris	Sherman	Walsh
Hitchcock	O'Gorman	Shields	Weeks
Hollis	Overman	Simmons	Williams
Jackson	Owen	Smith, Ariz.	
NOT VOTING—26.			
Bacon	Gore	McLean	Smith, Mich.
Burleigh	Gronna	Nelson	Smith, S. C.
Burton	Hughes	Newlands	Smoot
Crawford	La Follette	Oliver	Townsend
Culbertson	Lea	Penrose	Works
du Pont	Lewis	Shively	
Goff	Lippitt	Smith, Md.	

So Mr. DILLINGHAM's amendment was rejected.

Mr. SMOOT. Mr. President, I move to strike out the numeral "20," on page 114, paragraph 367, line 6, and to insert in lieu thereof the numeral "10."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In paragraph 367, page 114, line 6, at the end of the line, strike out "20" and in lieu insert "10," so as to read:

Pearls and parts thereof, drilled or undrilled, but not set or strung; diamonds, coral, rubies, cameos, and other precious stones and semiprecious stones, cut but not set, and suitable for use in the manufacture of jewelry, 10 per cent ad valorem.

Mr. FLETCHER. I will ask the Senator from Utah if in offering his amendment he uses the former print, or does he refer to the reprint?

Mr. SMOOT. The page and line refer to the original print.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Utah.

Mr. SMOOT. Mr. President, the effect of the amendment would be to place "pearls and parts thereof, drilled or undrilled, but not set or strung; diamonds, coral, rubies, cameos, and other precious stones and semiprecious stones, cut but not set, and suitable for use in the manufacture of jewelry," at 10 per cent.

Mr. President, I offer it with no hostility whatever to the rate in the pending bill if it were possible to be collected. I am fully convinced that there are many Democratic Senators who feel exactly as I do relative to a rate of 20 per cent. As I stated the other day, if it were possible to collect a high-rate duty on precious stones, I would not object to 100 per cent, but I am positive that a high rate can not be collected.

I want to give to the Senate this afternoon an ocular demonstration of the ease with which pearls can be smuggled into the country. I hold in my hand an invoice for 10 pearls purchased by Mr. Ludwig Nisson, of New York. These 10 pearls [exhibiting] cost \$78,578.82.

Mr. REED. I suggest that the Senator pass them around for examination. [Laughter.]

Mr. OVERMAN. How much did they cost?

Mr. SMOOT. Seventy-eight thousand five hundred and seventy-eight dollars and eighty-two cents. Mr. President, I can conceal every one of these pearls in the center of one cigar.

Mr. ROBINSON. How did the Senator say he obtained those pearls? [Laughter.]

Mr. SMOOT. I am not going to confess to the Senator from Arkansas; but I will assure the Senator they are genuine pearls, purchased of late, and I will assure the Senator that this is the invoice of them.

Mr. GALLINGER. Probably the Senator gave bond for their safe return. [Laughter.]

Mr. SMOOT. I am compelled to return them, I will say to the Senator.

Mr. President, the duty of 20 per cent on these pearls would amount to \$15,715.76. If anyone desired to smuggle similar ones into the country they could be concealed in one cigar. Take a box of 100 such cigars and use them for smuggling, filled with pearls, the loss of duty upon such would be \$1,571.576.

Mr. President, the Treasury Department claims that the rate of 20 per cent in the pending bill will net the Government of the United States less than if a rate of 10 per cent were provided. Twenty per cent will be the cause of a great part of all pearls, diamonds, and precious stones being smuggled into this country.

A rather strange anomaly about this whole matter is that the honest dealers in precious stones are all opposed to the measure, notwithstanding they would be an immediate gainer. I know of one firm in New York that has over \$2,000,000 worth of pearls on hand. The increase of duty from 10 per cent to 20 per cent will immediately give that firm a profit of \$200,000. Yet they are opposed to the increase of duty. Why? Because they know that in the future they will be compelled to come in direct competition with men who will buy their pearls and precious stones from smugglers, instead of foreign dealers in their regular export business allowing the Government of the United States to collect 10 per cent as now. The history of the past has proven that the Government of the United States does not collect a rate higher than 10 per cent upon diamonds.

Mr. THOMAS. Mr. President—

The VICE PRESIDENT. Does the Senator from Utah yield to the Senator from Colorado?

Mr. SMOOT. I do.

Mr. THOMAS. I was simply going to suggest that, in view of the interest manifested on this subject on this side of the Chamber, it really should be the subject of consideration in executive session.

Mr. SMOOT. I am going to suggest in all seriousness to the majority that they adopt this amendment. The question will

then be in conference, and they can then decide in conference as to whether a 10 per cent or a 20 per cent duty is best.

Mr. JAMES. Mr. President, if I understand the Senator from Utah correctly, his argument is that the importers' honesty will not exceed 10 per cent.

Mr. SMOOT. It is not the importer, but it is the smuggler. The honest importer will be compelled, if he pays the 20 per cent duty on diamonds and precious stones imported from the foreign dealer, to sell in direct competition with the dishonest dealer who will buy them from a smuggler, dividing with him the amount that may be saved by the evasion of payment of a duty.

Mr. JAMES. Does not the Senator from Utah believe that a man who would smuggle for 20 per cent would not hesitate to smuggle for 10 per cent, the only difference being that he might do more of it for 10 per cent?

Mr. SMOOT. History does not show that to be the case. I presented figures here the other day, when I spoke upon this question, showing that whenever the rate had been more than 10 per cent the duty collected by the United States had fallen below that which had been collected when the rate had been only 10 per cent. There is no question in my mind, Mr. President, but that that will again be the result if a duty of 20 per cent is placed upon precious stones in this bill.

Mr. BACON. Mr. President, I have not taken any part in the discussion of the pending tariff bill. I was very much interested in it four years ago, and I did make some little investigation regarding this very matter about which the Senator from Utah is now speaking. There is one feature of the rate of duty on diamonds which I think has always been improper—it was improper in the Payne-Aldrich law and I think it is improper in this bill—and that is the difference which is made in the rate of duty on uncut and on cut diamonds. I have not the figures before me, although I did have them four years ago, and then gave them to the Senate.

I think that the uncut diamond ought to come into the country at the same rate of duty as does the cut diamond. I repeat, I made some investigation four years ago by conferring with those familiar with the subject—jewelers, men who deal in diamonds—and I then found this to be the concurrent testimony by them. Of course it will be recognized that the uncut diamond imported as such when it is cut is worth just the same in this market as is the diamond which is imported as a cut diamond, and the figures which I then presented to the Senate, and which I ascertained, after conference with those who were familiar with the matter, were correct, showed that there was a very large profit in the cutting of diamonds—I have forgotten what it was—but a very much larger profit than is found in any ordinary business.

The profit on cutting diamonds is all that any legitimate business would desire in the way of profit growing out of the importation and cutting of diamonds. There is no necessity that there should be such a difference as will not only give to the importer of uncut diamonds a very large profit in his business, but also a direct bonus, as it amounts to in this case, of over a million dollars.

There are only one or two, if I recollect aright, concerns in the United States that cut diamonds. Does the Senator from Utah know whether or not I am accurate in that statement?

Mr. SMOOT. I know of but two or three.

Mr. BACON. Very well. If the Senator will refer to the Statistical Abstract, he will see that the value will show that there is over a million dollars of difference between the amount paid on cut diamonds and on uncut diamonds at the rate provided in this bill and what they would be if the rate were the same as on cut diamonds. Therefore it is a direct bonus of between one and two million dollars to these one or two establishments in the United States that cut diamonds, when they themselves in the cutting of the diamond make an immense profit in bringing the uncut diamond up to the same value as the cut diamond.

I repeat, I did not expect to have anything to say on this subject. I have had nothing to say so far in this discussion, but I did take an interest in this matter four years ago and looked into it, and the facts are as I state them—that the effect of this disparity is to give a direct bonus of between one and two million dollars to one or two establishments in the United States that cut diamonds. It is just exactly the same as if that money were taken out of the Treasury and handed to them.

Mr. SMOOT. Mr. President, there is a differential between uncut diamonds and cut diamonds and precious stones in the present law of 10 per cent, but in this bill—

Mr. BACON. Ten per cent! It is 50 per cent.

Mr. SMOOT. Under the present law uncut diamonds and precious stones come in free, but there is a duty of 10 per cent on cut diamonds. So I speak of it in that way as being a 10 per cent difference.

Mr. BACON. Is it not twice as much in one case as it is in the other?

Mr. SMOOT. No; under the present law the uncut diamond is free and the cut diamond pays a duty of 10 per cent.

Mr. BACON. Very well. I am speaking about the provisions of this bill.

Mr. SMOOT. Under this bill the uncut diamonds carry a rate of duty of 10 per cent and the cut diamonds carry a rate of duty of 20 per cent.

Mr. BACON. Exactly. That is what I said.

Mr. SMOOT. I myself, Mr. President, agree with the Senator from Georgia that there is too great a difference in the rate between the uncut and the cut diamond; but if there was no difference, then there would be no rough diamonds or rough precious stones imported into the country, on account of the difference of cost between cutting in a foreign country and in this country.

Mr. JAMES. The Senator from Utah says that in this bill there is too great a difference—that uncut diamonds are allowed to come in at 10 per cent and cut diamonds at 20 per cent, while under the existing law uncut diamonds come in free and cut diamonds at 10 per cent. There is just the same difference between the two provisions of this bill as there is between the two provisions of the existing law. We place uncut diamonds on the dutiable list at 10 per cent duty; the present law allows them to be imported free. On cut diamonds, the present law admits them here at 10 per cent duty; in this bill we increase the duty to 20 per cent.

Mr. SMOOT. I have not denied that, Mr. President; in fact, I specifically so stated.

I shall answer the Senator from Georgia [Mr. BACON] by saying that from the figures to which I called the attention of the Senate, and also which I myself had examined into, that there is perhaps a greater differential than is really necessary between the diamond in the rough and the cut diamond.

Mr. BACON. If the Senator will pardon me just a moment—and I will not interrupt him for more than a moment—it is true, as shown by the importations, that in each instance the one or two establishments in the United States that cut diamonds have an absolute bonus of between one and two million dollars. In addition to a large profit—

Mr. SMOOT. Mr. President—

Mr. BACON. If the Senator will pardon me until I get through, I will not detain him long. In addition to a large profit each year—and I am not incorrect in this statement, because I have a very distinct recollection as to what the jewelers themselves told me as to the profit on uncut diamonds—in addition to a large profit there is a distinct bonus of between one and two million dollars each year, limited to one or two establishments in the United States.

Now, just one other word and I am done, and that is on the general subject as to whether or not there ought to be a low rate of duty on diamonds simply to prevent smuggling. I do not believe in any such doctrine. If I had the fixing of the rate, I would put the rate on diamonds a good deal higher than it is in this bill. The truth is that those who want to smuggle are going to smuggle whether the duty is 10 per cent or whether it is 20 per cent or whether it is 25 or 30 per cent. The greatest security at last against smuggling is not the rate of duty, but it is in the fact that the diamond trade is such that no large transaction can be made in the purchase of diamonds in Europe that can not easily be found out and is found out by the proper methods used for that purpose through our agents there. I understand it to be a fact that in most instances where smugglers are detected they are detected by reason of the fact that we have information before they leave the other country. That information is conveyed here, and the American customs officers are on the watch for them.

Mr. SMOOT. I will admit that there are smugglers operating to-day, but there is not the incentive to smuggling to-day that there will be if the rate is increased to 20 per cent. The Senator's opinion is not shared in by the Treasury Department, because the Treasury Department says that if the rate is advanced to 20 per cent it will be the means of increasing the smuggling of precious stones into this country, and it expresses the opinion that the amount of duty collected will not be as much as under the 10 per cent rate of the present law.

Mr. REED. Mr. President—

The VICE PRESIDENT. Does the Senator from Utah yield to the Senator from Missouri?

Mr. SMOOT. Yes; I yield.

Mr. REED. The Senator has displayed here a few pearls, the value of which I have forgotten.

Mr. SMOOT. Seventy-eight thousand five hundred and seventy-eight dollars.

Mr. REED. And the Senator made the statement that they could all be concealed in one cigar.

Mr. SMOOT. Yes; they can almost be put in a sparrow egg.

Mr. REED. If they are worth \$78,000, at a tariff of 10 per cent the smuggler would gain \$7,800 as his reward for bringing them over, or approximately that, although, of course, something would have to be deducted.

Mr. SMOOT. Of course the smuggler would have to sell them at a considerable reduction to the retailer or he would not buy of him.

Mr. REED. But assume that he would receive a profit of \$5,000. Is not that sufficient incentive to induce smuggling when it can be done so cleverly and so easily? It seems to me the argument of the Senator proves too much; it proves that 10 per cent reward is great enough, so that if a man be dishonest he would pursue this avocation.

Mr. SMOOT. The history of importations and of smuggling does not bear out that conclusion. A man in smuggling diamonds into this country must first find somebody who will buy them, and in order to find a merchant who will buy them, the smuggler must sell at a less price than the merchant would buy them from the regular trade, and there is not enough in it after that division to cause the development of smuggling to any great extent, but when you come to increase the duty to 20 per cent there will be a strong incentive and more people will engage in that business. There are people to-day engaged in it. Many of the precious stones are smuggled into the United States under the present rates, but if the rate of duty is increased 100 per cent, there is no doubt in my mind nor is there in the mind of the Treasury officials that the business will greatly increase and that smuggling will become a general thing.

Mr. BACON. Mr. President, as I understand, under the law, if a smuggler is caught the goods are confiscated, are they not?

Mr. SMOOT. Very few have been confiscated so far.

Mr. BACON. I asked the Senator if it is not a fact that they are confiscated?

Mr. SMOOT. Yes; they are subject to be confiscated.

Mr. BACON. Yes; I understand.

Mr. SMOOT. But it only happens in very few instances that they are confiscated.

Mr. BACON. If we catch 10 per cent of the smugglers and there is a 10 per cent duty on diamonds we will get even with them.

Mr. SMOOT. Not at all. That would be a rather poor argument. It seems to me that would be equivalent to saying that we would encourage smuggling with the hope that we would at least detect 10 per cent of the smugglers. In fact, in order to get even we would have to catch one-half of them.

Mr. BACON. Not at all. If there is a 10 per cent duty on diamonds, of course the diamonds are worth ten times as much as the duty, and therefore whenever you catch one-tenth of them you have equalled the loss of the duty. If the diamond when confiscated is worth ten times as much as the duty, of course the confiscation represents ten times the amount which would have been paid had it not been smuggled.

Mr. SMOOT. The only interest I have in this subject is to see that the law which we enact can be put into successful operation, and I am simply voicing the opinion of the honest dealers of precious stones in this country, and also the opinion that has been expressed by the Treasury Department, not only in the past, but at the present time.

Mr. JONES. I should like to ask the Senator—

Mr. BACON. I will just add one word, with the permission of the Senator. I have not looked at the bill to see whether the conference committee would have any control of the question of the rate of duty on uncut diamonds—

Mr. SMOOT. They will not have unless some amendment is made. If this amendment is adopted, then I will follow it up, of course, with another amendment.

Mr. BACON. If the Senator will pardon me, what I was going to say was that I hoped if there is an opportunity to do so the difference between the duty on uncut diamonds and on cut diamonds will be removed and that there will be imposed just the same duty on uncut diamonds as on cut diamonds.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Utah [Mr. SMOOT]. The amendment was rejected.

Mr. NORRIS. I offer the amendment which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 209, after line 12, it is proposed to insert—

Mr. NORRIS. I am willing that the greater portion of the amendment should be printed without reading, because it has been once printed. There were some errors, however, as it was first printed, so that if the Secretary will read down to subdivision C it will be satisfactory to me, and then the whole amendment can be printed in the RECORD.

The Secretary proceeded to read the amendment, which is as follows:

On page 209, after line 12, insert:

Subdivision 3. A. That a tax shall be, and is hereby, imposed upon the transfer of any property, real or personal, or of any interest therein or income therefrom, in trust or otherwise.

First. When the transfer is by will or by the intestate laws of any State or Territory or of the United States from any person dying seized or possessed of the property while a resident of the United States or any of its possessions.

Second. When the transfer is by will or intestate law of property within the United States or any of its possessions and the decedent was a nonresident of the United States or any of its possessions at the time of his death.

Third. When the property of a resident decedent or the property of a nonresident decedent within the United States or any of its possessions transferred by will is not specifically bequeathed or devised, such property shall for the purpose of this subdivision be deemed to be transferred proportionately to and divided pro rata among all the general legatees and devisees named in said decedent's will, including all transfers under a residuary clause of such will.

Fourth. When the transfer is of property made by a resident, or by a nonresident when such nonresident's property is within the United States or any of its possessions, by deed, grant, bargain, sale, or gift made in contemplation of the death of the grantor, vendor, or donor or intended to take effect in possession or enjoyment at or after such death.

Fifth. When any such person or corporation becomes beneficially entitled in possession or expectancy to any property or the income thereof by any such transfer whether made before or after the passage of this act.

Sixth. Whenever any person or corporation shall exercise a power of appointment derived from any disposition of property made either before or after the passage of this act, such appointment when made shall be deemed a transfer taxable under the provisions of this subdivision in the same manner as though the property to which such appointment relates belonged absolutely to the donee of such power and had been bequeathed or devised by such donee by will; and whenever any person or corporation possessing such power of appointment so derived shall omit or fail to exercise the same within the time provided therefor, in whole or in part, a transfer taxable under the provisions of this subdivision shall be deemed to take place to the extent of such omission or failure in the same manner as though the persons or corporations hereby becoming entitled to the possession or enjoyment of the property to which such power related had succeeded thereto by a will of the donee of the power failing to exercise such power, taking effect at the time of such omission or failure.

B. The tax imposed hereby shall be upon the clear market value of the property so transferred, and the value of any transfer or transfers to any person or corporation shall be taxed at the following rates, to wit:

The first \$50,000 in value of any such transfer or transfers to any person or corporation shall be exempt from taxation under this subdivision. The next \$50,000 shall be taxed at the rate of 1 per cent. The next \$100,000 shall be taxed at the rate of 2 per cent. The next \$100,000 shall be taxed at the rate of 3 per cent. The next \$100,000 shall be taxed at the rate of 4 per cent. The next \$100,000 shall be taxed at the rate of 5 per cent. The next \$1,000,000 shall be taxed at the rate of 7 per cent. The next \$1,000,000 shall be taxed at the rate of 10 per cent. The next \$2,000,000 shall be taxed at the rate of 15 per cent. The next \$5,000,000 shall be taxed at the rate of 20 per cent. The next \$10,000,000 shall be taxed at the rate of 30 per cent. The next \$15,000,000 shall be taxed at the rate of 45 per cent. The next \$18,000,000 shall be taxed at the rate of 60 per cent, and all over \$50,000,000 shall be taxed at the rate of 75 per cent; *Provided*, That in the collection of the taxes imposed by this subdivision, if it shall be made to appear, to the satisfaction of the Commissioner of Internal Revenue, that any person or corporation liable for the payment of any tax hereunder has paid a like tax on the same transfer or transfers to any State, Territory, or District within the United States, then the amount so paid by such person or corporation to such State, Territory, or District shall to the extent of 95 per cent of the amount so paid be credited as a payment upon any tax due under this subdivision.

C. Any property devised or bequeathed to any purely educational, charitable, missionary, benevolent, hospital, or infirmity corporation, including corporations organized exclusively for Bible or tract purposes, shall be exempted from and not subject to the provisions of this subdivision. There shall also be exempted from and not subject to the provisions of this subdivision property bequeathed to a corporation or association organized exclusively for the moral or mental improvement of men or women, or for scientific, literary, library, patriotic, cemetery, or historical purposes, or for the enforcement of laws relating to children or animals, or for two or more of such purposes, and used exclusively for carrying out one or more of such purposes. But no such corporation or association shall be entitled to such exemption if any officer, member, or employee thereof shall receive or may be lawfully entitled to receive any pecuniary profit from the operations thereof except reasonable compensation for services in effecting one or more of such purposes or as proper beneficiaries of its strictly charitable purposes, or if the organization thereof for any such avowed purpose be a guise or pretense for directly or indirectly making any other pecuniary profit for such corporation or association or for any of its members or employees, or if it be not in good faith organized or conducted exclusively for one or more of such purposes.

* D. That if such tax is paid within six months from the accrual thereof a discount of 5 per cent shall be allowed and deducted therefrom. If such tax is not paid within 18 months from the accrual thereof, interest shall be charged and collected thereon at the rate of 10 per cent per annum from the time the tax accrued, unless by reason of claims made upon the estate, necessary litigation, or other unavoidable cause of delay such tax can not be determined and paid as herein

provided, in which case interest at the rate of 6 per cent per annum shall be charged upon such tax from the accrual thereof until the cause of such delay is removed, after which 10 per cent shall be charged.

E. That the tax aforesaid shall be due and payable in one year after the death of the testator, and shall be a lien and charge upon the property of every person who may die as aforesaid for 20 years or until the same shall, within that period, be fully paid to and discharged by the United States; and every executor, administrator, or trustee having in charge or trust any legacy or distributive share as aforesaid shall give notice thereof in writing to the collector or deputy collector of the district where the deceased grantor or bargainer last resided within 30 days after he shall have taken charge of such trust, and every executor, administrator, or trustee, before payment and distribution to the legatees or any parties entitled to beneficial interest therein, shall pay to the collector or deputy collector of the district of which the deceased person was a resident, or in which the property was located in case of nonresidents, the amount of the tax assessed upon such legacy or distributive share, and shall also make and render to the said collector or deputy collector a schedule, list, or statement, in duplicate, of the amount of such legacy or distributive share, together with the amount of the tax which has accrued or shall accrue thereon, verified by his oath or affirmation, to be administered and certified thereon by some magistrate or officer having lawful power to administer such oaths in such form and manner as may be prescribed by the Commissioner of Internal Revenue, which schedule, list, or statement shall contain the names of each and every person entitled to any beneficial interest therein, together with the clear value of such interest, the duplicate of which schedule, list, or statement shall be by him immediately delivered and the tax thereon paid to such collector; and upon such payment and delivery of such schedule, list, or statement said collector or deputy collector shall grant to such person paying such duty or tax a receipt or receipts for the same in duplicate, which shall be prepared as hereinafter provided. Such receipt or receipts, duly signed and delivered by such collector or deputy collector, shall be sufficient evidence to entitle such executor, administrator, or trustee to be credited and allowed such payment by every tribunal which by the laws of any State or Territory is or may be empowered to decide upon and settle the accounts of executors and administrators; and in case such executor, administrator, or trustee shall refuse or neglect to pay the aforesaid duty or tax to the collector or deputy collector as aforesaid within the time hereinbefore provided, or shall neglect or refuse to deliver to said collector or deputy collector the duplicate of the schedule, list, or statement of such legacies, property, or personal estate, under oath as aforesaid, or shall neglect or refuse to deliver the schedule, list, or statement of such legacies, property, or personal estate, under oath as aforesaid, or shall deliver to said collector or deputy collector a false schedule or statement of such legacies, property, or personal estate, or give the names and relationship of the persons entitled to beneficial interests therein untruly, or shall not truly and correctly set forth and state therein the clear value of such beneficial interests, or where no administration upon such property or personal estate shall have been granted or allowed under existing laws, the collector or deputy collector shall make out such lists and valuation as in other cases of neglect or refusal and shall assess the duty thereon, and the collector shall commence appropriate proceedings before any court of the United States, in the name of the United States, against such person or persons as may have the actual or constructive custody or possession of such property or personal estate, or any part thereof, and shall subject such property or personal estate, or any portion of the same, to be sold upon the judgment or decree of such court, and from the proceeds of such sale the amount of such tax, together with all costs and expenses of every description to be allowed by such court, shall be first paid, and the balance, if any, deposited according to the order of such court, to be paid under its direction to such person or persons as shall establish title to the same. The deed or deeds, or any proper conveyance of such property or personal estate, or any portion thereof, so sold under such judgment or decree executed by the officer lawfully charged with carrying the same into effect shall vest in the purchaser thereof all the title of the delinquent to the property or personal estate sold under and by virtue of such judgment or decree, and shall release every other portion of such property or personal estate from the lien or charge thereon created by this section. And every person who shall have in his possession, charge, or custody any record, file, or paper containing, or supposed to contain, any information concerning such property or personal estate, as aforesaid, passing from any person who may die as aforesaid, shall exhibit the same at the request of the collector or deputy collector of the district and to any law officer of the United States in the performance of his duty under this section, his deputy or agent, who may desire to examine the same. And if any such person having in his possession, charge, or custody any such records, files, or paper shall refuse or neglect to exhibit the same on request, as aforesaid, he shall forfeit and pay the sum of \$500: *Provided*, That in all legal controversies where such deed or title shall be the subject of judicial investigation, the recital in said deed shall be prima facie evidence of its truth and that the requirements of the law have been complied with by the officers of the Government: *And provided further*, That in case of willful neglect, refusal, or false statement by such executor, administrator, or trustee, as aforesaid, he shall be liable to a penalty of not exceeding \$1,000, to be recovered with costs of suit. Any tax paid under the provisions of this section shall be deducted from the particular legacy or distributive share on account of which the same is charged.

F. That from and after the passage of this act the Secretary of the Treasury, upon the recommendation of the Commissioner of Internal Revenue, is authorized to appoint a competent person, at an annual salary of \$5,000, whose special duty it shall be to conduct such investigations as may be necessary to secure the efficient enforcement of the tax imposed upon legacies and distributive shares of personal property by this section, and the Commissioner of Internal Revenue may also from time to time assign one or more special agents to aid in such investigations.

Mr. NORRIS. Mr. President, this amendment which I have offered provides for an inheritance tax upon all bequests, beginning after the first \$50,000, which is exempted, and running up to as high as 75 per cent on that part of any bequest which exceeds \$50,000,000.

I will print in the Record at this point a table showing the rate of taxation as it would work out if this amendment became a law.

The table referred to is as follows:

Table showing rate of taxation proposed.		Per cent.
		Exempted.
The first \$50,000 of any inheritance	.....	1
The next \$50,000 of any inheritance taxed at	.....	2
The next \$100,000 of any inheritance taxed at	.....	3
The next \$100,000 of any inheritance taxed at	.....	4
The next \$100,000 of any inheritance taxed at	.....	5
The next \$500,000 of any inheritance taxed at	.....	7
The next \$1,000,000 of any inheritance taxed at	.....	10
The next \$2,000,000 of any inheritance taxed at	.....	15
The next \$5,000,000 of any inheritance taxed at	.....	20
The next \$10,000,000 of any inheritance taxed at	.....	30
The next \$15,000,000 of any inheritance taxed at	.....	45
The next \$16,000,000 of any inheritance taxed at	.....	60
All over \$50,000,000 of any inheritance taxed at	.....	75

Mr. GALLINGER. Mr. President—

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from New Hampshire?

Mr. NORRIS. I yield to the Senator.

Mr. GALLINGER. If the Senator will permit me, I did not quite grasp the full purport of his amendment. Does the Senator's amendment propose a direct inheritance tax or a collateral inheritance tax, or both?

Mr. NORRIS. It makes no distinction between collateral heirs and any other heirs or any other bequests.

Mr. GALLINGER. Then, if I heard the reading correctly, in the event of a State having taxed—

Mr. NORRIS. I am going to take up that matter now.

One of the objections to a Federal inheritance tax, and an objection which I believe has a great deal of reason for its basis, is that the different States desire to use that as one of the methods of taxation, and therefore that the Federal Government should not engage in any tax on inheritances.

In explaining a provision of the amendment which I think entirely meets that objection, I wish to say that one of the objects of the amendment is to break up the very large fortunes. No State so far has levied, and no State dares levy, a very high tax on inheritances for fear of driving property out of its borders to other States. If a Federal law were enacted that had in it a progressive rate sufficiently high to break up these immense fortunes, that objection, of course, could not apply. In order to meet that objection, I have incorporated in the amendment the following proviso:

Provided, That in the collection of the taxes imposed by this subdivision if it shall be made to appear to the satisfaction of the Commissioner of Internal Revenue that any person or corporation liable for the payment of any tax hereunder has paid a like tax on the same transfer or transfers to any State, Territory, or District within the United States, then the amount so paid by such person or corporation to such State, Territory, or District shall, to the extent of 95 per cent of the amount so paid, be credited as a payment upon any tax due under this subdivision.

I think that is an answer, in so far as under this provision I am able to make an answer, to the suggestion of the Senator from New Hampshire.

Mr. GALLINGER. Mr. President, in my own State we have a collateral inheritance tax from which we are deriving a very considerable revenue, and there has been some agitation in favor of an additional direct inheritance tax. In Massachusetts, and possibly in some other States, they have now both a direct and a collateral tax. Do I understand the Senator to say that the States must collect an equal amount, as his amendment provides, before they get the exemption?

Mr. NORRIS. Oh, no.

Mr. GALLINGER. The States are to be credited with the amount collected under State laws. Is that it?

Mr. NORRIS. They are credited with 95 per cent of the amount that they have paid to the State.

Mr. GALLINGER. That is what I wanted to get clear in my mind.

Mr. NORRIS. It may be well in the beginning to state that it has been uniformly held by the courts that an inheritance tax is not a tax on property. It is a tax on the right of a person to take property which he would not be allowed to take or have a right to take if it were not for the law which, under such circumstances, gives it to him.

At this point I desire to include in the Record a table showing the exact amount that would be taken from bequests of various amounts, if my proposition were enacted into law.

The table referred to is as follows:

Table showing operation of proposed inheritance tax.	
On an inheritance of \$50,000, tax would be.....	\$0
On an inheritance of \$100,000, tax would be.....	500
On an inheritance of \$200,000, tax would be.....	2,500
On an inheritance of \$300,000, tax would be.....	5,500
On an inheritance of \$400,000, tax would be.....	9,500
On an inheritance of \$500,000, tax would be.....	14,500
On an inheritance of \$1,000,000, tax would be.....	49,500
On an inheritance of \$4,000,000, tax would be.....	449,500

On an inheritance of \$9,000,000, tax would be.....	\$1,449,500
On an inheritance of \$19,000,000, tax would be.....	4,449,500
On an inheritance of \$34,000,000, tax would be.....	11,199,500
On an inheritance of \$50,000,000, tax would be.....	20,799,500
On an inheritance of \$80,000,000, tax would be.....	43,799,500

Mr. NORRIS. It will be noted that the amendment does not levy a tax upon the estate proper but only a tax upon the various bequests; and under the amendment, if it should become a law, it would be possible for any man with any amount of property so to bequeath it as to entirely avoid the tax.

This table shows, as I have computed it, the various amounts that would have to be paid for various bequests, running from \$50,000 up to \$80,000,000.

All taxes are burdensome. It would be better if we could avoid taxation. We desire, and I think it is the desire all over the world, to avoid burdensome taxation and to avoid expensive taxation. From the very beginning of government men have continually tried to enact into law such systems of taxation as would be least burdensome. Of all the taxes that ever have been conceived by man there is no other that is so little a burden as an inheritance tax. It is the only tax I know of that is not directly or indirectly a tax on consumption. There is no other tax that can be so easily and inexpensively collected. There is no other tax that is any more just or fair. It is a tax that can not be passed on to some one else.

An inheritance tax of the kind that is provided in this particular amendment would not take from any man a single dollar he had done anything toward earning. It would not take away from any person a single dollar that he had anything whatever to do with creating. It would, in fact, take only a part of the property that the legislatures of the States or of the Nation have a right, if they see fit, to take away entirely.

The right to inherit property is one given to the individual by law. It is not a natural right. It may be said that in some instances the children work and labor with their parents, help to create their property, and help to accumulate their property. That is sometimes true in the accumulation of small estates. I do not believe it is true in a single case where the tax provided in this amendment would be levied. In every instance, as far as I know, inheritances of from one to two or three or four or five million dollars go to people who never have as much as crooked their fingers to accumulate the money.

It has often been said during the course of the debate in this Chamber on the income-tax provisions, and I have not heard it contradicted here or elsewhere, that immense, swollen fortunes are an evil and a detriment not only to our Government but to humanity. There is a limit beyond which money can buy neither comfort, luxuries, nor pleasure. I think it is conceded by all men that the accumulation and the entailing of immense, swollen fortunes is detrimental to the welfare of humanity.

When George Washington died he left an estate, as I remember now, valued at somewhere about \$500,000, and I believe he was then the wealthiest man in the United States; but we have seen grow up within the last 50 years a large number of immense fortunes.

As was said in the debate by several Senators, some of these fortunes, perhaps, have been dishonestly acquired. Some of them have been acquired honestly and fairly under the law. I am going to take one of them as an illustration, and I am going to take one the legality, fairness, and honesty of whose acquisition, so far as I know, can not be questioned.

I take it that no one would object if we could break up the large fortunes that were dishonestly acquired; but it might be said that those that were honestly acquired ought not to be broken up, because of an alleged injustice that thereby would be done those who would otherwise inherit them.

As I said a while ago, I do not believe any injustice can come from taking away a portion of an inheritance from a man who has done nothing whatever, either with his hands or with his brains, toward its acquisition. It is taking something that he does not have, something that he can not inherit, except as the law gives him the right to inherit. It is taking something that he has not produced. The particular provision I have offered as an amendment in every instance will leave enough, without any serious taxation, to keep him and all his friends and family in absolute luxury during all their lives.

To illustrate the working out of this amendment I wish to take the estate of John Jacob Astor. Let me say right here that I have nothing against any of the Astors, or any of their predecessors, or any of those who live now. As far as I know, none of them has ever done a dishonorable act in the acquisition of property. As far as I know, the present young Mr. Astor is perfectly honorable, perfectly honest, and has not done anything to secure his fortune that is illegal, disreputable, unfair, or dishonest. When his father, John Jacob Astor, went down on

the *Titanic* he left an estate, speaking in round numbers, valued at about \$90,000,000. I am informed by the officials in New York City that this estate represents the increase in value of an original investment—a great many years ago, of course—of less than \$2,000,000, and that all of this immense fortune has been brought about by the increase in value of real estate, principally on Manhattan Island, in which for all these years the estate has been invested.

With an investment, let us say, and it is liberal, as I understand it, of \$2,000,000 years ago made by the original Astor, the estate has grown until at the death of John Jacob Astor it amounted to \$90,000,000. During all those years for several generations the Astors have really done nothing except to see the estate grow and become more valuable and to live in luxury off its income.

This property, worth originally \$2,000,000, now worth \$90,000,000, has been made valuable by the public. Every man who ever paid taxes in New York has contributed something toward its value. Every man who ever erected a building on Manhattan Island, whether it was a mansion on Broadway or an humble cottage in the suburbs, has done something to make this estate greater. From the man in the street who laid the paving blocks to the master minds that planned the giant skyscrapers which lift their heads up in the clouds, every one of them has contributed something to the Astors. Every drop of sweat that ever trickled down over the brow of labor on Manhattan Island for a century has contributed its mite to the Astor fortune.

There is nothing unjust, Mr. President, there is nothing unfair in such a case, after the man who owned it has used it during his lifetime, for the Government to say at his death, before anybody shall take this fortune which the people of the country have in reality made, we will levy a tax and give a portion of it back to the people, and realizing that vast aggregations of wealth are harmful to free government and to humanity generally, we will grade that tax in such a way that it will be practically impossible for the large aggregations of wealth to be entailed from one generation to another.

Mr. CLAPP. Mr. President—

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Minnesota?

Mr. NORRIS. I yield to the Senator.

Mr. CLAPP. There is a great deal, of course, in what the Senator says, but it must be based, however, upon a fundamental that reaches back of the taxing power. If the laws under which the Astor fortune—I use that as the illustration which the Senator has used—permit a fortune to be accumulated in the way in which that fortune was accumulated, there may then be a question as to the morals involved in first permitting that condition, and then turning around and from the viewpoint not of the necessity of government for revenue but to reach a condition which from the second viewpoint is sufficiently questionable to warrant reaching deep down into the fortune under the guise of taxation. That may present a question of doubtful morals.

I think I will vote for the Senator's amendment; but the trouble with an inheritance tax, especially where it is levied upon realty, is that it serves to reconcile the American people to a condition under which a man without lifting a finger accumulates year by year millions due entirely to the labor, the activity, the very existence, if I may use the term, of others. I hope the day is not far distant when instead of dealing with the frills, if I may use that expression, we will begin to go down to the fundamentals and make it impossible for a man to acquire a great fortune to which he contributes only that much which one life in a population of a million lives bears to that million.

The fortune of the Astors to-day is largely due to the fact that millions of people have resided upon Manhattan Island. To recognize that the Astors may first take that and then we get back a part of it through the doubtful process of taxation in the admitted excess of the needs of revenue it seems to me is presenting a picture in morals that we must soon withdraw from the American public.

While I shall support the amendment of the Senator from Nebraska, I wish that instead of tolerating the idea that a man makes his millions to which he is not entitled, and then the only remedy is for the people to get some of it back in excess of the due needs of revenue, we would study more and more the process by which the people in the first instance should retain that which properly belongs to them in the fruits of their existence, the fruits of their labor, the fruits of that wealth which population makes.

Mr. NORRIS. Mr. President, there is a great deal in what the Senator from Minnesota has said which appeals to me. I

do not regard it, however, as any objection to this amendment. The other day in the debate on the income tax reference was made to the inheritance tax, and it was said instead of taxing such large fortunes we ought to prevent them from being possible under our laws. That is true, perhaps, and I am not offering this amendment as a cure for all the evils of the Government or of taxation even. But we do have these large fortunes. We are facing a condition. We have men worth \$100,000,000 and \$200,000,000, more money than any man can use and more money than any mind can really comprehend, and we are faced with this condition. This kind of a law ought to be on the statute books even though we did what the Senator from Minnesota has so well said we ought to do—legislate in such a way, or let the States legislate in such a way, that it would be impossible to acquire in one lifetime these large fortunes.

Mr. CLAPP. Will the Senator pardon another interruption?

Mr. NORRIS. I yield to you, Senator.

Mr. CLAPP. While, as I said, I shall support the amendment, yet I fear there is this difficulty or evil that grows out of an income tax and an inheritance tax. I believe we should deal frankly with these great subjects. I believe that they do tend to reconcile the public and abate the efforts and study to find some means to first prevent them. I believe that Mr. Carnegie in doling out, as it seems to me almost in the attitude of a benefactor giving to mendicants, to communities in this country, almost on bended knees supplicating, a pittance from his hands to establish libraries, has done much to stay American thought and American purpose in trying to find some just way of preventing a Carnegie from first taking from the American people approximately \$500,000,000 of property, representing a taxing power against the American people based upon the returns and earnings of that \$500,000,000, and then doling some of it out as a benefaction to those who permitted the taking.

If the Senator will pardon me, too much to-day we find the American people confronted with a situation in which they come to recognize as a public benefactor the man who does thus. First, he obtains the \$500,000,000, and then he does it out to the public in institutions benevolent in their inception or institutions of an educational character.

If the Senator will pardon me another moment, the people have too much of the thought in this country that prosperity consists of a few men sitting around a banquet board heaped so high with the good things of life that a few crumbs must fall to the floor, and the gathering of those crumbs by the rank and file constitutes prosperity.

I regret that we are confronted to-day by the alternative of voting for or against these propositions, for while I believe, having tolerated a system under which these accumulations have been made, we should tax them, and perhaps temporarily have no other recourse than taxation, I can not help but feel that taxation and the receipt of these benefactions from great overgrown fortunes serve to enslave the American mind and make us more tolerant of conditions which it should be the primary thought and effort of every American patriot to see if there is not some way to so adjust the situation that instead of that banquet board thus being heaped overhigh and the crumbs falling to the masses there might be a banquet board around which all could sit with a fair equation of opportunity.

Of course, I have only used names in the sense of illustration.

Mr. NORRIS. Mr. President, I want in return to thank the Senator for what he has said. He presents a very interesting question; but, Mr. President, in my judgment, interesting as it may be, it is not directly related to the question before us. We do have the large fortunes. I presume that under any system which we could invent we are liable to have them. The particular fortune that I took as an illustration is no exception. I do not believe any man lives or ever did live who by his own effort, his own ability, his own wisdom is able to honestly make a fortune as large as the Astor fortune or as a great many of the other fortunes. They are usually made by influences entirely beyond the control of the owner; that is, if they are built up honestly.

Mr. GALLINGER rose.

Mr. NORRIS. I prefer not to yield just now. I will yield in a very few moments. I do not believe any man can make a million dollars by his own effort. These fortunes have not been made by the working of the hand or of the brain. Often accident, sometimes perhaps by some provision of law, men have been able to build up a fortune, but many of them have been built up—for instance, like the Astor fortune—that are perfectly honest, perfectly legitimate. Others have been accumulated by accident, by the investment, perhaps, of a few dollars in a mine that may turn out to give the owner millions and millions of dollars. There are thousands of ways in which these

vast fortunes are accumulated. We ought to have on the statute books a law that when the man who has the fortune is through with it, when he is dead, he shall not be able to pass it on and entail it from one generation to another, and thus accelerating what everybody admits to be an evil. I yield now to the Senator from New Hampshire.

Mr. GALLINGER. Mr. President, I will take just a moment.

I have had very grave doubts as to the propriety of taking from the States the privilege of passing statutes that would cover either the question of direct or collateral inheritances, and I still entertain serious doubt on that point.

I am glad the Senator from Nebraska has differentiated, and that he takes the Astor estate as an illustration of a fortune accumulated by honest methods. I am just as much disturbed over these great fortunes as is the Senator from Nebraska, and if there is any way to halt them properly, by legislation or otherwise, I will be glad to cooperate with the Senator from Nebraska in doing it.

Of course both of us see difficulty in accomplishing that result. The Astor estate has been accumulated by the enhancement of real estate values. The original Mr. Astor, I suppose, accumulated his first \$2,000,000 legitimately in the fur trade. He then, with great foresight, invested in real estate in the city of New York, and it has grown to \$70,000,000 in value.

A few years ago some men in public life were criticized for the purchase by the Government of Rock Creek Park, holding that it was an expenditure which ought not to be made, but I suppose Rock Creek Park would sell to-day for at least twenty-five times what we paid for it. Mr. Seward was denounced from one end of the country to the other for investing \$12,200,000 in Alaska. Yet we know that that sum is a mere bagatelle so far as the value of that great Territory is now concerned. So with the Astor estate. What cost a thousand dollars 50 years ago in New York City is worth fifty or one hundred or two hundred times that amount to-day in certain localities. So in dealing with an estate of that kind I think we ought to differentiate between that and estates accumulated in different ways.

I simply rose to say that I am glad the Senator from Nebraska recognizes that fact, and does not do as a great many men in public life do, denounce every man who has accumulated a large fortune, because some of these fortunes have been accumulated legitimately and honestly, just as the Astor estate has been accumulated.

Mr. NORRIS. Mr. President, I believe that a proper system of taxation would go a good ways, at least, to prevent the accumulation of these fortunes by the increase in the value of property. I believe that more fortunes are made on account of the increase in the value of real estate than in any other way. Many times the man who makes the investment has not exercised any particular ingenuity or wisdom. Circumstances over which he has no control have made the property very valuable. We have not yet in our States devised a system of taxation that has been just or has been able to keep down these big fortunes. If we could meet nationally that question, I would be glad to meet it. I would be glad to help, as well as I know how, to devise a system of taxation that would prevent the accumulation of large fortunes. But that would not do away with the large fortunes. It might do away with some of them, but there would be a great many of them that would be accumulated anyway under any system of laws or government.

Mr. WORKS. Mr. President—

Mr. NORRIS. All right, I yield to the Senator.

Mr. WORKS. I should like to ask the Senator from Nebraska whether he has estimated the amount of money that would be realized by the Government as the result of the adoption of this amendment?

Mr. NORRIS. No; I have not, Mr. President. I have no estimate. Of course it is a very uncertain proposition.

Mr. WORKS. Then I assume that the amendment is not offered with a view to raising needed revenue for the Government.

Mr. NORRIS. I presume the Senator from California was not in when I began my remarks. I explained a provision in the amendment that I thought would result in the different States passing the necessary laws and, in fact, getting most of the revenue that is provided for here. I have a provision in the amendment, I will say to the Senator, that I think would result in giving it practically all to the States.

Mr. WORKS. I am so strongly in sympathy with every effort to limit the great fortunes and to prevent their accumulation that I am liable to be tempted to vote for a measure of this kind, that ought not to appeal to my sense of justice. If it were necessary to raise funds for the Government by an inheritance tax, I should be entirely in sympathy with the idea of making the holder of a great fortune pay more than his

proportionate share or percentage toward that burden. Upon the other hand, it does not seem to me to be an act of justice or proper and appropriate to levy a tax of this kind simply as a means of taking away from a man the fortune that we have allowed him to accumulate.

Mr. NORRIS. Will the Senator tell me a single instance where that could possibly occur if this amendment became a law?

Mr. WORKS. I think it would necessarily occur.

Mr. NORRIS. It could not happen. The Senator has supposed an impossibility. It does not take away from any man anything that he has now.

Mr. WORKS. It is practically the same thing under the law of descent.

Mr. NORRIS. Indeed, it is not.

Mr. WORKS. Of course his descendants are entitled to receive money as if it were their own.

Mr. NORRIS. Why?

Mr. WORKS. You take it away from them.

Mr. NORRIS. Why are his descendants entitled to receive it?

Mr. WORKS. Partly because it is a law of the country and partly because—

Mr. NORRIS. Exactly; because it is a law.

Mr. WORKS. If the Senator will allow me, it is the uniform sentiment of this country that a man's children or his descendants should inherit whatever he may leave, and we are not only depriving them of what the law gives them, but what the sentiment of the country justifies. It may be possible that our laws are wrong and that that sort of thing ought not to be allowed, but I have not reached that frame of mind yet. It does not seem to me that it is proper to go to the extent the Senator proposes to go in dealing with these fortunes.

Mr. NORRIS. I will show the Senator how far we go with some of these fortunes. I want to say in answer to what the Senator from California has said that what I have proposed as an amendment to the bill would not take a dollar from any man. The reason why I have a right to inherit is because the law gives me that right. This would change that law to some extent and take away from me the right to get \$40,000,000 or \$50,000,000 that I had never crooked my finger to create. Is that unjust? Is there any unfair thing about that?

Mr. WORKS. Mr. President—

Mr. NORRIS. I yield to the Senator.

Mr. WORKS. That would not be unjust if we were taking this money for legitimate purposes to satisfy the needs of the country. In other words, I think the theory upon which the Senator proposes to take away the right that is given by law is a wrong theory.

Mr. NORRIS. The principal object of my amendment is to break up the swollen fortunes. The revenue would mostly, and perhaps eventually, all go to the States, and would to that extent reduce their taxation. Of course, there is always an objection to every proposition. We never can all of us agree as to just how we ought to do a particular thing that we all agree ought to be done. Here everyone agrees, as far as I know, that these immense fortunes are an evil and a menace, but when we come to any method that would in any way interfere with their being entailed from generation to generation and made still larger, then we are going to fall out about the method we take to do it.

This proposition simply says to A, when he becomes under the law entitled to receive a million dollars from somebody's estate: You can not take that property which you did not create; you can not have that immense fortune unless you give the Government, under whose laws that fortune was made, whose people really made it, a proper share of it. It is to give back to the people, in effect, what they have created, what they have in fact earned. Mr. President, every one of these big fortunes has been made, not by the man who possesses it, but by thousands and even by millions of men all over the country, whose labor has made the large fortunes possible.

Now, let us take the illustration I was starting out to give some time ago, when I was interrupted, and see the effect this would have on young Mr. Astor. He got from his father's estate, in round numbers, \$80,000,000. I want to pause again to say that I do not know Mr. Astor. I have nothing in the world against him. As far as I know, he is a perfectly honorable and honest gentleman. I know that I would not harm him if I could. I would not take away from him one single cent that I believed I had no right to take. But who is there, here or elsewhere, who will say that he ever so much as crooked his finger toward the accumulation of the \$80,000,000? He is the son of the man who owned it, who in turn got it from his father, and so on. That is his only claim for it.

What would this law have done to this bequest had it been in force? His share of that estate, as I have stated, was \$80,-

000,000. The tax on \$80,000,000, as will be seen from the table that I will print in the RECORD, would be \$43,799,500. That would have left Mr. Astor, out of the \$80,000,000, a little over \$36,000,000. Is that robbing a poor man? Thirty-six million dollars came into his lap without his ever sweating a drop for its accumulation, without his ever making an effort either with his hands or brains. He had been raised on the income of it. He already had spent for his benefit the income of it, a million dollars, and here we are going to pauperize him by this unjust proposition and turn him loose upon a suffering world with only \$36,000,000 and two or three hundred more thousand for spending money. That is not much of a hardship. I do not believe there is one of us here who would not feel as though we had been punished very hard if we had been taxed so little that we had \$36,000,000 left.

Mr. President, what could Mr. Astor do with \$80,000,000 that he could not do with \$36,000,000? I want to tell you that it is beyond the power of money to accomplish everything. The man with \$36,000,000 can get everything that the man with \$80,000,000 can get as long as it is legitimate. He would have left with this \$36,000,000 more than any one man ought to have, and there is not any injustice in it. It would be more than any man could possibly use or enjoy. It was not his property. The millions of people of the United States made that fortune as I showed awhile ago.

Let us take another illustration. Suppose this amendment that I have offered were the law and some one became entitled under a will or the intestate law of a State to \$1,000,000. Let us see what he would have to pay to get that million. He would have to pay \$49,500, and he would not feel it. If it was taken when he was not around he would not notice the difference in the size of his pile. If the balance was in dollar bills he would not have in his lifetime sufficient leisure time to count it to see whether he had lost any. He could not tell the difference. So, Mr. President, it seems to me that this provision that I have proposed here is no injustice to any man, but that it will have a tendency to break up the entailing of these large fortunes, giving a man who has them the right to do the breaking up himself, if he wants to, by dividing the fortune up in parcels that are small enough to entirely avoid the law.

Mr. SUTHERLAND. Mr. President—

The PRESIDING OFFICER (Mr. ASHURST in the chair). Does the Senator from Nebraska yield to the Senator from Utah?

Mr. NORRIS. I yield.

Mr. SUTHERLAND. I want to say to the Senator from Nebraska that with very much he has said I entirely sympathize. I have for many years been in favor of an inheritance tax; we have had in my own State a very good inheritance-tax law which has resulted in bringing a great deal of revenue to the State without any injury to the persons who have been taxed; but I think the Senator's proposed scheme of taxation is fundamentally wrong in some particulars.

In the first place, the Senator makes no difference between property which descends directly to the wife and children and persons who are directly dependent upon the deceased and—

Mr. NORRIS. Will the Senator let me answer that before he goes to the next proposition to which he has an objection?

Mr. SUTHERLAND. I have not quite finished my statement about that—property which descends or is willed to collateral heirs. This is what occurs to me about that: Here is a man who has a widow and a family of children, he has accumulated through a lifetime a hundred thousand dollars, which is not a swollen fortune in these days, at any rate; that hundred thousand dollars safely invested in most communities would produce an income of about \$5,000 per annum. Five thousand dollars per annum to the family of that man, when you come to consider the fact that he has earned the money which he has left to them, is not an unreasonable income. I do not think that the bequest of property or which descends by operation of law, when it amounts to that sum of money or even to a larger sum ought to be taxed at all. I would be in favor of taxing it if it went to a collateral heir, who had nothing to do with earning it, but not in the case of an estate of a hundred thousand dollars to the accumulation of which the wife may have contributed her part, and which belongs to her as much as it does to the husband, and in many instances where the children have assisted to some extent. That ought to be excluded altogether. I think, in framing a Federal inheritance tax, we ought to exempt at least \$200,000 where it descends directly to the wife and to the children for their benefit. Of course, when we come to State taxation, which deals with smaller amounts, that perhaps ought not to be done. That is my first objection.

Mr. NORRIS. Allow me to answer that, and then I will yield to the Senator further after I have done so.

Mr. SUTHERLAND. Very well.

Mr. NORRIS. The Senator's first objection is more a matter of detail. I would not have any particular objection to a larger exemption than that for which I have provided. I have said nothing about direct and collateral heirs, because I did not want to encumber the proposition, so far as the Federal Government was concerned, with that question, which has many difficulties in it. In the case the Senator puts as to a fortune of \$100,000, let us see just what the tax would be.

Mr. SUTHERLAND. It would be \$500.

Mr. NORRIS. It would be just \$500. The first \$50,000 would be exempt; the next \$50,000 would be taxed at 1 per cent. That would not be a hardship in case the heir has to pay only \$500.

Mr. SUTHERLAND. I see no reason for taking a single cent from the wife and children under those circumstances.

Mr. NORRIS. The Senator so thinks on the theory that the wife and children helped to make the \$100,000.

Mr. SUTHERLAND. Whether they did so or not.

Mr. NORRIS. I would not quarrel with the Senator two minutes about making the exemption higher, so far as I am concerned, because it is the large fortunes that I wish to get at; but I do not think there is any hardship in the case the Senator puts. I do not believe this provision could result in a hardship. This tax imposed on \$100,000 under this bill would require the payment of \$500. There would be \$99,500, or practically \$100,000, left. That would bring more than \$5,000 income.

In the next place, I do not believe there are fortunes even as low as \$100,000 where the children do very much toward their accumulation; but, on the other hand, they have been an instrumentality of expense during the time of its accumulation. I can see the man who has a little home, working a little farm, or working by the day in a factory, who is worth \$500 or \$800, or perhaps \$1,000 or \$5,000, with his children at work and his wife working, and they are all equally interested in the accumulation of their little income. In that case all of those people have an interest, and they ought to be protected in the combined income of the family; but that will not apply in a case of even \$100,000, where we come to the tax. In those cases the members of the family by their own efforts have not accumulated the fortune, as a rule. There may be a few exceptions, but I have not known of any in my lifetime. So, while I would be willing to concede all that the Senator has claimed, yet if it were necessary to get this enacted into law I would not stop to argue it; but it is not very important.

One other suggestion the Senator has made, and that is in regard to collateral and the direct heirs. My theory was that I would leave the exemptions so large that if this bill became a law it would necessarily follow—not necessarily, but it would follow—that all the States would enact inheritance-tax laws so as to take as much at least as this law provides, in order to get the benefit of the remission provided for in the bill to the States, and they would undoubtedly commence lower down. Their object would be to raise taxes, and I confess that my principal object in the legislation that I propose has not been to raise revenue, but to break up enormous fortunes. I now yield further to the Senator from Utah.

Mr. SUTHERLAND. Another suggestion which I desired to make to the Senator was this: I entirely sympathize with the Senator's view with reference to the evils which result from the amassing of vast fortunes. I think it is one of the great evils which we have in this country to-day. To my mind, there are indeed two great evils; first, the evil of putting into the hands of a few men a vast sum of money or a vast deal of property; and then the evil, which lies at the opposite pole, the depriving of a vast number of people of even the common necessities of life. Those are the two things in our civilization that I think very greatly threaten it, and I would sympathize with any legitimate effort for breaking up both conditions of affairs to which I have referred.

I think it is a very great evil for any man in this country to have as much as \$50,000,000 or to accumulate in a single lifetime as much as \$50,000,000. It is a menace in and of itself, and will turn out to be so as it comes to be more and more understood—it is a menace to our scheme of civilization. So I quite agree with the proposition of the Senator from Nebraska. I myself have always advocated a graduated inheritance tax, making the tax larger as you go to the larger amounts.

The power to tax is the power to destroy, as has a great many times been said. There is no limit to it. We may utilize it either for the purpose of raising revenue or we may utilize the taxing power for the purpose of accomplishing an entirely

ulterior thing, as has been determined by the Supreme Court many times. So I do not quarrel with that proposition; but the thing that occurred to me about it was, if the Senator makes his rate of taxation so high that it amounts, when you get above a certain sum, to practical confiscation, does the Senator not think that there can successfully be devised methods of getting around that by incorporating, for example? Could not some individual who has a very large fortune, millions of dollars, knowing that a fourth of it or a half of it was to be taken if he should leave it to one of his heirs—could he not form a corporation and dispose of it in that way?

Mr. NORRIS. I do not know how he could. Of course, I do not know but that it might be possible, though personally I am not able to see now just how it could be done.

Mr. SUTHERLAND. Well, it has been done for other reasons. Wealthy men have, as I understand, incorporated their estates and have in their lifetime so arranged the shares of stock that they are not obliged to go through the probate court at all. I am not entirely familiar with the machinery of it, but I simply invite the Senator's attention to a danger of that kind.

Mr. NORRIS. That would be an evil if it is possible, and after it was enacted into law if it were found that such a thing could be done it would necessitate an amendment.

Mr. SUTHERLAND. In other words, we may sometimes defeat our own purpose, however good it may be, if our law be too drastic.

Mr. NORRIS. Does the Senator think that in the part of the amendment where it is provided that a bequest exceeding \$50,000,000 shall be taxed 75 per cent the tax is too great? The Senator must remember that that means that the first \$50,000,000 will be taxed at the lesser rates.

Mr. SUTHERLAND. Yes.

Mr. NORRIS. So that the 75 per cent would be only on the excess over \$50,000,000. Does the Senator think that is too great a tax?

Mr. SUTHERLAND. In one sense, Mr. President, no. I have always been rather conservative not only about matters of this kind, but about all matters. That is a matter of temperament; and I happen to have been constructed on the plan that I always like to know my destination before I make a start. When I know what the destination is, I may be quite willing to go there; but I do not like to proceed in a haphazard way.

I think, of course, that nobody is seriously injured if the whole amount of a fortune over \$50,000,000 were taken over by the State.

Mr. NORRIS. Speaking about going far, I will say to the Senator that I would not hesitate if I thought we had a right to enact that kind of law, to absolutely take everything above \$50,000,000.

Mr. SUTHERLAND. I think if the holding of such vast fortunes were impossible, it would be a very wholesome thing, so far as that is concerned. I have not the slightest doubt about it.

Mr. NORRIS. Of course, when we are exercising our taxing power I presume if we should take all of a fortune there would be danger of the law being held unconstitutional.

Mr. SUTHERLAND. I have not the slightest doubt—

Mr. NORRIS. I will say to the Senator that I have tried to go so far that the man who has the fortune would himself try to divide it up in lesser amounts. I have offered an inducement to have him do that. We have practically said by this provision, "If you do not divide up your fortune, we will do it for you just as soon as you die." The trouble with these millionaires is that they want to control their fortunes not only while they live, but after they are dead.

Mr. SUTHERLAND. I think such huge fortunes are exceedingly unwholesome, and I quite sympathize with everything the Senator has said about that. I have said the same thing myself. That has been my opinion for a good many years, and the suggestions which I am making to the Senator are not to be taken by him as hostile criticisms.

Mr. NORRIS. I do not so take them. I am very much obliged to the Senator for his suggestions.

Mr. SUTHERLAND. But they occur to me, and I make them for what they are worth.

Mr. NORRIS. I know the Senator is acting in the best of faith.

Mr. SUTHERLAND. The other suggestion which I think is worthy of a good deal of consideration in a matter of this kind is that which has already been made by the Senator from California [Mr. WORKS] as to what amount is going to be raised by this scheme of taxation. We have already imposed an income tax which has been greatly liberalized by an amendment

adopted on Saturday. If the original estimate made by the committee, that the first draft of the income-tax provision would raise \$100,000,000, is correct, the amendment as it now appears will raise perhaps \$150,000,000 per annum. If the Senator's scheme, even leaving out of consideration the immense fortunes, were adopted, I would venture to say that it would raise perhaps more than \$150,000,000 per annum.

Mr. NORRIS. It might raise considerable temporarily. We might get a large amount from the estates of some immensely wealthy men who happened to die immediately after the enactment of the law; but the Senator will realize that if this provision were put on the Federal statute books every State would get busy and pass laws that would be at least as drastic as this in order that they might take advantage of the benefit and get for their own treasuries the 95 per cent of the taxes paid as provided for in the amendment.

Mr. SUTHERLAND. I think the Senator's provision would raise for some time a very large sum of money per annum. If we add that to the amount which is to be raised by the income tax, there will be paid into the Treasury an immense sum of money which in itself will constitute a direct invitation to extravagance.

Mr. NORRIS. The Senator ought to consider that I presume within the next year practically all of the legislatures of the States will meet, and the Senator does not doubt that at the first meeting of every State legislature they would enact an inheritance-tax law in order to get for each State its share of the moneys that would accumulate on account of this provision?

Mr. SUTHERLAND. That is probably so, but, of course, in the last analysis neither the Senator nor myself need trouble ourselves very much about what will happen under this amendment, because, in all probability, it will not be adopted.

Mr. NORRIS. I am afraid that our friends on the other side have surrendered their conscientious convictions to caucus control; I believe this amendment would be adopted if it were not for the decree of the Democratic caucus against it.

Now, unless there is some other question which some Senator desires to ask me, I will yield the floor. I had about concluded when I was interrupted.

Mr. WILLIAMS. If the Senator from Nebraska has yielded the floor, I desire to make a correction. I find this morning in the Record that precisely the opposite of what was intended to be done on Saturday was done with regard to the amendment beginning on page 219. My motion was to disagree to the Senate committee amendment in the paragraph beginning on line 4, page 219, the Senate committee amendment itself being in lines 6 and 7, in the words "upon a form to be prescribed by the Secretary of the Treasury according to the nature of the case." The Senate committee amendment having been to strike that out of the House bill, my motion was to disagree to the Senate amendment and restore the language of the House bill there, and that was carried.

There is also a subsequent Senate committee amendment that came up later in the same paragraph of section 4, beginning in line 21, page 219, and ending with line 7, page 220. The motion there was to agree to the Senate committee amendment, but that Senate committee amendment is, according to the Record, disagreed to. I move to reconsider the votes in order that the mistake may be undone and the matter fixed right.

The PRESIDING OFFICER. The question is on the motion of the Senator from Mississippi to reconsider the votes by which the action referred to by him was taken on the amendments indicated.

The motion was agreed to.

Mr. WILLIAMS. In lines 6 and 7, page 219, I move to disagree to the Senate committee amendment there.

The SECRETARY. It is proposed to strike out the words "upon a form to be prescribed by the Secretary of the Treasury, according to the nature of the case."

Mr. WILLIAMS. Now, the question will come up upon the motion to agree, and by voting "no" we will disagree to the amendment and the language of the House bill will be restored.

The PRESIDING OFFICER. The question is on the amendment.

The amendment was rejected.

Mr. WILLIAMS. Now, I move to agree to the Senate amendment beginning in line 21, page 219, and terminating in line 7, page 220.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment referred to by the Senator from Mississippi.

The amendment was agreed to.

Mr. CHILTON. Mr. President, I do not know whether or not the Senator from Nebraska desires a vote upon his amendment at this time.

Mr. NORRIS. No; there are two or three Senators who desire to speak upon it.

Mr. SHERMAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from West Virginia yield to the Senator from Illinois?

Mr. CHILTON. Of course I will yield for a question at this time, but I desire to submit some observations to the Senate, and I presume this is as good a time as any to do so.

I should apologize, Mr. President, for saying anything upon the pending bill, but the debate has taken a very wide range and, rather than apologize, I will say to the Senate that I will occupy only a few moments of its time.

The PRESIDING OFFICER. The Senator from West Virginia is recognized.

Mr. CHILTON. Mr. President, the present bill has been in the Senate, with a favorable report from the Committee on Finance, since the 11th day of July. I believe that every Senator upon the minority side of the Chamber, except those who are on the sick list, has addressed the Senate at least once, some of them twice, and some of them many times, and some have made the same speech several times. Every section of the bill has been debated, and every objection that could be urged has been presented and discussed. Hundreds of amendments have been offered. Many days of discussion have been given to some of them, and if there be any source of information as to the duty of taking the people and the industries of this country out of the darkness of the Payne-Aldrich system into what we propose as the light of a new system, then it has not been suggested. It is difficult to imagine what it might be. Some one upon the other side of the Chamber said the other day that a new day is coming, and one of the leaders of the Democracy responded that the new day had already come. I want to correct both of them by saying that the people have declared for the new day, and are now patiently waiting, and have been waiting since the 4th of March last, for the party who promised it to usher it in. If there ever was a convert to and a believer in the doctrine—call it new freedom, progressivism, or what you may—that nothing should stand between the representative and the people, and that nothing ought to debar a majority of the voters of this country from having anything they want, consistent with the natural and constitutional rights of each individual, that convert is the Democratic majority. Formerly this was the belief of a majority; now it is the living conviction and the expressed party demand of the Democracy. We on this side believe that each representative of the States and the people here should cast each vote as if a majority of the people of his State were present and the representative was casting the vote simply because it is inconvenient for the people to cast it for themselves. But ever since this Government has been a government it has been administered by political parties, and as long as it shall be a government of the people that system will be a necessity. Once destroy the right or the power of the people to express themselves here through their political organizations and the Government will soon become a prey to personal and financial organizations, beside whose misgovernment the few objections to political organizations will be quite trivial.

In every State in this Union governors, legislators, Congressmen, and Senators are elected by political parties, and while strife between political parties has often been upon issues which were not real, still the essential fact remains that in some sort of a way political parties get together and each nominates candidates for governor, for Congressman, for members of the legislatures, and for United States Senators, and they elect them upon platforms or principles always enunciated before the people pass upon the merits of the candidates or of the political party. The primary-election system, the groundwork of election reform, recognizes parties. Indeed, it is built upon the essential truth that this Government will be run by political parties, and that nominations require, therefore, all the safeguards of a general election. We can not reform political parties by abolishing them. Recognizing that party government has come to stay, the people have demanded that primaries and other reforms shall regulate them. The Democrats of the Senate have held an open, fair primary on this bill and have elected it. In the last election there were three great political parties, which it may be now said were, at the beginning of the campaign, in sight of the Presidency and within reach of controlling the legislative branch. These were the Democratic Party, its ancient enemy the Republican Party, and the new Progressive Party, organized by that extraordinary man, who, as member of the legislature, civil-service commissioner, police commissioner, Assistant Secretary of the Navy, Vice President, and President of the United States, has measured swords with the great men of the earth, and who has distinguished himself, in his private capacity as historian, scholar,

editor, and naturalist, and crowned his achievements in 1912 by taking up the handicap of bolting the Chicago convention and organizing, within the space of four months, a political party which got more votes and carried more States than did the Republican Party. Great as was this achievement, and much as I am ready to concede of intellectual and personal force and political prowess to the eminent citizen who led it, I am forced to believe that less was due to his personal powers than to his acuteness in striking at the psychological moment. It can hardly be doubted now that the revenue bill now upon the statute books—the Payne-Aldrich bill—was, at the time of the assembling of the Republican convention in Chicago in 1912, the most unpopular statute, barring the alien and sedition laws of Adams's administration, that the people ever started in with a firm determination to repeal. While it may be denied in certain quarters now, still the sober judgment of the country felt then as it feels now, that this law was passed in violation of the solemn promise of the Republican Party made in 1908 to revise the tariff downward.

It must be admitted that the words of the Republican platform in 1908 do not use the word "downward" in this connection, still the construction put upon the platform by the party leaders, and especially by the candidate for the Presidency at that time, made it clear enough that not only was a revision upward not anticipated, but that a revision downward was intended. During the debate upon the bill in 1909 the meaning of the platform and its contemporaneous construction by the leaders of the party was thoroughly ventilated, and anyone who reads those debates is forced to the conclusion which I have stated. It will serve no good purpose to go into the details of the manner in which the Payne-Aldrich Bill was passed nor to analyze its schedules for the purpose of showing that the indictments against the bill by what was then known as the insurgents were justified. I do say that when the campaign of 1912 opened no party which apologized for the law or which did not promise to repeal it or correct what the people believed to be its inconsistencies, enormities, and wrongs had any sort of chance to be successful in that election, and when by the fortunes of war or the manipulations of committees, not for me to decide, it became a foregone conclusion that the President who signed the Payne-Aldrich bill and who "swung around the circle" and delivered a series of speeches in its defense, would be the nominee of the Republican Party, it ought to have been apparent to anyone who deserved the name of politician or statesman that that party was doomed to defeat and, as I shall show later on, the platforms of every other political party and the result of the vote in November following demonstrated the correctness of this view. We may differ upon details, we may differ upon the free list, the cost of labor in certain productions at home and abroad, the desirability of putting trust-made articles upon the free list, and how to graduate the income tax, but if we shall try to record in our action here the vote of the people of the United States in 1912, I am forced to say, with the greatest respect for anyone who may differ with me, that any bill which gives the people sufficient revenue to run this Government, which substantially tries the experiment of reducing the high cost of living by taking some of the taxes from the necessities of life, and which recognizes the consuming public as a factor to be consulted, is much preferred by the voters to the law now on the statute books.

At the election there were cast the following votes for each of the prominent candidates for the Presidency: For Wilson, 6,293,454; for Roosevelt, 4,119,538; for Debs, 300,672; Chafin, 206,295; and for Taft, 3,484,980. In other words, the party which stood for the Payne-Aldrich bill received about 23 per cent of the vote cast, while the other three leading parties together received approximately 75 per cent of the total vote. It is somewhat remarkable that the platforms of 1912, enunciated by the four leading parties in the country, should so soon be forgotten. It is even more remarkable that the leading men in public life should in discussions on this floor base an argument against this bill upon an alleged fact, which a very little investigation would disclose was the old story of the wish and the thought and thence to the belief and its acceptance.

The junior Senator from Wyoming, in a recent address to the Senate, took the position that all the votes cast for Taft and for Roosevelt in the election of 1912 were votes in favor of a protective tariff, and it was because of that position that I made the calculations and looked up the story of the election returns already given. However, it is far from our purpose to allow the position of the Senator from Wyoming from any standpoint to go unchallenged. The most casual reading of the Progressive platform will show that every intelligent vote cast for Roose-

velt was a specific rebuke to the Payne-Aldrich bill. I have found in that document the following strong language:

We condemn the Payne-Aldrich bill as unjust to the people. The Republican organization is in the hands of those who have broken, and can not again be trusted to keep, the promise of necessary downward revision.

There can be no mistaken view about the meaning of this language. I call attention especially to the charge that the Republican Party has broken faith with the people and that it can not be trusted to keep the faith, and that the Republican organization was not competent to revise the tariff downward. I leave it to a candid public to reconcile the vigorous English just quoted with the claim of the Senator from Wyoming.

Again quoting from the first, last, and only declaration of the Progressive Party:

We demand tariff revision because the present tariff is unjust to the people of the United States. Fair dealing toward the people requires an immediate downward revision of those schedules wherein the duties are shown to be unjust and excessive.

Assuredly if any voter would vote for that clause in the Progressive platform, he would be amazed if told that he did so in order to indorse the Republican program on the tariff. But I quote again from the same platform:

Primarily the benefit of any tariff should be disclosed in the pay envelope of the laborer.

Having denounced the present law as unjust to the people, and having declared that the Republican organization was in the hands of those who had broken faith with the people and could not be trusted to keep the promise of necessary downward revision, it is a most modest claim to insist that the clause just quoted meant to express the conviction of the Progressive Party that the then lean pay envelope of the laborer was evidence of the broken faith of those who cry "protection to labor" into the ears of everyone who makes an effort to put business upon a competitive basis by reforming a condemned revenue system. It certainly requires no excessive strain upon credulity to construe the Progressive Party's demand for "an immediate downward revision," its gentle reminder that the Republican organization could not be trusted to keep a promise, and its sarcastic generality about the pay envelope, when taken together, as an indictment against that kind of protection then in the public mind, the result of the past performances of the Republican Party. But let us quote again from the same document:

We declare that no industry deserves protection which is unfair to labor or which is operating in violation of Federal law.

Can anyone make good the claim that these declarations are in accord with the Republican position upon this floor, demanding protection whether or not it is enjoyed by trusts that control the greater part of the product, many of which have been convicted of violating the Sherman antitrust law? Is there a clause in the Payne-Aldrich tariff bill which holds out to labor any hope that it will get any part of the increased cost of an article due to the protective tariff in any other way than through demands of its organization or the law of supply and demand in labor?

In view of the fact that at the time the clause which I have just read was written the Republican Party had been in control of the Government for over 15 years and strikes were prevalent in many of the great textile industries, as well as in many other industries whose products were supposed to have been protected for labor's benefit by the Payne-Aldrich bill, what could have been in the mind of the party which announced this plank except the Republican Party, its platform, its policies, and the then very apparent failure of labor to get its share of the high tariff through the pay envelope? But there is another plank in that platform equally as conclusive upon the point which I am trying to make. In view of the absence of much consideration for the consumer upon the part of a section of the minority now claiming sympathy with the Progressive platform, the clause which I am about to quote is interesting. It reads as follows:

We believe that the presumption is always in favor of the consuming public.

That sounds more like a message of President Wilson or the report of the present Finance Committee than even acquiescence in, much less indorsement of, the Republican position upon the tariff. It may be set down that whenever the consumer is mentioned in a platform it is not the Republican platform. Whenever the consuming public is to be a factor in framing a revenue bill it is a safe guess that the Republican Party is not in a majority in Congress. That this peculiar language was used at that particular time is a mountain of evidence that the leaders of the party who framed that platform were getting far away from the old stand-pat Republican idea of the tariff. They were anxious that the voters should under-

stand that the new Progressive Party did not propose that the Democratic Party should have a monopoly upon the idea that the consuming public, the largest part, indeed all, of the population, should have not only consideration but favor, if any should be distributed, in framing the tariff. It is now a part of the history of this debate upon the pending bill that the Democratic members of the Finance Committee have shown that it is the purpose of our party to give the presumption always in favor of the consuming public, and in doing so they have followed not only a time-honored principle of the Democratic Party, but the exact rules laid down by the Progressive Party for reforming the tariff. It is true that the platform of the Progressive Party favored a tariff commission to report to the President and to Congress. But, consistent with its other declarations which I have quoted, it made the following qualification:

The work of the commission should not prevent the immediate adoption of acts reducing those schedules generally recognized as excessive.

So careful were the framers of the Progressive Party platform to acquiesce in the demand for immediate revision that it made it a part of its covenant that its demand for a tariff board should not be used as an excuse to prevent the immediate downward revision of the tariff.

Therefore I say that the Democratic Party is amazed to hear it claimed upon this floor that a vote for Roosevelt in 1912 was a vote for a protective tariff, as understood and announced by the Republican members. The exact contrary is the case, as the quotations which I have made from the platform verify.

But the hopelessness of the Republican position on the tariff, in any issue before the masses, is apparent from another factor in the recent election returns.

There were 900,672 votes cast in the election of 1912 for the Socialist candidate for President. Let us see whether or not, by any fair construction of the language of the Socialist platform, these votes were cast in favor of the Payne-Aldrich tariff bill or the protection system which the framers of that bill are advocating at this time. In the Socialist platform, under the head of "Political demands," clause 3, we find the following:

The gradual reduction of all tariff duties, particularly those on the necessities of life, the Government to guarantee the reemployment of wage earners who may be disemployed by reason of the tariff schedule.

Comment is hardly necessary. I could leave that language to speak for itself. It demands a reduction of all tariff duties, not some, but lays particular stress upon those duties levied on the necessities of life. There is just as much reason for claiming that the 900,672 votes cast for Debs should be counted in favor of a protective tariff as understood by the Republican Party as to make such a claim for the vote cast for Roosevelt.

It is useless to quote here from the Democratic platform, but with the permission of the Senate I will insert the Democratic tariff plank of 1912 as a part of my remarks:

We, the representatives of the Democratic Party of the United States, in national convention assembled, reaffirm our devotion to the principles of democratic government formulated by Thomas Jefferson and enforced by a long and illustrious line of Democratic Presidents. We declare it to be the fundamental principle of the Democratic Party that the Federal Government under the Constitution has no right or power to impose or collect tariff duties except for the purpose of revenue, and we demand that the collection of such taxes shall be limited to the necessities of government honestly and economically administered. The high Republican tariff is the principal cause for the unequal distribution of wealth; it is a system of taxation which makes the rich richer and the poor poorer; under its operations the American farmer and laboring man are the chief sufferers; it raises the cost of the necessities of life to them but does not protect their product or wages. The farmer sells largely in free markets and buys almost entirely in protected markets. In the most highly protected industries, such as cotton and wool, steel and iron, the wages of the laborers are the lowest paid in any of our industries. We denounce the Republican pretense on that subject and assert that American wages are established by competitive conditions and not by the tariff.

We favor the immediate downward revision of the existing high and in many cases prohibitive tariff duties, insisting that material reductions be speedily made upon the necessities of life. Articles entering into competition with trust-controlled products and articles of American manufacture which are sold abroad more cheaply than at home should be put upon the free list.

We recognize that our system of tariff taxation is intimately connected with the business of the country and we favor the ultimate attainment of the principles we advocate by legislation that will not injure or destroy legitimate industry.

We denounce the action of President Taft in vetoing the bills to reduce the tariff in the cotton, woolen, metal, and chemical schedules and the farmers' free-list bill, all of which were designed to give immediate relief to the masses from the control of the trusts.

The Republican Party, while promising tariff revision, has shown by its tariff legislation that such revision is not to be in the people's interest, and, having been faithless to its pledges of 1908, it should not longer enjoy the confidence of the Nation. We appeal to the American people to support us in our demand for a tariff for revenue only.

It can thus be seen that the Democratic Party, the Progressive Party, and the Socialist Party, which together cast over 75 per cent of the total vote of 1912, made a direct attack upon the Payne-Aldrich tariff bill. If it is to be said that the Socialist plank was a flank movement instead of a front charge,

it is all sufficient to fall back upon the vote of the Democratic and Progressive parties, which together gave over 10,300,000 votes. The Democratic Party did not condemn the law upon the statute books in any more vigorous language than did the Progressive Party. The latter condemned it, in terms, as "unjust to the people" and demanded a tariff revision because of its "injustice to the people." Anyone who votes against the present bill can make his own reckoning with the voters as we who intend to vote for it must do; but if the Progressive Party were in the majority and making this bill and should present one on the lines suggested by the amendments which have been offered by the Members of the Progressive Party, or by those who call themselves Progressive Republicans, or by those, if any such there be, who have not yet made permanent political alliances and could be happy with either the Republican Party or the Progressive Party, "were t'other dear charmer away." I would frankly say that I would prefer any such bill to the Payne-Aldrich tariff and would readily vote for it rather than go back to my people and say I had missed an opportunity to substitute for the present condemned law a bill which more nearly meets the demands of the platform of the political party to which I belong. The day may be put off, but some time in the near future every Senator upon this floor must settle with his own constituents whether or not the bill offered by the Democratic Party is better than the Payne-Aldrich bill, and must make up his mind to go back to his people and explain why he voted to leave upon the statute books a bill condemned by over 75 per cent of the voters. And what a condemnation it was!

It seems to me that Mercy must have stood by Justice as the roll of the States was called in that election, and remembering Lincoln, Grant, Garfield, and Blaine, the great Dolliver, and the other eminent men and achievements of the Republican Party must have fairly shuddered when she realized that the roll call had proceeded down to the letter "T" without a single score standing to the credit of that party. She comprehended that there were few from which to select and that something must be done quickly to prevent the Republican Party from drawing a blank in the presidential election. There was but one State under the letter "U." In the "V's" there were Virginia and Vermont, but Virginia, the mother of Presidents and the birthplace of Wilson, was not to be considered. In the "W's" there were Washington, West Virginia, Wisconsin, and Wyoming. Washington was guarded by her alert junior Senator; West Virginia had been shaken too deeply by the new freedom to hold out hope; and Wisconsin's senior Senator had done his work too well for that State to fail to draw the broad distinction between true reform and the succotash of Rooseveltism or revert to standpattism; Wyoming, while accounted as a standpatter, had suffered and had felt the throb of the progressive movement from Sundance to Bitter Creek, and even her distinguished leaders on this floor who still cling to the old name and "plotted at Mentone" with their Bourbon brethren against the new Napoleon could not hold out even a hope to the willing goddess. There were no "X's," no "Y's," no "Z's." Therefore Mercy had a small list from which to choose and little time to make the choice. Justice was proceeding with the roll call, for she cared nothing for memories, names, or consequences. For the gentle Mercy it was then or never. She grabbed from the remainder of the list all that was possible. From the letter "U" she took the one State of Utah, from the "V's" she chose Vermont, and these two, which together had eight votes, were "snatched from the burning" as the seed corn of the reactionaries. Upon the granite green hills of the one and beside the dead sea waters of the other she planted the tattered flag of those who deliberately chose to stand with their faces toward Nebuchadnezzar and the Ptolemies for political inspiration. The followers of those two tiny, far-apart flags, like the monarchists of France, with their faces to the setting sun, still argue against the progress which engulfed them, and they now contend, backed only by eight little votes, that the Democratic Party is not commissioned by the people to revise the tariff downward because it did not receive a majority at the last election and Mr. Wilson was elected by a mere plurality.

That fact may be conceded without lessening the significance of the result from the standpoint of either reason or history. The fact is that the present law and those responsible for its passage were politically overwhelmed. The result shows that had the question been put, "Shall the Payne-Aldrich law remain permanently as a part of the statute law of the country?" the result would have been such a negative as probably to have swept even Utah and Vermont to the side of progress. When the voters went to the polls in 1912 they knew that a plurality was sufficient to carry any State, and they thoroughly understood that the election of Mr. Wilson meant that his party would revise the tariff downward and would

restore a revenue tariff and destroy the one formed for the purpose of protecting certain interests. The result in every State carried by Mr. Wilson by a plurality has the same significance to him and his party as if it had been carried by a clear majority over all. Governors, Congressmen, and members of the State legislatures are elected in the same way; and this is the first time that it has ever been argued that a party must be false to its platform pledges because it did not carry every State necessary to constitute a majority in the electoral college by a clear majority. It was part of the compact made with the people in 1912 that if the Democratic Party should win by either a majority or a plurality then it would do exactly as it is doing now—revise the tariff downward in good faith so as to put business upon a competitive basis and make a tariff that is justified under the Constitution.

But Mr. Wilson is not the first President who has been elected by a plurality. Polk in 1844 lacked 14,125 votes of a majority. Taylor in 1848 was short 150,000 votes of a majority. Lincoln in 1860 received about 900,000 votes less than a majority. Hayes in 1876 was not elected at all, but occupied the presidential chair four years against an admitted clear majority of the popular vote for Tilden of nearly 200,000; Garfield in 1880 had over 300,000 votes less than a majority; Cleveland in 1884 was 200,000 votes short of a majority; Harrison in 1888 received 98,017 votes less than Cleveland and was short of a majority of the whole vote by nearly 500,000; and Cleveland in 1892 lacked 945,515 votes of a majority of the votes cast.

I know that the party which now stands third on the list of political parties in the United States meets these lessons of history by the claim that in States like West Virginia and Nebraska, for instance, the electors for President were elected by only a plurality in 1912, and that for this reason Mr. Wilson's election can not be compared to the instances cited. But they forget that Cleveland in 1884 carried New York by a plurality of only 1,149, and that Lincoln's election in 1860 was due to the candidacies of Douglas and Breckinridge, which divided the opposition strength.

They forget that in the election of 1860 California gave Lincoln a plurality of less than 700 over Douglas, when there were over 40,000 votes cast for other candidates. Georgia cast its vote for Breckinridge by only a plurality. Kentucky was carried by Bell by a plurality; Louisiana voted for Breckinridge by only a small plurality; Maryland for Breckinridge by less than 1,000 plurality; Missouri for Breckinridge by less than 500 plurality. Oregon was carried by Lincoln by a plurality of a little more than 1,300, and there were 3,000 votes cast for the other candidates. Tennessee went for Bell by a plurality of less than 5,000 over Breckinridge, and there were 11,350 votes cast for Douglas. Virginia gave Bell about 300 over Breckinridge, and there were 8,000 votes cast for the other candidates.

In the election of 1876 Indiana was carried by Hayes by 5,500 plurality and there were 9,533 votes cast for Cooper.

In the election of 1880 Hancock carried California by a plurality of less than 100 with nearly 4,000 votes cast for the other candidates. Garfield carried Indiana by less than 7,000 plurality with nearly 13,000 votes cast for Weaver. In that election New Jersey was carried by Hancock by a plurality of 2,000 with over 2,800 votes cast for the other candidates.

In 1884 Cleveland carried Connecticut by a very small plurality. He carried Indiana by a plurality of over 6,000, with 11,000 votes cast for the other candidates. Massachusetts was carried that year by Blaine by a plurality of 24,000 when there were over 34,000 votes cast for the other candidates. Blaine carried Michigan that year by a plurality of 43,000, when there were over 60,000 votes cast for the third candidate. Cleveland carried New Jersey that year by a little over 4,000 plurality, when there were over 9,000 votes cast for the third candidate.

The broad claim that Mr. Wilson is a plurality President is admitted, but history shows that among the list of Presidents mentioned above others stand in the same category, and Mr. Wilson is therefore in law, in morals, and by precedent as clearly commanded to carry out the platform pledges of his party as were Polk, Taylor, Buchanan, Lincoln, Hayes, Garfield, or Cleveland. But at the election of 1912 Mr. Wilson got a plurality of over 2,100,000 and received 435 electoral votes to 89 for Roosevelt and 8 for Taft. Nothing in our history compares with this net result save and except the second election of Jefferson, in 1804, and the two elections of Monroe, in 1816 and 1820. But when it is noted that the combined vote for Taft and Roosevelt in 1912 did not equal the vote for Taft in 1903 by about 70,000 nor the Roosevelt vote in 1904 by about 20,000, all grounds for Republican consolation are wiped away.

But this bill contains an income-tax provision which taxes incomes by graded scales, commencing at incomes of \$3,000 and increasing the rate as the income is larger. The Democratic,

the Progressive, the Socialist, and the Prohibition Parties are committed to an income tax by their platforms. These parties together received 11,519,939 votes in 1912, or over 76 per cent of the total vote cast. The Republican Party alone omitted to mention the income tax in its platform. Its history commits it to the high protective-tariff theory. The Morrill, the McKinley, the Dingley, and the Payne-Aldrich Tariff Acts would drown the voice of any Republican and contradict any plank in the party's platform which would hint at the possibility of the immense incomes of the country supplying the place of a tariff tax taken from the food and clothing of the people. We congratulate it in its consistency in standing by the protective-tariff act, which is its own handiwork, and in refusing to indorse or even mention the income tax, demanded by over 76 per cent of the voters.

We expect the Republican Party to vote against this bill. There is no reason why a party which passed the existing revenue law, which indorsed it at the last election, and which failed to take any notice of the strong sentiment favoring an income tax should support our bill. But we do insist that those who vote against it upon the alleged ground that the free list is too extensive, and that the protected interests of the country can not stand the reductions made, take the risk of sorely disappointing over three-fourths of the American voters, who will demand more than a mere excuse for putting the graft of an unreasonable tax above the forward step of an income tax. The Democrats are willing to take all the honor of inaugurating an income tax. If those representing the other parties which have indorsed this reform are content to spend the rest of their lives in explaining why their names and their party's standards shall not be mentioned in history among the supporters of the first income-tax law, which no court can set aside, then we are content. If it be the wish of the minority in the Senate that there shall be added to our cup, now overflowing with the confidence of the people, the unexpected glory of not being compelled to share the honors of passing an income tax, then indeed we are blessed even beyond our deserts.

We are also criticized here because we as a party have been long considering the tariff and have given many weeks of close consideration to the bill now pending in a conference or caucus, whichever it may please our opponents to call it. The usual arguments against caucus government do not apply to the present situation. That argument can not be potential in a situation like that which confronts the Democratic Party now, until there be some way devised by which political pledges can be made in the concrete or until on every vote each Representative in Congress can be held directly responsible to the details of the popular will as expressed at the next preceding election. A majority of the Senators on this side of the Chamber were elected prior to the election of 1912, and while every member of the Democratic Party feels bound by the platform pledges of that year, still the very nature of the subject would leave some room for honest minds to differ upon the details of the various schedules of any bill that might be proposed. That the party is pledged to revise the tariff downward no one disputes. That we adhere to the doctrine of a revenue tariff no one worthy of the name Democrat would deny. That the history of the Baltimore convention and the campaign which followed commits every Democratic Senator and Representative to fight to substitute something better for the Payne-Aldrich bill is so plain that it occurs to anyone as self-evident that had the contrary been threatened by anyone during the campaign he would have been hissed from the platform and denounced by the party. Every one thoroughly understands that the Napoleonic tactics of dividing the stronger enemy is the only possible plan by which the Democratic program can be thwarted. With a clear majority of six in this body, the people of this country expected the Democratic Party to confer together and agree upon a bill which would substantially carry out the Democratic program, and then stand by the bill as interpreted by the combined judgment of the party as represented here. No one, two, or three sections of the country as represented in the Democratic Party in Congress could pass a tariff bill. It requires the united strength of the whole party to do so, and there is no way to get the united strength of the party except through and by a conference or caucus.

Our promises made at Baltimore were made by delegates representing every State in the Union. That convention did not differ from a conference or caucus except in size. It was in a sense an open caucus. Having made the pledges in a convention, there is no reason why they should not be interpreted in a similar convention of those charged with the duty of carrying out those pledges. Whether the Democratic meetings here be called conventions, conferences, or caucuses, the purpose of them is to interpret the Democratic platform and convert that inter-

pretation into law, and that this course would be pursued was the understanding of almost every voter who cast his ballot for Mr. Wilson. I often heard it charged during the campaign by those who supposed that the high protective theory still lived that individual and local interests would be subordinated to the action of the Democratic Party in caucus—a charge which I never denied. In the campaign the tariff was made a party issue, and it is too late for us to consider whether that was wise or expedient. The tariff was then and is now a party issue, and if there be a Democratic Party it must have a bill that stands for the party. In other words, it must be a party bill. We would have been subjected to ridicule and charged with bad faith had we not organized the Democratic Party here in the Senate, and, after composing any differences in detail, presented to the Senate a measure which is the party's interpretation of the platform upon which we staked our principal fight. This is the only practical course by which we can redeem the pledges made by the party and to be kept by the party. We shall therefore not be frightened by the continual reference on this floor to the fact that this bill was agreed upon in caucus. For every Democratic Member to meet in caucus to redeem the party pledges, and for each to decline to interpose any excuse to relieve him from the promises made by his party to his people, is a long step in the direction of progress and is a most wholesome sign that the people have a pretty good hold upon their Government. The most that can be said of the caucus charge is that every member of the Democratic Party in this Senate is not only willing but anxious to adopt a practical course by which the doctrine of responsibility to the people shall be a fixed principle of representative government. To let the people understand that there is a way by which the majority party can make good its platform pledges will outweigh any supposed unpopularity of the word "caucus." The people will readily distinguish between a caucus gotten up to dodge a promise and one whose purpose is to keep a promise. After all, the bill must speak for itself. If this bill does not square with our party pledges, it can be easily shown, and we are ready to take the responsibility.

The Democratic Party may now well profit by those instances in history when the dominant party failed to hold a party caucus in order to thrash out any differences as to detail. The Wilson-Gorman bill was passed in the Senate without any Democratic agreement. The Republicans got busy and emasculated it, and the 16 years of our party's wandering in the wilderness ought to impress upon us the lesson that such a precedent is not a safe one to follow. The Payne-Aldrich bill was passed without a party caucus by the majority party. As to whether or not the precedent has anything to invite us I will point to the empty seats upon the other side, to the 23 per cent of the total vote cast for Taft, to the eight votes for him in the electoral college, to the political complexion of the House of Representatives now and at the last session, and to the politics of the man in the White House. If the Democratic Party should be tempted to adopt the Republican plan of passing a tariff bill, I beg of them to take a look at that party now and be thoroughly reconciled to the plan which we have adopted at this session.

The attempt to hold up the President as a dictator in this legislation will neither frighten us nor will it find any lodgment except among those who want his administration to represent the last effort of the people to free themselves from a system of unequal taxation, which in the supreme test of 1912 was wanted by only 23 per cent of the voters of the country. What has the President done? He has delivered one message to Congress upon the tariff. It seems that that message has inspired terror in the minds of those who had capitalized for all future time, as they supposed, the right to tax the consumer, and that the defenders of the old system have imagined that the President, who wants to cancel a mortgage upon the brains, muscle, genius, and opportunity of the country, has been guilty of the same things which were necessary to be done in order to create the mortgage. They must not deceive themselves that in order to get rid of the Payne-Aldrich tariff bill it has been necessary to do those things by means of some of which that bill was passed. It is not surprising that the great trusts of the country should become nervous after reading the election returns. When the country saw a President of the people promptly call Congress together to carry out the mandate of the election, and read the patriotic, clear message which called upon the representatives of the people to keep the faith, of course there was alarm among those who lived in the tariff blockhouses and, in the language of the senior Senator from Mississippi, "walked upon stilts."

The message of the President was not an appeal to prejudice, nor to selfishness. It was a patriotic call to righteousness in government, to strict accountability, and a high standard of responsibility in our representative system. It breathed the

honesty of Cromwell and the stubborn courage of Jackson. No one could hear it or read it without a deep conviction that the President proposed, so far as in him lay, that government should be a most serious business, and that platforms looked to him after the election exactly as they did before. Does it seem strange to any school of politics in this country that we have a President who takes seriously the stump speakers and the leaders who during the campaign pledged the party's faith that if successful its President would see to it that the pledges of the platform would be sacredly fulfilled? That was the war-cry which nominated Mr. Wilson, which inspired the party during the election, and which was repeated upon every platform; and there is everything in the President's public life and addresses to carry home the conviction that he is the man who would do that very thing.

But he has not tried to influence Congress improperly. No one will dare to make such a charge. Let us be fair and perfectly frank with each other in discussing this matter. Jefferson, Jackson, Lincoln, Grant, Cleveland, McKinley, Roosevelt, Taft, and other Presidents kept in close touch with legislation and were freely consulted by party leaders in Congress, and they advised for or against legislation. Former Presidents have sent many special messages to Congress while legislation was pending. President Wilson has sent but one upon the tariff. The consternation which this message has stirred up is its highest compliment. *Æsop's fable* is in point. The fox nagg'd the lioness because the latter gave birth to but one offspring, whereas the fox gave birth to many. The answer of the lioness was, "Unused leonem," a liberal translation of which is "I give birth to but one, but it is a lion." President Wilson has given Congress but one message on the tariff, but it is a message. It justly excites those who thought that he might not have been in earnest. It is not a new thing for a President of the United States to have decided views upon public questions nor to express those views both publicly and privately. No one can point to an unconstitutional act of the President.

The only difference between the situation now and that which confronted some Congresses which have heretofore assembled is that the present President is known to be a man of learning who has devoted the best part of his life to the study of political economy, the history of his country, and the genius of its institutions. It is further known that he is a man of force, who is willing to take responsibility, and his advice and counsel would probably be more potent with an intelligent Congress, as it assuredly has been with the people, than were the advice and counsel of some Presidents who have preceded him. Certainly no one will blame him for taking the position that he will not, in the face of the promise to revise the tariff downward, sign a bill which does the reverse and then proclaim it as the best bill ever passed by Congress. Assuredly he can not be blamed for asking the Democratic Party to be true to itself and honest with the people. Whatever promises have been made by the party he is responsible for, just as much as is the Congress. It is not alone the party's promise; it is the pledge of every legislative and executive candidate elected. Is there anything strange that the joint obligor to the people of the United States shall ask and insist that his coobligor shall not default? And are we, the coobligor, to be amazed that our partner in the contract with the people asks us not to repudiate our obligation? I deny that the President has forced or attempted to force anything upon this Congress or has attempted to hamper any Senator or Representative in the discharge of his duties. He has used no power upon Congress except the moral force of an earnest man impressed with his responsibility. The people of the country understand the difference between a boss and a leader. This does not consist alone in difference in methods. They differ in methods and their sources of power and in their differentiation of self-imposed limitations upon the use of power. Neither politics nor statesmanship is more of an exact science than is personality or human nature. After all, the people alone are the judges of official conduct, and upon their judgment will depend the solution of the question whether or not a President is a boss or a leader. The boss and the leader are as old as civilization. The boss acquires power in any way possible and uses it for time-serving purposes, whether such purposes be patriotic or not. The leader acquires power by moral force and by appeals to reason and to patriotism. He uses that power for the public good as pledged and construed by the party or movement which votes for him.

While the President is the natural and elected leader of the Democratic Party in the great movement in which the party is now engaged, there has been no attempt by him to set aside the other leaders of the party nor to minimize the rights or prestige of those leaders. This Senate has followed the leadership of its Finance Committee, and that committee has taken the advice,

after full opportunity to be heard, of every member of the Democratic Party, and upon that party rests the responsibility of government at the present time. The President is not dictating to the Finance Committee nor to the Democratic Members of the Senate. He has taken an interest in the legislation which, when completed, will represent a covenant performed or broken. What we promised, President Wilson promised. What we do, he must approve before it becomes a law, and he must execute it afterwards. He would therefore fall very short of his responsibilities if he failed to take his place among the leaders of the Democratic Party in both the House and Senate and help the party to steer its ship—if I may use the same figure as that of the Senator from Iowa—not only past the Scylla of high protection, but past the Charybdis of agnosticism, panic, fear, uncertainty, and indecision upon the other side. We have no fears that the people will be deceived by the situation here. The last effort at tariff reform in this country brought forth the statement from the great Dolliver that the year in which that effort was made, to wit, the year 1909, would be made historical as the year in which there was a revision of the tariff downward, and the discovery of the North Pole by Dr. Cook. The President naturally uses every legitimate argument and influence to the end that some new Bull Moose Dolliver may not have grounds to assert humorously and sarcastically that the year 1913 occupied a greater page in history as the one in which the Democratic Party revised the tariff downward and Dr. Friedman gave to America a genuine tuberculosis cure, or in which Huerta restored representative government in Mexico. The President can not help it, if his party's promises should involve erroneous principles, but he objects that it should be unfaithful or ridiculous.

The Republican Party in 1909 needed what the Democratic Party has now—a leader who knows the people and who has no strings upon his pledges to serve them; who is impressed with their earnestness and in sympathy with their needs; who is sure enough of himself and his party to be human and practical in framing constructive legislation; who does not fear to work in a proper and legitimate way with the other leaders of the party in framing measures demanded in order to carry out the solemn compact made with the people by all of the legislative and executive nominees of the party. The whole party is now practically united upon a program of principles, but two of our number feeling constrained to dissent from our interpretation of the party's pledges.

Our friends on the other side profess to feel sure that we are mistaken and that our bill will bring disaster. They prophesied that even the threat to pass the bill would cause a panic. This last prediction might have come true if the country had not been fortunate enough to have an administration that took a different view of the duty of executive officers from that possibly supposed by some who made these predictions. There have been times when the gamblers in stocks and currency had only to show signs of a drunken pain in order to bring the Secretary of the Treasury to New York with the Government's millions. By depositing twenty-five to fifty millions in a very few banks the patient would sit up and take nourishment. Very soon he could move about sufficiently to annex a few more banks and trust companies and to absorb one or two dangerous industrial rivals, and then the patient would be discharged as restored, and the country would be asked to thank the patient without a word for the people's money that financed the cure and paid for the property that changed hands. It then paid to become financially ill in upper financial circles. The people now have a much firmer grip upon their Government. Financial pains now beckon the Treasury doctor to the people, not to Wall Street. The credits of the Nation, its ever-abundant cash, and its unparalleled influence are now assets of the Nation to relieve legitimate business in the small cities and towns which can not keep in touch with the stock ticker, and which do not feel like paying the penalty for mistakes in high finance and are not called upon to pay the high cost of artificial depression. The new freedom is in truth and in fact the possession of all the people, and their Government is a living example of it.

What has been done to free the executive department from private control and to make it a serviceable agency, under the law, for the public good we offer as a guaranty that the law which we propose will free business and will standardize the industries of the country upon the energies and genius of the people. Business ought to know by this time that it can not have a permanent status upon a high protective tariff basis. For the same reason that the people of a city will agitate against a well-recognized graft or special privilege to a few, the people of this country will never submit to a revenue system which is a tax in name but which gives the Government the smallest part of the tax and private interests the largest share.

Till the public conscience becomes seared and our citizenship ready to deceive itself with the mere name of public purpose as the justification for a tax upon consumption a high protective tariff must face attack at every election. There can be no industrial peace, no business stability till our tariff laws are framed upon the principle that any tariff tax is a burden upon all the consumers and must be justified upon the same reason as is any other tax. When our tariff policy shall become fixed and settled so that business can plan a long time ahead it will not be upon a high protective basis.

The opposition to this bill practically admits that it has not sufficient votes in the Senate to amend the bill and can not defeat it upon the final vote. We feel sure that they are correct in this opinion, and they are therefore responsible to the country for any further delays in the passage of the bill.

If business shall be held up, then the Democratic Party can very properly say that it has prepared a revenue measure, is ready to pass it, has the votes to pass it, and would pass it at once but for the fact that the country has not yet taken the progressive step which will force the Senate of the United States to so modify its rules as to bring debate in the Senate to an end at some time. My only consolation for this delay is that it will impress the country with the importance of forcing the Senate to amend its old, tiresome rules so that a majority can transact business.

We thoroughly understand that there are Members of this body who will feel a little nervous in saying to the country that they prefer the Payne-Aldrich tariff bill to the present one. We know that their discomfiture will not be relieved by the contemplation that the pending bill carries an income-tax provision, which guarantees to lift from the burdens of the people a large part of taxation and put that burden where it properly belongs. If they want to vote to retain the present law and against an income tax, they can do so, but they may well remember the votes by which the one was condemned and the other approved.

The Democratic Party is ready and willing to go to the country upon the proposition that its theory of the tariff is right and that the Republican theory is wrong. It is also ready and willing to have the country decide whether or not its income-tax measure is sound. It is likewise anxious that the Senate of the United States may go upon record to pass or defeat the measure. The country understands that the party that supports a high protective tariff, as announced by the Payne-Aldrich bill, has gained its last victory in many years. If the Democratic Party has any serious opposition in the near future, it will come from the Progressive Party or from some party with more moderate views than the Republican Party upon the tariff question. The Republican Party can not be brought to life again by protracting the debate upon this bill. The new Progressive Party is pressing forward for a hearing. It has burned its bridges behind and has its bayonets fixed for the charge, and the reactionaries can not drive it back to the rule of the few. It will not permit the Republicans to furnish the committeemen while the Progressives provide the votes. The Democracy understands that its campaign of education has been thorough and that a Progressive is only an overeducated Democrat, long on leadership and short on the Constitution, but nevertheless its chief antagonist is no longer the Republican Party.

Confident that this bill represents an effort made in good faith to redeem its pledges to the people; that it is on the right track; that it will bring relief; that it will help the consumer; that it will not injure legitimate business; that it will equalize tax burdens; that it will give opportunity to those now brow-beaten and held down by combinations that have monopolized most of the resources of the country and the avenues of distribution in most of the walks of life, the Democratic Party awaits the issue here with composure and welcomes an appeal to the country with confidence.

Mr. WARREN obtained the floor.

Mr. WILLIAMS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Wyoming yield to the Senator from Mississippi?

Mr. WARREN. I do.

Mr. WILLIAMS. On Saturday, by inadvertence, I neglected to offer an amendment which I offer now. In line 6, on page 171, I move to strike out the period and insert a comma and to add the language which I send to the desk.

The PRESIDING OFFICER. The Secretary will state the amendment.

The SECRETARY. On page 171, line 6, after the word "thereof," insert:

Except when such compensation is paid by the United States Government.

Mr. WILLIAMS. I will explain to the Senate that it has been a mooted point for a long time as to whether a United

States Senator is a United States officer or a State officer, and it was thought by some that if the exemption of State officers remained in the bill without this qualification all Senators' salaries might escape taxation under the income tax.

Mr. WARREN. Does the Senator wish a vote on the amendment now or to let it lie over?

Mr. WILLIAMS. I wish it passed now.

Mr. WARREN. Very well.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. WARREN. Mr. President, it would be an ungenerous foe indeed who could not congratulate his adversary on his winning. I believe I can say that the thoroughbreds of all parties, whatever their name, will respond to the cry, "To the victors belong the spoils." Of course, it is perfectly evident now whom the victor is to be. The spoils will naturally follow.

I congratulate my friend from West Virginia [Mr. CHILTON] upon the pleasure he has had while explaining how his President was elected by the minority, and the Democratic Representatives and Senators likewise. So it has happened before. The Senator says it is not a confirmed evil. I admit that. However, that does not change the fact. I am willing to accept the amendment as well made.

I observed as the Senator was proceeding with his speech he was somewhat guarded when he spoke of protection. He always spoke of it as high protection. But I think it is as well now, when we are to vote on this measure and when it is to go to the country, that the country should know just what it means. The fact is it means either protection is to end and we are to have absolute free trade or there will be some other bill that will pass in place of this measure in the not distant future.

I also observed that the Senator in his explanation of his party's accession to power challenged a statement that I made to the Senate that the Republican and Progressive Parties favored protection in their national platforms of last year. The Senator quoted part, claiming it was all of the Progressive platform on the tariff, in assailing my statement, but he failed to quote that item in the platform which reads:

We believe in a protective tariff which shall equalize conditions of competition between the United States and foreign countries, both for the farmer and the manufacturer, and which shall maintain for labor an adequate standard.

Had the Senator quoted this portion which I now quote and which I quoted before of the Progressive platform he would have refuted his own argument.

The Senator has been a little sarcastic about the divisions in the Republican Party. I would be the same if I were in his place. We regret it on our side, but we have had the advantages of differences on the other side in times past. They have been rather radical sometimes in the last 20 years, and I have no doubt those differences will appear again. If I am not very much mistaken, from the echoes we get out of the dark places where the caucus holds sway there are some progressive speeches. There are some progressive individuals in all caucuses and probably among members of the present dominant party. I do not wish them any harm. There can not probably anything worse happen to them than what has happened to us. It is all in the day's work.

Mr. President, I had not expected to take any further time, as the Senate has been generous enough to listen to me on two or three previous occasions, but I have been a patient listener, aside from the two or three times when I ventured upon the attention of the Senate. However, I want to state what my view is in short terms as to what this bill means and what the Senators on the other side expect it to lead to.

HOW WYOMING WILL FARE.

So far as the State of Wyoming, which I have the honor in part to represent, is concerned, it means absolute free trade from the first. Every item that my State produces for the market is to be sold in the market of the world with no benefits of protection while the producers of those items must buy their items in the protected market.

As the debate has progressed and the Senate amendments, both original and those offered from time to time, have been adopted, it has been perfectly apparent to me.

First. That the State of Wyoming is left high and dry on the rocks so far as protection is concerned, although she must buy largely in a fully or partially protected market.

Second. If I can judge, however, from what has been said in debate by the proponents of this bill, it will be but a short time before manufacturers and others who are now left partially protected will find themselves sliding down the toboggan rapidly to a final and absolute free-trade basis.

Third. That the socialistic idea of taking away from those who have and distributing among those who have not is the final goal toward which we are drifting.

Our markets for agricultural and manufactured products are to be opened up to the world and our supplies are to come largely from outside our own lines until wages in this country can be reduced to the level or below that of our foreign neighbors.

Already every product of Wyoming which that Commonwealth has to offer for sale—coal, cattle, sheep, meats, wool, hides, grain, and so forth—has been stripped of every scrap and atom of protection.

It seems that a jackscrew is being used to let down the manufacturers, but a battering ram is to be in play to reduce the farmer.

The public ought to know that it seems abundantly apparent from the bill itself and the arguments adduced that absolute free trade in all lines is the goal to which our friends the enemy, politically speaking, are drifting.

FIRST STEP TOWARD FREE TRADE.

This bill measures only the first step in the Democratic advance toward free trade. It is the initial triumph of the theorist in the school of political economy. It is the experimental, uncertain, incongruous, and dizzy conglomeration of the cubist delineator of a revenue producer. It is the partial realization of the dream of the political college professor. It does not represent the fulfillment of Democratic prophecy. It is but an index of that prophecy; the outline of a hope; the partial response to a prayer. It is but an experimental dose. Others are to follow if the patient survives. The deadly narcotic warranted to put to sleep any American industry is the brew of many witches in dark and secret conclave—otherwise the Democratic caucus. There is poison enough to go around. There are ingredients enough in the caldron for everything that resembles a protected industry.

The bill is but an index of the purpose of the Democratic Party to eventually wipe out the last vestige of protection. It does not represent the last word in Democratic tariff tinkering. It is the party's foreword; its epilogue to the tragedy. It is a mild and gentle curtain raiser to steady the nerves of the audience for what is to come after. From it and the program of the party's play we can judge but little of what is to follow. If the same players are to hold the stage and the great audience is to patiently sit out the performance, we may well conclude the final act will be a dark one.

This bill is the first assault upon the citadel of protection. The leaders of the Democratic hosts declare it to be such. It is but a slight lowering of the tariff wall, to use the language of the party's herald. It is but a partial, a gradual, an easy letting down of the masonry.

The distinguished military engineer of tariff reform at another place in the Capitol declares that in order to not harm American industries too much, in order that thousands of workers and laborers employed inside the walls may not be hurt, the Democratic Party has endeavored to lower the tariff wall with a jackscrew, since it was not commissioned to use an ax.

I must admit that picture of the lowering of a wall with a jackscrew is picturesque at least, and I have approached it from many angles.

If the Democratic House of Representatives, following the lead of the Democratic caucus that followed the lead of the Democratic Committee on Ways and Means that followed the dictation of a Democratic President, has given us an illustration of the lowering of a tariff wall with a jackscrew, then the Democratic Senate of the United States has grossly assaulted the ramparts with a battering ram.

It has at least made holes in the wall that an ax, even in the hands of the distinguished chairman, Mr. UNDERWOOD, could never have produced. The difference between the execution in the House and the Senate is pretty well outlined in a speech of one of the Junior Members of this body, but who for many years has been an acknowledged party leader. That distinguished Senator in a spirit of triumphal accomplishment said, and I quote his exact words:

(Senator HOKES SMITH in an address before the Georgia Legislature July 18, 1913. See S. Doc. 137, 63d Cong., 1st sess.)

For the first time in 50 years legislation intended to take the burdens off the masses of the people has found no resistance in the Democratic Senate. It must be conceded by all that the Senate Democrats have made the tariff bill more Democratic than it was when it reached the Senate.

The House Democrats put flour upon the free list, but taxed wheat. The Senate Democrats put both upon the free list.

The House Democrats put meat upon the free list, but taxed cattle. The Senate Democrats put meat and cattle both upon the free list.

The House Democrats left a tax of 25 per cent upon cheap woolen blankets. The Democrats of the Senate put them upon the free list. The House taxed wool of the Angora goat and alpaca. The Senate Democrats put them on the free list. The House Democrats taxed flax and hemp. The Senate Democrats put them upon the free list.

The Senator was extremely modest in his summary of Democratic achievement in the Senate along the line of making this bill "more Democratic than it was when it reached the Senate." He might have named at least fourscore and ten other articles upon which the House fixed what it styles a "competitive tariff" and the rates on which have been either wholly stripped off by the Senate or reduced below the temperature necessary for their life.

Truly, if the House used a jackscrew the Senate has employed a battering ram. But whether the House bill or the Senate bill or a modified conference bill is to measure this first step of the Democratic Party matters little; for it must be borne in mind it is but a first step. Others are to be taken until at least the body politic has reached the Democratic purgatory of strictly a revenue tariff, or, worse still, the bottomless pit of free trade.

Every declaration made by the party leaders since its victory in November, 1912, proves that the present bill does not measure the party's full purpose. The leaders declare the goal must be reached by degrees.

In his message personally delivered to Congress, called in extraordinary session by him to revise the tariff, President Wilson said:

We must abolish everything that bears even the semblance of privilege or of any kind of artificial advantage. * * * It would be unwise to move toward this end headlong, with reckless haste, or with strokes that cut at the very roots of what has grown up amongst us by long process and at our own invitation. It does not alter a thing to upset it and break it and deprive it of a chance to change. It destroys it. We must make changes in our fiscal laws, in our fiscal system, whose object is development, a more free and wholesome development, not revolution or upset or confusion. In dealing with the tariff the method by which this may be done will be a matter of judgment exercised item by item. To some not accustomed to the excitement and responsibilities of greater freedom our methods may in some respects and at some points seem heroic, but remedies may be heroic and yet be remedies.

PRESIDENT OPPOSED TO PROTECTION.

In the words "It would be unwise to move toward this end headlong, with reckless haste," and in the words that follow, the President clearly outlines the purpose of his party to proceed ultimately to the goal of free trade or a revenue tariff, which in the end is the same.

The President of the United States is now and has always been unalterably opposed to the policy of protection. When asked upon one occasion if he advocated the repeal of all tariff laws, he replied:

Of all protective-tariff laws, of the establishing a tariff for revenue merely. It seems to me very absurd to maintain that we shall have free trade between different portions of this country and at the same time shut ourselves out from free communication with other producing countries of the world.

So far, then, as this bill and the President of the United States are concerned, it is but an entering wedge. The President regards it as but a single step in the direction of his cherished goal.

Mr. UNDERWOOD, chairman of the Committee on Ways and Means, and whose name will forever be linked with the measure, in presenting the bill with the committee's report to the House on April 23, 1913, said:

The Democratic Party stands for a tariff for revenue only, with the emphasis upon the word "only." [Applause on the Democratic side.] We do not propose to tax one man for the benefit of another, except for the necessary revenue that we must raise to administer this Government economically. Then, how do we arrive at a basis in writing a revenue tariff bill? We adopt the competitive theory.

We have not been able to wipe out all the favoritism that you [Republicans] have engrafted in these bills, because a great many of the industries in the United States have been built up on the rotten foundation that you placed under them. Too great harm would result to industries, to the thousands of workers and laborers employed therein, were we suddenly to destroy these foundations. So far as it was practicable to do so without working an absolute injustice to the American consumer, we have endeavored to lower the tariff wall with a jackscrew, since it was not our commission to lower it with an ax.

I see myself guilty of incorporating that "jackscrew" picture again, but it will bear repetition, and possibly I may be the only person so dense as to be unable to perceive the easy process of lowering foundations with a single "jackscrew."

That the picture of just what was being accomplished did not meet the estimate of at least one Democrat is manifest from later proceedings. At most, he did not adopt the "jackscrew" theory.

The second member of the Committee on Ways and Means from Mr. UNDERWOOD declares the party's purpose in plain terms (RECORD, p. 536). He says:

We can not reform all the evils for which high protective tariffs are responsible in a day. We do not promise at the outset to accomplish in a year all the reforms the people of the country are demanding, but we do claim that in the bill we are presenting now we are taking a long step in the right direction.

As to the agencies that are being used to accomplish its initial purpose, he says in the same speech:

We recognize that wool is the keystone in the arch of protection. With all the force of a mighty party, with all the impact made possible by 20 years or more of waiting, we have kicked the keystone from the arch, and the arch is already commencing to crumble.

And again there was applause on the Democratic side.

The speech closed with a prophetic vision of the time when absolute free trade would exist between the nations of the world.

There is no suggestion of a mild and easy "jackscrew" in this last picture. The whole Democratic Party, with all the force of its leg muscles, bent up for 20 years awaiting the opportunity, with its mighty feet incased in 4-ply cowhide, from which the tariff is being removed, the awful assault is being made along the line. The keystone has been kicked from the arch "and the arch is already commencing to crumble."

That, Mr. President, is a picture that my dull comprehension can the easier imagine.

Every member of the majority of the great Ways and Means Committee attested and acknowledged the restraining influence of the party caucus. Every one declared the bill to be but a partial fulfillment of the party's program. Each owned up that it was not near enough a revenue measure to please him; that it did not go so far as it would have gone had he been given the individual task of drawing the measure.

Possibly the personal view of a Democratic Member from Pennsylvania; not a member of the Ways and Means Committee, goes as far in outlining the situation—the party's purpose—and in indicating future action as any other. He spoke on April 26 last as follows:

Mr. Chairman, even the distinguished chairman of the committee which drew the measure now under consideration does not claim it to be a perfect one. It falls far short even of his ideal. It is in large part a compromise of conflicting elements, and in certain details it is sadly disappointing, especially to those who had hoped that in a Democratic tariff no vestige of privilege or favoritism would be found.

But faulty as the measure may be in particular items, far as it falls short of perfection, sadly as it may lack in consistency, it is still a long step in the right direction. It has merits so surpassing that its shortcomings are almost neighbors. It goes so long a way toward the redemption of Democratic promises and the fulfillment of popular expectation that even the free trader, like myself, may applaud it with sincerity and vote for it without stultification.

Had I been writing it, items which now find a place in the dutiable list would certainly have been dropped therefrom. In a score, or perhaps a hundred, instances duties which seem to me excessive and indefensible upon any revenue ground would have been brought lower if not eliminated.

In this Underwood tariff we find an achievement along Democratic lines which may well appeal to Democrats of all shades and all persuasions. It so splendidly enlarges the free list that we may forgive its errors in the direction of according privileges to special interests. * * * Not since the Walker tariff bill of 1846 have we had one drawn so nearly in harmony with the revenue idea.

"Sadly disappointing, especially to those who had hoped that in a Democratic tariff no vestige of privilege or favoritism would be found."

At the time those words were uttered the Member had no means of knowing what the Senate Democrats were going to do with the bill. To-day he is probably not so sadly disappointed, and he has far more opportunity to discover how privileged products in certain localities can be played as favorites.

From speeches made by men in another place, not far distant from this Chamber, it would be easy to show without any possibility of contradiction that the bill now about to pass is not the full measure of Democratic hope or expectation.

The American manufacturer, the American farmer, and the American artisan who was fooled last fall, whose attention was distracted for the time from the real issue—possibly some of whom gave their votes for the Democratic electors under specious promises that the party was to reduce the cost of living, level wealth, and right every wrong—should now begin to realize what is before them. They should realize that the bill now being enacted into law is but a single step in the direction of free trade. They should know that after they have whetted their wits "against the wits of the rest of the world" under its working, and until their poor wits are tired, they are later to come up against the real thing, where the whetting of wits must be practiced as a science and under conditions that will test not only the wits but the patience and endurance of the strongest of men.

Before passing entirely from the subject it will be well to place some Senators in our galaxy of witnesses as to the purpose and mission of the party in power. The RECORD is replete with declarations.

SENATORS PROCEEDING TOWARD FREE TRADE.

The Senator from North Carolina [Mr. SIMMONS], chairman of the Committee on Finance, has repeatedly asserted the purpose of the party in the majority to proceed along the line of tariff revision until the goal of a revenue tariff is reached. It is his contention, as well as the contention of all party leaders upon that side, that the avowed policy of a tariff for revenue only was indorsed by the people in November, 1912. The only question is as to just how fast the goal shall be approached.

The Senator from Georgia [Mr. SMITH], a most potential Member in this body, has on divers occasions given emphasis to the party's purpose to frame a tariff bill upon the revenue basis. In addressing himself to the agricultural schedule, and especially to the rates upon machinery, he said:

We have cut the rate one-half. I hope it will be cut again before a great while. I hope that we will really bring the entire tariff to a revenue basis in the course of time. But I think we have gone as far as we could in this bill now.

In some of these duties we have left we have recognized existing conditions. I speak for my own mental operation in approving them. I have recognized existing conditions. I have felt that we could not afford to go as far as I would like to see the law go lest serious injury would affect those industries, in view of the position they have occupied in the past.

Later on in the same discussion the Senator used these words:

I believe it will help industries to take them out of the hothouse. You can not take a plant out of a hothouse instantly and put it where it is exposed to the weather. You must do it by degrees. What I meant when I said I hoped for progress, and what I meant when I said in this bill I had voted for duties higher than those I wished, was to consider them as a hothouse plant—a plant that ought to have been out in the sunlight—but has been hothoused. We have not put them out completely, but we have put them out a good part of the way, and we expect them to grow and flourish. I earnestly hope for the prosperity of every industry in the United States.

Mr. GALLINGER. Do I understand the Senator to say, representing himself, if not his party, that he believes the Democratic Party is to get entirely rid of tariff duties?

Mr. SMITH of Georgia. I have not undertaken to speak for the Democratic Party at all.

Mr. GALLINGER. Speaking for the Senator himself?

Mr. SMITH of Georgia. I expressed the hope.

And later still he said:

This bill expresses my view of what should be done now to a large extent, but not on every item. I could not hope to see a tariff bill that met in every item what I believe in; and if I worked out one by myself and then thought of it for 30 days longer, I do not believe every item would be what I approved. But, take it as a whole, I believe in it, and I think we have gone as far as we could.

Mr. GALLINGER. What attracted my attention particularly—and the Senator is not the only Senator who has made the suggestion; my amiable colleague [Mr. HOLLIS] made it the other day—was that this is the first step, and that the Democratic Party intend to proceed along the same highway until they accomplish more than is accomplished in this bill, I was wondering how rapidly our Democratic friends intended to go in the direction of free trade.

Mr. SMITH of Georgia. Mr. President, it is impossible for us to tell the Senator that. I have illustrated the rapidity with which I wish to go. It would depend upon the rapidity with which certain progress is made. I believe progress will be made. I have the confidence that it will be made.

The senior Senator from Mississippi [Mr. WILLIAMS], who has had so much to do with the handling of the bill upon the floor, has frequently given evidence that the measure is not the last word in Democratic legislation to provide revenue, but that instead it is but a first step.

A little later still in the debate, after the senior Senator from Idaho [Mr. BORAH] had said:

If the Senator from Mississippi is entirely logical in his statement, it was the deliberate design, as I understand, of the framers of this bill to kill the wool industry.

The senior Senator from Mississippi replied:

The Senator's assumption, as far as wool is concerned, is not an assumption that is accepted by me. It may be that putting some product upon the free list in this bill will destroy the industry. If that be true, then as to that particular product we have simply traveled too fast and too quickly. I do not say every paragraph in the bill is perfect.

It would possibly be profitable to quote more liberally from the remarks of the Senator from Mississippi, but the words already quoted, and that seem to be generally accepted as gospel upon that side, are sufficient to show the purpose of the Democrats of the Senate is not unlike that of the Democrats of the House, to place the tariff upon a revenue basis—not so soon as the country may be able to stand it, but so soon as the Democratic Party believes the time is ripe and conceives it has a further mission to perform.

Before quitting this branch of testimony I desire to add a single quotation from one of the younger Senators, who seems to have caught the infection—a New England Senator who seems to feel that New England manufacturing enterprises may to some extent be an evil in that they have attracted many

young men to their pay rolls who might otherwise have followed the plow upon the farm. I quote from the junior Senator from New Hampshire [Mr. HOLLIS]. He says (RECORD, p. 3614):

In other words, we find that expediency and fair dealing block the way to an immediate resumption of a constitutional tariff, for we are confronted with the need of raising an enormous revenue and by a host of hopeless, hothoused abnormal industries, nourished by a highly protective tariff, and which would be utterly destroyed by the immediate withdrawal of all governmental aid. To this extent we are handicapped in establishing a tariff for revenue only.

In the same speech the Senator declared his belief that certain rates in the bill were too high, and named specifically those of the cotton schedule, and continued:

I believe we have fulfilled our promise of a material reduction and have approached as closely a revenue basis as we safely may upon present information.

Of course, I could quote many pages from other Democratic Senators, but I believe it will be generally conceded upon that side that if the party remains in power it is to proceed to place the tariff upon a purely revenue basis, or to so amend the income-tax provisions and create other means sufficient to raise all revenue, and plunge the country into absolute free trade.

In a colloquy with the junior Senator from Minnesota [Mr. CLAPP], and after the latter had suggested that sooner or later the Democratic Party must acknowledge the basic principle of protection or accept the tariff-for-revenue-only theory, the Senator from Mississippi [Mr. WILLIAMS] said:

Does not the Senator from Minnesota recognize the fact that it must be later, and materially later? In other words, does not the Senator from Minnesota recognize, as a man of common sense, that although every line of what he has said is right, and although it is absolutely indefensible to have a tax system under which a part of the profits of the tax goes into the private pockets of individuals, nevertheless, having found a false and artificial condition to be amended and to be cured, no man of common sense would undertake to cure and amend it overnight? In other words, if a man lived in an old house, a bad one, and wanted a new house, he would not blow up the old house with dynamite, regardless of the inhabitants in it, but would, little by little, build a new house in place of the old one.

Does the Senator recognize that even if the fight must ultimately come between free trade and protection—or protectionism, as I prefer to call it—that fight can not come right now, and that it is absolutely impossible to have a logical principle running through a bill which is an amendment of the present existing heterogeneous fiscal laws of the United States? * * *

Any tariff bill must necessarily, confronted with the conditions with which we are now confronted, involve a certain degree of protection, and whether you call it protection for itself or protection incidentally makes no difference. Our duty, from our standpoint, is to make it involve just as little protection as we can.

Later in the same debate he said:

I, for one, have never said, and will not say, that this bill or any bill that we could draw up now—and everybody knows that I could not help saying that in ordinary frankness—that neither this bill nor any bill we could draw up now should—übernacht, as the Germans say—overnight, undertake to rush down a waterfall from one level to another; no bill could possibly be drawn up so as not to involve any protection at all. Therefore I have never said, and do not propose to say, that this bill is clear through, from beginning to end, a tariff for revenue only. All I have said is that it goes as far in that direction as we dare to go without—being confronted, as we are, with actual conditions—destroying men who have been put by the Government in a position where they must be ruined or else gradually permitted to come down. If a man is a hundred feet high, you can go up and let him down gradually, but if you go up and thereby pitch him down you will kill him.

Some statesmen will argue that, if this bill goes too far, if its effects are injurious, if it does not bring about the "new freedom" outlined and prophesied by President Wilson, the Democratic Party can retrace its steps. Oh, never! The Democratic Party never backs water. It will go to defeat before it will retreat. It will never acknowledge if ruin comes that it was the result of its policy. It will more readily determine that ruin was caused from the fact it did not proceed far enough in the direction of free trade. It exemplifies the truth of the old Latin couplet, "Facilis descensus Avernus, sed regradior difficile est." This, somewhat loosely and generously interpreted, means, "It is easy to go to hades, but it's hard getting back."

Everyone knows just how difficult it is going to be to connect Democratic tariff tinkering with ruination. The party began fortifying itself against such a contingency long before its bill was presented in the House of Representatives.

This bill measures only the length of the party's first step. With the thoughtful American citizen, and especially the producer and manufacturer, there must ever rest uncertainty as to when the next step is to be taken. It is not altogether pleasant to contemplate the possibility. While contemplating, however, it will be well to keep in mind the prophetic utterances of the junior Senator from New Hampshire:

Let these Senators remember that we are now taking merely a first step toward a revenue tariff. After we have seen the result of this first step we shall be in position to take a second. I very much fear that if we should make that first step so long that the cotton industry should receive a severe blow we might not be in a position politically to take the second step at an early date.

But even as a first step we have made a reduction on the whole cotton schedule * * * of 35 per cent. Two more steps like the first would leave the cotton industry of America entirely without protection.

We are going sled length in time. American industries and American workmen have been put on notice, and they can arrange their houses accordingly. Again I repeat that this bill is but one step in the direction of Democracy's goal.

DEMOCRATIC IDEAS MEAN FREE TRADE.

But, Mr. President, as the game has gone on, it has waxed warmer and warmer day by day. As the senior Senators have declared their allegiance to their old doctrine, which had slept under the latter version for many years, they have taken off the mask and disclosed their ideas, which mean free trade and nothing more. It remained for one of the younger Senators, the honorable Senator from Texas [Mr. SHEPPARD], on the 4th day of this month, to speak as follows:

Mr. President, the Republican Party may thank the doctrine of protection for its dissolution. No party, no nation, no man or group of men may permanently defy the truth. The Republican Party has been repudiated because protection is an infamy, a curse, a crime. The party that indorses such a doctrine must die; the government that practices it must fall. There is as much justice in taxing one man to feed and clothe another as in taxing one man to support the business of another. I believe that protection has been the source of more corruption and more woe in this Republic than any other agency outside of alcohol. Cherishing such a belief, I am against protection, both direct and incidental. I am against it wherever its venomous head is lifted, whether in my own State of Texas or in some other State. I shall never subscribe to the proposition that as long as protection exists in Massachusetts or in Pennsylvania it must be preserved in Texas, or that as long as protection is kept on one article it shall be retained on another. I can never consent to the idea that as long as another man is permitted to steal I propose to steal also. If I could not destroy protection in Massachusetts or in Pennsylvania now, that fact would not deter me from making every effort to destroy it in Texas now or wherever else I could strike it. In the name of the people of Texas I denounce protection as one of the giant evils of the time, and in their name I would do what I could to wrest unholy tariff privileges from the favored few in Texas without regard to whether I could immediately reach the pampered class elsewhere, and I would never arrest my efforts to eradicate this evil from every foot of American soil. Happily, sir, this bill represents a general assault on protection from one ocean to the other, and when enacted into law will so impair the foundations of this vicious system that its doom may be easily foretold.

The Underwood-Simmons bill carries more relief from excessive taxation for the American people than any other tariff measure in the 56 years since 1857. It does not attempt an entire overthrow of the protective system at this time, the disease being so deeply seated that conservative treatment is required.

And indeed, sir, the Democrats would have been more than human if they had been able to have adjusted the duty on every item among the 4,000 carried in this bill in such manner as to be proof against all objection. When it is remembered that the Democrats are not building a tariff system anew, but are compelled to begin the demolition of a high protective tariff that has been in operation for almost 50 years, and has become intimately interlinked with the vital parts of many industries, it is almost a miracle that they are able to present a bill making such progress in the right direction.

I am only bringing this matter up, Mr. President, at the present time so that those who choose to examine the doings of this last day may, as it were, have some index from which they may look back to discover what I have only in a cursory manner portrayed, and that is, that whatever is left of protection in this bill is left there because they dare not proceed further, and that the party which insists upon carrying this bill through and of declaring that protection, incidentally or otherwise, is a vice and a crime will surely, if left in control, proceed to the final end—absolute free trade.

HOW AND BY WHOM THE BILL WAS DRAWN.

The President of the United States has had a hand, a voice, and a potential influence in the shaping of this legislation.

Everyone admits the fact, although all are not agreed as to the extent and manner in which this influence has been exerted.

There has been a studied attempt on the part of some of those Senators and Members, most fearful and seemingly most self-responsible for the President's glory and fame, to minimize and circumscribe the extent of the President's influence in this regard.

Others, more frank and fearless, like the Senator from Colorado, have openly glorified in the President's interference with the legislative prerogatives, have set out the proposition that it is not only the right but that it is also the duty of the party's exalted chief to take a leading hand in the legislation that is to typify the policy of the dominant political party of which he is a member. All, as I say, have admitted this influence in framing, perfecting, and in the expected passing of the bill.

While thus acting, the President has taken unusual cognizance of any influence that might seem antagonistic to his own and the party's plans. Declarations were made from the White House that a hostile lobby was at work in Washington, and straightway plans were laid well calculated to frighten away from the Capitol anyone who might dare to appear, even for the purpose of making an ante-mortem protest over the extinc-

tion of his industry. The music has continued without much interruption since, and, with one Mulhall as the side attraction, has served for weeks to frighten away about everybody who might be opposed to the free-trade policy of running a great Government. There has appeared very little criticism during all this debate of those good emissaries, agents of foreign business houses, of importing houses in this country, and of the great sugar refineries who have been here in the interest of the administration's plans. These last have been angels of mercy, heralds of the "new freedom," and welcomed emissaries. All others have been wicked, hostile, pernicious agencies, and they have been frightened away.

While the bill was in the making its makers were in frequent conference with the White House. The bill rested there upon the Executive table; its sponsor pointed out the changes from day to day and reported to receive suggestions. Before it went to the party caucus of the House it received the "O. K." stamp of the President of the United States. It was baptized and christened before its real birth; it received the approval of the Chief Executive ahead of its introduction. Had the last parchment page been presented to the President upon the day the bill was presented to the Democratic caucus of the House of Representatives the President of the United States could have as easily and readily signed his name and given his approval.

Cover up the facts as best they may, shroud in mystery the White House conference as adroitly as they can, minimize the presidential influence and power as skillfully as skillful men are capable of, there is no gainsaying the fact that this is an administration measure we are about to enact into law, framed in full accord with administration plans, and having the power of the administration behind it. Some evidences of one way in which that power has been exerted—or, possibly I should say, may possibly have been exerted—is drawn by inference from reading the earlier pages of the Executive Journals of the Senate for the present session of Congress.

It is the first time in the history of the United States we have a tariff bill drawn by the representatives of a small minority of the people and by men representing a small fraction of the real diversified industries of the United States. The bill is drawn, championed, and will be passed chiefly through the overpowering influence of our good friends from the "Sunny South." I do not speak of this to reflect unkindly or unjustly upon any portion of the country. I refer to the subject simply that historical justice may rest where it belongs. Perhaps every Democrat in this body is pleased with the bill as a whole, although no single member of the party is pleased with all of its features. Every Democratic leader who has addressed the Senate has proclaimed the party's satisfaction and a willingness to accept the responsibility for the measure. When, then, the "new freedom" arrives, when the new political millennium is ushered in, the credit for this bill must rest with the South. Let credit go where it is justly due. So, now, the great industrial North and West, when about to get its new awakening, must take its hat off and make its acknowledgments. All hail the new and powerful South!

THE BILL A PATCHWORK OF LEFT OVERS.

The bill, in the first instance, was put together by Mr. UNDERWOOD, of Alabama, from a lot of old patchwork pieces left over from the Sixty-second Congress. To these was added the income-tax proposition, a subject remote and distinct from the tariff. Very well, then, Mr. UNDERWOOD, of Alabama, put the patches together. He had associated with him upon the Committee on Ways and Means a majority of the majority of Members from districts south of the thirty-ninth parallel of latitude. Of the 14 Democratic Members composing a majority of the committee, 8 are from the section named, as follows: Mr. UNDERWOOD, of Alabama; Mr. SHACKLEFORD, of Missouri; Mr. KITCHIN, of North Carolina; Mr. DIXON, of Indiana; Mr. HULL, of Tennessee; Mr. GARNER, of Texas; Mr. COLLIER, of Mississippi; and Mr. STANLEY, of Kentucky.

To these eight men more than to all others combined must be accorded whatever of glory and renown may come from the enactment of this legislation. Their brows must wear the laurel, and the political historians of the future must accord to them, very largely, the credit for the achievement. All of these men are time-tried, weather-seasoned, and experienced legislators. All have passed through seasons of tariff revision. Mr. UNDERWOOD himself has passed through no less than three such seasons and is now serving his tenth term.

These gentlemen, in daily contact with each other and in almost daily conference with the President of the United States, a southern gentleman, prepared this bill for the committee and the party caucus. It would be an interesting historical contribution to trace their fine hands and the history of the measure through the committee and the caucus; but I must leave this

subject to those who have had more intimate and personal experience with it.

We may get some idea of the caucus of the coordinate body from the CONGRESSIONAL RECORD.

That interesting publication shows that when last compiled the House of Representatives was made up of 435 Members. Of this number, 291 are classed as Democrats, 126 as Republicans, 7 as Progressive Republicans, 9 as Progressives, 1 as an Independent, and there is, or was, one vacancy. Thus it will be seen that the Democratic majority in the body referred to is 147, and the party's plurality over Republican Members is 165.

It may now be of interest to examine further into the make-up of the majority party in the lower body. Of the 291 Democratic Members, 184 have seen prior service in the body, while 107 Members are serving first terms, with the possible exception of one or two who have had prior service, but who were not Members of the Sixty-third Congress.

It will be interesting for those who cry loudest for majority rule and for popular government, either directly or through representatives, to consider the power lodged with the 184 Democrats of experience and long service in the body. No sane man will contend for one moment that the 107 new Democratic Members, called together in haste to consider and vote upon a new tariff bill that was practically prepared for them in advance, that they had never seen, that they had not had opportunity to read or know anything about, to which they must have their first introduction in the party caucus—no man will contend that these men had anything to do with the inception, development, or progress of this bill. They were novices. Their duty was to acquiesce. Their privilege was to take what was prepared for them. They had but to shut their eyes and take their medicine. Like sheep in the shambles they gathered inside the caucus pen, following the lead of their great shepherd, and took the salt. They were fresh from the farm and the forum and were useful in kicking the keystone from the arch of protection when Mr. UNDERWOOD pointed out its location.

Just how happy they were in doing this is joyously expressed by a Member, not wholly new to the caucus but whose words upon the floor were well calculated to inspire confidence in the breasts of novices and to stiffen their knees if there were signs of weakening. I quote from a speech by Mr. JOHN A. M. ADAIR, of Indiana, delivered on April 25 last. He says:

I shall vote for this bill as it was reported from a Democratic caucus without dotting an "i" or crossing a "t." I am one of those who believe in majority rule, and when a caucus of my party writes a tariff bill, regardless of whether each and every item in the bill meets with my approval or not, I shall stand by the action of the caucus and give the bill my hearty and enthusiastic support. No Democrat can do otherwise. * * * If we were to read out of the Democratic Party all Members who took issue with the Ways and Means Committee in our caucus on certain items of the bill, there would be none left to sustain the committee in presenting the bill as finally agreed upon to the House.

Similar sentiments were expressed by most of the Democratic orators during the limited debate and within "extended remarks" in another body. They are pictures of personal surrender and party subservience such as have never before appeared in legislative annals.

We are safe, then, in concluding that to the 184 old Democratic Members, or a small minority of the National House of Representatives, must be given credit for the passage of this legislation through the party caucus and through the lower House.

There are 107 new Democratic Members of this House, and one, a brand-new Member from the old woolgrowing State of Ohio, the mother of Presidents, voiced the sentiments of the minority of novices when he read correctly the signs of the times so far as his own and the fortunes of others similarly situated are concerned. He shows us with what abiding faith and with what good grace the 107 new Democratic Members accepted Democratic tariff faith. I quote from his speech of April 25 (RECORD, p. 376):

Political death, swift and certain, awaits any Democrat who now doubts or falters. We were sent here to prepare and pass a tariff law which will bear the test prescribed by the Democratic platform adopted at Baltimore. If any Democrat in whom the people have reposed trust and confidence now betrays them, it were better for him that a millstone were tied around his neck and that he were then cast into the bottomless sea. [Loud applause on the Democratic side.]

Does anyone have to guess that the "loud applause on the Democratic side" was the loudest from the 184 old Democratic war horses who were sustaining the game, and with a knowledge born of experience?

SOLID SUNNY SOUTH IN THE SADDLE.

Now, for a moment, let us analyze the 184 Members upon whom must largely rest the responsibility and the glory for this achievement. Here again I declare it is not my purpose to

draw any sectional lines for other than the placing of glory where glory belongs. I am glorifying the South, not casting aspersions upon it.

Of these experienced and potential 184 men 111 come from districts south of the thirty-ninth parallel of latitude. With this great majority in its favor, everyone must concede the potentiality of the South in the party caucus and upon the floor. Certainly no one will argue that the 73 old Members from the Northern, Northwestern, Northern Middle, and New England States wielded anything like the influence and power resting with these 111 southern gentlemen. The southern gentlemen themselves would not admit a proposition like that.

In a party caucus controlled by the unit rule, and where the voice of the majority is the voice of all, this power was overwhelming. The 107 brand-new men might not have readily recognized it, but even they were outnumbered and could not have easily rallied against it. Then, too, of these 107 new men 39 were from the South. It was but their duty to acquiesce. They were good men to take a hand at the "jackscrew" or to administer a swift kick against the "keystone of the arch," but they were there only to follow instructions, not to take the initiative.

If the South controlled the caucus and the bill in the lower House, what shall we say of the conditions in the Senate?

Prior to the recent death of the Senator from Alabama [Mr. Johnston] there were 51 Democratic Senators, 44 Republicans, and 1 classed as an Independent-Progressive. So far as this comparison goes, it will not be necessary to change these figures, inasmuch as Alabama will send a Democrat to succeed a Democrat, probably for some years to come. Of the 51 Democratic Senators, 32 are from States south of the thirty-ninth parallel of latitude, and but 19 from territory north of this line.

Take first the great Committee on Finance, to whom the bill was referred, that considered it behind closed doors, reported it to and engineered its progress through the caucus that reported it to the Senate. That committee is composed of 10 members of the majority party and 7 members of the minority party. The members of the minority party have had about as much say as to what the bill should contain as any 7 men located in the wilds of Africa. The 10 men comprising the majority, or participating party, are made up of 6 gentlemen from the South and 4 from the North, the Southern members being Messrs. SIMMONS of North Carolina, STONE of Missouri, WILLIAMS of Mississippi, SMITH of Georgia, JAMES of Kentucky, and GORE of Oklahoma. This is not alone a characteristic of the Finance Committee; it is true of a large number of the committees, while as far as chairmanships of the committees accorded to the majority party are concerned at least two-thirds of the number are presided over by Democrats from the South.

It is probably the first time in a half century when both branches of Congress were so overwhelmingly controlled and dominated by the South; and if it is that section's first opportunity in 50 years, we can not blame it or its representatives if they make the most of it.

We can now realize the spirit that was manifest in the closing words of the distinguished Senator from Georgia [Mr. SMITH] when, making his admirable address before the legislature of his State in the latter part of last July, he said:

Out of this Democratic administration much good will come for the entire country, but especially for our own section, reinstated and rehabilitated, great in the past, and to be far greater in the future.

The South has indeed been "reinstated and rehabilitated." In control of both branches of Congress, in control of the committees, dominating the caucuses, steering appropriations, claims, and revenue bills, and with a Southern gentleman in the White House, the South has a chance for the greater future predicted for her, and for which every right-minded citizen will be rejoiced.

Many men who have spoken in both branches of Congress have pointed out wherein this tariff bill is sectional. I do not doubt it is sectional. What of it? And why not? How could it be otherwise? Is the reason difficult to find? Is it to be wondered at that the South that grows the cotton does not take well to the fact that a great portion of the manufacture of cotton is done in New England? Do you chide the South because it wants to bring all the mills closer to the cotton fields? It is but a natural desire.

Is it difficult to find how the alien proposition of controlling gambling in cotton futures found its way into this bill? Is it hard to tell how such a sectional feature—sectional in the extreme—attained favor with the Finance Committee, passed muster in the caucus, and was reported out as a new section of this strange revenue measure? I think not. Possibly the newness and the novelty of their situation accounts for their modesty.

There is little, indeed, under the rules that generally govern caucuses, and that did tacitly govern the caucuses referred to, that might not have been accomplished by this legislative solid South.

So much for the agencies that drew and engineered and are to pass this bill.

CAUCUS AND CLOAKROOM LEGISLATION.

Instead of having legislation by Congress we now have legislation by the caucus and cloakroom.

It is a novelty, but the system has its advantages. Unfortunately for political history, the world may never have a correct picture of just what transpired in the Democratic caucus held in the farther end of this Capitol to give the party's representatives a chance to pass upon and approve the tariff bill submitted to it by the Committee on Ways and Means. Like the party caucus of the Senate, it was conducted behind closed doors, and the lips of all participants appear to be sealed as tightly as the lips of the Egyptian sphinx. We can only gather an inkling of what took place from the speeches of participants delivered upon the floor during the very limited time that was given for debate. These demonstrate the absolute subserviency of all participants to the rule of the majority; attest great personal sacrifices of individual opinion and submissive surrender to the powers that were in control. Sufficient quotations have already been made and party votes recorded to demonstrate how utterly and absolutely the junior Members were dominated by their seniors, and how surely the seniors were controlled by the overwhelming majority of this class from the Southern States.

Aside from the mere question of numbers, it can be taken for granted that the caucus at the south end of the Capitol was not unlike that at the north end.

Fortunately for us and the country, we have been given a closer inside view of the caucus system of legislation, as originated by the Democratic majority in this Congress, conducted at the Senate end. We are given glimpses of the inside occasionally by eyewitnesses, by men adept in statecraft and skillful in the art of correctly portraying things they see and recording things they hear. Two such witnesses have furnished us sketches, all too incomplete, I admit, but sketches true to life and full of interest. They furnish a safe ground from which we can judge fairly and impartially this new method of lawmaking. From them the country will be able to form its opinion and render its judgment as to the advisability of abandoning the old and somewhat exacting system for the newer and less responsible system.

TESTIMONY OF DEMOCRATIC SENATORS.

The senior Senator from Nevada [Mr. NEWLANDS], a conservative and careful man of unimpeachable character and unquestioned honor and probity, gives us our first view of the caucus. It is a view of but one of the sessions—the last before the tariff bill was reported to the Senate. It was held on July 7, 1913. He said:

Forty-one Democratic Senators stood up in the party caucus, one by one, late to-day and declared their intention to vote for the Underwood-Simmons tariff revision bill as finally approved by the caucus a few minutes previously.

No oath was administered to those men. They gave no formal pledges; they signed no agreement. They just "stood up, one by one, and declared their intention to vote for" the bill they had approved "a few minutes previously." It is a pretty picture and reminds me of the old-time camp-meeting revival, where the chief exhorter called upon the faithful one by one, in regular order, to arise and declare their allegiance to the Great King.

My Nevada friend's word picture continues:

An absolutely binding resolution was not adopted, the poll by individuals being substituted, and that poll was put only on the ground of personal promise and was not made binding.

From this we must infer that there was an attempt made to secure the adoption of some iron-bound resolution, something that would be of permanent record and well calculated to hold the subscribers or those sworn by every exaction of personal honor; but the "absolutely binding resolution was not adopted," and "the poll by individuals" was substituted.

The substitute was just "a gentlemen's agreement." All of them stood up, one by one, and declared their intentions. It was a poll of the caucus "on the ground of personal promise and was not made binding."

It is not hard to imagine the disappointment of the members of the Finance Committee over the failure to bind those present to the committee bill as fast as Prometheus was bound to the cold rock of Caucasus.

But the Senator from Nevada [Mr. NEWLANDS] continues:

A resolution was adopted, however, declaring the Underwood-Simmons bill a party measure, and urging its undivided support without amend-

ment, unless such should be substituted by the committee. Senator NEWLANDS, of Nevada, cast the only vote against this resolution, but Senators SHAFROTH, RANDELL, and THORNTON did not vote.

The resolution, drawn by the adroit and lovable senior Senator from Missouri [Mr. STONE], and kept in reserve by him until it was evident that a binding resolution would not be acceptable, reads as follows:

Resolved, That the tariff bill agreed to by this conference in its amended form is declared to be a party measure, and we urge its undivided support as a duty by Democratic Senators without amendment: *Provided, however*, That the conference of the Finance Committee may, after reference or otherwise, propose amendments to the bill.

The Senator from Nevada gives testimony, as I have already indicated, that he alone voted against this resolution, and that Messrs. RANDELL and THORNTON, of Louisiana, and SHAFROTH, of Colorado, refrained from voting. The duty of proclaiming the resolution and the vote upon it, for it was adopted by a call of the roll of the caucus, was intrusted to the junior Senator from Indiana [Mr. KERN]. That is about all we have from the interesting narrator named from which to judge of party legislation by the caucus system.

We know that the usual unit rule of all caucuses must have been adhered to throughout all the caucuses that were held. It is a pity that we may not have from the junior Senator from Indiana a more complete and detailed statement as to the caucus votes upon other propositions. It would be a valuable contribution to legislative history to know by what majority the Finance Committee's propositions for free wool, free sugar, and free agricultural products were adopted. Some constituencies would be glad to know how their representatives voted in the inner Senate, the Senate that actually did the business, the secret legislative body that determined upon all changes that appear in the bill.

The Senator from Nevada, in his careful account, does tell us just a little more of what transpired inside the secret legislative chamber. Details are so meager that everything we have before us is worth mentioning. He says:

Before final action on the bill the caucus gave concessions to the Senators from woolgrowing States by adopting an amendment making effective a provision for free raw wool on December 1, 1913, and the rates on manufactures of wool January 1, 1914. Earlier in the day the Finance Committee had voted to recommend the dates as October 1 and December 1, respectively, but the caucus voted for the further delay.

Then he adds:

This action completed the revision of the Underwood bill, which has occupied the Finance Committee majority and the caucus since May 7.

Of course that "action completed the revision of the Underwood bill." Everyone admits it. The country understands it. The world knows that so far as the Senate's influence upon this tariff legislation is concerned it was determined—ended—by the action of a majority of a caucus of a party having a small majority in the United States Senate on Monday, July 7, A. D. 1913.

The Senator from Nevada gives some interesting reasons why he would not agree to even the mild form of commitment to caucus action, and his speeches since will be entertaining to those who wish to follow the subject along side lines.

INEFFECTIVE PROTEST AGAINST CAUCUS RULE.

But I must return to my text. The senior Senator from Nebraska [Mr. HITCHCOCK], a man used to portraying current events and a legislator of considerable experience, went into his party's caucus because, as he says, he felt that he could properly go there to consider a tariff bill, which he regarded as a party bill, "and surrender a measure" of his "own independence for the sake of securing a harmonious party result." That Senator has given us something regarding the character of the caucus, its coercive and dictatorial tendencies, and has outlined some of the reasons why he decided to withdraw from it without acquiescence in its resolution declarations. All of the Senator's words are instructive and interesting, but I shall not quote all of them. They are already embalmed in the CONGRESSIONAL RECORD. I shall quote, however, just enough to give further insight into this new legislative propaganda. He says:

The pending bill, Mr. President, is something more than a tariff bill. It presents other means of raising revenue. It levies other taxes than tariff taxes, and contains a number of provisions for the regulation of business.

To my mind it was, to say the least, a mistake to endeavor in a Democratic caucus to bind the individual to the details, for instance, of the pending section providing an income tax. The income tax is a comparatively new idea in revenue legislation in this country. It involves great questions. It has its advocates on the other side of the Chamber as well as on this side of the Chamber. The collection of an income tax has become a matter of distinct constitutional right by Congress, and Republicans as well as Democrats voted for and assisted in securing the amendment to the Constitution to that effect.

When the income-tax question comes into this Chamber, involving as it does not only the degree to which taxation shall be levied upon the incomes of the country, but involving also great social changes which may follow, it seems to me that the individual Democrat, like the indi-

vidual Republican, ought to be permitted by his party to stand here and vote for his convictions.

After all, Senators here were elected to the Senate, not to a caucus, and it is in the interest of the public welfare that great questions of this sort be debated in public and decided in public, particularly when we are engaged in formative, fundamental legislation of this sort.

So, Mr. President, it seemed to me a mistake when my party undertook to decide the details of the income-tax bill in the caucus. Still, I did not leave the caucus on that account. I left the caucus when I asked the privilege of being permitted in the open Senate to introduce a legitimate amendment for the taxation of trusts, and that privilege was denied me. I asked it not only for myself, but I asked it for other Democrats on this side of the Chamber who believe in the principle and want to see it engrafted upon the pending bill. Those men, if compelled to vote against my amendment, which I am here to-day to urge, will have difficulty in explaining to their constituents why they have done so. It is not right for the party to put them in that position when no great party issue is involved.

It has been an unpleasant sight to me, as it has been to many Democrats during the last few days in this Chamber, when Senators on the Republican side of the Chamber have proposed amendments to the income-tax provision that appeal to the sense of justice and appeal to the judgment of Senators on this side, but who, because of caucus rule, were compelled to vote against such amendments. I do not think that is a worthy sight in the Senate of the United States. I do not believe it is right to bind individual Senators and compel them to vote against their conscience and their judgment upon such amendments when no party policy is involved.

That much is preliminary. The Senator goes on:

Mr. President, in order to justify myself for the position I am taking I shall go a little further, and perhaps verge upon the improper in reference to the Democratic caucus of which I was a part. Like all caucuses, I believe the fact to be that our Democratic caucus degenerated into a political machine, and I do not believe that upon the vote upon my tobacco amendment the real sense of the caucus was evoked. I did not offer my tobacco amendment; I merely asked the caucus to leave me free to offer it in the Senate of the United States as an amendment and an addition to the revenue bill.

I did not ask the caucus to approve my amendment; I asked to be left free to offer it here in the Senate, and I asked that other Democratic Senators be left free to vote for it according to their consciences and their judgment. I was refused. The Senator from Arizona [Mr. ASHBURN], however, offered my amendment, and after a heated controversy it came to a vote in that caucus. * * * Eighteen Members of the Senate voted for my amendment and 23 appeared to vote against it. I say "appeared" because it is a fact, which I shall take the liberty of stating, that the 9 Democratic members of the Committee on Finance voted as a unit, regardless of their convictions. So we have a wheel within a wheel, a machine within a machine. The inner machine controlled the caucus. The vote cast was not the correct expression even of the caucus.

Mr. President, under these circumstances I felt that I was justified and that I could still maintain my Democracy in leaving the caucus and coming here and offering my amendment, as I do to-day, to this bill.

I believe I was not only standing upon the ground of public interest, but that I was standing on good Democratic ground when I left the caucus, because I was denied even the privilege, if I remained in it, of presenting to the Senate this amendment proposing to tax the trusts in proportion to their size.

This is all highly interesting. The two pictures make a noteworthy contribution to contemporaneous legislative history. As in the caucus at the farther end of the Capitol, strong men were compelled to vote against their convictions "because of caucus rule." As there, so was there here "a machine within a machine," "a wheel within a wheel," and that inner machine and inner wheel, dominating everything, controlling everything, sweeping everything before it, voting as a unit, was the committee. Truly does the Senator from Nebraska say, "The inner machine controlled the caucus," and by the strength of nine committee votes cast as a unit against him he was denied the privilege of even presenting his amendment upon this floor.

The resolution had been adopted giving the bill the "undivided support" of Democratic Senators "without amendment," and under the prevailing unit rule and his narrow defeat the Senator's rights were exhausted. There was but one way left open to him, and he bravely took it.

CAUCUS RULE LEADS TO CLOAKROOM LEGISLATION.

Caucus legislation is a forerunner to cloakroom legislation. Once a bill has passed a caucus there is nothing left for caucus participants to do but await the good graces of Republican Senators and the final vote. If there are occasional votes in the meantime, there are electrical alarm bells to sound the long tocsin and call the scattered host to action. In this way the members of the majority party are permitted to retire to the cool retreat of the cloakroom, where there are comfortable lounges, cool mineral waters, electric fans, smoking accessories, good stories, and where ample opportunity is afforded to discuss other weighty matters of state. With one man left upon the field to watch the home goal, the caucus system, the call-bell system, and the cloakroom system work a combination that is beautiful to behold. The bill has already practically passed when it is out of caucus. No amendments are to be offered, unless by the Finance Committee, after reference to the caucus or otherwise. There is nothing to do but wait and tire out the minority. This is one of the advantages of the caucus system.

So it is that it has frequently happened, when the caucus has gathered within the cloakroom to celebrate its great achieve-

ment in hilarious joy, the presiding officer in the Senate has felt it incumbent upon him to have the doors to the Democratic cloakroom closed in order that the celebrations might not be disturbed.

The caucus has taken on new features since the day the Senator from Nebraska became disgusted with it. One feature is the presence of the Vice President within it. The newspaper accounts tell us how he was invited to the secret council and how for five long hours he was a silent and interested spectator. Why he should have been overlooked in the preceding conventions it is hard to explain. It can not be possible that the members of his party in this Chamber believed it necessary to stand him up that he might be added to the poll and be forced to declare his intention in the event that there should be a tie vote on the passage of the bill.

It can not be possible that the alarming reports in the press dispatches from Nevada to the effect that the senior Senator from that State [Mr. NEWLANDS] was returning to vote against the bill had anything to do with this. True, some of the votes, like those on the maple sugar and jute paragraphs, have been uncomfortably close. It may be that the leaders thought it time to pledge the reserved force. I can not believe, however, that the genial partisan called to the high office of Vice President was invited into late caucuses from any fear of his action in any event calling for party allegiance and testing party fealty.

VICE PRESIDENT ATTENDS CAUCUS.

To me there has never seemed any likelihood that the vote of the Vice President, if required, would ever go astray. That distinguished and delightful gentleman is noted for being a partisan, and this is said in no spirit of criticism. Without the binding force of a caucus resolution he has shown himself a splendid defender of the product of the caucus, and I say this in no spirit of derogation.

Whatever reason may have impelled the caucus to invite the President of the Senate to its sacred precinct it was not because of fear that that high official would not pick up the proper cue at the right time. The manner in which the Chair of the Senate has been guarded during the debate upon this bill would put to sleep any suggestion that its regular occupant could not be trusted. Never, for one moment, has a Republican Senator been called to it during all this debate. Regularly every day, whenever the Vice President has left the chair for any purpose, a Democrat has been left on guard. Certainly no Republican will find any fault with this; certainly no one will construe it as a reflection upon the honesty or fairness of Members upon this side; certainly no one would wish to deprive the Vice President of his rights in this respect. The fact is only cited to substantiate the claim that the genial presiding officer of this body can be trusted as a Democrat to stand without hitching. If he more readily hears Democratic voices, and more easily distinguishes Democrats in his landscape, it is only proof of his party loyalty and fealty and is no evidence that he does not wish to be wholly impartial. I am sure we on this side have no fault to find, and the presiding officer will understand that no criticism, not even in the least degree, has been intended.

We are all glad the Vice President has been given a seat in his party's caucus. He is a keen observer and a pleasant and eloquent raconteur. He has graphically portrayed some of the modern evils that are threatening the Republic. We will look forward with pleasure to his philosophical observations upon the caucus system of legislation.

INFLUENCE OF THE CAUCUS UPON LEGISLATION.

The influence of the caucus upon the course of legislation upon the floor has already been dwelt upon. At times it has been ridiculous and ludicrous. Whenever inconsistencies have been pointed out in the bill by Members on this side—and the bill is chock full of them—speedily there has been a getting together of heads upon that side. Going even to the matter of phraseology and punctuation; whether it was proposed to fix a rate upon etchings, engravings, and sheet music based upon the value of the paper or the cutting out of a superfluous comma, in every instance the gentleman handling the bill upon that side would look around for help, there would be a little group caucus over there, and business would stop until the weighty proposition had been passed upon. Frequently it would be determined that, under the terms of the Stone caucus resolution, no minority of the committee should permit the suggested change to be made, and back to the committee the paragraph or the faulty sentence or the misplaced comma would go. Whenever anyone on this side has offered an amendment containing popular features such as nine-tenths of the Democratic Senators would vote for, if unbound and unpledged, the wise senior Senator from Mississippi [Mr. WILLIAMS] could be counted upon to arise in

his place and announce that the committee had long had under consideration an amendment of the same sort that, in his judgment was just a little bit better, and he would suggest that the whole subject be recommitted, and recommitted it would be. This plan worked in the case of the well-balanced proposition of the senior Senator from Wisconsin [Mr. LA FOLLETTE] for the levying of a surtax on incomes, but not until after the caucus rule had been invoked on that side and a vote had been taken. Then, to stand square on the record, the senior Senator from Arizona [Mr. ASHBURST] did explain, and other Senators tried to explain, that they voted "No" upon the La Follette amendment because they were certain that the committee or the caucus would again cover the ground, and, realizing the dangerous ground upon which the Republican Members had placed them, the committee and the caucus, after long and heated struggles, have taken this paragraph under advisement.

The senior Senator from Kansas [Mr. BRISTOW] was more fortunate when he sprang his amendment for the abolition of the Dutch standard for testing sugars upon the unsuspecting Democracy represented in this Chamber. There was a scramble and confusion upon that side. There was a stir from the cloak room. Delay, recommitment, evasion could not satisfy the senior Senator from Kansas, and so, after the floor caucus over the aisle, the Dutch standard test went out headlong. That is the greatest individual victory that has been secured upon this side. That was the only important instance, so far as my memory serves me, where caucus legislation was thwarted and where the proviso of the Stone resolution was given a black eye.

But the abject and unrelenting subserviency to the caucus, the fear of it, the relentless jealousy by which great statesmen, leaders of their party—heretofore independent beings—have yielded to its domination, have followed the letter as well as the spirit of its demands and resolves, passes the comprehension of the speaker. There has never been anything like it before in legislative history—great men prohibited in terms from offering amendments even of the most trivial character; great statesmen, heads of great committees of this body, men of long and brilliant service, proscribed and muzzled.

When, pray, was the distinguished senior Senator from Georgia [Mr. BACON], head of the important Committee on Foreign Relations, unable, independently and of his own motion, to suggest and defend an amendment upon this floor? In what prior debate upon a tariff bill has he construed it his duty, under some secret caucus rule, to keep silent and leave the discussion to those alone upon the committee having the bill in charge? His voice is not the only one of the voices long heard and long heeded in this Chamber during tariff debates that in this debate has been conspicuous for its silence. I could name a dozen other war horses upon that side who have seemingly sacrificed their experience, their prowess, and their talents upon the altar of the party caucus.

These experienced statesmen have felt it almost incumbent upon themselves to sit as dummies while the business on the floor was being conducted by members of the Finance Committee, a number of whom are novices, so far as senatorial experience goes, but who secured places upon the committee with the great influx of new Members, who at once began smashing time-honored precedents of the Senate and changing the rule governing assignments to committees.

But the caucus system has wrought this change, and a new order prevails. Truly the old has become new.

It will be an addition to the history of this innovation in law-making to add a few illustrations of the complacent grace with which some of these rare, old-time Senators have accepted the caucus yoke and its binding force.

The distinguished senior Senator from Georgia yielded to the inevitable in these words:

Mr. President, I agree fully with what the Senator from Mississippi said. There are many things in this bill that I do not agree to. I will go further and say that if I had my way in forming the bill it would be drafted on some different lines, but I agree with the general principles which are involved, and I surrender and subject my private judgment to the judgment of my colleagues. It is only in such a way that anything can be accomplished by a body.

The senior Senator from Mississippi [Mr. WILLIAMS] has on all occasions been the chief defender of the caucus and its exactions. I will quote him fully, but only sparingly, just sufficient to show how humbly he accepted the yoke. The following are a few of his utterances upon the subject:

The Democratic Party is in power and is going to put through a Democratic tariff bill as nearly as it can. "As nearly as it must" is a better expression, because it is a case of "must," and to that extent it is coercion. There is not a man here who is not coerced to a certain extent by the actual industrial condition with which he is confronted. * * * As to my position on the sugar question, the Senator says I can not candidly announce it and can not logically defend it. I can candidly announce it, at any rate, but I simply confess that I can not logically defend it. I can not logically defend the provision of the pending bill upon sugar. I am not going to attempt to do it, because

it is not my view. But I can candidly announce that the position I could have logically defended I have voluntarily surrendered in order to help get a reformation of the tax laws of this country. That is candid enough, I take it, as an announcement.

The chairman of the Finance Committee [Mr. SIMMONS] takes a pugilistic stand for the caucus system. In defending it, upon one occasion he said:

Mr. President, I deny that our method of framing this bill has met the disapproval of those who are in favor of tariff reductions and opposed to the outrageous and burdensome exactions of the present tariff for the benefit and enrichment of a privileged few. We are willing to stand or fall by our actions in this behalf.

Why should Senators on the other side be solicitous about the effect of our caucus action upon the fate of the Democratic Party? We are not. We assume full responsibility and have no fears. We are not apologizing for our action; we are standing by it. This bill represents the collective judgment of the Democrats of this Congress and we are going to pass it as a fulfillment of our pledges to the people.

The good-natured senior Senator from New Jersey [Mr. MARTINE], who always states things in plain words, rushes to the defense with this:

I realize, and the Senator [Mr. CUMMINS] must, too, that I am a member of a great party; and I want to say in defense of our caucus, to which the Senator has alluded, that it was a most typical Democratic caucus. We advocated our respective sides of the various schedules to our heart's content, and as Americans, as Democrats, and as citizens under a democratic form of government we bowed to the edict of the majority and allowed our individuality and our individual thoughts to be swallowed up by the majority of our party. We believed that we were best advancing the welfare of our Commonwealths and the welfare of our country by so doing.

I could stand here for the remainder of my time giving quotations from Democratic Senators who have seemed to feel the new system needs some defense and who have been quick to rush to arms, but my only desire has been to contribute a slight, and necessarily all too meager, description of the new system of caucus and cloakroom legislation.

Lines are distinctly drawn.

So, Mr. President, the lines are distinctly drawn. If our friends on the other side, who now have the working majority, are able to retain that majority, we shall have entire and absolute free trade as soon as they can reach it. But if they have what that party has had heretofore and what our party has had, divisions that seem unimportant at first, and that can be easily overcome in caucus, and ultimately they are divided as we have been, then again we must take up this subject.

For that reason and for many others I have been one of those ready to support any kind of a proposition for a tariff board that might, at least in some small measure, remove the business of the country from the field of party politics.

Mr. BRADY. Mr. President, this seems to be a day for saying the last word. It seems that the time has come, and the hour is almost here, when we must cast our votes for or against this measure. I am going to vote against the bill for the reason that I believe it is full of discriminations, especially against the farmers and the producers of the country.

I was very much interested this morning in the address of the senior Senator from West Virginia [Mr. CHILTON]; and yet he did not produce a single argument that I believe will satisfy the American citizen that this bill will fulfill the hopes and desires of the Democratic majority. With the junior Senator from Wyoming [Mr. WARREN], who has just taken his seat, I must say for my own State, as he said for his, that it seems that they have placed upon the free list almost every article we produce in our State and have given us very little benefit in other ways.

LEAD MINING A GREAT INDUSTRY.

Before the arguments upon the bill are closed, I desire to say just a few words relative to one particular industry in our State that means much to our people. The State of Idaho produces 30 per cent of all the lead that is produced in the United States and 10 per cent of all the lead produced in the world. This industry gives employment to over 10,000 men, and indirectly is of great benefit to at least 40,000 of the people of our State. It is an industry that necessarily will have to be protected in order to survive. This is admitted by our Democratic friends when they place a tariff duty of three-fourths of 1 cent per pound upon lead ore.

While our Democratic friends have put upon the free list almost every other product of our State they have been good enough and generous enough to allow us a duty of three-quarters of a cent a pound upon lead. I am not going to say that they have attempted to act otherwise than honestly and fairly with us from their viewpoint. But I do say that the lead industry of Idaho and the West can not continue to prosper with a protection of three-quarters of 1 cent per pound, and I sincerely hope that when the bill goes to conference the members on the part of the Senate may see their way clear to have the conference committee raise the amount from three-quarters of 1 cent to 1 cent.

I am not a high-protective advocate in any sense of the word. I believe in the protection of American industry, but I believe

that should be given on a fair and equitable basis, and that the tariff should be extended to any industry whenever it is necessary to maintain it.

If it had not been for the protection afforded by Republican legislation to lead ores the great Coeur d'Alene mining district in Idaho could never have been successfully developed and have been enabled to furnish so large a portion of the world's supply in competition with Mexico, Spain, and other lead-producing countries.

THE PROSPECTOR AN IMPORTANT FACTOR.

Mining is very different in character from any other industry. It requires patience, good judgment, and honesty and tenacity of purpose to make a successful miner or prospector, and only men who have had practical mining experience can really appreciate what it means to go down into the bowels of the earth and bring forth the precious metals for the beneficial use of mankind. A man's intentions may be good, but he will surely fail either as a prospector or practical miner if he lacks the proper training and experience. It is imperative, if a mining enterprise is to be successful, that it be conducted along sane and legitimate lines, and that only properties which have merit be developed to any great extent. All investments made in the development of mining properties must be spent in an intelligent and conservative manner. The prospector and miner—the men who discover and develop mines—are the persons who need encouragement and protection. We do not concern ourselves with the promoter who has richly furnished offices in some eastern city and sells his worthless mining stock to the credulous investor, but the prospector who starts for the hills at the first indications of spring and toils every hour of every day until the snow drives him back in the winter must be encouraged to continue his explorations if the mineral resources of the country are to be developed. He is a most necessary and important factor in the mining industry.

One of the great assets of this country is its mineral resources, and it should be our ambition as a Nation to develop these resources to the fullest extent. This can only be done by proper encouragement and protection to the prospector, to the investor, and to the man who toils in the mine. To accomplish this, if our present high standard of wages is to be maintained, we must grant a reasonable protection to the products of the mines.

I come from a State possessed of great mineral resources. Idaho to-day is a producer of gold, silver, copper, and is the second lead-producing State in the Union, and yet her mining industry is in its infancy. We are just beginning to realize the great possibilities that are in store for our State in the way of mineral production. New mines are being discovered by the prospector who takes his pick and shovel upon his back and wanders through the hills and ravines until he finds indications of mineral. He then begins development work alone. If the prospect is encouraging, he returns and persuades some of his friends to join him in the development work. They continue to develop the prospect faithfully until it is determined whether or not it is a good mine or a failure. Nine times out of ten these prospects are abandoned. Years of work by the prospector and his associates may be lost.

GREAT RISK INVOLVED IN MINING.

The next year they may try again, for there is no class of men on earth with the hope and faith of the prospector and the miner. They are optimists in the strongest meaning of the term, and it is necessary that it should be so or the great mines that are contributing millions and millions to the wealth of our Nation to-day would not have been discovered or developed. These men need encouragement. When they have discovered a mine, have sunk the shaft to a sufficient distance to deliver ore, they hire American workmen to take this mineral from the ground; they pay good wages and secure good and efficient service. The State of Idaho to-day has 631 active mines that have been developed beyond the preliminary prospect and are being worked for the ore that they produce. We also have 242 idle mines that even under the present favorable conditions have not proved to be paying properties.

This can not be attributed to the tariff, either at the present time or in the future. These 242 mines are situated at a great distance from the railroads, and for that reason they are unable to transport the ore at rates that would justify mining. They can be developed only as the years go by and railroad facilities can be utilized.

Ninety per cent of these mines are owned and operated by honest, industrious western miners, who belong to no trust or combination, but are honestly developing the properties for the legitimate profit that may in the future be secured. These are the men and these the products that need protection. I do not believe that a duty of three-fourths of 1 cent per pound on lead will give them such protection as will enable them to develop and operate their mines. I honestly believe if this bill becomes

a law that within the next two years 75 per cent of the mines in my State, if not more, will close down. The larger mines have been developed under a protective-tariff system to a substantial paying basis. They have all modern appliances and may be able to operate in the hope that at the first opportunity the American people will right this great wrong that will have been done if this bill becomes a law by putting American labor on an equal footing with that of Mexico, Spain, and other nations of like character. The western miner is the best paid workman in the world and constitutes the highest class of labor. In my State we have a law that does not permit a foreigner to be employed in an underground mine. Both operators and workmen desire to keep American labor on a high plane. This can only be done by giving reasonable protection to the mining industry.

OUR MINES CAN NOT COMPETE WITH MEXICO AND SPAIN.

It will be seen by the following comparative statement of wages in the United States and Mexico just what a wide difference there is in the wages paid in these two countries for the same class of work. In the production of lead the labor cost is the largest factor, and it will thus be seen that it is absolutely impossible for the lead mines of Idaho to compete with the lead mines of Mexico and Spain, and other foreign lead-producing countries, and be able to maintain the American standard of wages without the benefit of our present protective tariff.

Here, without delaying the Senate, I shall ask to have the table inserted, and also a brief filed by the lead producers of Idaho in behalf of a tariff on their product.

The VICE PRESIDENT. Without objection, that will be done.

The matter referred to is as follows:

	Coeur d'Alene, Idaho.	Mexico.
Miners.....	\$3.50-\$4.00	\$0.75
Muckers.....	3.00-3.50	.50
Laborers.....	3.00-3.50	.50
Timbermen.....	3.50-4.00	\$0.75-1.00
Pumpmen.....	4.00	1.00
Engineers.....	4.50-5.00	1.00
Shift bosses.....	5.00-6.00	.....
Track and pipe men.....	3.50-4.00	1.00
Blacksmiths.....	4.00-5.00	1.00-1.25
Blacksmiths' helpers.....	3.50-4.00	.75
Machinists.....	4.50-5.00	1.00
Millmen.....	3.50-4.00	.65

Average, Coeur d'Alene, \$3.60; day's work, 8 hours.

Average, Mexico, 80 cents; day's work, 10 to 12 hours.

BRIEF TO THE COMMITTEE ON WAYS AND MEANS, HOUSE OF REPRESENTATIVES, BY LEAD PRODUCERS OF THE COEUR D'ALENE DISTRICT, IDAHO.

[Submitted January 10, 1913.]

Hon. OSCAR W. UNDERWOOD,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.:

The producers of lead ores in the Coeur d'Alene district, Idaho, respectfully protest against the proposed reduction of the duty on lead in ores, pigs, and bullion, and urge that the present schedule (pars. 181 and 182) be allowed to remain unchanged, and that if any reduction be made it shall not exceed one-fourth of 1 cent per pound.

The Coeur d'Alene district produces about 117,000 tons of lead per annum, which is more than 30 per cent of the total lead produced in the United States. It has developed this great output under the protection afforded by the present tariff, without which the production would be insignificant. The industry is the sole support of a community of 12,000 people, who, by reason of the high wages paid, are prosperous and contented, and most of whom own their homes. The wages paid in these mines average \$3.60 per day of eight hours. The laws of Idaho make it unlawful for any private corporation doing business in the State to employ any alien who has failed to declare his intention to become a citizen of the United States. (Sec. 1458, Revised Code of Idaho.) This makes the Coeur d'Alene district a peculiarly American community, with a population far above the average in intelligence, industry, and thrift.

Besides the men directly employed in the mines, it should be borne in mind that there are thousands of others employed in the transportation and smelting of the ores and the distribution of the refined product. The total value of the ore, which amounts to nearly \$14,000,000 annually, is ultimately distributed as wages and affords a livelihood to approximately 40,000 people.

The production of lead ore in the Coeur d'Alene district is carried on with a very small margin of profit. Any reduction of the tariff resulting in a lower price for lead will reduce that profit to the vanishing point in some instances and in others to a point below a fair and equitable return on the money invested. Some of the mines will be forced to close, and those that continue to work will be obliged to restrict their operations. Investors will lose their income, and the value of their properties will be destroyed. Many men will have to leave and search for other occupation, the entire business fabric will be unsettled, and distress will prevail throughout the district.

That this is no alarmist view will be seen from the accompanying statement, showing the cost of producing lead in the Coeur d'Alene district for the three years 1909, 1910, and 1911. In those three years the district shipped, in ores and concentrates, 351,461 tons of lead and 19,102,555 ounces of silver. The average New York prices during the period were, for the lead, 4.401 cents per pound, and for the silver, 52.462 cents per ounce, making the gross value of the product \$40,956,174. The total amount received by the mines was \$23,195,310, the difference

of \$17,760,855 being the cost of smelting, transportation, and marketing. Of the latter amount, \$501,078 represents the smelting loss on silver, leaving the cost of marketing the lead \$17,259,777. The cost of production at the mines amounted to \$16,249,846. Adding this to the cost of marketing, we have a total cost of producing and marketing the lead amounting to \$33,509,623, equal to 4.767 cents per pound. The price received was, as stated, 4.401 cents per pound, showing a deficit of 0.366 cents per pound, or a total deficit on the lead in the three years under consideration of \$2,575,019. It is clear that the lead, considered by itself, can not be produced at the prices which have prevailed, even under the present tariff. The production is possible only by reason of the fact that these ores carry silver. It takes all of the lead value and part of the silver value to cover the cost of producing and marketing the lead. The profit is dependent entirely on the by-product. The total surplus earnings for the three years amounted to \$6,945,473, or \$2,315,158 per annum, or about 8 per cent on the capital invested. If the total value of the silver by-product be credited on the cost of production and this surplus be considered as profit on the lead, it will be seen that the cost of producing and marketing a pound of lead was 3.413 cents and the profit was 0.988 cent per pound, with an average selling price of 4.401 cents. This is without any charge for amortization of the capital invested, for which a proper allowance would be one-half cent per pound. Deducting this, the actual profit was only 0.488 cent per pound and the total profit \$1,143,621 per annum, which is less than 5 per cent on the capital invested. With the prospect of a lower duty, the price of lead has already declined to 4.25 cents per pound.

The foregoing statement of the cost of production in the Coeur d'Alene district is verified by the investigations of W. R. Ingalls, from whose work on Lead and Zinc in the United States the following is quoted:

"In chapter 1 it was estimated that the cost of producing lead in the Coeur d'Alene in 1907 was in the neighborhood of 3.3 to 3.5 cents per pound, basis New York delivery; i. e., if the price of lead should be 3.5 cents per pound and the price of silver 50 cents per ounce at New York, some of the Coeur d'Alene large producers would realize no profit, even after disregarding allowances for amortization. It would be highly difficult to generalize the capital account in this district, but probably it would not be far out of the way to say that the total cost of producing lead in the Coeur d'Alene is in the neighborhood of 4 cents per pound when silver is worth only 50 cents per ounce.

"There is no question that lead can be produced more cheaply in Mexico, Europe, and Australia than in the United States, inasmuch as the price at London for long periods has been lower than 3 cents per pound and the output of the mines is maintained. The superior advantage of the foreign countries is partly in cheaper labor, partly in higher grades of ore, which more frequently than in America yield two valuable products, e. g., zinc and lead, as in Australia, and partly to shorter railway hauls. The cost of smelting and refining is as low in the United States as anywhere in the world; the freights on the whole are higher—not per ton-mile, but in the aggregate of miles; the cost of mining per ton of concentrated product is doubtless higher on the whole, which is attributable to the higher rates of wages."

The present duty on pig lead is 2½ cents per pound, and on lead in ores it is 1½ cents per pound. The rate provided in the bill introduced in the last session of Congress was 25 per cent ad valorem on both classes. The average price of pig lead in London for a period of 32 years, from 1880 to 1911, inclusive, was equal to 2.85 cents per pound. With freight added, the cost laid down in New York would not exceed 3.1 cents, and the proposed duty of 25 per cent ad valorem would amount to 0.78 cent, making the price at New York, duty paid, 3.88 cents per pound. As a matter of fact, very little of the foreign lead that is imported comes in the form of pig lead. It is nearly all in ores and bullion imported from Mexico, to be smelted in bond. Whenever conditions are favorable for importation for consumption it is this lead that is retained in the country, and the charge for freight from Europe has not to be considered.

This duty of 0.78 cent, compared with the present duty of 2½ cents, shows a reduction of 63.3 per cent. In the case of lead in ores the reduction will be still greater. Take, for example, a Mexican ore containing 40 per cent lead. What would be the value of the lead in such an ore at the port of entry, say El Paso, Tex.? The cost of smelting and refining and the freight to New York, which would be \$12 per ton of ore, or 1½ cents per pound on the lead, must be deducted from the New York price. If the latter be 3.88 cents, we have then a value of 2.38 cents per pound for the lead contained in the ore after the payment of duty. That would give a value of 1.9 cents per pound of lead, and the duty of 25 per cent would be only 0.48 cent, as against 1½ cents at present. In that case the reduction would be 68 per cent.

Lower grade lead ores, carrying high silver values, might come in free. If we take, for instance, an ore containing 15 per cent lead, but of such a character that the cost of freight, smelting, and refining would still be \$12 per ton, or 4 cents per pound on the lead contained, the latter would have no value at the port of entry, and no duty could be assessed upon it. Undoubtedly large quantities of such ores would be sent into this country; and silver ores, carrying no lead, would be mixed with lead ores for the purpose of reducing the grade of the latter and so avoiding the payment of duty. This would simply swell the profits of the foreign mine owners. It would produce no revenue for this Government, and would destroy an important established industry, employing many thousands of men. We should be throwing open our market to the world and forcing American labor to compete with the labor of Mexico and Spain, where wages average only 80 cents per day.

Beside their cheap labor, the Mexican producers have a great advantage in the matter of transportation. From the principal mines to the Mexican smelters the freight on ore is \$3 per ton, and as the ore contains about 50 per cent lead, the freight is equal to \$6 per ton of pig lead. From the smelter to New York the freight on pig lead is \$4 per ton, making the total cost of transportation from the mines to New York \$10 per ton of pig lead. The total cost of transportation from the Coeur d'Alene mines amounts to \$23 per ton of pig lead. The Mexican mines have therefore an advantage of \$13 per ton of pig lead, or 0.65 cent per pound.

It is to be presumed that the reduction of the duty is proposed in the interest of the consumer. But experience shows that the consumer is not likely to derive any substantial benefit from the reduction of duty, and that practically the entire benefit will accrue to a few manufacturers. The largest consumption of lead is in the form of white-lead pigment. But the price of the latter bears no fixed ratio to the price of pig lead, as will be seen by reference to the table attached hereto, showing the prices of the two commodities for a period of 17 years. Taking the period of three years, 1895 to 1897, during which the duty was one-half of the present duty, and comparing it with the subsequent period, we find that the prices averaged as follows.

Year.	Pig lead.	Dry white lead.
	Cents.	Cents.
1895-1897.....	3.263	4.958
1898-1911.....	4.492	5.448
Difference.....	1.229	.490

Showing that, although in the earlier period the price of pig lead was 1.229 cents per pound lower than in the later period, the price of white lead was only 0.490 cent lower. In the fall of 1907 the price of pig lead fell 24 cents per pound, but the price of white lead fell only three-quarters of a cent per pound.

In the 14 years from 1898 to 1911, during which the present tariff has been in effect, the duties collected on imports of lead have averaged \$596,733 per annum. Under the tariff which was proposed, to produce the same revenue approximately three times as much lead must be imported, which would amount to about 50,000 tons per annum. To pay for this we must send out of the country each year more than \$3,000,000, which ought to be paid as wages to 3,000 American miners.

Attention is called to the annexed table, showing the effect of an ad valorem duty applied to the market conditions of the last 10 years. From this table it appears that at all times within the 10 years, under a duty of 25 per cent ad valorem, foreign pig lead could have been laid down at New York at prices much below those which prevailed under the existing duty of 2½ cents per pound. The average London price during the 10-year period was 3 cents per pound, on which the ad valorem duty would be 0.75 cent per pound, making the cost, duty paid, 3.75 cents. The average New York price for the same period was 4.57 cents, a difference of 0.82 cent per pound. If the Coeur d'Alene mines had been obliged to face the price of 3.75 cents, some of the largest producers would have been unable to meet the competition and would have been forced to close. It has been shown that for the three years 1909, 1910, and 1911 the gross profit earned by these mines averaged 0.988 cent per pound of lead produced, or, after allowing 0.5 cent for amortization, the net profit was only 0.488 cent per pound. For these three years the average difference shown by the table is 0.78 cent per pound, the price of foreign lead, duty paid, averaging 3.6 cents. Had the Coeur d'Alene mines met this price their average gross profit would have been only 0.208 cent per pound, and with the allowance for amortization there would have been an average loss of 0.292 cent per pound.

The New York and London prices run substantially parallel. When the price is low here it is usually correspondingly low there. Consequently, under an ad valorem tariff, the duty on foreign lead would be least at the time when our own mines most need protection. When natural business conditions had lowered the price, the market would be further weakened by the larger importations made possible by the lower duty. The duty, whatever it may be should be specific; and it has been shown that the rates now in effect are absolutely necessary for the continuation of the lead industry in the Coeur d'Alene district.

Respectfully submitted,

FREDERICK BURBRIDGE,

For the Lead Producers of Coeur d'Alene District, Idaho.

Cost of producing lead, Coeur d'Alene district, Idaho, 1909-1911.

Shipped 351,461 tons lead, at 4.401 cents per pound.....	\$30,934,604
Shipped 19,102,555 ounces silver, at 52.462 cents per ounce.....	10,021,570
Total gross value.....	40,956,174
Net amount received by the mines.....	23,195,319
Difference, being the cost of marketing (includes freight, smelting, metallurgical losses, carrying and selling charges).....	17,760,855
Of which metallurgical loss of silver was.....	501,078
Leaving the cost of marketing the lead.....	17,259,777
Mining and milling expenses were.....	16,249,846
Making the total cost of producing and marketing the lead, per pound.....	Cents. 4.767
Received for the lead, per pound.....	4.401
Cost exceeded value.....	.366
Crediting the net value of the silver on the cost of the lead, per pound.....	1.354
There is a surplus of, per pound.....	.988
Allowance for amortization, per pound.....	.500
Real profit (three years), per pound.....	.488
Real profit, per annum.....	3,430,863
Less than 5 per cent on the money invested.....	1,143,621

World's production of pig lead (metric tons).

[From statistics compiled by the Metallgesellschaft, Frankfurt, Germany.]

Producing country.	1905	1906	1907	1908	1909	1910
Spain.....	180,700	180,900	185,800	183,300	184,000	191,000
Germany.....	152,600	150,700	142,300	164,100	167,900	157,900
France.....	24,100	25,600	24,800	28,100	25,900	21,000
Great Britain.....	23,300	24,000	27,500	29,700	28,200	30,000
Belgium.....	22,900	22,200	27,500	35,700	40,300	39,000
Italy.....	19,100	21,300	23,000	26,000	24,100	16,000
Austria-Hungary.....	13,500	16,400	15,000	14,000	14,000	17,500
Greece.....	13,700	12,100	13,500	16,000	15,300	16,800
Canada.....	25,700	23,800	21,500	19,000	20,300	15,000
Australia.....	107,000	93,000	97,000	119,000	77,200	98,800
Mexico.....	75,000	54,000	72,000	110,000	118,000	126,000
United States.....	312,500	334,800	371,100	318,400	350,300	371,000
Other countries.....	13,300	14,400	15,100	15,600	10,000	20,000
Total.....	983,900	973,200	1,036,500	1,078,100	1,085,000	1,132,900
Per cent produced by United States.....	31.76	34.40	35.89	29.53	32.27	32.80

Average annual prices of pig lead.
[In cents per pound.]

Year.	New York.	London.
1898.	3.78	2.82
1899.	4.47	3.22
1900.	4.37	3.69
1901.	4.33	2.72
1902.	5.07	2.45
1903.	4.24	2.51
1904.	4.31	2.60
1905.	4.71	2.98
1906.	5.65	3.77
1907.	5.33	4.15
1908.	4.20	2.93
1909.	4.27	2.83
1910.	4.45	2.80
1911.	4.42	3.01
Average for 14 years.	4.40	3.03

Comparison of wages per day paid in Coeur d'Alene mining district and in Mexican mines.

	Coeur d'Alene.	Mexico.
Miners.	\$3.50-\$4.50	\$0.75
Muckers.	3.00-3.50	.50
Laborers.	3.00-3.50	.50
Timbermen.	3.50-4.00	\$0.75-1.00
Pump men.	4.00	1.00
Engineers.	4.50-5.00	1.00
Shift bosses.	5.00-6.00	1.00
Track and pipe men.	3.50-4.00	1.00
Blacksmiths.	4.00-5.00	1.00-1.25
Blacksmiths' helpers.	3.50-4.00	.75
Machinists.	4.50-5.00	1.00
Millmen.	3.50-4.00	.65
Average.	3.60	.80
Day's work.....hours.	8	10-12

Importations of lead in ore and furnace products to be smelted and refined in bond.

[Tons of 2,000 pounds.]	
1900.	114,397
1901.	111,867
1902.	105,185
1903.	103,384
1904.	104,128
1905.	92,608
1906.	72,371
1907.	69,704
1908.	107,634
1909.	108,969
1910.	108,423
1911.	91,145

Reexports of foreign lead.

[Tons of 2,000 pounds.]	
1900.	100,288
1901.	100,026
1902.	82,228
1903.	81,971
1904.	84,142
1905.	59,741
1906.	47,323
1907.	51,502
1908.	81,553
1909.	87,574
1910.	69,786
1911.	101,227

Domestic production of pig lead.

[Tons of 2,000 pounds.]	
1900.	279,107
1901.	279,922
1902.	280,524
1903.	276,694
1904.	302,204
1905.	322,474
1906.	350,153
1907.	365,166
1908.	310,762
1909.	354,188
1910.	372,227
1911.	406,148

Importations of pig lead.

[Tons of 2,000 pounds.]	
1901.	604
1902.	2,529
1903.	3,023
1904.	8,724
1905.	5,720
1906.	11,763
1907.	9,277
1908.	9,759
1909.	3,576
1910.	3,485
1911.	2,632

Average prices of pig lead and dry white lead, 1895 to 1911, inclusive.
[In cents per pound.]

Year.	Pig lead.	Dry white lead.
1895.	3.23	4.625
1896.	2.98	4.625
1897.	3.58	4.450
1898.	3.78	4.625
1899.	4.47	5.187
1900.	4.37	5.812
1901.	4.33	5.031
1902.	4.07	4.625
1903.	4.24	5.687
1904.	4.31	5.259
1905.	4.71	5.937
1906.	5.66	6.562
1907.	5.33	6.437
1908.	4.20	5.250
1909.	4.27	5.250
1910.	4.45	5.375
1911.	4.42	5.250

Table showing effect of an ad valorem duty of 25 per cent on pig lead, applied to market conditions of 10 years, 1902 to 1911, inclusive.

Year.	Average London price (cents per pound).	Duty at 25 per cent ad valorem.	Cost at New York, duty paid.	New York price (cents per pound).
1902.	2.45	0.61	3.06	4.07
1903.	2.51	.63	3.14	4.24
1904.	2.60	.65	3.25	4.31
1905.	2.98	.75	3.73	4.71
1906.	3.77	.94	4.71	5.66
1907.	4.15	1.04	5.19	5.33
1908.	2.93	.73	3.66	4.20
1909.	2.83	.71	3.54	4.27
1910.	2.80	.70	3.50	4.45
1911.	3.01	.75	3.76	4.42
Average.	3.00	.75	3.75	4.57

Mr. BRADY. We are not here to beg for a prohibitive tariff on lead. We do not even suggest this, but we are asking that you do not destroy an industry that furnishes employment to thousands of men and pays the highest known wage to mining men in the world and that does not permit foreigners to supplant the American workingman in American mines.

Idaho stands out preeminently as a State that is inhabited by exceptionally industrious and law-abiding people. The statistics of the last census show that 98.1 per cent of our entire population are white and that only 2 per cent are illiterate. It is the American man and the American woman that we are asking you to protect. It is the American standard of labor that we are asking you to maintain. It is the American principle of fair play that we are asking to be applied to us at this time, and it would only be fair play for you to give us a duty that will sufficiently protect the lead-mining industry and thus enable us to at least keep our heads above water until the people of this country can have a chance to say, with the matter fairly and squarely presented to them, whether this tariff bill will accomplish the results claimed for it by the party now in power.

Mr. President, I simply wish to say, in closing, that I have listened to the arguments pro and con on this tariff bill, and I believe it is only just and fair to say at this time that, in my judgment, both the minority and the majority have placed their arguments before the Senate in a fair and unbiased way. I am not one of those who claim that because a man differs with me politically, or upon any other point, he is viciously wrong. I believe in the goodness of men. I believe in the manhood of the American citizen. I believe that, while the Senators on the other side have tried honestly and faithfully to enact a law that they believe to be just and right, their endeavors have been a failure. I am willing to go back to the people of the West and lay our case before them, on what I have learned here in the few short months I have served in the Senate, as to the real difference in the principles of the Republican and the Democratic Parties.

REPUBLICAN POLICY OF PROTECTION A DEMONSTRATED SUCCESS.

The Republican Party believes in the principle of protection for fostering and building up our industries. I never knew, or at least I never comprehended, the full extent of what was meant by the Democratic doctrine of a tariff for revenue only. I wish to warn the Senators who are going to pass this bill in a few hours that the farmers of this country, and especially of

the western part of the country, from which I come, do not so understand it.

I stood up in the last campaign before farmers, honest men, honest Democrats, who rose up in the audiences and told me I was mistaken when I said that the Democratic Party would put the products that I had named in the speech that I was at that time making on the free list. Under the terms of this bill every single one of them has been placed upon the free list.

If the people of this Nation believe in a tariff for revenue only, your party is going to be kept in power; but if the people of this Nation believe that the industries of this Nation should be protected, you will see four years from now an overwhelming majority for the Republican Party and the protection of the industries of this country.

Mr. LA FOLLETTE. Mr. President, I offer the amendment which I send to the desk.

The VICE PRESIDENT. The Secretary will read the amendment.

The Secretary proceeded to read Mr. LA FOLLETTE'S amendment, and read to line 5, on page 7, the entire amendment being as follows:

Amendment in the form of a substitute intended to be proposed by Mr. LA FOLLETTE to the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes, viz: Strike out paragraphs 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 318½, 427½, 652, and 653, and insert in lieu thereof the following:

1. All wools, hair of the camel, Angora goat, alpaca, and other like animals shall be divided, for the purpose of fixing the duties to be charged thereon, into the two following classes:

2. Class 1, that is to say, merino and all wools containing merino blood, immediate or remote, Down clothing wools, and wools of like character with any of the preceding, including Bagdad wool, China lambs' wool, Cactel Branco, Adrianople skin wool, or butcher's wool, and such as have been heretofore usually imported from Buenos Aires, New Zealand, Australia, Cape of Good Hope, Great Britain, Canada, and elsewhere, Leicester, Cotswold, Lincolnshire, Down combing wools, Canadian long wools, or other like combing wools of English blood and usually known by the terms herein used, the hair of the Angora goat, alpaca, and other like animals, and all wools and hairs not hereinafter included in class 2.

3. Class 2, that is to say, Donskoi, native South American, Cordova, Valparaiso, native Smyrna, and all other native, unimproved wools such as have been heretofore usually imported into the United States from Turkey, Greece, Asia, and elsewhere, excepting improved wools hereinafter provided for; and the hair of the camel.

4. The standard samples of all wools which are now or may be hereafter deposited in the principal customhouses of the United States, under the authority of the Secretary of the Treasury, shall be the standards for the classification of wools under this act, and the Secretary of the Treasury is authorized to renew these standards and to make such additions to them from time to time as may be required, and he shall cause to be deposited like standards in other customhouses of the United States when they shall be needed.

5. Whenever wools of class 2 shall have been improved by the admixture of merino or English blood, from their present character as represented by the standard samples now or hereafter to be deposited in the principal customhouses of the United States, such improved wools shall be classified for duty as class 1.

6. The rate of duty on wools and hairs of class 1 shall be 30 per cent ad valorem.

7. Wools and hairs of class 2 shall be free of duty.

8. The rate of duty on wools of class 1 on the skin shall be 27½ per cent ad valorem, the quantity and value of the wool to be ascertained under such rules as the Secretary of the Treasury may prescribe.

9. On top waste, slubbing waste, roving waste, ring waste, and garnetted waste, the rate of duty shall be 27½ per cent ad valorem.

10. On shoddy, wool extract, noils, yarn waste, thread waste, and all other wastes composed wholly of wool or of which wool is the component material of chief value and not specially provided for in this section, the rate of duty shall be 25 per cent ad valorem.

11. On woolen rags, mungo, and flocks, the rate of duty shall be 20 per cent ad valorem.

12. On combed wool or tops, and all wools which have been advanced in any manner or by any process of manufacture beyond the washed or scoured condition, not specially provided for in this section, the rate of duty shall be 37½ per cent ad valorem.

13. On carded woolen yarns, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 40 per cent ad valorem.

14. On worsted yarns, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 42½ per cent ad valorem.

15. On cloths, knit fabrics, flannels, felts, women's and children's dress goods, coat linings, Italian cloths, bunting, and all other manufactures made wholly of wool or of which wool is the component material of chief value and not otherwise specially provided for in this act, valued at not more than 60 cents per pound, 50 per cent ad valorem; valued at more than 60 cents per pound and not more than \$1 per pound, 52½ per cent ad valorem; valued at over \$1 per pound, 55 per cent ad valorem.

16. On blankets and on flannels for underwear, composed wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 50 per cent ad valorem: *Provided*, That on flannels composed of wool or of which wool is the component material of chief value, valued at over 50 cents per pound, the rate of duty shall be the same as assessed by this schedule on women's and children's dress goods.

17. On clothing, ready made, and articles of wearing apparel of every description, including shawls, whether knitted or woven, and knitted articles of every description made up or manufactured wholly or in part, and not otherwise specially provided for in this act, the rate of duty shall be 55 per cent ad valorem.

18. On webbings, gorings, suspenders, braces, bandings, beltings, bindings, braids, galloons, edgings, insertings, flounces, fringes, gimps, cords, and tassels, ribbons, ornaments, laces, embroideries and all articles embroidered by hand or machinery, head nets, nettings, buttons or barrel buttons or buttons of other forms for tassels or ornaments, and manufactures of wool ornamented with beads or spangles of whatever material composed, any of the foregoing made of wool or of which wool is the component material of chief value, whether containing india rubber or not, the rate of duty shall be 55 per cent ad valorem.

19. On handmade Axminster, Aubusson, oriental, and similar rugs and carpets, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 50 per cent ad valorem; on all other carpets and rugs made wholly of wool or of which wool is the component material of chief value, and not otherwise specially provided for in this act, including machine-made Axminster, moquette, chenille, Wilton, Brussels, tapestry, and ingrain carpets and rugs, 30 per cent ad valorem.

20. Carpets and carpeting of wool, flax, or cotton, or composed in part of any of them, not otherwise specially provided for in this act, and mats, matting, and rugs of cotton, 30 per cent ad valorem.

21. Mats, rugs for floors, screens, covers, hassocks, bed sides, art squares, and other portions of carpets or carpeting made wholly of wool, or of which wool is the component material of chief value, and not specially provided for in this section, shall be subjected to the rate of duty herein imposed on carpets or carpeting of like character or description.

22. Whenever, in any paragraph of this schedule the word "wool" is used in connection with a manufactured article of which it is a component material, it shall be held to include wool or hair of the sheep, camel, goat, alpaca, or other animal, whether manufactured by a woolen, worsted, felt, or any other process.

23. Paragraphs 1 to 11, inclusive, of this schedule shall be effective on and after the 1st day of January, 1914, and shall remain in full force and effect up to and including the 31st day of December, 1914, and paragraphs 12 to 22, inclusive, shall be effective on and after the 1st day of April, 1914, and shall remain in full force and effect up to and including the 31st day of March, 1915.

24. All wools, hair of the camel, Angora goat, alpaca, and other like animals, shall be divided, for the purpose of fixing the duties to be charged thereon, into the two following classes:

25. Class 1, that is to say, merino and all wools containing merino blood, immediate or remote, Down clothing wools, and wools of like character with any of the preceding, including Bagdad wool, China lambs' wool, Castel Branco Adrianople skin wool, or butcher's wool, and such as have been heretofore usually imported from Buenos Aires, New Zealand, Australia, Cape of Good Hope, Great Britain, Canada, and elsewhere, Leicester, Cotswold, Lincolnshire, Down combing wools, Canadian long wools, or other like combing wools of English blood and usually known by the terms herein used, the hair of the Angora goat, alpaca, and other like animals, and all wools and hairs not hereinafter included in class 2.

26. Class 2, that is to say, Donskoi, native South American, Cordova, Valparaiso, native Smyrna, and all other native, unimproved such as have been heretofore usually imported into the United States from Turkey, Greece, Asia, and elsewhere, excepting improved wools hereinafter provided for; and the hair of the camel.

27. The standard samples of all wools which are now or may be hereafter deposited in the principal customhouses of the United States, under the authority of the Secretary of the Treasury, shall be the standards for the classification of wools under this act, and the Secretary of the Treasury is authorized to renew these standards and to make such additions to them from time to time as may be required, and he shall cause to be deposited like standards in other customhouses of the United States when they shall be needed.

28. Whenever wools of class 2 shall have been improved by the admixture of merino or English blood, from their present character as represented by the standard samples now or hereafter to be deposited in the principal customhouses of the United States, such improved wools shall be classified for duty as class 1.

29. The rate of duty on wools and hairs of class 1 shall be 25 per cent ad valorem.

30. Wools and hairs of class 2 shall be free of duty.

31. The rate of duty on wools of class 1 on the skin shall be 22½ per cent ad valorem, the quantity and value of the wool to be ascertained under such rules as the Secretary of the Treasury may prescribe.

32. On top waste, slubbing waste, roving waste, ring waste, and garnetted waste, the rate of duty shall be 22½ per cent ad valorem.

33. On shoddy, wool extract, noils, yarn waste, thread waste, and all other wastes composed wholly of wool or of which wool is the component material of chief value and not specially provided for in this section, the rate of duty shall be 20 per cent ad valorem.

34. On woolen rags, mungo, and flocks the rate of duty shall be 15 per cent ad valorem.

35. On combed wool or tops, and all wools which have been advanced in any manner or by any process of manufacture beyond the washed or scoured condition, not specially provided for in this section, the rate of duty shall be 32½ per cent ad valorem.

36. On carded woolen yarns, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 35 per cent ad valorem.

37. On worsted yarns, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 37½ per cent ad valorem.

38. On cloths, knit fabrics, flannels, felts, women's and children's dress goods, coat linings, Italian cloths, bunting, and all other manufactures made wholly of wool or of which wool is the component material of chief value and not otherwise specially provided for in this act, valued at not more than 60 cents per pound, 45 per cent ad valorem; valued at more than 60 cents per pound and not more than \$1 per pound, 47½ per cent ad valorem; valued at over \$1 per pound, 50 per cent ad valorem.

39. On blankets and on flannels for underwear, composed wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 45 per cent ad valorem: *Provided*, That on flannels composed of wool or of which wool is the component material of chief value, valued at over 50 cents per pound, the rate of duty shall be the same as assessed by this schedule on women's and children's dress goods.

40. On clothing, ready-made, and articles of wearing apparel of every description, including shawls, whether knitted or woven, and knitted articles of every description made up or manufactured, wholly or in part, and not otherwise specially provided for in this act, the rate of duty shall be 50 per cent ad valorem.

41. On webbings, gorings, suspenders, braces, bandings, beltings, bindings, braids, galloons, edgings, insertings, flouncings, fringes, gimps, cords and tassels, ribbons, ornaments, laces, trimmings, and articles made wholly or in part of lace, embroideries and all articles embroidered by hand or machinery, head nets, nettings, buttons or barrel buttons or buttons of other forms for tassels or ornaments, and manufactures of wool ornamented with beads or spangles of whatever material composed, any of the foregoing made of wool or of which wool is the component material of chief value, whether containing india rubber or not, the rate of duty shall be 50 per cent ad valorem.

42. On hand-made Axminster, Aubusson, oriental, and similar rugs and carpets, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 50 per cent ad valorem; on all other carpets and rugs made wholly of wool or of which wool is the component material of chief value, and not otherwise specially provided for in this act, including machine-made Axminster, moquette, chenille, Wilton, Brussels, tapestry, and ingrain carpets and rugs, 30 per cent ad valorem.

43. Carpets and carpeting of wool, flax, or cotton, or composed in part of any of them, not otherwise specially provided for in this act, and mats, matting, and rugs of cotton, 30 per cent ad valorem.

44. Mats, rugs for floors, screens, covers, hassocks, bed sides, art squares, and other portions of carpets or carpeting made wholly of wool or of which wool is the component material of chief value, and not specially provided for in this section, shall be subjected to the rate of duty herein imposed on carpets or carpeting of like character or description.

45. Whenever, in any paragraph of this act, the word "wool" is used in connection with a manufactured article of which it is a component material, it shall be held to include wool or hair of the sheep, camel, goat, alpaca, or other animal, whether manufactured by a woolen, worsted, felt, or any other process.

46. Paragraphs 24 to 34, inclusive, of this schedule shall be effective on and after the 1st day of January, 1915, and shall remain in full force and effect up to and including the 31st day of December, 1915, and paragraphs 35 to 45, inclusive, shall be effective on and after the 1st day of April, 1915, and shall remain in full force and effect up to and including the 31st day of March, 1916.

47. All wools, hair of the camel, Angora goat, alpaca, and other like animals shall be divided, for the purpose of fixing the duties to be charged thereon, "into the two following classes:"

48. Class 1, that is to say, merino and all wools containing merino blood, immediate or remote Down clothing wools, and wools of like character with any of the preceding, including Bagdad wool, China lamb's wool, Castel Branco, Adrianople skin wool, or butcher's wool, and such as have been heretofore usually imported from Buenos Aires, New Zealand, Australia, Cape of Good Hope, Great Britain, Canada, and elsewhere, Leicester, Cotswold, Lincolnshire, Down combing wools, Canadian long wools, or other like combing wools of English blood and usually known by the terms herein used, the hair of the Angora goat, alpaca, and other like animals, and all wools and hairs not hereinafter included in class 2.

49. Class 2, that is to say, Donskol, native South American, Cordova, Valparaiso, native Smyrna, and all other native unimproved wools such as have been heretofore usually imported into the United States from Turkey, Greece, Asia, and elsewhere, excepting improved wools hereinafter provided for; and the hair of the camel.

50. The standard samples of all wools which are now or may be hereafter deposited in the principal customhouses of the United States, under the authority of the Secretary of the Treasury, shall be the standards for the classification of wools under this act, and the Secretary of the Treasury is authorized to renew these standards and to make such additions to them from time to time as may be required, and he shall cause to be deposited like standards in other customhouses of the United States when they shall be needed.

51. Whenever wools of class 2 shall have been improved by the admixture of merino or English blood, from their present character as represented by the standard samples now or hereafter to be deposited in the principal customhouses of the United States, such improved wools shall be classified for duty as class 1.

52. The rate of duty on wools and hairs of class 1 shall be 15 per cent ad valorem.

53. Wools and hairs of class 2 shall be free of duty.

54. The rate of duty on wools of class 1 on the skin shall be 12½ per cent ad valorem, the quantity and value of the wool to be ascertained under such rules as the Secretary of the Treasury may prescribe.

55. On top waste, slubbing waste, roving waste, ring waste, and garneted waste the rate of duty shall be 12½ per cent ad valorem.

56. On shoddy, wool extract, noils, yarn waste, thread waste, and all other wastes composed wholly of wool or of which wool is the component material of chief value and not specially provided for in this section, the rate of duty shall be 10 per cent ad valorem.

57. On woolen rags, mungo, and flocks, the rate of duty shall be 10 per cent ad valorem.

58. On combed wool or tops and all wools which have been advanced in any manner or by any process of manufacture beyond the washed or scoured condition, not specially provided for in this section, the rate of duty shall be 25 per cent ad valorem.

59. On carded woolen yarns, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 30 per cent ad valorem.

60. On worsted yarns, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 32½ per cent ad valorem.

61. On cloths, knit fabrics, flannels, felts, women's and children's dress goods, coat linings, Italian cloths, bunting, and all other manufactures made wholly of wool or of which wool is the component material of chief value and not otherwise specially provided for in this act, valued at not more than 60 cents per pound, 40 per cent ad valorem; valued at more than 60 cents per pound and not more than \$1 per pound, 42½ per cent ad valorem; valued at over \$1 per pound, 45 per cent ad valorem.

62. On blankets and on flannels for underwear, composed wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 40 per cent ad valorem; *Provided*, That on flannels composed of wool or of which wool is the component material of chief value, valued at over 50 cents per pound, the rate of duty shall be the same as assessed by this section on women's and children's dress goods.

63. On clothing, ready-made, and articles of wearing apparel of every description, including shawls, whether knitted or woven, and knitted articles of every description made up or manufactured wholly or in

part, and not otherwise specially provided for in this act, the rate of duty shall be 45 per cent ad valorem.

64. On webbings, gorings, suspenders, braces, bandings, beltings, bindings, braids, galloons, edgings, insertings, flouncings, fringes, gimps, cords and tassels, ribbons, ornaments, laces, trimmings, and articles made wholly or in part of lace, embroideries and all articles embroidered by hand or machinery, head nets, nettings, buttons or barrel buttons or buttons of other forms for tassels or ornaments, and manufactures of wool ornamented with beads or spangles of whatever material composed, any of the foregoing made of wool or of which wool is the component material of chief value, whether containing india rubber or not, the rate of duty shall be 40 per cent ad valorem.

65. On hand-made Axminster, Aubusson, oriental, and similar rugs and carpets, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 50 per cent ad valorem; on all other carpets and rugs made wholly of wool or of which wool is the component material of chief value, and not otherwise specially provided for in this act, including machine-made Axminster, moquette, chenille, Wilton, Brussels, tapestry, and ingrain carpets and rugs, 30 per cent ad valorem.

66. Carpets and carpeting of wool, flax, or cotton, or composed in part of any of them, not otherwise specially provided for in this act, and on mats, matting, and rugs of cotton, 30 per cent ad valorem.

67. Mats, rugs for floors, screens, covers, hassocks, bedsides, art squares, and other portions of carpets or carpeting made wholly of wool or of which wool is the component material of chief value, and not specially provided for in this section, shall be subjected to the rate of duty herein imposed on carpets or carpeting of like character or description.

68. Whenever, in any paragraphs of this schedule, the word "wool" is used in connection with a manufactured article of which it is a component material it shall be held to include wool or hair of the sheep, camel, goat, alpaca, or other animal, whether manufactured by a woolen, worsted, felt, or any other process.

69. Paragraphs 47 to 57, inclusive, of this schedule shall be effective on and after the 1st day of January, 1916, and paragraphs 58 to 68, inclusive, shall be effective on and after the 1st day of April, 1916.

Mr. LA FOLLETTE. Mr. President, first I will make a statement, and then I will make a request for unanimous consent.

The remaining paragraphs of this schedule repeat the paragraphs which have been read by the Secretary from the first paragraph to paragraph 22, with the exception that the paragraphs which have been read by the Secretary from 1 to 22 start with a duty of 30 per cent on raw wool and on this base fix upon the manufactured products of wool a duty measured according to the difference in the cost of production between this and competing countries.

Paragraph 23 provides that this 30 per cent duty on raw wool shall remain in full force and effect from January 1, 1914, up to and including the 31st day of December, 1914; and the paragraphs numbered 12 to 22, inclusive, which fix the rates upon the manufactures of wool, upon the 30 per cent raw-wool basis, shall become effective April 1, 1914, and remain in effect up to and including March 31, 1915.

The remaining portions of the amendment consist of two complete schedules for this division of the tariff bill.

On the next one I start with a base-line duty of 25 per cent on raw wool, and all the duties upon the manufactured products of wool are scaled down to be in agreement with that rate. I provide that those duties, based upon the 25 per cent rate on raw wool, shall take effect immediately after the expiration of the duties in the schedule that are based upon the 30 per cent rate, and are to remain in effect up to and including December 31, 1915. The rates on manufactures to become effective April 1, 1915, and to remain in effect up to and including March 31, 1916.

The third division of the amendment repeats in exact language the provisions which have been read, except that the duty upon raw wool is fixed at 15 per cent and the duty on all the manufactured products is scaled down to that base line. These duties represent the protection that the manufacturers should receive, and, according to the best information we have, measure exactly, with raw wool at 15 per cent, the difference in the cost of production from the raw wool to the finished product. The 15 per cent rate on wool is to become effective January 1, 1916, and the rates on the manufactures of wool on the 15 per cent raw-wool base are to become effective April 1, 1916.

Mr. President, I have made this statement to save the time of the Senate, and I ask unanimous consent that the further reading of the amendment may be dispensed with.

The VICE PRESIDENT. Is there objection? The Chair hears none.

Mr. STONE. When is it to go into effect?

Mr. LA FOLLETTE. The 30 per cent amendment goes into effect the 1st day of January, 1914, and continues in effect up to and including December 31, 1914; the 25 per cent schedule goes into effect January 1, 1915, and is to continue in effect up to and including December 31, 1915; the 15 per cent provision goes into effect January 1, 1916, and to continue in effect. Upon the manufactured products the rates of the 30 per cent bill become effective April 1, 1914; the 25 per cent bill April 1, 1915; and the 15 per cent bill April 1, 1916.

Mr. SIMMONS. I understand that the amendment offered by the Senator from Wisconsin, which has been read, is offered as a substitute for Schedule K in the pending bill.

Mr. LA FOLLETTE. It is, sir.

Mr. SIMMONS. The Senator is merely explaining his own substitute.

Mr. LA FOLLETTE. Yes, sir. After the complete reading of the first division of the amendment, that being a complete Schedule K, based upon a duty of 30 per cent ad valorem upon the raw wool, I was asking unanimous consent to dispense with the reading of the latter part of the amendment, as it repeats the first division twice, once with a series of rates having a 25 per cent ad valorem duty on the raw wool as a base and again, with 15 per cent as the basic duty.

Mr. SIMMONS. That part of it I understand, and there is no objection to granting unanimous consent.

The VICE PRESIDENT. Unanimous consent has been given and the reading of the remainder of the amendment is dispensed with. It will be printed in full in the RECORD.

Mr. LA FOLLETTE. Mr. President, I shall later have other amendments to submit, but what I have to say now pertains to Schedule K, and I shall address myself solely to this amendment.

HOW SCHEDULE K WAS FRAMED.

Schedule K has justly received the severest criticisms that have been leveled against the protective system. This schedule was framed as a result of a coalition between the woolgrowers and the wool manufacturers. The mill owner and the sheep owner united to frame a schedule which would protect the interests of both. Its terms were so complicated, so technical, so obscure, as to baffle general understanding and criticism for many years. They contrived a mixture, a blend of duties, compensatory and protective, specific and ad valorem, so compounded with mysterious proportions and equivalents and false assumptions as to afford a complete mask and cover, behind which they have exacted tribute at will from the American people.

The manufacturers agreed to support such duties on wool as were satisfactory to woolgrowers, and the woolgrowers agreed in return to support such compensatory and protective duties as were satisfactory to the manufacturers, but in the combination the woolgrowers were overreached and defrauded by the manufacturers, who were masters of their craft in all its detail.

The duties on wool were made to appear much higher than they are. The duties on the manufactures of wool were obscured and concealed in the technical terms of the law. The woolgrower was fooled; the public was victimized.

Contemplate for a moment the scheme or plan upon which this schedule is constructed. Two duties are imposed upon all manufactures of wool.

First. A compensatory duty supposed to equal the amount of duty imposed upon the quantity of raw wool contained in a manufactured article.

Second. In addition to this compensatory duty there is levied the so-called protective duty. This protective duty is presumed to measure the difference in the cost of producing the manufactured article in this and the competing foreign country.

The compensatory duty supposedly gives the American manufacturer his raw wool on terms of equality with his foreign competitor who has free wool.

The manufacturers and the woolgrowers agreed that a duty of 11 cents a pound on wool of the first class was necessary to protect the woolgrower. Then the manufacturers claimed that it required $2\frac{1}{2}$ pounds of that grade of wool in the grease to make a pound of yarn valued at 30 cents a pound or less, and that it required $3\frac{1}{2}$ pounds of wool of the first class to make a pound of yarn valued at more than 30 cents per pound, and that it was necessary for them to receive as a compensatory duty $27\frac{1}{2}$ cents per pound for yarn worth 30 cents a pound or less, and $38\frac{1}{2}$ cents per pound as a compensatory duty for yarn valued at more than 30 cents per pound.

In addition to this they claimed that it required 35 per cent on yarns valued at 30 cents per pound or less and 40 per cent on yarns valued at more than 30 cents per pound as a duty to protect them in converting the wool into yarn.

The manufacturers likewise claimed that it required 3 pounds of wool of the first class in the grease to make a pound of cloth valued at 40 cents per pound or less, and that it required 4 pounds of wool of the first class in the grease to make a pound of cloth valued above 40 cents per pound. In other words, they claimed that they required a compensatory duty to the amount of 33 cents per pound on cloth valued at less than 40 cents per pound and 44 cents per pound on all cloth valued at more than 40 cents per pound.

In addition to this they claimed that it required as a duty to protect them in converting the yarn into cloth 50 per cent on all cloth worth 70 cents a pound or less and a protective duty of 55 per cent on all cloth valued at more than 70 cents per pound.

Now, then, having agreed between themselves upon these compensatory and these protective duties and this duty on raw wool, the woolgrower and the woolen manufacturers joined forces and they succeeded in having those duties enacted into law. They organized national associations which formed alliances as with other associations whose interests were kindred to their interests, so that back of Schedule K was the most powerful organization in all the tariff history of this country, the most powerful organization behind any of the schedules.

Having at an early day formed this combination they selected representatives of their organization to appear before congressional committees to secure for the benefit of the woolgrowers legislation that would insure to them the duties agreed upon between themselves and the manufacturers, and to secure for the benefit of the manufacturers these double duties which had been agreed upon by this combination.

I say to you that out of an experience on tariff legislation reaching back to my young manhood, when as a member of the Committee on Ways and Means I helped to frame the McKinley tariff bill, I have never seen nor have I read of a more potential and forceful organization for securing that which it wanted than this combination between the woolgrowers and the woolen manufacturers of the United States. Before I have concluded this afternoon I trust it will be made plain to so many Senators as choose to honor me with their attention that that agreement was conceived in fraud and executed in fraud.

CONSTRUCTED ON FALSE BASE.

Whether the protective duties as fixed at the time were unreasonably high does not matter now; that they have become extravagantly excessive is susceptible of proof. And that the compensatory duties were out of all proportion is beyond dispute. The claim as to the quantity of wool required to make a pound of yarn and a pound of cloth was false, and throughout all the years the consumers have been compelled to pay unreasonable prices upon woolen goods because of these duties.

Every yard of cloth assessed at the customhouses, in which wool is the component material of chief value, is weighed and taxed as though it were all wool, and 4 pounds of wool in the grease per pound of cloth had been required in its manufacture; that is, it is taxed 44 cents per pound, even when more than half the weight of the cloth is composed of cotton.

As an example of the reprehensible character of these compensatory duties, I cite a case reported by Mr. N. I. Stone, formerly chief statistician of the Tariff Board, in his excellent article on Schedule K, published in the Century Magazine for May, 1913. Mr. Stone says:

The law takes no account of the admixture of materials other than wool of which the cloth is made. A worsted may contain cotton to the extent of one-half or more of its total weight, yet the worsted manufacturer is allowed 44 cents a pound "compensation" on the entire weight of the cloth.

Mr. Dale, editor of The Textile World Record, quotes a typical instance of a cotton worsted. In turning out 8,750 pounds of this cloth 3,125 pounds of raw wool were used, the remainder being cotton. Assuming that the price of the wool in this country was enhanced to the extent of the duty of 11 cents a pound, the manufacturer would be entitled to a compensatory of 3,125 times 11, or \$343.75.

But the law, on the four-to-one theory, allows a compensatory duty of 44 cents per pound of cloth, or 8,750 times 44, which is equal to \$3,850. The manufacturer is thus granted an extra protection of more than three and one-half thousand dollars in the guise of compensation for the duty on wool which never entered the cloth.

Mr. President, the indefensible character of these rates was shown by the report of the Tariff Board on Schedule K. It is there shown that the average value of yarn per pound, imported in 1909, was 26 cents; in 1910, 22 cents; in 1911, 24 cents. The compensatory duty alone upon these yarns was more than 100 per cent. Added to that was the protective duty. The ad valorem rate on yarns imported into the United States during the fiscal year ending June 30, 1911, as computed by the Tariff Board, was from 76.61 per cent on yarns valued at more than 30 cents per pound, to 149.19 per cent on yarns valued at not more than 30 cents per pound. Upon fabrics valued at 40 cents a pound or less, the cheaper goods worn by the poorer people, the Tariff Board computes the duty 149.59 per cent; valued at more than 40 and not more than 70 cents per pound, 123.71 per cent. Here again, as in the case of yarns, the cheaper the goods the higher the duty.

It has always been contended by the advocates of Schedule K that these excessive duties on the cheaper yarns and cloths were justifiable, for the purpose of excluding goods made of shoddy and other wool substitutes. But with the high prices prevailing

on woolen goods, many people are compelled to buy fabrics made from wool substitutes. As stated by the Tariff Board—

They meet a market demand, which is fixed by the amount the purchaser is able to pay, and the real question is not whether they shall be used in the United States, but who shall produce them.

It is well known that the profit on the cheaper grades is relatively greater than on the higher priced fabrics. And the maintenance of these prohibitory duties on the coarser wools, yarns, and fabrics not only compel people of limited means to use goods made of shoddy and other wool substitutes by American manufacturers, but compel them to pay very dearly for them.

Schedule K takes good care that the American manufacturer of shoddy shall have this market exclusively and under such extortionate rates as enables him to make a round profit out of those who are so unfortunate as to be compelled to wear shoddy, or short-lived cotton worsted. Except for the prohibitory duties on the coarser wools, yarns, and fabrics, the poorer people of this country could be clothed in the durable, warm, though coarse woolen cloth which the workingman of Great Britain and on the Continent can afford to wear.

It is largely the concealed protection in the compensatory duties that makes the tariff so high as to shut out goods of this class. As shown by the report of the Tariff Board, page 124, the compensatory duty on goods valued at 40 cents or less per pound was 99.59 per cent of their total value—just the compensa-

tory duty alone, to say nothing of the protective duty that was added to it.

The compensatory duty on dress goods is more burdensome even than that on cloth. By way of illustrating that the compensatory duty falls as a heavier burden on the low and medium than on the high grades I submit a table, which shows, classified according to value, the imports in 1912 of yarns, blankets, and cloths. The quantity of each class imported and the computed ad valorem rates tell the whole story.

For example, cloths valued at not more than 40 cents per pound pay a duty of 144.79 per cent; cloths valued at more than 40 cents per pound and not more than 70 cents per pound pay a duty of 124.51 per cent; and cloths valued at above 70 cents per pound pay a duty of 93.23 per cent.

The importations under the highest classification were comparatively large, being valued at \$4,513,584. The average value per pound was \$1.15. These were the fine goods, which compete only slightly with any American product.

I ask, Mr. President, without reading it in detail, to present here a table taken from the report of the Tariff Board which brings out in graphic form the proposition which I am now arguing to the Senate.

The VICE PRESIDENT. Without objection, the table referred to will be printed in the Record.

The table referred to is as follows:

Imports entered for consumption—Year ending June 30, 1912.

Articles.	Rates of duty.	Quantities.	Values.	Duties.	Value per unit of quantity.	Actual and computed ad valorem rate.
Yarns made wholly or in part of wool:						
Valued not more than 30 cents per pound (pounds).....	27½ lb. + 35%.....	323.50	\$83.90	\$118.36	\$0.259	141.07
Valued more than 30 cents per pound (pounds).....	38½ lb. + 40%.....	60,706.73	59,386.26	47,126.75	.978	79.36
Total yarns (pounds).....		61,030.23	59,470.16	47,245.11	.974	79.44
Blankets:						
Valued at not more than 40 cents per pound (pounds).....	22½ lb. + 30%.....	1,821.00	603.90	581.80	.332	96.34
Valued at more than 40 and not more than 50 cents per pound (pounds).....	33½ lb. + 35%.....	1,131.60	539.05	562.11	.476	104.28
Valued at more than 50 cents per pound (pounds).....	33½ lb. + 40%.....	39,421.27	45,677.88	31,280.49	1.16	68.48
	(D. R., for min.).....	22.00	32.00		1.45	
More than 3 yards in length—						
Valued at not more than 40 cents per pound (pounds).....	33½ lb. + 50%.....	244.00	53.00	107.03	.217	201.94
Valued at above 40 and not above 70 cents per pound (pounds).....	44½ lb. + 50%.....	2,495.75	1,482.00	1,839.13	.594	124.10
Valued at over 70 cents per pound (pounds).....	44½ lb. + 55%.....	3,273.46	3,618.35	3,430.42	1.11	94.81
Total blankets (pounds).....		48,409.08	52,006.18	37,800.98	1.07	72.69
Cloths, woolen or worsted:						
Valued at not more than 40 cents per pound (pounds).....	33½ lb. + 50%.....	10,123.38	3,524.30	5,102.89	.348	144.79
Valued at more than 40 and not more than 70 cents per pound (pounds).....	44½ lb. + 50%.....	282,239.56	166,659.47	207,515.18	.599	124.51
Valued at above 70 cents per pound (pounds).....	44½ lb. + 55%.....	3,921,317.61	4,513,584.12	4,207,851.06	1.15	93.23
Total cloths, woolen or worsted (pounds).....		4,213,680.55	4,683,767.89	4,420,469.13	1.11	94.38

Mr. LA FOLLETTE. Mr. President, that the duties on Schedule K are practically prohibitory is shown conclusively by the table found in the Report of the Tariff Board, page 190, which I herewith submit. This table gives the principal classes of goods affected by the duties of Schedule K, namely, (a) woolen and worsted cloth, (b) blankets and flannels, (c) dress goods, (d) carpets, and (e) rugs. In each class it gives the total value of the production, the total value of the imports, and the percentage which each bears to the whole.

In almost every case the imports, as will be seen by the percentage, are practically negligible. Relatively almost nothing is able to get it over the tariff barrier.

The text which accompanies the Tariff Board's table explains it fully, and therefore I will take the liberty of asking that the text be printed in connection with the table. I will only pause, Mr. President, to read from this table the percentages. Of woolen and worsted cloth the production in the United States was \$181,217,156, and the imports were \$4,777,447, or 2.57 per cent. There was not much doubt about the height of the tariff wall at that point on those goods. Of blankets and flannels the total production of this country was \$10,566,965, and the imports \$125,147, or 1.17 per cent. That surely is as near prohibitory as you could make it, Mr. President.

Some of my friends on the Republican side may be querying in their minds as to why I am dwelling upon the existing law. The reason will appear from time to time as I present my amendments and submit my arguments in the course of this debate.

The dress-goods production in this country was, in 1909, \$98,239,275; the imports, \$7,019,284, or 6.67 per cent. The production of carpets was \$48,475,889, and the imports \$195,108, or four-tenths of 1 per cent. On rugs it is a little better, something nearer a fairer measure of duty, judged solely by the imports, the total production being \$18,490,449 and the total

imports \$3,553,448, or 16.12 per cent. Taking the schedule as a whole it may fairly be said to be prohibitive in its duties. Large importations are made in some particular line for special purposes to meet special demands, and would be made no matter what the duties were. I now ask that the entire table and text accompanying it may be printed in the Record.

The VICE PRESIDENT. In the absence of objection, permission is granted.

The matter referred to is as follows:

Imports and production of manufactures of wool compared: Comparison of production and imports of manufactures of wool can be made only by values, for the units of quantity vary. Comparisons by value always favor imports, because, as has been pointed out repeatedly in this report, the average value of the goods imported is higher than the average value of goods produced in the United States. This fact should be kept in mind in studying the table which follows. Table 163 presents the imports and production in 1909 of certain manufactures of wool and also the percentage which each is of the total of the two.

Production and imports of specified wool products in the United States in 1909 and the percentage which each is of the total of the two.

Item.	Value.	Per cent of total.
Woolen and worsted cloth, production and imports.....	\$185,994,603	100.00
Production.....	181,217,156	97.43
Imports.....	4,777,447	2.57
Blankets and flannels, production and imports.....	10,692,112	100.00
Production.....	10,566,965	98.83
Imports.....	125,147	1.17
Dress goods, production and imports.....	105,258,559	100.00
Production.....	98,239,275	93.33
Imports.....	7,019,284	6.67
Carpets, production and imports.....	48,475,889	100.00
Production.....	48,475,889	99.80
Imports.....	195,108	.40
Rugs, production and imports.....	22,043,897	100.00
Production.....	18,490,449	83.88
Imports.....	3,553,448	16.12

The production and imports of woolen and worsted cloth for the United States in 1909 was valued at \$185,994,603; 97.43 per cent of this was domestic production and 2.57 per cent was imports. The imports were substantially all under the highest-value classification of paragraph 375.

The production and imports of blankets and flannels for the United States in 1909 was valued at \$10,692,112; 98.83 per cent of this was domestic production and 1.17 per cent of it was imports.

The production and imports of dress goods for the United States in 1909 was valued at \$105,258,559; 93.33 per cent of this was domestic production and 6.67 per cent was imports. The imports included both the low and high grade dress goods.

The production and imports of carpets for the United States in 1909 was \$48,670,997; 99.60 per cent of this was domestic production and 0.40 per cent was imports.

The production and imports of rugs for the United States in 1909 was \$22,043,897; 83.88 per cent of this was domestic production and 16.12 per cent was imports. The imports consisted chiefly of expensive oriental rugs valued abroad at over \$4 per square yard. The average value per square yard of rugs produced in the United States in 1909 was 77 cents. (Tariff Board report on Schedule K, pp. 190-191.)

Mr. LA FOLLETTE. On Schedule K, as on every other, the basis of the arguments made by the manufacturers for high duties heretofore and now is the difference in the wage scales of this and the competing countries.

Turn to the hearings conducted by any committee that has considered a tariff bill and for the most part the argument presented by the manufacturers who appeared contending for the duties which they demanded is simply that the wages in this country are so much and the wages in the competing country are so much; and, in so far as any attention has been given to the figures at all, that has been almost exclusively the basis upon which tariffs have been framed.

"We pay our labor twice as much as the woolen manufacturers on the other side" is a statement that runs through all of the tariff hearings on Schedule K, and indeed in modified form upon every other schedule of the tariff bill. Tables are abundantly furnished, showing the difference in the wage scales of the United States and Great Britain on each operation necessary to convert wool into cloth. It is, as a rule, a most misleading form of argument.

The efficiency of the labor is the vital thing. The wage scale is only a factor. I may pay a cheap, bungling workman \$1 per day. My competitor across the street may pay his workman \$3 per day; and by his superior skill and intelligence, combined with up-to-date mechanical devices and methods, his output may surpass mine both as to quality and quantity and at a less cost per unit of product.

And so I say it is time to demand something more than a mere statement of the difference in wages paid in this and foreign countries.

I digress for a moment to say in this connection what I have said many times before in the course of tariff debates, that the direct and almost certain effect of prohibitory duties, the pampering and coddling of overprotected industries, is to take away all incentive for advanced modern methods and higher efficiency. The excessive duties of Schedule K show in a marked degree this tendency. While we have in this country many highly efficient establishments under progressive and far-seeing management, nevertheless the blighting influence of overprotection is found in a great majority of the woolen-manufacturing establishments of the country.

The Tariff Board in its report on wool examined this question of efficiency in the different establishments investigated.

Industrial efficiency is a large question in itself. A great many elements of far-reaching importance must be weighed carefully in connection with any adequate consideration of the subject. And it is not practical to go into it fully at this time. A study of the report of the Tariff Board, however, with an analysis of the tables in which is gathered the results of their investigation, tends to prove that the establishments paying the highest wages were producing at the lowest cost.

On this subject of productive efficiency, labor cost, average wages, and their relation to output, I quote again from Mr. Stone, chief statistician of the Tariff Board:

In wool scouring, the lowest average wage paid to machine operatives in the 30 mills examined was found to be 12.16 cents per hour—

Now, mark that. I repeat it:

In wool scouring, the lowest average wage paid to machine operatives in the 30 mills examined was found to be 12.16 cents per hour, and the highest 17.79. Yet the low-wage mill showed a labor cost of 21 cents per 100 pounds of wool, while the high-wage mill had a cost of only 15 cents. One of the reasons for this puzzling situation was that the low-wage mill paid 9 cents per 100 pounds for supervisory labor, such as foremen, etc., while the high-wage mill paid only 6 cents. Apparently well-paid labor needs less driving and supervising than low-paid labor.

The Tariff Board conducted its investigations still further. This was the scouring process for wools. Next Mr. Stone says:

In the carding department of 17 worsted mills the mill paying its machinery operatives an average wage of 13.18 cents per hour had a machine labor cost of 4 cents per 100 pounds, while the mill paying

its machine operatives only 11.86 cents per hour had a cost of 25 cents per 100 pounds. This was due largely to the fact that the low-cost high-wage mill had machinery enabling every operator to turn out more than 326 pounds per hour, while the high-cost low-wage mill was turning out less than 48 pounds per hour.

The same tendency was observed in the carding departments of 26 woolen mills. The mill with the highest machine output per man per hour, namely, 57.7 pounds, had a machinery-labor cost of 23 cents per 100 pounds, while the mill with a machine output of only 6 pounds per operative per hour has a cost of \$1.64 per 100 pounds. Yet this mill, with a cost seven times higher than the other, paid its operatives only 9.86 cents per hour, as against 13.09 cents paid by its more successful competitor.

These examples could be repeated for every department of woolen and worsted mills, but will suffice to illustrate the point that higher wages do not necessarily mean higher costs. They show that mill efficiency depends more on a liberal use of the most improved machinery than on low wages. Thoughtful planning in arranging the machinery to save necessary steps to the employees, careful buying of raw materials, the efficient organization and utilization of the labor force in the mill, systematic watching of the thousands of details, each affecting the cost of manufacture, will reduce costs to an astonishing degree. When the board, therefore, states that the labor cost of production in this country is, on the average, about double that in foreign countries, we must bear in mind the difference in costs in our own country and the causes to which high costs are due. The fact is that the woolen industry, being one of the best, if not the best protected industry in the country, shows an exceptional disposition to cling to old methods and to use machinery which long ago should have been consigned to the scrap heap. That is where the chief cause of the comparatively high cost of production in a large part of the industry is to be looked for.

Mr. President, the next point to which I wish to direct the attention of the Senate is the results of this schedule, which is the existing law, and which, as preliminary to what I have to say upon the existing schedule, I take the time of the Senate to present. The next step to which I wish to direct their attention is a scientific test of the operation of the terms of this law upon this industry.

I have mentioned to the Senate the fact that it has been my privilege to enjoy what I esteem to be rather exceptional advantages for the investigation of the subjects—or, at least, some of them—covered by this great bill. Not all the Senators upon this floor, I know, would count it as any advantage; but I have esteemed it so. In this sort of legislation, as in all legislation which affects the economic life of the American people, I believe in thoroughgoing, scientific investigation; and knowing that we had a board or commission that had studied this subject, and believing that they had investigated many of the schedules upon which, perhaps, their investigation had not progressed to the point where they could make report, but that they had accumulated a large amount of valuable material, I undertook to locate whatever the Tariff Board, when it went out of existence, had left as a sort of heritage to anyone who might be interested in what it had done in its somewhat short life.

I found that there was a room set apart in the Treasury Building in which were stored all of the papers and all of the data of the Tariff Board, their finished and unfinished work, their original investigations, upon which were based the reports which they did make to Congress.

It seemed to me, with my views of tariff making, wrong that that great work, upon which had been expended so much intelligent investigation, at such large expenditure of the people's money, should be altogether wasted, excepting as to that which had been reported to Congress and was public property; for I felt that in their unfinished work would be found much valuable material which could be carried forward and applied to the great subject of legislation which this Congress was convened in extra session to consider.

So I undertook to secure the opportunity to see that material, and I was finally accorded access to it by the President's order. I then secured the services of men who had been employed by the Tariff Board in investigative work; and the chairman of the Tariff Board, Prof. Emery, was kind enough to come here and sit down with us for a day and go over this material, and put his estimate upon that which was far enough along in investigation to make it useful and helpful to be carried on further. I had the assurance of the chairman of the Tariff Board that the very men whose cooperation and assistance I had secured were the men upon whom, among others—but he distinguished them especially—he had placed the utmost reliance and upon whom he had laid the very heaviest responsibilities. With respect to this particular schedule, I have had the assistance of the man who wrote the first volume of the report for the Tariff Board upon that schedule. Not only upon these schedules upon which they made report have I been able to get very material assistance, but upon many phases of legislation covered by this bill I have been very greatly helped in arriving at my conclusions by the fact that I had access to the Tariff Board files and had the assistance of such able men.

Mr. President, I have here not a great graphic chart like that which hangs on the wall, but I have a table which will present

and graphically portray the facts to you, if you will take the pains to examine it in the RECORD when it is printed. I have not reduced it to the form of that hanging on the wall of this Chamber. I wish I had been able to do so, for it is a most interesting and instructive portrayal of Schedule K.

It shows the duties on the Tariff Board's woolen and worsted samples under the Payne-Aldrich law compared with the difference in conversion cost and compensatory duties as found by the Tariff Board and applied by the expert who prepared the report on the wool schedule.

I have here before me the samples, nearly 50 in number, which are known as the Tariff Board's woolen and worsted samples. They are samples of cloth manufacture embraced in Schedule K, which are typical of the whole industry. These are the identical original samples which the Tariff Board obtained the costs upon. The table which I hold in my hand I ask leave to insert in the RECORD with the explanatory matter which accompanies it and which will aid those who wish to comprehend it in all its details.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and permission is granted.

Duties on Tariff Board woolen and worsted samples under the Payne-Aldrich law compared with the difference in conversion cost and compensatory duties as found by the Tariff Board.

Sample No.	Kinds of cloth.	1	2	3	4	5	6	7	8	9	10	11
		Weight in ounces per yard.	Price per pound.	Compensatory duty in Payne-Aldrich bill.	Ad valorem duty in Payne-Aldrich bill.	Ad valorem duty in Payne-Aldrich bill.	Total duty under Payne-Aldrich bill per pound.	Difference in conversion cost per pound.	Compensatory duty recommended by Tariff Board on basis of 18 cents per pound on the scoured content of wool.	Total duty and compensation required, according to Tariff Board.	Excess of Payne-Aldrich ad valorem duties over duty necessary to cover conversion cost. (5-7.)	Excess of total Payne-Aldrich duties over total necessary duties, according to Tariff Board. (6-9.)
				Per lb.	Per cent.							
1	Worsted Panama cloth	4.2	\$0.6872	\$0.44	50	\$0.3436	\$0.7836	\$0.2656	\$0.26	\$0.5256	\$0.0780	\$0.2580
2	Fancy cotton worsted	6.7	.6285	.44	50	.3143	.7543	.1394	.26	.3994	.1749	.3549
4	Women's cotton warp sacking ..	8.5	.3971	.33	50	.1986	.5286	.1184	.26	.3784	.0802	.1502
6	All-wool Panama	4.7	1.1489	.44	55	.6319	1.0719	.4092	.26	.6092	.2227	.4027
8	Women's homespun	8.2	.7774	.44	55	.4276	.8676	.2006	.26	.4606	.2270	.4070
9	Woolen tweed	12.2	.6368	.44	50	.3184	.7584	.1706	.26	.4306	.1478	.3278
10	Women's all-wool blue serge ..	7.5	.8467	.44	55	.4657	.9057	.3295	.26	.5895	.1362	.3162
12	Women's worsted serge	9.0	.7209	.44	55	.3965	.8365	.2763	.26	.5363	.1202	.3002
13	Men's fancy woolen suiting	16.0	.3905	.33	50	.1953	.5253	.1295	.26	.3895	.0659	.1359
14	Fancy woolen overcoating	18.5	.4116	.44	50	.2063	.6458	.1347	.26	.3947	.0711	.2511
15	Women's worsted cheviot	10.0	.6869	.44	50	.3435	.7835	.2817	.26	.5417	.0618	.2418
16	Covert cloth	11.6	.7731	.44	55	.4252	.8652	.2177	.26	.4777	.2075	.3875
17	Women's all-wool sacking	10.5	.8356	.44	55	.4596	.8996	.2223	.26	.4823	.2373	.4173
20	Women's all-wool broadcloth ..	9.3	1.0181	.44	55	.5600	1.0000	.3040	.26	.5640	.2560	.4360
21	Fancy woolen overcoating	16.0	.5166	.44	50	.2583	.6983	.1676	.26	.4276	.0607	.2707
22	Men's blue serge	14.0	.6594	.44	50	.3297	.7697	.2250	.26	.4850	.1047	.2847
23	Men's blue worsted serge	12.0	.7364	.44	55	.4050	.8450	.2783	.26	.5383	.1267	.3067
24	Fancy cotton-warp worsted	13.0	.9496	.44	55	.5223	.9623	.2008	.26	.4608	.3215	.5015
25	Fancy cassimere	16.0	.6423	.44	50	.3212	.7612	.1852	.26	.4452	.1360	.3160
26	Cotton-warp worsted	11.2	.8687	.44	55	.4778	.9178	.2927	.26	.5527	.1851	.3651
27	Women's cheviot	13.0	.6888	.44	50	.3444	.7844	.2633	.26	.5233	.0811	.2611
28	Men's fancy woolen suiting	13.0	.5900	.44	50	.2950	.7350	.2419	.26	.5019	.0531	.2331
30	Fancy worsted	14.0	.9414	.44	55	.5178	.9578	.2854	.26	.5454	.2324	.4124
32	Fancy fine woolen	12.0	.7844	.44	55	.4314	.8714	.3295	.26	.5895	.1019	.2819
33	Covert wool cloth	14.0	.9176	.44	55	.5047	.9447	.2770	.26	.5370	.2277	.4077
34	Fancy worsted suiting	11.5	.7701	.44	55	.4236	.8636	.3548	.26	.6148	.0688	.2488
36	Men's blue serge	18.0	1.1489	.44	55	.6319	1.0719	.2685	.26	.5185	.3734	.5534
37	Men's black clay worsted	16.0	.9895	.44	55	.5442	.9842	.2715	.26	.5315	.2727	.4527
38	Fancy worsted suiting	11.5	1.2140	.44	55	.6677	1.1077	.3920	.26	.6520	.2757	.4557
41	Black thibet cloth	17.0	.7752	.44	55	.4264	.8664	.1826	.26	.4426	.2438	.4238
42	Men's light-weight blue serge ..	13.0	1.2293	.44	55	.6791	1.1191	.4179	.26	.6779	.2582	.4382
44	Woolen overcoating	24.0	.8257	.44	55	.4541	.8941	.1983	.26	.4583	.2558	.4358
45	Men's fancy half-worsted suiting	13.2	1.3548	.44	55	.7451	1.1851	.3800	.26	.6400	.3651	.5451
46	Uniform cloth	21.0	.9844	.44	55	.5414	.9814	.2160	.26	.4760	.3254	.5054
47	Black unfinished worsted	15.0	1.1471	.44	55	.6309	1.0709	.3869	.26	.6469	.2440	.4240
48	Men's unfinished worsted	14.0	1.0998	.44	55	.6049	1.0449	.3918	.26	.6518	.2121	.3921
49	Men's serge	13.0	1.1050	.44	55	.6078	1.0478	.4100	.26	.6700	.1978	.3778
52	Silk-mixed worsted	14.2	1.6642	.44	55	.8153	1.3553	.6542	.26	.9142	.2611	.4411
53	Men's unfinished worsted	14.5	1.6000	.44	55	.8800	1.3200	.6783	.26	.9683	.2017	.3817

The foregoing table contains representative samples of all the woolen worsted goods worn by men and women. They may be classified as follows:

(a) Staples and piece-dyed fabrics are represented by samples 37, 41, 44, 46, 47, 48, and 53. These goods are staple products and represent a line little affected by fashion. They are often woven from the gray yarn and then dyed a uniform color. They include fabrics light enough for suiting and heavy enough for overcoating.

(b) Serges are represented by samples 12, 22, 23, 36, 42, and 49. These goods are a well-known standard product, worn both by men and women. Mills have standard serge patterns which they run year after year. They are usually piece dyed.

(c) Fancy woolens are represented by samples 9, 13, 14, 21, 25, 28, and 32. Many of these fabrics contain shoddy, noils, and waste, but they are substantial fabrics and worn by the poorer classes in our communities. They can not be imported under the Payne-Aldrich rates. They include woolen tweeds, woolens with cotton warp, fancy woolen overcoating, and cassimeres.

(d) Fancy worsteds are represented by samples 30, 34, 38, 45,

Mr. LA FOLLETTE. This table which follows is a comparison of the duties on all of the Tariff Board samples excepting three or four which could not be included in either the map or chart hung upon the wall or in my table, for reasons given below. But it is upon all of the other samples of the Tariff Board. It compares the duties of the Payne-Aldrich law with the difference in conversion cost and compensation required as found by the Tariff Board.

The samples omitted from the table fall into one of the following classes:

(a) Dress goods weighing less than 4 ounces to the square yard were excluded.

(b) In some cases the board's figures were incomplete, so that all the factors necessary for the calculation were not present. For example, the total English cost for sample 11 is not given.

(c) The table is based on the difference in conversion cost between England and the United States. On a few of the samples the board obtained no English cost, but only the French or German costs. This is true, for example, of samples 40 and 43.

and 52. These are the fine worsteds made each year to meet the demands of fashion. At the present time these goods are more in vogue than fancy woolens. They are figured with some pattern, usually a stripe, and they often contain silk decoration, as sample 52.

(e) Women's wear goods are represented by samples 8, 15, 16, 17, 20, 27, and 33. In this class fall the heavier woolen and worsted goods used by women for suits or skirts. The samples are representative of the great bulk of goods used by women for these uses. They include homespun weaves, chevots, covert cloth, sacking, and broadcloth.

(f) Lightweight women's wear goods are represented by samples 1, 6, and 10. These goods are the lightweight goods used by women for overskirts or even for lightweight suits. It includes lightweight serges and particularly Panama cloth, such as samples 1 and 6. Panamas like sample 1 have a low cost of production and are produced by the mill.

(g) Cotton-warp goods are represented by samples 2, 4, 24, and 26. These goods represent cheap production. The cotton

warp makes it possible to run a number of looms to one weaver. Far more of them are produced in the United States than abroad, and in a large degree they are used by our poorer classes where people of like social position abroad would use shoddy goods. They have a better appearance than shoddy goods, but they are not nearly so serviceable. They can not be imported under the Payne-Aldrich rates.

The method by which the difference in conversion cost was arrived at in the foregoing table is explained fully in the following quotation from an article by W. S. Culbertson, "The Tariff Board and Wool Legislation," which was published in the American Economic Review, March, 1913, and subsequently as House Document No. 50, Sixty-third Congress, first session:

WOOLEN AND WORSTED FABRICS.

When the question of the duty on woollen and worsted fabrics is taken up, a field is entered upon vastly more complicated than that

of tops and yarns. In investigating the cost of weaving the Tariff Board chose 55 samples of woollen and worsted fabrics, which included samples of all the standard varieties used for men's and women's wear. The board, in the first place, obtained the actual weaving cost of each fabric from the mill originally making it; in the next place, it submitted the various samples to foreign and domestic manufacturers making similar goods, and obtained from them, after their books had been studied by the board's agents, the cost at which they could make the fabrics. The figures were checked and compared and the record of each sample written up. The board contented itself with giving the costs of converting yarn into cloth, and it made no effort to report specifically on the conversion costs of the tops and yarns used in the making of the fabrics. Nor did it attempt to connect its investigation of weaving costs with its costs of combing and spinning. An effort will here be made to do this. In Table 10 the difference in conversion costs between this country and abroad for the samples reported on by the Tariff Board is calculated from the raw wool through combing and spinning to the finished fabrics. Those samples on which no English costs were obtained are not included. In this table the classification of the Hill bill has been adopted, not necessarily because it is the last word on classification, but because it was the one most discussed in the Sixty-second Congress.

The ad valorem duty necessary to cover the difference in conversion costs for the samples reported on pages 651 to 690 of the Tariff Board's report on Schedule K.

Sample No.	Name of cloth.	1 Weight (ounces per yard).	2 Difference in conversion cost for top in 1 pound of cloth.	3 Difference in conversion cost for yarn in 1 pound of cloth.	4 Difference in weaving conversion cost per pound of cloth.	5 Total difference in conversion cost of 1 pound of cloth (2+3+4).	6 Price (English total cost plus 17½ per cent) per pound.	7 Ad valorem rate necessary to cover difference in conversion cost (5÷6).
	Valued at not more than 40 cents per pound:							Per cent.
4	Women's cotton warp sacking.....	8.5		\$0.0414	\$0.077	\$0.1184	\$0.3971	29.82
13	Men's fancy woollen suiting.....	16.0		.0418	.088	.1295	.3905	33.16
	Valued at more than 40 and not more than 60 cents per pound:							
14	Fancy woollen overcoating.....	18.5		.0477	.087	.1347	.4116	32.72
21	Do.....	16.0		.0396	.128	.1676	.5166	32.45
28	Men's fancy woollen suiting.....	13.0	\$0.3049	.0570	.180	.2419	.5900	41.00
	Valued at more than 60 and not more than 80 cents per pound:							
1	Worsted Panama.....	4.2	.0438	.0698	.152	.2656	.6872	38.65
2	Fancy cotton worsted.....	6.7	.0077	.0327	.099	.1394	.6285	22.18
3	Brilliantine.....	3.7	.0290	.0496	.174	.2526	.7715	32.74
8	Women's homespun.....	8.2		.0636	.131	.2006	.7774	25.80
9	Woolen tweed.....	12.2	.0007	.0699	.100	.1706	.6368	26.79
12	Women's worsted serge.....	9.0	.0438	.0715	.161	.2763	.7209	38.33
15	Women's worsted cheviot.....	10.0	.0431	.0706	.168	.2817	.6809	31.01
16	Covert.....	11.6		.0767	.141	.2177	.7731	28.16
22	Men's blue serge.....	14.0	.0434	.0646	.117	.2250	.6594	34.12
23	Men's blue worsted serge.....	12.0	.0410	.0623	.175	.2783	.7364	37.79
25	Fancy cassimere.....	16.0		.0542	.131	.1852	.6423	28.83
27	Women's cheviot.....	13.0	.0441	.0402	.129	.2633	.6888	38.23
32	Fancy fine woollen.....	12.0		.0765	.253	.3295	.7844	42.01
34	Fancy worsted suiting.....	11.5	.0420	.0728	.240	.3548	.7701	46.07
41	Black thibet.....	17.0		.0366	.146	.1826	.7752	23.55
	Valued at more than 80 cents and not more than \$1 per pound:							
10	Women's all-wool blue serge.....	7.5	.0488	.0777	.203	.3295	.8467	38.92
17	Women's all-wool sacking.....	10.5		.0623	.100	.2223	.8326	26.60
24	Fancy cotton-warp worsted.....	13.0	.0220	.0599	.189	.2698	.9496	21.15
26	Do.....	11.2	.0264	.0663	.200	.2927	.8687	33.70
30	Fancy worsted.....	14.0	.0500	.0664	.169	.2854	.9414	30.32
33	Covert wool.....	14.0		.1000	.177	.2770	.9176	30.18
37	Men's black clay worsted.....	16.0	.0484	.0671	.153	.2715	.9895	27.44
44	Woolen overcoating.....	24.0		.0803	.118	.1983	.8257	24.02
46	Uniform.....	21.0		.0640	.152	.2160	.9844	21.94
	Valued at more than \$1, and not more than \$1.50 per pound:							
5	All-wool batiste.....	2.6	.0496	.1350	.384	.5686	1.4363	39.59
6	All-wool Panama.....	4.7	.0468	.1244	.238	.4092	1.1489	35.62
7	All-wool batiste.....	3.7	.0476	.1212	.305	.4738	1.3038	36.34
20	Women's all-wool broadcloth.....	9.3		.1100	.194	.3040	1.0181	29.86
36	Men's blue serge.....	18.0	.0628	.0757	.130	.2585	1.1489	22.50
38	Fancy worsted suiting.....	11.5	.0460	.0750	.271	.3920	1.2140	32.29
42	Men's lightweight blue serge.....	13.0	.0488	.1111	.258	.4179	1.2293	34.00
45	Men's fancy half worsted suiting.....	13.2	.0216	.1124	.246	.3800	1.3548	28.05
47	Black unfinished worsted.....	15.0	.0492	.1007	.237	.3869	1.1471	33.73
48	Men's unfinished worsted.....	14.0	.0488	.1150	.228	.3918	1.0998	35.62
49	Men's serge.....	13.0	.0488	.0972	.264	.4100	1.1050	37.10
	Valued at more than \$1.50 per pound:							
52	Silk-mixed worsted.....	14.2	.0500	.1602	.444	.6542	1.6642	39.31
53	Men's unfinished worsted.....	14.5	.0484	.2389	.391	.6783	1.6000	42.39

The unit of measure in Table 10 is 1 pound of cloth. Before the difference in conversion costs of the tops and yarn entering into a pound of cloth could be computed it was necessary to determine how much waste there is in combing and spinning. It should be clear that, because of the wastes in these processes, it requires more than a pound of yarn to make a pound of cloth and more than a pound of top to make a pound of worsted yarn. The conversion cost of the material wasted, however, must be considered in calculating the total conversion cost of a fabric. At best the method by which the figures in Table 10 were computed is complex. The best way to make it clear is to take one sample and follow it through all the computations.

Sample No. 22 is a men's blue serge weighing 14 ounces to the yard. In making the yarn required to make 1 pound of this fabric approximately 1.24 pounds of top were consumed. The difference in the conversion costs between this country and England of the top in this fabric is 3.5 cents per pound, and the corresponding cost for 1.24 pounds is 4.34 cents. By this means all the figures in column 2 were computed.

In making 1 pound of sample No. 22 approximately 1.13 pounds of worsted yarns were used—.60 of a pound were used in the warp and .53 of a pound were used in filling; 2/24s were used in the warp. According to the Tariff Board the difference in conversion cost between this country and England of 2/24s is 6.31 cents per pound, and the corresponding figure for .60 of a pound would be 3.79 cents; 1/12s were used in the filling. While no cost was given for 1/12s by the Tariff Board, a fair estimate on the basis of the costs given would make the difference in conversion cost between this country and abroad for 1

pound of this yarn 5.04 cents, and the corresponding cost for 0.53 of a pound would be 2.67 cents. Adding 3.79 cents and 2.67 cents the result is 6.46 cents—the difference in conversion costs between this country and abroad of making the yarn in 1 pound of sample No. 22. This method of calculating the yarn costs was followed in the case of each sample, and the results are to be found in column 3.

The American weaving cost for sample No. 22 was 22.2 cents per yard and the English weaving cost was 11.93 cents per yard. (Report of the Tariff Board on Schedule K, p. 665). The latter cost was subtracted from the former in order to obtain the difference in the weaving conversion costs per yard between this country and abroad. This difference per yard was then reduced to the corresponding difference per pound, or 11.7 cents. In this manner each of the costs in column 4 of Table 10 was computed.

Column 5 is the sum of columns 2, 3, and 4 and shows the total difference in cents per pound between this country and England of converting wool through all the processes into finished cloth. For sample No. 22 this cost is 22.5 cents.

It next became necessary to determine the price on which the duty would be assessed if the fabric in question were imported. Under the present administration of the customs this price would, of course, be the foreign price. The Tariff Board did not give prices for the samples under discussion, but it did give the total costs. Upon the basis of the total cost the price is computed. Recurring to sample No. 22, the total English cost, i. e., both material and conversion costs, for this sample was 49.11 cents per yard. This total cost per

yard was reduced to the total cost per pound, and to it was added 17½ per cent of itself in order to determine a figure on which the duty should be assessed. This method is employed by the customs officials when goods are billed to this country at cost, and 17½ per cent is a fair allowance for distribution expenses and profit. For sample No. 22 the figure on which the duty would be assessed is 65.94 cents per pound. This is the way column 6 was made up.

Column 7 is the real object of all the computations in Table 10. It is the per cent which column 5 is of column 6; in other words, it is the total difference in conversion costs between this country and England expressed in percentage. If, then, a duty were being levied just adequate to offset the disadvantages of the American manufacturer arising from the difference in conversion costs alone between here and England of sample No. 22, the ad valorem rate would be 34.12 per cent. This duty, of course, does not provide for compensation on account of a duty on raw wool.

There are certain other observations to be made concerning the method by which Table 10 was constructed. No effort was made to work out the top costs in column 2 according to the particular qualities of top in the warp and weft. For the purpose of avoiding confusion and possible inaccuracy, the difference in the conversion costs between this country and England of 1 pound of tops of the lower qualities was taken at 3.5 cents and of 1 pound of the higher qualities at 4 cents. These costs correspond approximately to the results of the discussion of tops above. Such variations as occur in column 2 are due to variations in the amount of top used in making 1 pound of each fabric. Whenever the spaces are blank in column 2, the fabrics considered are woolsens, as distinguished from worsteds, and no tops were used in their manufacture. Whenever the fabric considered was in part worsted, only the actual tops used were considered.

In some cases in the construction of Table 10 it was necessary to make use of information generally familiar to manufacturers but not found in the report of the Tariff Board. This was true in proportioning the material in a pound of cloth between the warp and weft and in some cases in estimating the amount of loss of material in the various processes. In obtaining the costs of all the various kinds of yarns used in the construction of the sample under discussion, several sources of information had to be resorted to. The costs of producing worsted yarns were taken from the report on Schedule K, and in those cases where costs were not given for particular counts the costs of these were estimated on the basis of the costs given. The costs of cotton yarns (when a part of a sample) were taken from the Tariff Board's report on Schedule L. No costs of carded woolen yarns are given by the Tariff Board, but it is generally recognized in the trade that the conversion cost of these yarns in the United States is one-half cent a cut, and in the absence of anything better this estimate has been used here.

These detailed explanations of Table 10 have been made for the purpose of being frank with the reader. Differences of opinion unavoidably arise in a subject as complicated as the one under consideration. There is no desire to force any conclusions on the reader and therefore the methods of computation are set forth plainly and the result left to the judgment of him who reads.

The purpose of the foregoing table is to illustrate the excessiveness of the Payne-Aldrich rates on woolen and worsted goods.

In the first place, the ad valorem duty in cents (column 5) may be compared with the difference in conversion cost as found by the Tariff Board (column 7). In each case the Payne-Aldrich rate is excessive and the excesses are shown in column 10. Even if we, therefore, assume that there is no excessive protection in the so-called compensatory duties of the Payne-Aldrich law the ad valorem duties themselves are clearly shown to be excessive.

There is, however, concealed protection in the so-called compensatory duties of the Payne-Aldrich law. It is difficult to measure this excess, but the table gives a fair idea of it. It was necessary first to determine what compensatory duty would equal the actual amount of compensation needed under the present duties. Of course the importation of low shrinking wools has increased the protection contained in the so-called compensatory duties. It is conservative to say that the wool-grower does not get under the duty of 11 cents a grease pound in the Payne-Aldrich law more than protection equivalent to 18 cents on the scoured content of wool. If anything, the 18 cents on the scoured content is more protection than 11 cents on the grease content. Eighteen cents per pound was the rate in the Hill and Penrose bills of last Congress. The Tariff Board states (p. 626) that on the basis of 18 cents on the scoured contents of wool the compensatory duty should be 26 cents. Twenty-six cents was therefore added to the difference in conversion cost in order to arrive at the total duty required by the Tariff Board, assuming, of course, that the Payne-Aldrich rate on raw wool is correct. This is shown in column 9. These figures were then subtracted from the total duty under the Payne-Aldrich law (column 6), and the excess is shown in column 11.

It should be distinctly understood that this table does not indorse the 18-cent duty on the scoured content of wool. It is used simply to get a comparable basis.

Without taking the time of the Senate to go into the details, let me say that being fortunate enough to have the assistance of an expert upon this schedule I have been able to make this table include the total conversion cost from the raw wool to the finished cloth. I believe that the chart hanging on the wall starts with the yarn instead.

Without describing these various samples of cloth and their use, I am going just to call the attention of the Senate to them by number, because it will save time. Then I am going to give you not all the details that you will find in the table, which are very interesting, such as the compensatory duty and the ad valorem duty under the Payne-Aldrich law, the total duty under the Payne-Aldrich law, the difference in conversion cost per pound, the compensatory duty recommended by the Tariff Board on a basis of 18 cents per scoured pound of wool content, the total duty and compensation required according to the Tariff Board, the excess of the Payne-Aldrich ad valorem duties, the different duty necessary to cover the conversion cost, and the excess of the total Payne-Aldrich duties over necessary duties, including compensation, according to the Tariff Board. I just want to read the excesses shown in the last column to you that we may see what the burden is that the American people have to bear at this time under existing law.

Sample No. 1, excess of the total Payne-Aldrich duties over the total necessary duties, according to the Tariff Board, 25.80 cents per pound.

Sample No. 2, 35.49 cents per pound.

Sample No. 4, 15.02 cents per pound.

Sample No. 6 is an all-wool Panama.

I stop to mention that, because it is a rather cheap class of dress goods worn largely by the American people. On all-wool Panama, No. 6, the excess of the Payne-Aldrich duty over that which is necessary to measure the difference in the cost of production and furnish compensation is 40.27 cents a pound.

Women's homespun, 40.70 cents a pound.

Woolen tweed, 32.78 cents a pound.

Women's all-wool blue serge, 31.62 cents a pound.

Women's worsted serge, 30.02 cents a pound excess, which measures the overprotection. Do you begin to realize what thinned us out on this side of the Chamber?

Men's fancy woolen suiting, 13.58 cents a pound excess protection.

Fancy woolen overcoating, 25.11 cents a pound.

Women's worsted cheviot, 24.18 cents a pound.

No. 16, a covert cloth, 38.75 cents per pound excess.

No. 17, women's all-wool sacking, 41.73 cents excessive protection.

Women's all-wool broadcloth, 43.60 cents excessive protection. Fancy woolen overcoating, 27.07 cents a pound excess protection.

Men's blue serge, common, worn by everybody, 28.47 cents a pound excess protection.

Fancy cotton warp worsted, 50.15 cents a pound excess protection.

Fancy cassimere, 31.60 cents a pound excess.

Cotton warp worsted, 36.51 cents a pound excess.

Women's cheviot, 26.11 cents a pound excess.

Men's fancy woolen suitings, 23.31 cents a pound excess.

Fancy worsted, 41.24 cents a pound excess.

Fancy fine woolen, 28.19 cents a pound excess.

Covert wool cloth, 40.77 cents a pound excess.

Fancy worsted suiting, 24.88 cents a pound excess.

Men's blue serge, 55.34 cents a pound excess.

When you get down to the common ones I tell you there is where you get the excess duties.

Men's black clay worsted, 45.27 cents a pound excess.

Fancy worsted suiting, 45.57 cents a pound excess.

Black thibet cloth, 42.38 cents a pound excess.

Men's lightweight blue serge, 43.82 cents a pound excess.

Woolen overcoating, 43.58 cents a pound excess.

Men's fancy half-worsted suiting, 54.51 cents a pound—more than it was necessary to measure the difference in the cost of production and furnish compensation.

Uniform cloth, 50.56 cents a pound excess.

Black unfinished worsted, 39.40 cents a pound excess.

Men's unfinished worsted, 39.31 cents a pound excess.

Men's serge, 37.78 cents a pound excess.

Silk mixed worsted, 44.11 cents excess protection.

Men's unfinished worsted, 38.17 cents more than was necessary to furnish a complete and thorough protection.

Mr. NORRIS. Mr. President—

The VICE PRESIDENT. Does the Senator from Wisconsin yield to the Senator from Nebraska?

Mr. LA FOLLETTE. I do.

Mr. NORRIS. I should like to inquire of the Senator if he can give us that excess as applied to yards, or will the table show it?

Mr. LA FOLLETTE. The table will not show it, because the duty is measured by pounds, and the whole matter must be

figured out by the pound. But reference is made to the Tariff Board's report where every Senator will have the opportunity to make investigation into the full text relating to the matter.

Mr. NORRIS. I make the inquiry because to the ordinary person the illustration would be enhanced in value very much if in each case the amount were given in yards.

Mr. LA FOLLETTE. Of course that would be available, it all the while depending upon the weight of the goods.

Mr. NORRIS. Yes; it would vary with each sample, I understand.

Mr. LA FOLLETTE. But according to the views of the Senator from Nebraska I am sure there should not be one cent of excess protection over and above that which measures the difference in the most of production.

Mr. NORRIS. Certainly not. I agree with that proposition, but I will say to the Senator that the ordinary person judges cloth not by the pound but by the yard, and it seems to me it would elucidate the argument the Senator is making if we knew in each case how many pounds there were in a yard or how many yards there were in a pound.

Mr. LA FOLLETTE. As it is all measured by the pound and as the weight of each sample varies, it would have been quite an additional labor to have figured out the yards. But it shows that throughout the whole schedule—for this is a representative class of samples typical of the industry—the duties are extravagant and prohibitory. They are not simply extravagantly protective, but they are prohibitory.

Mr. SUTHERLAND. Mr. President—

Mr. LA FOLLETTE. I yield to the Senator.

Mr. SUTHERLAND. The Senator has given us the amount of excess upon the various samples. Does the Senator's statement show the amount of the duty so that we can determine the percentage of excess?

Mr. LA FOLLETTE. Oh, yes. It shows the weight in ounces. It can be figured out. I fancy that perhaps what the Senator from Nebraska just asked me about can be computed from this table, but it will require some computation on the part of anyone interested in it. The weight in ounces per yard is given.

Mr. NORRIS. If that is given, anyone will have sufficient data by which to figure it out for himself.

Mr. LA FOLLETTE. The price per pound is given. The compensatory duty in the Payne-Aldrich bill is given per pound. The ad valorem duty in the Payne-Aldrich bill reduced to cents per pound is given. The total duty under the Payne-Aldrich bill per pound in cents is given. The difference in conversion cost per pound is given in cents. The compensatory duty recommended by the Tariff Board on the basis of 18 cents per pound on the scoured content of the wool is given. The total duty and compensation required according to the Tariff Board is given. The excess of the Payne-Aldrich ad valorem duties over the duty necessary to cover conversion cost is given, and the excess of the total Payne-Aldrich duties over the total necessary duties according to the Tariff Board is given.

Now, Mr. President, that brings me to another phase of this schedule, which is of deep and vital interest to the American people. The framers of the pending bill were confronted by these enormously excessive duties and they addressed themselves to the solution of the problem according to their standard.

They have reported to the Senate a bill which places wool upon the free list and, in a marked degree, reduces the duties upon all of its manufactured products.

I approached the consideration of the questions presented by the pending legislation on this schedule, I think, without any prejudice, or if I had any I am sure that it was in favor of the producer of the raw material which enters into the manufactured products of the wool manufactures. I was born and reared and spent all the years of my boyhood and early manhood upon a farm, and because we are all affected by our environment and association in that formative period of our life, I think all of my sympathies and attachments draw me to the farmer's side of any question in which his interests are in issue.

I have made such investigation and such study of the effect of free wool on the producer of wool as I have been able, and with the indulgence of the Senate I shall present the result of that investigation for whatever it may be accounted to be worth. It is the result of painstaking effort and a sincere desire to reach a sound conclusion.

It is important at the outset to recognize that the question of woolgrowing and the tariff is, like most economic questions,

very complex, and that the effect of the tariff upon the growth and maintenance of the industry has been grossly exaggerated. Among the factors other than the tariff that have influenced the industry in the past, C. W. Wright ("Woolgrowing and the Tariff," p. 319) enumerates:

- (a) The spread of population.
- (b) The rise of manufactures.
- (c) The relative changes in the prices of agricultural products and the competition of other farm pursuits.
- (d) The abnormal conditions of war with its distorting inflation of the currency.
- (e) The opening of the far West.
- (f) The greater relative profits in other lines of agriculture.

The tariff has without doubt been an influence; it has been too much belittled by the free trader and too much exaggerated by the protectionist. It has maintained the price of wool at a level that made it profitable to keep more sheep than would have been kept under free wool, and it has enabled woolgrowing, as distinguished from mutton raising, to remain an independent industry.

The questions that present themselves are: What parts of the woolgrowing industry will be destroyed by free wool? Can the parts that will be destroyed be maintained and defended on an economic basis?

There are in the United States three distinct classes of sheep:

- (1) The fine-wooled merino of Ohio and adjoining States.
- (2) The crossbred sheep of the Middle Western and Eastern (farm) States.
- (3) The range sheep.

FINE-WOOLED MERINO SHEEP AND THE CROSSBREDS.

The net charge against fine merino wool, according to the Tariff Board, is summarized in the following table. The table is based on the table on page 369 of the Tariff Board's report on wool, which I will ask leave to incorporate in my remarks.

The PRESIDING OFFICER (Mr. POMERENE in the chair). In the absence of objection, permission to do so is granted.

The table referred to is as follows:

TABLE 1.—Net charge against fine merino wool produced in the Eastern States.

Pounds of wool.		Receipts.		Average net charge against wool per pound.
Number.	Percentage of total.	Percentage from wool.	Percentage from other sources.	
37,934.....	6	78	22	\$0.42
57,083.....	10	77	23	.32
90,886.....	15	71	29	.27
129,169.....	22	71	29	.22
248,519.....	42	57	43	.12
29,588.....	5	38	62	.06
592,979.....	100	64	36	.19

Mr. LA FOLLETTE. As the table shows, the great part of the cost of these fleeces is carried by the receipts from wool, the average being 64 per cent from wool and 36 per cent from other sources. This explains why the net charge against wool is abnormally high. To the uncompromising protectionist these figures prove the need of higher protection than given by the present tariff bill; to the advocate of free wool they prove that the particular type of sheep that make up these fleeces is not adapted to the conditions of the country. There are in the Eastern States about 5,000,000 sheep to which the costs in Table 1 apply. The product of these fleeces competes with the merino fleeces of Australia, where the net charge against wool is only a few cents. Nothing short of a prohibitive tariff would make this method of growing wool profitable. It is a highly specialized industry trying to raise a type of sheep that yields little or no income from mutton. Merino are desirable on the range where a hardy sheep with flocking characteristics is needed, but it is out of place in a farming community.

Free wool would eliminate the pure merino type, but it would not destroy the industry. By crossing with mutton bucks or by introducing the mutton types of sheep the receipts from mutton could be increased and the income from wool would still remain. The Tariff Board showed that the net charge against wool grown on the crossbred sheep in the Eastern States was less than nothing; that is, the receipts from mutton more than paid the cost of maintaining the fleeces and the wool was all "velvet." On page 369 of the Tariff Board report it is shown that of the receipts from 159,396 pounds of wool raised on crossbred sheep

only 33 per cent was from wool and 67 per cent was from other sources—chiefly mutton.

It follows, therefore, that if the eastern farmers will adopt the crossbred or mutton types of sheep they can raise wool profitably as a by-product without any tariff. The United Kingdom furnished a good example of a free-wool country with extensive flocks. There are sheep in every county in England. In 1910 the United Kingdom, with an area of 77,690,240 acres, contained 31,164,587 sheep and lambs, or 1 sheep or lamb for every 2.5 acres. The United States, on the contrary, with an area of 1,903,461,760 acres, contained in the same year 52,447,861 sheep and lambs, or 1 sheep or lamb for every 36.3 acres. The condition in the United Kingdom goes to show that we have not touched our woolgrowing possibilities in this country, and that woolgrowing, as an incident to general farming, can be made profitable under free wool. Free wool will force a readjustment in the eastern woolgrowing conditions. Many farmers who now keep fine merino flocks as a matter of pride or on account of tradition will be forced to abandon the pure merino type, except as a breeding proposition. If, however, he keeps his head and turns to a type of sheep adapted to the new conditions, he, as well as the public generally, will be benefited. He will already find his neighbors owning 10,000,000 crossbred sheep, that would be profitable under free wool.

The Tariff Board divides the merino sheep of the East into classes, the first including such heavier types as the French Rambouillet, the Black Top, and the Delaines; the second, the small American merino. In addition to these there are the crossbreds. Of the eastern sheep the board says:

The results clearly differentiate three types of flocks: (1) Crossbred flocks, producing a good medium fleece and showing receipts from other sources, chiefly mutton, which are sufficient, or nearly sufficient, to cover the cost of maintaining the flock; (2) pure-bred or high-grade flocks of improved merinos, producing a somewhat heavier clip of superior wool and showing receipts from other sources, which, although usually not sufficient to cover the cost of maintenance, are in many cases large enough to afford the grower a fair profit; and (3) flocks that produce a lighter fleece and show receipts from other sources, which are far from sufficient to cover the cost of maintenance; so that, as the receipts from wool are not large enough to cover the flock expense, the industry seems to be carried on either at a very narrow margin or, in many cases, at a decided loss.

THE RANGE SHEEP.

I come now, Mr. President, to the case of the range sheep. The net charge against wool in the far West, according to the

Tariff Board, is summarized in the following table, marked "Table 2," which, Mr. President, I ask leave to incorporate in my remarks without reading in detail. I will merely say that the calculations of this table are based to be 20,764,713 pounds of wool. The receipts from wool are 43 per cent of the total, the receipts from other sources are 57 per cent, and the average net charge per pound against wool is 10.9 cents.

The PRESIDING OFFICER. If there be no objection, the table referred to by the Senator from Wisconsin will be printed in the RECORD. The Chair hears none.

The table referred to follows.

TABLE 2.—Net charge against wool produced in the range States.

Wool.	Percent- age of total.	Receipts.		Average net charge against wool per pound.
		Percent- age from wool.	Percentage from other sources.	
Number of pounds:				
2,636,297.....	12.7	47.7	52.3	\$0.237
3,836,815.....	18.5	49.8	50.2	.168
5,459,088.....	26.3	47.4	52.6	.119
4,665,141.....	22.5	42.0	58.0	.077
2,293,087.....	9.0	36.2	63.8	.027
1,874,287.....	11.0	28.9	71.1	+.039
20,764,713.....	100.0	43.0	57.0	.109

Mr. LA FOLLETTE. These figures are given more in detail in Table 3, which is taken from page 329 of the Tariff Board's report on wool. The average rate of income on capital should be studied in connection with the proportion of receipts from sources other than wool.

I ask leave to have incorporated, without reading in detail, that which in my notes is marked "Table 3." This is a summary of the Tariff Board's statistics relating to the net charge against wool raised on the range in the far Western States.

The PRESIDING OFFICER. In the absence of objection, the table referred to by the Senator from Wisconsin will be printed in the RECORD.

The table referred to is as follows:

TABLE 3.—Summary of the Tariff Board's statistics relating to the net charge against wool raised in the range or far Western States.

Net charge.	Cases.		Sheep.		Pounds of wool.		Wool.	Receipts.					Average net charge against wool per pound.	Differ- ence be- tween net charge and aver- age selling price.	Aver- age rate of in- come on capital.
	Num- ber.	Per- cent- age of total.	Num- ber.	Per- cent- age of total.	Num- ber.	Per- cent- age of total.		Per- cent- age from wool.	Other sources.	Percent- age from other sources.	Total.	Aver- age per cent.			
20 cents and above.....	40	12.1	438,541	13.9	2,636,297	12.7	\$479,858.88	47.7	\$528,957.52	52.3	\$1,006,816.38	100.0	\$0.237	\$0.055	-9.1
15 cents and under 20 cents.....	59	17.9	594,268	18.9	3,836,815	18.5	656,814.50	49.8	661,554.83	50.2	1,318,369.33	100.0	.168	.003	-0.5
10 cents and under 15 cents.....	71	21.5	807,775	25.6	5,459,088	26.3	825,627.50	47.4	912,737.26	52.6	1,738,364.76	100.0	.119	.034	3.8
5 cents and under 10 cents.....	74	22.4	677,545	21.5	4,665,141	22.5	733,849.53	42.0	1,013,036.76	58.0	1,746,886.29	100.0	.077	.08	10.7
Under 5 cents.....	42	12.7	352,912	11.2	2,293,087	9.0	352,830.12	36.2	622,219.93	63.8	975,050.05	100.0	.027	.126	15.3
Net credit.....	44	13.4	280,690	8.9	1,874,287	11.0	262,859.30	28.9	648,132.58	71.1	910,991.88	100.0	.039	.179	24.2
Total.....	330	100.0	3,151,731	100.0	20,764,713	100.0	3,311,839.81	43.0	4,384,638.88	57.0	7,696,478.69	100.0	.109	.050	6.2

The above table shows that the proportion which the average receipts from wool per head constitute of the average total receipts per head varies widely—from 49.3 per cent in Group II to 28.9 per cent in Group IV—with an average of 43 per cent. It will be noted that in general the higher this percentage is the higher is the average net charge against a pound of wool and the lower is the average net income on capital.

Mr. LA FOLLETTE. I will not take the time of the Senate to go fully into that table, and shall only say that it will be observed from Table 3 that as the percentage of receipts from sources other than wool—that is, chiefly mutton—increases the net charge against wool decreases and the average rate of income on capital increases.

COMPETING COUNTRIES.

Mr. President, what are the countries with which we have to compete under the conditions existing in America to-day?

The countries which compete directly with the United States in woolgrowing and on which the Tariff Board furnishes information are Australia, New Zealand, and Argentina.

AUSTRALIA.

In 1910 there were 89,941,520 sheep in Australia. These may be classified according to the size of flocks as in Table 4. The high proportion of large flocks shows that range conditions are almost universal.

I ask, Mr. President, permission to incorporate in the RECORD this table, which is marked "Table 4," without reading it in detail.

The PRESIDING OFFICER. If there is no objection, it is so ordered.

The table referred to is as follows:

TABLE 4.—Size of flocks in Australia.

Under 500.....	6,622,593
500 and under 1,000.....	6,623,140
1,000 and under 2,000.....	8,517,920
2,000 and under 5,000.....	12,716,449
5,000 and under 10,000.....	10,485,392
10,000 and under 20,000.....	13,407,357
20,000 and under 50,000.....	17,287,396
50,000 and under 100,000.....	9,903,250
100,000 and upward.....	4,378,023
Total.....	89,941,520

Mr. LA FOLLETTE. In Australia, because of the abundance of pasture land, it is profitable to raise the merino; that is, it is

profitable to raise sheep for their wool only. The Government has a system of leasing public lands that is a benefit to the wool-grower. About 85 per cent of the sheep in Australia are merino. The so-called paddock system is common in Australia. Under it sheep are left in a large fenced inclosure. The system protects the sheep and economizes labor. As compared with it the haphazard system pursued in the United States is wasteful and expensive. Upon this point the Tariff Board said:

Under our shepherding system much more labor is required than under the paddock system and the unfavorable range conditions of the United States still further increase the amount of labor required. Whereas in Australia and South America the cost of the actual labor of caring for the sheep is merely nominal, in the United States, on the other hand, this item alone is a heavy burden, constituting about 48 cents of the 82 cents which is the average total labor charge per head.

Most of the large free ranges of the early days of western sheep raising have been broken up by the coming of the homesteader; and in order to utilize the free range remaining the flockowner must now run his sheep in comparatively small bands. Furthermore, the land policy of the United States has been unfavorable to the holding of large tracts of land, and therefore grazing land belonging to flockowners or leased by them from the State or from private parties often consists of scattered sections.

Furthermore, the grazing lands are, as a rule, the waste parts of the country, mountainous, semiarid, and producing but scant herbage, and are, to a great extent, fit only for sheep grazing. Thus, while forage may be obtained free or at a low cost, the remoteness of the grazing lands, the nomadic nature of the grazing, the scarcity of water, the danger of predatory animals, and the constant need of care to prevent trespassing, necessitate an expenditure for labor so great as almost entirely to overshadow the advantage of the cheap forage.

Owing to these conditions the number of men required in the United States for the direct care of sheep—that is, the number of herders and camp tenders—has for some years steadily increased, until at present one man is required for about 1,000 sheep, whereas one boundary rider can attend to 10,000 to 20,000 sheep in Australia and 10,000 to 15,000 in South America, according to the carrying capacity of the land; and in those regions of South America where the sheep-herding system is in vogue the large open ranges make it possible for one man to care for about 5,000 sheep.

NEW ZEALAND.

In 1911 there were in New Zealand 23,290,503 sheep in flocks. Of these, 21,525,084 were crossbred and other mutton sheep and only 1,765,419 were merino sheep. A great proportion of the cost of maintaining the New Zealand flocks is therefore carried by the mutton production. On the cost of production in New Zealand the Tariff Board said:

Upon the net charge against a pound of New Zealand wool there seems to be some very definite figures. The tremendous increase in their young stock, the ability to fatten their old ewes and sell at good prices, the high carrying capacity of their lands, and other favorable conditions all tend to reduce the cost of production. This, together with very high average prices for both their wool and mutton output, a high average shearing, a moderate amount of investment in improvements, etc., makes it appear as if the mutton output from any given flock in New Zealand must cover almost the entire cost of production, leaving the wool practically free of all charges, or not to exceed a few cents at the extreme.

ARGENTINA.

Argentina contained in 1908, 67,211,754 sheep, the great proportion of which were crossbred.

The Tariff Board found (p. 11) that the net charge against wool raised in Argentina was between 4 and 5 cents.

AGRICULTURAL COMPETITION.

I wish now, Mr. President, upon another point, to submit something upon the agricultural competition which presses upon sheep growing in the United States, and I quote a very interesting observation from C. W. Wright in his work on Wool-growing and the Tariff. He says:

In the United States the situation is such as to render any marked advance in the woolgrowing industry improbable and a gradual decline likely. Experience indicates that the power to prevent this is not to be found in the present tariff. If the industry is to be maintained in a position of the same relative importance as formerly, a higher tariff will be necessary. A tariff which simply offsets such advantages as the foreign woolgrower may have in relatively cheaper cost of production is not sufficient. The foreign fleece is by no means the only rival of the American; equally serious competitors are found at home in the greater relative profits of other lines of agriculture. The very advantages and great natural resources of the country thus become an obstacle. Therefore, if the lands of the woolgrower prove to be particularly well adapted for something else, and it is still deemed best that his sheep be not abandoned, he must have a duty such as will make wool at least as profitable as that other product for which his land is so well adapted. The greater the superiority of the land—the better fitted it becomes for other things—the heavier must be the duty. To some this may appear to make the cost of protection high, but as the history of the old woolgrowing centers shows, it is a cost which the adoption of this policy involves. It does not necessarily condemn the policy—

I repeat—

It does not necessarily condemn the policy. It is simply one of the things to be weighed in the balance against such advantages as the maintenance of the industry may secure to the country.

MUTTON.

The Tariff Board figures in Table 3 show that where mutton is the predominant source of income wool can be raised as cheaply in the United States as any place in the world. They show that even with the present duty flocks can not be maintained profitably for wool alone. This fact is confirmed by the Tariff Board. It says:

These figures indicate that under present conditions sheep raising can not be profitably carried on for the sake of the wool alone, and that if the industry is to prosper, the receipts from mutton must cover a large part of the costs. The loss incurred in exclusive wool production is the result of two causes—(1) the gradual encroachment of agriculture on grazing lands and the consequent great increase in the costs of sheep growing, and (2) the gradual decline of wool values.

The decline in the profits of wool production has, however, been accompanied by an increase in the demand for mutton, resulting from the fact that the production of pork and beef has not kept pace with the growth of population. And at the same time the development of refrigerating facilities has made it possible for the flock owners of countries which, like Australia and South America, are far from centers of population to market their mutton.

The extent of the increase in mutton consumption is indicated by the statistics of receipts of sheep, cattle, and hogs in the Chicago stockyards during the last 40 years. In 1870 there were received, in round numbers, 350,000 sheep, 533,000 cattle, and 1,690,000 hogs; in 1880, 336,000 sheep, 1,382,000 cattle, and 7,060,000 hogs; in 1890, 2,180,000 sheep, 3,484,000 cattle, and 7,660,000 hogs; in 1900, 3,550,000 sheep, 2,729,000 cattle, and 8,109,000 hogs; and in 1910, 5,229,000 sheep, 3,053,000 cattle, and 5,587,000 hogs; and it is estimated that in 1911 there will have been received 5,668,000 sheep, 2,920,000 cattle, and 7,031,000 hogs. The receipts of cattle reached a maximum in 1892 and since then have gradually declined. The receipts of hogs reached a maximum in 1898 and have undergone a sharp decline since that year. But the number of sheep received has constantly and rapidly increased, having passed the receipts from cattle in 1894 and being at the present time almost equal to the receipts of hogs. These figures are embodied in the following table:

	1870	1880	1890	1900	1910	1911
Sheep.....	350,000	336,000	2,180,000	3,550,000	5,229,000	5,668,000
Cattle.....	533,000	1,382,000	3,484,000	2,729,000	3,053,000	2,920,000
Hogs.....	1,690,000	7,060,000	7,660,000	8,109,000	5,587,000	7,031,000

¹ Estimated.

It seems to me, Mr. President, that the position then of the advocates of free wool toward the flocks in the far West is similar to their position toward the eastern flocks. They insist that in proportion as the flockmasters put emphasis upon mutton production their profits will increase and their need of tariff will diminish. The range conditions that in the past have made it possible to raise sheep in the far West for their wool only are passing and as settlement advances the conditions will continue to disappear. Flockmasters in the Northwest are putting emphasis on mutton production and their flocks are profitable. The more quickly we recognize in this country that wool is a by-product and treat it as such the better for the grower and the public. Free wool is really a concealed benefit to sheep husbandry in the United States, in my opinion.

NUMBER OF SHEEP.

There are defects in the census returns for sheep, due to the change in date of enumeration and the mixing of the count of lambs and sheep. While, therefore, fine distinctions can not be drawn from the census figures they are sufficiently accurate to show a general tendency. Table 5 shows that the population of the United States has increased rapidly, but the number of sheep has declined. The decline is both absolute and relative.

TABLE 5.—Population of the United States and number of sheep (excluding lambs) in the United States compared for 1880, 1890, 1900, and 1910.

Year.	Population of the United States.	Increase in population.	Sheep (including lambs) in the United States.	Decrease in number of sheep.	Sheep per thousand of population.
				Per cent.	
1880.....	50,155,783	.....	42,192,074	.....	841.3
1890.....	62,947,714	25.5	40,876,312	3.1	649.4
1900.....	75,994,575	20.7	39,852,967	2.5	524.3
1910.....	91,972,266	21.0	39,644,046	.5	431.5

The best statistics available on the number of sheep in, and the wool production of, the United States are found in a table which I have marked "Table 6," and which I ask leave to have printed in my remarks without reading.

The PRESIDING OFFICER. If there be no objection, it will be so ordered.

The matter referred to is as follows:

TABLE 6.—Number of sheep and amount of wool produced in the United States, 1840-1912.

[The number of sheep is based on the census figures 1840-1860 on the estimates of the Department of Agriculture 1867-1893, and on the figures of the wool manufacturers' bulletin since then. The first column of figures for the wool clip, believed to be the more accurate, is based on my own estimates for the years previous to 1862, the figures of Tichenor and Tingle 1862-1867, the figures of Lynch and Truitt 1868-1891, and the manufacturers' bulletin since then. The second column gives the estimates of the Department of Agriculture. Since 1895 the department has accepted the estimates of the bulletin.]
(The figures are to the nearest thousand.)

	Number of sheep.	Pounds of wool produced.	
		Trade figures.	Department of Agriculture figures.
1840.....	19,311	45,000	35,802
1850.....	21,723	60,000	52,517
1860.....	22,471	80,000	60,265
1861.....		92,000	
1862.....		106,000	
1863.....		123,600	
1864.....		142,000	123,000
1865.....		155,000	142,000
1866.....		160,000	155,000
1867.....	39,385	168,000	160,000
1868.....	38,992	177,000	168,000
1869.....	37,724	162,250	180,000
1870.....	40,853	163,000	162,000
1871.....	31,851	146,000	160,000
1872.....	31,679	160,000	150,000
1873.....	33,002	174,700	158,000
1874.....	33,938	178,000	170,000
1875.....	33,784	193,000	181,000
1876.....	35,935	198,250	192,000
1877.....	35,804	208,250	200,000
1878.....	35,740	211,000	208,250
1879.....	38,124	232,500	211,000
1880.....	40,766	264,000	232,500
1881.....	43,577	290,000	240,000
1882.....	45,016	300,000	272,000
1883.....	49,237	320,400	290,000
1884.....	50,627	337,500	300,000
1885.....	50,360	329,600	308,000
1886.....	48,322	323,031	302,000
1887.....	44,759	302,170	285,000
1888.....	43,545	301,876	269,000
1889.....	42,599	295,779	265,000
1890.....	44,336	309,475	276,000
1891.....	43,431	307,102	285,000
1892.....	44,938	333,018	294,000
1893.....	47,274	348,538	303,153
1894.....	43,502	325,211	298,057
1895.....	39,949	294,297	309,748
1896.....	36,464	272,475	
1897.....	34,784	259,153	
1898.....	35,672	266,721	
1899.....	36,905	272,191	
1900.....	40,268	288,737	
1901.....	41,921	302,502	
1902.....	42,184	316,341	
1903.....	39,284	287,450	
1904.....	38,342	291,783	
1905.....	38,621	295,488	
1906.....	38,541	298,915	
1907.....	38,865	298,295	
1908.....	40,312	331,138	
1909.....	42,293	328,111	
1910.....	42,000	321,363	
1911.....	39,761	318,548	
1912.....	38,481	304,043	

[From C. W. Wright, Wool Growing and Tariff, pp. 335-336.]

FARMS REPORTING SHEEP.

Mr. LA FOLLETTE. In 1910 there were 610,894 farms reported in the census as having sheep. I present a table showing that matter somewhat in detail and ask leave to have it incorporated in my remarks without reading.

The VICE PRESIDENT. Is there any objection? The Chair hears none, and it is so ordered.

The matter referred to is as follows:

Sheep and lambs in the United States in 1910.

Number.....	52,447,861
Value.....	\$232,841,585
Average value.....	\$4.44
Farms reporting.....	610,894
Per cent of all farms.....	9.6

Mr. LA FOLLETTE. I shall recur to that table in some observations which I shall make presently upon my amendment to this schedule; and without taking time to read it, with the permission of the Senate, I will add a statement of some of the effects upon the sheep industry of the United States arising from the Wilson bill. I ask leave to incorporate that in my remarks.

The VICE PRESIDENT. Is there any objection? The Chair hears none.

Mr. STONE. Mr. President, was that statement prepared by the Senator himself?

Mr. LA FOLLETTE. It is partially quoted. It is only two pages, Mr. President. I will submit it, without asking leave to have it printed.

Mr. SIMMONS. Mr. President, I do not think anybody would object to the Senator's printing it.

Mr. LA FOLLETTE. I prefer to submit it. I thank the Senator for his courtesy.

This is a quotation which I make from an article on "The effect of the Wilson bill on sheep raising," by one of the members of the Tariff Board. My recollection, if it is material to state it in this connection, is that the member of the Tariff Board who wrote this article is a Democrat.

EFFECT OF THE WILSON BILL ON SHEEP RAISING.

Speaking of the conditions under the Wilson bill, Prof. Thomas W. Page, formerly a member of the Tariff Board, says, in the North American Review for April, 1913, the following:

In this generation the output of wool has had many ups and downs. It reached its apogee in 1893, and immediately afterwards there began a sharp decline, from which there has never been a complete recovery. Naturally the woolgrowers attribute the decline to the free-wool provision of the Wilson bill. And undoubtedly they are in large measure right, for so many flockowners were panic-stricken at the prospect of free wool that millions of sheep were hurried to the stockyards, slaughtered at home, or allowed to perish for lack of care, and for several years few of those that kept their sheep found any profit in them. But it should not be forgotten that a similar decline both in number and in profits occurred in the case of hogs and cattle, which were in no way affected by the tariff. The truth is that many forces contributed to cause the memorable business depression of the middle nineties. These bore as heavily upon sheep husbandry as upon other industries, and just how much of its decline was due to them and how much to the Wilson bill no human being will ever know.

After a very brief period the duties were restored, but in half a generation they have failed to restore the industry. Not only is the production of wool absolutely smaller than it once was, but it has fallen constantly still further behind the growing needs of the manufacturers. At present these are importing from abroad about two-fifths of the wool they use, and unless some overwhelming disaster comes upon their industry under no conceivable circumstances will the domestic supply of wool ever equal the demand.

In addition to the comments made by Mr. PAGE it is important to note that the decline in the number of sheep under the Wilson bill was more marked in the eastern farm States than in the range States of the far West. This was no doubt due in a large degree to the inability of the fine merino sheep to endure the competition. Table 7 shows the effect of the bill upon the number of sheep in the ranch and farm States. It should be noted that the farm States have never recovered as far as numbers are concerned.

If one, Mr. President, can divest one's self of everything but the pursuit of the truth he finds this economic study intensely interesting. I have found it so. I present a table showing for a period of years the number of sheep for the leading States where farm and ranch conditions prevail, and ask leave to have it incorporated in the Record without reading it in detail.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The table referred to follows.

Number of sheep over a period of years in April for leading States where farm and where ranch conditions prevail.¹

[Expressed in thousands.]

Year.	Ranch States. ²	Farm States. ³	Total.
1890.....	24,217	20,119	44,336
1891.....	23,615	19,816	43,431
1892.....	23,874	21,064	44,938
1893.....	23,445	23,829	47,274
1894.....	22,400	21,102	43,502
1895.....	22,090	17,859	39,949
1896.....	21,121	15,349	36,470
1897.....	21,047	13,737	34,784
1898.....	21,949	13,723	35,672
1899.....	23,041	13,864	36,905
1900.....	26,203	14,065	40,268
1901.....	26,760	15,161	41,921
1902.....	26,518	15,668	42,186
1903.....	25,268	14,016	39,284
1904.....	24,996	13,346	38,342
1905.....	25,405	13,126	38,531
1906.....	24,866	13,675	38,541
1907.....	24,585	14,280	38,865
1908.....	25,430	14,882	40,312
1909.....	26,675	15,618	42,293
1910.....	25,850	16,150	42,000
1911.....	24,125	15,635	39,761
1912.....	23,575	14,906	38,481

¹ Statistics taken from Bulletin of Wool Manufacturers.

² Includes Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming.

³ Includes all other States.

Mr. LA FOLLETTE. Mr. President, it is not correct to say that free wool will not injure anyone. It will injure many indi-

riduals; those who have lung with tenacity to the pure merino can not prosper under free wool. They, in fact, are not prospering now. I do not believe that they can exist under free wool. There will also be much unnecessary loss due to the psychological panic which such radical legislation as it is proposed here will cause. If something would happen to make sheep owners forget the tariff, and forget this legislation, a portion of the loss would never befall him.

But, Mr. President, it is my belief to which I have been forced by my study of this question, a belief which I did not entertain prior to the issuance of the report of the Tariff Board, that free wool will ultimately place the industry on a sound economic basis, a sounder economic basis than that upon which it rests to-day.

In the course of my reading I came upon a book entitled "Sheep farming in America," by Joseph E. Wing, staff correspondent of the Breeders' Gazette. This book has run through three editions warranting enlarging it and printing it with illustrations. It is an elaborate treatise upon the subject. Mr. Wing was employed by and made a comprehensive investigation of the sheep-breeding industry for the Tariff Board. He is a lecturer and staff correspondent of the Breeders' Gazette of Chicago.

I was somewhat curious to know if he were a practical man; if he were engaged in the business of producing sheep; if he were interested in sheep as sheep, and I had some inquiry made from which I find that Mr. Joseph E. Wing, the author of this book, lives in Mechanicsburg, Ohio; that he is a Republican; that he is a strong protectionist, and that he is heavily interested in sheep raising. I will quote from the third edition of his book.

The book is devoted to sheep husbandry; breeding and cross breeding. It deals with mutton sheep; care in winter and summer; feeding, washing, shearing, marketing; the flock husbandry in the Western States; the blood of the different herds; the division of the ranges. Indeed, as its title indicates it is a comprehensive manual for the sheep farmer in America. It devotes as much space to the great western ranches and flocks as to the eastern branch of the business. It does not discuss the relation of the industry to tariff rates. Indeed, I believe the subject is not mentioned from the first chapter to the last. But in the introduction to the third edition I find this word of advice and encouragement from the author to the sheep breeders of America, submitted in anticipation of the tariff changes, which all intelligent men have for years believed must come sooner or later:

The future holds no menace, but hope instead. Should wool tariffs be lowered there might possibly be a small decrease in the numbers of sheep in the West. This would in ultimate effect cause mutton values considerably to enhance, so while possibly the American consumer might get his woollen clothing cheaper the sheep farmer would receive as much for his output of wool and mutton as ever before, and it might well be that he would receive more. With all tariff duties removed we might possibly sell wool for 15 cents per pound, as they do in Canada, if at the same time mutton prices were enhanced, which in the long run they would assuredly be. While the fleece of the ewe might bring us 70 cents less the lamb would bring us from 85 cents to \$1.70 more, and the income from the farm flock be increased. The lesson is clear. No matter what ups and downs the sheep market may see in the near future the wise sheep owner is the one who stays with his flock and seeks only to make it better and healthier than before. His reward is assured.

Mr. President, Mr. Wing did not see a pall of disaster hanging over his industry, even in the anticipation of the removal of all the duties from wool.

But, Mr. President, the framers of this bill, when they came to consider the woolgrowers, were confronted with a "condition" as they were when they came to consider the duties on manufactured products.

They reduced the duties on manufactures of wool; they did not remove them altogether and at once. They were mindful of the large capital invested upon the encouragement which the Government had given under protective duties. They were mindful of the millions of people employed in these manufacturing industries upon the basis of those protective duties. And they made the reductions in the tariff with a view to maintaining the industries in this country under what they call competitive rates which will be found, for the most part, to be protective rates.

Why did they not proceed in the same way with the wool-grower? They were dealing with an important industry in which, as shown by the census of 1910, they found no less than 610,894 farmers were engaged.

Upon these 610,894 farms they found that there were 58,000,000 sheep and lambs.

These sheep and lambs they found to be of the average value of \$4.44, and of a total value amounting to \$232,841,583.

They found that although the number of the sheep and lambs had declined in 10 years, the value had increased from

\$170,203,000 in 1900 to \$232,842,000 in 1910, an increase in value of 36.8 per cent.

They found that the annual clip of wool from these sheep amounted to more than \$55,000,000.

More than this, they found that these 600,000 farmers had been encouraged to invest their money and devote their labor to this business of sheep husbandry, relying upon a tariff system which protected their industry from open competition with 90,000,000 sheep in Australia, producing wool at one-third the cost of production upon our farms, 67,000,000 sheep in South America, producing wool at one-half the cost of the American farmer, and of 23,000,000 sheep in New Zealand, with a production cost for wool of "not to exceed a few cents at the extreme," to quote the language of the Tariff Board.

These 610,000 farmers had invested their \$232,000,000 in good faith, relying upon a protective tariff which had, with the exception of 4 years, been afforded them for nearly 40 years. This protection amounted to a varying ad valorem of from 45 to 50 per cent.

Mr. President, there has been much contention as to the value to the farmer of a protective tariff upon certain products of the farm, but there is one duty that does afford protection to the farmer. That is his duty of 45 to 50 per cent on wool. There can be no controversy about that.

You propose in this bill to remove the duties on practically all farm products, because you say "they are 'buncombe' duties placed there to fool the farmer." You can not make that claim for your removal of the duties on wool.

These duties do afford protection to the farmer. They yield him a substantial protection—a very substantial protection. And yet you cut him to the bone as ruthlessly here as elsewhere.

You may answer that you are opposed to all protective duties on all American production; but you have not removed all protective duties upon all American productions. You have left the manufacturer of woollen goods what you call a competitive tariff. I think you have left him a fairly adequate protective tariff. The tables which I have asked to have incorporated in my remarks this afternoon, applying to the duties in your bill, show that the wool schedule is substantially a protective bill to the woollen manufacturer. It is not as much as it ought to be on tops; it is 5 per cent; it ought not to be less than 7½ per cent to be fairly safe. There are one or two other lines of manufacture not adequately covered, but in the main you have left a protective tariff for the manufacturer. You call it a competitive tariff. Your process of reasoning in reaching what you designate as a competitive tariff has been substantially the same reasoning that I pursue to get at a protective tariff on the difference in the cost of production.

I say you have not removed all protective duties from manufactured products. You have left to the manufacturers of woollen goods what you call a "competitive" duty. I think you have left him in the main a fairly adequate protective duty.

You have excused yourselves for this compromise with your principles on the ground that you were confronted with a condition; that you found the manufacturer in the enjoyment of monopoly privileges due to practically prohibitory rates; that you could not take these excessive duties from him at one sweep; that every consideration of prudence and fair play required you to proceed with your purpose to wipe out all protective duties by a gradual process of reduction.

I think one of the members of the committee, the Senator from Mississippi [Mr. WILLIAMS], expressed it in picturesque language one day. He said, "We found the manufacturer on the top story of the building, away out on the roof; we could not push him off all at once, we are letting him down a story at a time." I do not do justice, of course, to my friend's statement.

Mr. WILLIAMS. The Senator has improved it, but it was something like that.

Mr. LA FOLLETTE. But why did you not accord the farmer's sheep industry the same consideration and reduce his protective duties upon wool one-third to one-half, instead of stripping him of all protection at one stroke?

Even if you believe that the farmer can reorganize this branch of his business upon a new basis, which will enable him to maintain it in the face of free competition with Australia, South America, and New Zealand, why do you not give him time in which to work out this reorganization without sacrificing his capital? Is not that a fair proposition?

You know that cane sugar in Louisiana can not survive free competition with cane sugar in Cuba, and you say to the cane-sugar farmer of Louisiana, "Brother, we do not believe it a sound economic policy to longer protect your product. But you have been encouraged to invest your money in cane-sugar cultivation, you have been accustomed to feel the protecting arm

of the Government about you—it shall not be withdrawn all at once. We will temper this drastic legislation to you. We will take away one-fourth and leave you three-fourths of the protection you now enjoy for a period of three years, when it will all be withdrawn and you must stand alone. We do this to give you time to substitute for cane some other crop which you can produce and market against all competition."

This was considerate; this was fair. And if you propose to destroy cane-sugar production in Louisiana it is wise to do it with as little waste and loss to the Louisiana farmer as possible.

But why not show the same regard for the producer of wool? For the life of me I can not see why. The report of the Tariff Board makes it plain that the farmers who own the millions of merino sheep, cheaply valuable for wool and of little or no value for mutton, can not compete with the crossbred sheep of Australia and South America without a high protective duty. These merino flocks can not be crossbred into mutton sheep in a single season. They have been taught to raise sheep for wool production alone. Badly taught, if you please, but this has been their teaching, backed up by a governmental tariff policy, upon which they have become dependent.

From this high-tariff altitude you precipitate them without warning to a free-trade level with a crash. This is an unwarranted discrimination against the farmer. It can not be defended as a legislative policy. It can not be defended on any ethical basis.

The woolgrower is not a wrongdoer. He is not to be treated as a malefactor. He is an honest, industrious, American citizen. He works long hours. He practices every economy. He is entitled to the same measure of justice, the same measure of consideration in reducing the existing tariff rates which, by your own declarations made again and again in this debate, you have shown to the manufacturer in granting him a little time, a brief season of grace, to adjust his business to a gradually lowered level of tariff rates.

Mr. President, some days ago I introduced into the Senate an amendment to Schedule K of the pending tariff bill. I have this afternoon presented, and there is already upon the desks of Senators, an amendment upon which I shall ask for a vote before I ask for a vote upon the amendment formerly introduced. The ad valorem duty on wools of the first class at the present is about 49 per cent. I have here an amendment that reduces that duty to 30 per cent for one year, the duty to go into effect on the 1st day of January, 1914. It reduces the duty at the end of a year to 25 per cent, that duty to remain in force for a year, and then the duty is to be reduced to 15 per cent, to continue in force thereafter. For all the paragraphs of Schedule K on the basis of each of these duties on raw wool are carefully graded duties on the cloth, measuring the difference in the cost of converting that wool into all the manufactured products between this country and England.

As regarding the duties provided for raw wool in my substitute, the level of rates on wool manufactures, except those upon tops and one or two other items, is substantially the same as the level of rates provided in the pending bill.

Mr. STONE. But the general average is higher.

Mr. LA FOLLETTE. The general average would not be substantially higher, excepting as made so by the fact that there is a duty on raw wool incorporated as the basis. I am pleading with Senators upon the other side that you ought to fairly treat this farm product—this one farm product of all, perhaps, upon which the farmer realizes a protection that is substantial, that is considerable, and which he has had for 40 years, especially when you treat the manufacturer with such consideration. You have left the manufacturer of woolen and worsted products with fairly protective duties, while you have cut the wool producer clear to the bone on his wool.

Now, I am just praying—I do not know whether I am hoping or not—that you will give the farmer a chance to change the type of his sheep. It will take him at least three years to introduce the mutton breeds by crossbreeding. If you will give the farmer a chance, he will save the large amount of capital he has invested in this business. It may be the amount may seem small to some, but I assure you that it is a serious matter to the 600,000 farmers who raise sheep. It seems to me only fair that the farmer should have some consideration. At the end of three years my amendment would leave to the farmer a duty of 15 per cent, but you will have given him a chance to square away and to save himself a little.

Most of you have been in touch one way or another with the farmer. You know what a life of toil he lives, and you are aware of the slow saving and the little economies that make up the life of the farmer. If there is anybody who ought to receive liberal treatment and not be pushed off from not only of the roof but of the cupola of the building, clear down, not to the pavement but into the subcellar, it is the farmer. When you

go through this bill from beginning to end, section by section, and see the things that are produced upon the farm which you have put on the free list, do you not think it would let you down a little easier if you could give the farmer this slight protection on wool, where he directly receives some benefit?

Mr. President, the amendment I have proposed makes at its first stage of reduction as deep a cut as you have made in this same schedule on the manufactured product, and if you adopt the amendment, when you come to be arraigned for your harsh treatment on the other products of the farm, you can show here that you have treated with some consideration at least this very important product, the duty on which is not buncombe to more than a half million farmers; that you have given the sheep raiser some show for his capital and a chance to turn around and save himself.

I appeal to you, Senators, to make this gradual reduction in the duties on wool. Although the duties to the manufacturers average higher and you will not, in the general average, have quite the same showing with wool at 30 per cent and the rates fixed on the manufactured products in the amendment, if it be adopted, you will give no more protection than you do in the pending bill, and in the next stage, where the duty on raw wool is fixed at 25 per cent, you will give there no more protection to the manufacturer than he is given in the pending bill, and the same is true in the next stage, where the duty is fixed at 15 per cent; you will then give the manufacturer no higher level of duties than he receives in the pending bill. But you will do a small measure of justice to the farmer and you will make this pending bill more acceptable to that great body of our people who have borne the burdens of excessive duties on everything they have to buy without complaining, but who have never received directly their share of tariff benefits.

Mr. President, I thank the Senate for its very great patience.

Mr. BRISTOW. Mr. President, I should like to make an inquiry of the Senator before he takes his seat. I have undertaken to make a comparison of the duties on manufactured fabrics in the bill with those submitted by the Senator in the first part of his amendment, where he fixes a duty of 30 per cent on wool. Does paragraph 297, embracing cloth, knit fabrics, felts not woven, hosiery, and so forth, correspond to paragraph 15 in the amendment offered by the Senator?

Mr. LA FOLLETTE. I have not before me the notes I have used. The manuscript has been taken from my table just as fast as it was submitted, and I have not it here.

Mr. BRISTOW. Section 15 of the Senator's amendment reads:

On cloths, knit fabrics, flannels, felts, women's and children's dress goods—

And so forth.

They are practically the same. I notice here that the maximum duty in that paragraph of the Senator's amendment is 55 per cent. That is in the first part, where there is a 30 per cent duty on the raw wool, while the maximum duty in the bill on hosiery is 50 per cent; that is, the duty in the Senator's amendment on the manufactured article of hosiery is 5 per cent higher than the duty in the bill, although he has a duty of 30 per cent on the wool that goes into the hosiery.

Mr. LA FOLLETTE. If the Senator has the corresponding paragraph before him, it is possible that there may be some misprint in one or the other.

Mr. BRISTOW. I do not know that it is a misprint.

Mr. STONE. Mr. President—

Mr. BRISTOW. I have been advised by the Senator from Utah [Mr. Smoot] that in the bill the rate was reduced by the committee from 50 per cent to 40 per cent.

Mr. LA FOLLETTE. The Senator has the old print.

Mr. BRISTOW. I have the old bill.

Mr. LA FOLLETTE. That may explain it.

Mr. BRISTOW. That may explain it; but still it shows that the bill is exceedingly considerate of the manufactured article. While the Senator has worked out his duties on the manufactured product upon a basis of 30 per cent on raw wool, in no instance do any of his duties run 30 per cent higher on the manufactured articles; so that the duty on wool is not anywhere completely added in this amendment to the duty on the manufactured product, showing that, so far as the bill is concerned, it has treated far more considerately the manufacturers of woolen goods than has the Senator and the Senator's amendment treated the producer of the wool, bearing out the contention that he has made from the beginning, that the duty on the manufactured product in the bill as reported by the committee is very satisfactory indeed as a protective duty.

Mr. STONE. Mr. President, I was a member and chairman of the subcommittee which had charge of Schedule K. The subcommittee gave several weeks of patient consideration to that schedule, and reported the result of its labors to the

whole committee—that is, the majority members—and the schedule was considered by them; afterwards the recommendations of the committee were considered in conference and agreed to.

If it were desirable or advisable, I think a very adequate reply could be made to the criticisms of the Senator from Wisconsin [Mr. LA FOLLETTE] as to the action taken. But I think the debate should be now concluded, and I will say nothing calculated to prolong it. I am unwilling now to enter upon a rediscussion of this question so as further to prolong the consideration of the bill. I have the highest respect for the Senator from Wisconsin. Besides being personally a most lovable gentleman, he has impressed himself with great force on the deliberations of this body and on the just attention of the country. I have only one remark to make of the Senator from Wisconsin—and I say this with the most considerate respect, and in saying it I paraphrase an utterance I read yesterday from our distinguished Secretary of State in a speech he made in Maine a day or two ago descriptive of a Progressive—namely, that the Senator is too good to be a Republican and not quite good enough to be a Democrat.

I should like to have a vote on the amendment of the Senator from Wisconsin.

Mr. JONES. Mr. President, before proceeding to consider the amendment of the Senator from Nebraska [Mr. NORRIS] relating to the inheritance tax, which, as I understand, is the pending amendment, I desire to submit a few general observations with reference to the bill, possibly along lines a little different from the other utterances that have come from this side of the Chamber.

Mr. President, our Democratic friends, in my judgment, have lost a great opportunity to take the tariff out of politics. If they had been courageous enough to accept and carry out the real verdict of the people last fall they would have shown not only great patriotism but great wisdom. The real issue in the people's mind in the campaign was not so much a tariff for revenue or a protective tariff as the revision of the tariff downward. The Democrats declared for a tariff for revenue only, other parties declared for a protective tariff, and the people of the country, while they placed them in power in a constitutional way, really declared against their policy and in favor of a protective tariff. The total vote cast at the election last fall was 14,720,037. On the tariff-for-revenue platform there were cast 6,292,718 votes, or practically 2,500,000 less than the opposing parties cast. The Republicans declared in their platform:

We reaffirm our belief in a protective tariff.

The Republican tariff policy has been of the greatest benefit to the country, developing our resources, diversifying our industries, and protecting our workmen against competition with cheaper labor abroad, thus establishing for our wage earners the American standard of living. The protective tariff is so woven into the fabric of our industrial and agricultural life that to substitute for it a tariff for revenue only would destroy many industries and throw millions of our people out of employment. The products of the farm and of the mine should receive the same measure of protection as other products of American labor.

We hold that the import duties should be high enough, while yielding a sufficient revenue, to protect adequately American industries and wages. Some of the existing import duties are too high and should be reduced. Readjustment should be made from time to time to conform to changing conditions and to reduce excessive rates, but without injury to any American industry. To accomplish this, correct information is indispensable. This information can best be obtained by an expert commission, as the large volume of useful facts contained in the recent reports of the Tariff Board has demonstrated.

The pronounced feature of modern industrial life is its enormous diversification. To apply tariff rates justly to these changing conditions requires closer study and more scientific methods than ever before. The Republican Party has shown by its creation of a Tariff Board its recognition of this situation and its determination to be equal to it. We condemn the Democratic Party for its failure either to provide funds for the continuance of this board or to make some other provision for securing the information requisite for intelligent tariff legislation. We protest against the Democratic method of legislating on these vitally important subjects without careful investigation.

And the Progressives declared in their platform as follows:

We believe in a protective tariff which shall equalize conditions of competition between the United States and foreign countries, both for the farmer and the manufacturer, and which shall maintain for labor an adequate standard of living. Fair dealing toward the people requires an immediate downward revision of those schedules wherein duties are shown to be unjust or excessive.

We pledge ourselves to the establishment of a nonpartisan scientific tariff commission, reporting both to the President and to either branch of Congress, which shall report, first, as to the costs of production, efficiency of labor, capitalization, industrial organization and efficiency, and the general competitive position in this country and abroad of industries seeking protection from Congress; second, as to the revenue-producing power of the tariff and its relation to the resources of government; and, thirdly, as to the effect of the tariff on prices, operations of middlemen, and on the purchasing power of the consumer. The Democratic Party is committed to the destruction of the protective system through a tariff for revenue only—a policy which would inevitably produce widespread industrial and commercial disaster.

Both of these parties declared definitely for a protective tariff and a tariff commission, and the vote cast was 7,426,640, or more than half of the total vote and over a million votes more than were cast for Mr. Wilson.

Clearly the people did not declare for a revenue tariff. They did not place you in power because of your tariff declaration, but despite it. You have been given an opportunity to act as statesmen and patriots instead of partisans. You could have avoided the reproach that must come to you and to representative government by the arbitrary secret-caucus methods that you have adopted, and which are, in fact, necessary, if you would carry out your platform promises on the tariff. You should have accepted the verdict as disclosed by the vote at the election. You should have said that the people have not declared for a revenue tariff but for a revision downward. We will accept that verdict, and we ask the Republicans to join with us in the open Senate and work out a tariff bill that will be a substantial reduction in the present tariff rates, but take into account, so far as possible, the conditions at home and abroad, and we will provide for a tariff commission and lay down a rule for its guidance that will enable it from time to time to readjust our tariffs in a scientific way and without any disturbance to business. In this way the tariff question would have been settled and taken out of politics, constitutional and representative government would have been exemplified, and the will of the people fully carried out.

There are those who object to a tariff commission. When I entered the Senate four years ago I was opposed to a tariff commission. I had never gone through a revision of the tariff and had no knowledge of what a problem it is. But before we had concluded the consideration of the Payne-Aldrich bill I was convinced that we should have a commission at least to gather the facts in an impartial way and submit the same to Congress for its information, to be used by it in revising the tariff. Having participated in another tariff revision, I am fully convinced not only that we should have a tariff commission, but that such a commission should be given full power, in accordance with a rule or standard laid down by Congress, to revise the tariff and fix the rates. Surely no one can watch the proceedings here from day to day without being convinced that no method could be devised under which the tariff would be revised in a more haphazard, hit-or-miss, ignorant way than it is revised by this Senate.

We have been considering this bill from day to day, but few of us have acted upon any of its provisions or amendments that have been offered upon any definite, certain, and detailed information of our own. Our votes have been cast for or against provisions upon such information as has been given to us by Members on the floor who have given particular attention to a particular topic, and but few of us have listened to this information. Most of us have voted upon the majority of the items simply because those in charge on this side or that side voted in a certain way. When I say this I am not criticizing anyone, but am simply stating what everyone knows to be a fact. It can not be otherwise. No man on this floor can acquaint himself with all the business interests and industries affected by this bill in the short space of time permitted him, with the multitude of other matters that must be attended to at the same time. He must vote without information, without knowledge, except that he votes this way or that because he believes it is in accordance with a general principle or because he has confidence in some one who has given a particular matter special consideration. Often during the consideration of this bill and the adoption of amendments not 15 Senators have been present, and often when roll calls have been had the great majority of the Senate would come in and vote simply as their party associates voted. Yesterday an amendment consisting of several pages was presented about which no one outside of the committee knew anything, and we were asked to vote without any explanation whatever. If Congress were to levy a certain tax for revenue purposes and provide a commission and direct it after careful consideration to fix such rates upon certain imports as it found would afford ample protection to our labor and our industries, a far more equitable, accurate, and scientific tariff system would be developed than we can possibly provide for in the method that we must now pursue. The people are impatient at the delay in the passage of this bill and if they could watch us here in our deliberations they would be disgusted with us or our procedure. The need of dealing with the tariff in an entirely different way is imperative. I can not blame the Democratic Party for proceeding to carry out its platform, but it has neglected a great opportunity to commend itself to the people as a great, brave, patriotic, statesmanlike organization.

Mr. President, caucus is king. This bill was prepared in a secret caucus of the Democratic Members of the House. Republicans had nothing to do with it. It came to this body and was referred to the Committee on Finance, and its various schedules

were referred to different subcommittees composed entirely of Democrats. The Republicans were eliminated from its consideration. These subcommittees considered the schedules and submitted their reports to the Democratic membership of the committee, and the bill, with certain amendments, was finally agreed upon. The bill and these proposed amendments were referred, not to the full membership of the committee but to the caucus of the Senate Democrats. It was there considered secretly, amended, and agreed upon, and a resolution passed declaring it to be a party measure, two Senators, we understand from press reports, being given permission to vote against it on final passage and also reserving the right to vote against any amendments or for any amendments they saw fit. At 11.30 o'clock on the morning of July 11, 1913, the bill as agreed to in caucus was referred to the full committee of Democrats and Republicans and at 2 o'clock of that day was reported without change to the Senate.

So far as the preparation of the bill is concerned, Republican Senators might just as well have been at home. They had nothing to do with it and no influence in connection with it, and those States without Democratic Senators had no representation or part in the preparation of this measure, and their interests and industries had no representation except by proxy. No matter how unjust this bill may be to any industry in my State, no matter how just and desirable an amendment may be, you will all vote "No" because a caucus has so decided. The bill is going through a form of consideration in the Senate, but no amendments of any consequence, however meritorious, can or will be adopted, because of the binding action of the caucus upon the members of the majority, unless a further decree be issued by the caucus authorizing the adoption of the same.

Mr. President, this is simply a plain statement of the facts. I do not complain at the action of our Democratic friends; they have no doubt acted wisely under the circumstances. If we Republicans had held conferences four years ago we could have harmonized our differences on the tariff; the schedules would have been wisely and fairly revised in harmony with the principles of protection; the people would have been satisfied and the Republican Party would be in control of this Government to-day; business would be buoyant and confident and prosperity would be increasing by leaps and bounds. The course the majority has taken is the course necessary as long as tariffs are to be revised by Congress and party lines are drawn on revenue and protective principles. If all were for a tariff for revenue only, that policy could be carried out in a bill framed in the open Senate, each Senator expressing by his vote here on amendments his individual judgment rather than the aggregate judgment of the entire membership. If all believed in protection, the same action could be followed. That is the course we really ought to take. I hope that we will all be for a revenue tariff or all for a protective tariff. Until this time comes the wisest and most patriotic course to take, however undesirable we may regard it, is for the party in power to harmonize its differences in free and open discussion among its membership, each individual expressing his views and opinions, and accepting the aggregate wisdom of his party as his policy when he can do so conscientiously.

Mr. CLAPP. Mr. President, with the Senator's permission, I should like to ask him a question. What should he do if he can not do that?

Mr. JONES. Then he should, of course, vote against the decree of his party caucus. The party caucus should not take the place or usurp the functions of the legislative body, and no Senator should allow the caucus decree to interfere with his action as a legislator.

As I was proceeding to say, I will never be bound by any caucus, but I am glad to meet my colleagues and confer over matters of party, and after full and careful deliberation I am willing to waive my individual judgment to the judgment of the majority, in so far as I can conscientiously do so, on matters of detail.

The only complaint I have to make of our Democratic friends is that they have professed such an abhorrence for the methods heretofore pursued by the Republicans of the House and the Senate and sought the people's support in order to put a stop to the arbitrary rules which they claimed were followed and adopt new and better methods, and now they have gone so far beyond what was ever thought of in arbitrary and despotic methods that they must appear to the people of the country, when it is fully realized what has been done and the course taken, as loud-speaking Pharisees. They certainly will not be able to deceive the people again.

Mr. President, the people want this bill passed. They know it is going to pass and they do not understand the delay. They want uncertainty ended. If the bill works well every one will be pleased and we will all be for the revenue tariff hereafter

and can enter upon a revision of this bill in due time without any necessity for the caucus. If it works ill, if it disturbs business, if it reduces wages, if it brings disaster to the country—and I hope it will not—then we will all be for the protective tariff and will place it on the statute books in a proper way and provide for a commission that will bring about an undisturbed, scientific way of changing the tariff.

I believe in a protective tariff. I believe it promotes happiness, comfort, and prosperity among our people. I believe it is best for labor and best for the welfare, growth, development, and prosperity of the country. I voted for the Payne-Aldrich law, not because I approved all of its provisions, because I did not, but because it contained so many important provisions in it that met my approval that I deemed it better for the conditions then existing than the law then in force. I wish I could vote for this bill, but I can not. It has some good things in it. I am for the income-tax provision, although it does not go as far as I would like. I am for many of the duties in the bill, but it is so unfair, so unjustly discriminatory, and so fundamentally against my beliefs that I must vote against it, with the sincere hope, however, that it will be shown that I am wrong and that the bill will fully justify the sincere hopes of those who favor it. I know the Democrats are sincere in their belief that this bill will promote the well-being of the people of this country. I am willing for it to go into effect under as favorable circumstances as possible. I am not even going to express my fears, but it goes forth with my hope that no laborer will be thrown out of employment or have his wages reduced by it; that the farmer's markets will not be restricted nor his prices lessened; that the railroads of the country may continue to be taxed to the utmost to carry the products of the country to and from the market places at diminishing rates and increasing profits; that financial institutions may increase their rates on deposits and decrease the interest on their loans; that manufacturers may continue working day and night, paying their laborers better wages and working them shorter hours; that merchants will continue prosperous; that clearing-house returns will grow larger; that deposits in savings banks will continue to grow; that new business blocks and comfortable homes will continue to be erected; that public and private improvements will continue with unabated activity; that our foreign commerce may increase, and that the unexampled prosperity that now blesses the land, under Republican laws and policies, may not only continue but increase under this Democratic law.

Mr. President, just a word upon other matters that will come up for our consideration. I have the utmost confidence in the high purposes and lofty patriotism of President Wilson, not only as to our foreign but also our domestic affairs, and every effort he may make to preserve peace between this and other countries shall have my unqualified support. If I do not approve his acts, I shall not embarrass his efforts by my criticism. Partisanship can have no place in our foreign relations; patriotism alone should control in the solution of such problems. While solicitous for the preservation of the lives and property of our citizens in foreign countries, we must not overlook the property that must be consumed and the lives that must be sacrificed of citizens who have remained at home if war comes between us and any other country. I am sure the President has all these things in mind, and behind him are our people, regardless of politics.

The currency question is coming up. On it there is no line of party division. It should be kept out of politics, and we should consider it as statesmen and not as partisans. There may have been justification for caucus action on the tariff, but, gentlemen, there is no excuse for caucus action on the currency. This question should be considered by the entire committee having charge of it, and they should present a bill to the Senate that can be considered freely and fully and finally passed in such shape as may meet the wish and patriotic judgment of the majority in this body. Such a course is expected by the people and will justify the wisdom of constitutional and representative government, and this great question will be solved for the best interests of the people and the Government.

Now, Mr. President, I desire to consider for awhile the amendment offered by the Senator from Nebraska [Mr. NORRIS] in connection with one which I have pending. On the 8th of April I introduced a bill providing for an inheritance tax, and on the 23d of August I proposed an amendment to the pending bill which incorporates many of the provisions of the amendment of the Senator from Nebraska. I am heartily in favor of his amendment and I intend to vote for it. I desire to direct the attention of the Senate to some of the provisions of the amendment which I offered, and in the discussion of it of course I shall discuss it in a way that will apply to the amendment of the Senator from Nebraska as well.

We are accustomed to boast of the amazing growth and progress of our country and its wonderful commercial activity. Prosperity is so general and so great that the question as to the effect of the pending legislation is whether it will permit this prosperity to continue unabated rather than will it increase it. With all this prosperity, however, he is blind indeed who does not recognize that discontent, distrust, and dissatisfaction are growing among our people. Many think that our legislative efforts are directed more to the protection of property and property rights than toward the real betterment and uplift of the people. It is charged that those who really need help and assistance are neglected. We depend upon the indirect effect that may come to the poor and struggling from the protection and encouragement afforded to property and property rights. I fear there was too much basis for this feeling in the not distant past and too much for it now.

A law has just been passed in one of the great States of the Union with reference to child labor and one of its leading papers makes this statement regarding it:

This measure fixes the age limit at which children may be employed in manufacturing and commercial enterprises at 12 in 1914; at 14 in 1915; and at 16 in 1916. It is expected by this gradual increase from year to year to check the evils arising from the employment of young children without serious embarrassment to employers.

While such legislation ultimately will be of benefit to the children, their rights and welfare must give way to the financial interests, and the evils that come to the child must be endured, for a time in a lessening degree, rather than to bring serious embarrassment to financial interests. The reverse should be the case; financial interests should suffer rather than the children.

I am glad to say, however, that a radical change is coming in this respect. The rights of humanity are being placed more and more above the rights of commercialism. Much legislation tending in this direction has been enacted during the last few years. Laws have been and are being passed to equalize opportunity, to prevent discrimination and rebates, to protect the weak, to shorten hours and improve conditions of labor, to protect children and insure their education, to guard the health of women, to insure sanitary and healthful conditions for the home and about the workers, to curb rapacity in business and promote the general welfare of the masses, and to make life mean more of happiness and comfort to them. This, after all, is the highest function of government. If government does not mean happiness, contentment, and equal opportunity, it means nothing. The questions involved are far above party. They are questions of humanity, and the end to be sought is one upon which we all agree, although we may differ as to the methods of reaching the proper solution. As one step in the direction of the solution of these questions, I have offered this amendment.

It provides for a tax on inheritances, which are divided into two classes, direct or lineal and indirect or collateral. The rate of taxation is determined by the value of the individual inheritance and not by the value of the estate. The rate on direct inheritances is comparatively small and the exemption large. A father, mother, husband, wife, child, brother, sister, wife or widow of a son, or the husband of a daughter, or any child or children adopted may take any amount less than \$25,000 free of taxation. On other amounts the rate is as follows:

	Per cent.
\$25,000 and up to \$50,000.....	1
Above \$50,000 and up to \$250,000.....	2
Above \$250,000 and up to \$500,000.....	3
Above \$500,000 and up to \$1,000,000.....	4
Above \$1,000,000 and up to \$5,000,000.....	7
Above \$5,000,000 and up to \$10,000,000.....	15
Above \$10,000,000 and up to \$20,000,000.....	25
Above \$20,000,000 and up to \$30,000,000.....	35
Above \$30,000,000.....	50

In collateral inheritances there is no exemption, and the rate of taxation is as follows:

	Per cent.
\$5,000 and less.....	1
Above \$5,000 and up to \$50,000.....	2
Above \$50,000 and up to \$250,000.....	5
Above \$250,000 and up to \$750,000.....	10
Above \$750,000 and up to \$1,500,000.....	15
Above \$1,500,000 and up to \$3,000,000.....	20
Above \$3,000,000 and up to \$7,000,000.....	25
Above \$7,000,000 and up to \$15,000,000.....	40
Above \$15,000,000.....	50

In the consideration of this amendment we are met at the threshold by the objection that is always made to any legislation that may affect capital. It is urged that it is unconstitutional. Happily this objection has been met by the Supreme Court of the United States in no uncertain way and is no longer open to argument. In the war-revenue act of 1898 a graduated inheritance tax was levied. Capital, as it always does, resisted the payment of the slight burden which this law imposed upon it and carried the question to the Supreme Court

of the United States, and in *Knowlton v. Moore*, 178 U. S., at page 109, the court said:

Lastly, it is urged that the progressive-rate feature of the statute is so repugnant to fundamental principles of equality and justice that the law should be held to be void, even although it transgresses no express limitation in the Constitution. Without intimating any opinion as to the existence of a right in the courts to exercise the power which is thus invoked, it is apparent that the argument as to the enormity of the tax is without merit. It was disposed of in *Magoun v. Illinois Trust & Savings Bank*, 170 U. S., 283, 293.

The review which we have made exhibits the fact that taxes imposed with reference to the ability of the person upon whom the burden is placed to bear the same have been levied from the foundation of the Government; so, also, some authoritative thinkers and a number of economic writers contend that a progressive tax is more just and equal than a proportional one. In the absence of constitutional limitation, the question whether it is or is not legislative and not judicial. The grave consequences which it is asserted must arise in the future if the right to levy a progressive tax be recognized involves in its ultimate aspect the mere assertion that free and representative government is a failure and that the grossest abuses of power are foreshadowed unless the courts usurp a purely legislative function.

This opinion was rendered by Justice White, now Chief Justice of the Supreme Court. All the other judges, except Justice Brewer, concurred in the opinion so far as it held that a progressive rate of taxes can be constitutionally imposed.

The tax proposed is not new. It has been adopted in principle by 30 or more States in the Union and by almost every civilized nation in the world. In *Magoun v. Illinois Trust & Savings Bank*, 170 U. S., at page 287, the court says:

Legacy and inheritance taxes are not new in our laws. They have existed in Pennsylvania for over 60 years, and have been enacted in other States. They are not new in the laws of other countries. In *State v. Alston* (94 Tenn., 674) Judge Wilkes gave a short history of them as follows:

"Such taxes were recognized by the Roman law. (Gibbon's Decline and Fall of the Roman Empire, vol. 1, pp. 163, 164.) They were adopted in England in 1780, and have been much extended since that date. (Dowell's History of Taxation in England, 148; Acts 20 George III, c. 28; 45 George III, c. 28; 16 and 17 Victoria, c. 51; Green v. Craft, 2 H. Bl. 30; Hill v. Atkinson, 2 Merivale, 45.) Such taxes are now in force generally in the countries of Europe. (Review of Reviews, Feb., 1893.) In the United States they were enacted in Pennsylvania in 1836; Maryland, 1844; Delaware, 1869; West Virginia, 1887, and, still more recently, in Connecticut, New Jersey, Ohio, Maine, Massachusetts, 1891; Tennessee in 1891, chapter 25, now repealed by chapter 174, acts 1893. They were adopted in North Carolina in 1846, but repealed in 1883. Were enacted in Virginia in 1844, repealed in 1855, reenacted in 1863, and repealed in 1884."

Other States have also enacted them—Minnesota by constitutional provision.

The constitutionality of the taxes has been declared, and the principles upon which they are based explained in *United States v. Perkins* (163 U. S., 625, 628), *Strode v. Commonwealth* (52 Penn. St., 181), *Eyre v. Jacob* (14 Grat., 422), *Schofield v. Lynchburg* (78 Va., 366), *State v. Dalrymple* (70 Md., 294), *Clapp v. Mason* (94 U. S., 589), *In re Merriam's Estate* (141 N. Y., 479), *State v. Hamlin* (86 Me., 495), *State v. Alston* (94 Tenn., 674), *In re Wilmerding* (117 Cal., 281), *Dos Passos Collateral Inheritance Tax* (20), *Minot v. Winthrop* (162 Mass., 113), *Gelstrophe v. Furnell* (Mont.) (51 Pac. Rep., 267). See also *Scholey v. Rew* (23 Wall., 331).

In France the rates run from 1 per cent to 20½ per cent, with no exemptions, the rate of 20½ per cent being upon inheritances over 50,000,000 francs, or \$10,000,000, going to relatives beyond the sixth degree and strangers in blood.

I have tables here giving the inheritance tax of different countries, which I ask may be put in the RECORD without reading.

There being no objection, the tables were ordered to be inserted in the RECORD, as follows:

	1 to 2,000 francs.	2,001 to 10,000 francs.	10,001 to 50,000 francs.	50,001 to 100,000 francs.
Direct line.....	Per cent. 1.00	Per cent. 1.25	Per cent. 1.50	Per cent. 1.75
Husband or wife.....	3.75	4.00	4.50	5.00
Brothers or sisters.....	8.50	9.00	9.50	10.00
Uncles and aunts, nephews and nieces.....	10.00	10.50	11.00	11.50
Great-uncles and great-aunts, grand-nephews and grandnieces, cousins-german.....	12.00	12.50	13.00	13.50
Relatives of the fifth and sixth degrees.....	14.00	14.50	15.00	15.50
Relatives beyond the sixth degree and strangers in blood.....	15.00	15.50	16.00	16.50
	100,001 to 250,000 francs.	250,001 to 500,000 francs.	500,001 to 1,000,000 francs.	Over 1,000,000 francs.
Direct line.....	Per cent. 2.00	Per cent. 2.50	Per cent. 2.50	Per cent. 2.50
Husband or wife.....	5.50	6.00	6.50	7.00
Brothers or sisters.....	10.50	11.00	11.50	12.00
Uncles and aunts, nephews and nieces.....	12.00	12.50	13.00	13.50
Great-uncles and great-aunts, grand-nephews and grandnieces, cousins-german.....	14.00	14.50	15.00	15.50
Relatives of the fifth and sixth degrees.....	16.00	16.50	17.00	17.50
Relatives beyond the sixth degree and strangers in blood.....	17.00	17.50	18.00	18.50

	1,000,001 to 2,000,000 francs.	2,000,001 to 5,000,000 francs.	5,000,001 to 10,000,000 francs.	10,000,001 to 50,000,000 francs.	Over 50,000,000 francs.
Direct line.....	Per cent. 3.00	Per cent. 3.50	Per cent. 4.00	Per cent. 4.50	Per cent. 5.00
Husband or wife.....	7.00	7.50	8.00	8.50	9.00
Brothers or sisters.....	12.00	15.50	13.00	13.50	14.00
Uncles and aunts, nephews and nieces.....	13.50	14.00	14.50	15.00	15.50
Great-uncles and great-aunts, grand-nephews and grand- nieces, cousins-german.....	15.50	16.00	16.50	17.00	17.50
Relatives of the fifth and sixth degrees.....	17.50	18.00	18.50	19.00	19.50
Relatives beyond the sixth de- gree and strangers in blood.....	18.50	19.00	19.50	20.00	20.50

Mr. JONES. In Germany the rate runs from 4 per cent on amounts over 20,000 marks, or \$5,000, to 25 per cent on amounts over 1,000,000 marks, or about \$250,000. In addition they have a State or Province tax.

In Great Britain there are legacy, succession, and death duties which amount to a graduated tax of about 1 per cent on estates between \$500 and \$2,500 in value and from 10 to 23 per cent on estates up to and exceeding \$15,000,000. In the dependencies of Great Britain inheritance taxes are levied varying from 2 to 20 per cent on collateral heirs and strangers in blood and from 1 to 10 per cent on direct heirs.

I have also a table giving the rates in Great Britain and her Provinces, which I ask be published in the RECORD without reading.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Progressive inheritance taxes in foreign countries.

Country.	For collateral heirs.		For direct heirs.		Strangers in blood.		Progressivity (on basis of property).	Other exemptions.
	Rate per cent.	Exemption.	Rate per cent.	Exemption.	Rate per cent.	Exemption.	Rate per cent.	
Australasia:								
New South Wales.....	2-10	£1,000	1-5	£1,000	2-10	£1,000	2-10	Legacies, £20.
New Zealand.....	2-10	100	1-5	100	5-13	100	2-10	
Queensland.....	2-10	200	1-5	200	4-20	200	2-10	
South Australia.....	1-10	200	1-10	500	10	None.	1-10	
Western Australia.....	1-10	1,500	1-10	1,500	1-10	1,500	1-10	
Victoria.....	2-10	1,000	1-5	1,000	2-10	1,000	2-10	
Canada:								
British Columbia.....	5-10	\$5,000	1-5	\$25,000	10	\$5,000	1-5	Share, \$10,000. Share, \$200. Share, \$500. Share, \$200.
Manitoba.....	1-10	4,000	2-10	25,000	1-10	4,000	1-10	
New Brunswick.....	5-10	5,000	1-5	50,000	10	5,000	1-5	
Nova Scotia.....	5-10	5,000	2-5	25,000	10	5,000	2-5	
Ontario.....	5-10	10,000	2-5	100,000	5-10	10,000	2-10	
Prince Edward Island.....	2-7½	3,000	1-2½	10,000	7½	3,000	1-2½	
Quebec.....	3-8		1-3	3,000	10		1-3	
Great Britain: ¹⁰								
Estate duty ¹¹	1-8	£100	1-8	£100	1-8	£100	1-8	£300 30s. tax. ¹² £500 50s. tax.
Legacy duty ^{13 14}	3-10		1-1		10			
Succession duty ^{14 15}	4-11½	£20	1-1½	£20	11½	£20		
Switzerland:								
Lucerne.....	5½	Legacy 50 fr.	1	5,000 fr.	20	Legacy 50 fr.	17 1-40	Employees 1,000 fr. Servants 1,000 fr.
Schaffhausen.....	2-8	Share 200 fr.			10	Share 200 fr.	18 2-20	
Zurich.....	2-10	Legacy 1,000 fr.			10	Legacy 1,000 fr.	19 2-15	

¹ One-half of collateral rates on amounts not exceeding £50,000. In certain cases the rate applies to distributive shares.

² Progression ceases with collateral heirs at £20,000 and with direct heirs at £200,000.

³ £1,500 exempted if estate does not exceed £2,500; if in excess, no exemption.

⁴ Direct heirs pay one-half of collateral rates.

⁵ One-half of the collateral rates on property passing to certain direct heirs when total net value does not exceed £50,000.

⁶ Progressive schedule applies only to direct heirs. Progressivity on basis of property.

⁷ Share passing to immediate relatives.

⁸ Schedule rates doubled on property passing by transfer out of the Province.

⁹ Proceeds devoted to asylums, hospitals, and other charities.

¹⁰ Great Britain has also a "probate duty," "account duty," "temporary estate duty," and a "corporation duty."

¹¹ Paid upon the principal value of all property, real or personal, settled or unsettled. Settled property is subject to a further estate duty of 1 per cent.

¹² Small estates up to £300 gross pay a duty of 30s. Small estates up to £500 pay a duty of 50s. These duties are inclusive of all other "death duties."

¹³ Legacy of any value, and any share of residue of personal estate arising under will or intestacy.

¹⁴ Succession duty applies to a succession of the value of £20 or upward, where the whole succession derived from the same predecessor amounts to £100 or upward.

One-half of 1 per cent of the succession duty on lineals and 1½ per cent on other descendants constitutes what is called "additional succession duties." This additional

duty is not payable when the property subject to the succession duty is chargeable with estate duty.

¹⁵ Rate applies to child, descendant of child, father, mother or lineal ancestor and is not payable where probate or letters of administration were obtained or where "account

duty" or "estate duty" has been paid.

¹⁶ The "legacy duty" and "succession duty" together practically constitute a collateral inheritance tax paid in addition to the "estate duty," with the exception, how-

ever, that estates valued at £1,000 or less are subject to the "estate duty."

¹⁷ 1 to 20 per cent on amounts up to 10,000 francs. Rate then increases by ½ through a series of 10 steps until it becomes ⅓ higher than the primary rate.

¹⁸ 2 to 10 per cent on amounts between 2,000 and 10,000 francs. Rate then increases by ½ for each additional 10,000 francs until it becomes ⅓ higher than the primary rate.

¹⁹ 2 to 10 per cent on amounts up to 10,000 francs. Rate then increases by ½ for each additional 10,000 francs until it becomes ⅓ higher than the primary rate.

Mr. JONES. In Lucerne, Switzerland, the rate is 1 per cent for direct heirs, from 5 to 15 for collateral heirs, and from 20 to 40 to strangers in blood.

Objection is made to a national inheritance tax on the ground that it will interfere with the right of the States to collect inheritance taxes and be in effect a double tax. This is not a valid objection. The levying of an inheritance tax by the United States does not in any way affect the right of the State to levy such a tax. It may put an additional burden upon an estate or inheritance, but the aggregate of such a burden is not too great. State inheritance taxes are very low as a general rule, and especially so upon direct inheritances.

Inheritances are now taxed to a greater or less extent in 36 States of the Union and in Hawaii and in Porto Rico. Twenty States of the Union tax both direct and collateral heirs, and in

13 States the inheritance tax is in some degree progressive. Wisconsin, California, Idaho, Minnesota, and Massachusetts have progressive rates for both direct and collateral heirs; in Illinois, Colorado, Nebraska, South Dakota, Oregon, and North Carolina the progressive rates apply only to distant relatives and strangers in blood, while in Washington and Texas they apply to all collateral heirs. Minnesota and Utah make no distinction between direct and collateral heirs; in all other cases in which direct heirs are taxed at all the rates are much lower and the exemption (except in Connecticut and North Carolina) much larger than for collateral heirs. It may be added that the new constitution of Oklahoma expressly authorizes progressive taxation of both direct and collateral inheritances.

The following table shows the main provisions of the inheritance-tax laws of the various States in the Union.

State.	Collateral.		Direct.	
	Rates.	Exemption.	Rates.	Exemption.
	<i>Per cent.</i>		<i>Per cent.</i>	
Arkansas.....	5			
California.....	1½-15	\$500-\$2,000	1-3	\$4,000
Colorado.....	3-6	500	2	10,000
Connecticut.....	3	10,000	½	10,000
Delaware ¹	5	500		
Idaho.....	1½-15	500-2,000	1-3	\$4,000
Illinois.....	2-6	500-2,000	1	20,000
Iowa.....	5	1,000		
Kentucky.....	5	500		
Louisiana ²	5		2	10,000
Maine.....	4	500		
Maryland.....	2½	500		
Massachusetts.....	3-5	1,000	1-2	10,000
Michigan.....	5	100	½	2,000
Minnesota.....	1½-5	10,000	1½-5	10,000
Missouri.....	5			
Montana.....	5	500	½	7,500
Nebraska.....	2-6	500-2,000	1	10,000
New Hampshire.....	5			
New Jersey.....	5	500		
New York.....	5	500	1	10,000
North Carolina.....	1½-15	2,000	½	2,000
North Dakota.....	2	25,000		
Ohio.....	2	200		
Oregon.....	2-6	500-2,000	1	\$5,000
Pennsylvania.....	5	250		
South Dakota.....	2-10	100-500	1	5,000
Tennessee.....	5	250		
Texas.....	2-12	500-2,000		
Utah.....	5	10,000	5	10,000
Vermont.....	5			
Virginia.....	5			
Washington.....	3-12		1	10,000
West Virginia.....	3-7½		1	20,000
Wisconsin.....	1½-15	100-500	1-3	12,000
Wyoming.....	5	500	2	\$10,000

¹ Widows and (except in Wisconsin) minor children taxable only on the excess above \$10,000 received by each.

² Tax payable only by strangers in blood.

³ Tax not payable when the property bore its just proportion of taxes prior to the owner's death.

⁴ Applies to personal property only.

⁵ Decedents' estates of less than \$10,000 are also exempt.

⁶ For the surviving husband or wife and children, if residents of Wyoming, \$25,000.

I have received a statement from nearly every State in the Union which collects inheritance taxes, and the following table shows the amount of the taxes collected during the last year:

	Collections.	Year.
Arkansas.....	\$41,948.79	1911-12
California.....	1,575,000.00	1913
Connecticut.....	1,080,482.20	1912
Colorado.....	413,700.00	1911-12
Idaho.....	8,449.24	1910-1912
Illinois.....	3,685,368.06	1912
Indiana ¹		
Iowa.....	250,486.80	1912
Louisiana.....	195,058.97	1912
Maine.....	276,052.02	1912
Massachusetts.....	2,210,960.20	1912
Michigan.....	368,676.73	1912
Minnesota.....	678,512.99	1912
Missouri.....	479,472.35	1912
Montana.....	8,959.40	1912
Nevada ²		
New Hampshire.....		
New York.....	12,153,188.84	1911-12
Ohio.....	80,000.00	1912
Oregon.....	74,269.40	1912
Pennsylvania.....	2,064,598.65	1912
Texas.....	47,579.00	1912
Utah.....	120,000.00	1912
Vermont.....	92,716.71	1912
Virginia.....	43,763.13	1912
Washington.....	207,151.81	1911-12
West Virginia.....	168,233.37	1912
Wisconsin.....	783,538.90	1912
Total.....	27,379,906.90	

¹ Went into effect May, 1913.

² Act approved Mar. 26, 1913.

I desire to call the attention of the Senate to the disparity or inequality in the various State taxes. For instance, in the great State of Ohio they collected in 1912 only \$80,000 inheritance taxes, while in the State of New York they collected over \$12,000,000.

The total amount collected in the States is a mere bagatelle compared with the value of the property which doubtless was transferred by inheritance during the year and but a small recompense for the outlay by the State for the protection of

this property and the safeguarding of the rights of its possessors. It would be no undue burden for the National Government also to take a part of this wealth because of the protection it affords and the guaranties it extends to the owners in insuring them the undisturbed enjoyment of their property and rights. It is no more double taxation than is the levying of State and county taxes.

Under the amendment which I propose, however, the objection that it is double taxation can not be urged. It is expressly provided that the amount of any State inheritance taxes shall be deducted from the amount levied under this amendment. Under such a provision it would rest with each State whether any part of their tax would go to the United States and the States would, no doubt, very shortly impose rates equivalent to those provided in this amendment. We would have uniform inheritance laws under which revenues would accrue to the States that could be used for relieving the people of the various burdens of taxation which they now bear and many desired improvements and reforms could be carried out by the agency best fitted to do it.

It is strenuously urged that this tax is confiscation of private property. Not so. It is not levied upon property while he who earns it needs it. No one's property is affected while he lives. The tax is imposed only when the owner no longer needs his property and can no longer use it. Ordinary taxes are in fact pro tanto confiscations of one's property, but this is not. It takes nothing from the heir, because nothing is his. What he gets comes to him by the grace of the sovereign and the bounty of the decedent. He has nothing to confiscate. This objection is pure declamation.

This tax is called socialistic and it seems to be taken for granted that this objection is sufficient to defeat it. It is no more socialistic than any other legislation that deals justly with the people, equalizes opportunity, lightens the burdens of government, and promotes prosperity, good will, happiness, peace, and contentment. It respects entirely one's rights in property ultimately acquired, is the very antithesis of socialism and the principles of socialism applied to property, and does not interfere with nor overturn private or individual rights. An inheritance tax may be advocated by some Socialists, but I do not know of any who advocate it as a socialistic principle or doctrine. It is advocated, however, by many who are not Socialists.

And I say when these millionaires, as the time comes, lie down with their fathers the community falls in its duty and our legislators fall in their duty if they do not exact a tremendous, a progressive share—if he leaves little, little taken.

This is not the language of a Socialist, an anarchist, or a poor man, but it is the language of one of the richest men of this or any other age, Andrew Carnegie.

Again Mr. Carnegie says, and I refer to an address made by him at the dinner of the sixth annual meeting of the National Civic Federation in 1907:

They—

Said he, referring to the people—

see what I tell you is true, that the community made most of the wealth, and I hope they will persist and tax heavily by graduated taxation every man who dies leaving behind him his millions, which it was his duty to administer for the public good in his life, and that they will cease to honor any man who does not regard his surplus wealth as a sacred trust to be administered for the good of the community from which it has arisen.

At this same meeting Melville E. Ingalls, chairman of the Cleveland, Cincinnati, Chicago & St. Louis Railway Co., expressed himself in favor of an income tax and also an inheritance tax, and while he suggested that an inheritance tax should be confined to the States, advanced a more radical proposition when he said:

If it can not be managed in that way then the National Government should take it up and the money that is obtained from these sources will enable it to reduce the burden of taxation in places where it is advisable to do so and will produce income which may be lost from the modification of the tariff. I would also enact legislation—or if it can not be done under the present Constitution, I would get an amendment—that no man should have the right to dispose of his property by will and that when he dies it shall be divided equally among heirs. I would take away from any citizen the right to tie up any property in trust for one life or two or more. It is simply a continuance of the old law of entail under another form and holds these immense fortunes together when if they were divided equally among the heirs they would soon scatter and be harmless. I know that this will be criticized and people will say that if a man has children and some are weak and incompetent to handle the fortune coming to him or her that the parent should have the right to put them in trust, but that is the very thing that perpetuates some of these large fortunes. Let them be distributed. If some of the heirs waste their inheritance the public will gain. The property is not lost by distribution and nothing, in my judgment, will so protect our future against large accumulations of wealth as this.

It seems to be a craze with some men to perpetuate after their death the immense fortunes that they have built up, but it is not a thing that the State ought to allow.

Mr. GALLINGER. Mr. President—

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from New Hampshire?

Mr. JONES. Certainly.

Mr. GALLINGER. Has the Senator taken into consideration this phase of the matter, that if we legislate for a Federal inheritance tax and the States have direct and collateral inheritance taxes, it is very likely that it will result in the distribution of a great deal of property before death, and we will not get our taxes?

Mr. JONES. I think that would be very desirable.

Mr. GALLINGER. The Senator would approve of that?

Mr. JONES. I would. I should like to see the distribution before death. I do not want to see the transmission of large estates after death.

Mr. GALLINGER. Yet it would result in the very thing the Senator says he would legislate against, in making it illegal for a man to make a will to distribute his property among his children.

Mr. JONES. The Senator did not understand it. That was not my language. It was the language of Mr. Ingalls, the president of the railroad.

Mr. GALLINGER. I beg pardon; I thought it was the Senator's language.

Mr. JONES. I was using that argument to show that it is not socialistic.

Mr. GALLINGER. Precisely. I understand the Senator now. It was not his own language.

Mr. JONES. No.

Mr. SMITH of Arizona. From whom did the Senator read the last quotation?

Mr. JONES. Mr. Ingalls, president of the railroad.

Mr. GALLINGER. M. E. Ingalls.

Mr. JONES. Yes.

Wayne MacVeagh, in the North American Review for June, 1906, says:

There is no use in pretending that the proposal to establish such a system of taxation is of a radical, much less of a revolutionary, character, or in attempting to persuade the American electorate that it is a wicked attack upon private property to ask Congress to adopt a system of taxation which has been accepted by the most aristocratic and conservative legislative assemblage in the world—the House of Lords of Great Britain. After 12 years' experience of it, the graduated taxation of inheritances is now firmly established as a part of the permanent financial policy of the United Kingdom.

It has been adopted from time to time for hundreds of years and by the great majority of the States of the Union, as already shown.

Such legislation has been enforced at various times by acts of Congress, and in 1909 the House of Representatives adopted it as a feature of the tariff bill. It passed the House with practically no opposition. It was strongly recommended by President Roosevelt and again by President Taft. President Roosevelt, in discussing the theory and principles of an inheritance tax in his message at the beginning of the first session of the Sixtieth Congress, said:

But proposals for legislation such as this herein advocated are directly opposed to this class of socialistic theories. Our aim is to recognize what Lincoln pointed out: The fact that there are some respects in which men are obviously not equal; but also to insist that there should be an equality of self-respect and of mutual respect, an equality of rights before the law, and at least an approximate equality in the conditions under which each man obtains the chance to show the stuff that is in him when compared with his fellows.

President Taft, in his inaugural address of March 4, 1909, after referring to the necessity of raising revenue in order to overcome a deficit which was then threatened, said:

Should it be impossible to do so by import duties, new kinds of taxation must be adopted, and among these I recommend a graduated inheritance tax as correct in principle and as certain and easy of collection.

In his message of June 16, 1909, he refers to this recommendation.

As already said, the act of 1898 actually incorporated this principle into law, and Congress and the President were not at all socialistic.

With all these high and conservative indorsements of this method of taxation, it is idle to denounce it as socialistic.

It is urged that the imposition of an inheritance tax is an interference with the natural rights of the individual to dispose of his property as he sees fit. This is not true. No such natural right exists. The right to dispose of one's property is a civil right over which the State has full control and has been so generally recognized. Practically every State in the

Union has enacted laws restricting or affecting the disposition of property by will or descent, and the right to do so can not be questioned.

The Supreme Court of the United States disposed of this objection when it said in *Magoun v. Illinois Trust & Savings Bank* (170 U. S., p. 288):

It is not necessary to review these cases, or state at length the reasoning by which they are supported. They are based on two principles: 1. An inheritance tax is not one on property, but one on the succession. 2. The right to take property by devise or descent is the creature of the law, and not a natural right—a privilege; and therefore the authority which confers it may impose conditions upon it.

It is again urged that such legislation will take away the incentive to frugality and industry, discourage the promotion of great enterprises, stifle activity, and retard the development of our country and the progress of civilization. If this legislation tends to check the grasping, overreaching, and avaricious disposition that is manifested by so many of our wealthy people it will be a godsend. The more men have the more they seem to desire; the less they need the more they strive for. Underhanded, unscrupulous oppression and dishonest means are adopted and the rights of humanity are utterly disregarded in the mad scramble for wealth. The lives of men, women, and children seem to be counted as naught against its acquisition.

This legislation, however, will not discourage anyone from putting forth proper efforts in the conduct of his business, the development of the country, and the acquirement of riches. There seems to be an irresistible desire to acquire as large a sum of money or as great wealth as possible. It is unreasonable to suppose that the desire to transmit wealth and power to children is the incentive that prompts the efforts, struggles, sacrifices, and heartless methods that are put forth to attain wealth and the control of property. Men desire to achieve victories, to surpass their competitors, to conquer difficulties, to promote great enterprises, to accomplish great results. These are the mainsprings of human action, and the desire to control the disposition of property after death has practically nothing to do with the efforts put forth in the acquirement of property. This legislation in no way interferes with these ruling passions, because it does not interfere with the acquisition of property or its disposition during one's lifetime. As a matter of fact, this kind of tax is the least objectionable from this standpoint. It imposes no burden on sagacity, industry, energy, and power. What a man acquires he keeps. It becomes new capital. No tribute is levied on thrift, self-denial, or success. One achievement leads to another. Instead of being a deterrent it should encourage industry, activity, energy, and the development of great enterprises. No one will suppose that Astor, or Vanderbilt, or Sage, or Gould, or Morgan would have been deterred in their struggle for wealth and the power that it gives by legislation of this character. If such legislation would make them more considerate of the rights of others and the interests of the public, then we could well afford to pass it, if for no other reason. We need not fear that a reasonable burden upon the transmission of property after death will in any wise deter men of ability, capacity, and ambition from exerting themselves to the utmost to surmount the difficulties, amass wealth, carry on and complete great undertakings, acquire power, and command the admiration of men.

There are exceptions to all rules, but not more exceptions, we think, to this rule than to rules generally, that the "almighty dollar" bequeathed to children is an "almighty curse." * * * No man has a right to handicap his son with such a burden as great wealth.

The growing disposition to tax more and more heavily large estates left at death is a cheering indication of the growth of a salutary change in public opinion. * * * Of all forms of taxation this seems to be the wisest. Men who continue hoarding great sums all their lives—the proper use of which for public ends would work good to the community from which it chiefly came—should be made to feel that the community, in the form of the State, can not thus be deprived of its proper share * * *. By all means such taxes should be graduated, beginning at nothing upon moderate sums to dependents, and increasing rapidly as the amounts swell, until of the millionaire's hoard, as of Shylock's, at least—

"The other half
Comes to the privy coffer of the State."

This policy would work powerfully to induce the rich man to attend to the administration of wealth during his life, which is the end that society should always have in view, as being by far the most fruitful for the people. Nor need it be feared that this policy would sap the root of enterprise and render men less anxious to accumulate, for, to the class whose ambition it is to leave great fortunes and to be talked about after their death, it will attract more attention, and, indeed, be a somewhat nobler ambition to have enormous sums paid over to the State from their fortunes.

That the parent who leaves his son enormous wealth generally deadens the talents and energies of the son, and tempts him to lead a less useful and less worthy life than he otherwise would, seems to me capable of proof which can not be gainsaid.

If you will read the list of the immortals who "were not born to die," you will find that most of them have been born to the precious heritage of poverty.

Why should men leave great fortunes to their children? If this is done from affection, is it not misguided affection? Observation teaches that, generally speaking, it is not well for the children that they should be so burdened. Neither is it well for the State. Beyond providing for the wife and daughters moderate sources of income, and very moderate allowances indeed, if any, for the sons, men may well hesitate; for it is no longer questionable that great sums bequeathed often work more for the injury than for the good of the recipients. Wise men will soon conclude that, for the best interests of the members of their families, and of the State, such bequests are an improper use of their means.

These are the words of Andrew Carnegie and are quoted at length because they cover well several of the points for and against this character of legislation.

That this system of taxation is not destructive, that it will not discourage industry and thrift, that it will not impose a burden upon anyone unable to bear it, is proven by actual experience and is testified to by those who have had an actual demonstration of it. William J. O'Sullivan, chairman of the transfer tax bureau of the city of New York, in Pearson's Magazine for December, 1907, says:

So, quite aside from the philosophical, ethical, sociological, or political justifications for a national inheritance tax, which have been so fully advanced in the discussion up to date, the American people, being a very hard-headed, practical people, must be satisfied, in so far-reaching a matter, that an inheritance tax is not only feasible but practical; that it will be constructive and not destructive; in short, that while working out a great purpose of social justice, it will not deprive any man or woman of the encouragement to industry and thrift without which national progress is impossible.

In fact, there is no real, substantial objection that can be urged against such a system of taxation when ample provision is made for the surviving members of the immediate family and dependent relatives.

Taxes are not levied for pleasure. They are always a burden and are levied only out of necessity. That tax which is the least burdensome is the most desirable. An inheritance tax is no tax at all in the usual and ordinary way. It imposes no burden on the living and can not affect the dead. The owner of wealth can not complain, because it takes nothing from him while he lives. The heir is not injured, because it deprives him of nothing that he has earned by effort or sacrifice or to which he has a legal or even a moral claim. It is, in fact, the ideal way to raise at least a part of the money necessary to defray the expenses of government.

Those receiving the greatest benefits from government should defray the expenses. Property interests and men of wealth and extensive business make more demands on the Government than others. Most of our governmental machinery is made necessary by the demands of big business. Courts are engaged most of the time in settling disputes between great financial interests, testing the constitutionality of laws at their instance, or in protecting the public from their aggressions. Legislatures spend their time legislating to promote the welfare of wealth in the hope that the indirect benefits will accrue to the ordinary citizen. Executive officers are giving their time and using the resources to promote the prosperity of industry. Armies and navies are maintained and used when necessary to protect great properties in time of industrial disturbance and war. To-day war is threatened largely on account of injury to property and citizens who have gone into a foreign country for pleasure or to exploit its resources. The following is from a news item in one of the papers printed a few days ago:

The big battleship *Michigan* sailed from Vera Cruz yesterday to investigate a report that a small plantation belonging to _____, situated near Ciudad del Carmen, State of Tabasco, and an adjacent property owned by the Mexican Exploitation Co. (American) had been occupied by insurrectionary forces under the leadership of Manuel Castilla Pascual.

Wealth and industry can well afford to pay for these great benefits, and it is very unwise and very unjust for it to object to doing so at one time or another.

It may be urged that wealth is already taxed, and thus already bears its just burden. Taxes are levied and are paid by wealth in the first instance, but the great proportion of such taxes are passed on and eventually borne by those ill prepared to pay them and who, in fact, should not pay them. A large part of the high cost of living to-day is caused by the shifting of burdens from the shoulders of those able to bear them to those less able to stand up under the weight. Under this bill more than ever before will the tax paid by the wealthy importer be shifted to the poorer consumer, because you place a tariff on many articles we do not produce but which are generally consumed. We are imposing taxes in this bill on incomes in the hope that wealth will be compelled to bear a more equitable share of the burdens of government, and yet a large part of this tax eventually will be shifted from those who should bear it and who are able to bear it to those who should not have to pay it. The strong can and do shift their burdens to the weak,

who can not avoid them. We should seek to avoid this if it can be done. There is no inducement to shift an inheritance tax, and it can not be shifted if there were any inducement to do so. It is the most equitable tax that can be imposed and the easiest borne, and it is surprising that our people have not more generally used it.

This tax is also justified by reason of the fact that wealth during the lifetime of its possessor not only shifts many of its just burdens, but also avoids its equitable part of the direct taxes imposed under our present systems. It is generally known that in the levying and collection of ordinary taxes the man of small means pays more proportionately than his wealthy neighbor. It is less difficult to conceal a large part of a great property than it is to conceal a small part of a lesser estate, and the result is that the wealthy escape taxation and the poor do not.

As illustrating what everybody knows to be a fact, I will give a few examples.

In 1873 personal property in the State of Illinois was listed for taxation at a valuation of \$287,292,809; in 1893, about 20 years after, with an increase in population of over 50 per cent and a corresponding development in wealth, the personal property was listed at only \$145,318,406. In 1894 the aggregate value of the shares of stock of the State and National banks in Cook County was over \$56,000,000. In the city of Chicago the assessed valuation of real estate for city taxes in 1873 was \$262,969,820. In 1893 it was assessed at \$146,044,422. During this 20-year period the population had quadrupled; \$400,000,000 had been expended in new buildings, and yet the assessed value of the real estate had decreased over \$116,000,000.

I hold in my hand the report of the New York special tax commission for 1907. In a supplemental report made by Spencer E. Warnick and George R. Malby, among the facts fully established, they say:

The richer a person grows the less he pays in relation to his property or income. Experience has shown that under the present system personal property practically escapes taxation for either local or State purposes.

As proof of this the following table, showing the amounts assessed against well-known multimillionaires for 1907 in the city of New York, is submitted:

August Belmont	\$100,000
Oliver H. P. Belmont	200,000
Cornelius Bliss	100,000
Andrew Carnegie	5,000,000
Henry Clews	100,000
William E. Corey	100,000
Morris K. Jesup	100,000
Chauncey M. Depew	50,000
John W. Gates	250,000
Frank J. Gould	50,000
John D. Rockefeller	2,500,000
John D. Rockefeller, Jr.	50,000
William Rockefeller	300,000
H. H. Rogers	300,000
Russell Sage	2,000,000
Alfred G. Vanderbilt	250,000
Cornelius Vanderbilt	150,000
Elsie F. Vanderbilt	100,000
Fred. W. Vanderbilt	250,000
George W. Vanderbilt	50,000
William K. Vanderbilt	100,000
John Jacob Astor	300,000
George Ehret	200,000

While all should bear to a greater or less degree the burdens of government because all partake of its benefits, those burdens should be placed as largely as possible where they will be most easily borne. It is more just to require the payment of taxes in proportion to ability to pay than in proportion to the amount of wealth one possesses. The dollar in a million is far more potential than the dollar in a hundred. When you take \$10 from a man whose income barely suffices to house, feed, and clothe his family you impose on him an immeasurably greater burden than you do on the man whose income is \$100,000 a year when you take \$10,000 for government expenses. To take a large share of an estate is to impair no one's ability, especially when liberal exemptions are allowed. Under this amendment an exemption of \$25,000 is allowed direct heirs. My only fear is that the exemptions are too large and the rates on the smaller amounts too low, but I have sought to make it plain that it is not desired to work any unnecessary hardship on anyone or to deprive anyone of any reasonable excuse for opposing this amendment.

We hear much now of the high cost of living. Campaigns have been waged with that as the battle cry. The Democratic Party was put into power largely on the promise and in the belief that it would reduce the cost of living. Congress has been in session for months considering a tariff bill with the reduction of the cost of living as one of its primary objects. This bill will impose about the same amount of taxes as we

heretofore have imposed by tariff legislation and its sponsors during this debate have practically conceded that the duties which they have imposed or which they have taken off will not affect the price of commodities in this country. They have admitted that prices will not be reduced. Duties have been placed upon articles now on the free list which we do not produce and which, while not absolutely necessities, are generally used. The tariff imposed upon such articles will increase their price and increase the cost of living to the consumers. The income tax is supposed to take the place of many duties eliminated, and yet this tax will be largely shifted from those who pay it in the first place to those who are less able to pay it and will be a large element in the cost of living. As a matter of fact, there is not a single tax levied in this bill that will not, in accordance with Democratic theories, have a tendency to increase or maintain the high cost of living and bear heaviest on those the least able to pay.

The tax proposed in this amendment will not increase or add to the high cost of living at all. On the contrary, when put into operation, it will make it possible to relieve our people from much of the burdens of ordinary taxation. It would actually reduce the cost of living. It would relieve the people of some of the burdens which they now bear. It would place the burdens of government more equitably and impose them where they can be most easily borne.

The effect of such a system upon the distribution of the large fortunes of this country is worthy of the highest consideration. The concentration of wealth has become a most serious problem. It is one that should command our most careful attention. Its possible effect upon our people and our system of government itself is likely to be far reaching and of tremendous import. We are face to face to-day with problems in connection with the concentration of wealth that demand solution. Fortunes have been accumulated in this country during the last 50 years beyond the wildest dreams of avarice. John Jacob Astor's fortune of \$20,000,000 increased in the hands of his son William to \$100,000,000, and it is now estimated that the fortunes of the Astor family amount to over \$500,000,000.

Commodore Vanderbilt died leaving a fortune of about \$100,000,000, ninety million of which was bequeathed to his son W. H. Vanderbilt, who, at his death, left an estate of \$200,000,000. After numerous bequests to his wife and other relatives he divided the remainder equally between his two sons, Cornelius and William K. Vanderbilt, who already had amassed large fortunes, Cornelius being estimated to be worth \$80,000,000 at the time of the bequest from his father. These fortunes have tremendously increased until no one knows what this family controls.

The Sage fortune is estimated at \$79,000,000; Kennedy's at \$65,000,000; Brady's at \$75,000,000; Gould's at \$78,000,000; Morgan's at \$100,000,000; Stephen Sanford's at \$40,000,000, and Marshall K. Field left a fortune estimated at \$150,000,000 in trust for two young boys.

No one knows the amount of the fortune of John D. Rockefeller, but it has been estimated as high as a billion dollars. This no doubt is greatly exaggerated, but his fortune and financial power are tremendous. Andrew Carnegie has a fortune of from three to five hundred millions of dollars, bringing in an annual income of over \$16,000,000, or more than a million dollars a month.

How were these fortunes acquired? Is it possible for any man through his individual effort, thrift, and industry to acquire command of such tremendous sums of money? That these fortunes have been acquired by individual effort no one can believe. The methods adopted are pretty well disclosed by public records, newspaper reports, and general statements which appear to be thoroughly reliable. It can safely be asserted that as a general rule these exceedingly large fortunes are the result of increased values of real estate, forest and mining lands, brought about by the development and growth of communities; the construction and operation of railroad lines which have prospered by reason of the growth and development of the country through which they have passed; speculation in and manipulation of stocks and bonds; the arbitrary increase of the stock of various enterprises and the sale of such stock to the public or the receipt of dividends upon such increased stock; the securing of franchises from States, counties, and municipalities; financial manipulations; banking and banking combinations; and by other means whereby the energy and wealth of the people have been diverted to the possession and control of the individuals controlling and manipulating these various agencies, as well as by fraud, short weight, adulteration, and other sharp practices.

In the wake of these vast fortunes will be found buccaneering and piracy; cheated and defrauded Indians; exorbitant war contracts; land grants and franchises secured by fraud, trickery,

and bribery; railroads wrecked by stock manipulations; railroads wrecked by competition, with the sole desire to destroy; watered stock, by which and upon which millions have been taken from the public; adulterated food; short weights; "Black Fridays"; railroad discriminations; rebates to friendly business; overcharges to struggling competitors; and tremendous combinations in whose grasp reside the very destinies of the Nation.

The accumulation of fortunes by many of the methods pursued in the past should be prevented by legislation so far as possible, and I am glad to say that during the last 10 years much legislation has been passed to correct these evils and the public conscience has become so aroused that legislators are more regardful of the rights of the people and public franchises are not so frequently given away without any safeguards for the people's interest. There is need of legislation to prevent stock manipulations, "gentlemanly" gambling, and many other ways actually criminal in operation.

A brief examination in regard to the accumulation of some of these fortunes will show that they were not the result of the honest and industrious efforts of their possessors, nor the result of the ordinary growth and development of the country, which has had so much to do with many individual fortunes. A mere statement of the amount accumulated within a certain period will be enough to convince anyone that they were not accumulated fairly or honestly.

At the age of 70, Commodore Vanderbilt had acquired a fortune of \$20,000,000. He turned from shipping to railroading, and his biographer, Croffut, says:

In the first five years of his railroad ventures and experiments he had made a clear profit of not less than \$25,000,000.

And the same authority says, referring to his entrance into the railroad business:

As a matter of fact, this giant of achievement had just entered upon the most brilliant period of his life, and he doubled his wealth four times during the next 15 years.

In the hands of his son this increased in a few years to \$200,000,000.

If President Wilson had served as President of the United States at his present salary of \$75,000 a year continuously during the last 1,000 years, he would not have earned as much money as Commodore Vanderbilt made in 15 years, and 100 laboring men at \$1,000 a year would have had to begin before the morning stars sang together at the birth of our Savior and work continuously ever since to earn the amount of which William Vanderbilt died possessed at the age of 65 years.

By the manipulation of the stocks and bonds of certain railroads Harriman is said to have made over \$50,000,000 in nine years.

How much should be allowed in the increase of fortunes on account of the activities of the community and the growth and development of the country it is difficult to say, but there is no question but that all fortunes of a few hundred thousand dollars and over are very largely the result of investments made profitable, not so much by the efforts of the individual as through the activities and wants of the community.

Eighty lots were purchased by a certain individual in a certain section of New York many years ago at about \$600 a lot. These lots have a present aggregate value of \$20,000,000 or more. Lands in the city of Chicago which in 1830 were worth from \$20 to \$80 an acre are now worth from \$10,000,000 to \$15,000,000 per acre. These are but illustrations of what has taken place all over the country to a greater or less extent.

No one can contend with any reason that these values are the result of the owner's efforts. Their values have come independently of him and of his efforts. After allowing due credit for one's judgment in making his investment, still the great credit for the increase in values belongs to the community. When the owner dies, when he no longer needs this property, when he no longer has any use for it or claim upon it the community, his "partner," not only has the right to take but should take a large part of this increase to itself. It is the real producer of it and is the real owner of it.

Andrew Carnegie, referring to President Roosevelt's advocacy of an inheritance tax, said:

I am with the President in regard to the graduated tax, and a heavy graduated inheritance tax, for many reasons. One is that it belongs to the community that made most of the money, and it should come in and get its dues.

Again he says:

It is not the millionaire alone who creates wealth. A man who had mines in Montana and made an enormous fortune did not make the ore from which his fortune came. Who made it valuable? The community wished to use that ore, then it became worth while to take it out of the ground, and he made a profit. Gentlemen, wealth is based upon the community. Where a nation does not increase in population and is not prosperous, where wealth does not accumulate, you will find no millionaires; but where a nation is prosperous, as we are—a new Nation, beyond precedent prosperous—there the millionaire, and there only, they develop.

For the community to take to itself a share, and a large share, of these great fortunes through an inheritance tax is no attack on wealth. The fortune is left in the hands and control of its owner until he passes to that country where earthly wealth is unsought and undesired. No man's abilities or activities are hampered; no industry is paralyzed; no one is impoverished or distressed. The real owner simply steps in and takes part of that which it has created and appropriates it to itself for benefits given to relieve burdens borne, to equalize opportunity, and to encourage energy, ambition, ability, and thrift.

The possession of wealth carries with it great power, and as wealth accumulates its power increases. There are very few things that men with fortunes like those already referred to can not do. They can make or unmake prosperity. They can make or unmake cities. They can promote or destroy great enterprises. They can make or destroy the very prosperity of the country. But a short time ago it was generally believed that the prosperity of the Nation and its financial safety rested upon the will of a single man.

This amendment does not propose to interfere with this power so long as its possessor lives. That should be done, however, by other legislation. This bill does propose to prevent, to a certain extent, the transmission of that power from its possessor to a single individual. Instead of objecting to legislation preventing the transmission of such power it ought to be welcomed. It amazes us that a civilized, educated, liberty-loving people like the English should complacently see the powers of their sovereign transmitted from father to son, and yet we see tremendous fortunes accumulated by fair means and foul and the control of our great industrial enterprises resulting therefrom transmitted by a stroke of the pen to some boy who has done absolutely nothing to show himself worthy of such a trust or capable of discharging its responsibilities. He receives a power for evil far transcending that of the greatest potentate of modern times. The transmission of millions of property to a single person qualified and prepared to handle and care for it properly should not be permitted, because in such hands it will grow and multiply to still greater proportions, while in hands unfitted to care for and manage it it may bring industrial ruin and disaster to the business world.

J. P. Morgan, jr., not only commands what is equivalent to the services of thousands of men, women, and children, but he holds the destiny of the business world of this great Republic in the hollow of his hand. Intentionally he could throw our Nation into such a cataclysm as the world has never known. He might do so by lack of ability, care, or intelligence. Such a power is too great to be entrusted to any one man. The interests of the community demand that the community shall not permit such a condition of things in a free government. That government is not free where its presidents must act at the beck and nod of some private king of finance, and that nation is not safe whose prosperity depends upon the whim, caprice, or will of any private individual. Legislation which will curb or prevent the transmission of such power should be welcomed by its possessors themselves, because it is the safest guaranty against anarchy and revolution.

Love for country dies where government ceases to promote happiness. Poverty pinches patriotism. Where one enjoys what it takes thousands to earn, discontent, envy, and hate will grow until the one falls a prey to the wrath of the many.

These fortunes are becoming of such frequent occurrence and of such tremendous magnitude that a widespread distrust, not only in our institutions and our business conditions, but in the very Government itself is being awakened. While no one can fail to see that general conditions are better in this country to-day than they were 20 or 50 years ago, while no one can deny that labor commands more for shorter hours and that comforts and even luxuries are more generally distributed and enjoyed now than years ago, it can not be denied that individual fortunes have increased in such a degree and with this increase has come such power and opportunity as to awaken a feeling that the many are being forced to depend upon the few and we are getting that accelerated motion toward industrial dependence of the increasing many and the industrial independence of the diminishing few that should be stayed. This does not mean in a financial sense that the rich are getting richer and the poor are getting poorer, but it does mean a proportionately increasing power and wealth in the few as against the many.

As Small says:

We are passing through a social transition in which the power of a few men to control opportunities for employment is enormous, and the liberty of many men to defy the caprice of employers is correspondingly reduced. From the standpoint of a right thinking and of a right feeling man such control is intolerable. So far as it exists in any class of cases, it means nothing else than the subversion of the freedom of the dependent parties, and their retrogression into a unique and re-

fined order of servitude. It is possible to consider such relationship a permanent feature of human society only on the assumption that the exercise of freedom, which is necessary to some men, is no part of the natural function of other men.

My own amendment does not pretend to correct the evils under which and by which these great fortunes have been and may be accumulated. As I already have said, that will have to be done and ought to be done by additional legislation, and much already has been accomplished along these lines. The purpose of my amendment, however, is not only to distribute the burdens of taxation to those who are able to pay it and to reimburse the community for benefits received through it, but it is intended indirectly to prevent the transmission of these tremendous fortunes from father to son and from generation to generation, and to bring about their distribution and thereby diminish the power and distribute it.

Some may think that the rates provided in this amendment are high, but they overlook the provisions of the amendment under which these high rates may be avoided by the voluntary action of the owner of the fortune. The rate is determined by the size of the inheritance and not by the entire estate. If the testator, for instance, does not desire the high rates to apply, he can avoid it by distributing his fortune among several children or favored individuals. This probably would be the result, and in my judgment it is a very desirable one. If anyone, having accumulated a fortune of \$100,000,000, would not desire the community to take 50 per cent of his bequests, he would divide his fortune among 8 or 10 or more legatees and in this way subject them to a smaller rate.

As Melville E. Ingalls said, referring to his proposition to prohibit any man from disposing of his property by will and to provide for its distribution equally among his heirs:

The property is not lost by distribution, and nothing in my judgment will so protect our future against large accumulations of wealth as this. It seems to be a craze with some men to perpetuate after their death the immense fortunes that they have built up, but it is not the thing that the state ought to allow.

It is urged that such a tax will drive wealth and capital out of the country. Where will it go? There is scarcely a civilized country, province, or state in which this tax is not levied at a greater or less rate. Independent of this, there is no force in this objection. Capital will go where its owner believes it will bring the greatest return during his lifetime. Little consideration is given to what shall happen after death. Death is uncertain; when it will come no man knows, and everyone hopes it will be put off indefinitely and acts on that assumption. In the investment of money, the prosecution of great works, and the acquirement of riches no thought is given to testamentary disposition. Says a millionaire:

I venture to say that very few men, if any, conscientiously consider the advantage of the right of testamentary disposition when they attempt to secure wealth. That is probably the last thing entering their brains. If they knew that they would not be able to bequeath their fortunes, they would still try to accumulate wealth in the hope of either cheating the law, or, if that were impossible, with the idea of giving it away while they were still alive.

Sir Charles Dilke also testifies to the fact that in New Zealand and the other British colonies, where the rate of taxation is high, no such result has occurred.

The continued concentration of wealth and its transmission from father to son will result disastrously if the experience of the past is any guide to the future. The fall of the ancient republics is attributed largely to the fact that many were poor and a few were enormously wealthy. Blackstone says of Greece:

Thus the ancient law of the Athenians directed that the estate of the deceased should always descend to his children, or, on failure of lineal descendants, should go to the collateral relations, which had an admirable effect in keeping up equality and preventing the accumulation of estates. But when Solon made a slight alteration, by permitting them (though only on failure of issue) to dispose of their lands by testament and devise away estates from the collateral heir, this soon produced an excess of wealth in some and of poverty in others, which, by a natural progression, first produced popular tumults and dissensions, and these at length ended in tyranny and the utter extinction of liberty, which was quickly followed by a total subversion of their state and nation.

Webster, from his knowledge of history and experience of mankind, said:

The freest government, if it could exist, would not be long acceptable if the tendency of the law was to create a rapid accumulation of property in few hands and to render the great mass of the population dependent and penniless. In such a case the popular power would be likely to break in upon the rights of property, or else the influence of property to limit and control the exercise of popular power. Universal suffrage, for example, could not long exist in a community where there was great inequality of property.

We can better run the risk of having wealth leave the country and seek other fields than to risk the dangers that have come to the nations of the past.

It is a dangerous situation for that country when one man is interested in, connected with, and so controls so much wealth

or so many financial interests and industries that he can say to one here, "You can do this," and to another there, "You can not do that," or by the wave of the hand can start the storm of industrial ruin or by the stroke of a pen open the floodgates of the nation's prosperity. In the control of a good and wise man such power may bring untold good and business stability. In the hands of a wicked or unwise man it may bring such a horrible cataclysm of industrial disaster as war and pestilence have never brought to mankind. If this is not our condition to-day it is nearly so, and if not one man a half dozen now hold the control of our business stability in their grasp.

Even if we do not prevent the accumulation of such power in the hands of a few, as we should earnestly strive to do, shall we permit them to transmit the power which they hold over the destinies of a great people undiminished and unrestrained? To do so is unfair to our citizens and dangerous to the Republic.

This amendment seeks in a slight degree to prevent such a condition and the transmission of such power.

Mr. President, far be it from me or my purpose to discourage anyone from using his ability, exerting his energy, or exercising his sagacity in endeavoring to develop and carry on great enterprises which by thrift and industry and proper care will bring to him an ample reward for all his efforts. I freely recognize the right of every man during his lifetime to all that his industry and sagacity will bring him. I make no war upon wealth or against the wealthy. I would not excite the envy of the poor or the hate of the struggling against the rich and prosperous, and especially not against those who by frugality, carefulness, energy, and wisdom have accumulated much of this world's goods. Some men are wiser than others. Some men have better judgment than others. Some are fortunate and some are unfortunate. Some are venturesome and some are timid. Some seem to be able in a perfectly legitimate way to turn whatever they touch into gold, while others may toil and struggle day in and day out but seem to be followed by failure and misfortune and to eke out only a miserable existence.

These conditions may not be changed by law, but we can more nearly equalize opportunity and from time to time start all in the race of life more nearly upon an equality. I do not advocate the ancient custom of the year of jubilee, but its spirit can well be applied in our legislation. A man who uses to the utmost the gifts with which nature has endowed him fighting the battles of life with brain and brawn and attains great wealth or high position commands my admiration. If he amasses a large fortune, I do not envy him, but when he is through with it, when his life work is ended, let it be generally distributed or a liberal share be taken by the State for its own preservation and in order that its citizens may more nearly have that equality which all desire and deserve.

The transmission of a large fortune to a young man is a handicap and a detriment to his success. It takes away ambition and encourages extravagance; makes him idle, lazy, and shiftless; encourages dissipation and high living; unfits him for places of trust and responsibility. History proves and our own observation shows that as a rule the men who have succeeded in business or government, the great captains of industry or the wise statesmen of the ages, have all come up through poverty and hardship. It develops the latent powers that are found in the babes of the poor and which is stifled in the babes of the rich. They are unfitted for places of trust and responsibility because they never have been tested. Young men who by their own efforts have mastered the various lines of work in which they have engaged and have demonstrated their worth, reliability, and powers are the men who have succeeded, who will succeed, and will be sought after. The manager of a great steel plant of England, on a visit to Mr. Carnegie, said:

It is not the unrivaled natural resources of your country, Mr. Carnegie, I have to envy most, nor even your wonderful machinery, but it is the class of young men you have to manage all your departments. We have no such class in England.

Legislation that will prevent our young men from being handicapped by great wealth will make of many of them better, stronger, more self-reliant, more successful, more virile men and better and more worthy citizens.

Mr. President, the time has come for us to put more humanity and less commercialism in our legislation. With all our boasted wealth, prosperity, and happiness, there is too much poverty, suffering, and sorrow among our people. Thousands of honest, hard-working men, women, and children are living and toiling amid conditions and surroundings not fit for animals to live in. The better impulses and instincts of their natures are blunted, deadened, and killed. They hate the institutions under which they live. The Government is to them an agent of oppression. They see wealth transmitted to father and son. They see men who "toil not, neither do they spin," revel in wealth and luxury that must come from the efforts of some one, maybe from theirs. They see the men who own the miserable, cramped, insanitary,

deadly habitations in which they live grow rich out of the rents that take much of the product of their toil. Is it any wonder that there are anarchists and violent agitators? They see the men for whom they work at starvation wages live in fair mansions, ride in automobiles, dress in fine linen, and spend for one meal more than they can earn in a week, and their hearts are filled with bitterness. Women work long hours at miserable wages while the children who need their loving, tender care are at home by themselves or playing on the streets under conditions that undermine their health and their morals. These are problems that the States and the Nation must solve. We must do our part. The people demand it. We must show them that we are going to take up earnestly legislation that will help the individual that needs help and bring happiness and comfort where there is now sorrow and suffering.

This amendment will not go far, but it will tend to equalize opportunity, compensate for benefits received, place the burdens of government where they can be easily borne, make it possible to relieve the masses from many taxes they now bear, tend to dissipate the distrust that is growing among our people, provide a fund that can be used for hospitals, for nurseries, for the care of children while their parents are at work, for pensions for widows and orphans, and lead to the distribution of wealth during the lifetime of its possessor in ways that will alleviate suffering and bring light into dark places.

Mr. President, this is not a cry against wealth. It is an appeal to wealth and to all who know that these conditions demand a remedy. Unless we meet the problem of humanity that has come down to us through the ages, the poet's cry may become a reality:

O masters, lords, and rulers in all lands,
How will the Future reckon with this Man,
How answer his brute question in that hour
When whirlwinds of rebellion shake the world?
How will it be with kingdoms and with kings—
With those who shaped him to the thing he is—
When this dumb Terror shall reply to God,
After the silence of the centuries?

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Nebraska [Mr. NORRIS].

Mr. BRISTOW. Mr. President, I desire to say in regard to this proposition that I am in favor of an inheritance tax, and I shall vote for the amendment; but in so doing I do not want it to be understood that it is an indorsement of the schedule of rates fixed. I do not believe that the rates provided are as they should be; but believing in the principle of an inheritance tax, I shall vote for the amendment.

Mr. NORRIS. I ask for the yeas and nays on agreeing to the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I have a pair with the junior Senator from Michigan [Mr. TOWNSEND], which I transfer to the junior Senator from South Carolina [Mr. SMITH] and vote "nay."

Mr. LEA (when his name was called). I transfer my pair with the senior Senator from South Dakota [Mr. CRAWFORD] to the Senator from Oklahoma [Mr. OWEN] and vote "nay."

Mr. LEWIS (when his name was called). I am paired with the junior Senator from North Dakota [Mr. GRONNA]. If he were here, I would vote "nay."

Mr. THOMAS (when his name was called). I have a general pair with the senior Senator from Ohio [Mr. BURTON] and withhold my vote. If I were permitted to vote, I would vote "nay."

The roll call was concluded.

Mr. JAMES (after having voted in the negative). I have a general pair with the junior Senator from Massachusetts [Mr. WEEKS]. I voted "nay." I am informed by the senior Senator from Massachusetts [Mr. LODGE] that if his colleague were present he would likewise vote "nay." Therefore I will allow my vote to stand.

Mr. JONES. I desire to state that the junior Senator from Michigan [Mr. TOWNSEND] is necessarily absent and that he is paired with the Senator from Florida [Mr. BRYAN]. I make this announcement for all other votes to-day.

Mr. KERN. Being paired with the Senator from Kentucky [Mr. BRADLEY] I withhold my vote. If I were at liberty to vote, I would vote "nay."

Mr. REED. I have a pair with the Senator from Michigan [Mr. SMITH]. I transfer my pair to the Senator from Nebraska [Mr. HITCHCOCK] and vote "nay."

The result was announced—yeas 12, nays 58, as follows:

YEAS—12.

Borah
Brady
Bristow

Clapp
Cummins
Jones

Kenyon
La Follette
Norris

Page
Stephenson
Sterling

NAYS—58.

Ashurst	Gore	Overman	Simmons
Bacon	Hollis	Penrose	Smith, Ariz.
Bankhead	Hughes	Perkins	Smith, Ga.
Brandegge	Jackson	Pittman	Smith, Md.
Bryan	James	Pomerene	Stone
Catron	Johnson	Ransdell	Sutherland
Chamberlain	Lane	Reed	Swanson
Chilton	Lea	Robinson	Thompson
Clark, Wyo.	Lippitt	Root	Thornton
Clarke, Ark.	Lodge	Saulsbury	Tillman
Colt	Martin, Va.	Shafroth	Vardaman
Dillingham	Martine, N. J.	Sheppard	Walsh
Fall	Myers	Sherman	Williams
Fletcher	O'Gorman	Shields	
Gallinger	Oliver	Shively	

NOT VOTING—25.

Bradley	Gronna	Newlands	Townsend
Burleigh	Hitchcock	Owen	Warren
Burton	Kern	Polindexter	Weeks
Crawford	Lewis	Smith, Mich.	Works
Culberson	McCumber	Smith, S. C.	
du Pont	McLean	Smoot	
Goff	Nelson	Thomas	

So Mr. NORRIS's amendment was rejected.

Mr. JONES. I desire to offer an amendment. I will simply ask that the amendment be printed in the Record and not have it read. It is the amendment which I already explained in reference to the inheritance tax. I shall not ask for a roll call, but simply ask for a vote.

Mr. JONES's amendment was to add to the bill as a new section the following:

SEC. —. That a tax shall be, and is hereby, imposed upon the transfer of any property, real or personal, or of any interest therein or income therefrom, in trust or otherwise, to persons or corporations, within the United States or any of its possessions (except the Philippine Islands), in the following cases:

First. When the transfer is by will or by the intestate laws of any State or Territory or of the United States from any person dying seized or possessed of the property while a resident of the United States or any of its possessions (except the Philippine Islands).

Second. When the transfer is by will or intestate law of property within the United States or any of its possessions (except the Philippine Islands), and the decedent was a nonresident of the United States or any of its possessions at the time of his death.

Third. Whenever the property of a resident decedent, or the property of a nonresident decedent within the United States or any of its possessions (except the Philippine Islands), transferred by will, is not specifically bequeathed or devised, such property shall, for the purpose of this section, be deemed to be transferred proportionately to, and divided pro rata among, all the general legatees and devisees named in said decedent's will, including all transfers under a residuary clause of such will.

Fourth. When the transfer is of property made by a resident, or by a nonresident when such nonresident's property is within the United States or any of its possessions (except the Philippine Islands), by deed, grant, bargain, sale, or gift made in contemplation of the death of the grantor, vendor, or donor, or intended to take effect in possession or enjoyment at or after such death.

Fifth. When any such person or corporation becomes beneficially entitled, in possession or expectancy, to any property or the income thereof by any such transfer, whether made before or after the passage of this act.

Sixth. Whenever any person or corporation shall exercise a power of appointment derived from any disposition of property made either before or after the passage of this act such appointment when made shall be deemed a transfer taxable under the provisions of this act in the same manner as though the property to which such appointment relates belonged absolutely to the donee of such power and had been bequeathed or devised by such donee by will; and whenever any person or corporation possessing such power of appointment so derived shall omit or fail to exercise the same within the time provided therefor, in whole or in part, a transfer taxable under the provisions of this act shall be deemed to take place to the extent of such omission or failure, in the same manner as though the persons or corporations thereby becoming entitled to the possession or enjoyment of the property to which such power related had succeeded thereto by a will of the donee of the power failing to exercise such power, taking effect at the time of such omission or failure.

Seventh. The tax imposed hereby shall be, except as otherwise prescribed in paragraph 2 of this section, as follows:

If such property, real or personal, or any interest therein so transferred, is of the value of less than \$5,000, at the rate of 1 per cent upon the clear market value of such property; if of the value of \$5,000 and not exceeding \$50,000, at the rate of 2 per cent upon the clear market value of such property; if exceeding \$50,000 and not exceeding \$250,000, at the rate of 5 per cent upon the clear market value thereof; if exceeding \$250,000 and not exceeding \$750,000, at the rate of 10 per cent upon the clear market value thereof; if exceeding \$750,000 and not exceeding \$1,500,000, at the rate of 15 per cent upon the clear market value thereof; if exceeding \$1,500,000 and not exceeding \$3,000,000, at the rate of 20 per cent upon the clear market value thereof; if exceeding \$3,000,000 and not exceeding \$7,000,000 in value, at the rate of 25 per cent upon the clear market value thereof; if exceeding \$7,000,000 and not exceeding \$15,000,000 in value, at the rate of 40 per cent upon the clear market value thereof; and if of the value of over \$15,000,000, at the rate of 50 per cent upon the clear market value thereof.

PAR. 2. That when property, real or personal, or any beneficial interest therein, of the value of less than \$25,000 passes by any such transfer to or for the use of any father, mother, husband, wife, child, brother, sister, wife, or widow of a son or the husband of a daughter, or any child or children adopted as such in conformity with the laws of any State, Territory, or of the United States (in which such person shall at the time of such transfer reside), of the decedent, grantor, donor, or vendor, or to any child to whom any such decedent, grantor, donor, or vendor, for not less than 10 years prior to such transfer stood in the mutually acknowledged relation of a parent: *Provided, however, That such relationship began at or before the child's fifteenth*

birthday and was continuous for said 10 years thereafter: *And provided also, That, except in the case of a stepchild, the parents of such child shall be deceased when such relationship commenced, or to any lineal descendant of such decedent, grantor, donor, or vendor born in lawful wedlock, such transfer of property shall not be taxable under this section; if real or personal property, or any beneficial interest therein, so transferred is of the value of \$25,000 and not exceeding \$50,000, it shall be taxable under this section at the rate of 1 per cent upon the clear market value of such property; if exceeding \$50,000 and not exceeding \$250,000, it shall be taxable under this section at the rate of 2 per cent upon the clear market value of such property; if exceeding \$250,000 and not exceeding \$500,000, it shall be taxable under this section at the rate of 3 per cent upon the clear market value of such property; if exceeding \$500,000 and not exceeding \$1,000,000, it shall be taxable under this section at the rate of 4 per cent upon the clear market value of such property; if exceeding \$1,000,000 and not exceeding \$5,000,000, it shall be taxable under this section at the rate of 7 per cent upon the clear market value of such property; if exceeding \$5,000,000 and not exceeding \$10,000,000, it shall be taxable under this section at the rate of 15 per cent upon the clear market value of such property; if exceeding \$10,000,000 and not exceeding \$20,000,000, it shall be taxable under this section at the rate of 25 per cent upon the clear market value of such property; if exceeding \$20,000,000 and not exceeding \$30,000,000, it shall be taxable under this section at the rate of 35 per cent upon the clear market value of such property; and if exceeding \$30,000,000, it shall be taxable under this section at the rate of 50 per cent upon the clear market value of such property. But any property devised or bequeathed to any purely educational, charitable, missionary, benevolent, hospital, or infirmity corporation, including corporations organized exclusively for Bible or tract purposes, shall be exempted from and not subject to the provisions of this section. There shall also be exempted from and not subject to the provisions of this section personal property, other than money or securities, bequeathed to a corporation or association organized exclusively for the moral or mental improvement of men or women, or for scientific, literary, library, patriotic, cemetery, or historical purposes, or for the enforcement of laws relating to children or animals, or for two or more of such purposes, and used exclusively for carrying out one or more of such purposes. But no such corporation or association shall be entitled to such exemption if any officer, member, or employee thereof shall receive or may be lawfully entitled to receive any pecuniary profit from the operations thereof except reasonable compensation for services in effecting one or more of such purposes or as proper beneficiaries of its strictly charitable purposes; or if the organization thereof for any such avowed purpose be a guise or pretense for directly or indirectly making any other pecuniary profit for such corporation or association or for any of its members or employees; or if it be not in good faith organized or conducted exclusively for one or more of such purposes.*

PAR. 3. That if such tax is paid within six months from the accrual thereof a discount of 5 per cent shall be allowed and deducted therefrom. If such tax is not paid within 18 months from the accrual thereof, interest shall be charged and collected thereon at the rate of 10 per cent per annum from the time the tax accrued, unless by reason of claims made upon the estate, necessary litigation, or other unavoidable cause of delay such tax can not be determined and paid as herein provided, in which case interest at the rate of 6 per cent per annum shall be charged upon such tax from the accrual thereof until the cause of such delay is removed, after which 10 per cent shall be charged.

PAR. 4. That the tax or duty aforesaid shall be due and payable in two years after the death of the testator, and shall be a lien and charge upon the property of every person who may die as aforesaid for 20 years or until the same shall, within that period, be fully paid to and discharged by the United States; and every executor, administrator, or trustee having in charge or trust any legacy or distributive share as aforesaid shall give notice thereof, in writing, to the collector or deputy collector of the district where the deceased grantor or bargainer last resided within 30 days after he shall have taken charge of such trust, and every executor, administrator, or trustee, before payment and distribution to the legatee, or any parties entitled to beneficial interest therein, shall pay to the collector or deputy collector of the district of which the deceased person was a resident, or in which the property was located in case of nonresidents, the amount of the duty or tax assessed upon such legacy or distributive share, and shall also make and render to the said collector or deputy collector a schedule, list, or statement, in duplicate, of the amount of such legacy or distributive share, together with the amount of duty which has accrued or shall accrue thereon, verified by his oath or affirmation, to be administered and certified thereon by some magistrate or officer having lawful power to administer such oaths in such form and manner as may be prescribed by the Commissioner of Internal Revenue, which schedule, list, or statement shall contain the names of each and every person entitled to any beneficial interest therein, together with the clear value of such interest, the duplicate of which schedule, list, or statement shall be by him immediately delivered and the tax thereon paid to such collector; and upon such payment and delivery of such schedule, list, or statement said collector or deputy collector shall grant to such person paying such duty or tax a receipt or receipts for the same in duplicate, which shall be prepared as hereinafter provided. Such receipt or receipts, duly signed and delivered by such collector or deputy collector, shall be sufficient evidence to entitle such executor, administrator, or trustee to be credited and allowed such payment by every tribunal which by the laws of any State or Territory is or may be empowered to decide upon and settle the accounts of executors and administrators. And in case such executor, administrator, or trustee shall refuse or neglect to pay the aforesaid duty or tax to the collector or deputy collector as aforesaid within the time hereinbefore provided, or shall neglect or refuse to deliver to said collector or deputy collector the duplicate of the schedule, list, or statement of such legacies, property, or personal estate, under oath as aforesaid, or shall neglect or refuse to deliver the schedule, list, or statement of such legacies, property, or personal estate, under oath as aforesaid, or shall deliver to said collector or deputy collector a false schedule or statement of such legacies, property, or personal estate, or give the names and relationship of the persons entitled to beneficial interests therein untruly or shall not truly and correctly set forth and state therein the clear value of such beneficial interests, or where no administration upon such property or personal estate shall have been granted or allowed under existing laws, the collector or deputy collector shall make out such lists and valuation as in other cases of neglect or refusal and shall assess the duty thereon, and the collector shall commence appropriate proceedings before any court of the United States, in the name of the United States, against such person or persons as may have the actual or constructive custody or possession of such property or personal estate, or any part thereof,

and shall subject such property or personal estate, or any portion of the same, to be sold upon the judgment of decree of such court, and from the proceeds of such sale the amount of such tax or duty, together with all costs and expenses of every description to be allowed by such court, shall be first paid, and the balance, if any, deposited according to the order of such court, to be paid under its direction to such person or persons as shall establish title to the same. The deed or deeds or any proper conveyance of such property or personal estate, or any portion thereof, so sold under such judgment or decree executed by the officer lawfully charged with carrying the same into effect shall vest in the purchaser thereof all the title of the delinquent to the property or personal estate sold under and by virtue of such judgment or decree, and shall release every other portion of such property or personal estate from the lien or charge thereon created by this section. And every person who shall have in his possession, charge, or custody any record, file, or paper containing, or supposed to contain, any information concerning such property or personal estate, as aforesaid, passing from any person who may die as aforesaid, shall exhibit the same at the request of the collector or deputy collector of the district and to any law officer of the United States in the performance of his duty under this section, his deputy or agent, who may desire to examine the same. And if any such person having in his possession, charge, or custody any such records, files, or paper shall refuse or neglect to exhibit the same on request, as aforesaid, he shall forfeit and pay the sum of \$500: *Provided*, That in all legal controversies where such deed or title shall be the subject of judicial investigation, the recital in said deed shall be prima facie evidence of its truth and that the requirements of the law have been complied with by the officers of the Government: *And provided further*, That in case of willful neglect, refusal, or false statement by such executor, administrator, or trustee, as aforesaid, he shall be liable to a penalty of not exceeding \$1,000, to be recovered with costs of suit. Any tax paid under the provisions of this section shall be deducted from the particular legacy or distributive share on account of which the same is charged.

PAR. 5. That from and after the passage of this act the Secretary of the Treasury, upon the recommendation of the Commissioner of Internal Revenue, is authorized to appoint a competent person, at an annual salary of \$5,000, whose special duty it shall be to conduct such investigations as may be necessary to secure the efficient enforcement of the tax imposed upon legacies and distributive shares of personal property by this section, and the Commissioner of Internal Revenue may also from time to time assign one or more special agents to aid in such investigations.

PAR. 6. That in all States having a local inheritance-tax law the amount of such local inheritance tax shall be deducted from the normal amount to be collected under the provisions of this section.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Washington [Mr. JONES].

The amendment was rejected.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. LA FOLLETTE. On that amendment I ask for the yeas and nays.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I have a pair with the Senator from Michigan [Mr. TOWNSEND]. I transfer that pair to the Senator from South Carolina [Mr. SMITH] and vote "nay."

Mr. KERN (when his name was called). I transfer my pair with the Senator from Kentucky [Mr. BRADLEY] to the Senator from Nebraska [Mr. HITCHCOCK] and vote "nay."

Mr. LEA (when his name was called). I make an announcement of my pair with the senior Senator from South Dakota [Mr. CRAWFORD] and its transfer to the Senator from Oklahoma [Mr. OWEN]. I vote "nay."

Mr. LEWIS. I again announce that I am paired with the junior Senator from North Dakota [Mr. GRONNA].

The roll call was concluded.

Mr. BACON (after having voted in the negative). I note that the senior Senator from Minnesota [Mr. NELSON] has not voted. Therefore I withdraw my vote.

I wish to state, while on my feet, that I voted on the last roll call, having inadvertently failed to note that the Senator from Minnesota had not voted, and therefore I did not withdraw my vote. It was an inadvertence. It did not, however, affect the result.

Mr. BANKHEAD. I am paired with the junior Senator from West Virginia [Mr. GORF] and withhold my vote.

Mr. THOMAS. I again announce my pair with the senior Senator from Ohio [Mr. BURTON] and withhold my vote.

Mr. REED. I have a pair with the Senator from Michigan [Mr. SMITH]. In his absence, I withhold my vote.

Mr. JAMES (after having voted in the negative). I have a pair with the Senator from Massachusetts [Mr. WEEKS], and in his absence I withdraw my vote in the negative.

The result was announced—yeas 29, nays 39, as follows:

YEAS—29.

Borah	Cummins	Lippitt	Sherman
Brady	Dillingham	Lodge	Smoot
Brandeggee	Fall	Norris	Stephenson
Bristow	Gallinger	Oliver	Sutherland
Catron	Jackson	Page	Warren
Clapp	Jones	Penrose	
Clark, Wyo.	Kenyon	Perkins	
Colt	La Follette	Root	

NAYS—39.

Ashurst	Kern	Ransdell	Smith, Md.
Bryan	Lane	Robinson	Stone
Chamberlain	Lea	Saulsbury	Swanson
Chilton	Martin, Va.	Shafroth	Thompson
Clarke, Ark.	Martine, N. J.	Sheppard	Thornton
Fletcher	Myers	Shields	Tillman
Gore	O'Gorman	Shively	Wardaman
Hollis	Overman	Simmmons	Walsh
Hughes	Pittman	Smith, Ariz.	Williams
Johnson	Pomerene	Smith, Ga.	

NOT VOTING—27.

Bacon	du Pont	McLean	Smith, S. C.
Bankhead	Goff	Nelson	Sterling
Bradley	Gronna	Newlands	Thomas
Burleigh	Hitchcock	Owen	Townsend
Burton	James	Polindexter	Weeks
Crawford	Lewis	Reed	Works
Culberson	McCumber	Smith, Mich.	

So Mr. LA FOLLETTE'S amendment was rejected.

Mr. LA FOLLETTE. I offer the amendment which I send to the desk. I will not ask to have it read, as it is precisely a part of the amendment upon which we have just voted. It is that portion of the amendment which starts with a duty on raw wool at 15 per cent and then makes the corresponding duties on the manufactured products as they should be in order to measure the difference in the cost of production on the manufactured products. I ask to have it incorporated in the RECORD. I will not take the time of the Senate to say anything upon it further than I have already said, but I will ask for the yeas and nays.

Mr. LA FOLLETTE'S amendment was to strike out paragraphs 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 318½, 427½, 652, and 653 and insert in lieu thereof the following:

1. All wools, hair of the camel, Angora goat, alpaca, and other like animals shall be divided, for the purpose of fixing the duties to be charged thereon, "into the two following classes":

2. Class 1, that is to say, merino and all wools containing merino blood, immediate or remote Down clothing wools, and wools of like character with any of the preceding, including Bagdad wool, China lambs' wool, Castel Branco, Adrianople skin wool, or butchers' wool, and such as have been heretofore usually imported from Buenos Aires, New Zealand, Australia, Cape of Good Hope, Great Britain, Canada, and elsewhere, Leicester, Cotswold, Lincolnshire, Down combing wools, Canadian long wools, or other like combing wools of English blood and usually known by the terms herein used, the hair of the Angora goat, alpaca, and other like animals, and all wools and hairs not hereinafter included in class 2.

3. Class 2, that is to say, Donskoi, native South American, Cordova, Valparaiso, native Smyrna, and all other native, unimproved wools such as have been heretofore usually imported into the United States from Turkey, Greece, Asia, and elsewhere, excepting improved wools hereinafter provided for; and the hair of the camel.

4. The standard samples of all wools which are now or may be hereafter deposited in the principal customhouses of the United States under the authority of the Secretary of the Treasury shall be the standards for the classification of wools under this act, and the Secretary of the Treasury is authorized to renew these standards and to make such additions to them from time to time as may be required, and he shall cause to be deposited like standards in other customhouses of the United States when they shall be needed.

5. Whenever wools of class 2 shall have been improved by the admixture of merino or English blood, from their present character as represented by the standard samples now or hereafter to be deposited in the principal customhouses of the United States, such improved wools shall be classified for duty as class 1.

6. The rate of duty on wools and hairs of class 1 shall be 15 per cent ad valorem.

7. Wools and hairs of class 2 shall be free of duty.

8. The rate of duty on wools of class 1 on the skin shall be 12½ per cent ad valorem, the quantity and value of the wool to be ascertained under such rules as the Secretary of the Treasury may prescribe.

9. On top waste, slubbing waste, roving waste, ring waste, and garnetted waste the rate of duty shall be 12½ per cent ad valorem.

10. On shoddy, wool extract, nolls, yarn waste, thread waste, and all other wastes composed wholly of wool or of which wool is the component material of chief value and not specially provided for in this section, the rate of duty shall be 10 per cent ad valorem.

11. On woolen rags, mungo, and flocks the rate of duty shall be 10 per cent ad valorem.

12. On combed wool or tops and all wools which have been advanced in any manner or by any process of manufacture beyond the washed or scoured condition, not specially provided for in this section, the rate of duty shall be 25 per cent ad valorem.

13. On carded woolen yarns, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 30 per cent ad valorem.

14. On worsted yarns, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 32½ per cent ad valorem.

15. On cloths, knit fabrics, flannels, felts, women's and children's dress goods, coat linings, Italian cloths, bunting, and all other manufactures made wholly of wool or of which wool is the component material of chief value and not otherwise specially provided for in this act, valued at not more than 60 cents per pound, 40 per cent ad valorem; valued at more than 60 cents per pound and not more than \$1 per pound, 42½ per cent ad valorem; valued at over \$1 per pound, 45 per cent ad valorem.

16. On blankets and on flannels for underwear, composed wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 40 per cent ad valorem: *Provided*, That on flannels composed of wool or of which wool is the component material of chief value, valued at over 50 cents per pound, the rate of duty shall be the same as assessed by this section on women's and children's dress goods.

17. On clothing, ready-made, and articles of wearing apparel of every description, including shawls, whether knitted or woven, and knitted

articles of every description made up or manufactured wholly or in part, and not otherwise specially provided for in this act, the rate of duty shall be 45 per cent ad valorem.

18. On webbings, gorings, suspenders, braces, bandings, beltings, bindings, braids, galleons, edgings, insertings, flouncings, fringes, glimps, cords and tassels, ribbons, ornaments, laces, trimmings, and articles made wholly or in part of lace, embroideries and all articles embroidered by hand or machinery, head nets, nettings, buttons or barrel buttons or buttons of other forms for tassels or ornaments, and manufactures of wool ornamented with beads or spangles of whatever material composed, any of the foregoing made of wool or of which wool is the component material of chief value, whether containing india rubber or not, the rate of duty shall be 40 per cent ad valorem.

19. On hand-made Axminster, Aubusson, oriental, and similar rugs and carpets, made wholly of wool or of which wool is the component material of chief value, the rate of duty shall be 50 per cent ad valorem; on all other carpets and rugs made wholly of wool or of which wool is the component material of chief value, and not otherwise specially provided for in this act, including machine-made Axminster, moquette, chenille, Wilton, Brussels, tapestry, and Ingrain carpets and rugs, 30 per cent ad valorem.

20. Carpets and carpeting of wool, flax, or cotton, or composed in part of any of them, not otherwise specially provided for in this act, and on mats, matting, and rugs of cotton, 30 per cent ad valorem.

21. Mats, rugs for floors, screens, covers, hassocks, bed-sides, art squares, and other portions of carpets or carpeting made wholly of wool or of which wool is the component material of chief value, and not specially provided for in this section, shall be subjected to the rate of duty herein imposed on carpets or carpeting of like character or description.

22. Whenever, in any paragraph of this schedule, the word "wool" is used in connection with a manufactured article of which it is a component material it shall be held to include wool or hair of the sheep, camel, goat, alpaca, or other animal, whether manufactured by a woolen, worsted, felt, or any other process.

23. Paragraphs 1 to 11 of this schedule shall be effective on and after the 1st day of January, 1914, and paragraphs 12 to 22, inclusive, shall be effective on and after the 1st day of April, 1914.

The VICE PRESIDENT. The Senator from Wisconsin demands the yeas and nays on agreeing to the amendment proposed by him.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I make the same announcement of my pair and its transfer as on the previous roll call and vote "nay."

Mr. JAMES (when his name was called). I have a pair with the Senator from Massachusetts [Mr. WEEKS]. In his absence I withhold my vote. If I were at liberty to vote, I would vote "nay."

Mr. LEA (when his name was called). I again announce my pair with the senior Senator from South Dakota [Mr. CRAWFORD] and its transfer to the Senator from Oklahoma [Mr. OWEN]. I vote "nay."

Mr. LEWIS (when his name was called). I again announce my pair with the junior Senator from North Dakota [Mr. GRONNA]. If he were present, I would vote "nay."

Mr. REED (when his name was called). I again announce my pair with the Senator from Michigan [Mr. SMITH]. If he were present, I should vote "nay."

The roll call was concluded.

Mr. THOMAS. I again announce my pair with the Senator from Ohio [Mr. BURTON] and withhold my vote.

Mr. GALLINGER. I was requested to announce a pair between the Senator from North Dakota [Mr. McCUMBER] and the Senator from Nevada [Mr. NEWLANDS].

Mr. REED. I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from Nebraska [Mr. HITCHCOCK] and vote "nay."

The result was announced—yeas 29, nays 41, as follows:

YEAS—29.

Borah	Dillingham	Lodge	Sherman
Bradley	Fall	Nelson	Smoot
Brady	Gallinger	Norris	Stephenson
Brandegree	Jackson	Oliver	Sutherland
Bristow	Jones	Page	Warren
Clapp	Kenyon	Penrose	
Clark, Wyo.	La Follette	Perkins	
Cummins	Lippitt	Root	

NAYS—41.

Ashurst	Kern	Reed	Stone
Bacon	Lane	Robinson	Swanson
Bryan	Lea	Saulsbury	Thompson
Chamberlain	Martin, Va.	Shafroth	Thornton
Chilton	Martine, N. J.	Sheppard	Tillman
Clarke, Ark.	Myers	Shields	Vardaman
Fletcher	O'Gorman	Shively	Walsh
Gore	Overman	Simmons	Williams
Hollis	Pittman	Smith, Ariz.	
Hughes	Pomerene	Smith, Ga.	
Johnson	Ransdell	Smith, Md.	

NOT VOTING—25.

Bankhead	du Pont.	McLean	Thomas
Burleigh	Goff	Newlands	Townsend
Burton	Gronna	Owen	Weeks
Catron	Hitchcock	Polindexter	Works
Colt	James	Smith, Mich.	
Crawford	Lewis	Smith, S. C.	
Culberson	McCumber	Sterling	

So Mr. LA FOLLETTE's amendment was rejected.

Mr. PENROSE. I think this is the proper time for me to call up the amendment heretofore introduced by me to the wool schedule. The amendment has been read and is understood by the Senate. I will not, therefore, ask to have it reread, but will ask to have it printed in the RECORD, and will request the Chair to put the question on the amendment without calling the yeas and nays on it.

The VICE PRESIDENT. In the absence of objection, the amendment will be printed in the RECORD, as requested by the Senator from Pennsylvania.

The amendment referred to is as follows:

On page 87, line 15, insert the following:

SCHEDULE K.—WOOL AND MANUFACTURE OF.

1. All wools, hair of the camel, goat, alpaca, and other like animals shall be divided, for the purpose of fixing the duties to be charged thereon, into the three following classes:

2. Class 1; that is to say, merino, mestiza, metz, or metis wools, or other wools of merino blood, immediate or remote, Down clothing wools, and wools of like character with any of the preceding, including Bagdad wool, China lamb's wool, Castel Branco, Adriatic skin wool or butchers' wool, and such as have been heretofore usually imported into the United States from Buenos Aires, New Zealand, Australia, Cape of Good Hope, Russia, Great Britain, Canada, Egypt, Morocco, and elsewhere, and Leicester, Cotswold, Lincolnshire, Down combing wools, Canada long wools, or other like combing wools of English blood, and usually known by the terms herein used, and also hair of the camel and all wools not hereinafter included in classes 2 and 3.

3. Class 2; that is to say, the hair of the Angora goat, alpaca, and other like animals.

4. Class 3; that is to say, Donskoi, native South American, Cordova, Valparaiso, native Smyrna, Russian camel's hair, and all such wools of like character as have been heretofore usually imported into the United States from Turkey, Greece, Syria, and elsewhere, excepting improved wools hereinafter provided for.

5. The standard samples of all wools or hair which are now or may be hereafter deposited in the principal customhouses of the United States under the authority of the Secretary of the Treasury shall be the standards for the classification of wools and hair under this act, and the Secretary of the Treasury is authorized to renew these standards and to make such additions to them from time to time as may be required, and he shall cause to be deposited like standards in other customhouses of the United States when they may be needed.

6. Whenever wools of class 3 shall have been improved by the admixture of merino or English blood from their present character, as represented by the standard samples now or hereafter to be deposited in the principal customhouses of the United States, such improved wools shall be classified for duty as class 1.

7. If any bale or package of wool or hair specified in this act invoiced or entered as of any specified class, or claimed by the importer to be dutiable as of any specified class, shall contain any wool or hair subject to a higher rate of duty than the class so specified, the whole bale or package shall be subject to the highest rate of duty chargeable on wool or hair of the class subject to such higher rate of duty, and if any bale or package be claimed by the importer to be shoddy, mungo, flocks, wool, hair, or other material of any class specified in this act, and such bale contain any admixture of any one or more of said materials, or of any other material, the whole bale or package shall be subject to duty at the highest rate imposed upon any article in said bale or package.

8. The duty on all wool and hair of class 1 and class 2 shall be laid on the basis of the clean content. If imported in washed or unwashed condition, the duty shall be 18 cents per pound on the clean content; if imported scoured, the duty shall be 20 cents per pound on the clean content. The clean content shall be determined by scouring and conditioning tests, which shall be made according to regulations which the Secretary of the Treasury shall prescribe.

9. The duty on all wools and hair of class 3, imported in their natural condition, shall be 7 cents per pound; if scoured, 19 cents per pound: *Provided*, That on consumption of wools and hair of class 3, in the manufacture of carpets, druggets and bookings, mats, rugs for floors, screens, covers, hassocks, bed-sides, art squares, and portions of carpets or carpeting hereafter manufactured or produced in the United States in whole or in part from wools or hair of class 3, upon which duties have been paid, there shall be allowed to the manufacturer or producer of such articles a drawback equal in amount to the duties paid less 1 per cent of such duties on the amount of the wools or hair of class 3 contained therein; such drawback shall be paid under such rules and regulations as the Secretary of the Treasury may prescribe.

10. The duty on wools on the skin shall be 2 cents less per pound than is imposed upon the clean content as provided for wools of class 1, and 1 cent less per pound than is imposed upon wools of class 2 imported in their natural condition, the quantity to be ascertained under such rules as the Secretary of the Treasury shall prescribe.

11. Unwashed wools shall be considered such as shall have been shorn from the sheep without any cleansing; that is, in their natural condition. Washed wools shall be considered such as have been washed with water only on the sheep's back or on the skin. Wools washed in any other manner than on the sheep's back or on the skin shall be considered as scoured wool.

12. Top waste, slubbing waste, and roving waste, 28 cents per pound.

13. Ring waste, garnetted waste, and all other wastes composed wholly or in part of wool, and not specially provided for in this section, 20 cents per pound.

14. Nolls, carbonized, 15 cents per pound; not carbonized, 12 cents per pound.

15. Thread waste, yarn waste, wool waste, 16 cents per pound.

16. Shoddy and wool extract, 16 cents per pound.

17. Woolen rags, flocks, and mungo, 5 cents per pound.

18. Combed wool or tops, made wholly or in part of wool or hair, 29 cents per pound.

19. The word "number" appearing in this paragraph, whether applied to woolen or worsted yarns, shall be the number of hanks per pound, a hank being a measure of 560 yards of single yarn or roving.

On tops advanced by process of manufacture to any number of silver or roving or single yarn up to the single twelves the duty shall be 36 cents per pound.

On all numbers exceeding single twelves and up to and including single forties the duty shall be 36 cents per pound plus two-tenths of a cent per number per pound on all numbers in excess of single twelves.

On all numbers exceeding single forties and up to and including single sixties the duty shall be 42 cents per pound plus four-tenths of a cent per number per pound on all numbers in excess of single forties.

On all numbers exceeding single sixties the duty shall be 50 cents per pound plus six-tenths of a cent per number per pound on all numbers in excess of single sixties.

On all rovings and yarns advanced beyond the condition of singles by grouping or twisting two or more rovings or yarns together up to and including number twelve the duty shall be 2 cents per pound in addition to the foregoing duties on single yarns.

On all numbers exceeding twelve and up to and including forties the duty shall be 2 cents per pound plus one-tenth of a cent per number per pound on all numbers in excess of number twelve in addition to the duties on single yarns of corresponding numbers.

On all numbers exceeding forties up to and including sixties the duty shall be 5 cents per pound plus two-tenths of a cent per number per pound on all numbers in excess of number forties in addition to the duties on single yarns of corresponding numbers.

On all numbers exceeding sixties the duty shall be 9 cents per pound plus three-tenths of a cent per number per pound on all numbers in excess of number sixties in addition to the duties on single yarns of corresponding numbers.

Woolen yarns, in singles, or two or more yarns twisted together, shall be subject to a reduction of 7 cents per pound from the duties imposed by this paragraph on corresponding numbers of single or twisted worsted yarns.

On all of the above when bleached, dyed, colored, stained, or printed the duty shall be 5 cents per pound in addition to the other duties prescribed in this paragraph, and if singed or gassed there shall be a further addition of 3 cents per pound.

20. On cloths, knit fabrics, flannels, felts, and all manufactures of every description made wholly or in part of wool, not specially provided for in this section, valued at not more than 20 cents per pound, the duty shall be 12 cents per pound and in addition thereto 25 per cent ad valorem;

Valued at more than 20 cents and not more than 30 cents per pound, 16 cents per pound and in addition thereto 35 per cent ad valorem;

Valued at more than 30 cents and not more than 40 cents per pound, 20 cents per pound and in addition thereto 35 per cent ad valorem;

Valued at more than 40 cents and not more than 50 cents per pound, 26 cents per pound and in addition thereto 45 per cent ad valorem;

Valued at more than 50 cents and not more than 60 cents per pound, 30 cents per pound and in addition thereto 50 per cent ad valorem;

Valued at more than 60 cents and not more than 80 cents per pound, 32 cents per pound and in addition thereto 50 per cent ad valorem;

Valued at more than 80 cents per pound, 35 cents per pound, and in addition thereto 55 per cent ad valorem.

21. On blankets composed wholly or in part of wool valued at not more than 30 cents per pound, the duty shall be 16 cents per pound and in addition thereto 25 per cent ad valorem;

Valued at more than 30 cents and not more than 40 cents per pound, 18 cents per pound and in addition thereto 30 per cent ad valorem;

Valued at more than 40 cents and not more than 50 cents per pound, 22 cents per pound and in addition thereto 30 per cent ad valorem;

Valued at more than 50 cents per pound, 26 cents per pound and in addition thereto 35 per cent ad valorem: *Provided*, That on blankets over 3 yards in length the same duties shall be paid as on cloths.

22. On women's and children's dress goods, coat linings, Italian cloths, and goods of similar description and character, of which the warp consists wholly of cotton or other vegetable material, with the remainder of the fabric composed wholly or in part of wool, the duty shall be 7 cents per square yard; on women's and children's dress goods, coat linings, Italian cloths, bunting, and goods of similar description or character composed wholly or in part of wool and not specially provided for in this section, the duty shall be 11 cents per square yard, and in addition thereto on all the foregoing valued at not more than 50 per cent ad valorem; valued at above 70 cents per pound, 55 per cent ad valorem: *Provided*, That on all the foregoing weighing over 4 ounces per square yard the duty shall be the same as imposed by this schedule on cloths.

23. On clothing and articles of wearing apparel, knitted or woven, of every description, made up or manufactured wholly or in part, and composed wholly or in part of wool, the rate of duty shall be as follows:

If valued at not more than 60 cents per pound, the duty shall be 16 cents per pound and in addition thereto 35 per cent ad valorem;

If valued at more than 60 cents per pound and not more than \$1 per pound, 20 cents per pound and in addition thereto 40 per cent ad valorem;

If valued at more than \$1 per pound and not more than \$1.50 per pound, 26 cents per pound and 50 per cent ad valorem;

If valued at more than \$1.50 per pound and not more than \$2 per pound, 30 cents per pound and 55 per cent ad valorem;

If valued at more than \$2 per pound and not more than \$2.50 per pound, 32 cents per pound and 55 per cent ad valorem;

If valued at more than \$2.50 per pound, 35 cents per pound and 60 per cent ad valorem.

24. On all manufactures of every description made wholly or in part of wool, not specially provided for in this section, the duty shall be 35 cents per pound and in addition thereto 50 per cent ad valorem.

25. On knitted wearing apparel of every description and all knitted articles and manufactures thereof valued at 80 cents per pound or more, composed wholly or in chief value of wool, 24 cents per pound and in addition thereto 45 per centum ad valorem; if valued at less than 80 cents per pound, 24 cents per pound and in addition thereto 35 per cent ad valorem; on all the foregoing composed in part of wool, but in chief value of any other material, 60 per cent ad valorem.

26. On handmade Aubusson, Axminster, oriental, and similar carpets and rugs, made wholly or in part of wool, the rate of duty shall be 50 per cent ad valorem; on all other carpets of every description, druggets, bookings, mats, rugs for floors, screens, covers, hassocks, bed-sides, art squares, and portions of carpets or carpeting, made wholly or in part of wool, the duty shall be 40 per cent ad valorem.

27. Whenever, in any schedule of this act, the word "wool" is used in connection with a manufactured article of which it is a component material, it shall be held to include wool or hair of the sheep, camel, goat, alpaca, or other like animal, whether manufactured by the woolen, worsted, felt, or any other process.

28. The foregoing paragraphs, providing the rates of duty herein for manufactures of wool, shall take effect on the 1st day of January, 1914.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Pennsylvania.

The amendment was rejected.

Mr. GALLINGER. Mr. President, I am at this moment in receipt of a brief communication from the International Cigar Makers' Union of America, which I ask to have read by the Secretary. I simply desire to say that I am in hearty sympathy with the communication.

The VICE PRESIDENT. In the absence of objection the Secretary will read as requested.

The Secretary read as follows:

SEPTEMBER 8, 1913.

Hon. J. H. GALLINGER,

United States Senate, Washington, D. C.

DEAR SIR: We desire to again call attention to that clause in the pending tariff bill which provides for the importation of cigars duty free from the Philippine Islands. After the most careful analysis of the proposition we are thoroughly convinced that free cigars from the Philippines spells ruin to many thousands of cigar makers in the United States.

We are not unmindful of the fact that it is the purpose of the present Congress to enact a tariff law that will relieve the people of burdensome taxation, but it can not be held that a duty on cigars over and above the amount, 150,000,000, from the Philippines, as provided for in the present law, imposes any hardship or additional expense to any citizen of the United States.

This being the case we do not consider it fair to jeopardize the livelihood of 100,000 American working people. We have heretofore directed attention to the fact that it is absolutely impossible for the American cigar makers to compete with the poorly paid Filipino cigar maker, and it is therefore unnecessary to elaborate on that point at this time.

In view of these facts we are making this statement to the Senate, and trust that our appeal may not go unheeded when final action on the bill is taken.

Respectfully submitted,

J. E. FARRELL,

E. E. GREENAWALT,

Representing the Cigar Makers' International Union of America.

Mr. LODGE. I desire to offer an amendment to the hosiery schedule. That matter has been thoroughly discussed, and this is merely another amendment changing the brackets of that schedule. I shall not ask for the yeas and nays on the amendment, but will request the Chair to be kind enough to put the question on the amendment, after it shall have been read. The page referred to in the amendment is, of course, the paging of the old bill.

The VICE PRESIDENT. The Secretary will read the amendment proposed by the Senator from Massachusetts.

The SECRETARY. On page 80, line 8, after the word "unfinished," it is proposed to strike out "if valued at not more than \$1.20 per dozen pairs, 30 per cent ad valorem; if valued at more than \$1.20 per dozen pairs" and in lieu thereof insert the following:

If valued at not more than 60 cents per dozen pairs, 40 per cent ad valorem; if valued at more than 60 cents per dozen pairs.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Massachusetts.

The amendment was rejected.

Mr. CATRON. Mr. President, I offer the amendment which I send to the desk, and ask that it be read.

Mr. SIMMONS. I wish to inquire if the amendment has not already been read, and if the Senator from New Mexico would not allow it to be printed in the RECORD without reading?

Mr. CATRON. The amendment has not been read, though I gave notice of it several days ago.

The VICE PRESIDENT. The Secretary will read the amendment proposed by the Senator from New Mexico.

The SECRETARY. It is proposed to strike out all of paragraphs 295 to 318, both inclusive, and in lieu thereof to insert the following:

295. On wool of the sheep, hair of the camel, goat, alpaca, and other like animals, all wools and hair on the skin of such animals, noils, top waste, card waste, slubbing waste, roving waste, ring waste, yarn waste, bur waste, thread waste, garnetted waste, shoddies, mungo, flocks, wool extract, carbonized wool, carbonized noils, all other wastes, and on woolen rags composed wholly of wool or of which wool is the component material of chief value, and not specially provided for in this section, all combed wool or tops and roving or roping, made wholly of wool or camel's hair, or of which wool or camel's hair is the component material of chief value, and all wools and hair which have been advanced in any manner or by any process of manufacture beyond the washed or scoured condition, not specially provided for in this section, and all yarns made wholly of wool or of which wool is the component material of chief value, the duty shall be 35 per cent ad valorem.

296. On cloths, knit fabrics, flannels not for underwear, composed wholly of wool or of which wool is the component material of chief value; women's and children's dress goods, coat linings, Italian cloths, bunting, and goods of similar description and character; clothing, ready-made, and articles of wearing apparel of every description, including shawls, whether knitted or woven, and knitted articles of every description made up or manufactured, wholly or in part; felts not woven and not specially provided for in this section; webbings, gorings, suspenders, braces, bandings, beltings, bindings, braids, galloons, edg-

ings, insertings, flouncings, fringes, gimps, cords, cords and tassels, ribbons, ornaments, laces, trimmings, and articles made wholly or in part of lace, embroideries, and all articles embroidered by hand or machinery, head nets, nettings, buttons or barrel buttons, or buttons of other forms for tassels or ornaments, and manufactures of wool ornamented with beads or spangles of whatever material composed, and on all manufactures of every description made by any process of wool or of which wool is the component material of chief value, whether containing india rubber or not, not specially provided for in this section, the duty shall be 60 per cent ad valorem.

297. On all blankets and flannels for underwear, composed wholly of wool or of which wool is the component material of chief value, the duty shall be 45 per cent ad valorem.

298. On Aubusson, Axminster, moquette, and chenille carpets, figured or plain, and all carpets or carpeting of like character or description; on Saxony, Wilton, and Tournay velvet carpets, figured or plain, and all carpets or carpeting of like character or description, and on carpets of every description woven whole for rooms, and oriental, Berlin, Aubusson, Axminster, and similar rugs, the duty shall be 65 per cent ad valorem.

299. On Brussels carpets, figured or plain, and all carpets or carpeting of like character or description, and on velvet and tapestry velvet carpets, figured or plain, printed on the warp or otherwise, and all carpets or carpeting of like character or description the duty shall be 55 per cent ad valorem.

300. On tapestry Brussels carpets, figured or plain, and all carpets or carpeting of like character or description, printed on the warp or otherwise; on treble ingrain, three-ply, and all-chain Venetian carpets; on wool Dutch and two-ply ingrain carpets; on druggets and bookings, printed, colored, or otherwise; and on carpets and carpeting of wool or of which wool is the component material of chief value, not specially provided for in this section, the duty shall be 45 per cent ad valorem.

301. On mats, rugs for floors, screens, covers, hassocks, bed-sides, art squares, and other portions of carpets or carpeting made wholly of wool or of which wool is the component material of chief value, and not specially provided for in this section, the rate of duty shall be the same as that herein imposed on carpets or carpeting of like character or description.

302. On manufactures of hair of the camel, goat, alpaca, or other like animal, or of which any of the hair mentioned in paragraph 295 form the component material of chief value, not specially provided for in this section, the duty shall be 60 per cent ad valorem.

303. On consumption of wools contained in paragraph 295, in the manufacture of carpets, druggets and bookings, printed, colored, or otherwise, mats, rugs for floors, screens, covers, hassocks, bed-sides, art squares, and portions of carpets or carpeting manufactured or produced in the United States, in whole or in part, from the wools mentioned in said paragraph 294, upon which duties have been paid, there shall be allowed to the manufacturer or producer of such articles a drawback equal in amount to the duties paid, less 1 per cent of such duties on the amount of wool contained therein; such drawback shall be paid under such rules and regulations as the Secretary of the Treasury may prescribe.

304. Whenever in this act the word "wool" is used in connection with a manufactured article of which it is a component material it shall be held to include wool or hair of the sheep, camel, goat, alpaca, or other like animals, whether manufactured by the woolen, worsted, felt, or any other process.

Mr. CATRON. Mr. President, the amendment to the wool schedule in this bill which I propose is not exactly as I would like it to be. I have used ad valorem rates in it instead of specific rates. I believe that the specific rate is the better way to impose the duty, but I have made my amendment so as to avoid as much objection from the framers of this bill as possible. It appears that they have adopted as their standard the ad valorem rate and that they must believe in it. Therefore I have attempted, against my own judgment, to conform my amendment to that idea, so that there would be less excuse for rejecting it on their part. I do not believe that the rates which I propose in this amendment are adequate. I believe that wool and woolen industries should be more fully protected. This amendment proposed by me would not give, in my judgment, full protection, but it would enable the wool grower and manufacturer to keep on their feet, carry on their business, and maintain their property, until in the near future when the people, repudiating the action of this Congress in the enactment of this bill into a law, shall, through their representatives, enact another law which will give adequate and ample protection.

The party in power which is proposing to enact this bill into a law have declared that they propose to do so because it is necessary for the purpose of raising revenue, and because it is intended to operate as a measure to reduce the high cost of living. It will produce revenue to help pay the expenses of the Government. Will it operate to reduce the cost of living? It is claimed by its advocates that the duty placed upon any article which is essential for the use of the people, to provide for their daily wants and comforts, increases the price or cost of that article by the amount of such duty. Experience has shown that while there may be some increase in the price of such articles, it does not generally reach the grade of being equal to the amount of the duty imposed. The articles mostly needed for the support of the people in comfort and health are foodstuffs and clothing. Our country is able to produce most of the food products required for our consumption. Our cotton products far exceed our needs. We produce nearly all of the raw material necessary for use. We provide enough meat for our wants.

We fall short mainly in a sufficient amount of wool and sugar. We produced for the last fiscal year in the United States over 300,000,000 pounds of wool and imported 238,118,350 pounds to supply the deficiency needed for the requirements of our people. If the woolen industry is destroyed—as this bill, when enacted into a law, will do—that 300,000,000 pounds of wool now produced here will have to be imported from abroad, and paid for not at the prices now ranging in foreign countries, but at greatly advanced prices over that amount, which will be placed upon wool by reason of the fact that we will have no control of the foreign market prices by reason of not having any competition. Combinations will be made against us and the prices will be raised higher. That 300,000,000 pounds of wool, if imported, will cost our people each year not less than \$45,000,000, money which, by preserving the sheep and wool industry, can be kept at home. By destroying them we must send it abroad. In addition to this we will lose the duties which would be collected on the amount of importations, which, according to the last fiscal year, were 238,118,350 pounds of wool, amounting to over \$16,000,000, which, if the wool industry is continued in this country as it now is, we would expect to collect every year.

The same condition, except in greater amounts, would prevail with reference to the sugar industry. We will lose over \$50,000,000 in duties annually which we now collect on sugar, and the amount which we will have to send out of the country in order to purchase 4,000,000,000 pounds of sugar, which we now produce, but which we will not be able to produce if this bill becomes a law, at the expiration of the three years' time which it allows for sugar to pay duties. In addition to that, we will lose greatly on the value of our sheep. They will have to go to the slaughter pen, and all the manufactories and machinery and other improvements which have been made for the production and manufacture of woolen fabrics will become a total loss, amounting to over half a billion of dollars in value. Five millions of people, it is estimated, are dependent upon the woolen industry. They will have to seek elsewhere to obtain a living or support. Three hundred thousand employees will be turned loose on the public to hunt labor in other channels, creating a competition with other labor which will necessarily cut down its price and efficiency. It will cut off their incomes and take away from the individual the means of support and the capacity to purchase the needed articles on which to live, even at the cheap rate which the party in power evidently are calculating that he shall live after this bill has become a law.

There are other articles of which we do not produce a sufficient amount to supply all that is demanded for our use. The amount of them is comparatively insignificant in quantity when we enumerate the articles composing them, but combined they are considerable in quantity. The duties heretofore imposed upon sugar and wool and the manufactured products thereof have been placed there as a protection to the sugar and woolen interests and the products manufactured therefrom and to encourage the production of the same in this country, thus giving employment to labor and incidentally increasing the amount of the same to be employed. All of which adds somewhat to the cost and value of the original products and the manufactured article.

When this bill shall be enacted into a law and the duty taken off sugar and wool and woolen products and other items of industrial production in this country, will it not open the door to the importation and use, instead of the same, of the cheaper products of countries abroad where they are produced by labor at half the price of that furnished in the United States? As in the case of sheep and wool, their lands abroad cost the sheep raiser less than one-fourth of what lands cost them in the United States. Such importation will curtail the amount of output of each article of similar kind produced in the United States and will compel us to procure large quantities in foreign countries and send away moneys for the same which we now keep at home. The quantity which may be provided here will have to be produced at a less expense than now. How is that expense to be lessened or cheapened? It is only by reducing the price or value of the grazing land, the quantity, price, and cost of the labor, and other necessary expenses connected with its production.

It is claimed by some of the representatives of the wool-growing States who favor this bill that the sheep are grazed upon the public domain without any cost to the sheep raiser. Such is not the case. The sheep and wool-growing industry gradually moved toward the Rocky Mountains onto the semi-arid and plains country as lands in the East became more valuable for other purposes. In the Western States most of the public lands exist; all of the waters and best grazing lands extend along the courses of the streams and into the foothills of the mountains, where the forests are. These have been cov-

ered by the Government into forest reserves and are now being rented at high prices to sheep and wool growers in such manner as to exclude many sheep growers and wool producers who have not been able to rent any land on the reserves from reaching the water for the use of their flocks, particularly during the lambing and shearing seasons. This has been causing a decrease in the number of sheep. There has been in the last year or two a decrease of about a million and a half of sheep in the United States. That decrease has been caused by the absorption into the forest reserves of nearly all the running waters and springs, so that, as before stated, many of the sheep growers and wool producers are unable to reach water for the use of their flocks and are necessarily compelled to dispose of them either in the meat markets or to their more fortunate neighbor who has been able to secure a range in the forest reserves and save his own flocks. Some of them have been able to get water by sinking wells and pumping. Many had not the means to sink wells and purchase and operate pumps. The extension of the forest reserves so as to include all the waters that were suited for the use of the sheep and wool industry has for several years last past paralyzed the sheep industry, so far as its increase in numbers is concerned, and accounts for the falling off of the quantity of sheep in the United States during the last 12 years from 61,000,000 to about 51,000,000 to-day. In the creation of the forest reserves in the various States there were included in them thousands of acres of land adjacent to or in the vicinity of the timberlands and forests and running waters which can in no manner be classified or denominated "forest lands." These lands generally are the best grazing lands. By taking them into the reserve and leasing them to sheep and cattle owners for grazing purposes, as has been done, those who are unable to obtain leases—and there were many of them—have been forced back from the vicinity of the waters and from the points where they could sink wells and obtain water at a shallow depth. It is well known that water can be obtained in wells at a shorter depth in the vicinity of or nearer to the running streams or near the mountain ranges than it can at the greater distances. When an individual can not produce a given article except at a loss beyond the cost of production he will cease to produce it, which in the case of sheep raising means that lands which are now used at great cost by the sheepman for the lucrative purpose of sheep and wool growing must either be consigned to nonuse or put into some other industry when this bill becomes a law, and the laborer in that particular industry will lose his employment and be forced to engage at the lowest wages in other occupations with which he will be unacquainted, in a field where he must compete with others.

It is by this means the price of labor can and will be reduced and the cost of living with them cheapened to their great sorrow.

Much has been said in the discussion on this bill about competition. There is an old saying that competition is the life of trade. In the main that is true. But is a competition which destroys the use of a large quantity of materials and land and throws hundreds of thousands or millions of laborers out of employment and forces them either into beggary, into the poorhouse, or into competition with others who are not thrown out of employment such a competition as will increase or stimulate trade? Is it not rather that competition which brings every article or product, every income from land, and the labor of every workman down to the lowest standard? It is possibly true, from that point of view, that the contentions of the Democratic Party that this bill will cheapen the cost of living may be somewhat realized. But while you are thus cheapening the cost of living you are destroying the comforts, the happiness, and the independence of the laborer by taking from him the means of obtaining them; you are reducing him to the grade of a serf or slave, forcing him into the most abject condition of human life, to eke out a scant existence, taking away from him his American manhood to which he has attained, robbing him of his ambition, and leaving him with but little respect for his country and its economic policies; in fact, you are sapping his patriotism, draining it to the very vitals, and putting upon it the most intense pressure, which he must by great endurance and effort overcome so as to remain a devoted or enthusiastic citizen. Do you want that condition of things? Is not the party in power, in the attempt to enact this bill into a law, forgetting the character of our people, their condition of life, the point to which they have reached or mounted in the progress of human affairs, their elevation in society, and their general well-being? I am not one of those who believe that by the passage of this bill we will have a reenactment of a panic like that which was commenced and existed on account of the proposed adoption of the Wilson-Gorman bill and its subsequent

enactment into law. Our country and our people were then prosperous, but not as prosperous as they are to-day. The amount of money in circulation in this country per capita at that time was \$24.56. The total population was 67,000,000. Business was then depressed. The amount in the country per capita August 1, 1912, was \$34.44, or \$10 more than it was in 1894. The population now is 97,000,000, or an increase of 30,000,000.

Every condition of business affairs is now prosperous in the highest degree. We must not expect that this condition will continue on the passage of this bill. In fact, we have already seen that the condition which existed prior to the last election has been changing, apparently to meet the proposed change in the tariff. Banks have been calling in their loans and making no new ones. People who are indebted are disposing of their property or curtailing their business so as to meet their obligations. This necessitates doing less business. It necessitates cutting down expenses and a greater exercise of economy. This brings about a cheapening of the cost of living. Had this special session of Congress not been called, and had we been left to consider this tariff proposition until the regular session in December next, with the prospect of enacting even this bill into a law about the 1st of next June, the people would have been better able to adjust their affairs so as to endure the privations that may come upon them as a result of this proposed enactment.

The great prosperity which they enjoy and means which they have accumulated will enable them in a very great degree to endure the condition of restricted business, the curtailment of the per capita circulation, and to exist without as intense suffering as might have been the case if they were less prosperous. Possibly they will be able to live, or subsist, without being compelled to go to the poorhouse until the people, in their wisdom, at the end of three years from next November, shall indicate, as I have suggested, their choice for a different kind of administration and different Representatives to constitute the majority in Congress. The fabricators and promoters of this bill claim they intend to reduce the cost of living, which is admitted to be high, by its enactment into a law. They propose to put meat and all food animals on the free list. They will import sheep and cattle, as well as meats, from foreign countries where they are produced at less than half the cost of production in the United States. They will bring these foreign importations into competition with our meats and our wool and drive down the prices until we can not afford to produce either cattle, sheep, or wool. They expect that by this bill, when it becomes a law, the cost of living will be lessened. They have not considered that it will make money, now plentiful, scarce and higher priced; that it will make food products, also, now plentiful, but commanding high prices, become less plentiful and lower in their prices. In fact, they will make money more valuable and food cheaper. Mr. Bryan, our Secretary of State and the apostle of the Democratic Party, who three times led its hosts to defeat, who is the apparent keeper of the conscience of that party, who is said to have dictated in the main the Baltimore platform, who brought about the nomination of President Wilson, and who ought to be authority with the Democratic Party, in one of his Chautauqua lectures, which he lately felt himself obliged to deliver so as to obtain the means of livelihood, because the Government does not pay him enough of its depreciated money to enable him to live comfortably, says:

Seventeen years ago those most active in behalf of reforms were, for the most part, men who felt an immediate pecuniary need of remedial legislation. This deep personal interest was manifested everywhere, and it is not strange; we were then at the end of the era of falling prices. For nearly a quarter of a century the dollar had been rising in its purchasing power and the price level falling; for nearly 25 years the money owner and the money changer had been drawing in an unearned increment, and the world was being forced into bankruptcy. It was not a national peril only, but a menace to the world.

Three times the leading nations had joined in great conferences, everybody everywhere admitting the seriousness of the situation, the only question being, How shall we escape? That was the situation then; now it is all changed. An unprecedented increase in the production of a precious metal has made such an enormous addition to the world's volume of standard money that conditions are now reversed.

The purchasing power of the dollar, instead of rising, is falling; the price level, instead of falling, is rising; the world, instead of going into bankruptcy, is coming out. If you are paying a debt contracted 16 years ago, you are paying it in dollars that will not, on the average, purchase more than two-thirds as much as the dollars that you borrowed. With this relief from the grinding process there has come an independence that was not then known—that was scarcely then possible.

That is the declaration of our Secretary of State, delivered a few months ago, as I am informed by the public prints. We see this patron saint of Democracy declaring that "for nearly 25 years the money owner and the money changer had been drawing in an unearned increment, and the world was being forced into bankruptcy," which, he says, "caused the leading nations three times to join in great conferences, everybody everywhere

admitting the seriousness of the situation," the question being, "How shall we escape?" He did not state that that condition was caused by a protective tariff.

He says that "for nearly a quarter of a century the dollar had been rising in its purchasing power and the price level falling"; that the whole "world," not the United States, "was being forced into bankruptcy." He did not attribute these conditions to the United States alone, but to the world. Surely, at the end of that "quarter of a century" we had a low cost of living. The dollar had been rising in its purchasing power and the prices had been falling. That condition of things then must have resulted in a low cost of living, so low that in many instances it amounted to beggary. The party in power would apparently return to that condition of things. They tell us they will, by this contemplated act, decrease the cost of living. Possibly they will. But I hope when this bill becomes a law it will not bring the condition of our people to the state of degradation and naked want of that period 17 years ago. Mr. Bryan tells us why things were cheap then when measured by the money standard; he also tells us why they are more expensive now when measured by the money standard. This high price in materials, he says, has been brought about by the "unprecedented increase in the production of a precious metal which has made such an enormous addition to the world's volume of standard money that conditions are now reversed." Money has now, he says, only two-thirds of its former purchasing value. Mr. Bryan, necessarily, from the life he has been living, that of a politician, a traveler, a student, an editor, a lecturer, and general disseminator of the information, which he must have gathered in the various avocations and pursuits he has occupied and followed, ought to be well qualified as to facts, especially from a Democratic standpoint. He does not, I say, blame the high prices on the protective tariff, but, on the contrary, he tells us it comes from an "unprecedented increase in the production of a precious metal," which has caused "the purchasing power of a dollar to fall instead of rise," and says that has brought about such a condition that "the world, instead of going into bankruptcy, is coming out." He declares:

If you are paying a debt contracted 16 years ago, you are paying it in dollars that will not, on the average, purchase more than two-thirds as much as the dollars that you borrowed.

I am inclined to believe Mr. Bryan was right. The statistics show that over \$7,500,000,000 of gold and more than \$4,000,000,000 of silver coinage has been added to the permanent circulating money of the world during the last 17 years. The gold coin produced during that 17 years is over half of the total amount produced since the discovery of America, and the silver coin produced during that time is nearly one-third of the total amount produced since the discovery of America. We also see by the statistics that the per capita of circulation is constantly increasing and that now it is at its highest notch—about \$34.50. The gold and silver coinage is increasing faster than the population and in the United States much faster than the population and all of the industries, manifold faster than the supply of all the necessities of life which enter into the cost of living. We know that money is more plentiful than it was 17 years since; the circulation is also greater. At that time, 17 years ago—1896—we were in the throes of the greatest panic the world has ever witnessed.

The Democratic Party held the reins of government. Well could it be said, "the world was being forced into bankruptcy"; but for that year the gold annually produced by the world for the first time passed the \$200,000,000 mark and has never since in any year fallen below it. On the contrary, it has gradually increased, until now it is nearly \$500,000,000 annually. The United States for 1912 produced one-fifth of the total output of the world's gold; yet we have only one-eighteenth of its population. In view of this great increase in gold and its consequent less purchasing value, we can accept the idea as a fact that necessities of life, particularly food and clothing, have risen in price. You say you will reduce that. The producer, on whom you must act, will have a sad fate when you have done so. The money which he receives for his product and labor has fallen one-third in value; his products have not increased that much, measured by the depreciated standard. You now propose without affecting the purchasing capacity of the money to put down the price of the products necessary to sustain the life and comfort of man; that is, after the money has been reduced one-third in its purchasing capacity or value, in turn you propose to reduce the selling price of the products needed to sustain life, measured by the depreciated standard. The candle is burning at one end; you are lighting it at the other end; and the poor producer will soon see his interests vanish.

If it is the purpose of the majority to make a reduction in the cost of living, why not strike at the real cause of it—the

"unprecedented increase" in money, which Mr. Bryan, their acknowledged leader, says is the cause? Why abuse the tariff? Why abuse the men who have grown wealthy by reason of their intelligence, perseverance, economy, and foresight? If they believe in their leader and his assertions, they should cut off the real cause, close the mints, make it a crime to labor underground and take gold from the bowels of the earth; they should prevent the mining of the precious metals and make treaties with foreign countries to stop the production of standard money.

The wool and sugar produced in the United States have kept more money in this country than the total amount of money which has been realized from the precious metals taken from the mines in the United States.

By the adoption of this bill as a law the majority will do as much injury to the people as if they closed the mines and shut up the mints. Would it not do more harm? The harm to the industries which will be affected by this bill as a law will be much more diversified, reach directly a greater number of our people, and will be in the aggregate much greater. I do not favor either proposition; but, between the two evils, would not reason require them to favor the lesser?

There can be no more complaint against the increased output of gold and consequent increase of wealth during the last 17 years than there was during the 400 years previous. While the cost of living has increased, the comforts and conveniences of living have kept pace with it. The capacity to do business has grown in like measure. We can accomplish as much in a day now as we could in a month 100 years ago.

When I first went to New Mexico in 1896 it took me 52 days to make the trip from Kansas City to Santa Fe; now it is made in less than 30 hours—with much more comfort. Is there not a good and natural reason for the high cost of living? Can we acquire any permanent benefit in the affairs of life without having to sacrifice something for it? If we become more capable to transact business and can do many-fold times more of it in a given period, and, at the same time, enjoy greater satisfaction and pleasure as well as comfort, should we not expect to give up something for it? We can not cut living down to lower prices and of a plainer kind and still keep up the same incomes, especially with the laboring man, whose work goes into the cost of everything produced, nor can we keep up the present mode of living and cut down prices of labor, which is nine-tenths part of the cost of every product. It costs the sheep raiser in New Mexico from \$1.75 to \$2 per head per annum to care for his sheep. They do not yield exceeding 6 pounds per head of wool each year. For that wool, prior to the present season, they were receiving from 17 to 20 cents per pound. Wool some three or four months since was down to 12 cents in New Mexico. After that, owing to the fact that the foreign wools were being held back and stored in the warehouses by the manufacturer, a bigger demand was made upon the wools of the Western States, so there was an increase in the price to about 15 cents a pound last month in New Mexico. It is known that the wool importer is storing his wool to get the benefit of the reduced tariff. He is unwilling to let in any stock or supply of wool or woolen goods beyond what he will need for use until the time when this bill shall go into effect as a law. The result is that the markets for wool abroad are, in a measure, for the present shut out. The American supply is being used up, but it is being used up at a less price than for years past. No wool producer or sheep raiser, with the tariff off both wool and sheep, can expect to realize over 10 cents per pound for his wool in the State of New Mexico.

Possibly some of the wools from the States of Wyoming and Montana, which are of a different grade, may sell for a slightly greater price, but no sheep raiser with his wool cut down to 10 cents per pound, and the market for his sheep as mutton thrown into competition with all the sheep of the world on a free-trade basis, can expect to realize as much for his mutton as he is receiving to-day. Should he dispose of all his sheep, the market will be flooded and prices cut down. That he must expect, and so much he certainly does expect. As I have suggested, he is selling his wool and sheep in markets to-day for money which is only worth two-thirds of what it was 17 years ago. You are undertaking to take off of the value of that sheep the \$1.50 which was imposed on it as a duty, and also the rate per pound which was imposed on the wool as a duty. This certainly takes off one-third of the value of the sheep and one-third of the value of the wool. With a depreciated currency and a depreciated wool and meat value, you will leave him little with which to pay his current expenses and to support himself and family. Can you expect that industry to last? It seems to me no sane man can do so.

You will destroy by this bill the entire sheep and woolen industry. It is true the sheepmen will not lose all the value of

their sheep, because they will put them into the meat markets and realize as much as possible, but they will not realize what they would have been able to realize had the duty on foreign meats and live stock not been taken off, as it will be, by this bill. The sheep of this country are worth to-day \$250,000,000. This industry employs three men on the average for each 1,500 head of sheep, at a salary of not less than \$400 per year and board. This bill will discharge 35,000 sheep employees, receiving each a salary of \$400 per annum. It will cripple the woolen manufacturers by reducing the duty upon their output. In fact, it is liable to destroy the entire business. In 1910 there were 1,124 establishments for the manufacture of woollens in the United States, paying annually wages to the amount of \$88,000,000 and turning out products of the value of \$507,000,000. They had invested in their business over \$500,000,000 of capital, all of which will practically be destroyed by the enactment of this bill into a law.

We imported last year—1913—238,000,000 pounds of wool, which paid a duty of about \$18,000,000 into the Treasury. That amount of duty will be lost to the Treasury except as it is made up by the income tax. We produced last year in the United States over 300,000,000 pounds of wool, every pound of which will have to be imported if you destroy that industry in this country. We will have to send to foreign countries moneys to procure it, which we would otherwise keep at home and also be able to keep on employing 300,000 wage earners now engaged in woolgrowing and the woolen manufactories.

It will be the same in regard to the sugar industry, except in a greater degree. That is an industry which in the last 20 years has increased many hundredfold. To-day it is supplying more than half the sugar needed by our people and the outlook for it 10 years from this day is that it will be supplying more than all the needs of our people. But by this bill at the end of three years it will be closed up. All the wage earners now occupied by it will be put out of employment. It will destroy the manufacturing plants, which can never be used for any other purpose. All the sugar which we produce now you will have to import and pay for by sending money out of this country which we should keep at home. You will lose the duty on the other half which we do not now produce. It is possible that the income tax will make good the duties which we will lose on wool and sugar, but it will not make good the duties which you will lose on other articles which you have placed on the free list and which were heretofore dutiable nor the amounts to which you have reduced hundreds of other articles from what they are under the present law. To supply that additional income to the Government we must rely upon increased importations. It is too uncertain to rely upon the income tax, the amount of which we can only guess at and not accurately calculate. The money for this additional importation must be sent from our supply at home, and that will be several hundred millions of dollars. You expect to reduce the value of every production in the United States to get cheaper living. You expect to do that by making it impossible to produce it in the United States at the present prices of labor and without reducing the price of our food products raised at home.

You expect, also, to reduce it by the importation of vast quantities of foreign products which we do not now have to import, but which we will then have to import to make up the amount of revenue required for the Government and to replace the products which we will have ceased to produce in the United States. You intend to stop the augmentation of our money supply and send away a portion of that we now have. To-day we are rich in the fact that we have a balance of trade to the amount of \$650,000,000 in our favor. That does not mean, however, that our wealth is increasing yearly by that amount; to that you can add the gold and silver coinage in this country, amounting to about \$130,000,000 each year; also, the amount of money investments yearly sent from foreign countries to be put into our railroads, buildings, and manufacturing establishments, and other industries, which may possibly reach \$350,000,000; and also about \$100,000,000 more from other sources, making a total of \$1,230,000,000 of increased wealth each year in the United States. But it must be understood that there will be taken from us annually at least \$250,000,000 spent by tourists of this country; \$200,000,000 paid to foreign shipping, the cost of transporting our ocean freight over and above the amount that we transport of foreign shipping; we also pay into foreign countries at least \$300,000,000 annually as dividends on stock and interest on bonds and other securities which we owe there. The foreign population which comes into our country sends back annually through the banks \$275,000,000, and about 230,000 of them annually return to the Eastern Hemisphere, taking with them another \$75,000,000. Last year we exported from the United States about \$40,000,000 more of gold and silver than we imported, making a total of \$1,140,000,000 which last

year we paid into foreign countries otherwise than for the amount of money brought into our country, showing a difference in our favor between the moneys which we received in this country by way of increase in our wealth and that we expended otherwise in foreign countries of \$90,000,000. This is based upon the business of the last fiscal year as far as I have been able to ascertain it. Of course, this does not constitute all the increase in the wealth of our country. We have the increase in the value of real and personal property, which runs into billions, but that is a species of wealth which can be of no particular benefit to us unless we have the circulation through which to utilize it. It makes no difference if a man's farm should double in value if he gets no greater crop or income from it. Or if his residence in the city should double in value all he gets out of it will be his living in it and no particular benefit from its double value except an increase of credit. In order to make up for the deficit which will be occasioned in closing up the many business establishments will not this bill take from us more than this \$90,000,000? The income tax will only help out so far as the revenue for the Government is concerned. So far as the interest of the people at large, the capitalists, the employer, and particularly the laboring man and his family who are dependent upon small incomes, this change in the financial condition will be felt very grievously. This bill, by closing up various industries, will operate to discharge large numbers of workingmen; and this simply to reduce the cost of living. Those men must either beg or compete at lower prices for the places of others. A crash necessarily must come in their line of business.

Industries will likewise not be able to support themselves and the vast amount of wealth invested in them will become worthless or idle. Some of it may be used in other directions so as to produce a profit and help build up the country. But the destroying of an industry is very much like the destruction of the house upon a lot for the purpose of building one of an inferior value or problematical value. You will lose the use of your lot and house for the time you are waiting, expend your resources and occupy the new house as a pauper rather than an independent individual. There is much danger that by the passage of this bill, immense wealth, great industries, and a great amount of labor must be destroyed or vastly lessened in its productive value. Wisdom and discretion would dictate a much more conservative bill than the one which the majority have resolved to enact. If duties are greater on any industry than its healthy maintenance requires, let them be reduced conservatively until their influence upon that industry is sufficient only for its proper support, and, at the same time, give it a fair competition.

The region of this country embracing the Rocky Mountains and the slopes thereof is peculiarly adapted to the raising of live stock because of its unsettled condition, but that country, owing to the activity, energy, and intelligence of our people, is fast being settled up. Water is the great desideratum there. By reason of the improvements in power and pumping machinery and the lessening of the cost of those articles our people are being rapidly made able to procure water profitably where it was never thought of 20 years ago. The vast plains, which have heretofore been scarcely considered possible for even dry farming, by the use of pumping machinery will be made valuable for live stock, especially sheep, goats, and cattle. By that means lands can be cultivated and such animal foods produced as will enable those people to support 10 head of live animals where they support 1 now. But they must be encouraged. Their industry must not be destroyed and broken down. They must not be driven out of business. They are fast adopting improved ways of getting water. The Government itself is enabling them by the use of the irrigation systems adopted to conserve much of the running water.

They are exploring, as western men always energetically do, the soils and going into and under the soils to find where they can reach underground flows and bring them to the surface. They are discovering that there are greater possibilities in that way than had ever been dreamed of, in this or in any other country, prior to the last 10 or 15 years. The Western States have always worked at a disadvantage. They were the last to have the railroads reach them, and when they did reach them railroad freights were at such enormous rates and prices so high that little aid was given to those people. But those rates are being systematically reduced. New railroads are being built and projected into that country. New resources are being developed. The great area of coal lying in this region is making fuel cheaper and bringing it to the door of the western farmer and producer, so that now he is beginning to have some of the advantages that his eastern progenitor enjoys and which they have enjoyed for more than 100 years. Time will bring down the prices of labor and the prices of commodities and the prices of the necessary cost of living to a nearer general level

throughout this country than it is to-day. That level can not be legislated down. To-day there is a greater difference between the cost of living in the Rocky Mountain portions of this country and that of the New England or Mississippi Valley States than that which exists between eastern United States and European countries on the average. It appears as if the majority in Congress is seeking, or is intending, without due consideration, to enact this bill into a law so that it will operate to turn back the progress of the Western States 20 years, unless it should be changed soon. We have confidence in the justness of the people at large, in their wisdom, and in their sound sense, and we are satisfied that when the effects of this bill are realized by them through their experience, which will be dearly bought, they will quickly return to the conditions under the present law or enact another and a different tariff which will encourage, aid, and elevate all of our industries and labor to a standard which will make our people easy in their circumstances, happy in their living, and proud of being citizens of the United States.

The PRESIDING OFFICER (Mr. LEWIS in the chair). The question is upon the amendment offered by the Senator from New Mexico [Mr. CATRON].

Mr. GALLINGER. Mr. President, I would suggest the absence of a quorum.

The PRESIDING OFFICER. The Senator from New Hampshire suggests the absence of a quorum, which exacts a roll call. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Gallinger	Nelson	Smith, Md.
Bacon	Hollis	Norris	Smith, S. C.
Bradley	Hughes	O'Gorman	Smoot
Brady	Jackson	Overman	Stephenson
Brandegee	James	Page	Sterling
Bristow	Johnson	Polindexter	Stone
Bryan	Jones	Pomerene	Sutherland
Catron	Kenyon	Ransdell	Swanson
Chamberlain	Kern	Robinson	Thomas
Chilton	Lane	Saulsbury	Thompson
Clark, Wyo.	Lea	Shafroth	Thornnton
Clarke, Ark.	Lewis	Sheppard	Tillman
Colt	McCumber	Sherman	Walsh
Cummins	McLean	Shively	Weeks
Dillingham	Martin, Va.	Simmons	Williams
Fall	Martine, N. J.	Smith, Ariz.	Works
Fletcher	Myers	Smith, Ga.	

The PRESIDING OFFICER. Sixty-eight Senators having answered to their names, a quorum is present.

Mr. CATRON. I ask for the yeas and nays upon my amendment.

The yeas and nays were ordered.

Mr. BRISTOW. Mr. President, I desire to say, before the roll is called, that I intend to vote for this amendment, but in doing so I wish to state that the duties on some of the manufactured articles are higher than I think they ought to be, but as compared with the present provisions in the bill I think it better, because it puts a duty on wool. If I myself were fixing the duty, I would reduce the duty on wool somewhat and on a number of the manufactured articles, but, as it provides a substantial reduction from the present law and, as compared with the provision in the pending bill, I believe it more just, though, as I say, the duties are higher than they should be.

The PRESIDING OFFICER. The Secretary will call the roll on agreeing to the amendment of the Senator from New Mexico.

The Secretary proceeded to call the roll.

Mr. LEA (when his name was called). I again transfer my pair with the Senator from South Dakota [Mr. CRAWFORD] to the Senator from Oklahoma [Mr. OWEN] and vote. I vote "nay."

The PRESIDING OFFICER (when the name of Mr. LEWIS was called). The present occupant of the chair desires to state that he is paired with the Senator from North Dakota [Mr. GRONNA].

Mr. McCUMBER (when his name was called). I have a pair with the senior Senator from Nevada [Mr. NEWLANDS] whom I do not see in the Chamber. I transfer that pair to the junior Senator from Maine [Mr. BURLEIGH] and vote "yea."

Mr. OVERMAN (when his name was called). I have a general pair with the senior Senator from California [Mr. PERKINS]. I do not see him in the Chamber and therefore withhold my vote. If I were at liberty to vote, I should vote "nay."

Mr. SMITH of Georgia (when his name was called). I have a general pair with the senior Senator from Massachusetts [Mr. LODGE]. That Senator has not voted, and I therefore withhold my vote. If I were at liberty to vote, I should vote "nay."

Mr. THOMAS (when his name was called). I have a general pair with the senior Senator from Ohio [Mr. BURTON], and therefore withhold my vote. If I were at liberty to vote, I should vote "nay."

Mr. WILLIAMS (when his name was called). I do not see the senior Senator from Pennsylvania [Mr. PENROSE], with whom I am paired. Has he voted?

The PRESIDING OFFICER. The Chair is informed that he has not.

Mr. WILLIAMS. Then I withhold my vote.

The roll call was concluded.

Mr. BRYAN. I have a pair with the junior Senator from Michigan [Mr. TOWNSEND], which I transfer to the Senator from Nebraska [Mr. HITCHCOCK], and vote "nay."

Mr. CHAMBERLAIN (after having voted in the negative). I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. He has not voted, and I therefore desire to withdraw my vote.

Mr. REED. I have a pair with the Senator from Michigan [Mr. SMITH], and in his absence I withhold my vote. If I were at liberty to vote I should vote "nay."

The result was announced—yeas 26, nays 38, as follows:

YEAS—26.			
Borah	Dillingham	McLean	Sterling
Bradley	Fall	Nelson	Sutherland
Brandegee	Gallinger	Page	Warren
Bristow	Jackson	Polindexter	Weeks
Catron	Jones	Sherman	Works
Clark, Wyo.	Kenyon	Smoot	
Colt	McCumber	Stephenson	
NAYS—38.			
Ashurst	Johnson	Ransdell	Smith, S. C.
Bacon	Kern	Robinson	Stone
Bryan	Lane	Saulsbury	Swanson
Chilton	Lea	Shafroth	Thompson
Clarke, Ark.	Martin, Va.	Sheppard	Thornnton
Fletcher	Martine, N. J.	Shields	Tillman
Gore	Myers	Shively	Wardaman
Hollis	O'Gorman	Simmons	Walsh
Hughes	Pitman	Smith, Ariz.	
James	Pomerene	Smith, Md.	
NOT VOTING—31.			
Bankhead	Cummins	Lodge	Reed
Brady	du Pont	Newlands	Root
Burleigh	Goff	Norris	Smith, Ga.
Burton	Gronna	Oliver	Smith, Mich.
Chamberlain	Hitchcock	Overman	Thomas
Clapp	La Follette	Owen	Townsend
Crawford	Lewis	Penrose	Williams
Culberson	Lippitt	Perkins	

So Mr. CATRON's amendment was rejected.

Mr. RANSDALL obtained the floor.

Mr. KENYON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Iowa?

Mr. RANSDALL. For what purpose?

Mr. KENYON. Mr. President, I voted on the amendment offered by the Senator from New Mexico [Mr. CATRON] under a misapprehension. I should like to change my vote from "yea" to "nay."

The PRESIDING OFFICER. The Chair is disposed to hold that the vote can not now be changed after the announcement of the result.

Mr. RANSDALL. Mr. President, I send to the desk an amendment, which I now desire to offer.

The PRESIDING OFFICER. The Senator from Louisiana tenders an amendment, which will be stated.

The SECRETARY. It is proposed to amend, on page 53, by striking out the proviso in lines 11 to 13, inclusive, as follows:

Provided further, That on and after the 1st day of May, 1916, the articles hereinbefore enumerated in this paragraph shall be admitted free of duty.

Mr. RANSDALL. Mr. President, if I understand the principles of the Democratic Party in regard to the tariff, they inculcate the idea that a tariff or duty should be imposed on articles brought into the United States from other countries in order to raise revenue, and it is not permissible or defensible to impose any duty on foreign importations unless a fair degree of revenue be thereby raised. If some incidental protection comes through such a course, that is all right, but the Democrats have never thought it permissible to impose a tariff primarily for protection. Their idea has always been that those articles should be selected for the imposition of tariff duties that would bring the greatest revenue and bear most lightly upon the consumers of the Nation. In seeking articles of that kind, from the very earliest day until this moment, with one brief exception, sugar was considered and found to be the ideal article for producing revenue and for bearing lightly upon the consumer.

SUGAR DUTY LESS BURDENSOME THAN OTHER DUTIES.

That fact, Mr. President, is well illustrated when I tell you that the total per capita cost to all the citizens of the United States of sugar is \$3.97. This includes what the farmer who raises beets and cane gets out of sugar, what the manufacturer who makes the sugar from beets and cane receives out of it, what the refiner who refines it receives from it, and, in addition

thereto, what the Government receives in the way of an annual revenue, which has averaged over \$54,600,000 a year for the last 10 years. Each citizen of this Nation pays on an average for sugar \$3.97, and the Nation has collected annually from sugar for the past 10 years something like \$54,600,000.

Another favorite article of revenue for many years has been wool and the manufactures thereof. The average annual cost to the consumer in America of woolen goods is \$6.39, and from wool we have received a revenue of \$21,000,000 a year.

Another favorite article of revenue has been the manufactures of cotton. Those manufactures cost the citizen \$8.15 per capita per annum, and from cotton goods we receive about \$38,000,000.

Another object for revenue has been steel and iron and the products thereof, and the citizens of this Nation pay an average every year for steel and iron and its products of \$15.85 per capita, while the revenue derived from import duties on steel and iron and the products thereof has been about \$12,500,000.

IDEAL REVENUE TAX.

Therefore, sir, we have sugar giving us \$54,600,000 revenue and imposing a burden on the citizen of something less than \$4 per capita; wool giving us a revenue of \$21,000,000 and imposing a burden upon the citizens of \$6.39 per capita; cotton manufactures giving us \$38,000,000 and placing a burden upon the citizen of \$8.15; iron and steel giving us \$12,500,000 a year revenue and a burden upon the citizen of \$15.85. Let me ask, does it require any difficult calculation to determine which of these commodities is the best revenue producer and which bears most lightly upon the citizen? Unquestionably it is sugar. A bare statement of these facts makes the proof beyond question. So that if the Democratic policy be, as I have stated, to have a tariff for revenue upon such articles as bear lightest upon the citizen, then one of those articles unquestionably is and has always been sugar.

APPROVED BY ALL PAST DEMOCRATIC ADMINISTRATIONS.

Mr. President, in 1789 the first tariff was laid on sugar of from 1 to 3 cents per pound. From that day to this moment, except under four years of the McKinley law, there has been a duty upon sugar, and under the McKinley law, as we all know, there was a duty of half a cent a pound on sugar above No. 16 Dutch standard and a bounty was paid to the sugar raisers of 2 cents per pound. Under that great man of whom all Americans are so proud, Thomas Jefferson, of whom all good Democrats are so fond, and whom they delight to call the founder of their party, there was a duty on sugar of from 1½ to 3 cents per pound; under those illustrious Democrats, Madison and Monroe, for the 16 years of their administrations, there was a duty of from 3 to 12 cents per pound imposed on sugar; under that old war horse of Democracy, Andrew Jackson, followed by his great pet, Martin Van Buren, there was imposed a duty of from 2½ to 12 cents per pound; under Mr. Polk, the Walker tariff of 30 per cent ad valorem; under Mr. Buchanan, another ad valorem tariff of 24 per cent; and under Mr. Cleveland, the last preceding Democratic President, a tariff of 40 per cent ad valorem and one-eighth of 1 cent a pound additional upon sugar over No. 16 Dutch standard.

The Democrats, Mr. President, have ruled this Nation during 56 of the 125 years of our national life. During every moment of the time when they were in power sugar was regarded as an ideal article of revenue and always bore a revenue duty.

DEMOCRATIC PARTY NOT PLEDGED TO FREE SUGAR.

When the Denver platform was adopted in 1908, what did we say about sugar? Nothing, so far as I have been able to find. The platform reads thus:

Material reductions should be made in the tariff upon the necessities of life, especially upon articles competing with such American manufactures as are sold abroad more cheaply than at home; and gradual reductions should be made in such other schedules as may be necessary to restore the tariff to a revenue basis.

That was the Denver platform.

At Baltimore last year we said:

We recognize that our system of tariff taxation is intimately connected with the business of the country, and we favor the ultimate attainment of the principles we advocate by legislation that will not injure or destroy legitimate industry.

Sir, a short while ago, only a few days after the adoption of the Baltimore platform, the Democrats on the Finance Committee of the Senate presented a report to this body on the then pending sugar bill; and that report was signed by Senators Bailey, SIMMONS, STONE, WILLIAMS, KERN, and JOHNSON. Four of those men are now on the Finance Committee. One of them is the chairman of the Democratic caucus of the Senate. Let me read what those gentlemen said at that time, shortly after the Baltimore convention. It has been read in the Senate several times already, once by my distinguished colleague from Louisiana [Mr. THORNTON], once by myself, and perhaps by others;

but it is such good Democracy and bears so strongly upon the question at issue that I can not refrain from quoting from it again:

[Senate Report No. 763, part 2, Sixty-second Congress, second session.]

DUTIES ON SUGAR.

(July 27, 1912.—Ordered to be printed.)

The tariff on sugar is peculiarly a revenue tariff. Very much the major part of the tax levied upon the consumer of sugars and sweets goes actually into the United States Treasury for the use and behoof and benefit of the American people. A minor part of the tax goes into the pockets of the producers. Upon numberless articles in the Payne-Aldrich tariff bill the duties are either prohibitive, or very nearly prohibitive, or highly exploitive, and in all these cases very much the major part of the tax levied upon the consumer goes into the pockets of the American producers, a special and favored class, and very scantily, and sometimes not at all, reaches the Treasury. In the next place the majority of the tariff schedules which have been adopted by the House and sent over to the Senate during this Congress make a reduction of about one-third. In the face of its record in connection with other bills the House reduced the duties upon sugars and the products of cane and sugar beets 100 per cent; in other words, entirely canceled the existing duties. It seemed to us that this was not in keeping with the promise of Democratic platforms to reduce present protective duties "gradually" toward and finally to a revenue basis. We have seen no reason why sugar should have been excepted from the general policy advocated by the Democratic Party and believed by us to be right.

Again, in levying an import duty upon sugar for revenue purposes, we are imitating the time-honored and time-justified precedent.

We have not felt that it was wise to surrender fifty millions of public revenue at one swoop by putting sugar and sugar-cane and sugar-beet products upon the free list, especially in view of the fact that there exist numberless other import duties prohibitive in their character from which the people's Treasury does not procure any money at all, or else a negligible revenue, the practical operation of such taxes being to take money from the pockets of the consumer and put it into the pockets of the producer.

Mr. President, let me ask you and all those within the sound of my voice what change has come over the spirit of the dreams of these distinguished men, four of whom are now on the Finance Committee, when but a short time ago, following the adoption of the Baltimore platform, they declared in the most positive and emphatic manner for a duty on sugar, and now they say sugar must be placed upon the free list? What change has come over the country since then? What great exigency compels us to place sugar upon the free list now, when for 125 years it has borne a duty and been the most reliable revenue producer? What impelling force induces us now to change the policy under which we have worked so long and so successfully, at least so far as a revenue is concerned?

Echo answers What? Mr. President, I have been unable to find any answer, and I do not believe anyone can find any satisfactory answer to this question; and yet it is being done.

REFINERS' FALSE CLAIMS.

Sir, during the last campaign and prior thereto very extravagant claims were made to the American people about the great saving that would result to the citizen if sugar were placed upon the free list. Who made those claims, principally, at least? Mr. Claus Spreckels was largely responsible for them. Mr. Claus Spreckels told his man Friday, one Frank C. Lowry, "to go out and beat the drum and make a noise," and make the American people believe that the duty on sugar was an awful burden; that the duty should be removed from sugar. Friday went out, made the noise, and beat his drum very loudly—so loudly that a great many people in my own party helped him to beat it. According to his own testimony he succeeded in writing, to a great extent, the sugar "dope" which was used in the Democratic campaign book. I am sorry to make this admission, but that is what this gentleman said on oath before the lobby investigating committee, and as there has been no denial of it, so far as I am informed, I imagine it must be true.

Mr. Lowry sent innumerable documents among the American people to make them believe that if sugar were placed upon the free list there would be a reduction of 2 cents per pound in the cost thereof when he knew as well as he knew anything that the total effective rate of duty upon sugar—at least against Cuba, whence practically all of our foreign importations of sugar come—was only 1½ cents per pound, hence there surely could be no greater saving than the total amount of the duty, or 1½ cents instead of 2 cents per pound.

Suppose every American citizen should be relieved of this 1½ cents per pound, how much saving would it be to him upon the sugar he consumes? The Department of Commerce tells us that the per capita consumption annually is about 82 pounds of sugar.

The Bureau of Labor finds that 53.7 pounds per capita are purchased as sugar, to be consumed directly by the householder; that something like 29 pounds are consumed by confectioners, makers of sweet gum, soda water, preserves, jellies, and things of that kind. No one contends that articles of that sort would ever be sold for any less if there should be a slight reduction in the cost of sugar.

Hence the saving on 53.7 pounds, if the whole duty of 1½ cents per pound were calculated, would mean 72 cents per capita per annum.

But, as an offset to this, consider that sugar yields a revenue of \$54,000,000 per annum, and this loss in customs must be collected from the consumer in some other form of taxation. Estimating the population at 90,000,000, there would have to be collected to meet this deficit 60 cents per capita per annum.

This would leave a saving in our national sugar bill of 12 cents per annum per capita, or 1 cent per month for every man, woman, and child in the Union. But there would be no such saving, for the middleman would absorb it all.

Mr. President, why were Mr. Lowry and his principal, Mr. Spreckels, so anxious to have sugar go on the free list? Certainly not to save this 1 cent per month per capita; and they were not deluding themselves, no matter how far they may have fooled the people, when they falsely claimed the saving of 2 cents per pound on every pound of consumption in the United States.

REASON OF REFINERS' CAMPAIGN.

The reason is perfectly apparent. Mr. Spreckels is a refiner. There are a number of large refiners in this country who annually refine something like three-quarters of all the raw sugar brought into this country from Cuba, Porto Rico, Hawaii, and the Philippine Islands. They have made immense fortunes out of sugar refining. But not content with their fortunes, they falsified the weights at the customs warehouse in New York—at least the American Sugar Refining Co. and several other refining companies did so—and the proof of these frauds was so positive against them that they disgorged about \$4,000,000 to the United States Treasury on account of the frauds proved up against them. There has been no proof as yet of frauds committed by Mr. Spreckels's company, although a suit is now pending against him and his company for alleged frauds.

Why do these gentlemen wish to have sugar on the free list? They believe that if it goes on the free list the industry will be destroyed in Louisiana, where about 325,000 tons a year are made. They believe that the rapidly growing beet-sugar industry of the West, where about 700,000 tons annually are being made, will be crippled, and they will be freed from competition. They will control the importation, and do the refining of all this sugar before it is marketable, and will be able to put their own price upon it. It is very natural that they should like to get rid of the competition of the beet growers of the West and the cane growers of Louisiana.

MARVELOUS GROWTH OF BEET-SUGAR INDUSTRY.

While the Louisiana industry has not grown very largely in recent years, owing to unavoidable disasters, the beet-sugar industry has grown by leaps and bounds—from 30,000 tons in 1898 to about 700,000 tons during the last year. It has shown a marvelous growth; and, if the beet-sugar industry is given any chance to continue to grow and prosper as it has in the last 15 years, within 15 or 20 years more the refiners of the Atlantic coast will be literally driven out of business, because the beet factory owner manufactures white sugar out of the beet, and it is ready for the market when it leaves his factory.

The late Secretary of Agriculture, Mr. Wilson, stated that there were 274,000,000 acres of land in the United States well adapted to the cultivation of beets. If 4,000,000 acres out of these 274,000,000 acres were planted in beets and properly cultivated—4,000,000 acres being only a very infinitesimal modicum of the total area adaptable for the purpose—they would produce all the sugar we need in the United States.

If we should encourage this beet-sugar industry as we ought as progressive statesmen, in a few years we would be making not only every pound of sugar needed for home consumption, but would be shipping sugar to other lands. Then what would happen to the refining companies? What would happen to Mr. Lowry and his friends? They would be put out of business beyond any question. So they are exceedingly anxious to have the Democratic Party play into their hands and place sugar upon the free list in order that this competition may be destroyed and they may be permitted to continue in business and charge what they please for sugar. When that good time comes, as it seems to be coming, there will no longer be any necessity for these gentlemen to defraud the Government by false weights. It will cost them nothing then to import their sugar, and they can charge the American people what they wish.

This was forcibly illustrated in the summer of 1911, when there was a short crop in the world. In July and August of that year, before the beet sugar came in, the sugar refiners raised the price to 7½ cents per pound. They raised it over 2 cents per pound, and it stayed up until the beet sugar began to pour into the market, when with that competition they were forced to lower it again. The competition at that time of domestic cane sugar and of beet sugar saved the American people between twenty and thirty million dollars, which otherwise they would

have been forced to pay through the bulling of the market by the refiners, in which course they would have continued had not the natural competition of cane and beet sugar coming on the market destroyed their power.

CHEAP SUGAR INSURED BY ENCOURAGING DOMESTIC INDUSTRY.

Some of the greatest students and experts on this subject in this country, like Mr. W. P. Willett, of Willett & Gray, and Dr. H. W. Wiley, have stated that the only way to insure cheap sugar to the American people was to foster and encourage the growth of domestic sugar. If we could raise enough sugar at home to satisfy our demands, it would be very cheap, but if we destroy the domestic production and then should meet with another shortage in the world's crop, as there was in 1911, instead of getting sugar at 4½ to 4½ cents, as we are getting it now, we shall probably have to pay 7 to 7½ cents, as we did in the fall of 1911, and it may go to 8 cents.

One of the greatest statesmen this world has ever produced, Napoleon Bonaparte, was the first man to really and seriously encourage the production of sugar in the limits of his own country, in order that France might not be dependent upon the markets of the world. As the result of the encouragement at that time by Napoleon and the wise example set by him then, beet sugar has within the past century grown to such proportions that fully one-half of all the sugar consumed in the world to-day is made from beets.

THE PRICE OF FREE SUGAR.

I very much fear that my party, unconsciously I am sure, is playing into the hands of these refiners in placing sugar upon the free list. Beyond question we may have cheaper sugar for a brief term of years, perhaps three or four or five years, sufficiently long to destroy the Louisiana industry, sufficiently long to check and retard and put out of business a great many of the beet farmers of the West, sufficiently long to impoverish and force to the auction block a number of sugar planters of Hawaii and Porto Rico.

I do not say it will completely destroy the industry in the West. Some of the more favored factories may go on for awhile. I do not say it will completely destroy the industry in Hawaii and Porto Rico. But I do say it will give a terrible blow to sugar production in those islands and to beet sugar in the West.

What will it do to Louisiana? It will destroy our industry. It will completely ruin a business in which the people of that State have been employed for over a hundred years. Nearly 200,000 of them are engaged in the business directly and indirectly. There are fully half a million people dependent for a living upon it. There are fully \$100,000,000 invested in the industry. Yet, Mr. President, without excuse or justification, contrary to the practice of 125 years, without any serious demand made by the leaders of the party, without anything in the platform calling for it, without any real benefit to come to the American people, we by this legislation are going to ruthlessly destroy that industry.

Suppose we strike this blow, what is the very greatest benefit that can come in lieu of the \$54,000,000 revenue that we now receive from sugar? What benefit will the citizen get? At the very outside a saving of 12 cents per capita per annum. Is not this a princely sum? And in return for that great saving you are going to destroy a great legitimate American industry in which hundreds of millions of dollars are invested, the continuance of which was guaranteed by the Baltimore platform. You are going to make sad and forlorn the people of Hawaii and Porto Rico and many of the Western States, and you are going to strike a mortal blow at the prosperity of a Southern State which has never wavered in her loyalty to the Democratic Party. Are we justified in doing such a cruel thing? Ah, Mr. President, I can not believe it.

RAW WOOL DESERVING OF DUTY.

I have said that sugar was a legitimate industry. Wool is also a legitimate industry. My party, at the same time it strikes down sugar, is dealing a blow to another product of the farm—raw wool—which has paid to the Government an annual revenue of over \$20,000,000. We are treating the farmers of this country pretty roughly, Mr. President, when we refuse to ask any revenue in this bill from two of the greatest products of the farm—wool, which has given us over \$20,000,000 revenue, and sugar, which has given us \$54,000,000 a year revenue.

I thought we would be more solicitous for the farmers than that. I thought the Democratic Party was for fair play, equal and fair treatment to all the citizens of the Republic. Is it fair play, Mr. President, to place wool on the free list and place a duty of about 37 per cent, if I am correctly informed, upon all articles manufactured out of wool?

I can not wear raw wool. I can not use carpets in the raw woolen state. I can not use blankets in the raw woolen condition. Raw wool is not an article of consumption. It must be

manufactured before it can be consumed. Before the American citizen can buy the woollen article and use it for clothing and covering or for carpets on his floor it must be manufactured.

What is the effect of placing raw wool on the free list? It inflicts a serious blow on the farmer, for raw wool is his finished product. He has to labor hard in the heat of summer and in the cold and the snow of the wintry blasts to care for his sheep. He gets no duty, no modicum of protection or saving care from a solicitous guardian Government under this bill.

But the man who manufactures that wool is to have an opportunity to buy his raw material cheaper. What guaranty has the American citizen that he can buy woollen goods cheaper? Is he allowed to go into the markets of France, Germany, England, and other foreign countries to buy woollen manufactures? Oh, no. This bill imposes a duty on manufactured articles of wool of about 37 per cent.

So it seems to me, Mr. President, if our purpose is to lower the cost of living to the consumer we would have placed the woollen manufactures on the free list and not the raw wool, or at least we would have treated the manufactured article which the people consume in the same way that we treated the raw wool.

Mr. STONE. Mr. President, I should like to ask the Senator from Louisiana how he voted on the wool schedule when it was in committee?

Mr. RANDELL. I voted in committee for the wool schedule as reported, but I announced that I was going to oppose sundry items in the bill, and I repeatedly stated that I favored a duty on raw wool. I stand ready now, if anybody introduces a reasonable measure to put wool on the dutiable list, to vote in favor of it.

Mr. STONE. The Senator voted for the schedule as it was reported. Is that correct?

Mr. RANDELL. I did.

Mr. STONE. Did I understand the Senator to say that he voted in committee and in conference for something he was opposed to and intended to oppose on the floor of the Senate?

Mr. RANDELL. I voted in committee for the schedule and stated that I intended to support a duty on raw wool. Certainly I did. Is there anything inconsistent in that? If there be, the Senator can make the most of it.

ANXIOUS TO SUPPORT BILL.

I have been trying, Mr. President, to get this bill in as good shape as I could, in a shape in which I could support it. I want to support it, and I wish now that you would amend it by giving a reasonable rate of duty on raw wool and a reasonable rate of duty on sugar. These two great products of the farm should be placed on a par with manufactured articles, and if you will amend the bill in that way I will cheerfully vote for it. Indeed, if you will place a duty on sugar in proportion to the average rates carried in this bill—aye, even below the average—I will waive my objection to free wool and other

free agricultural products, as they are not of special interest to my people, and vote for the bill.

I repeat, Mr. President, in my judgment there has been a very unjust discrimination against the products of the farm in placing both wool and sugar upon the free list.

Mr. STONE. If the Senator will allow me—

Mr. RANDELL. Yes.

Mr. STONE. When the woolen schedule was up in the Senate and we were voting on the items—

Mr. RANDELL. I was not present when you voted on the items.

Mr. STONE. On none of them?

Mr. RANDELL. No, sir. I do not recall being present when the items were voted on. I voted against Mr. LA FOLLETTE's amendment, and told him that if he had put a duty of 15 per cent on wool I would cheerfully vote for it. I wanted the raw wool placed on a par with the other items protected.

Mr. STONE. Was not the Senator from Louisiana in his seat when the wool schedule was under consideration in the Committee of the Whole, and did he speak against it or vote against an item in it?

Mr. RANDELL. I do not recall that I voted against an item in it; I do not think I did; but I certainly stated in the committee that I reserved my right to oppose items of the bill of which I did not approve. I voted against several items touching the farm which had not been treated fairly, in my judgment, and I yet intend to vote for a duty on raw wool if I get an opportunity.

Mr. STONE. The Senator said in conference that he reserved the right, as I remember, to oppose the action of the conference on sugar because he was pledged to his people to oppose putting sugar on the free list.

Mr. RANDELL. That is true; and I did not promise to abide by the caucus in any respect unless it met my approval.

Mr. STONE. Was the Senator pledged to the people to vote against free wool or any other item in the wool schedule?

Mr. RANDELL. I made no pledge in regard to wool to my people.

Mr. STONE. Then the Senator is acting on his own motion at this late hour?

Mr. RANDELL. I said to the conference that I would vote on the schedules of this bill as I saw fit; that I could not approve the bill as a whole; that I would favor it in every particular that I could; and that, as I conceived there had been discrimination against some of the products of the farm, I reserved my right to vote not only on sugar but on other schedules—and I have voted several times—against the Democratic side of the Senate in the discussion of this bill.

SECTIONAL DISCRIMINATION.

Mr. President, I have stated that I thought there had been unfair discrimination against sugar and wool. I want to ask careful attention of the committee to a table I have prepared here, which, to my mind, shows some other discriminations in the bill.

Total value of annual products and duties (protection) thereon of all States represented by Democratic Members on the Finance Committee as compared with Louisiana.

[The data given below relating to manufactures and agricultural products are compiled from the last (Thirteenth) census, covering the year 1909, the latest available figures. The data relating to minerals are taken from Mineral Products of the United States, issued by the Geological Survey, and cover the year 1911. The census does not deal with minerals in full; hence the necessity for two sources of information.]

	New Jersey.	Missouri.	Kentucky.	Indiana.	North Carolina.	Georgia.	Maine.	Colorado.	Oklahoma.	Mississippi.	Louisiana.
Value of manufactures (last census, 1909).....	\$1,145,529,000	\$574,111,000	\$223,754,000	\$579,075,000	\$216,656,000	\$202,863,000	\$176,029,000	\$130,044,000	\$53,682,000	\$80,555,000	\$223,940,000
Amount of duty on same under proposed rates.....	171,430,854	74,956,141	87,121,485	81,041,320	77,051,891	20,774,871	16,210,330	2,241,462	1,463,067	1,605,450	8,751,975
Value of agricultural products (1909).....	81,496,519	430,794,006	240,065,837	324,450,550	174,278,611	263,713,786	79,944,539	125,511,941	229,688,621	201,814,398	111,108,436
Amount of duty on same under proposed rates.....	6,735,687	31,302,788	11,903,988	24,902,693	7,408,634	9,008,177	7,803,461	10,245,153	15,589,791	7,511,816	4,326,984
Value of mineral products (1911, Geological Survey).....	27,559,246	52,636,348	18,910,731	37,430,187	2,797,155	6,171,367	4,645,630	51,958,239	42,678,446	1,052,842	12,710,953
Amount of duty on same.....	3,169,804	7,240,002	716,342	2,252,531	472,273	977,695	886,448	1,718,087	504,882	180,895	79,792
Total value of products.....	1,254,574,765	1,107,541,444	482,730,568	940,955,737	393,731,766	472,748,153	200,619,169	307,514,180	306,049,067	283,422,240	347,868,444
Total duties on same.....	181,336,345	116,498,931	99,741,815	111,201,544	84,935,848	30,760,743	24,000,239	14,204,702	17,557,749	9,248,161	13,158,751

New Jersey, 3.6 times value of products; 13.8 times duties. Missouri, 3.2 times value of products; 8.79 times duties. Kentucky, 1.3 times value of products; 7.5 times duties. Indiana, 2.7 times value of products; 8.4 times duties. North Carolina, 1.13 times value of products; 6.45 times duties. Georgia, 1.3 times value of products; 2.3 times duties. Maine, 0.7 times value of products; 1.8 times duties. Colorado, 6.9 times value of products; 1.8 times duties. Oklahoma, 1.08 times value of products; 1.3 times duties. Mississippi, 0.8 times value of products; 0.7 times duties.

I find that in the State of New Jersey there is a total of manufactures and agricultural and mineral products amounting to \$1,254,000,000, with a total duty on these articles of \$181,336,000, if every one of them were imported into this country and if the rates under this bill were put thereon; the State is, therefore, incidentally protected to this imposing amount.

In the State of Missouri I find \$1,107,000,000 of manufactures and agricultural and mineral products. I refer to manufactures as shown by the last census, agricultural products under the same census, and mineral products from the report of the Geological Survey for 1912. The total duties on all of those aggregate products if the articles were imported into

this country and the full proposed rate of duty thereon paid would be \$116,498,000—incidental but quite effective protection.

In Kentucky the total is \$482,000,000 and the duty \$99,000,000—I will give the figures in round numbers; in Indiana the total is \$940,000,000, the duty \$111,000,000; in North Carolina the articles amount to \$393,000,000, the duty to \$81,000,000; in Georgia, \$472,000,000, the duty \$30,000,000; in Maine, \$260,000,000, the duty \$24,000,000; in Colorado, \$307,000,000, the duty \$14,000,000; in Oklahoma, \$366,000,000, and the duty \$17,000,000; in Mississippi, \$283,000,000, the duty \$9,000,000; in Louisiana, \$347,000,000, the duty \$13,000,000. I hope, Senators, you are carrying these figures in your minds, so that you can see the discrepancy.

I find that the manufactures of New Jersey amount to \$1,145,000,000 and the duty thereon to \$171,000,000. Let us compare it with the Louisiana manufactures, amounting to \$223,000,000 and the duty to \$8,700,000. New Jersey is only three and six-tenths times as productive in its annual manufactures, agriculture, and mining as is Louisiana, but the duty is thirteen and eight-tenths times as much.

In Kentucky the manufactures are \$223,754,000, with a duty of what? A duty of \$87,000,000. Louisiana has manufactured products of \$223,949,000, a little more than \$200,000 in excess of Kentucky, but in Louisiana the duty is only \$8,751,000—but one-tenth of the protection on the Louisiana products that there is on the Kentucky products of manufacture. On the Kentucky agricultural products, amounting to \$240,000,000, the duty is \$11,000,000. In Louisiana the agricultural products are \$111,000,000 and the duty \$4,000,000. So you see that the great Commonwealth of Kentucky seems to be much more favored than Louisiana even as to agricultural products.

In minerals Kentucky is credited with \$18,910,000 and a protective duty amounting to \$716,000, while Louisiana has \$12,110,000, with a protection of only \$79,000. So the same proportion keeps up. Kentucky favored ten times as much, through incidental protection, in the matter of manufactures and minerals as the State of Louisiana.

How about the Old North State—North Carolina? Her manufacturers amount to \$216,000,000, with a protective duty of \$77,054,000, as against Louisiana's protection of \$8,751,000, or more than nine times the protection on the North Carolina products that is accorded to the Louisiana products.

Of course, when I speak of Louisiana products I am treating sugar, now one of the greatest, as on the free list. The calculation is made with the idea that sugar is on the free list, as it goes there shortly—less than three years from the present time.

How does Mississippi fare in this bill? Why, she does not get quite as good treatment as does Louisiana. Mississippi's total is \$283,000,000, with a protection of \$9,248,000, as against the Louisiana total of \$347,000,000 with a protection of \$13,000,000. Mississippi is a great agricultural State, as is Louisiana.

Oklahoma does not receive very much protection in this bill. The total value of its products—agricultural, manufacturing, and mineral—is \$366,000,000, and all it gets is \$17,557,000 in the way of protection.

How is it with the State which many of its citizens love to call the Empire State of the South—old Georgia? It has \$472,000,000 in the total value of its manufactures, its agriculture, and its minerals, with a protection of only \$30,000,000.

Mr. President, I shall not take longer the time of the Senate to read this table, but I shall publish it with my speech, and I ask every Member of the Senate to consider that table carefully; and if he does consider it carefully, he will see that the manufacturing States are receiving much greater solicitude and care, inadvertently or in some way, I know not how, than are the purely agricultural States.

I shall also publish tables showing the great advantage given to the manufacturing States over the agricultural States. (Appendices A and B.)

FARM PRODUCTS ENTITLED TO FAIR TREATMENT.

Would it not have been wise to give agriculture the same kind of incidental protection by placing wool and sugar under as fair a degree of duty as we are meting out to the manufacturing States?

Why, let me repeat, were these great products of the farm singled out for slaughter while manufactures under this bill were taken such good care of by an average, if I mistake not, of about 29.4 per cent on cotton manufactures, an average on woolen manufactures of 37.23 per cent, and an average on steel and metals of 18.33 per cent? We have been particular for the manufacturing interests in this bill, but, I repeat, sir, we have not given the same degree of solicitude to the products of the farm.

COMPELLED TO OPPOSE BILL.

Mr. President, I have already spoken longer than I had intended. This is to me one of the saddest moments of my life. I little thought when the Baltimore platform was adopted and the campaign of 1912 was being conducted that I would be compelled to oppose my party in this the first great piece of constructive legislation which the Democrats have been enabled to enact in more than 16 years. For the past 14 years I was a Member of the House of Representatives, and I have a record for party loyalty and fealty which, in my judgment, does not suffer in comparison with that of any Senator in this Chamber; and I regret keenly the position in which I am placed with regard to this measure. I would not oppose it if not impelled so to do by a stern sense of duty, but I do not consider this bill framed along lines equitable and just to every portion of this Republic; especially is it not framed along lines fair and equitable and just to the State I have the honor in part to represent.

SUGAR AN ISSUE IN LOUISIANA CAMPAIGN.

Furthermore, Mr. President, as I have stated in the caucus of my party, when I was a candidate for the United States Senate against my predecessor, the Hon. Murphy J. Foster, the issue of a duty on sugar appeared in that campaign. I am a resident of extreme northeastern Louisiana, in the cotton section; there is not a pound of sugar raised within 150 miles of my home. Senator Foster was a resident of the sugar section, in the very heart of the sugar belt. He had been an eager and strong champion of legislation in behalf and for the benefit of sugar whenever there was any attempt to injure that great commodity. Southern Louisiana, where Senator Foster resided, has a much larger white population than has my portion of the State. It was thrown in my teeth and I was taunted with the charge that if elected to the Senate and there should be any attempt at adverse legislation I would not be true to the interests of sugar; that I would stand for cotton and not for sugar. I replied then, as I had stated in my opening speech made in north Louisiana—and I talked in the same way in every part of the State—that if elected to the Senate I would do everything a human being could do—that is, everything that one of my limited ability could do—to prevent the destruction of the great sugar industry.

But, said I, "Gentlemen, there is not the slightest danger that the Democratic Party, with its past record of 125 years of a revenue duty on sugar, will now change that policy and attempt to place sugar on the free list. If the party wins, as I hope and believe it will, sugar must stand a pro rata reduction along with other articles in the tariff bill, but there is not the least danger of it being placed upon the free list."

I believed that as sincerely as I ever believed any statement in my life. I was honest in making the statement. I had a right to believe my party would never attempt to place sugar on the free list. And having made that statement, not once, but time and again, during that campaign, and having received a great many votes from all portions of southern Louisiana on the faith of my promise to do everything possible for sugar, and feeling and believing, as I do, that the passage of this bill in its present form means the absolute destruction of that industry—believing the statement made by the distinguished Senator from Mississippi [Mr. WILLIAMS] that free sugar will dismantle every sugar factory within the State of Louisiana—I can not, as a man of my word, vote for this bill if it contains, when it comes to the final vote, the present sugar provisions.

COOPERATED WITH PARTY TO PERFECT MEASURE.

I am sorry to be obliged to take this step. I have hoped against hope; I have been with my party associates in the caucus, aiding as best I could to perfect the bill. In its consideration here I have voted 75 times with my Democratic colleagues and only 8 times against them. Of these 8 votes 1 was to place a small duty on hemp, another for a duty on potatoes, 3 for a duty on wheat, 2 for a Democratic duty on sugar and maple sugar, and 1 to prevent a duty from being imposed on bananas, which are now admitted free. All the time I have hoped that the bill might finally be so amended that I could give it my support, and I sincerely regret that I can not do it.

In conclusion, Mr. President, without claiming the gift of prophecy, I say unhesitatingly that, in my judgment, before the three years have rolled around which will place sugar upon the free list, dismantle the factories of Louisiana, condemn thousands of people there who are now in easy circumstances to poverty and distress, and bring ruin upon a great many engaged in sugar production in our Western States, Hawaii, and Porto Rico, the Democratic Party will hear from the people of this Nation in no uncertain tones.

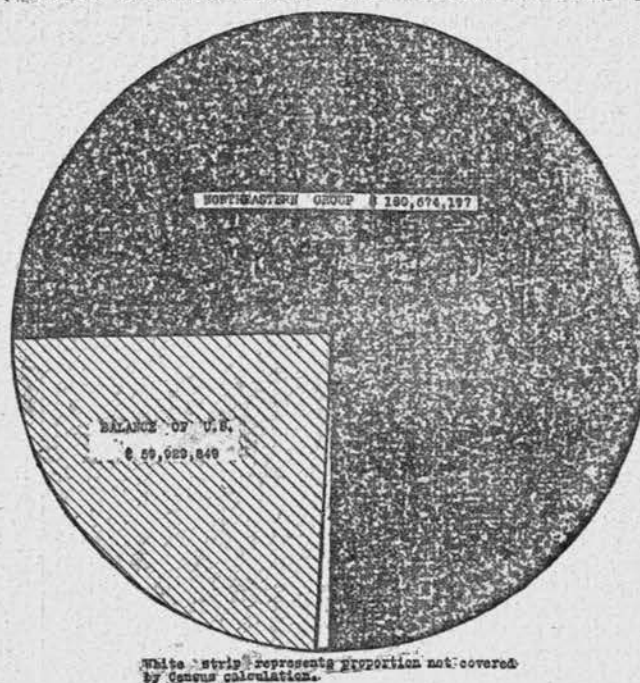
APPENDIX "A," SHOWING THE RELATIVE AMOUNT OF BENEFIT DERIVED BY THE AGRICULTURAL AND MANUFACTURING SECTIONS OF THE UNITED STATES FROM THE IMPORT DUTIES UNDER THE BILL AS REPORTED TO THE SENATE.

RELATIVE AMOUNT OF DUTY ENJOYED BY THE TWO GROUPS OF STATES UNDER EACH SCHEDULE.

SCHEDULE "A" CHEMICALS, OILS & PAINTS	\$ 8,590,375
	\$ 3,608,457
SCHEDULE "B" EARTHES, EARTHENWARE & GLASSWARE	\$ 6,552,551
	\$ 2,133,183
SCHEDULE "C" METALS & MANUFACTURES OF	\$ 12,034,884
	\$ 1,564,253
SCHEDULE "D" WOOD & MANUFACTURES OF	\$ 471,709
	\$ 400,497
SCHEDULE "E" SUGAR, MOLASSES & MANUFACTURES OF	\$ 26,409,028
	\$ 13,306,974
SCHEDULE "F" TOBACCO & MANUFACTURES OF	\$ 15,765,008
	\$ 10,218,648
SCHEDULE "G" AGRICULTURAL PRODUCTS & PROVISIONS	\$ 7,061,888
	\$ 10,822,367
SCHEDULE "H" SPIRITS, WINES & OTHER BEVERAGES	\$ 13,331,746
	\$ 5,867,520
SCHEDULE "I" COTTON MANUFACTURES	\$ 8,155,950
	\$ 1,903,055
SCHEDULE "J" FLAX, HEMP & JUTE, & MANUFACTURES OF	\$ 7,665,293
	\$ 1,664,240
SCHEDULE "K" WOOL & MANUFACTURES OF	\$ 11,807,668
	\$ 677,392
SCHEDULE "L" SILKS & SILK GOODS	\$ 12,176,059
	\$ 125,406
SCHEDULE "M" PAPER, BOOKS, ETC.	\$ 2,702,376
	\$ 352,346
SCHEDULE "N" SUGAR	\$ 47,932,670
	\$ 7,105,315

In Schedules C, I, and K a small fractional percentage, almost negligible, was not shown in the compilation of the Census Bureau because of the regulations governing the publication of census returns.

Under Schedule G, covering "Agricultural products and foodstuffs," \$3,990,000 of the aggregate proposed to be raised is levied upon products—principally tropical fruits and seed—which are not grown in either section. This amount is carried in the "Not segregated" column of the table shown in Appendix B.



The Underwood bill, as amended by the Finance Committee and reported to the Senate, was intended to raise \$247,780,723 from import duties.

In the accompanying chart the benefit or protection derived from the bill by the agricultural and manufacturing sections of the United States is shown in striking fashion.

The chart and diagrams are based upon figures furnished by the Census Bureau. They indicate the relative importance of the industries that are to be benefited in the two sections and the amount of incidental protection they will receive from each of the schedules carried in the bill.

That section of the United States lying east of the Mississippi River and north of the Potomac and Ohio Rivers, in which the manufacturing industries of the country predominate, receives \$180,674,000 of the \$247,780,000 provided for in the bill.

The vast section south of the Potomac and Ohio Rivers and west of the Mississippi, stretching from the Atlantic to the Pacific Oceans, and which is devoted principally to agriculture, receives \$59,929,849.

And yet the vast agricultural section, which is to receive only a quarter of the benefits derived from the import duties to be raised, contains just twice as many States and maintains a larger population.

The benefits carried by the bill are as a matter of fact even more restricted than is indicated by the chart and diagrams. The Bulletin on Manufactures for the last census says on page 19: "The three Middle Atlantic States, New York, New Jersey, and Pennsylvania, together, reported more than one-third of the total value of manufactured products of the country."

APPENDIX B.

Showing the advantage given the manufacturing States over the agricultural States. Also the amount intended to be raised under each schedule that is not charged to either section.

State groups.

Schedule.	Dutiable list.	Entire United States.	North-eastern group.	Per cent.	Balance of the United States.	Per cent.	Not segregated.	Per cent.
A	Chemicals, oils, and paints.....	\$12,486,011	\$8,590,375	68.8	\$3,608,457	28.9	\$287,178	2.3
B	Earthenware, and glassware.....	9,000,787	8,552,551	72.8	2,133,179	23.7	315,027	3.5
C	Metals, and manufactures of.....	14,092,370	12,034,884	85.4	1,564,253	11.1	479,140	3.4
D	Wood, and manufactures of.....	898,495	471,709	52.5	420,497	46.8	6,289	.7
E	Sugar, molasses, and manufactures of.....	40,196,405	26,409,038	65.7	13,706,974	34.1	80,393	.2
F	Tobacco, and manufactures of.....	26,001,650	15,783,002	60.7	10,218,648	39.3		
G	Agricultural products and provisions.....	21,863,368	7,061,868	32.3	10,822,367	49.5	3,979,133	18.2
H	Spirits, wines, and other beverages.....	18,987,140	13,331,746	70.4	5,567,520	29.4	37,874	.2
I	Cotton manufactures.....	10,069,075	8,155,950	81.0	1,903,055	18.9	20,138	.2
J	Flax, hemp, jute, and manufactures of.....	9,789,648	7,665,293	78.3	1,664,240	17.0	460,113	4.7
K	Wool, and manufactures of.....	12,548,000	11,807,668	94.1	677,592	5.4	50,192	.4
L	Silks and silk goods.....	12,360,465	12,175,059	98.5	185,406	1.5		
M	Papers and books.....	3,145,955	2,702,376	85.9	352,346	11.2	91,233	2.9
N	Sundries.....	56,391,396	47,932,678	85.0	7,106,315	12.6	1,353,393	2.4
	Total.....	247,780,723	180,674,197	.....	59,929,840	.....	7,160,103	.....

Mr. JAMES. Mr. President, the speech made by the Senator from Louisiana [Mr. RANDELL] in a great many respects is but a reiteration of a speech made by him two months ago. He explained to us then that he was making the race for Senator against Senator Foster, who was a devoted friend of sugar; that he lived in the cotton part of the State; and that he out-sugared Foster before the people of Louisiana. He told them he was devoted to sugar; that never so long as he stood on this floor would he vote to place sugar on the free list. But I am somewhat surprised to find now that my friend is not only leaving his party on one issue, but that he is also leaving it on many issues and is making haste to get into the ranks of the Republican Party, because he has joined them upon the question of opposition to free wool.

Now, the Senator tells us that \$4 per family is all that it will cost the people to have a tax upon sugar. This I deny. It will cost \$7 per family per year. But suppose it only cost \$4. Is that any justification for it? Can any man rise in the Senate of the United States or in the House of Representatives and say that "I want to take only a little from each consumer of the United States" and justify a wrong upon the theory that he only takes a little? The question is, Are you entitled to take it at all? You can not justify it upon the ground that you do not take all that a man has. The trouble in this land that pinches the consumer is that the Meat Trust wants to take just a little, the Wool Trust wants to take just a little, the Sugar Trust wants to take just a little, the Steel Trust wants to take just a little, and after all the trusts have taken just a little they have got all the consumer has. [Manifestations of applause in the galleries.]

The Senator tells us that in 1789 there was laid upon sugar a tax of a cent and a half a pound, and from that time on it has varied throughout all the years from a cent and a half to 3 cents, and that because the favor of the Government has been showered upon the sugar producers of Louisiana and other States for 125 years it must not be taken away from them. That is the old protection argument. When the industries were first protected it was said, "Do not take their protection away from them, because they are too young"; and now, after you have had it for 125 years, you say, "Do not take our pap from us, because we are too old." [Laughter.]

For 125 years they have had their hands in the pockets of the American consumer, taking just a little; that is all. Just a little from each of 20,000,000 breakfast tables; just 2 cents upon each pound of sugar that the poor man carried home; that was all. "But it is just a little, and therefore you ought not to stop us from petty pilfering." [Laughter.] It has mounted into millions, but they got just a little at the time.

For 125 years you have struggled. The favor of the Government has been given to you, and what do you tell us now? That if we take this taxing power of the Government from you, which is no natural right of the Louisiana cane-sugar producers, it will confiscate your property.

How many millions of dollars of the American consumer have you confiscated in 125 years—a confiscation that reached into the cabins and cottages of the poor, a confiscation that touched the tables of the humble? And yet, because we want to take from you the favor that was not yours by right, you say you have a vested right of taxation.

Wrong never did have and wrong never will have a vested right in this Republic. Confiscation of your property! How

much money is invested in the production of cane sugar in that State? I have here a statement issued by those interested in Louisiana, protesting against this law, and they say \$100,000,000 is the amount invested. How much of it is in land? Seventy million dollars. Will it confiscate the land? No; it will be as fertile after sugar is placed upon the free list as before. It will yield to the touch of the laborer in every other use to which it may be put, as much so as the blue-grass fields of Kentucky. It is the most fertile land in the world. It will grow cotton, it will grow corn, it will grow any other product that the soil of my own State will produce. The land will be left, even according to the Senator's argument.

They tell us that \$10,000,000 is invested in mules. Placing sugar upon the free list will not kill the mules; they will be left. [Laughter.] Seventy millions in land and ten millions in mules leaves twenty millions in your factories and in your plantation railroads. You say it will destroy them. For the purpose of the argument, I am willing to concede your premise. How much do you ask to have the American people taxed each year rather than confiscate twenty millions of factories and of plantation railroads? You ask that they shall be taxed to the extent of \$140,000,000 a year.

Since the Dingley bill was passed the amount of sugar taxes collected has been two thousand millions of dollars. Eight hundred millions of it went into the Treasury, and twelve hundred millions of it went into the coffers of the sugar monopoly. One hundred and forty-two million dollars a year is what it costs. Twenty million dollars is the amount, the Senator says, invested in sugar factories and in plantation railroads.

Mr. RANDELL. Mr. President, will the Senator yield for a question?

The VICE PRESIDENT. Does the Senator from Kentucky yield to the Senator from Louisiana?

Mr. JAMES. I yield to the Senator.

Mr. RANDELL. Will the Senator kindly tell us how he gets those figures—\$142,000,000?

Mr. JAMES. Oh, it is well known to everybody how the amount of \$142,000,000 is arrived at. Everybody knows that the amount of sugar consumed in this country per capita is practically 80 pounds, and everybody knows that the amount of revenue derived is about \$52,000,000, and everybody knows that the \$1.90 per hundred pounds is the protective rate—which is the amount that is collected upon the refined sugar by the sugar monopoly—is placed in their pockets. That is the amount collected upon the amount of sugar that they themselves manufacture and sell to the consumer here. That makes the \$142,000,000.

Mr. RANDELL. Will not the Senator admit that the real protective rate of duty on sugar is 1.34 cents a pound paid to Cuba?

Mr. JAMES. Ah, Mr. President, that is too transparent for the Senator to ask me, for the Senator knows as well as I do that that is the protection against raw sugar. But what is the protection against refined sugar? There is no refined sugar imported here.

Mr. RANDELL. We do not import any refined sugar.

Mr. JAMES. Ah, certainly not. We imported into this country last year only 2,000 pounds of refined sugar. Consequently after the Sugar Refining Trust in this country have the raw sugar at 1.34 cents per pound and have refined it they raise the price to 1.90 cents per pound, the amount of the pro-

tection upon refined sugar. They have that protection against refined sugar that comes from the countries of the world in competition with them.

Mr. RANDELL. Mr. President, I want the Senator to state distinctly now, so that I can understand him, whether he differs from all of those students of the subject who say that as we import our sugar from Cuba and, the real rates of duty on sugar from Cuba is 1.34, the protection is 1.34.

Mr. JAMES. I will answer the Senator, if he will kindly permit me to proceed. I am perfectly willing to answer any and all questions that he may desire to propound, but I do not desire to delay the Senate unnecessarily. There has been made here speech after speech against free sugar, and I have not up to this time undertaken to reply. The Senator from Louisiana has made four speeches. I will say to the Senator that my position is this: There is no refined sugar imported into this country. The raw sugar comes from Cuba at 1.34, as he says; but the imported refined sugar has to pay 1.90 to get into our markets against the Sugar Trust, which refines the sugar and controls the market, so the amount of protection given the Sugar Trust is the amount placed upon refined sugar, which is 1.90 per pound. The Senator will not deny that sugar is controlled by a trust. If he did, the Senate would not reckon his denial as accurate.

Mr. RANDELL. What about the beet-sugar production of 700,000 tons?

Mr. JAMES. Ah, the Senator can ask me "What about beet sugar?" but the Senator knows as well as I do that a committee of the House of Representatives, composed of Republicans and Democrats, found that sugar in this country was controlled by a trust. But let us proceed.

Mr. President, as the Senator from Arkansas [Mr. CLARKE] said in the Democratic conference, sugar production in Louisiana has been civilized out of existence. Unless you will do away with your antiquated machinery, unless you will supplant with modern machinery for sugar manufacture those old, open-kettle mills, you can not hope to compete with the world. Sugar is produced in Cuba for 2 cents a pound. It is produced in Java for a cent and a half a pound. It is produced in Hawaii for about 2 cents per pound. It is produced in Porto Rico at about the same figure. How much does it cost in Louisiana? It costs 3½ cents a pound to produce it. Why? Because the sucrose matter of the sugar cane of Louisiana is but 6 or 7 per cent, while the sucrose matter of the sugar cane of Cuba is from 11 to 14 per cent. What you want is a tariff that will make the sucrose matter of your sugar cane, which is only 6 or 7 per cent, bring as much as the sucrose matter of the sugar cane of Cuba brings, which is from 11 to 14 per cent. What the Senator from Louisiana wants is not a tariff that will equalize the cost of production but one that will equalize the amount of the sucrose matter in the cane of Louisiana with that of the cane of Cuba. And why does that difference exist? In Cuba the cane has to be planted only once in every 10 years.

In Louisiana it has to be planted once in every year. Why? They have to cut the cane early in Louisiana, because they fear the frost. They do not have to do that in Cuba. What the Senator desires is that we shall write upon the statute book of this land a tax which shall be paid by the people who consume sugar, so as to make sugar-cane growing as profitable in a temperate climate as it is in a tropical climate. Nature itself has decreed, and its decree is beyond the effect of all law, that sugar is more easily and cheaply produced in tropical climates than in temperate climates. I am unwilling to deny the sugar-consuming millions of America the natural advantages that God gave to the soil of the world in the cheapness in the production of sugar. God Himself made Cuba, as he made Louisiana. He made Cuba a tropical climate, where the production of sugar is indigenous to its soil. The production of sugar in Louisiana is not indigenous to the soil to the same extent that it is in Cuba. That is the trouble with Louisiana. They have to cut their cane early for fear of the frost. In Cuba it is allowed to stand, and the sugar content in the cane is greater. I am unwilling, Mr. President, to make the sugar consumers of my country pay a protective tariff on sugar that is produced in a tropical climate as it comes in competition with sugar produced in a temperate climate.

But let us see further. My friend spoke of Thomas Jefferson. He spoke of him kindly. I am glad to hear that whatever may have been the waywardness of my friend from the highway of the old party of Democracy, he still has a hankering after Thomas Jefferson. [Laughter.] He tells us that Jefferson

would have said practically that a tariff upon sugar was a proper tariff. Mr. President, I only know what Jefferson would have said by what he has said, and here is what he did say:

Taxes upon consumption, like those upon capital or income, to be just must be uniform. I do not mean to say that it may not be for the general interest to foster for a while certain infant manufactures until they are strong enough to stand against foreign rivals, but when evident that they will never be so, it is against right to make the other branches of industry support them.

Mr. President, Thomas Jefferson said it would be against right to make the other branches of industries support them. When? When it had been demonstrated that they would not be able to stand alone. In God's name, how long would Jefferson have said it would be necessary to have demonstrated that to him? One hundred and twenty-five years? Certainly that is long enough. That is the length of time you have had a tariff upon sugar.

But he proceeded:

When it was found that France could not make sugar under 6 h. a pound, was it not tyranny to restrain her citizens from importing at 1 h.? Or would it not have been so to have laid a duty of 5 h. on the imported?

Suppose I had paraphrased that.

When it was found that Louisiana could not make sugar under 3½ cents per pound, was it not tyranny to restrain her citizens from importing it at 2 cents per pound; or would it not have been so to have laid a duty of 2 cents per pound upon the imported?

There is the language of Thomas Jefferson himself upon the question of sugar.

The Senator spoke of McKinley. McKinley was a great President. He wrought well for his country in every position to which he was called. But I desire to call my friend's attention to the fact that President McKinley, too, said something upon sugar. Here is what he said in a speech in the House of Representatives:

Last year we paid \$55,000,000 out of our pockets to protect whom? To protect the men in the United States who were producing just one-eighth of the amount of the consumption of our sugar. Now we wipe this out, and it will cost us to pay the bounty \$7,000,000 every 12 months, which furnishes the same protection at a very much less cost to the consumers. So we save \$48,000,000 every year and leave this in the pockets of the people. Sir, when we lift from the American people the vast sum of \$48,000,000 of taxes, they can put up every 12 months 48,000 houses, costing \$1,000 apiece.

So, in the language of the lamented and departed McKinley, I say to-night that we want to lift from the backs of the consumers of America not \$55,000,000, but \$140,000,000, and that vast sum saved to them will give them an opportunity to erect 140,000 houses that cost \$1,000 each.

But, our friend says, this is a revenue duty. How much revenue do you derive from it? You do not derive any revenue from the sugar produced in this country. Practically one-half of the sugar consumed in the United States by our people is produced in continental United States and in our insular possessions. Not quite one-fourth of the sugar consumed by our people is produced here. Notwithstanding 125 years of protection, notwithstanding 125 years of aid to the infant industry, not quite one-fourth of the sugar consumed by our people is produced here. A little more than one-fourth is produced in Porto Rico and Hawaii and the other half is imported from Cuba.

The sugar that we produce here, in Porto Rico, and in Hawaii does not pay a dollar of tax into the Federal Treasury. Only the sugar that comes from Cuba or from the other countries of the world pays any tariff.

Who gets the tariff from the sugar produced in continental United States and Hawaii and Porto Rico? The Sugar Trust gets it. You talk about its being a revenue measure. It is not even a 50 per cent revenue measure. A real revenue tax on sugar would be a consumption tax. But you dare not impose that, because all of the money paid would go to the people's Treasury, and as it is now \$90,000,000 of it goes into the pockets of the Sugar Trust and \$52,000,000 of it goes into the Federal Treasury every year.

Mr. RANDELL. Mr. President, may I ask the Senator a question?

The VICE PRESIDENT. Does the Senator from Kentucky yield to the Senator from Louisiana?

Mr. JAMES. Certainly.

Mr. RANDELL. My friend seems to be troubled about the trust. I want to know, if he can tell me—I have never gotten a satisfactory answer to it—why it is that the trust is so anxious to have sugar on the free list?

Mr. JAMES. Oh, I hope the Senator will not undertake to deflect my argument from the one I am now making.

Mr. RANSDELL. I withdraw the question if it embarrasses the Senator.

Mr. JAMES. No; the Senator need not withdraw it. The Senator propounded that question to me the last time I spoke upon this question, and I answered it, I thought, to the entire satisfaction of the distinguished Senator.

You tell us the sugar refiners are a trust. If they are, why do you want to give them 1.90 cents per pound protection against the consumers of the United States?

Mr. RANSDELL. I want to make competition.

Mr. JAMES. Ah, you want to make competition. You want to give to the sugar refiners in the United States 1.90 protection against the other sugar refiners of the world. I want to open the markets of the United States and let sugar, whether it is refined in Germany, in Java, in Cuba, or in any other part of the world, come in here free of tax. You want \$1.90 protection per hundred pounds of refined sugar raised up in front of the Sugar Refining Trust of the United States.

But, Mr. President, the Senator told us that we would have cheaper sugar for two or three years. It is really refreshing to know that we would have cheaper sugar even for two or three years. They always argued that if you placed sugar on the free list the awful Sugar Trust, which does not exist in the world, will do what? Will immediately monopolize the sugar production and the sugar sale of the world and raise the price of sugar upon our consumers; that with all the different countries of the earth, speaking different languages, differing in habits, in religion, and in government, each one of them with an ambition to conquer the other one in the marts of trade, each one struggling against the others for the commerce of the world, the Senator tells us they will immediately monopolize the price of sugar, which they have never done and have never undertaken to do, just as quickly as we allow them to have 100,000,000 more consumers.

Mr. President, the very idea! When sugar all these years in the markets of the world has been unmonopolized, to say that because we give them 100,000,000 more consumers they will do what they never have done, and what they have never undertaken to do, to monopolize the price of the world's market, is preposterous. Why is it that during all the centuries of the past they have never undertaken to monopolize the world's production and sale of sugar? Why is it they should wait all these years to monopolize the world's production and sale of sugar?

But I have, as against your prophecy and against your prediction and against your conjecture, a Sugar Trust in the United States within the protected boundary found guilty by a committee of Congress, composed of both Democrats and Republicans. It was a unanimous report agreed to by all the members of the committee. So my statement as to a Sugar Trust existing in the United States is not a prophecy, but a reality. The trust that I am undertaking to deal with is one that does exist, against your trust about which you prophesy, about which you predict, about which you conjecture and that never has had, and it is impossible for it to have, an existence.

But the Senator from Louisiana [Mr. RANSDELL] tells us about beet sugar. He tells us that beet sugar will still continue, he believes. Mr. President, I want to read to the Senate the evidence taken by the Hardwick sugar investigating committee on the amount of profit made by sugar-beet farmers.

How much is the profit that we make upon corn and upon wheat? I have the report here from the Crop Reporter of June, 1911, published by the authority of the Secretary of Agriculture of the United States, on page 47, which is as follows:

The estimates of cost of producing oats in 1909 given in this number of the Crop Reporter are the results of the tabulation of about 5,000 reports from correspondents of the Bureau of Statistics. A similar statement in regard to cost of producing corn was published in the April Crop Reporter and wheat in the May Crop Reporter.

The schedule of inquiry called for the following information: Cost per acre of (1) commercial fertilizer, (2) preparing ground for seed, (3) seed, (4) planting, (5) gathering or harvesting, (6) preparing for market, (7) wear and tear on implements, (8) rent of land or interest on its value, (9) other items of cost, (10) total cost, (11) average yield of product per acre, (12) value per bushel, (13) value of crop per acre (not including by-products), (14) value of by-products, (15) average size of fields (acres), (16) average value per acre of land growing the crop reported upon.

The following note accompanied the schedule of inquiry: "The cost of labor and teams, whether owned or hired, should be estimated upon the basis of the prevailing rate of wages paid, whether the actual work is done by owner or hired labor. Under cost of preparing ground for seed include cost of applying manure, if any. Under cost of cultivation include all costs from the time the crop has been planted until it is ready to harvest. Include in cost of thrashing or preparing for market all costs from time crop has been gathered from fields until it is ready for use or market. Let estimates be for your own or any

typical farm in your vicinity. Add such remarks as will help to explain any figures given."

A summary of the principal items for wheat, corn, and oats is as follows:

Item.	Wheat.	Corn.	Oats.
Cost per acre, excluding item of rent.....dollars..	7.85	8.52	7.13
Cost per acre, including item of rent.....do.....	11.15	12.27	10.91
Value of grain, per bushel.....do.....	.96	.62	.40
Value of grain, per acre.....do.....	16.48	20.09	14.08
Cost per bushel, excluding item of rent.....do.....	.46	.26	.20
Cost per bushel, including item of rent.....do.....	.66	.38	.31
Value less cost per acre, excluding rent.....do.....	8.75	11.57	6.95
Value less cost per acre, including rent.....do.....	5.44	7.82	3.17
Value less cost per bushel, excluding rent.....do.....	.50	.36	.20
Value less cost per bushel, including rent.....do.....	.31	.24	.09
Excess of value over cost, excluding rent.....per cent..	116	136	97
Excess of value over cost, including rent.....do.....	50	64	29
Average size of fields.....acres.....	59.6	30.2	25.5
Value per acre of land.....dollars.....	54.59	59.46	70.48
Percentage of rental to land value.....per cent.....	6.3	6.3	5.4

which shows that the farmer who grows corn made a net profit per acre in 1909 of \$7.82, that the farmer who grows wheat made a net profit per acre of \$5.44, that the farmer who grows oats made a net profit of \$3.17 per acre. Another issue of same reporter shows that the farmer who grows cotton made a net profit of only \$6 per acre. How much do you suppose the profit of the sugar-beet farmer was? I have the testimony here taken before the Hardwick committee. I hold it in my hand now. Fourteen of the first twenty-odd witnesses who testified show that the sugar-beet grower made an average net profit per acre of \$43 upon his production of beets. Yet the farmer who grows cotton in the South makes only \$6 as a net profit per acre. The farmer who toils in the wheat fields of the West and South only makes a net profit of \$5.44 per acre. The farmer who toils in the cornfields of the land makes only a net profit of \$7.44 per acre—

Mr. BRISTOW. Mr. President—

Mr. JAMES. They toil in the heat of the summer, and yet he wants to tax them in order to give a profit to the sugar-beet grower, who makes five times as much per acre as they do.

The VICE PRESIDENT. Does the Senator from Kentucky yield to the Senator from Kansas?

Mr. JAMES. I yield.

Mr. BRISTOW. May I inquire of the Senator how much per acre the grower of tobacco makes on his crop?

Mr. JAMES. I thought you would bring in tobacco. Yes; I can tell the Senator. The farmers in Kentucky in the last 10 years have not made \$10 net profit per acre for their tobacco, and in many of the disastrous years when the Tobacco Trust controlled our market there they never made a dollar net profit upon their tobacco. I hope that is satisfactory to the Senator. [Laughter.]

Mr. BRISTOW. The Senator in this bill is giving a duty of about 169 per cent on tobacco; is he not?

Mr. JAMES. Mr. President, that was argued out. I discussed that with the Senator. There is no protection to Kentucky tobacco. There is an internal-revenue tax that is levied upon tobacco in Kentucky, which is a burden to our industry. Make our tobacco free of your internal-revenue taxes and take the tariff off the foreign product and we will compete gladly with all the world.

Mr. BRISTOW. The Senator has the opportunity to do it in this bill, for he is one of the Senators who is making it.

Mr. JAMES. Yes; and, Mr. President, the reasons why the internal-revenue tax is not taken off tobacco is because it helps to put into the Treasury of this country millions of dollars from Kentucky and other States. It is a luxury and not a necessity. The Democratic Party believes that luxuries should be taxed and as nearly as possible necessities left free.

Mr. BRISTOW. Why does not the Senator collect all the taxes as internal revenue instead of putting 169 per cent on the customs tax?

Mr. JAMES. O Mr. President, if the Senator from Kansas knew anything at all about tobacco, he would not ask that.

Mr. BRISTOW. The Senator from Kansas knows as much about tobacco as the Senator from Kentucky knows about sugar. [Laughter in the galleries.]

Mr. JAMES. Yes; the truth of it is, Mr. President, the Senator from Kansas was born in Kentucky, but he was not born in that part of it where they grow tobacco. The Senator would not ask me if he knew anything at all about tobacco why we put a tariff tax upon the importation of tobacco when we have an internal-revenue tax upon the home tobacco.

Would the Senator have us take off the tariff tax upon foreign tobacco and let the domestic tobacco pay the internal-revenue tax while the foreign tobacco would pay no tax at all?

Mr. BRISTOW. It is just as easy to make the foreign tobacco pay an internal tax as the domestic tobacco.

Mr. JAMES. That is all it does.

Mr. BRISTOW. If the Senator sees fit to do it.

Mr. JAMES. That is all it does pay under this bill. The tariff that is laid upon tobacco is laid upon it to equalize it with the internal-revenue tax placed upon the domestic product and nothing more.

Mr. BRISTOW. But it is put upon—

Mr. JAMES. If the Senator means to talk about Kentucky tobacco, practically all our tobacco is sold upon the markets of the world; but the Senator can not get me to consume all my time on the tobacco question. It is not half so sweet as sugar. [Laughter in the galleries.]

Mr. BRISTOW. Ah, Mr. President, the Senator from Kansas well knows that the farmer does not pay a cent of internal revenue tax on tobacco. That is paid by the dealers in tobacco.

Mr. JAMES. Of course the Senator knows that every tax you lay upon any product when it is an internal revenue tax is ultimately paid by the man who produces it.

Mr. BRISTOW. The Senator knows that when he imposes a customs tax on imported tobacco he is protecting the tobacco grower of Kentucky.

Mr. JAMES. Mr. President, I have answered that. I have said to the Senator that the tariff tax placed on tobacco is merely to equalize it with the internal-revenue tax paid on our home products, and we levy the tax upon our home products, as we levy a tax on the imported article, because tobacco is a luxury, and our party believe it is a proper subject of taxation in order that we may put a necessity like sugar upon the breakfast table free from any duty.

Mr. BRISTOW. The Senator from Kansas does not object to internal-revenue taxes being imposed upon the consumption of tobacco, but he does object to a protective duty of 169 per cent on the tobacco fields of Kentucky, when the sugar-beet farmer of the West and the wheat grower of the West have their products placed upon the free list.

Mr. JAMES. O Mr. President, of course the Senator can make that speech. He has made it several times; but I think everybody understands that it would be manifestly unfair to exact from the home producer an internal-revenue tax upon his product and let the product of the foreigner, who pays no taxes here, who does not love our country here, who does not stand ready to defend it, who has no interest in it, come in here and sell his product free of any taxation at all.

Mr. BRISTOW. I agree with the Senator, but why not—

Mr. JAMES. Then that settles it. [Laughter in the galleries.]

Mr. WARREN. Mr. President, I rise to a question of order. The rules of the Senate do not permit manifestations in the galleries of approbation or disapprobation.

The VICE PRESIDENT. The Chair would be glad to have the Senator indicate the particular rule. The Chair has been examining the rules, but he does not find it there.

Mr. WARREN. The Vice President probably knows the rule, and if he has examined the rules and says it is not there, I have nothing further to say at this time.

The VICE PRESIDENT. The Chair has been unable to find it.

Mr. WARREN. The Vice Presidents have always so announced the rule heretofore.

The VICE PRESIDENT. On the statement of a Senator some time ago the Chair so ruled, but on examining the rules the Chair was unable to find it.

Mr. BRISTOW. But why does he not treat the producer of sugar beets of the West with the same consideration that he treats the producer of tobacco?

Mr. JAMES. If you will—

Mr. BRISTOW. Why is the farmer who cultivates the soil for the growth of tobacco, a luxury, entitled to more consideration than the farmer who cultivates beets to produce a necessity of life?

Mr. JAMES. You talk about sugar beets. You are advocating a protection of \$1.90 upon refined sugar, and yet you have been advocating and allowing sugar beets of the Canadian farmer to come in here at 10 per cent, yet you give your sugar refiner, when he buys those beets to refine them in the market, eight times as much protection as you give the American farmer who grows the beets.

Mr. BRISTOW. The Senator from Kentucky is just as accurate in that statement as he has been in any that he has made here to-night. He can not point to a single utterance that the

Senator from Kansas has ever made on this floor in favor of a duty of \$1.90 per hundred pounds on sugar.

Mr. JAMES. I ask the Senator. Is he a Republican? The Republican Party stood for it. Tell me to what party the Senator claims allegiance.

Mr. BRISTOW. The Senator from Kentucky said that the Senator from Kansas did, or that "you did," and I say to the Senator from Kentucky that the Senator from Kansas does not and never has said that he favored a duty of \$1.90 per hundred pounds on sugar.

Mr. JAMES. Well, Mr. President, I, in that statement, was merely aligning the Senator with the Republican Party. The Senator has not told me to which party he claims allegiance. Mr. President, the Senator from Kansas is like an old fellow that lived in a small country town down my way during the Civil War who heard that there was a band of guerrillas coming into town. From his first information he thought it was a small one and organized the boys of the town to wage war upon them. And as they started out to meet them, with the courageous captain riding in front, a boy came running up the road greatly excited, and said to the captain, "My, don't go down there. There are thousands of them, and they will kill you all." The old fellow said, "Oh, my boy, we are going to meet them; we will look them over, and if there are fewer of them than there are of us we will lick them. If there are more of them than there are of us, we'll jine 'em." [Laughter and applause on the floor and in the galleries.]

Mr. BRISTOW. That is as intelligent an answer—

Mr. JAMES. That may be the Senator's position. He will be a Bull Moose if he sees he can lick them, and he will be a Republican if he sees they can lick him. [Laughter in the galleries.]

Mr. BRISTOW. That is as intelligent an argument upon the merits of the tariff bill as the Senator has made to-night.

Mr. JAMES. I do not—

Mr. BRISTOW. I do not propose to—

Mr. JAMES. I knew the Senator would get mad, Mr. President. That is always quite a tender spot with him. I have known for some time that he was ashamed to tell to what party he claims allegiance in this great struggle here.

Mr. BRISTOW. I assure the Senator that I am not half as angry as he seems to think I am.

Mr. JAMES. In all respect and kindness to the Senator, I do not desire to irritate him, though some of my retorts, purely kind, have seemed to do so very greatly, and to that extent that he has used language that in my judgment was not justified.

Mr. BRISTOW. If the Senator sees fit to make that answer in order to avoid any further criticism—

Mr. JAMES. I will yield to the Senator on one consideration, and that is that he tell us to what political party he belongs.

The VICE PRESIDENT. The Senator from Kentucky will proceed.

Mr. BRISTOW. If the Chair states that the Senator has not yielded to me—

The VICE PRESIDENT. The Chair understands that the Senator from Kentucky declines to yield.

Mr. BRISTOW. I thought he said he yielded.

Mr. JAMES. Yes; I yield to the Senator on the condition that he tell us to what particular party he belongs. Then I will know how to deal with the Senator in debate. I do not want to take the trouble to particularize him from his party. If I know to which party he claims he belongs, then I can understand him better. I am dealing with principles and parties, not with individuals.

Mr. BRISTOW. Mr. President, I desire to say to the Senator from Kentucky that as to what party I belong is my own concern, so far as the merits of this question are concerned.

Mr. JAMES. Then I refuse to yield. [Laughter in the galleries.]

The VICE PRESIDENT. The Senator from Kentucky will proceed.

Mr. JAMES. Mr. President, I was merely pointing out that the Senate is solemnly asked to tax all the farmers who grow wheat and corn and cotton and oats who make a net profit of from \$3 to \$7.50 per acre in order to give an artificial profit to the sugar-beet grower, who is making now, according to the proof taken by the Hardwick investigating committee, and I have the testimony here in front of me, showing that they make net profits all the way from \$25 to \$72 per acre on the production of sugar beets.

Is it fair, Mr. President, to tax the cotton farmer, who toils under the southern sun, and all farmers who grow corn and wheat and work as hard as the beet-sugar grower does—is it

fair to tax those men, who only make a net profit of from six dollars to seven and a half dollars per acre, in order to give an additional profit to the sugar-beet grower, whose average net profit runs all the way from twenty-five to fifty-odd dollars per acre?

But, Mr. President, I desire to say that the sugar-beet grower, great as his profit has been in the United States, has not enjoyed the rich benefit to which he was really entitled. Take the Great Western Sugar Co., of Michigan. It made in five years \$18,000,000. They paid taxes upon \$2,500,000. They have declared dividends all the way from 35 per cent on up to 100 per cent. How much does the farmer in the West get for his sugar beets? The farmer in the West gets for his sugar beets from about \$5.50 to \$5.75 per ton. How much does the sugar-beet grower in Germany get? I hold in my hand here a statement issued by one of the trade reports of Germany and one of her sugar factories, which is as follows:

Balance sheet and trade report of the Dirschau (Germany) Sugar Factory for the season 1911-12, as follows:

We have followed the example of other factories and have increased beet prices M. 40 per 100 kilos for 1912-13, viz:

"Five dollars and eighty cents per long ton, shipment by end of October.

"Six dollars and four cents per long ton, shipment first half November.

"Six dollars and twenty-eight cents per long ton, shipment from November 16 to closing down of factory.

"Rebates for freight will be paid as usual. The beet growers will receive additional payments if the profits of the stockholders amount to more than 6 per cent. During the past year, 1911-12, we have made additional payments to beet growers, as per contract, at the rate of 89 cents per ton, and we have voluntarily paid our regular shippers an additional rate of 79 cents per ton."

In the annual report of F. O. Licht, statistical bureau for the beet-sugar industry of the German Empire for the season of 1911-12, the following occurs:

The official (average) price of beets during the years 1910-11 were 5.44; 1911-12, 5.56.

So it develops that our beet-sugar factories themselves present the proof that the grower in this country is entitled to little or no protection.

Certainly it can not be successfully contended that the factory cost of manufacturing beet sugar is greater in this country than abroad. The operation is a mechanical one. The cost of labor per pound of sugar produced is very small. The cost of fuel here is less than in Europe and the average size of the factory is larger, so that operating expenses here are reduced in this way.

What a vast sum would be paid to the sugar-beet growers of the West if they had made a contract with the sugar-beet factories to divide with them all in excess of 6 per cent profit. What a great sum they would have received.

I can imagine now the Great Western Sugar Co., that made \$18,000,000 in five years, going out and dividing with the farmers in the West who grow the beets out of which it made those millions. What a vast sum it would be. In Germany they pay them upon an average \$6 per ton. In addition to that, they pay them a bonus upon their sugar beets if they make more than 6 per cent, and in many cases in Germany they have paid to them as much as 75 and 80 cents a ton on the additional amount exceeding the 6 per cent profit that went pro rata to the sugar-beet growers from whom they purchased beets; but over in this country the farmer grows sugar beets and sells them to the factory. The factory makes the enormous profit, and charges up to depreciation of value hundreds upon hundreds of thousands of dollars in order to conceal from the public the real amount of their profit; and yet we are told, Mr. President, that we ought to permit this to go on because it is just a little amount; that it will only cheapen sugar for a while.

In 1890, when sugar was placed upon the free list, within 30 days from that time it fell 2 cents a pound, and every farmer and every laborer in this land was enabled to buy it that much cheaper.

Mr. President, sugar is a great necessity of life. In this country our consumption per capita is 80 pounds; in Great Britain, before the Boer War, when sugar was free, the consumption was 110 pounds per capita. When sugar was placed on the free list in this country in 1890 its consumption increased 25 per cent per capita.

Mr. President, the sugar-beet grower of the West needs no protection. He is getting no more for his beets to-day than is paid to the farmer in Germany who produces beets. All of the profits of this protection have been absorbed and eaten up and have gone for many years to the sugar-beet factory owner. There is where it has gone.

Mr. President, our friend from Louisiana stated that in Mississippi and other Southern States there was an amount of so much protection which differed from other States. This is a

great Republic. In Mississippi there are practically no products that are protected.

Mr. WILLIAMS. Mr. President—

The VICE PRESIDENT. Does the Senator from Kentucky yield to the Senator from Mississippi?

Mr. JAMES. Certainly.

Mr. WILLIAMS. Did I understand the Senator correctly that there was some protection to somebody in Mississippi?

Mr. JAMES. No; the Senator misunderstood me. I said there was practically no protection in Mississippi; but the Senator from Louisiana was seeking to make the argument that this bill was sectional. I have heard that argument made before, but it did not come from a Democrat. I heard Mr. Speaker Cannon once make the argument that the wool bill we had under consideration in the other House was sectional; but when the next bill came along, which was for free sugar, I saw him turn to the Representatives from Louisiana and heard him say to them: "Oh, Louisiana, Louisiana, how much longer will you kiss the Democratic hand that smites you?"

Upon the committee that formulated this bill there is a majority of southerners—the Senator from Mississippi [Mr. WILLIAMS], the Senator from Missouri [Mr. STONE], the Senator from Georgia [Mr. SMITH], the Senator from Colorado [Mr. THOMAS], who was born in Georgia, now a Senator from a Western State, the Senator from North Carolina [Mr. SIMMONS], the Senator from Oklahoma [Mr. GORE], and myself constituting a majority of Senators upon that committee, and surely the American people will not hear with tolerance any suggestion that southerners have legislated against their own section of the country, where they were born, that they love, and where those who love them live and those whom they loved lie buried.

Mr. President, one of the great products of Kentucky, hemp, had a tariff, I believe, of \$22.50 per ton upon it, and that article was placed upon the free list; but I am not going to leave the Democratic Party upon that account. I voted for the removal of that duty because other basic products, like cotton and wool, are placed upon the free list. So Kentucky hemp goes upon the free list. It is grown upon as rich a soil as there is in the world; and the Kentucky farmers, if they can not grow hemp profitably, can grow wheat or corn or tobacco profitably. They are not asking the protection of the Government or for the taxing power of the Government in order to make profitable a great agricultural product of theirs.

Mr. RANSDELL. Mr. President, will the Senator from Kentucky yield for a question?

The VICE PRESIDENT. Does the Senator from Kentucky yield to the Senator from Louisiana?

Mr. JAMES. I yield.

Mr. RANSDELL. I should like to ask if Kentucky whisky goes on the free list?

Mr. JAMES. Why, Mr. President, Kentucky whisky is taxed a dollar and ten cents per gallon; and that is because it is a luxury. [Laughter.] A dollar and ten cents internal-revenue tax is placed upon whisky, and that, I repeat, is for the purpose of getting revenue sufficient to run the Government. About \$250,000,000 is gathered from the internal-revenue taxes placed upon whisky and tobacco in order to sustain this Government. Would the Senator have sugar placed upon the tax list and whisky placed upon the free list? [Laughter.]

Mr. RANSDELL. I ask the Senator from Kentucky if there is not a duty of \$1.50 a gallon on whisky in addition to the internal-revenue tax, to which he has referred, of \$1.10 a gallon, making a total tax on whisky of \$2.60 per gallon?

Mr. JAMES. Mr. President—

Mr. RANSDELL. Wait a minute until I ask a question. I will ask the Senator whether the State of Kentucky does not manufacture annually about 43,000,000 gallons of whisky, which receives the benefit of this protection of a dollar and a half a gallon in addition to the internal-revenue tax of \$1.10 a gallon?

Mr. JAMES. This is the first time I ever heard the argument advanced that an internal-revenue tax placed upon whisky was a protection to whisky.

Mr. RANSDELL. I did not speak of the internal-revenue tax.

Mr. JAMES. But just allow me to answer, please.

Mr. RANSDELL. Very well.

Mr. JAMES. The Senator from Louisiana has not known much of Kentucky whisky, or he would know that it needs no protection from any whisky in the world. [Laughter on the floor and in the galleries.]

Mr. RANSDELL. Mr. President, I am glad the Senator acquits me of a knowledge of the famous corn juice for which his State is so famous, but he has not answered and he can not answer my question about a dollar and a half a gallon protection upon the corn of Kentucky. That is a wonderful protec-

tion his State gets. A bushel of corn makes 4 gallons of that Kentucky Bourbon that is so fine.

Mr. JAMES. So far as foreign whisky is concerned, Mr. President, the distilleries of Kentucky export more whisky than all the rest of the world exports into the United States of America. The Kentucky whisky is a peculiar brand; it stands alone; it fears no competition; and so far as a protective tariff being placed on whisky in order to protect whisky, it never entered the mind of a single man, except the Senator from Louisiana.

Mr. RANDELL. Some American citizens must like this other whisky, for it produces about \$25,000,000 a year revenue; that is, the internal-revenue tax and the import duty on these other whiskies.

Mr. JAMES. If the Senator wants to take the position—and while he is getting into the Republican Party, he had better get in good—the Republican Party once took the position in favor of free whisky. Now, if the Senator wants to take that position, we will understand that he has at last gotten beyond redemption. [Laughter.]

Mr. RANDELL. Mr. President, I am not taking a position for free whisky—I think it is a luxury, and I think it ought to be taxed—but I am taking the position that the Senator shall not get up here and try to put the products of Louisiana on the free list and make no mention whatever of the tremendous protection which his State is getting, of sixty-odd million dollars a year because of that tax on Kentucky whisky.

Mr. JAMES. So far as I am concerned, Mr. President, I am willing that the Senator from Louisiana or anybody else shall take away all the protection upon foreign whisky if you will only levy upon foreign whisky, as you do upon home whisky, an internal-revenue tax. The Senator knows very well that the tax laid upon the article of domestic production is an internal-revenue tax, and that you could not allow whisky to be imported into this country without any tax upon it at all.

Mr. RANDELL. The tax is a dollar and ten cents plus a dollar and fifty cents, making \$2.60—one dollar and a half protective duty and \$1.10 internal-revenue tax.

Mr. JAMES. So far as that dollar and fifty cents is concerned, it does not protect the Kentucky distiller. There is not a whisky producer in Kentucky who ever believed it did, and the Senator from Louisiana knows it does not. It is purely a revenue tax and brings millions into our Treasury from foreign whisky, which is a luxury and ought to be taxed. So far as I am individually concerned, I am willing to place a revenue tax upon whisky, because it is a luxury and not a necessity. I am willing to place a tax upon the foreign production.

The provisions of the bill in relation to whisky are of the same character as those that have remained in the law all along for the last 25 years. The spirits schedule was not mine; I had nothing to do with it; but I will say to the Senator that this bill contains an additional revenue tax upon whisky of \$1,000,000 that never was written in any other bill in the world. I reckon if whisky were a Louisiana product the Senator would leave the Democratic Party upon that account; but when we wrote a million dollars additional tax upon whisky I voted for it, because I believed that it ought to bear its burden of taxation because it is a luxury.

Mr. President, I took the floor merely to answer the argument made by the Senator from Louisiana upon sugar, but he branched off and made an argument for a tax upon wool. He says that a tax on wool is for the benefit of the farmer. How many farmers in the United States grow wool? Five-hundred-and-odd thousand farmers grow wool. How many farmers are there in this country? There are 6,300,000 farmers in the United States, of whom 5,700,000 produce no wool. I am the advocate of the farmer. You tell me that you want to protect the farmer, when in order to do so you tax 10 farmers to protect 1. One farmer has sheep, and you tax 10 of his neighbors who use wool. In the Senator's own State nearly 10,000,000 pounds of wool are imported in order to supply his own people in the State of Louisiana.

The population of Louisiana according to the census of 1910 was 1,656,388; wool produced in Louisiana, 573,500 pounds per annum. The wool consumed by the people of Louisiana was 10,300,883 pounds per annum. So the people of that State would have to pay the tax upon 9,700,000 more pounds of wool than is produced in that State every year. I speak, Mr. President, for the 5,700,000 farmers in the United States who do not produce wool as against the 500,000 farmers who do produce wool.

So upon sugar I speak for the ninety-odd millions of people who consume sugar, while the Senator speaks for the small number who produce sugar. How many farmers in the United States produce sugar beets? I would say that there were not

more than 10,000 of them engaged in the production of sugar beets. Against the 10,000 who produce beet sugar I stand for the 6,290,000 farmers who consume sugar.

Our Republican friends tell us that this bill is antagonistic to the interests of the farmer, that it places his corn and wheat upon the free list, that it removes from his productions the tariff rates that now exist upon those products. If there is one fraud above another, if there is one deception greater than all the rest, it is the theory advanced by them that the tariff upon corn and wheat increases the price of those products. There never has been a year in the history of the life of this great Republic in which we have not exported more corn and wheat than we have imported. For the last 10 years our exports have exceeded our imports by from 20,000,000 to 120,000,000 bushels of corn. Our exports of wheat have exceeded our imports during these last 10 years by from 70,000,000 to 234,000,000 bushels. Producing, therefore, more of both of these products than our people can consume, our surplus production must be sold in the open markets of the world. The price, therefore, of the surplus products of necessity fixes the price of the domestic product, and the conclusion irresistibly follows that the price of corn and wheat in this, as in all countries that produce more than they can consume, is fixed by the world's market price. No one would ship corn out of the United States to foreign countries of the world if he could obtain as much for it here as he could there, and certainly he would not ship it abroad if he could obtain more here than he could there.

This duty, therefore, placed upon corn and wheat is used as a great deception upon the farmers in order that the people who manufacture all the things that they use are enabled to say to the farmer, "Why, you share in this protection; you are benefited by the increased price of corn and wheat, and therefore the increased price that you pay for your plows, your harvesting machinery, your harrows, your rakes, your wagons, your harness, your boots and shoes, your clothes, your sugar, and all the other necessities of life is compensated to you by this tariff upon farm products." President Taft himself declared, when the Canadian reciprocity question was under consideration, that the price of corn and wheat was not increased by the tariff. Secretary of Agriculture Wilson, a distinguished Republican, made the same statement. I am frank to say, Mr. President, however, that if I did believe the tariff enhanced the value of corn and wheat I would still vote against it. The hand of taxation, in my deliberate judgment, should never be fastened upon the bread and meat our people eat. I could not find it in my heart to raise the price of bread, the staff of life, by the taxing power of the Government. I am unwilling to make it harder for the poor to feed hungry mouths with meat and bread by giving to them a fictitious value, by laying a tariff duty upon them. In this Republic of republics, this prosperous land of ours, with its myriad avenues of taxation, we should certainly be able to supply our revenue necessities sufficient to administer the affairs of this Government in economy and honesty without pinching the tables of the poor. Mr. President, meat and bread should be as free from taxation as the light that shines upon us, as the air we breathe, or the water we drink. I rejoice that in this great bill we take the tax off of the necessities of life and transfer it to the profits of the rich. We substitute a tax upon the income from millions of the rich for a tax upon those things that feed and clothe our people, and I rejoice that for the first time in half a century the wealth of this land will share the burden that would be borne by poverty—that the income tax, the most just of all taxes, will be written into the law.

It is a tax that never touches want, a tax that never burdens adversity, a tax that never causes sorrow, a tax that never hovers above distress, a tax that forecloses no mortgages, a tax that forces no sales; it is a tax that reaches only where prosperity dwells, a tax that is collected only where success abounds.

Instead of being called an income tax, it could be more properly and justly called a prosperity tax. Mr. President, it was a long, fierce struggle that Democracy made to have the income tax written into our Constitution, so that the right to tax wealth to make prosperity share the burdens of the glorious Republic that prospered them would be immune to the technical objection of shrewd lawyers, safe from the attack of the constitutional critic, and not unconstitutional, because we made it a part of the Constitution itself. For 50 years and more the numberless fortunes have been exempt; our Government has been run by what you might call a consumption tax. The great wealth of the land has been exempted. While demanding and receiving protection—a deceptive word they use, which only means that the Government farmed out to them the right to tax all the other people for their benefit—they stubbornly resisted

the payment of a single dollar of taxes upon their vast accumulations, upon their swollen, and oftentimes stolen, fortunes. But at last the people were victorious. The income tax was written as a part of the Constitution of this Government, and in conformity with that and by its authority we have written into this law a tax upon incomes that will bring into the Treasury of the Government more than \$100,000,000 per annum. I can not think there is a single honest American that will dispute the righteousness of this tax. If there be such, let him leave this land that has so prospered him and seek another, for he neither loves this country nor has the patriotism or courage to defend it.

The President, Woodrow Wilson, has been denounced as a dictator. Why? Because he has dared to stand for the faith as written in our platform. If he had been in favor of special privilege, if he had been in favor of the exactions that greed demanded, his position would not have been assailed as that of a dictator; he would have been hailed as a benefactor by those who now assail him. But because he believed in and advised in favor of free meat and free bread and free sugar and free wool, he is denounced as a dictator; but the American people will answer at the ballot box and say, "If that be dictation, then long live the dictator who stands for that doctrine in our American life." [Applause in the galleries.]

The VICE PRESIDENT rapped with his gavel.

Mr. JAMES. Mr. President, I rejoice that when this bill which we are now considering springs into life the Payne-Aldrich bill goes to its death. That measure was the greatest betrayal ever written into law, the most consummate piece of class legislation that ever found its way upon the statute books of the country or ever masqueraded under the cloak of a bill to raise revenue.

Mr. President, this bill has been framed in the interest of all the people. It is free from the corroding touch of special privilege. It frees from the heavy hand of taxation the necessities of life. It denies to trusts and monopolies the favor and assistance of Government aid. It does not farm out to a favored few the special privilege of taxation. It recognizes the only true and just principle upon which taxation can rightly rest, and that is to secure revenue sufficient to administer the affairs of the Government honestly and economically. In this bill there are no jokers to enrich members of the Finance Committee. In it no rates are written to burden the poor in order to enrich Members of this body. Within our council room no paid agent of monopoly sat giving daily reports of his triumph in writing the rates that greed desired. No schedule in this bill has been written by its chief beneficiaries. This bill is the work of sincere hearts, open minds, and untainted hands. It is responsive to the will of the American people, a will twice overwhelmingly expressed at the polls. It is the promise of Democracy faithfully written into law. This bill is free from intrigue, devoid of injustice. It is a bill to support this Government and not a bill to impoverish the people—a bill to raise revenue and not a bill to raise millionaires. I thank you. [Applause on the floor and in the galleries.]

Mr. BRISTOW obtained the floor.

Mr. THOMAS. Mr. President, will the Senator from Kansas yield to me?

The VICE PRESIDENT. Does the Senator from Kansas yield to the Senator from Colorado?

Mr. BRISTOW. I do.

Mr. THOMAS. I do not intend to take more than a moment. I am not going to make a speech. I rose merely for the purpose of announcing that on Monday next, after the close of the morning business, I shall address the Senate upon Schedule E and its relation to beet sugar and beet-sugar production.

Mr. BRISTOW. Mr. President, for florid and violent statements, with little regard to fact or accuracy, the effort which the Senator from Kentucky [Mr. JAMES] has just made probably has no parallel in the history of this body.

The Senator has taken a few illustrations, gathered from an extensive investigation, as to the profits that are made by sugar-beet farmers in the United States, and has compared them with the profits made in other agricultural pursuits. He has given the amount made as profit by the sugar-beet farmers at about \$43 per acre. If the Senator from Kentucky had cared to state the facts, or if he had given any attention to the statistics that are available for him or any other Member of this body, he would have made no such statements.

It is well known to those who have taken the trouble to inform themselves that the average production of sugar beets in this country is only about 10 tons per acre, and the average price paid to the farmer who grows sugar beets is \$5.50 per ton,

making the gross receipts for each acre of sugar beets raised approximately \$55.

It is about all that a farmer can do to grow 10 acres of beets. His gross receipts on the average are \$55 per acre. Take out of that the expenses he has in growing his 10 acres of beets and his net profits are no greater than the net profits of the average agricultural crop, and this the Senator from Kentucky should have stated if he cared anything about facts in discussing the sugar tariff.

Mr. WILLIAMS. Mr. President—

The VICE PRESIDENT. Does the Senator from Kansas yield to the Senator from Mississippi?

Mr. BRISTOW. I do.

Mr. WILLIAMS. I wish to ask a question, merely to get the Senator's idea of what the facts are. I do not myself know, because the evidence is so absolutely confusing that one can not find out. What is the Senator's idea of the net profit of the sugar-beet grower per acre?

Mr. BRISTOW. It varies; the same as in the case of every other agricultural product.

Mr. WILLIAMS. I understand that.

Mr. BRISTOW. Some of them make no profit; some have made, in rare instances, as much as the Senator from Kentucky says.

Mr. WILLIAMS. But what is the Senator's idea of the average net profit of the sugar-beet grower?

Mr. BRISTOW. The sugar-beet farmer can grow, as a rule, for each man about 10 acres, and he gets on an average in the United States \$55 an acre. He does well if he can average 10 tons per acre, making \$55 gross per acre for his crop. As to what his net profit is, nobody can tell. It depends upon the conditions.

Mr. WILLIAMS. But can not the Senator give me an approximate idea of the average net profit?

Mr. BRISTOW. I can not.

Mr. WILLIAMS. I ask, because if the average net profit, as has been asserted by some very conservative beet growers, is \$6 an acre—that being about the lowest estimate I have ever seen—I would undertake to grow rich in 10 years if I could make that on cotton.

Mr. BRISTOW. I believe the Senator from Mississippi is intellectually absolutely honest. If a sugar-beet farmer could grow as many acres of beets as he can of wheat or corn and make as much money per acre—

Mr. WILLIAMS. I am talking about the net profit.

Mr. BRISTOW. Well, net profit or any other kind of profit.

Mr. WILLIAMS. If the net income of growing sugar beets is \$6 an acre, I undertake to say that if I could make a net 10 years. So far, growing cotton has made me rather poor.

Mr. BRISTOW. It is not possible to estimate the average net profits of a farmer as it is of a business man. His work is entirely of a different character.

Mr. President, the Senator from Kentucky spoke of meat and bread, and said they should be as free as the air we breathe. But in this bill the Senator from Kentucky votes to put a duty on every stitch of clothing that a man wears, whether he be in the shop or the factory or upon the farm. If the meat and bread which the man eats should be as free as the water that he drinks and the air that he breathes, ought not the Senator from Kentucky also to favor making the clothing which the law compels him to wear as free as the meat and the bread? Yet the Senator taxes the clothing made in the mills and factories at from 25 to 50 per cent.

The Senator from Kentucky claims to be a friend of the farmer, yet on the article of flue spar, a mineral produced in the Senator's own county, in the State of Kentucky, he maintains in this bill a duty of 50 per cent, while the wool, the wheat, and the cattle which grow on the Kentucky farm he puts on the free list. That is the kind of a friend the Kentucky farmers have to represent them here on this floor.

The Senator defended the duty on whisky, and tried to make it appear that such duty was an internal-revenue tax and not a protective tax, when the Senator, who comes from the State which, he says, produces more whisky than any other State in the Union, knows that there is an internal-revenue tax of \$1.10 per gallon imposed on every gallon of whisky, foreign or domestic, that is consumed in the United States. He knows—and if he had been as frank as he expects other Senators to be he would have stated—that there is also a protective duty on every gallon of whisky that is imported into the United States of one dollar and a half a gallon in addition to the \$1.10 of internal-revenue duty. All of the tax on whisky could have been collected as internal-revenue tax as easily as to impose a customs duty upon it, but that would have left the distilleries of Ken-

tucky in competition with the world, and the Senator's kindly solicitude for them would not permit that.

Oh, no! This great patriot, who looms up so magnificently from the State of Kentucky to defend this tariff bill, imposes a protective duty of a dollar and a half per gallon on the whisky that is produced in Kentucky, a protection to the distilleries of the Blue Grass State, but he refuses to give the farmers who grow sheep in that State any protection upon the wool they grow. I would like for the Senator to answer me why he favors such an infamous policy, but as soon as I rise in my own right to answer his arguments this courageous Kentuckian leaves the Chamber.

The whisky distilleries of America are protected in this bill—oh, yes; but the farmers, upon whose industry and through whose toil the American Nation has been enriched, are turned over to the free competition of the earth, except those that may be growing tobacco or rice. The Senator would close the sugar factories of Louisiana and the beet-sugar factories of the West, but he would never close a distillery in Kentucky. Oh, no! The distilleries of the grand old Blue Grass State must have their protection. They are, without doubt, the friends of the Senator.

The Senator referred to the lamented McKinley; but he was not frank enough to tell the Senate of the United States that when the great McKinley uttered that statement there were but two beet-sugar factories in the United States; that it was after that date that the development of this great enterprise began. It was after the law which bears his signature had been placed upon the statute books that this industry began its wonderful development; and from the two factories that existed when the McKinley bill was passed there has grown a mighty industry, until to-day we have 73 factories, producing per annum about 700,000 tons of sugar, or one-fifth of the entire American consumption.

Ah, it may be broad-minded statesmanship to murder the great sugar industry which flourishes a thousand miles from the Senator's home State and protect the distilleries and the tobacco growers within his State, and, incidentally, a little flourspar in his home county, but I do not think so.

It has been the persistent policy of every great civilized nation, with one exception, to encourage domestic sugar production. Beginning, as I said in the Senate a few days since, with the great Napoleon, sugar-beet production has had the favor of every great commercial nation of the earth except one. But in the days of the development of this industry in France, Germany, Russia, Austria, and other European nations there was a different kind of statesman in control of the affairs of each of those countries from the statesmen that seem to flourish in this day in our country. It was under the mighty Bismarck that the German sugar-beet production was developed. Under the policies which he established it grew from practically nothing, until to-day the German Empire is supplying the entire demands of her own people and exporting more than a million tons of beet sugar per annum. In the development of her industrial life Germany had a Bismarck friendly to her people and proud of their enterprise, but she never had a James; that misfortune has fallen to us.

In France during the great administration of Thiers the sugar-beet industry grew, until to-day France is producing nearly every pound of sugar which her people consume. During that period there was no such statesman to interfere with the promotion of her prosperity and the development of her domestic industries as we have in control of our national affairs to-day. Her statesmen were not of the type of the latest arrival here from the grand old State of Kentucky.

The Senator, while he was explaining with such unctious the profits of the beet-sugar growers of the West, failed to state that beet culture is intensive farming; that one man can cultivate but comparatively a limited area; and that while one farmer may care for 100 acres of wheat or 50 acres of corn, he can care for only a comparatively small acreage of beets.

Senators, I think we should be frank in discussing the great economic questions that confront us—questions that ought to be settled here in the interest of a common country, and not through narrow partisan action.

The Senator refers to the Sugar Trust. Why, the Senator's action is what the Sugar Trust wants. The Sugar Trust refines sugar; it does not produce it. It buys the sugar that is grown in the Tropics. It imports it into the United States, refines it here, takes its toll, and then puts the refined product upon the American market. The refiners' trust desires free sugar because it will give it its raw material free. It does not want to pay a tax on its raw material. It takes the sugar that comes from the Tropics as its raw material, which under this bill comes in free, and then, by virtue of its great power, its monopoly, which

it has acquired through years of effort, it charges for its refined product whatever price it can. When the beet-sugar industry is destroyed, which the Senator from Kentucky desires to do, the American market is to be left to the Sugar Trust, to be plundered without domestic competition. This is what the Senator's bill favors.

The campaign for free sugar was started by the sugar refiners four years ago. It has been kept up continuously. The literature that has been circulated by the Senator himself and his political associates was largely prepared by representatives of the sugar refiners. Of course they want free sugar, for it is their raw material. I know that there are well-meaning men here, Senators on this floor, who would not favor the Sugar Trust, who have voted for free sugar; but, whether knowingly or inadvertently, when they cast that vote it was in the interest of the Sugar Trust and against the independent domestic producer.

Mr. WILLIAMS. Mr. President—

The VICE PRESIDENT. Does the Senator from Kansas yield to the Senator from Mississippi?

Mr. BRISTOW. I do.

Mr. WILLIAMS. I should like to ask the Senator from Kansas one more question, and then I will not disturb him further. I thought he said a moment ago that a vote in favor of free sugar was a vote in favor of the Sugar Trust. Did I understand him correctly?

Mr. BRISTOW. My statement was, whether knowingly or inadvertently, that a vote for free sugar is a vote in favor of the Sugar Trust.

Mr. WILLIAMS. The Senator might just as well have answered my question categorically.

Mr. BRISTOW. The Senator from Mississippi asked me what I said, and I undertook to repeat it in substance.

Mr. WILLIAMS. The Senator might just as well have answered categorically by saying yes.

Now, I should like to ask the Senator to explain how permitting all the refined sugar in the world from Java, Sumatra, Cuba, Germany, France, wherever cane or beet sugar is grown, to come to the shores of the United States could be an advantage to the refiner of sugar in the United States?

Mr. BRISTOW. I will say to the Senator from Mississippi that the cheapest sugar-producing countries on earth are the tropical islands of Java, Cuba, Santo Domingo, and a few others. They produce raw sugar. There has never been a pound of sugar refined upon any of those islands.

Mr. WILLIAMS. But, Mr. President—

Mr. BRISTOW. If the Senator will just pardon me to answer his question, I will be glad to yield to him again. That raw sugar is purchased by the sugar refiner in New York, Philadelphia, and New Orleans, and it is taken to those sugar refineries and refined and placed upon the market, and they can compete with any refiner on earth in Germany, England, or any place else; and when they can get their raw sugar as they can from these islands they do not need any protection against the beet-sugar producers of Germany, because they can undersell them, and the beet-sugar producers will not send their sugar here, because they can not do so at a profit.

Mr. WILLIAMS. Mr. President, I understand that hitherto, of course, there has not been any refined sugar to any appreciable extent imported into the United States, and very little of it exported from the tropical islands to any country of the world.

Mr. BRISTOW. None of it.

Mr. WILLIAMS. Well, yes; the Senator must not go too far.

Mr. BRISTOW. I have not gone too far in that statement.

Mr. WILLIAMS. I understand the reason hitherto has been that every civilized country in the world, every European country in the world—and I mean by European country a country of European race—has fixed a duty upon refined sugar that renders it impossible for tropical countries to refine sugar and export it. But when we put refined sugar upon the free list, does the Senator pretend to tell the American people, as he is honest in purpose and honest in thought, that they will not refine sugar in Cuba and in Sumatra and in Java?

Mr. BRISTOW. I do.

Mr. WILLIAMS. If the Senator does pretend to tell us that, then I ask him if the reason why they can not refine sugar in those countries is because they have so much less to pay for labor?

Mr. BRISTOW. Oh, no. The reason why they do not refine it there is because the climatic conditions do not seem to invite it. The truth is that England refines the sugar that is consumed in England. It never has been refined in the British colonies. Canada refines her sugar. Even in our own country

we import it into continental United States to refine it from Hawaii and Porto Rico.

Mr. WILLIAMS. Then, if it be true that those countries which are afflicted with pauper labor can not refine sugar in competition with us, and the labor employed in sugar refinement is very unskilled labor, why is it that the Senator and his co-peers contend that pauper labor is dangerous to all of them?

Now, one minute before you answer that. I agree with you that when you bring a ton of raw sugar into an American refinery the American refinery can refine it cheaper than it can be refined in Cuba or Java. Yet the Senator must confess that the price of labor in Cuba and in Java and in Sumatra runs from one-half to one-fifth of the price of labor in the American market. Therefore, if it be true, as he has said, that our refiners can compete with the world in refining raw sugar it must be because of the superior ability of American labor and American machinery.

Mr. BRISTOW. The pauper labor which the Senator speaks of would be unfit, I take it, for the purposes of the refiners. At least we have the fact undisputed that refineries are not successful and never have been so in the Tropics.

Mr. WILLIAMS. But does the Senator contend that that is on account of climatic reasons?

Mr. BRISTOW. England has had her sugar—

Mr. WILLIAMS. Wait a moment. Does the Senator contend that the reason why sugar has never hitherto been refined in the Tropics and exported from the Tropics in a refined condition is because of climatic reasons?

Mr. BRISTOW. I think that was one of the reasons.

Mr. WILLIAMS. There is not the slightest basis for that opinion.

Mr. BRISTOW. I think there is.

Mr. WILLIAMS. Sugar can be refined as well when the thermometer is at 110 as when it is at 68. It must be because of labor conditions.

Mr. BRISTOW. The Senator may think that is the reason. It may not be—

Mr. STONE. If the Senator will pardon me to make a single observation, there is universal talk around here on both sides of the Chamber tending to a wondering anxiety to know when this sing-sing wrangle and mere repetition of what we have heard here in this Chamber forty times within the last two or three months is to end.

Mr. BRISTOW. I appreciate the very courteous—

Mr. STONE. We are getting impatient and weary. These colloquies, these conversations and orations, are not entertaining to Senators who are supposed to listen.

Mr. BRISTOW. I thank the Senator for his very courteous remark, made in my time, through my courtesy. I heard no such suggestions from him during the fulminations of the distinguished Senator from Kentucky.

Mr. President, I believe I have said about all I care to say upon this question at the present time. I oppose this bill because of its unwarranted and indefensible discrimination against certain American producers, especially the farmer of the West. The tobacco and rice growers have been tenderly cared for. But the western farmer has been treated as though he were unworthy the consideration of the American Congress. There are many schedules in this bill the duties of which I think have been fixed with fair consideration to the industries involved, but unfortunately those of us who seek fairness to our sections and a reasonable protective duty on all industries that need it are prevented from voting for the measure because it contains, from our point of view, iniquities which are indefensible, and for which we can not stand.

Mr. BACON. Mr. President, I shall occupy not exceeding two minutes of the Senate's time, but late as it is I think I or some other Senator ought to say a word in regard to the rules of the Senate.

Precedents are very serious things in the Senate, and I wish to say with the profoundest respect for the Vice President and with the greatest deference that I trust he will revise and reconsider the statement made from the Chair to-night that there is nothing in the rules of this body which gives to the presiding officer the power to preserve order in the Chamber either on the floor or in the galleries. I do not wish to elaborate it, Mr. President, and only allude to it now for the reason that if it passed without challenge it might be considered as a precedent in which the Senate had acquiesced.

I repeat that with the profoundest respect for the Vice President and with the utmost deference I differ from the opinion of the Chair that there is nothing in the rules which lodges that power in the hands of the presiding officer.

It is not necessary, Mr. President, that there should be a rule in words to that effect. It is a fundamental, inherent rule in

every parliamentary body that it shall protect itself against disorder, and that its proceedings shall not be interfered with or influenced by any action or by any word or by any sound from those who are not members of the body.

It is a fundamental, necessary, inherent rule. No sound, Mr. President, is authorized in a parliamentary body, no voice is authorized to be heard in a parliamentary body, except the voices of those who are members of that body, and any utterance or any sound of any kind whatsoever is an invasion of the fundamental right and the essential right of every parliamentary body, and only in so far as a parliamentary body may permit it by its custom can it at all be recognized. It is not necessary that there should be a rule against interference or interruption. It is not necessary that there should be a rule to permit it before it can be recognized.

Now, Mr. President, I repeat that I do this with the utmost deference for the presiding officer, and I only do so because not only myself but other Senators thought that the Senate should not adjourn with a precedent to that effect established which might come to plague us in the future.

I do not know that I should have said more than simply to have asked the Chair to revise and reconsider in order that this might not pass into the records of the Senate as a precedent.

I say this, I repeat, with the utmost deference and trust that it will be received in the spirit in which it is intended.

The VICE PRESIDENT. The Chair thinks that calls on the Chair to say something. The Chair proposes to say that the Chair has no predilection upon the subject whatever. Since the Chair has been presiding over this body the Chair has observed when there are manifestations of approval in the galleries that meet with the pleasure of Senators it would not be disorder, but if there are manifestations in the galleries that meet with the disapproval of Senators it is disorder.

The Chair has tried to have what he thought were the rules of the Senate enforced. What constitutes disorder the Chair has assumed was a question finally for the Senate itself to determine. The Chair may as well say right here that as much confusion has occurred among the Senators themselves as ever occurred in the galleries, and it very frequently occurs by those who are most desirous of having order preserved in the Senate.

Now, the Chair has not the slightest objection in the world, and would prefer to require that no manifestations should be made whatever in the galleries if the Senate will back the Chair up and order the galleries to be cleared if they do make any manifestations. But upon a pretty careful examination of what is called the precedents the Chair has found that where there was so-called disorder it has been suppressed at the instance of a Senator and not at the instance of the presiding officer. Motion after motion has been made by Senators to require the galleries to be cleared.

The Chair has not the slightest objection in the world, but it is personally agreeable to the Chair to suppress, if possible, every manifestation in the galleries. But whether that constitutes disorder or not the Chair would prefer to have the opinion of the Senate and not take his own opinion on the subject. The Chair desires to say to the Senator from Georgia [Mr. BACON] that the Chair has been trying since that ruling was made to investigate the question and not violate any rule and to endeavor to preserve, as far as possible, order in the Senate of the United States; and this will not be taken as any precedent, because the Chair is not one of those who is bound by any precedent. The Chair simply desires to do right.

Mr. BACON. Mr. President, there is a unanimous consent which requires that we should to-night have an executive session. I think it will require a very short one.

Mr. SIMMONS. I hope the Senator will not call that matter up at this time.

Mr. BACON. I will not if there is any purpose on the part of the Senator that the present session shall be continued.

Mr. GALLINGER. Mr. President, disclaiming, as the Senator from Georgia [Mr. BACON] has disclaimed, any purpose to criticize the Chair, because unquestionably the Chair acted as he construed the rules and precedents of the Senate, and differing somewhat from the Senator from Georgia in his suggestion that no rule is required to preserve order in this body, and especially in the galleries, I give notice of an amendment to the rules of the Senate, which will bring the matter directly before the Committee on Rules. Therefore, Mr. President, I offer what I send to the Chair.

The VICE PRESIDENT. The Secretary will read it.

The SECRETARY. Mr. GALLINGER gives notice that he will on to-morrow or some subsequent day present an amendment to the rules as follows.

Add to Rule XIX the following:

It shall be the duty of the presiding officer to preserve order both in the Chamber and in the galleries, and if disorder in the galleries is persisted in, the Sergeant at Arms shall exercise his authority even to the extent of clearing the galleries.

The VICE PRESIDENT. The notice will lie over one day under the rule.

Mr. BACON. Mr. President, I will say for my own justification that so far as applause in the galleries to-night was concerned, I was in sympathy with the sentiment which evoked the applause, and I simply rose because I thought the Chair announced a rule which I believe it would be dangerous to permit to remain to be thereafter accepted as a precedent.

Mr. STONE. Mr. President, I should like to add for the consideration of the committee, as this resolution goes to the committee, that the responsibility of clearing the galleries does not rest with the Sergeant at Arms. The language of the resolution is that the Sergeant at Arms shall preserve order even to the extent of clearing the galleries. That would be a very difficult and delicate responsibility to impose upon the Sergeant at Arms. I think the presiding officer or the Senate ought to do it.

Mr. GALLINGER. Mr. President, just a word. The proposed amendment, which I may modify to some extent when I offer it, will go to the Committee on Rules, and if it is not in proper form the Committee on Rules can shape it. I myself think that there are some words in it that ought to be changed, but I submit it to-night simply as a notice.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Louisiana [Mr. RANDELL].

Mr. THORNTON. I ask for the yeas and nays on the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. STERLING (when Mr. CRAWFORD's name was called). I announce the necessary absence of my colleague [Mr. CRAWFORD] and the fact that he is paired with the Senator from Tennessee [Mr. LEA]. If he were present and at liberty to vote, my colleague would vote "yea."

Mr. KERN (when his name was called). On account of my pair with the Senator from Kentucky [Mr. BRADLEY] I withhold my vote. If I were at liberty to vote, I should vote "nay."

Mr. OVERMAN (when his name was called). I have a general pair with the senior Senator from California [Mr. PERKINS], who is absent on account of sickness. He being absent, I withhold my vote. If I were at liberty to vote, I should vote "nay."

Mr. THOMAS (when his name was called). I transfer my pair with the senior Senator from Ohio [Mr. BURTON] to the senior Senator from Nevada [Mr. NEWLANDS] and vote "nay."

The roll call was concluded.

Mr. REED. I am paired with the Senator from Michigan [Mr. SMITH] and am unable to secure a pair. I therefore withhold my vote. If I were at liberty to vote, I should vote "nay."

Mr. LEA. I again announce my pair with the Senator from South Dakota [Mr. CRAWFORD]. I have been unable to secure a transfer. If at liberty to vote, I should vote "nay."

Mr. BRYAN. I am paired with the junior Senator from Michigan [Mr. TOWNSEND]. In his absence I withhold my vote. If at liberty to vote, I should vote "nay."

Mr. LEWIS. I beg to reannounce my pair with the junior Senator from North Dakota [Mr. GRONNA]. If he were here, I should vote "nay."

Mr. GALLINGER. I desire to announce the absence of the junior Senator from Maine [Mr. BURLEIGH] on account of protracted illness. I also desire to announce the pairs of the Senator from Delaware [Mr. DU PONT] with the Senator from Texas [Mr. CULBERSON], and the Senator from Wisconsin [Mr. STEPHENSON] with the Senator from South Carolina [Mr. TILLMAN].

The result was announced—yeas 36, nays 38, as follows:

YEAS—36.

Borah	Dillingham	McCumber	Root
Brady	Fall	McLean	Sherman
Brandegge	Gallinger	Nelson	Smoot
Bristow	Jackson	Norris	Sterling
Catron	Jones	Oliver	Sutherland
Clapp	Kenyon	Page	Thornton
Clark, Wyo.	La Follette	Penrose	Warren
Colt	Lippitt	Polindexter	Weeks
Cummins	Lodge	Ransdell	Works

NAYS—38.

Aslurst	Fletcher	James	Myers
Bacon	Gore	Johnson	O'Gorman
Chamberlain	Hitchcock	Lane	Owen
Chilton	Hollis	Martin, Va.	Pittman
Clarke, Ark.	Hughes	Martine, N. J.	Pomerene

Robinson	Shively	Smith, S. C.	Vardaman
Saulsbury	Simmons	Stone	Walsh
Shafroth	Smith, Ariz.	Swanson	Williams
Sheppard	Smith, Ga.	Thomas	
Shields	Smith, Md.	Thompson	

NOT VOTING—21.

Bankhead	Culbertson	Lewis	Stephenson
Bradley	du Pont	Newlands	Tillman
Bryan	Goff	Overman	Townsend
Burleigh	Gronna	Perkins	
Burton	Kern	Reed	
Crawford	Lea	Smith, Mich.	

So Mr. RANDELL's amendment was rejected.

The VICE PRESIDENT. What is the pleasure of the Senator from North Carolina [Mr. SIMMONS]? Shall the reservations of amendments be taken up in order?

Mr. SIMMONS. Mr. President, I ask unanimous consent that we vote on to-morrow upon this bill and all amendments thereto at 4 o'clock, or not later than 4 o'clock—

Mr. GALLINGER. Commence voting?

Mr. SIMMONS. And that when the Senate adjourns to-night, it adjourn to meet at 9 o'clock to-morrow morning.

Mr. GALLINGER. I assume the Senator from North Carolina means that we shall commence voting at 4 o'clock on all amendments pending and to be offered without debate.

Mr. SIMMONS. That is what I mean. Of course I was going to put it in some orderly form, but that is the proposition which I wish to submit.

Mr. GALLINGER. Not later than 4 o'clock.

Mr. SIMMONS. Not later than 4 o'clock.

The VICE PRESIDENT. The Secretary will state the request for the unanimous-consent agreement.

The Secretary read as follows:

It is agreed by unanimous consent that when the Senate adjourns to-day it will be to meet to-morrow at 9 o'clock a. m., and that on to-morrow, Tuesday, September 9, 1913, at not later than 4 o'clock p. m., the Senate will proceed, without further debate, to vote upon any amendment that may be pending to the bill, any amendments that may be offered, and upon the final passage of the bill—House bill 3321 to reduce tariff duties, and so forth.

The VICE PRESIDENT. Is there objection to the unanimous-consent agreement as read by the Secretary?

Mr. OLIVER. I object to meeting at 9 o'clock in the morning. I do not see why we can not meet at 10 o'clock a. m. and vote at 5 o'clock p. m.

Mr. SIMMONS. I will change the request for unanimous consent to conform to the request of the Senator without saying anything about meeting at 9 o'clock, if the Senator objects on that account. I will simply ask that not later than 4 o'clock to-morrow the Senate begin to vote upon the amendments and the bill.

Mr. OLIVER. I withdraw my objection.

Mr. SIMMONS. Then I return to my original proposition, Mr. President.

Mr. BRISTOW. Mr. President, I ask that the request for unanimous consent be amended so that any amendment may be offered after 4 o'clock and that the Senator offering the amendment may have not more than five minutes to explain its provisions. I make this request, because frequently upon occasions of this kind amendments are offered, and the one who offers them can not say a word about them, so that it is impossible to know just what effect an amendment will have upon a particular paragraph; and so Senators are compelled to vote blindly. This proposition will not delay the consideration of the bill any material length of time, and it will be a very great convenience. I should like to have that provision incorporated in the agreement.

Mr. SIMMONS. I accept the suggestion of the Senator from Kansas.

The VICE PRESIDENT. The Secretary will read the proposed agreement as modified.

The SECRETARY. The Senator from North Carolina asks unanimous consent that when the Senate adjourns to-day it adjourn to meet to-morrow at 9 o'clock a. m.; that on to-morrow, Tuesday, September 9, 1913, at not later than 4 o'clock p. m. the Senate, without further debate, will begin to vote upon any amendment that may be pending to the bill, any amendments that may be offered to the bill, and upon the final passage of the bill; and that a Senator proposing an amendment after 4 o'clock shall be given not more than five minutes in which to explain his amendment.

Mr. NORRIS. Mr. President, I should like to ask a question of the Senator from North Carolina. Why could we not make the hour 5 o'clock instead of 4 o'clock? What is the objection to making it 5?

Mr. SIMMONS. I will say to the Senator that it was largely to subserve the convenience of a Senator whom we all want to favor in a matter of very great importance to him. If we begin

voting at 4 o'clock to-morrow, I think ample time will be afforded for discussion. We can go on to-night.

Mr. NORRIS. Yes.

Mr. SIMMONS. I am willing to go on until 1 o'clock or 2 o'clock, if desired, and we will have ample time to finish the business and give every Senator an opportunity, I think, to discuss amendments to the fullest extent.

Mr. NORRIS. It occurred to me that if we began to vote at 5 o'clock it would give ample time for the Senate to adjourn at a reasonable hour.

Mr. SIMMONS. Certainly not with the provision that Senators will have 5 minutes in which to explain any amendment that may be offered.

Mr. NORRIS. There will be no disposition, I assume, to have that stipulation in a unanimous-consent agreement if the hour be fixed later and made 5 o'clock instead of 4 o'clock.

Mr. SIMMONS. I trust the Senator will not make an objection.

Mr. NORRIS. I am not going to make an objection; but I will say to the Senator that we would be more apt to get an agreement if the hour were fixed at 5 o'clock, and that there would be nothing unfair about it.

Mr. SIMMONS. I will say to the Senator that we have been discussing this matter for the last two or three hours, and it is about the best arrangement that we have been able to make.

Mr. NORRIS. But the objection always made is that much of the time, possibly, may be taken up by one Senator in debate and the remaining time will be too short. Personally I have an idea that we will get through before 4 o'clock, but some Senator may take the floor and keep the floor all day, in which case others who have short explanations to make would not be able to make them.

Mr. SIMMONS. I think I can assure the Senator that not an hour will be taken up in debate on the part of Senators on this side of the Chamber to-morrow unless some Senator shall decide to speak who has not done so up to this time and has not notified me.

The VICE PRESIDENT. Is it the pleasure of the Senate that the unanimous-consent agreement as read by the Secretary shall be entered into?

Mr. LA FOLLETTE. I should like to inquire how many amendments which have been offered to this bill are now pending and not disposed of?

The VICE PRESIDENT. There have been 28 reservations made, the Chair is informed.

Mr. LA FOLLETTE. If I can have the attention of the Senator from North Carolina, I suggest that he include in the proposed unanimous-consent agreement—

Mr. NORRIS. We are unable to hear the Senator.

Mr. ASHURST. Mr. President, would Senators on the other side object to taking this side into their confidence somewhat, and speak a little louder?

Mr. LA FOLLETTE. We would if that side would cease conversation and show an interest in what is going on.

Mr. ASHURST. This side has not indulged in any conversation, but has listened with great interest to try to hear what was being said on the other side.

Mr. MARTINE of New Jersey. I assure the Senator that we are deeply interested.

Mr. SIMMONS. Regular order!

Mr. LA FOLLETTE. I will suggest to the Senator from North Carolina that he amend his request for unanimous consent to include a disposition of all the pending amendments before the Senate adjourns to-night, and that the hour fixed for voting to-morrow be 5 o'clock instead of 4.

Mr. SIMMONS. Does the Senator mean that before we adjourn to-night we are to pass upon all the amendments?

Mr. LA FOLLETTE. Yes.

Mr. SIMMONS. Well, if we do that what is the necessity of taking up any time to-morrow?

Mr. LA FOLLETTE. I fancy that there may be some amendments offered to-morrow.

Mr. SIMMONS. But I understood the Senator to suggest that we conclude all amendments to night.

Mr. LA FOLLETTE. All amendments that have been offered.

Mr. MARTINE of New Jersey. Will the Senator from Wisconsin yield to me?

The VICE PRESIDENT. Does the Senator from Wisconsin yield to the Senator from New Jersey?

Mr. LA FOLLETTE. I have not the floor.

Mr. MARTINE of New Jersey. I desire to suggest to the Senator from Wisconsin that it would be wiser to make it 6 o'clock instead of 5. It would be nearer daylight at 6 o'clock in the morning than it would be at 5, and it would be in-

initely more comfortable for most of us to perambulate to our respective homes in daylight than in a miserable twilight. [Laughter.]

Mr. SIMMONS. I ask that the request be put to the Senate.

The VICE PRESIDENT. The question is, Shall the proposed unanimous-consent agreement as read be entered into? Is there objection?

Mr. POINDEXTER. I should like to hear the request for unanimous consent read again. There has been a good deal of discussion about the terms of the proposed unanimous-consent agreement.

The VICE PRESIDENT. The Secretary will again read the request for unanimous consent.

The Secretary read as follows:

It is agreed by unanimous consent that when the Senate adjourns to-day it will be to meet to-morrow at 9 o'clock a. m.; and that on to-morrow, Tuesday, September 9, 1913, at not later than 4 o'clock p. m., the Senate will proceed, without further debate, to vote upon any amendment that may be pending to the bill, any amendments that may be offered, and upon the final passage of the bill, House bill 3321, to reduce tariff duties, and so forth; and further, that the Senator proposing an amendment after the hour of 4 o'clock p. m. shall have not more than five minutes' time in which to explain such amendment.

The VICE PRESIDENT. Shall that unanimous-consent agreement be entered into?

Mr. WILLIAMS. Mr. President, it seems to me it would be clearer and better to have an hour fixed at which the voting must begin upon the bill and all amendments now pending or hereafter offered, and when the voting begins that the voting should continue without debate. It is perfectly possible that we might begin to vote at 4 o'clock, with an allowance of five minutes to everybody to explain his amendment—

Mr. SIMMONS. No; the Senator misunderstands that. It is only to the Senator offering the amendment after 4 o'clock.

Mr. WILLIAMS. I understand that. But if each Senator offering an amendment takes five minutes and 10 Senators offer such amendments, that is 50 minutes. I understood we were trying to fix this time so that one of our colleagues who must leave the Chamber at 5 o'clock may be able to leave at that time.

Mr. SIMMONS. Does the Senator from Mississippi understand that the request applies only to amendments offered after 4 o'clock?

Mr. WILLIAMS. I understand that.

Mr. SIMMONS. And that it would not apply to amendments offered before 4 o'clock or to amendments now pending?

Mr. WILLIAMS. As I understand, the agreement is that as to amendments not now pending the proponents of the amendments shall have five minutes apiece. Is that it?

Mr. SIMMONS. I understand that is satisfactory to the Senator from Virginia.

Mr. WILLIAMS. That is all right, then.

Mr. BRISTOW. Mr. President, just as it reads is the way I want it.

Mr. JONES. I wish to ask how the reserved amendments will be taken up—whether they will be taken up first, or whether any other amendments can be offered before the reserved amendments are disposed of?

Mr. SIMMONS. We are going to take them up to-night.

Mr. JONES. The reserved amendments are to be taken up and disposed of to-night?

Mr. MARTIN of Virginia. That is the purpose.

The VICE PRESIDENT. Is there objection?

Mr. MARTINE of New Jersey. Will the Chair please state the proposition?

The VICE PRESIDENT. If the Senate will be in order, the Secretary will again state the proposed unanimous-consent agreement.

The SECRETARY. It is agreed by unanimous consent that when the Senate adjourns to-day it will be to meet to-morrow at 9 o'clock a. m.; and that on to-morrow, Tuesday, September 9, 1913, at not later than 4 o'clock p. m., the Senate will proceed, without further debate, to vote upon any amendment that may be pending to the bill, any amendments that may be offered, and upon the final passage of the bill (H. R. 3321) to reduce tariff duties, and so forth; and, further, that the Senator proposing an amendment after the hour of 4 o'clock p. m. shall have not more than five minutes' time in which to explain such amendment.

The VICE PRESIDENT. Is there objection to entering into that agreement? The Chair hears none, and unanimous consent is given.

Mr. LA FOLLETTE. I offer an amendment at this time to the pending bill, which I ask may be printed and lie on the table.

The VICE PRESIDENT. The amendment will lie on the table and be printed.

Mr. SIMMONS. Mr. President, I ask that the next reserved amendment may be laid before the Senate.

The VICE PRESIDENT. Shall they be taken up in the order in which they were reserved, or in the order in which they appear in the bill?

Mr. SIMMONS. The order in which they were reserved, I should say, would be a good order.

The SECRETARY. The Senator from Washington [Mr. JONES] made the first reservation. The committee proposes to strike out "J," subsection 7, on page 263, or all the words printed in lines 11, 12, 13, and 14.

Mr. JONES. Mr. President, I offer an amendment in the nature of a substitute for that amendment.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. The Senator from Washington [Mr. JONES] offers, as a substitute for the words agreed to be stricken out, the following:

J. Subsection 7. That upon all goods, wares, and merchandise imported under the provisions of this act in vessels not built or not registered prior to the passage of this act under the laws of the United States, there shall be imposed and collected a duty of 10 per cent ad valorem in addition to the duties otherwise imposed by this act, and on such goods, wares, and merchandise as are otherwise admitted free there shall be imposed and collected a duty of 5 per cent ad valorem if imported in vessels not built or not registered under the laws of the United States; *Provided*, That the President is directed to cause to be abrogated without unnecessary delay, and in the manner therein provided, all treaties which contravene this provision; and, until so abrogated, this provision shall not apply to goods, wares, and merchandise imported in vessels affected by such treaties.

Mr. JONES. Mr. President, the provision stricken out is one of the most important in this bill. It provides in brief that a discount of 5 per cent on all duties imposed by this act shall be allowed on goods, wares, and merchandise imported in American ships. The purpose of it evidently is to do something to build up the merchant marine of this country, which is now in such a deplorable condition.

PURPOSE OF AMENDMENT.

The purpose of my amendment is to impose a duty of 10 per cent additional upon such goods imported in foreign vessels; that is, in vessels not built in this country or not registered prior to the passage of this act. It will be noted that the provision in the bill does not relate to vessels built in this country at all, but to vessels registered; so that it would apply not only to vessels registered before the passage of the act, but to any vessel registered afterwards, whether built in this country or not.

The House provision is an attempt—a slight one, I grant you, but an honest attempt—to remedy a situation which all patriotic citizens must deplore. It is to be regretted that the Senate committee has stricken out this provision and offered nothing in its place. It is incomprehensible to me that such action should have been taken by them, and I earnestly hope that they will not adhere to such action. This is not a party proposition and should not be made such. I am glad to support action along the lines of the House provision and will vote for that if we can not get something better.

GREAT GROWTH OF FOREIGN TRADE.

Our foreign trade has been increasing with wonderful strides notwithstanding the tariff barrier which our Democratic friends claim we have been maintaining; and while I do not intend to argue this question, the facts conclusively show such a claim to be absolutely unfounded.

Under the Dingley Act our imports in 1898 amounted to \$616,049,654 and our exports to \$1,231,482,330. In 1909 our imports had increased to \$1,311,920,224 and our exports had increased to \$1,663,011,104. Our total trade in 1898 was \$1,847,531,984, while in 1909 our total trade amounted to \$2,974,931,328, or an increase in 11 years in our total foreign trade of \$1,127,399,344.

Under the Payne-Aldrich Act in 1913 our import trade amounted to \$1,812,978,234, while our export trade amounted to \$2,465,884,149. Our total trade in 1913 amounted to \$4,278,862,383, or an increase in four years under the Payne-Aldrich bill of \$1,303,831,055.

NO NATION CAN EQUAL IT.

We have a right to be proud of the tremendous growth of our foreign trade. No nation in the world's history can equal it, but when we see how it is carried we are filled with shame. Practically all of this great trade is by the sea, over highways which are free to all. We have granted great land subsidies to encourage lines of land transportation, not alone to build up the country, but to enable products to get to market, realizing that returns will be slight if our people must depend upon the markets in the immediate vicinity of production. We seem to be satisfied, however, with getting our products to the seashore and are apparently willing to depend upon foreign ships,

foreign peoples, and foreign flags to take our products to the world's markets.

The farmer who depends upon his neighbor to get his crops to market would be considered foolish and no one would be surprised if his grain was not hauled at the proper time or put on the market in bad shape. The nations of the world must indeed laugh in their sleeves at the sorry spectacle presented by Uncle Sam in the transportation of his foreign commerce.

SOME STARTLING FIGURES.

In 1885 our ships carried \$194,865,743 of our foreign trade, while foreign ships carried \$1,274,384,309 or six times as much. In 1913 our ships carried \$378,234,924, while foreign ships carried \$3,375,284,022, or nearly ten times the amount carried in our own ships. The percentage of such goods carried in our ships was but 8.7. Since 1885—and I call special attention to this—foreign ships have carried over \$50,000,000,000 of our foreign commerce. Estimating the freight at 15 per cent, we have paid them over \$7,500,000,000 for getting our products to their markets and supplying our own. Of what benefit is a balance of trade in our favor if we pay out most of it for freight? We should have done at least 50 per cent of our foreign business, and this would have added two or three billions of dollars to our balance of trade and increased wonderfully our prosperity. Hired freight is just as expensive as so much of any other product, and freight saved by our people is freight earned.

CONDITION HUMILIATING, UNPROFITABLE, DANGEROUS.

Not only is this condition of things humiliating and unprofitable, but it is actually dangerous. British ships transport the greater part of our foreign commerce. Suppose England should engage in a war with a great power. Thousands of her ships would be taken for transports and other thousands might be destroyed. Our foreign commerce would be destroyed, and the products we now send abroad would be left on our hands, glutting our markets and bringing upon us industrial ruin and widespread commercial disaster. Farmers and manufacturers would suffer alike, and the laborer and his family would face the wolf of hunger in his home. We are at the very point where Thomas Jefferson, whom I have heard referred to to-night as the patron saint of the Democratic Party, said protective and defensive measures become necessary. He said:

If particular nations grasp at undue shares of our commerce, and, more especially, if they seize on the means of the United States to convert them into alimony for their own strength, and withdraw them entirely from the support of those to whom they belong, defensive and protective measures become necessary on the part of the nation whose marine resources are thus invaded; or it will be disarmed of its defense, its productions will be at the mercy of the nation which has possessed itself exclusively of the means of carrying them, and its politics may be influenced by those who command its commerce.

OUR POLITICS INFLUENCED BY OUR FOREIGN CARRIERS.

Our productions are now almost at the mercy of foreign nations and in a large degree they have influenced our politics. Their influence affects this very bill. Such a condition should no longer be tolerated; at least we should make some attempt to remedy it if we would merit our own self-respect.

NO SHIPS FOR AUXILIARY NAVAL PURPOSES.

We are building the Panama Canal at a cost of nearly \$500,000,000, and I have been reliably informed that much of the material used in its construction has been carried there under a foreign flag, and when it is completed the American flag passing through it in the foreign commerce will be a curiosity. A few years ago a great fleet of American battle-ships sailed from the Atlantic to the Pacific and around the world, but they were accompanied by foreign ships flying foreign flags, carrying the coal necessary to furnish the motive power to take them on their journey. To-day the coal for one naval station on the Pacific is carried in foreign ships. What a spectacle for the nations of the earth! If this one humiliating fact could ring in the ears of every true, patriotic American he would insist that some steps be taken at once by his representatives to prevent its recurrence.

If foreign ships must convoy our fleets in time of peace, what would we do in war, with the ships of neutral nations forbidden to assist us by the law of nations? Our battleships would be helpless; we would be "disarmed of our defense"; we are disarmed of it now.

OUR COURAGEOUS AND STATESMANLIKE ANCESTORS.

Has this always been our position? It was so at the close of the Revolutionary War, when only 17 per cent of our import trade and 30 per cent of our export trade was in the hands of our own shippers and under our flag. Did the fathers of the Republic accept this condition supinely? Not at all. They knew that the flag in a foreign port on a merchant ship is the ocean's commercial traveler and increases and develops its country's trade. They knew that the lack of a merchant marine was a great source of weakness, humiliating in time of peace,

dangerous in time of war, and a constant menace to commercial stability. They were patriots and men of action and took immediate steps to increase our tonnage in the foreign trade.

The first act passed by the American Congress was the act of July 4, 1789, and section 5 allowed a discount of 10 per cent of the duties provided therein on goods, wares, and merchandise when imported in American-built vessels.

THE EARLY SUCCESSFUL AMERICAN POLICY.

This is exactly in line with the provision inserted in the bill by the House, except that at that time the discount allowed was 10 per cent instead of 5, as provided in the bill, and only to vessels built in the United States. Sixteen days afterwards another act was passed imposing discriminating tonnage taxes, 6 cents per ton on American vessels, 30 cents on American-built vessels owned by foreigners, and 50 cents per ton on foreign-built-and-owned vessels. Another act was passed prohibiting any but American vessels from carrying the American flag.

In 1790 a new law was passed providing for an additional duty of 10 per cent on goods brought into the country in foreign ships.

This is substantially the provision of the amendment which I have proposed. Our fathers found that the act of 1789 was not bringing the most satisfactory returns, and consequently they changed it, and instead of allowing a discount of 10 per cent on goods imported in American ships they added 10 per cent on goods brought in in foreign ships. This provision proved wise, and was renewed from time to time with the approval and at the instance of the founders of the Democratic Party. In 1804 an act of this kind was signed by Thomas Jefferson, the political idol of the Senator from Mississippi. Another was approved by James Madison.

POLICY SHOULD BE READOPTED.

This is the policy which I should like to see adopted by the Senate. I think it is a policy that can well be adopted by our Democratic friends. They can well afford to return to the policy of the founders of their party, from which the results were so immediate and so gratifying and which abundantly proved the wisdom of the measures taken. In 1795 our ships carried 92 per cent of our imports and 88 per cent of our exports. The law of 1790, increasing the duties on all goods, wares, and merchandise imported in foreign ships by 10 per cent, was reenacted from time to time, a law of this kind being passed in 1804 and signed by Thomas Jefferson. Notwithstanding the embargo acts, orders in council, and the harassing of our shipping by England and France, our flag carried 93 per cent of our imports in 1810 and 90 per cent of our exports. In 1815, after the War of 1812, our ships carried 77 per cent of the imports and 71 per cent of our exports, and in 1826 95 per cent of our imports and 89.6 per cent of our exports were carried in our ships, and our flag waved over every sea and greeted the morning sun in every commercial harbor of the world. In 1830 we dropped to 93.6 per cent of the imports and 86.3 per cent of the exports; in 1835, to 90.2 per cent of the imports and 77.3 per cent of the exports; in 1845, to 87.3 per cent of the imports and 75.3 per cent of the exports; in 1850, to 77.3 per cent of the imports and 65.5 per cent of the exports; in 1860, to 63 per cent of the imports and 69.7 per cent of the exports, or a total decrease from 1825 to 1860 of 32.2 per cent in the import trade and 19.5 per cent in the export trade.

ANTE-BELLUM SHIPPING DECLINE.

I submit a table giving the percentages for the first and last years of each five-year period; and while some years the per centum was a little higher than others, there was a general decline, as shown above, and it clearly appears that the decline in our shipping began long before the Civil War. In 1865 our ships carried 27.7 per cent of our total foreign trade and in 1870 35.6 per cent, from which time there was a gradual decline, until now we do but a very little over 8 per cent.

Year.	Imports.	Exports.
1789.....	17.5	30.0
1795.....	92.0	88.0
1796.....	174.5	158.0
1800.....	94.0	90.0
1801.....	91.0	87.0
1805.....	93.0	89.0
1806.....	93.0	89.0
1810.....	93.0	90.0
1811.....	90.0	86.0
1815.....	77.0	71.0
1816.....	73.0	68.0
1820.....	90.0	89.0
1821.....	92.7	84.9

¹ Gain.

Year.	Imports.	Exports.
1825.....	95.2	89.2
1826.....	95.0	89.6
1830.....	93.6	86.3
1831.....	91.0	80.6
1835.....	90.2	77.3
1836.....	90.3	75.4
1840.....	86.6	79.9
1841.....	88.4	77.8
1845.....	87.3	75.8
1846.....	87.1	76.2
1850.....	77.8	65.5
1851.....	75.6	69.8
1855.....	77.3	73.8
1856.....	78.1	70.9
1860.....	63.0	69.7

Why is it that our merchant marine is no more? Why was it that from 1826 down to the beginning of the Civil War our share of our carrying trade grew steadily less?

LAW AND TREATIES THAT DESTROYED OUR SHIPPING.

The answer is plain to me. The legislation of the fathers had been so successful in promoting our shipping trade and industry that our people came to the conclusion that we could command the seas against any competitor, and so in 1815 a treaty was entered into with England reciprocally removing the discriminating duties on goods brought into each country in the ships of the other and similar treaties were made with other countries. These treaties were usually made for a definite time and afterwards renewed to continue in force until abrogated by either party after a year's notice, the right of abrogation being expressly reserved to each party. Our shipping had received such an impetus from the encouragement given by the legislation of the fathers that it more than held its own, and in 1828 Congress passed an act which reads as follows:

THE ACT THAT HAS DESTROYED OUR SHIPPING POWER.

That upon satisfactory evidence being given to the President of the United States, by the Government of any foreign nation, that no discriminating duties of tonnage or impost are imposed or levied in the ports of said nation upon vessels wholly belonging to citizens of the United States, or upon the produce, manufactures, or merchandise imported in the same from the United States, or from any foreign country, the President is hereby authorized to issue his proclamation declaring that the foreign discriminating duties of tonnage and impost within the United States are, and shall be suspended and discontinued so far as respects the vessels of the said foreign nation, and the produce, manufactures, and merchandise imported into the United States in the same from the said foreign nation, or from any other country; the said suspension to take effect from the time of such notification being given to the President of the United States, and to continue so long as the reciprocal exemption of vessels belonging to citizens of the United States and their cargoes, as aforesaid, shall be continued, and no longer.

It will be noted that this simply provides for a suspension of this policy and our right to recur to it is fully recognized.

REPRESENTATIVE UNDERWOOD QUOTED.

This act not only permitted the ships of a nation to bring in the products of that nation, but also the products of all other nations free from discriminating duties. This act was intended to establish reciprocal equality between this Nation and all other nations. We complied with its letter and spirit, but other nations did not, and, as Representative UNDERWOOD, the present leader of the Democratic majority in the House of Representatives—I hope my Democratic friends will note this—said in 1910:

The passage of the bill proved the undoing of the merchant marine and the policy it inaugurated has never been changed.

If other nations who accepted the terms of this legislation had observed the spirit of it, we would, no doubt, have been able to maintain our position of superiority, but they did not.

"Shipping nations," said Mr. UNDERWOOD, "were not honest enough between themselves for the application of free-trade principles in navigation and most of our rivals, while professing to practice a policy of nondiscrimination against American ships, acted unfairly and resorted to some form of ship protection, either by granting subsidies or bounties or by adopting other methods of discrimination against American ships."

That is not a statement from me; it is not a statement from any Republican. It is a statement from the Democratic leader of the House of Representatives and the real author of the pending bill.

WISE POLICY OF THE FATHERS.

Some may contend that it was the use of iron and the Civil War that caused the loss of our merchant marine. They overlook the decline of 32 per cent in the import trade and 19 per cent in the export trade during the period from 1828 to 1860, or prior to the war. The seeds of destruction were sown before the war and before iron ships, and the results began to appear years before. You may say what you will, but the facts are that under the policy of the fathers our shipping trade increased until the act of 1828 was passed, and from that time on that trade gradually and continuously decreased. It may be

foolish in me to trace these results to the act of 1828 and the subsidies and discriminations practiced by Great Britain, but no candid mind can escape from such a conclusion.

HOW BRITISH SHIPPING HAS BEEN PROTECTED.

Great Britain was our greatest rival in the ship-carrying trade. She looked with a jealous eye upon our great fleets of fast merchantmen. It was humiliating to the "Proud Mistress of the Seas" to have her supremacy threatened by her former colonies. The people, statesmen, and rulers of Great Britain had early seen the importance of a merchant fleet and for centuries they had fostered and protected this industry, and it may not be amiss to notice briefly the means she had taken to become the "Mistress of the Seas." It ought to be instructive to us in the present condition of our shipping. In 1381 an act was passed providing:

That for increasing the shipping of England, of late much diminished, none of the King's subjects shall hereafter ship any kind of merchandise, either outward or homeward, but only in ships of the King's subjects, on forfeiture of ships and merchandise, in which ships also the greater part of the crews shall be of the King's subjects.

CROMWELL'S DRASTIC BUT SUCCESSFUL POLICY.

This act was not of the permanent benefit that it was hoped it would be and British shipping languished until 1651. The Dutch were masters of the sea. Their ships carried the world's products from port to port and they arrogantly carried at their mastheads brooms significant of their supremacy. Cromwell became Protector of England, and the action he took and the results are graphically told in the following language by a great student of navigation problems:

When Oliver Cromwell, a trifle more than two and a half centuries ago, had composed the differences that had previously existed in England and had brought about an orderly condition in that turbulent country, he paused for a moment to gaze seaward, and instantly he realized that he had but half completed the work high destiny had imposed upon him. Passing down what were then called "The Narrow Seas," now commonly called the English Channel, were numerous Dutch ships that, too arrogantly for Cromwell's gorge, flaunted at their mastheads a broom heralding to the world the fact that they "swept the seas," because at that time the maritime dominance of the Dutch was unquestioned.

Cromwell, happily for England, was a man of action. He was also a man of indomitable determination. He set about the task of removing the brooms from the mastheads of Dutch ships. It was some task, but Cromwell accomplished it, and he did it so thoroughly that since that time Dutch participation in maritime affairs has been of a minor character. The laws of England, under the guidance of the doughty Protector, were made to decree that any ship entering English ports from any part of the world other than the continent of Europe, if not English, commanded by an Englishman, and with three-fourths of the crew subjects of England, should be subject to forfeiture; and ships other than English, as described, entering England from ports of the continent of Europe should pay double aliens' duties upon whatever merchandise they brought; that no foreign fishing vessels would thereafter be permitted to enter English ports for trade under penalty of forfeiture. The blow was aimed straight at the Dutch and they resented it and went to war, and England whaled the everlasting tar out of them. Then the brooms disappeared from the mastheads of Dutch ships, Dutch maritime supremacy was thereafter referred to in the past tense, and ever since then England has been "the mistress of the seas." It took just 50 years for Raleigh's axiom that whosoever commands the sea commands the trade of the world, and therefore the world itself, to find concrete expression in England's laws, but when it did find such expression England took upon herself all of the dignities and emoluments of world dominance.

Doubtless in those old days there were timid souls who attempted to discourage Cromwell from undertaking such a transformation. Doubtless there were those who told him how well Dutch ships served English needs, and especially how cheaply Dutch ships did English carrying, and that England could not get along without the fish that Dutch fishermen daily brought to their ports. Perhaps there were those who advised Cromwell not to do anything drastic and who pointed out to him that the free-trade methods by which the Dutch had succeeded were the methods England should adopt if it ever expected to succeed upon the sea, that the boundless sea was the common arena of all peoples and all nations upon which coercive and protective methods would be unavailing. And it is not to be doubted that Cromwell was warned of the dire consequences of affronting the Dutch, whose friendship in emergencies might be so timely and so useful to England, and Cromwell's policies were such that he was more liable to make alien enemies than friends. All other deterring suggestions failing, Cromwell must have been told that the time he had selected for his drastic policy was not a good time; that a future time would be a better time to put into effect the English maritime renaissance he proposed, when conditions were more favorable for success.

Unfortunately, history has failed to preserve for us the arguments that may have been used upon Cromwell in opposition to his adoption of an English maritime policy at the time he did adopt it. Perhaps it is sufficient for us to know that he conceived the idea that to beat the Dutch upon the sea he would better adopt a policy somewhat at variance with the one that the Dutch had succeeded under—one that contained no such word as fail. And it is quite likely that once the idea of doing the thing had gripped Cromwell's mind he concluded that too much time had already been lost in going about it, and that no better time than that time was ever likely to arrive, besides which his experiences had doubtless taught him that he could better command the good will of other nations from the vantage point of supremacy, of dominance, than from that of dependence and weakness. To-day England has plenty of friends.

Figuratively speaking, there is not a nation whose ships enter and leave the ports of the United States that do not carry brooms at their mastheads. The trouble with the United States is that it hasn't a Cromwell.

BLAINE ON BRITISH SHIP PROTECTION.

Mr. Blaine, who took a great interest in the protective policy, and in the building up of the merchant marine said, with reference to England's policy:

On many points and in many respects it was far different with Great Britain a hundred years ago. She did not then feel assured that she could bear the competition of continental nations. She was therefore aggressively, even cruelly, protective. She manufactured for herself and for her network of colonies reaching around the globe. Into those colonies no other nation could carry anything. There was no scale of duty upon which other nations could enter a colonial port. What the colonies needed outside of British products could be furnished to them only in British ships.

Referring to the act of Parliament of 1651, which provided that no goods should be imported into England or exported abroad except in vessels belonging to British owners and built by British builders, an English historian says:

The result of that act far transcends the wildest dream of the Lombard and Venetian avarice, or the grandest schemes of Spanish and Portuguese conquest. It not only secured to the people who enacted it the greatest share of the world's carrying trade, but the trade also knew its master, and followed at once with becoming servility.

ACCEPTS THE LETTER AND VIOLATES ITS SPIRIT.

Such had been her policy for centuries. Every nation that has threatened to become a rival has had her marine crushed by threats, subsidies, discriminating regulations, specious diplomacy, or by war. She did not propose to surrender to us until she had exhausted every resource at her command. When we passed the act of 1828 she was not yet prepared to accept it. She feared it would injure her and she did not propose to take advantage of it until it would be a benefit to her, and it was not until 1850 that she took advantage of it. She was then prepared to accept its letter and violate its spirit. She had established her system of subsidies; private agencies, carrying out discriminating rules and regulations greater in effects than acts of Parliament, were in operation, and other discriminations were inaugurated under the operation of which "reciprocal equality" was worse than a farce. These agencies caused the decline of American shipping in the foreign trade before the Civil War and have brought about its practical extinction since the war. Secretary Windom in his speech at the banquet at which he died in 1891, stated clearly and concisely the causes of the destruction of our foreign shipping:

"Reciprocal liberty of commerce" is a high sounding, seductive phrase but the kind of liberty our foreign shipping interest has enjoyed for the past 50 years is the liberty to die under unjust discriminations of the London Lloyd's Register Association, the crushing powers of European treasuries, and the utter neglect and indifference of our own Government.

OUR CUSTOMS COLLECTIONS ABSORBED BY FOREIGN CARRIERS.

With a constantly increasing foreign commerce we have a decreasing merchant marine—excepting, of course, the coastwise trade, which is wisely reserved for our own ships—until it has almost reached the vanishing point. With England carrying the great bulk of our foreign commerce we are at her mercy or dependent upon her continued success. Shall we continue so? By this bill we raise over \$300,000,000 by tariff duties and we will pay to foreign shippers about \$300,000,000 for getting to market. If we would encourage the building of our own ships we would save much of that by a reduction in freight rates by competition and the remainder would go to our own people. Almost any effort to do this should meet with our approval.

WHAT OUGHT TO BE DONE.

The House provision is an honest attempt to rehabilitate our foreign merchant marine. It goes back to the policy of the first days of the Republic. It is a small step; it doesn't go far enough; it ought to be strengthened, but if we can get no better we should not reject it. This amendment ought to increase the duties on goods carried in foreign ships instead of reduce them on goods carried in our ships.

It ought to limit this discriminating duty to vessels registered prior to the passage of this act and to vessels built in the United States. Such provisions are included in the amendment which I have offered. Even though we may have vessels flying the American flag, we are not much better off if we are dependent upon foreign ship yards and builders for our ships. The shipbuilding trade should go right along with the ship-carrying trade. It would mean the use of millions of capital, the employment of thousands of laborers, the use of much of our raw material, the establishment of a marine-insurance business of large proportions and many other new lines of business, and above all it would insure stability in both the domestic and foreign trade so far as it depends upon freight facilities, and it would give to us that arm of the national defense which is now so sadly lacking.

"FREE SHIPS" AS THOMAS JEFFERSON DESCRIBED THEM.

Again I desire to quote, for the benefit especially of my friend from Mississippi, from Thomas Jefferson:

For a navigating people to purchase its marine afloat would be a strange speculation, as the marine would always be dependent upon the merchants furnishing them. Placing as a reserve with a foreign nation or in a foreign shipyard, the carpenters, blacksmiths, calkers, sailmakers, and the vessels of a nation, would be a singular commercial combination. We must, therefore, build them for ourselves.

PATRIOTISM, BUSINESS STABILITY, AND NATIONAL DEFENSE.

This is not a party question and should not be treated as such. No caucus action should prevent any Senator from voting to upbuild the merchant marine. It is neither a tariff nor a revenue question, but a question of patriotism, of business stability, and national defense, national pride and glory. England had her free traders and her protectionists, but upon the question of the necessity of building up her merchant marine there was no difference of opinion. Adam Smith said:

VIEWS OF EMINENT FREE TRADERS.

There seems to be, however, two cases in which it will generally be advantageous to lay some burden on foreign, for the protection of domestic industry. The first is, when some particular industry is necessary for the defense of the country. The defense of Great Britain for example, depends very much upon the number of its sailors and shipping. The act of navigation, therefore, very properly endeavors to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases by absolute prohibitions, and in others by heavy burdens upon the shipping of foreign countries.

And John Stuart Mill wisely and patriotically said:

The navigation laws were grounded, in theory and profession, on the necessity of keeping up a "nursery of seamen" for the Navy. On this last subject I at once admit that the object is worth the sacrifice, and that a country exposed to invasion by sea, if it can not otherwise have sufficient ships and sailors of its own, to secure the means of manning in an emergency an adequate fleet, is quite right in obtaining those means, even at an economical sacrifice in point of cheapness of transport.

WILL DEMOCRATS REDEEM THEIR PLEDGES?

Our Democratic friends on the other side of this Chamber can well afford to put aside their free-trade ideas when dealing with our shipping and take whatever steps may be deemed necessary and wise to build up this great arm of the national defense. A Democratic House has passed this provision; the fathers of the Republic, Democrats and Federalists, favored it, and your party platform of 1912 declared as follows:

We believe in fostering, by constitutional regulation of commerce, the growth of a merchant marine which shall develop and strengthen the commercial ties which bind us to our sister republics of the south, but without imposing additional burdens upon the people and without bounties or subsidies from the Public Treasury.

This language is very significant when read in connection with the platform declaration of 1908, which is as follows:

We believe in the upbuilding of the American merchant marine without new or additional burdens upon the people and without bounties from the Public Treasury.

Of this last declaration Mr. UNDERWOOD said:

Shall the Representatives in Congress holding allegiance to the Democratic Party keep the faith and redeem the pledge? If so, how can the upbuilding of the American merchant marine be accomplished without new or additional burdens upon the people and without bounties from the Public Treasury? Let us follow in the footsteps of the fathers of our party and we will find the way.

REPRESENTATIVE UNDERWOOD'S APPEAL.

And he continued with this significant language:

Under these circumstances it seems clear to me that the constitutional and effective way to restore the American ships to the seas and carry American commerce in American bottoms is to return to the policy of the fathers and for Congress to adopt again a discriminating duty in favor of American ships.

REPUBLICAN DISCRIMINATING DUTY DECLARATION.

Much to my surprise I find no reference to the merchant marine in the Republican platform of 1912 and none in the Progressive platform. Why this strange omission I do not know. I do know this, however, that the only declaration by the Republican Party for a specific policy—and it then included the Progressives—was in the platform of 1896, which was as follows:

We favor restoring the American policy of discriminating duties for the upbuilding of our merchant marine and the protection of our shipping in the foreign-carrying trade, so that American ships—the product of American labor, employed in American shipyards, sailing under the Stars and Stripes, and manned, officered, and owned by Americans—may regain the carrying of our foreign commerce.

That was a wise and patriotic declaration and I regret to say that that is one of the few promises that we have not kept. This is an opportunity to keep it. Let us not neglect it, and I commend to you the wise and patriotic admonitions of William McKinley in his letter of acceptance urging Republicans to follow this course:

The policy of discriminating duties in favor of our shipping, which prevailed in the early years of our history, should be again promptly adopted by Congress and vigorously supported until our prestige and supremacy on the seas is fully attained. We should no longer contribute directly or indirectly to the maintenance of the colossal marine of foreign countries, but provide an efficient and complete marine of our own. Now that the American Navy is assuming a position com-

mensurate with our importance as a nation—a policy I am glad to observe the Republican platform strongly indorses—we must supplement it with a merchant marine that will give us the advantage in both our coastwise and foreign trade that we ought naturally and properly enjoy. It should be at once a matter of public policy and national pride to repossess this immense and prosperous trade.

SPEAKER CLARK FAVORS DISCRIMINATING DUTIES.

CHAMP CLARK, now the Speaker of the Democratic House, then the minority leader, said:

I do not want to interrupt your speech (HUMPHREY of Washington was speaking), but I will tell you what I do know. That by just exactly that proposition (discriminating duties) we built the second greatest merchant marine there ever was on the high seas, and we can do it again.

NOW IS THE TIME.

Are these men foolish? Are they making senseless declarations? Will you disregard their party cry? The provision which you have stricken out is the product of their labor and the outcome of their patriotism. They are keeping faith with their party promise. The platform of 1912 embodies these ideas and no one can reach any other conclusion than that the framers of that plank had specifically in mind this very method for aiding the merchant marine, and that side of the Chamber can not refuse to follow the House of Representatives without again repudiating a plank in your platform. You can not plead that this is not the time or the bill for the consideration of this question. The House of Representatives has acted, the first tariff bill that was ever passed by this Republic contained a similar provision, the necessities are imperative, and the way has been pointed out by your party in convention assembled as well as by your great leaders in the House of Representatives.

MR. UNDERWOOD AGAIN QUOTED.

According to Mr. UNDERWOOD the House provision would not be a burden upon any one. Your platform makers must have had his words in mind when it was written—I suspect that he wrote your platform in this respect—and I commend them to your careful consideration before you vote to sustain the action of the committee in striking out this provision and offering nothing in its stead. He said:

A reduction of the tariff of 5 per cent on all goods imported into the United States in American ships would give the American shipowner an advantage over the foreign shipowner in payment of duties of from \$10,000,000 to \$15,000,000 annually. This would not fall as a burden on anyone; it, of course, would enable the American shipowner to charge nearly the amount of the discriminating duty as additional freight rates, but it would not increase the cost of goods imported into this country a dollar over what they are to-day. It would not take a dollar out of the Federal Treasury and, in my judgment, it is the only effective remedy that can be adopted toward building up the merchant marine of our country and keep the profits that are derived from the transportation of our foreign commerce at home instead of paying it to foreign nations.

Mr. President, I believe in the policy of the fathers. I have supported it at every opportunity. Ten or 12 years ago I introduced a bill in the House to carry it into effect and told those advocating a subsidy that they would never get it through and that the only hope of building up our foreign merchant marine was to return to the early policy. I welcome this opportunity to do so and I trust that this bill will not leave this body without some provision in it along these lines.

FOREIGN PROTESTS HELPED KILL AMERICAN SHIPPING LEGISLATION.

I understand that this provision was stricken out upon the protests of the representatives of foreign countries. I hope this is not true. The Senate asked the State Department for copies of protests and representations of such countries regarding this provision.

Mr. WILLIAMS. In order that the RECORD may be kept clear upon that point, I wish to say that, while that was one of the reasons which led us to it, it was the least of all.

Mr. JONES. I am glad to hear that statement from the Senator from Mississippi, although I am sorry that it had any influence whatever.

The act of 1828 is an act of Congress and can be repealed without the advice or consent of any nation on earth, and any suggestion from any nation opposing its repeal should not be permitted by our Government. Any treaty that we may have with any country can be abrogated in the way provided in such treaty, and a declaration to this effect should be placed in this act.

PROTESTS SHOULD BE PUBLISHED.

I have a provision in my amendment, under which the President is directed to terminate in the way specified these treaties. Mr. President, I dare to say that, in answer to the resolution passed by the Senate a few days ago, there was transmitted from the Secretary of State a communication to the effect that he had transmitted to the chairman of the Finance Committee notice of protest made by 10 or 11 foreign governments calling the attention of the State Department to the fact—

Mr. WILLIAMS. Twenty-nine countries.

Mr. JONES. Surely not so many from the letters which I saw.

Mr. WILLIAMS. There were 29 countries with which we had treaties.

Mr. SIMMONS. The Senator from Mississippi did not understand the statement. The Senator from Washington said there were 10 or 11 governments that had written letters to the Secretary of State.

Mr. WILLIAMS. No; they did not all write to the Secretary of State.

Mr. SIMMONS. Not according to the records from the Secretary of State that I can find.

FRANCE THREATENS REPRISALS.

Mr. JONES. I do not think a proper response was made to the Senate's resolution. Copies of all correspondence should have been sent to the Senate and not a mere statement that copies had been sent to the chairman of the Finance Committee, but I do not complain or criticize this action. That will not make any difference now, because all those who were reported practically called the attention of this Government simply to the terms of the treaty, except one, and that was France, with whom we have no treaty of this character, and yet France presented a suggestion to the President and to the Secretary of State that it seems to me our Government ought not to have received. France suggested in effect, in almost so many words, that if we passed this provision they would retaliate. That was used as an argument. That was nothing more nor less than a threat of one nation to another with reference to a matter about which it was legislating, and while I do not criticize the administration, I do not believe suggestions of that kind ought to be received from the Government of any country on the face of the earth, and if handed in they should be returned.

I think it would be well to give the exact language of France, with whom we have no treaty. The French minister submitted a memorandum to the President, in which he says:

This—

Referring to the discrimination clause—

is the equivalent of the ancient "surtaxe de pavillon" long ago abolished everywhere. Article VI of the law of May 19, 1866, which suppressed it in France, states that if, under one form or another, such discrimination were resorted to again a countervailing duty would be placed on the ships of the nation thus discriminating.

In a communication to the State Department the French minister says:—

This—

Referring to the discriminating clause—

is tantamount to what was formerly styled the "flag surtax" that was given up because every nation availing itself of it realized there was no advantage in maintaining a system that was bringing inconvenience to all and profit to none. If such a clause were enacted reciprocal measures would unfailingly be taken.

And then suggests that under the French law such action would necessarily be taken.

FRANCE'S PROTEST SHOULD HAVE BEEN RETURNED.

This is a suggestion that should not have been received at all in regard to proposed legislation by an independent country. It was a direct threat to influence us in acting in relation to what we might deem best for our marine interests, and its reception should have been promptly and firmly refused.

IS OUR SOVEREIGNTY ABRIDGED?

No nation has any right to complain at the adoption of any policy we may deem wise and for our own interests so long as treaty provisions are scrupulously regarded. Will other nations retaliate? No. Why? Upon what ground? No nation can complain at the acts of another fully within its rights. We should regard our own interests. We should promote our own welfare. We should provide for our own safety. We should develop our own trade and our own industries, and we should do it without asking the consent or permitting the advice of any other nation. Surely the party which declared in favor of financial action "without waiting for the aid or consent of any other nation" will not hesitate to act freely and independently on this important subject.

COWARDLY FEAR OF RETALIATION.

"But," they say, "other nations will retaliate." That is the cry of weakness, of cowardice. Shall we heed it? I hope not. They can not very well pay subsidies and practice discriminating duties too. Their people can not stand such burdens. We can not meet them with subsidies, we can meet their subsidies with discriminating duties, and it is the only way we can meet them. Senators, let us not be scared by such threats. Let us follow the only constitutional way to restore our merchant marine to the sea. Other nations can not complain any more than we can complain at their system of subsidies. If they

want to pass similar legislation they have the right to do it, but with our resources and their necessities there can be but one outcome of such a contest and we will not be the loser.

On that point Capt. Bates, former Commissioner of Navigation, well says:

Some have advanced the idea that termination of these conventions would cause retaliation of some sort. That would be unjustifiable. It would be very uncivil treatment, a manifestation of malice, a breach of the peace. * * * The idea of "retaliation" because we act within our rights to regain our place on the sea—what is it? Nothing but a foolish appeal to cowardice. There will be no "retaliation" until the nations have lost their senses. Tell the world that we Americans dare not by proper legislation recover our lost place as a shipping nation if you will, but there is no brave nation governed by rulers so simple as to believe it.

ARE WE SUPINE OR COURAGEOUS?

Say what you will, we are face to face with the question of wholly abandoning any attempt to rehabilitate our merchant marine. Subsidies are out of the question. The people will not approve them. We have tried to grant them for 20 years, and the opposition is stronger than ever. The people will approve this method. Why not try it? Retaliation will increase their determination to succeed and they will sustain every patriotic effort to secure our proper place in the world's carrying trade. We are at the parting of the ways. We will either rid ourselves of the shackles of the act of 1828 and the treaties under which we have surrendered our rightful place on the seas or we acknowledge our helplessness, endure our shameful humiliation in peace and the inevitable in war, if it ever comes, which God forbid. Our action in this midnight hour will be far-reaching. Let us put fear behind and act boldly in behalf of our own interests, our own rights, and our own people.

HOW FOREIGNERS MONOPOLIZE OUR FOREIGN CARRYING.

Mr. President, there is one other phase of the foreign carrying business that I want to call to your attention briefly. We denounce monopoly most vigorously. We strike at domestic monopolies in the courts and through legislation, and yet we look with apparent indifference upon the foreign monopolies that control almost absolutely the carriage of the world's commerce. A committee of the House of Representatives has investigated this matter and held exhaustive hearings. Its report has not yet been submitted, but it seems to me that the evidence clearly establishes that the foreign trade is absolutely dominated by monopoly. Trusts, combinations, pools, and conferences have been established, and through these rates are controlled, territory distributed, and business apportioned. Certain lines are given a certain territory; a certain number of ships are allotted to certain ports and the number of voyages limited, and they dare not exceed them under severe penalties arbitrarily but effectively enforced; freight rates are fixed and uniform; passenger receipts are pooled and distributed according to definite agreements; shippers are restricted to certain lines and certain ships on penalty of not being able to secure any shipping facilities whatever; rebates are given on condition that shippers will use no other lines; discriminations are practiced toward certain interests, and especially toward great combinations and powerful interests like the Standard Oil, the Steel Trust, and the International Harvester Trust; "fighting ships" are maintained for the sole purpose of crushing and driving out of business any independent lines or ships; and the development of the markets and trade of their respective countries is very naturally favored as against our own. This, Mr. President, comes about under "mutually reciprocal" trade. Let us save ourselves from such "reciprocity."

DEMOCRACY'S GREAT OPPORTUNITY.

Mr. President, here is the opportunity to take a step toward restoring our flag to the seas without imposing any burdens upon our people; here is an opportunity to free ourselves from the grasp of foreign monopolies, which not only charge excessive rates for transportation but also discriminate against us in the world's markets; here is the opportunity to encourage the building of ships, the erection and maintenance of splendid shipbuilding plants of the greatest value in time of war as well as in times of peace, the employment of labor, and the creation of many other lines of business activity; here is the opportunity to safeguard the stability of our domestic as well as our foreign trade; here is an opportunity to reinvigorate that arm of the national defense without which no nation can be really safe and independent; here is an opportunity to resume the place in the world's carrying trade which we so proudly filled when as a small, struggling Nation our ships sailed every sea, unloaded their cargoes in every harbor, and floated the Stars and Stripes under every sky. Adopt this provision and it will not be long until our own ships will carry our own trade in times of peace and be our defense in times of war. Then, indeed, will we be a free and independent Nation and war's dangers will be greatly lessened.

Mr. GALLINGER. Mr. President, I desire to occupy a few moments in the discussion of this important question, and I shall be very brief.

Mr. President, during the past 10 years strenuous efforts have been made by some of us to secure aid to our vanishing merchant marine, either by the payment of a direct subvention from the Treasury or by a substantial increase of the ocean mail pay under the provisions of the act of March 3, 1891. Such efforts have been met by the suggestion from the Democratic Party that the only proper and constitutional way to rehabilitate the American merchant marine was to return to the ancient policy of discriminating duties as it was practiced in the early days of the Republic. I have been driven to the conclusion that under existing conditions that policy can not be made successful at the present time; but notwithstanding I hold that view, I have indulged the hope that the experiment would be tried. With that end in view, I was gratified to find in the bill as it came from the House the following provision:

That a discount of 5 per cent on all duties imposed by this act shall be allowed on such goods, wares, and merchandise as shall be imported in vessels admitted to registration under the laws of the United States.

It seemed that at last the Democratic theory was to be tested, but when the bill was reported to the Senate the paragraph was stricken out. I desire as briefly as may be to call attention to the question of discriminating duties, and also to say a word regarding the other Democratic doctrine of free ships, which under existing legislation has proved to be a total failure.

Mr. President, when the Merchant Marine Commission was created in 1904—composed of five Senators and five Members of the House of Representatives—a majority of the commission favored the doctrine of discriminating duties, but before the investigation ended the commission changed its mind and incorporated in its report its reasons for abandoning that doctrine.

During the investigation strong arguments were presented in favor of returning to the discriminating policy.

On the other hand it was pointed out that this country had entered into 30 or more commercial treaties with foreign countries, which, unless abrogated on notice, forbade the adoption of discriminating duties on our part. It was also argued that if the treaties were abrogated retaliation in connection with our export trade would doubtless result.

The earliest of these treaties now in force is that with Great Britain, concluded July 3, 1815, during the administration of President Madison. It contains (art. 2) the following clause:

The same duties shall be paid on the importation into the United States of any articles the growth, produce, or manufacture of His Britannic Majesty's territories in Europe, whether such importation shall be in vessels of the United States or in British vessels, and the same duties shall be paid on the importation into the ports of His Britannic Majesty's territories in Europe of any article the growth, produce, or manufacture of the United States, whether such importation shall be in British vessels or in vessels of the United States.

It will be observed that the policies of Washington and Jefferson, which operated to the great advantage of American shipping, were changed during the administration of Madison, and that fact is one of the chief stumbling blocks in the way of our legislation to-day.

It may be said in passing that when Great Britain and other foreign nations secured the commercial agreements to which I have alluded, they very cunningly nullified to a large extent their obligations under the agreements by granting subsidies to their vessels engaged in the foreign trade.

It was also pointed out in the report of the Merchant Marine Commission that to make discriminating duties effective the free list would necessarily have to be abolished. This was necessary from the fact that 98 per cent of our imports from Brazil, 96 per cent from Chile, 81 per cent from Colombia, 80 per cent from Venezuela, and 82 per cent from Ecuador were on the free list. In addition to this, 50 per cent of our imports from China, 64 per cent from Japan, and 69 per cent from India were also on the free list.

It was thus evident that unless the free list were abolished discriminating duties would not and could not sufficiently encourage American capitalists to warrant them in building ships to engage in commerce with the Republics south of us and the countries of the Orient.

DISCRIMINATING DUTIES.

Mr. President, in this connection I ask unanimous consent to insert in the RECORD a memorandum filed by the Merchant Marine Commission on the question of discriminating duties.

The PRESIDING OFFICER (Mr. THOMAS in the chair). Is there objection? The Chair hears none, and it is so ordered.

The matter referred to is as follows:

[From memoranda of the Merchant Marine Commission.]

The historic policy of discriminating duties which the United States maintained in full to 1815 and in part as late as 1828 and even 1849, occupied so large a place in the inquiry of the Merchant Marine Com-

mission that it is well to make at once a frank explanation why a return to this policy at the present time has not seemed wise to a majority of the commission.

It is probable that when the commission was appointed, in 1904, a majority of those Senators and Representatives composing it who had positive views favored another trial of the discriminating duty policy, and believed that that course would be recommended to Congress. Moreover, from the very beginning of the inquiry, powerful arguments for the discriminating duty plan were advanced, especially by the Maritime Association of the Port of New York, the largest shipping trade organization in America. This policy of the fathers of the Republic, as it was well described, was ably advocated not only by many practical shipowners and shipbuilders, but by many manufacturers and merchants—usually, however, in connection with the policy of mail subventions to regular lines, which may be said to have met with almost unanimous support in every section of the country.

TREATIES IN THE WAY.

These arguments had a very great effect upon the commission, but at the same time some very serious objections were disclosed in the radical difference of mercantile conditions between the first half of the nineteenth century and the first decade of the twentieth century. In the first place, there were the 30 commercial treaties with foreign Governments—the very foundation of our modern commercial relations—which prohibit both discriminating custom duties and discriminating tonnage dues. These treaties of course could be abrogated, but notice of this would have to be given a year in advance, and new treaties without a discriminating duty clause negotiated on terms as favorable as before. This, manifestly, would be a difficult though not an impossible undertaking.

THE RISK OF RETALIATION.

Far more serious than the abrogation and renegotiation of 30 commercial treaties would be the almost certain retaliation of foreign Governments. It is true that if they retaliated only against our shipping they could not do much harm, for an American vessel, even direct from the United States, is seldom seen now in European waters. But these foreign Governments would probably shape their retaliation where it would hurt and be effective—against our export trade in general—by discriminating duties on the products of our agriculture and our manufactures.

Indeed, certain important commercial associations of the Central West, while strongly favoring the development of the merchant marine, sent to the commission a formal remonstrance against the adoption of the discriminating duty policy because of the danger of foreign retaliation that would be provoked by it against the export trade of the United States. In this connection the fact is worth considering that in the years from 1789 onward, when the discriminating duty policy was practiced with so much success, the United States imported far more than it exported, so that discriminating duties were applicable to the larger part of our foreign trade, while now the United States exports very much more in both bulk and value than it imports, so that not only would discriminating duties be less effective for the encouragement of American shipping, but foreign retaliation would be far easier and more injurious.

ABOLISHING THE FREE LIST.

But the weightiest of all objections to a return to the discriminating duty plan is neither the treaties nor retaliation, but the fact that in order to apply these duties for the adequate encouragement of the merchant marine, the free list of the tariff, covering almost half of the foreign commodities we purchase and consume, would have to be abolished. It is safe to say that this consideration counted more heavily than any other in bringing the majority of the commission reluctantly to the conclusion that discriminating duties could not now be invoked for the object we all desire—the rehabilitation of the American merchant marine in foreign trade.

NEARLY HALF IN VALUE NOW FREE.

In the fiscal year 1903, 43 per cent, in 1904, 47 per cent, and in 1905, 46 per cent of our entire imports came in free of customs duty. This is in value; in bulk, inasmuch as these free imports were largely foods and raw materials, probably 60 or 70 per cent were free. In other words, unless the free list were abolished, discriminating duties could be applied to the encouragement of not more than 30 or 40 per cent of American shipping engaged in general foreign trade.

On the other hand, if the free list were abolished and these free articles made dutiable, the result would be an increase in the cost of certain foods of the American people and certain crude materials of their manufacturing, for those free articles are, as a rule, noncompetitive products, chiefly from tropical countries, which can not, even under a duty, be produced in the United States. In 1789 and afterwards, when discriminating duties were so successfully applied for the encouragement of our shipping, nearly all imports were dutiable, and such a thing as a free list was scarcely known to our own or any other Government.

THE INDIRECT TRADE.

There are strong political as well as commercial reasons why, if we are to have any American ships at all, we should have them in the trade with our sister republics of this continent and the great neutral markets of Asia. In fact, the specific form in which discriminating duties have been most often and earnestly advocated before the commission has been as applying to the so-called "indirect trade"; that is, not against a British vessel bringing British goods or a German vessel with a cargo from a German port, but against European craft that seek to invade our carrying trade with Brazil or China or other neutral nations. It has been urged that discriminating duties in this indirect trade will not be so likely to provoke European retaliation as if the duties were imposed against British or German ships bringing goods of their own country. And it has been urged also that discrimination in the indirect trade, while arousing the least possible resentment, would give our vessels entire control of our trade with the nonshipping peoples of South America and the Orient.

A LARGER PART FREE.

Unfortunately, however, it is this very trade with South America and the Orient that can not be gained for American ships unless the free list is abolished, for most of the products of those southern and eastern countries are now and long have been nondutiable in the ports of the United States. Thus, when the commission looked into this question it found that 98 per cent of our imports from Brazil, 96 per cent from Chile, 81 per cent from Colombia, 80 per cent from Venezuela, 82 per cent from Ecuador, or 82 per cent of all our imports from South America and 94 per cent from Central America were absolutely free of duty. In our import trade with China 50 per cent, with Japan

64 per cent, and with India 69 per cent are free of duty. Unless the free list were abolished discriminating duties could not adequately encourage American shipping to engage more largely in commerce with the republics to the south of us and the great markets of the Orient.

If conditions were everywhere as they are with our trade in Europe, where the free imports represent 28 per cent, or our trade with Cuba, whence we import chiefly sugar and tobacco and only 17 per cent of our purchases are on the free list, discriminating duties could be effectively applied for aid to American shipping. But the long series of public hearings before the commission has made it unmistakable that the American people desire American ships, not only in our Cuban trade, but also and especially in our trade with South America and the Far East. Discriminating duties would not give us American ships in these important trades unless the free list were abolished, and here is the most urgent of the several reasons why the discriminating-duty policy has not been recommended by the majority of the commission. The plan of mail and other subventions embodied in the bill of the commission was finally adopted because it is both more equitable and more effective.

Mr. GALLINGER. Mr. President, a word in reference to the condition of American shipping to-day, and I am done.

All told, according to the list for 1912, published by the Commissioner of Navigation, there are now only between 50 and 60 American steamships regularly engaged in the actual foreign trade of the United States—the trade carried on over the deep sea.

These include 6 steamships in the trans-Atlantic trade, the St. Louis, St. Paul, Philadelphia, and New York, of the American Line, from New York to France and England, carrying the mails under the law of 1891, and the Finland and Kroonland, of the Red Star Line, from New York to Belgium.

These American steamships in the foreign trade include also 10 steamships engaged in commerce across the Pacific Ocean—the Mongolia, Manchuria, Korea, Siberia, China, and Aztec, of the Pacific Mail Line, from San Francisco to Japan and China; the Minnesota, of the Great Northern Line, from Seattle to Japan and China; and the reestablished Oceanic Line from San Francisco to Australia—3 steamships, the Sonoma, Ventura, and one other. The Oceanic Line operates under the ocean mail law of 1891, and it is understood that it receives liberal mail compensation also from the Australian Government for the sake of a direct line to the United States.

Besides these 16 American steamers in transoceanic trade, other ships run from our Atlantic coast to the West Indies, Mexico, the Isthmus of Panama, and Venezuela, and from the Pacific coast to Mexico and the Isthmus of Panama. The American lines engaged in this trade are the Ward Line from New York to Cuba and Mexico, the Red D Line from New York to Venezuela, the Admiral Line from Boston or Philadelphia to Jamaica, the Clyde Line from New York to Haiti and San Domingo, and the Panama Railroad Line from New York to Colon. On the Pacific the service from San Francisco to Mexico and the Isthmus of Panama is performed by the smaller ships of the Pacific Mail Co. The Ward Line, Red D Line, and Admiral Line are operated under the ocean mail act of 1891.

Mr. POINDEXTER. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Hampshire yield to the Senator from Washington?

Mr. GALLINGER. I yield.

Mr. POINDEXTER. I should like to ask a question of the Senator from New Hampshire, coming, as he does, from that section of the country which furnished so much enterprise and met with such great success in the earlier days of the Republic in the merchant marine which brought credit and distinction to the United States. I do not know whether this is an appropriate time in his argument to ask the question, but I will say that I am in perfect harmony and sympathy with the Senator from New Hampshire on this matter. I should like to ask his opinion as to the cause of the decline in that great merchant marine which we once enjoyed? It is a question which we have got to determine and settle sooner or later, and it occurs to me that the opinion of the Senator from New Hampshire as to the cause of our present state in that regard would be very valuable.

Mr. GALLINGER. Mr. President, I will answer in a very few words. In the first place, commercial agreements with the other countries of the world in which we entered into reciprocity with them and which were followed on the part of the other nations by the granting of subsidies had something to do with it. Then, again, the Civil War, it will be recalled, wiped out a very considerable portion of our merchant marine from the ocean. Following that came the construction of steel ships. We exceeded all the nations of the world in the building of wooden ships. Our clipper ships were the glory not only of our country but of all the countries of the world. When steamships came into use, however, England excelled us in being able to construct such ships at a less cost than we could, and in that way gained a very great advantage over us. These are the three chief reasons. I will call attention in a moment—and I am going to be very brief—to the reason why we can not

to-day compete with the other nations in the construction and operation of ships overseas.

In the fiscal year 1912 only 9.4 per cent of the imports and exports of this country were carried in American ships, as compared with 88.7 per cent in 1821 and 66.5 per cent in 1860.

Of course, that percentage was very rapidly reduced when our ships were destroyed on the ocean by the ships of the Confederacy, and there was a very rapid decline in our American merchant marine in consequence.

The Panama Canal act of August, 1912, provided for the free admission to American registry of foreign-built vessels owned by American citizens and engaged in the foreign trade—in other words, the free-ship policy.

More than a year has elapsed since the passage of that act. Not one ship of any kind has been added to American registry under the provision of this free-ship clause, which has proved an absolute failure.

It will be remembered, Mr. President, that in every debate we have had during the last 10 years on the question of the American merchant marine, it has been insisted, particularly by a leading Democratic Senator, that if we would adopt the free-ship policy it would go very far toward solving the problem that we are trying to solve. We adopted the free-ship policy one year ago in the Panama Canal act, but, as I have suggested, not a single ship has been added to our merchant marine by purchase from abroad.

When the Merchant Marine Commission in 1904-5 formally asked—and this will answer to some extent the question propounded by the Senator from Washington—the principal American companies owning steamships under foreign flags if they would bring their vessels under American registry if a free-ship provision were enacted they all replied, without exception, that they would not, because of the higher wages that would have to be paid under the American flag, and the certain loss of foreign bounties and subventions. Now that these companies have been given the opportunity not one of them has availed itself of the privilege—showing that their original statements to the Merchant Marine Commission were wholly sincere and conclusive.

The Merchant Marine Commission also put up the proposition to leading capitalists in Boston and New York whether, if the free-ship legislation were enacted, they would invest money in the building of American ships for the foreign trade, and the answer was promptly made that they would not do so because of the increased cost of running American vessels as compared to foreign vessels, and the further fact that foreign governments subsidize their ships while this Government does not grant direct subsidies. It will thus be seen that the Democratic doctrine of free ships has been completely exploded, and that a revival of the ancient system of discriminating duties is, under existing conditions, an utter impossibility.

The great industry of American shipping is under the blight of free trade, and the result is that the ships of Great Britain, Germany, France, Holland, Japan, and other foreign countries are transporting our over-seas commerce at an estimated cost to our people of between two hundred and three hundred million dollars annually.

Mr. President, this will not always continue to be so. The time will come when the people of this country will rise in their might and in some way break down the arrogant European shipping trusts and combinations and again put the American flag on American ships to traverse the seas of the world. Let us hope that that day is not far distant.

Mr. President, from what I have said it will be observed that the Merchant Marine Commission, of which I chanced to be chairman, went very thoroughly into the matter of discriminating duties. While they were conscious of the fact that under the early administrations, when almost everything was on the dutiable list at a low rate of duty, as I remember, it was a success, in view of the fact that to-day the free list is so far extended in the countries with which we must extend our trade if we extend it at all, and in view of the further fact that we have 30 or more commercial agreements that are in the way of applying this principle unless they are abrogated, the conclusion was reached that it was not wise to undertake to solve the problem of the American merchant marine by returning to the discriminating-duty principle.

For that reason I feel constrained to vote against the amendment the Senator from Washington [Mr. Jones] has offered, much as I regret to do so, because I want to try any reasonable method that can be thought of that will once more place our flag on the oceans of the world.

Mr. WILLIAMS. Mr. President, it having been agreed to take a vote on the bill to-morrow afternoon at 4 o'clock, I do

not feel as much scruple as I have hitherto felt about taking up a little of the time of the Senate.

I was glad to hear what the Senator from New Hampshire [Mr. GALLINGER] said, and I am glad he is opposed to this amendment. Gratiano was accused by the Merchant of Venice of uttering more infinite nonsense than any man in all Venice. Gratiano never uttered as much infinite nonsense as has been uttered upon the question of the restoration of the American merchant marine.

It is true that to some extent the committee was persuaded by the fact that the United States had 29 treaties with 29 different countries, pledging its word of honor to a certain policy with regard to equality of admission of ships and equality of treatment of imports coming in foreign ships with imports coming in our own. We thought we should be showing very scant courtesy to these 29 nations if, without the notice of abrogation provided in these treaties, we merely repealed the treaties by an act of Congress. But that was not our main purpose at all, because we could have reported an amendment to the bill providing for notice of abrogation.

The main reason was this: We knew, everybody knew, anybody of common sense might know, that if we said to France, to Germany, to Great Britain, to the balance of the world, "We are going to reduce our import duties 5 per cent when articles come to our country in our bottoms," they would have said, "Well, we will do the same thing when your exports come to our country in our bottoms as our imports." In other words, there would have been an endless retaliation, which would have amounted to no good to anybody.

Mr. JONES. Mr. President, will the Senator permit a question?

The PRESIDING OFFICER. Does the Senator from Mississippi yield to the Senator from Washington?

Mr. WILLIAMS. Certainly.

Mr. JONES. Why does the Senator assume that all of the countries would impose retaliatory duties upon us if we should do this, when we do not meet their bounties and subsidies ourselves?

Mr. WILLIAMS. I assume it because I assume they have common sense, and are actuated by common human motives.

Mr. JONES. Does the Senator assume, then, that our people have not common sense, and are not actuated by human motives, because we do not meet their subsidies with subsidies?

Mr. WILLIAMS. Oh, Mr. President, here comes a country that says: "I propose to build three dreadnoughts to fight." Here comes another country that says: "Well, if you do, we will build three dreadnoughts." Here is another country that says: "If both of you do, we will build three dreadnoughts." The first country that starts it starts the retaliation, and the rest of them take it up. If we say to Germany: "We are going to give a 5 per cent differential in favor of imports in American bottoms," it is absurd to contend that Germany will not say: "We will give 5 per cent differential in favor of the imports into our country from America in German bottoms."

Mr. LODGE. Mr. President, will the Senator from Mississippi yield to me?

The PRESIDING OFFICER. Does the Senator from Mississippi yield to the Senator from Massachusetts?

Mr. WILLIAMS. I do.

Mr. LODGE. They have a statute in France which requires the imposition of retaliatory duties in case of any such duty as this. It would go on automatically in France.

Mr. WILLIAMS. Automatically; and, by the way, the Senator from Washington said that France had threatened us. The French ambassador merely called our attention to the French law.

Mr. JONES. No, Mr. President; he went further than that.

Mr. WILLIAMS. I beg the pardon of the Senator.

Mr. JONES. I have here a copy—

Mr. WILLIAMS. The French ambassador merely served notice upon our State Department that under that law the French nation would be compelled to pursue that policy.

Mr. JONES. He went further than that, and he stated that they would retaliate. Then he went on to say that they would have to do it under the act.

Mr. WILLIAMS. Why, of course.

Mr. JONES. But he made the distinct statement—

Mr. SIMMONS and Mr. STONE rose.

Mr. WILLIAMS. I decline to yield to the Senator from Missouri, and I decline to yield to the Senator from North Carolina, because I will not take many minutes. By the way, I am not consuming the time of the Senate, because we have a time set to vote, anyway; but this matter ought to be settled right now.

Nobody would be better off if all the nations of the world began to pass laws to discriminate in favor of their own ships in the way of reduced duties on imports when brought in their own bottoms.

The Senator from Washington says the act of 1823 destroyed the merchant marine. No more absurd statement was ever uttered.

Mr. JONES. Mr. President—

The PRESIDING OFFICER. Does the Senator from Mississippi yield to the Senator from Washington?

Mr. WILLIAMS. I do not yield now, because I wish to get through if I can. If I understood the Senator, he said it was the act of 1823 that was the initiative of the destruction of the American merchant marine.

Mr. JONES. I quoted Representative UNDERWOOD to that effect.

Mr. WILLIAMS. I do not care who said it; the Senator stood sponsor for it.

Mr. JONES. Yes; I did.

Mr. WILLIAMS. If the gentleman from Alabama, in the House, said that, and the Senator from Washington repeated it, the gentleman from Alabama was not guilty of much more lack of knowledge concerning the subject than the Senator from Washington.

The truth is that prior to 1823 the sails of our ships whitened the seas and subsequent to 1823 the sails of our ships whitened the seas. When we were a colony of Great Britain the ships of America sailed to the West Indies and sailed to China. While we were a colony of Great Britain we had no such law upon the statute books. We did not have that law until some time afterwards, when this Government was founded. It was passed under George Washington's administration and renewed under Thomas Jefferson.

That act is frequently referred to as the reason of the prosperity of the American merchant marine; but in the thirties and in the forties and in the fifties, after the act of 1820, there was not a sea anywhere—the South Sea, the India Sea, the China Sea, the Gulf of Mexico, the Atlantic, the Pacific, the North Atlantic, where the whale ships went—where American ships were not to be found. American ships went everywhere, and they went everywhere because we had the cheapest ship timber in the world, and the best. That was not all. It was because we had at that time the most efficient shipbuilders in the world.

One of the reasons why Great Britain repealed her navigation act and permitted our ships to come in free was because she wanted to get the models of the Baltimore clippers and the three-masted schooners from New England. She did imitate the Baltimore clippers, their hulls, and all about them, and she imitated the three-masted schooners from New England in her own shipyards, and still she could not vie with us, because we had not only the most efficient shipbuilders, but the magnificent live-oak ship timber all over this country.

Mr. POINDEXTER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Mississippi yield to the Senator from Washington?

Mr. WILLIAMS. I yield.

Mr. POINDEXTER. I only want to ask one question of the Senator from Mississippi, because I have asked substantially the same question of the Senator from New Hampshire, and the two Senators represent the two opposite sections of the country. I should like to get the opinion of those two sections, represented by Senators who are typically representative of them, upon this great question.

I should like to have the opinion of the Senator from Mississippi, if he is willing to express it now, as to the cause of the decline of American shipping. It is a question which forces itself upon the consideration of this country.

Mr. WILLIAMS. I am just approaching that question; but before I finish the other thought I want to say that upon the Gulf coast the United States Government had reserved I do not know how many townships of land filled with live-oak ship timber, for shipbuilding purposes.

Now I will come to the question asked by the Senator from Washington. The Civil War broke out. The Confederacy armed the *Florida*, the *Seminole*, and the *Alabama*. They were not fighting ships. They were ships of commerce. The Confederacy had no navy. All she could do was to send out privateers and naval ships that were commerce hunters, destroying the commerce of the United States. The shipowners of New England had to change the registry of their ships. They changed them to British and French registries. A great many of them were destroyed. Just about that time it was discovered that you could make a ship out of iron, and it would float. So

the *Virginia*, which had been the *Merrimac*, was clothed with railroad iron, and then that little cockleshell of a cheese box came down, and they had their fight, and after that time the shipbuilding business was revolutionized.

They first began to build iron ships and then they began to build steel ships, and the positions as between us and Great Britain were reversed. Up to that time we had had the cheapest shipbuilding material, which was wood, and live oak at that, the best in the world; but the shipbuilders then had to go to the iron works, and they began to build ships of iron and later on of steel. Great Britain at that time produced iron and steel at one-half in the one case and one-third in the other case, the price at which we could produce them. So naturally the ships began to be built on the Clyde and wherever else in Great Britain shipyards were located, and the Confederate cruisers having destroyed the United States merchant marine, it never was rebuilt.

That is the plain historical story, and there is nothing else to it; and I believe that is about all there is to be said upon the question.

Mr. SIMMONS. Mr. President, I ask that this matter go over until to-morrow and that the Secretary read the next reserved amendment.

The SECRETARY. The next reservation is that made by the Senator from Kansas [Mr. Bristow] of all of the amendments embraced in Schedule E, the sugar schedule, beginning on page 52 and ending on page 54. The first amendment in that schedule is on page 53, the proviso in paragraph 179.

Mr. BRISTOW. Mr. President, I have reserved the amendments in Schedule E; but to-night we have had a vote on the motion of the Senator from Louisiana [Mr. Ransdell] to strike out the three-year limitation, which would leave the duty as provided in the bill a continuing duty. That motion was voted down. I can not hope to get any larger vote for the amendment I offered in Committee of the Whole, and I see no occasion for burdening the Senate with another roll call on that amendment.

For that reason, the Senate having decided by a vote to continue the duties provided in this bill for three years only, I take it for granted they would refuse upon another roll call to adopt the amendment which I propose. Having had one roll call on the matter, I shall not ask for any vote upon those amendments.

The VICE PRESIDENT. The schedule, then, will stand as agreed to in the Committee of the Whole.

The SECRETARY. The next paragraph reserved is on page 55, paragraph 188. The Senate in Committee of the Whole agreed to strike out the paragraph, which reads as follows:

188. Cattle, 10 per cent ad valorem.

Mr. BRISTOW. On those agricultural paragraphs I shall want roll calls. We have not a quorum here to-night. I think the Senator from North Dakota [Mr. McCumber] feels just as I do about it.

Mr. SIMMONS. Do I understand the Senator from Kansas as saying he will want a roll call on each of the amendments he reserved, beginning on page 55?

Mr. BRISTOW. I shall want roll calls on those relating to wheat and agricultural products when we get to them.

Mr. SIMMONS. Does that go down to page 153?

Mr. BRISTOW. That takes in all the reservations; yes.

Mr. SIMMONS. It starts with page 55?

Mr. BRISTOW. Yes; it starts with paragraph 188 and goes to paragraph 652. It takes in those paragraphs. I shall also want roll calls on the income-tax amendments which I proposed.

Mr. SIMMONS. What I desire to inquire of the Senator is this: The last three are paragraphs 548, 646, and 652—

Mr. BRISTOW. Those are agricultural products that are placed on the free list, and they connect up with the agricultural schedule.

Mr. SIMMONS. The Senator wishes a roll call on each of those?

Mr. BRISTOW. I may not on all of them, but I shall on some of them.

Mr. SIMMONS. Then, on page 165, subdivisions 1 and 2, section 2; does the Senator desire a roll call on those?

Mr. BRISTOW. Yes; I shall desire roll calls on those. I wish to say to the Senator that I am not going to take any time of any consequence to discuss these amendments.

The SECRETARY. On page 207, subdivision O, was also reserved by the Senator from Kansas [Mr. Bristow]. It reads as follows:

O. That for the purpose of carrying into effect the provisions of section 2 of this act and to pay the expenses of assessing and collecting the income tax therein imposed, etc.

Mr. BRISTOW. That relates to the anticivil-service provision. We expect to have a roll call on that, too.

Mr. SIMMONS. Yes, Mr. President. I will state that I reserved that same section, and my reservation will go over if the Senator desires his to go over. Then we reach the next, on page 19, reserved by the Senator from Connecticut [Mr. Brandegee].

The SECRETARY. The committee amendment in line 4, page 19.

Mr. BRANDEGEE. I said that I would not inflict any remarks upon the Senate upon the amendments that I reserved, and that I would ask, however, to print in the Record, in connection with the amendment, a statement made by the constituent of mine at whose instance I offered the amendment. I am willing that the amendments should be submitted in the order in which they were reserved and take the vote.

The SECRETARY. On page 19, lines 4 and 5, the Senate, as in Committee of the Whole, agreed to strike out the paragraph, as follows:

74. Roman, Portland, and other hydraulic cement, 5 per cent ad valorem.

The VICE PRESIDENT. The question is on concurring in the amendment.

The amendment was concurred in.

The SECRETARY. On page 36, line 9, bicycles, and so forth, not including tires. The Senate, as in Committee of the Whole, agreed to strike out "40" and in lieu to insert "25" before "per cent."

The VICE PRESIDENT. The question is on concurring in the amendment.

The amendment was concurred in.

The SECRETARY. On page 41, line 21, there is no committee amendment at that point. It relates to screws, commonly called wood screws.

Mr. BRANDEGEE. The amendment I gave notice of was an amendment to the text of the bill. If the Senator is willing, I will submit it now and get it out of the way, and we will not have to consider it to-morrow.

Mr. SIMMONS. Yes, the Senator can submit it now.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 41, line 21, after the words "ad valorem," at the end of the paragraph, insert a semicolon and the words "locks and builders' hardware, 35 per cent ad valorem."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was rejected.

The SECRETARY. The next amendment reserved by the Senator from Connecticut [Mr. Brandegee] is on page 97, line 10, relating to sheathing paper, pulpboard in rolls, not laminated, and so forth, 5 per cent ad valorem.

Mr. BRANDEGEE. The amendment I submitted was to strike out those words.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Connecticut.

The amendment was rejected.

The SECRETARY. The next amendment reserved is the committee amendment to paragraph 331 and also in line 2, on page 99, the rate is made 30 per cent ad valorem. The paragraph relates to papers commonly known as copying paper, and so forth.

Mr. BRANDEGEE. I move to make the rate 35 per cent ad valorem.

The SECRETARY. It is proposed to strike out "30" and insert "35."

The amendment was rejected.

The SECRETARY. On page 144—

Mr. BRANDEGEE. Before that I offer an amendment to come in on page 101.

The SECRETARY. On page 101, paragraph 333, the committee amendment has been already agreed to.

Mr. BRANDEGEE. That was agreed to with the agreement of the committee that they would consider the question I raised and that I might offer an amendment to it if the committee did not report accordingly. The Senator from New Jersey [Mr. Hughes], I think, had it in charge.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In line 25, strike out the word "gelatin" and the comma; and on page 103, line 14, after the word "pound," insert "articles composed wholly or of chief value of paper printed by the photogelatin process and not specially provided for in this act, 3 cents per pound and 25 per cent ad valorem."

Mr. BRANDEGEE. I think I was mistaken in saying that the Senator from New Jersey had charge of that paragraph.

It was the Senator from Maine [Mr. JOHNSON], who was on the floor a minute ago. I will simply say that the effect of this amendment is to restore the present provision of the law as to the duty on photogelatin printed matter. I am willing to take a vote on the question.

Mr. SIMMONS. Let us have a vote, Mr. President.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Connecticut.

The amendment was rejected.

The SECRETARY. On page 104, line 2, in the text of the bill as passed by the House, writing, letter, note, drawing, hand-made paper, and so forth, embossed, printed, lined, or decorated in any manner, 25 per cent ad valorem.

Mr. BRANDEGEE. I move, in line 2, to strike out "25" and insert "45."

The amendment was rejected.

The SECRETARY. On page 109, line 5, firecrackers of all kinds, 6 cents per pound.

Mr. BRANDEGEE. I move to strike out "6" and insert "8."

The SECRETARY. On line 5 strike out "6" and in lieu insert "8."

The amendment was rejected.

The SECRETARY. On page 124, line 15, which relates to agricultural implements. Line 15 reads "including repair parts."

Mr. BRANDEGEE. I will send to the desk the amendment which I offer.

Mr. SIMMONS. Let us have a vote, Mr. President.

The VICE PRESIDENT. The amendment proposed by the Senator from Connecticut will be stated.

The SECRETARY. On page 124, line 15, after the word "parts," strike out the period and insert:

When imported from any country, dependency, or other subdivision of government which imposes no duty on such articles imported from the United States.

The amendment was rejected.

The SECRETARY. The senior Senator from New Hampshire [Mr. GALLINGER] reserved, on page 40, paragraph 137, needles for knitting or sewing machines, latch needles, and so forth.

Mr. GALLINGER. I will address an inquiry to the Senator from North Carolina, if he will honor me with his attention.

Mr. SIMMONS. Yes; I am listening.

Mr. GALLINGER. I called attention the other day to the fact that latch needles have always heretofore borne a heavier rate of duty than the other classes of needles, and inquired of the Senator if he and his associates on the committee would take into consideration the propriety of striking out "latch needles," in lines 7 and 8, on page 40, and inserting after "ad valorem," in line 12, "latch needles, 30 per cent ad valorem."

Mr. SIMMONS. Mr. President, I am forced to say to the Senator that we were not able to meet his views with reference to that matter.

Mr. GALLINGER. I am very sorry, Mr. President, and am ready to have it voted on.

The VICE PRESIDENT. The amendment will be stated.

Mr. GALLINGER. I move as an amendment to strike out "latch needles" in lines 7 and 8, page 40, and to insert after the words "ad valorem," in line 12, "latch needles, 30 per cent ad valorem."

The SECRETARY. On page 40, lines 7 and 8, strike out the words "latch needles" and the comma, and after the words "ad valorem" and the semicolon, in line 12, insert "latch needles, 30 per cent ad valorem."

The amendment was rejected.

The VICE PRESIDENT. The paragraph is now concurred in in the Senate.

The SECRETARY. On page 117, paragraph 376, "harness, saddles, saddlery in sets or in parts, 20 per cent ad valorem," was stricken out by the committee from the House text and the action was agreed to as in Committee of the Whole.

Mr. GALLINGER. Mr. President, I address myself now to the Senator from New Jersey [Mr. HUGHES], if the Senator will give me his kind attention. This matter was discussed by the Senator from Connecticut and myself a few days ago. The Senator from New Jersey very kindly suggested that he would give it further consideration and call it to the attention of his colleagues on the committee. What we desire is that saddlery hardware shall be taken from the leather provision and inserted in the metals and made dutiable at 20 per cent, as the House made not only that but other articles. I will ask the Senator from New Jersey if he feels that that can be conceded?

Mr. HUGHES. My understanding of the matter was that I observed some negotiations were going on in the Chamber at the time and perhaps I misunderstood the purport of them, but

my notion of it was that whatever was to be done was to be attempted in conference.

Mr. GALLINGER. Mr. President, that, I think, was the suggestion which was made. I am ready to have the paragraph voted on and take my chances in conference to get what I have asked. The question will be upon the committee amendment.

The VICE PRESIDENT. The question is on concurring in the amendment made as in Committee of the Whole striking out paragraph 376.

The amendment was concurred in.

The SECRETARY. The next amendment reserved is on page 141, paragraph 534, striking out "all leather not specially provided for in this section and leather board or compressed leather," and so forth, and inserting.

Mr. GALLINGER. That involves the same question, and I am ready to have a vote on it.

The VICE PRESIDENT. The question is on concurring in the amendment agreeing to the paragraph as amended as in Committee of the Whole.

The amendment was concurred in.

The SECRETARY. The Senator from South Dakota [Mr. STERLING] reserves the paragraph in the House text on page 169. There is an amendment at that point.

Mr. STERLING. I should like to have that go over until tomorrow.

Mr. SIMMONS. Does the Senator desire a yea-and-nay vote on that amendment?

Mr. STERLING. I hardly think so; not on the first one.

Mr. SIMMONS. But the Senator desires to have it go over?

Mr. STERLING. Yes.

Mr. SIMMONS. Very well. Then there is paragraph O.

Mr. STERLING. The amendment to paragraph O is already covered by the amendment offered by the Senator from New Hampshire, and he has asked that it go over.

Mr. SIMMONS. The Senator from South Dakota desires to have that go over also?

Mr. STERLING. Yes sir.

Mr. SIMMONS. Very well.

The SECRETARY. On page 113, the Senator from Utah [Mr. SMOOT] reserved paragraph 367.

Mr. SMOOT. That was voted upon this morning.

Mr. SIMMONS. Yes; I have not that on my list. I suppose it was disposed of this morning.

The SECRETARY. The Senator from Colorado [Mr. THOMAS] reserved, on page 250, subdivision or subsection B.

Mr. THOMAS. I offer an amendment to subsection B beginning at the end of the subsection.

The SECRETARY. On page 250, line 20, after the word "same," insert a comma and the words "except in so far as paragraph 175, Schedule E, of section 1 thereof, may be determined to be in conflict with the proviso to article 8 of said treaty."

Mr. SMOOT. Did we not agree to that the other day?

Mr. THOMAS. I can not find it in the Record.

Mr. SMOOT. I believe it was agreed to the other day.

Mr. THOMAS. I presented it, but I can find no mention of it in the CONGRESSIONAL RECORD.

The VICE PRESIDENT. It was agreed to as in Committee of the Whole. The question is on concurring in the amendment.

Mr. HUGHES. Mr. President, a parliamentary inquiry. Where does it appear in the printed text?

The SECRETARY. After the word "same," in line 20, page 250.

Mr. HUGHES. It does not appear here.

Mr. SIMMONS. It does not appear in the old print.

The VICE PRESIDENT. It would not appear in the old print. It would be an amendment. The question is on concurring in the amendment.

Mr. THOMAS. It is in the print of yesterday, and no action is required.

The VICE PRESIDENT. The amendment will be concurred in.

The SECRETARY. The Senator from North Dakota [Mr. McCUMBER] reserved paragraph 646, page 155, relating to wheat flour.

Mr. McCUMBER. I ask that that may go over with the other amendments to the agricultural schedule referred to by the Senator from Kansas.

Mr. SIMMONS. That course is satisfactory.

The SECRETARY. The only other reservation is by the Senator from New York [Mr. ROOT], page 172, subdivision or subsection D.

Mr. SMOOT. I should like to ask the Senator from North Carolina that that go over.

Mr. SIMMONS. If the Senator desires it, I have no objection.

Mr. President, I have an amendment that I wish to offer, on page 284, at the end of line 2, to be known as subsection 2. I will not offer it to-night if it is necessary to read the amendment, because it is rather lengthy. I will explain the amendment and that will be satisfactory.

Mr. GALLINGER. On what page is it?

Mr. SIMMONS. I want to offer it at page 284, at the end of line 2.

The VICE PRESIDENT. There is no such page.

Mr. GALLINGER. There are not so many pages in the print.

Mr. SIMMONS. Then I have the wrong print.

The SECRETARY. Paragraph N, page 267.

Mr. SIMMONS. Yes; it is subsection 2, paragraph N. It is to come in at the end of subsection N, page 284 of the last print.

The VICE PRESIDENT. There is only one way for the Secretary to keep track of the amendments, and that is by using the former print.

Mr. SIMMONS. I will ask the Secretary what is the page in the old print that he is using?

The SECRETARY. On page 267 is subsection N.

Mr. SIMMONS. At the end of subsection N, page 267, I wish to insert subsection 2.

The SECRETARY. Subsection N begins with the words "That the works of manufacturers engaged in smelting or refining," and so forth.

Mr. SIMMONS. That is the one. At the end of that subsection I wish to insert as subsection 2 an amendment.

Mr. POINDEXTER. On what page is that of the last print?

Mr. SIMMONS. It is page 284 of the last print.

Mr. HUGHES. It is page 267 of the old print.

Mr. THOMAS. And of the last print 284.

Mr. SIMMONS. Mr. President, this is an amendment in the nature of a substitute for an amendment offered by the Senator from Oregon [Mr. LANE]. The amendment offered by the Senator from Oregon was submitted to the department and has the approval of the Commissioner of Internal Revenue with the amendment I now suggest.

The purpose of the amendment is to remove certain restrictions imposed under the present law on the manufacture of denatured alcohol, so as to make it possible for the farmers of this country to manufacture that article at a reasonable cost. At present it has been ascertained by experiments made by the Department of Agriculture that it is impossible to make this product with a plant costing less than about \$12,500, because it is required that the spirits be raised, in the first instance, to a proof of 180, which is impossible in a small distillery such as would be economical for use on the farm.

The only object of this amendment is to remove that and some other restrictions which have interfered with the manufacture of this product. If there is objection to it, I will wait until to-morrow, when the explanation can be made more fully than I care to make it at this time.

Mr. GALLINGER. It occurs to me that this is an opportune time to pass it.

Mr. SIMMONS. I should like very much to get it out of the way.

Mr. GALLINGER. If the Senator has a scheme that will make the manufacture of denatured alcohol possible to the farmer, I think that we ought to support it.

Mr. SIMMONS. I will state to the Senator that the farmers have sent a delegation here with reference to this matter. This amendment has been submitted to them and is very satisfactory, they say, and will enable them to make denatured alcohol, which it is impossible for them under the present law to do.

Mr. SMOOT. I should like to ask the Senator if the department has passed upon it?

Mr. SIMMONS. I stated that it had been submitted to the department, and the department has passed upon it. To-day the department sent Mr. Maddox, who has charge of this matter, up here and he had lengthy conferences with the Senator from Florida [Mr. BRYAN], the Senator from Oregon [Mr. LANE], and in part with myself.

Mr. POINDEXTER. I should like to ask the Senator from North Carolina what the other restrictions are? He mentioned the proof of 180 degrees and referred to other restrictions.

Mr. SIMMONS. The others were some restrictions with reference to bonds and inspection.

Mr. POINDEXTER. I dislike very much to consent to important legislation without knowing what it is, but if the Senator assures us that the purpose of the amendment is to liberalize the manufacture of denatured alcohol, I am willing to take his statement.

Mr. SIMMONS. That is its only purpose.

The VICE PRESIDENT. The Senator from North Carolina offers an amendment, the reading of which by unanimous consent will be dispensed with, but the amendment will be printed in the RECORD.

The proposed amendment is, at the end of subsection N, page 268, insert the following:

SUBSECTION 2. That from and after the 1st day of January, 1914, under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, any farmer or association of farmers, any fruit grower or association of fruit growers, or other person or persons may manufacture alcohol free of tax for denaturation only, out of any of the products of farms, fruit orchards, or any substance whatever, on condition that such alcohol shall be directly conveyed from the still by continuous closed pipes to locked and sealed receptacles in which the same may be rendered unfit for use as an intoxicating beverage by an admixture of such denaturing materials as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, or where such alcohol is of insufficient proof to be denatured, the same may be transferred in bond from such locked and sealed receptacles to a central distilling and denaturing plant as hereinafter provided.

That the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury may authorize the establishment of central distilling and denaturing plants to which alcohol produced under the provisions of this act, free of tax, may be transferred, redistilled, and denatured under such regulations, and upon the execution of such notices and bonds as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe.

That any central distilling and denaturing plant provided for in section 2 of this act may, in addition to the spirits produced under section 1 of this act, use any of the products of farms, fruit orchards, or any substance whatever for the manufacture of alcohol for denaturation only: *Provided*, That at such distilleries the use of cisterns or tanks of such size and construction as may be deemed expedient shall be permitted in lieu of distillery bonded warehouses under such rules and regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe.

That any person who under the provisions of this act shall fail to register, or shall falsely register, any still or distilling apparatus used by him, or who shall fraudulently remove or conceal any distilled spirits produced by him, or who shall fail to comply with all the requirements of this act, or any regulations issued pursuant thereto, respecting the production and denaturation of distilled spirits; and any person who shall recover or attempt to recover by redistillation or by any other process or means any distilled spirits after the same has been denatured, shall on conviction, for each offense, be fined not more than \$5,000 or be imprisoned for not more than five years, or both, and shall in addition thereto forfeit to the United States all real and personal property used in connection therewith.

That subsection 2 of section 3244 of the Revised Statutes of the United States shall not apply to stills and worms manufactured for use in distilling, provided for in section 1 or this act, but the manufacturer or owner of such distilling apparatus shall give notice to the collector of internal revenue of the district in which the said apparatus is made or to which it is removed, of each still or worm manufactured, sold, used, or exchanged under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe.

That section 4 of the act of March 2, 1907, amendatory of the act of June 7, 1906, is hereby repealed, and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall exempt distillers operating under this act from the provisions of sections 3283 and 3309 of the Revised Statutes of the United States, and from such other provisions of existing laws relating to distilleries, including the giving of bonds, as may be deemed expedient by said officials: *Provided, however*, That the Commissioner of Internal Revenue shall assess and collect the tax on any spirits unlawfully produced or produced and not accounted for by any such distiller.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

EXECUTIVE SESSION.

Mr. SIMMONS. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After three minutes spent in executive session the doors were reopened, and (at 1 o'clock and 28 minutes a. m. Tuesday, September 9) the Senate adjourned until Tuesday, September 9, 1913, at 9 o'clock a. m.

HOUSE OF REPRESENTATIVES.

Monday, September 8, 1913.

The House met at 11 o'clock a. m.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

We lift up our hearts in gratitude to Thee, O God our heavenly Father, that Thou hast made it possible for us to come to Thee in prayer. We need the uplift, the ingathering of the spirit which comes through contact with Thee to enable us with confidence, patience, and perseverance to go forward to the duties before us. To this end strengthen, guide, and support us, that we may accomplish Thy purposes; in Jesus Christ, our Lord. Amen.

The Journal of the proceedings of Saturday, September 6, 1913, was read and approved.

LEAVE TO EXTEND REMARKS.

Mr. TALCOTT of New York. Mr. Speaker, I ask unanimous consent to extend in the RECORD remarks I made before the

Interstate and Foreign Commerce Committee last February concerning the use of steel cars on railroads.

The SPEAKER. The gentleman from New York [Mr. Talcott] asks unanimous consent to extend his remarks in the RECORD on the subject of steel cars on railroads. Is there objection?

There was no objection.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted to Mr. O'Leary, for 10 days, on account of illness in his family.

URGENT DEFICIENCY APPROPRIATION BILL.

Mr. FITZGERALD. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of H. R. 7898. The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7898) making appropriations to supply urgent deficiencies in appropriations for the fiscal year 1913, and for other purposes, with Mr. Flood of Virginia in the chair.

The CHAIRMAN. The Clerk will resume the reading of the bill.

The Clerk read as follows:

The action of the Executive in directing the issue and the issuance by the Surgeon General of the Army of medical supplies out of the reserve supply for the field service of the Army, of the value not exceeding \$8,239.40, for the relief of sufferers from floods in the Mississippi Valley in 1913, is approved, and credit for all such supplies so issued shall be allowed in the settlement of the accounts of the Medical Department of the Army.

Mr. MANN. Mr. Chairman, I move to strike out the last word. I do not remember whether it was in the last Congress or in the preceding one that the Committee on Appropriations recommended a provision in one of the appropriation bills, practically providing that hereafter the President should never advance any supplies for the relief of distress. The President has issued supplies for that purpose on a number of occasions, and Congress has always approved and ratified the action of the President. At the time that I speak of, the committee, in approving and ratifying the action of the President—relating to the Mississippi floods, I believe—proposed to restrict the power of the President thereafter. I made a point of order against that provision, and it was stricken out of the bill on that point of order; so at least on one occasion a technical rule has been of great service, as is proven by the action taken by the President in reference to the Ohio floods.

Mr. FITZGERALD. Mr. Chairman, this does not restrict the power of the President. He has no authority to take any such action. The only other time that I can recall when the President issued supplies without authority having first been given was during the last session of Congress, when a disaster occurred in Alaska. That was done after conference with a number of Members of Congress, as was the action relating to the Mississippi floods just prior to the latest one.

At the time these Ohio and Mississippi Valley floods occurred Congress was not in session. It was between the end of the last session of Congress and the convening of the present session. The matter was called to the attention of the President and discussed with Senator MARTIN of Virginia, who, at that time, it was expected would be chairman of the Senate Committee on Appropriations, and he also communicated with me, because I had been chairman of the Committee on Appropriations of the House in the last Congress. He said he intended to take this action and hoped he would have the support of Congress. The committee thought it advisable to put in a provision legalizing this action. It was not with the intention of interfering with the Executive, although it was to deter people in communities where small catastrophes take place, where there would be ample means and authority in the States to take care of the situation, from feeling that the Federal Government existed for the sole purpose of relieving distress under such conditions. The disasters that took place in the Ohio and Mississippi Valleys were so extensive that, following what had been customary in the past, the United States took such measures as were possible to relieve them.

Mr. MANN. Mr. Chairman, evidently the gentleman from New York did not understand what I said.

Mr. FITZGERALD. I did not catch it exactly.

Mr. MANN. I was not criticizing the provision in the bill. Quite the contrary. I think the President did exactly what he ought to have done on this occasion in reference to these Ohio and other floods last spring. I took the liberty of calling upon the President and the Secretary of War and saying to each of them that I was very sure that no one on the minority side of

the House would criticize the President or the department if they furnished relief to these sufferers.

I was referring to a provision which my distinguished friend from New York [Mr. FITZGERALD] inserted in an appropriation bill reported to the House a session or two ago, declaring practically that Congress hereafter would not legalize such action by the President or the Executive if taken without authority of Congress. I took the liberty of making a point of order against that provision, and it went out on the point of order. I think what has taken place since fully justifies the making of that point of order.

Mr. FITZGERALD. Mr. Chairman, I am glad the Federal Government did what was done during the recent floods, although I think it is unfortunate that it is necessary that such enormous loss should happen from these catastrophes in order to justify any action on the part of the gentleman from Illinois and the House.

Mr. MANN. Mr. Chairman, that was not necessary to justify the action. The action was justified by the majority of the House at the time, and I take it it is now justified by the gentleman from New York, who then opposed the action.

The CHAIRMAN. Without objection, the pro forma amendment will be withdrawn, and the Clerk will read.

The Clerk read as follows:

The Secretary of the Treasury is authorized and directed to credit certain appropriations under control of the Engineer Department of the Army with expenditures for the relief of sufferers from floods in the Mississippi Valley in 1913, as follows:

Mr. MANN. Mr. Chairman, I move to strike out the last word. Just what is meant by this direction to credit certain appropriations with expenditures for the relief of sufferers from floods in the Mississippi Valley?

Mr. FITZGERALD. Mr. Chairman, in some of these cases enumerated under this language supplies were used and boats were utilized. Men were detailed to work and were paid out of a permanent appropriation for the operation of locks and canals, and in order to permit the accounts to be straightened out, instead of making an appropriation to reimburse such appropriations, the committee thought it more advisable to authorize the crediting of the amounts so that the books might be kept straight. In some of the appropriations for the improvement of the Mississippi River and the Ohio River, instead of making another appropriation to reimburse the appropriations that were used the committee thought it would be advisable to simply authorize the crediting off of these sums.

Mr. MANN. I still do not understand. I may be thick headed. What is done in reference to the improving of the Mississippi River to the extent of \$10,125?

Mr. FITZGERALD. Nothing. Out of an appropriation for that purpose certain forces are engaged in doing this work, and they were diverted from that work to the flood relief work, and, instead of reimbursing the appropriations, the provision in this way enables them to legalize the accounts in their books.

Mr. MANN. It is intended, then, that this appropriation for improving the Mississippi River really loses this amount.

Mr. FITZGERALD. Yes, to that extent; and in some of the others it is out of the permanent indefinite appropriation, and there was no necessity to reimburse it.

The Clerk read as follows:

Interior Department.

Mr. FOSTER. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

After the words "Interior Department" add, as a new paragraph:

"The Secretary of the Interior is hereby authorized, in his discretion, to accept and expend such funds, not to exceed the sum of \$500,000, as may be contributed by the State of Pennsylvania or other parties for the purpose of extending and improving the site transferred by the authorities of the city of Pittsburgh to the United States in accordance with the act of Congress making appropriation for public buildings and grounds, approved March 4, 1913, and for the erection for the use of the Bureau of Mines of appropriate structures on the lower portion of said site adjacent to the Carnegie Institute of Technology: *Provided*, That the acceptance of such contributions and the improvements made therewith shall require no expenditures by the United States additional to those already authorized by Congress."

Mr. FITZGERALD. Mr. Chairman, on that I reserve the point of order.

Mr. FOSTER. Mr. Chairman, I just want to say a word in respect to this. I realize, of course, that this is subject to the point of order. It will be called to mind that the Department of the Interior came into possession of some land in the city of Pittsburgh for the use of the Bureau of Mines, which they received in a trade with the War Department; that is, the War Department owned some land which was given to the city of Pittsburgh as a park, and the Congress made a transfer of this land to the city of Pittsburgh, and in consideration they re-

ceived the land which is now the property of the Bureau of Mines. At the last session of Congress there was authorized an appropriation of \$500,000 for a building on this property. On one side of the property near the Carnegie Technical Institute there is a ravine, in which there are a number of railroad tracks.

The Carnegie Institute Building, which has been erected there, stands very high from the ground on account of this ravine, and what they desire to do is to assist in filling in this ravine, covering over the railroad tracks in such a way that the cars may run underneath. That protects their own building, which they think needs this very much, and the State of Pennsylvania in the last session of the legislature passed an appropriation of \$50,000 for that purpose. When the bill went to the governor, Gov. Tener was attempting to economize as much as he could, and he reduced it to \$25,000, so that there is now available from the State of Pennsylvania \$25,000 for this purpose, and it is expected that other donations will be made so that this ravine may be filled in, and the Bureau of Mines and the Government consequently will get the benefit of this expenditure of money. It requires no additional expense on the part of the Government in accepting these donations, whatever they may be, and we have reason to believe that if this authorization is made that there will be sufficient funds to cover this ravine in the way I have indicated and in that way the Government will get the benefit from it.

Mr. MANN. Will my colleague yield?

Mr. FOSTER. Yes.

Mr. MANN. Has not the Senate passed a bill?

Mr. FOSTER. I think they have. Senator WALSH, I think, introduced a resolution, but whether it was passed or not I am not sure, but I think it has. I know it has been introduced over there and I understand there is no opposition so far as it, at least, is concerned.

Mr. MANN. I may be mistaken, but I was under the impression that the Senate had passed the bill.

Mr. FOSTER. The gentleman's recollection may be correct as to its passage, but I rather think there was a favorable report on it by the committee, but whether it has passed or not I am not sure.

Mr. MANN. As far as the gentleman knows has anyone any opposition to it?

Mr. FOSTER. I do not know of anyone who has any opposition to it.

Mr. MANN. I understand this is a site the Bureau of Mines wants.

Mr. FOSTER. This site now belongs to the Bureau of Mines. This 11½ acres is on a hill sloping down into a ravine on which there are a number of railroad tracks. Now, what is proposed is to build up in connection with the Carnegie Institute, say, for instance, over here [indicating], and here is the land belonging to the Bureau of Mines. That fills in this ravine and makes it so an elevator can be put in there, for instance, to conduct from the railroad tracks up to the top of the hill and in that way get a greater benefit from it.

Mr. MANN. I did not hear all my colleague said, but my recollection was that the State of Pennsylvania was to contribute half a million dollars.

Mr. FOSTER. They contributed last winter \$50,000, but that appropriation was reduced by the governor to \$25,000. That is all the appropriation that they have made so far, but I understand the Carnegie Institute there, in connection with their work, was willing to help make this donation in the sum of something like half a million dollars, and it would be of great benefit to the Government, to their property, if they were permitted to accept this donation. They can not do it, of course, without authorization from the Congress.

The CHAIRMAN. The time of the gentleman has expired. The point of order is sustained.

The Clerk read as follows:

GENERAL LAND OFFICE.

The unexpended balance on June 30, 1913, remaining to the credit of the appropriation of \$4,500 contained in the deficiency appropriation act approved August 26, 1912, for the completion during the fiscal year of 1913 of the examination and classification of lands within the limits of the Northern Pacific grant under the act of July 2, 1864 (13 Stats., 365), is continued and made available to meet the expenses pertaining to such examinations and classifications as may be incurred during the fiscal year ending June 30, 1914.

Mr. MONDELL. Mr. Chairman, I move to strike out the last word. Mr. Chairman, the Secretary of the Interior submitted an estimate to the committee of \$50,000 for the employment of 3 lawyers at a salary of \$5,000 per annum, 10 lawyers at a salary of \$2,500 per annum, and some additional clerks and stenographers in the office of the Assistant Attorney General for the Interior Department. This appropriation was asked for on the

ground that there was a large accumulation of appealed cases in the Secretary's office, largely from the General Land Office. The committee gave careful consideration to this item, and I believe was justified in not allowing it at this time in total, though I am of the opinion that it would have been the part of wisdom to have given the Secretary of the Interior some money to employ additional force in his office for the purpose of bringing up the appealed cases. For a number of years past, owing to the rulings in the Secretary's office and in the office of the commissioner relating to land matters, there have been an unusually large number of appeals, so that at this time there are many appealed cases which have been before the Secretary's office for some time and that ought to be passed upon. The committee, on interrogating the officials of the department, came to the conclusion that possibly after the present Secretary and his assistants have had more time to acquaint themselves with the work of the office they will be better qualified than now to recommend whatever reorganization or addition to the force may be necessary to care for the increased work which comes to the Secretary's office from the Land Office.

I regret that the Secretary did not ask for a smaller sum, or that the committee, after considering the matter, did not feel justified in giving the Secretary at least a portion of what he asked. And yet, taking everything into consideration—and I shall not take up the time of the committee to go into the matter in detail—I think the committee was justified in not allowing the full estimate at this time, although it is very certain that the Secretary's office will require increases in the future, and I trust that they may provide in the next appropriation bill for the constantly increasing work of that office.

Mr. Chairman, there was also presented to the committee an estimate of \$8,100, for the purpose of employing two clerks in the office of the Commissioner of the General Land Office, at the rate of \$1,400 per annum; 2 clerks, at \$1,200; 2 clerks, at \$1,000; and 1 copyist. I think the committee should have allowed that item. I reserved the right to offer an amendment providing for it; but after thinking the matter over, I have concluded that it would be useless to do so, and therefore I shall not offer an amendment.

There is no question, however, but that the commissioner's office needs this additional help and more. The fact is that the General Land Office has long been one of the neglected offices under the Government in the matter of salaries and office force. The commissioner's office was established a long time ago. The salaries are those which were current 20 years ago. Since that time, as we have provided new departments and new bureaus, we have fixed salaries more in harmony with the prevailing conditions of the time, and we now have many bureau chiefs under the Government who have infinitely less responsibility and very much less work than has the Commissioner of the General Land Office who receive a much larger salary than does the commissioner.

The CHAIRMAN. The time of the gentleman from Wyoming has expired.

Mr. MONDELL. Mr. Chairman, I ask that I may have five minutes more.

The CHAIRMAN. Is there objection to the gentleman's request.

There was no objection.

Mr. BARTLETT. Mr. Chairman, may I ask the gentleman just one question before he proceeds?

Mr. MONDELL. Yes.

Mr. BARTLETT. Is it not a fact that this same application was made in the last Congress to the last Appropriations Committee and the one before? It is not an application for a deficiency, but is it not simply a supplemental estimate and a thing they have been trying to get from Republican and Democratic committees, and neither one of them has allowed it?

Mr. MONDELL. I will say to my friend that I did not rise to criticize the committee or anyone else, or to raise the issue as to whether or not a Republican Congress had performed its duty or whether this Democratic Congress would perform its duty, but rather to give a little information with regard to a matter with which I am familiar. I want to express the hope that the committee having charge of the legislative appropriation bill will go into the question of entirely reorganizing the office of the Commissioner of the General Land Office. I have a bill which has been before Congress for some time to accomplish that purpose. It was not reported in the Republican Congress, partly because it was introduced just before our party ceased to have the power to legislate, and the Democratic Congress thus far has not seen fit to take the matter up. But I trust that Democratic economy will not stand in the way of the much-needed reorganization of the office of the Commissioner

of the General Land Office and provide for an increase of salaries and of officers. While it is true that we are disposing of the public domain quite rapidly and the amount of public lands which remain open for disposition is much smaller than it was a few years ago, it is also a fact that, right or wrong, properly or improperly—and that is largely a matter of opinion—we are exercising a closer scrutiny and supervision over the disposal and use of the public domain than we have in the past, and the result is that the same number of cases handled now that were handled in the past require much more consideration and require a larger force than the same number of cases would have required a few years ago.

In addition to that, we are administering the public domain under much more complicated legislation than in years past, with the result that this office, whose force has not been increased to any considerable extent in many years, is greatly overburdened with the volume of business it is called upon to transact. While we have been increasing salaries elsewhere—and this is what I particularly desire to emphasize—while we have been increasing salaries elsewhere very considerably, salaries of chiefs and assistant chiefs of bureaus, chiefs of divisions, and so on, we have not increased the salaries in the office of the Commissioner of the General Land Office for many years, and we have any number of officials of the Government receiving nearly twice the salary that the commissioner and his assistants receive for work of no greater importance.

Mr. COX. What does the commissioner receive?

Mr. MONDELL. \$5,000. There are officers receiving much higher salaries who occupy positions that do not require the preparation and ability that is required to fill these positions and that do not have anything like the responsibility these men have.

Mr. COX. Will the gentleman yield for a question?

Mr. MONDELL. Yes; I will yield.

Mr. COX. I want to say to the gentleman that there has been no dearth of applicants for that position since the 4th of March, and no complaints have been made about the salary.

Mr. MONDELL. Oh, my friend knows that that really does not answer the proposition at all. There are men who are willing to serve the Government even at a loss.

Mr. COX. They are patriots.

Mr. MONDELL. Yes; patriotic men. There are lots of such men. Then there are men who may not be worth \$5,000 or \$4,000 or \$3,500 who would be perfectly willing to secure an office which has that salary attached to it. What I desire to emphasize is, first, that the force in this office is inadequate in number; and, second, that the salaries paid are not sufficient either in the case of the positions filled by appointment of the President or many of those under civil service. I believe that the men now occupying those positions are worthy and well qualified; but I do not believe they are receiving the salaries that men of their ability and qualifications are entitled to, and it is only fair and just that we should bring this long-neglected bureau up to the standard of other bureaus in pay and in the size of the force. There should be a considerable increase in force and a marked increase in salaries as a matter of justice and good administration.

Mr. FITZGERALD. Mr. Chairman, without taking the time to discuss the appropriations for the General Land Office, I shall insert in the Record a brief statement showing the appropriations for that office for the last few years. It shows that that service has been more than liberally treated by Congress.

The CHAIRMAN. If there be no objection, the statement referred to by the gentleman will be printed as a part of his remarks.

There was no objection.

The statement is as follows:

APPROPRIATIONS FOR GENERAL LAND OFFICE.

For the fiscal year 1909 the appropriation for the clerical force in the General Land Office was increased from \$560,900 for 1908 to \$572,450, or by \$11,550. For the fiscal year 1910 there was appropriated \$572,450. For 1911, \$572,450 was appropriated, and in addition thereto 51 places, with salaries aggregating \$49,220, were provided for in the sundry civil act. For the fiscal year 1912, \$572,450 was provided, and the \$49,220 carried in the sundry civil act for 1911 for employees was taken up and made a part of the regular force of the Land Office, making for that year \$621,870. For the fiscal year 1913 the appropriation was increased from \$621,870 to \$630,650, or by \$8,780, and 37 additional temporary employees, with salaries aggregating \$32,620, were provided for in the sundry civil act. For the fiscal year 1914 the appropriation was increased from \$630,650 to \$631,250, or by \$750, and in addition thereto authority was given to expend \$15,000 from the sum appropriated "to prevent depredations on the public timber," for clerical services in bringing up and making current the work of the General Land Office.

In addition to the foregoing specific employments in the General Land Office clerical services were further authorized under the appropriation for preventing depredations upon the public timber, as follows:

Prior to 1909 the largest appropriation made for preventing depredations upon the public timber was \$250,000.

For the fiscal year 1909, \$500,000 was given, of which \$250,000 was made available for bringing up the work of the General Land Office thereunder and making it current.

For the fiscal year 1910, \$1,000,000 was appropriated, of which \$750,000 was made available to bring up current the work of the General Land Office and \$50,000 was made available for employment of clerks and other expenses at district land offices.

For the fiscal year 1911, \$750,000 was appropriated, of which \$500,000 was made available to bring the work up current and \$25,000 made available for clerks and other expenses at district land offices.

For the fiscal year 1912, \$650,000 was appropriated and \$250,000 made available for making the work current in the General Land Office and \$25,000 made available for clerks and other expenses at district land offices.

For the fiscal year 1913, \$500,000 was appropriated and \$25,000 made available for making the work of the General Land Office current.

For the fiscal year 1914, \$500,000 was appropriated and \$15,000 made available for clerical services in making current the work of the General Land Office.

For clerk hire and other expenses of district land offices appropriations have been made as follows:

1908.....	\$295,000
1909.....	301,250
1910.....	295,000
1911.....	295,000
1912.....	320,000
1913.....	410,000
1914 (as estimated by General Land Office).....	320,000

The CHAIRMAN. If there be no objection, the pro forma amendment will be considered as withdrawn, and the Clerk will read.

The Clerk read as follows:

GEOLOGICAL SURVEY.

For the purchase of instruments, equipment, apparatus, supplies, file cases and other furniture, and lumber, and the reprinting of maps and folios, to replace certain ones destroyed by the fire of May 18, 1913, in the building occupied by the United States Geological Survey, including the repairs to instruments and equipment made necessary by said fire, these emergency purchases to be made under such rules as the Secretary of the Interior shall prescribe, to continue available during the fiscal year 1914, \$50,000.

Mr. BARTON. Mr. Chairman, I move the adoption of the amendment which I send to the Clerk's desk.

The Clerk read as follows:

Amend, page 17, after line 21, by inserting as a new paragraph the following:

"For gauging the streams and determining the water supply of the United States, and for the investigation of underground currents and artesian wells, and the preparation of reports upon the best methods of utilizing the water resources of southwestern Nebraska, \$100,000, to remain available during the fiscal year 1914."

Mr. FITZGERALD. Mr. Chairman, I make a point of order against the amendment.

Mr. MANN. Does the gentleman make it or reserve it?

Mr. FITZGERALD. I will reserve it.

Mr. BARTON. Mr. Chairman, there is no greater asset to the people as a whole than a prosperous, productive, agricultural country; no greater work that the Government can do than to convert semiarid lands into dependable agricultural regions. We have the best soil in the world, plenty of sunshine, and a most industrious people, and all we need to make them prosperous, contented, and happy is an abundant supply of water to irrigate their land. We may have within easy access a possible plan of subirrigation. It may be possible to dam up the watercourses and make reservoirs or lakes. It may be possible in some other manner secure this much-needed water. We do not know. We are asking for a doctor to diagnose our case. We believe the Government should determine the practical thing for us to do, as we are entitled to the benefit of the knowledge of the people and the departments who have made these matters a life study at Government expense. If some practical plan can be determined in this district, the same plan would apply to a vast area of the lands of the Middle West, and great tracts of land now uncertain would be transformed into the granaries of the great Middle West.

You Members who preach conservation, can you conjure a greater conservation than is contained in this amendment, which means if a practical plan is evolved, full granaries, happy homes, and a prosperous condition? And again I say, all that we ask is an expert to make proper investigation to determine the best means of bringing about this so much desired condition of a plentiful water supply.

You Members who helped vote out of the National Treasury \$4,000,000 to construct a park in Washington, and who from time to time vote great sums for the purpose of beautifying parks and building memorial bridges, can surely lend your support to this amendment, which means so much to an agricultural people and to the consumers of this country.

Mr. FITZGERALD. Mr. Speaker, I insist on my point of order.

The CHAIRMAN. The point of order is sustained.

MESSAGE FROM THE SENATE.

The committee informally rose; and Mr. McKellar having taken the chair as Speaker pro tempore, a message from the Senate, by Mr. Tulley, one of its secretaries, announced that the President had on the following dates approved bills of the following titles:

On July 9, 1913:

S. 2272. An act providing for an increase in number of midshipmen at the United States Naval Academy after June 30, 1913.

On July 15, 1913:

S. 2517. An act providing for mediation, conciliation, and arbitration in controversies between certain employers and their employees; and

S. 1353. An act to authorize the board of county commissioners of Okanogan County, Wash., to construct, sustain, maintain, and operate a bridge across the Okanogan River at or near the town of Malott.

On August 28, 1913:

S. 1620. An act to provide for representation of the United States in the Fourteenth International Congress on Alcoholism, and for other purposes.

The message also announced that the Senate had passed joint resolution of the following title, in which the concurrence of the House of Representatives was requested:

S. J. Res. 68. Joint resolution authorizing the Secretary of the Senate and the Clerk of the House of Representatives to advance to the chairman of the commission appointed under the act approved June 30, 1913, such sums of money as may be necessary for the carrying on of the commission, etc.

SENATE JOINT RESOLUTION REFERRED.

Under clause 2 of Rule XXIV, Senate joint resolution of the following title was taken from the Speaker's table and referred to its appropriate committee, as indicated below:

S. J. Res. 68. Joint resolution authorizing the Secretary of the Senate and the Clerk of the House of Representatives to advance to the chairman of the commission appointed under the act approved June 30, 1913, such sums of money as may be necessary for the carrying on of the commission, etc.; to the Committee on Indian Affairs.

URGENT DEFICIENCY APPROPRIATION BILL.

The committee resumed its session.

The Clerk read as follows:

Platt National Park: For maintenance, bridging, roads, and trails, fiscal year 1914, \$8,000.

Mr. FOSTER. Mr. Chairman, on that I reserve the point of order.

Mr. CARTER. Mr. Chairman, this is not subject to a point of order. It is one of the regular parks provided for by the act of July 1, 1902; and if this item is subject to a point of order any item for a national park is subject to a point of order.

Mr. FOSTER. This is a park for which, I think, up to this time the Government has stopped appropriating.

Mr. CARTER. No; it has not. It failed to appropriate for it last year, but that does not make this item subject to the point of order.

Mr. FOSTER. I understand this is only a health resort down there, which the National Government is maintaining, and it is not a national park at all.

Mr. CARTER. Oh, yes; it is.

Mr. FOSTER. In one sense of the word it is not.

Mr. CARTER. It is one of the most beautiful of all of the national parks.

Mr. THOMPSON of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. FOSTER. Certainly.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I know as well as any man who is a Member of this Congress or as well as any man in the United States the conditions that exist at the Platt National Park. On the 1st of July, 1902, about 1,000 people built the town of Sulphur, Okla., near where are located the Sulphur Springs and the Medicine Springs in Oklahoma. At that time the then Secretary of the Interior, Mr. Hitchcock, without any request on the part of these people, asked the Congress of the United States to segregate, because of the medicinal properties of the water of these different springs, 628.89 acres of land. Mr. Chairman, on the request of the Secretary of the Interior these lands were segregated from allotments to the Chickasaws and Choctaws, the people who owned the land. Very small remuneration was paid to the people who occupied the lots and who were in possession of the land around these springs; but the people of Sulphur with good grace submitted

to this appropriation by the Federal Government. In 1904, on April 18, the Congress of the United States, acting on information given it by the Secretary of the Interior, Mr. Hitchcock, appropriated a further amount of land, amounting to 219.33 acres, making in all \$48.22 acres of land. The people of Sulphur did not ask this appropriation of the public domain. They had moved off the land that was appropriated in 1902 and had moved on the land that was not appropriated at that time, and occupied that land, so that when the Federal Government came along in 1904 and appropriated an additional 219.33 acres they were in that appropriation.

They submitted to that, Mr. Chairman. They were very poorly paid for the improvements they had put upon this land, and they moved across to another part of Oklahoma. There are two reasons why the Platt National Park should be continued. In the first place, Mr. Chairman, it is the only unappropriated public domain of the Chickasaws and Choctaws in the great State of Oklahoma. The Choctaws and Chickasaws have given up all of the public domain of the two tribes located in that State. They have surrendered their pride of tribe; they have surrendered their pride of nation, and these 848.22 acres of land are all of the land of these two great tribes of Indians, now fast vanishing, that has not been segregated and divided among the people of the Chickasaws and Choctaws in common.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I ask unanimous consent to proceed for five minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. THOMPSON of Oklahoma. Mr. Chairman, the National Government has set aside 12 parks in the present boundary of the United States. The object of the Government in setting aside these national parks was for playgrounds for the people of the country, to promote their health and their happiness. In the State of Oklahoma this is the only playground, the only national park, that has been set aside for the people by the Government of the United States. We have nearly 2,000,000 people in that State, and they, with nearly 1,000,000 people in the State of Texas and a half million people in the State of Kansas, use the Platt National Park as the playground of the people of that section of our country.

Now, if the policy of the National Government is to be continued, if the idea of the National Government to set aside national parks is to be continued, I can prove to this Congress and to the people of this country that the Platt National Park is the most important of all the national parks in this country.

I want to say to the Congress and to the American people that the Government of the United States has established the following national parks and appropriated for the purpose of maintaining these parks the following sums of money:

The Yellowstone National Park, Wyoming, \$2,744,903.84
The Yosemite National Park, California, \$474,599.25.
The Glacier National Park, Montana, \$259,200.
The Sequoia National Park, California, \$178,939.69.
The General Grant National Park, California, \$29,558.65.
The Mount Rainier National Park, Washington, \$63,300.
The Crater National Park, Oregon, \$177,855.
The Wind Cave National Park, South Dakota, \$26,900.
The Mesa Verde National Park, Colorado, \$77,000.
Platt National Park, \$40,500.
The Hot Springs National Park, Arkansas, \$442,244.30.

Now, Mr. Chairman, I want to call the attention of the Congress to the amount of land granted to these national parks by the Government of the United States:

The Yellowstone National Park, 2,142,720 acres.
The Yosemite National Park, 719,622 acres.
The Sequoia National Park, California, 161,597 acres.
The General Grant National Park, 2,536 acres.
The Mount Rainier National Park, 207,360 acres.
The Crater Lake National Park, Oregon, 159,360 acres.
Wind Cave National Park, 10,522 acres.
Platt National Park, Oklahoma, 848.22 acres.
The Mesa Verde, Colorado, 42,376 acres.
Hot Springs National Park, Arkansas, 911.63 acres.
Glacier National Park, in Montana, 981,681.

Mr. Chairman, I desire to incorporate as a part of my remarks the location, area, and characteristics of the national parks as will be found in the report of the Secretary of the Interior to the Congress of the United States for the fiscal year ending June 30, 1912.

The CHAIRMAN. The gentleman from Oklahoma asks unanimous consent to incorporate the matter mentioned in his remarks. Is there objection?

There was no objection.

Mr. THOMPSON of Oklahoma. Mr. Chairman, the report of the Secretary of the Interior for the fiscal year ending June 30, 1912, with reference to the location, area, and characteristics of national parks is as follows.

Location, area, and characteristics of national parks.

Name.	Location.	When established.	Area (acres).	Private lands (acres).	Visitors, 1912.	Special characteristics.
Yellowstone.....	Wyoming, Montana, and Idaho.	Mar. 1, 1872	2,142,720	None.	22,970	Wonderful scenery, geysers, boiling springs, mud volcanoes and springs, mountains, grand waterfalls, brilliant-hued canyons, great lake 8,000 feet above the level of the sea; wild animals.
Yosemite.....	California.....	Oct. 1, 1890	719,622	19,827	10,884	Mountain scenery, magnificent waterfalls, the Hetch Hetchy and Yosemite Valley, ice-sculptured canyons, glacier lakes, forests.
Sequoia.....	do.....	Sept. 25, 1890	161,597	3,716.96	2,923	The home of the "Big Tree" (<i>Sequoia gigantea</i>), growing to a height of 300 feet with a diameter of 30 feet, the bark being 2 feet thick; rugged and picturesque scenery, beautiful cascades and falls, and wonderful caves.
General Grant.....	do.....	Oct. 1, 1890	2,536	160	2,240	Glaciers and wild mountain scenery.
Mount Rainier.....	Washington.....	Mar. 2, 1899	207,360	18.2	8,946	Rugged mountain scenery, beautiful lake within the crater of an extinct volcano, etc.
Crater Lake.....	Oregon.....	May 22, 1902	159,360	2,458.11	5,235	Well known for a cavern having many miles of galleries and numerous chambers of considerable size containing many peculiar formations.
Wind Cave.....	South Dakota.....	Jan. 9, 1903	10,522	160	3,199	Noted for its bromide and other springs, the waters of which have medicinal qualities; park well wooded; scenery picturesque.
Platt.....	Oklahoma.....	(July 1, 1902) (Apr. 21, 1904)	848.22	None.	31,000	Set aside to preserve the prehistoric ruins of an ancient people; rugged scenery.
Mesa Verde.....	Colorado.....	June 29, 1906	42,376	880	230	Famous for its thermal springs, having wonderful medicinal qualities.
5-mile strip for protection of ruins.	do.....	do.....	175,360			Famed for its beautiful lakes derived from glaciers, lofty mountains clad with forests, magnificent glacial formations, numberless waterfalls. Game, fish, and birds abound.
Hot Springs Reservation.....	Arkansas.....	June 16, 1880	911.63	None.	135,000	Small rugged hills containing prehistoric ruins. Practically a local park.
Glacier.....	Montana.....	May 11, 1910	981,681	16,668.11	6,257	These ruins are one of the most noteworthy relics of a prehistoric age and people within the limits of the United States. Discovered in ruinous condition in 1894.
Sullys Hill.....	North Dakota.....	Apr. 27, 1904	780	None.	1200	
Casa Grande Ruins.....	Arizona.....	Mar. 2, 1889	480	None.	450	

* Estimated.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I would like about three minutes more.

Mr. Chairman, notwithstanding the fact that the Platt National Park contains only 848.22 acres, and is therefore the next smallest of all the 12 national parks located by the Federal Government, in point of visitors and real intrinsic value, to the people of our country, it is the most important national park in the United States. There is only one national park in our country that compares with it in the number of visitors per year, and that is the great Yellowstone National Park, that contains an area of 2,143,728 acres, and for the purchase and maintenance of which the Government has appropriated the sum of \$2,744,903.84. The report of the Secretary of the Interior for the fiscal year ending June 30, 1912, shows that the visitors to the national parks from the year 1907 to the year 1912, inclusive, were as follows:

Visitors to national parks, 1907 to 1912.

Name of park.	1907	1908	1909	1910	1911	1912
Yellowstone National Park.....	16,414	19,542	32,545	19,575	23,054	22,970
Yosemite National Park.....	7,102	8,850	13,182	13,619	12,530	10,884
Sequoia National Park.....	900	1,251	854	2,407	3,114	2,923
General Grant National Park.....	1,100	1,773	798	1,178	2,160	2,240
Mount Rainier National Park.....	2,068	3,511	5,968	8,000	10,306	8,946
Mesa Verde National Park.....		80	165	250	206	230
Crater Lake National Park.....	2,600	5,275	4,171	5,000	4,500	5,235
Wind Cave National Park.....	2,751	3,171	3,216	3,387	3,887	3,199
Platt National Park.....	28,000	26,000	25,000	25,000	30,000	31,000
Sullys Hill National Park.....	400	250		190	200	200
Hot Springs Reservation.....				120,000	130,000	135,000
Glacier National Park.....					4,000	6,257

By reference to this table it will be seen that the visitors to the Platt National Park during the periods mentioned, exclusive of the Yellowstone National Park, were more than four times as many as the visitors to any other of the national parks established by this Government, and that the visitors to the Platt National Park, notwithstanding the great area contained in the Yellowstone National Park and the enormous sums expended by the National Government for the establishment and maintenance of said park, were nearly twice as many as to the Yellowstone National Park.

Mr. Chairman, the report of the watchman of the Bromide and Medicine Springs for the period beginning July 7, 1913, and ending August 4, 1913, and the amount of water used during said period and the period beginning August 1, 1913, and ending August 31, 1913, and the amount of waters taken from said springs during said time is as follows:

Date.	Visitors.	Bromide water used.	Medicine water used.	Total water used.
July 7.....	456	227	113	333
July 8.....	575	217	108	325
July 9.....	505	200	100	300
July 10.....	545	220	100	220
July 11.....	503	250	150	400

Date.	Visitors.	Bromide water used.	Medicine water used.	Total water used.
July 12.....	621	200	167	367
July 13.....	1,258	329	315	644
July 14.....	1,130	282	283	565
July 15.....	556			
July 16.....	777	194	185	379
July 17.....	746	161	175	336
July 18.....	900	226	226	452
July 19.....	750	225	295	520
July 20.....	1,040			
July 21.....	753	196	205	401
July 22.....	1,187	296	310	606
July 23.....	1,460	300	325	625
July 24.....	1,840	275	325	600
July 25.....	1,057	200	225	425
July 26.....	515	125	100	225
July 27.....	1,173	222	195	417
July 28.....	745	186	200	386
July 29.....	662	150	225	375
July 30.....	763	195	210	405
July 31.....	682	175	190	360
Aug. 1.....	856	220	230	450
Aug. 2.....	706	175	200	375
Aug. 3.....	1,460	365	400	835
Aug. 4.....	1,012	253	240	493
Total.....	27,293	6,654	5,797	11,816

Date.	Visitors.	Water taken in bottles.	Water taken from spring.
Aug. 1.....	856	335	617
Aug. 2.....	706	370	530
Aug. 3.....	1,460	350	730
Aug. 4.....	1,012	400	506
Aug. 5.....	783	350	400
Aug. 6.....	663	305	450
Aug. 7.....	725	234	525
Aug. 8.....	1,155	302	577
Aug. 9.....	850	250	415
Aug. 10.....	1,588	110	800
Aug. 11.....	760	250	500
Aug. 12.....	825	250	550
Aug. 13.....	881	300	565
Aug. 14.....	827	320	600
Aug. 15.....	1,047	300	700
Aug. 16.....	805	350	650
Aug. 17.....	850	250	500
Aug. 18.....	905	230	675
Aug. 19.....	914	275	650
Aug. 20.....	750	295	500
Aug. 21.....	912	300	606
Aug. 22.....	779	275	575
Aug. 23.....	1,125	300	650
Aug. 24.....	1,275	350	700
Aug. 25.....	779	275	670
Aug. 26.....	750	300	550
Aug. 27.....	816	300	625
Aug. 28.....	713	455	606
Aug. 29.....	697	250	544
Aug. 30.....	662	300	556
Aug. 31.....	706	200	520
Total.....	26,909	8,921	17,516

Many hundred thousands of dollars have been expended by our people for preparations to receive people from all parts of the United States who have come to Sulphur for the wonderful curative powers of the waters of these springs. It would not only be an injustice to the people of Sulphur, but it would be a great crime against the afflicted of all the States of this Union if this appropriation were not continued and the wonderful curative properties of these wonderful springs not continued for the benefit of all the people of all the States and all the Nation.

I therefore ask the gentleman to withdraw his point of order and let us have the sense of the Congress of this country as to whether or not a few thousand dollars shall be expended in order that the people of this country may receive, free of charge, the waters that are furnished by nature in the Platt National Park, which will restore them to health and vigor.

Mr. FOSTER. Mr. Chairman, in view of the statement of the gentleman from Oklahoma and the fact that the National Government has attempted two or three times to give the park to Oklahoma, in view of the statement that the gentleman has made at this time in reference to this park, and with the hope that in the course of another year or two Oklahoma may be able to take it, I withdraw the point of order.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I ask unanimous consent to extend my remarks in the Record.

The CHAIRMAN. The gentleman from Oklahoma asks unanimous consent to extend his remarks in the Record. Is there objection?

There was no objection.

Mr. MANN. Mr. Chairman, I would like to ask the chairman of the committee what is the necessity of appropriating \$8,000 for the Platt National Park? The appropriation heretofore has been about eight thousand and some odd dollars for the year.

Mr. FITZGERALD. My recollection is \$8,924.

Mr. MANN. Eight thousand and nine hundred dollars was the estimate.

Mr. FITZGERALD. It is for the purpose of paying certain employees.

Mr. MANN. I understand the estimate says that it is not desired to allow the park or the buildings to go into decay. Thereupon it is proposed to appropriate in the middle of September, so that the appropriation will not go into effect before the second quarter of the year, as much money as has heretofore been appropriated for the entire year, taking in all the employees. Are the employees in service now contrary to law?

Mr. FITZGERALD. They are not.

Mr. MANN. Then why should we appropriate for back pay for them?

Mr. FITZGERALD. The estimate was cut nearly \$1,000.

Mr. MANN. July, August, and the most of September will have gone before the bill becomes a law.

Mr. FITZGERALD. The gentleman from Illinois understands that it is impossible to accurately estimate just how much will be required.

Mr. MANN. I understand; but if \$8,000 is appropriated the chances are ninety-nine to one hundred that it will all be spent.

Mr. FITZGERALD. The gentleman is mistaken; the chances are one hundred in one hundred.

Mr. MANN. Well, that is very likely. Why not reduce the amount here? If there is no occasion for appropriating it, why should we appropriate a larger sum than should be required?

Mr. FITZGERALD. The estimate is much less than the department has frequently estimated, and the estimate submitted for the current year was about—

Mr. MANN. Well, my recollection is we have had a good many fights over the Platt National Park, and I think it is fairly good recollection to state that they have asked about \$8,000.

Mr. FITZGERALD. They had \$8,000 in 1913, \$17,500 additional in the Indian appropriation bill—

Mr. MANN. Oh, well—

Mr. FITZGERALD. And in 1912—

Mr. MANN. That was a duplicate and never was expended.

Mr. FITZGERALD. No; it was an addition.

Mr. MONDELL. Will my distinguished colleague yield?

Mr. FITZGERALD. Yes.

Mr. MONDELL. The gentleman from Illinois perhaps notices this is for maintaining bridges, roads, trails, and while salaries will be less yet there are improvements there which will consume all of this appropriation.

Mr. MANN. This is what the estimate says; this is the basis of the estimate:

There is a large amount of public property in this park, consisting of houses, pavilions, barns, benches, bridges, building materials, tools, wagons, harness, mules, records, etc., which will be left in a wholly un-

protected condition after the 1st of July, since this department has no appropriation under its control which could be used in providing for the protection and improvement of this park.

And this estimate was made for the purpose of taking care of this property. Why should you make a larger appropriation than they have asked for?

Mr. FITZGERALD. Not larger than they have asked for.

Mr. THOMPSON of Oklahoma. May I submit to the gentleman from Illinois that the appropriation requested was \$8,924?

Mr. MANN. I have already stated that five times, I will say to my friend, but that was for the full year.

Mr. THOMPSON of Oklahoma. Now, the appropriations for the two years previous to that time was \$10,000 under a Republican Congress, and \$9,999 of that appropriation was used. I have the figures here in my hand if the gentleman desires to see them.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. MANN. The gentleman from Oklahoma and the gentleman from New York can settle the amount of the appropriation between them, but I can not see any use of giving them a larger appropriation than necessary. I move to strike out \$8,000 and insert \$7,000.

The CHAIRMAN. The pro forma amendment is withdrawn, and the gentleman from Illinois moves to strike out \$8,000 and insert \$7,000.

Mr. MURRAY of Oklahoma. Mr. Chairman, I hope the gentleman will not insist upon that because the Secretary of the Interior asked for \$8,924. We requested him to make it as close as possible in view of the fact—

Mr. MANN. But he estimates for the full fiscal year.

Mr. CARTER. No; estimated on July 17.

Mr. MANN. No; the estimate was made June 30 for the full fiscal year.

Mr. MURRAY of Oklahoma. The estimate I hold is of July 3.

Mr. MANN. Well, I have the estimate in my hand.

Mr. MURRAY of Oklahoma. Well, if the gentleman will allow me to interrupt him, the purpose of a portion of this fund is in order to utilize this machinery, those mules there, and further improve the park, complete the trails and roads in the park to these bridges, and things of that kind—the Lincoln Bridge and other bridges constructed by the Government. We want to complete those trails. We are at some cost in order to maintain the park, and we really ought to have the \$8,924 to do this work.

Mr. MANN. The gentleman has not graced the Congress with his presence in former Congresses, but the Committee on Appropriations for years has been endeavoring to give away this park. I have sympathized with the park myself, but when they come in and say they want an appropriation for one purpose and the committee allows that, why not allow them the amount that is needed for that purpose?

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Illinois [Mr. MANN].

Mr. CARTER. Mr. Chairman, I want to call the attention of the gentleman from Illinois [Mr. MANN] to a statement compiled by the Secretary on July 17, in which he said that it was necessary to have \$8,000, and that was after this fiscal year had begun. He evidently knew at that time as much as we know now about when to expect the passage of this bill, and he must have expected that he would need this money through the remainder of this fiscal year after the submission of the statement.

Mr. MANN. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Oklahoma yield to the gentleman from Illinois?

Mr. CARTER. I yield.

Mr. MANN. On June 30 the Secretary estimated that they would need \$8,964 for the fiscal year, and on July 17 he estimated that he would need \$8,000 for the balance of the fiscal year. But the appropriation will not go into effect until at least the middle of September, giving them the amount they need for the balance of the fiscal year.

Mr. CARTER. Undoubtedly the Secretary took that into consideration when he made this estimate on July 17. He knew enough about the practice of the House to know that it would take from 30 to 60 days to pass a bill of this character, as it always does.

Mr. MONDELL. Mr. Chairman, will the gentleman from Oklahoma yield to me?

The CHAIRMAN. Does the gentleman from Oklahoma yield to the gentleman from Wyoming?

Mr. CARTER. I yield to the gentleman.

Mr. MONDELL. The estimate was \$8,000 for improvements alone, so that the amount appropriated can be utilized for improvements and salaries for the remainder of the year, and still

make the amount appropriated some \$4,000 less than the department asked for.

Mr. CARTER. Well, I wish that were true, but the gentleman from Wyoming is mistaken. I notice that in his estimate the Secretary includes the salaries of park employees, watchmen, laborers, etc., on page 296 of the hearings on the urgent deficiency bill.

Mr. MONDELL. I think I am correct, that the department estimated that they could use \$8,000 for improvements alone, and in any event the amount which could be used there would more than exceed the amount that is appropriated.

Mr. DAVENPORT. Mr. Chairman, will my colleague yield to me?

The CHAIRMAN. Will the gentleman yield to his colleague?

Mr. CARTER. I do.

Mr. DAVENPORT. I want to say, Mr. Chairman, that so far as the needs of that national park are concerned, at present it would require a greater amount than had the appropriation been made before the 1st of July. There has been no work done there, and nothing has been kept up since that time. The improvements have been standing there for some time. Less would have been needed if it could have been supplied before the 1st of July, because the committee knows that when you neglect roads and buildings they go into decay much more rapidly than if they are in use and cared for.

Mr. FOSTER. Mr. Chairman, will the gentleman yield?

Mr. CARTER. I yield.

Mr. FOSTER. I notice that in the hearings it is stated they raise alfalfa and corn down there.

Mr. CARTER. Yes; we do. And we raise not only alfalfa, but we also raise alfalfa statesmen. [Laughter.]

Mr. FOSTER. What do the crops amount to?

Mr. CARTER. They are inconsiderable.

Mr. FOSTER. How many mules do they have?

Mr. CARTER. I could not say, but I know they have several.

Mr. FOSTER. I wanted to inquire, Mr. Chairman, of the gentleman from Oklahoma in reference to some of the property. It seems we have several mules there, and it is necessary to feed them.

Mr. MANN. Apparently they have not been fed since July 1. [Laughter.]

Mr. DAVENPORT. And they have two squirrels there.

Mr. FOSTER. I notice in these hearings it is not stated whether they have been fed or not. They have no employees there to feed them, and I suppose the mules are running loose in the park and drinking the health-giving water of the springs, which, of course, would do the mules good.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. FITZGERALD. Mr. Chairman, I move that all debate on the pending paragraph and amendments thereto be closed in five minutes.

The CHAIRMAN. The gentleman from New York [Mr. FITZGERALD] moves that all debate on the pending paragraph and amendments thereto be closed in five minutes.

The motion was agreed to.

Mr. WEAVER. Mr. Chairman, I ask unanimous consent to extend my remarks in the Record.

The CHAIRMAN. The gentleman from Oklahoma [Mr. WEAVER] asks unanimous consent to extend his remarks in the Record. Is there objection?

There was no objection.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Illinois [Mr. MANN] to strike out "\$8,000" and substitute "\$7,000."

The question was taken, and the amendment was rejected.

Mr. MANN. There is no use in practicing economy with a Democratic House.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

DEPARTMENT OF JUSTICE.

Office of the Attorney General: For salary of the Assistant to the Attorney General, which is hereby fixed at the rate of \$9,000 per annum, in addition to the \$7,000 heretofore appropriated, for the fiscal year 1914, \$2,000.

Mr. KELLY of Pennsylvania. Mr. Chairman, I make the point of order against that paragraph that it changes existing law and does not reduce expenditures. I shall be glad to be heard on it, if the Chair desires.

The CHAIRMAN. The Chair would like to hear the gentleman from Pennsylvania.

Mr. KELLY of Pennsylvania. Mr. Chairman, the rule under which I make the point of order is Rule XXI, which provides that—

No appropriation shall be reported in any general appropriation bill or be in order as an amendment thereto for any expenditure not previously authorized by law, unless in continuation of appropriations

for such public works and objects as are already in progress. Nor shall any provision in any such bill or amendment thereto changing existing law be in order, except such as being germane to the subject matter of the bill shall retrench expenditures by the reduction of the number and salary of the offices of the United States, by the reduction of the compensation of any person paid out of the Treasury of the United States, or by the reduction of amounts of money covered by the bill.

There are a multitude of precedents to uphold my contention, and it is unnecessary for me to quote them. With complete unanimity they show that this paragraph is out of order, and I am assured that the Chair will so rule.

The CHAIRMAN. The point of order is sustained, and the Clerk will read.

The Clerk read as follows:

Detection and prosecution of crimes: For the detection and prosecution of crimes against the United States; the investigation of the official acts, records, and accounts of marshals, attorneys, clerks, and referees of the United States courts and the Territorial courts, and United States commissioners, for which purpose all the official papers, records, and dockets of said officers, without exception, shall be examined by the agents of the Attorney General at any time; for the protection of the person of the President of the United States; for such other investigations regarding official matters under the control of the Department of Justice as may be directed by the Attorney General, including not to exceed \$10,000 for necessary employees at the seat of government, to be expended under the direction of the Attorney General for fiscal years that follow:

For 1913, \$20,000.

For 1912, \$866.62.

Mr. DYER. Mr. Chairman, I move to strike out the last word for the purpose of asking unanimous consent to insert at this point a statement prepared by the Department of Justice, showing the number of prosecutions that have been instituted under the white slave traffic act of June 25, 1910, to and including March 31, 1913.

The CHAIRMAN. The gentleman from Missouri asks unanimous consent to extend his remarks in the manner indicated. Is there objection?

There was no objection.

The statement referred to is as follows:

Summary of prosecutions instituted under the white-slave traffic act of June 25, 1910, to and including Mar. 31, 1913.

District.	Con- vic- tions.	Ac- quit- tals.	Pend- ing.	Sentence.			Fine.
				Years.	Months.	Days.	
Alabama, middle.	2			3		1	
Alabama, northern.	1		5	2			\$100.00
Alabama, southern.	7		1	6	3		800.00
Arizona.	7	1	1	13	9		1,050.00
Arkansas, eastern.			3				
Arkansas, western.	2		3	2		2	250.00
California, northern.	19	5	1	22	2		1,250.00
Colorado.	11	2	7	7	6		125.00
Connecticut.	1			1			1.00
District of Columbia.	5			22		1	200.00
Florida, southern.	7	1		7	9	1	750.00
Georgia, northern.							
Georgia, southern.	1		10	1		1	100.00
Idaho.	7	1	1	4	6		600.00
Illinois, eastern.	7		4	5	7	3	
Illinois, northern.	29	4	8	51	10	5	2,663.00
Illinois, southern.			1				
Indiana.	1		1	5			1.00
Iowa, northern.	1		1	2			
Iowa, southern.	3	3		15			200.00
Kansas.	1		1		4		5,000.00
Kentucky, eastern.		1					
Kentucky, western.	6		3		5		450.00
Louisiana, eastern.	4	5	5	4	6	1	50.00
Maryland.	17			13	8	2	475.00
Massachusetts.	7	2		28	4	1	1.00
Michigan, eastern.	44		6	71	1	2	900.00
Michigan, western.	9	1	1	10	11		1.00
Minnesota.	9			23	1		11,000.00
Mississippi, southern.	2						750.00
Missouri, eastern.	5	2	4	2	1	29	200.00
Missouri, western.	22	2	2	27	4	2	2,550.00
Montana.	16		1	14	8	1	4,451.00
Nebraska.	7		8	11	5	1	400.00
Nevada.	2			3			600.00
New Jersey.	6	2		6	9	11	300.00
New Mexico.			1				
New York, eastern.	4		3	21	4		3.00
New York, northern.	2						150.00
New York, southern.	17	4	6	53			20,402.00
North Carolina, western.		2					
North Dakota.	1	1		2			
Ohio, northern.	12		4	25	1	2	2,250.00
Ohio, southern.	15	1	4	33	1		
Oklahoma, eastern.	2				9		
Oklahoma, western.		1					
Oregon.	35	2	4	92	4	1	300.00
Pennsylvania, eastern.	4	4	3	6	6	2	
Pennsylvania, middle.	2			2	6		
Pennsylvania, western.	12		2	10	7	12	725.50
South Carolina.		1	2				
South Dakota.	1						
Tennessee, eastern.		8	4				

Summary of prosecutions instituted under the white-slave traffic act of June 25, 1910, to and including Mar. 31, 1913—Continued.

District.	Con- vic- tions.	Ac- quit- tals.	Pend- ing.	Sentence.			Fine.
				Years.	Months.	Days.	
Tennessee, western.....	1			3			\$500.00
Texas, eastern.....	4			21			
Texas, western.....	10	1	3	5	11		560.00
Texas, southern.....	6	2		5	6	1	500.00
Utah.....	18	2	8	67	3		
Vermont.....	1				7		
Virginia, eastern.....		1	1				
Washington, eastern.....	26	3	8	29		15	11,000.00
Washington, western.....	35	6	6	50	7	23	4,700.00
West Virginia, northern.....	7	3	1	14	6		13,550.00
West Virginia, southern.....	3		1	9		1	
Wisconsin, eastern.....	4			4	3	3	1,200.00
Wyoming.....	6			14		3	100.00
Alaska, division 1.....		1					
Hawaii.....	1	1	1	3			500.00
Total.....	497	78	140	895		7	91,658.50

The CHAIRMAN. If there be no objection the pro forma amendment will be considered as withdrawn.

Mr. MURDOCK. I renew the amendment, for the purpose of asking a question. I should like to know why the item for the protection of the person of the President of the United States is carried in a deficiency bill.

Mr. FITZGERALD. There is a deficiency in the appropriation for the detection and prosecution of crimes, and a deficiency appropriation is always made in the language of the original appropriating provision. This provision, relative to the protection of the person of the President of the United States, has been carried in this item for a great many years.

Mr. MURDOCK. You merely preserve the text of the item?

Mr. FITZGERALD. Yes.

Mr. MURDOCK. It is not intended to increase the expenditure for that purpose?

Mr. FITZGERALD. This appropriation has not been used for that purpose in years, but in case it should be necessary to make an expenditure for that purpose, this would be available.

The CHAIRMAN. If there be no objection the pro forma amendment will be considered as withdrawn, and the Clerk will read.

The Clerk read as follows:

Commerce Court: For expenses of the Commerce Court during the first half of the fiscal year 1914, namely: Clerk, at the rate of \$4,000 per annum; deputy clerk, at the rate of \$2,500 per annum; marshal, at the rate of \$3,000 per annum; deputy marshal, at the rate of \$2,500 per annum; for rent of necessary quarters in Washington, D. C., and elsewhere, and furnishing same for the Commerce Court; for books, periodicals, stationery, printing, and binding; for pay of bailiffs and all other necessary employees at the seat of government and elsewhere, not otherwise specifically provided for, and for such other miscellaneous expenses as may be approved by the presiding judge, \$17,500; in all, \$23,500, or so much thereof as may be necessary: *Provided*, That in the event of the enactment of a law discontinuing or abolishing said court, any balance of this appropriation remaining after the date of such abolition shall lapse and be covered into the Treasury.

Mr. MANN. Mr. Chairman, I reserve a point of order on the proviso. What is the effect of the proviso, and what is the necessity for it?

Mr. FITZGERALD. The gentleman understands that the next paragraph provides for the abolishment of the court on December 31.

Mr. MANN. I understand that.

Mr. FITZGERALD. It is possible that that provision might be amended so as to fix an earlier date, in order that there might be no question as to whether this appropriation would lapse after the date of the abolishment of the court, this proviso is inserted.

Mr. MANN. The only effect of this proviso is that if the Commerce Court be abolished, this money will lapse into the Treasury at once instead of waiting two years.

Mr. FITZGERALD. The language of the appropriating provision covers the first half of the fiscal year; the provision abolishing the court takes effect December 31. The belief was that if a different date was fixed for the abolishment of the court it would remove any controversy or claim that these employees were specifically appropriated for for a definite period.

Mr. MANN. Let us see what the effect of the proviso is. It says:

Any balance of this appropriation remaining after the date of such abolition shall lapse and be covered into the Treasury.

Supposing the court is abolished to take effect on some date in December which does not happen to be pay day. Unless these officers are paid up to that date there is no way for them to get

their money without making another deficiency appropriation hereafter.

Mr. FITZGERALD. Oh, I think the gentleman is mistaken about that.

Mr. MANN. Because on the date of the abolition of the court this money lapses into the Treasury and could not be used to pay the officers who had rendered service prior to that time.

Mr. FITZGERALD. I think the construction would be, "remaining after discharging the obligations that were due."

Mr. MANN. I do not see how you could make that construction when it says "remaining after the date of such abolition." Officials can not construe language of this sort directly the reverse of what it says.

Mr. FITZGERALD. But they do.

Mr. MANN. They would not in this case, and as this money would necessarily lapse into the Treasury, I do not think it is safe to leave it so that these officials in all probability would have to wait for their pay for two weeks or a month's time until a deficiency appropriation was made in December.

Mr. BROUSSARD. Will the gentleman permit an interruption?

Mr. MANN. Certainly.

Mr. BROUSSARD. Let me suggest along the line of the gentleman's argument that if this bill appropriating for salaries that have been incurred since the 1st day of July and the amendment becomes the law, if the provision to abolish the court is incorporated in it, the salaries of all these employees would cease at once and would not be paid.

Mr. MANN. I think not, unless it fixes the date of the abolition of the court.

Mr. FITZGERALD. If the gentleman from Illinois insists on the point of order, we are indifferent to it.

Mr. MANN. I make the point of order on the proviso.

Mr. BARTLETT. We concede the point of order.

The CHAIRMAN. The point of order is sustained.

Mr. FITZGERALD. Mr. Chairman, I ask unanimous consent that the provisions of the bill beginning on the next page, 21, line 4, down to and including line 17, page 25, be passed until the rest of the bill has been disposed of.

The CHAIRMAN. The gentleman from New York asks unanimous consent that beginning with page 21, line 4, down to and including line 17, page 25, be passed until the rest of the bill is disposed of. Is there objection?

There was no objection.

The Clerk read as follows:

UNITED STATES COURTS.

For payment of salaries, fees, and expenses of United States marshals and their deputies, including the office expenses of United States marshals in the District of Alaska; to include payment for services rendered in behalf of the United States or otherwise, and including services in Alaska and Oklahoma in collecting evidence for the United States when so especially directed by the Attorney General, \$4,500.

Mr. BARTLETT. Mr. Chairman, I offer the following amendment as a new paragraph.

The Clerk read as follows:

Page 25, line 25, strike out the figures "\$4,500" and insert "\$4,499," and add the following: "All Executive orders heretofore made placing the positions of deputy marshal and deputy internal-revenue collectors in the classified service, and all regulations made thereunder, are hereby revoked, and hereafter appointments to said positions shall be made in the same manner as obtained prior to the making of such Executive order."

Mr. FITZGERALD. Mr. Chairman, I reserve a point of order on the amendment.

Mr. BARTLETT. Mr. Chairman, the proposed amendment is offered to repeal the Executive orders that place deputy marshals who serve in the United States court and also deputy marshals who serve under internal-revenue collectors placed there by the order of Mr. Taft under the civil-service law, to take them out from under the civil-service law. Under these orders as now existing all deputies except those who serve processes are under the civil-service law. Now no appointments can be made in the office of the United States marshal or in the office of the United States internal-revenue collector except from an eligible list furnished after examination in the office of the Civil Service Commission or those now in office by reason of these orders. There was a change recently in the office of the internal-revenue collector in my State. The new incumbent wanted to fill the places of the deputy collectors and deputy United States marshals. He found that they had to be taken from the civil-service list or be furnished by an examination after the appointment of the new incumbent.

I happened to see some of those examination papers. They had made an effort to have appointed deputy United States marshals who have served processes, who go out and arrest people for the violation of the law, in some instances, frequently in my State, to make raid against illegal distillers—to arrest people

who are violating that law—and in order to become eligible imagine some of the questions that were put to them. For instance, to reduce vulgar fractions to decimal fractions, to give certain incidents in history—ancient and modern—and to locate some town in Ohio which even I, with my experience and association with Members from Ohio, do not know where it is. Then one of the requirements was to write a composition of 100 words upon the usefulness of women clerks. [Laughter.]

Just imagine the situation. A man who could not secure the necessary information as to where a particular town in Ohio was located, who could not take a vulgar fraction of a certain amount and reduce it to a long string of roots or to decimal fractions, who was not proficient in geometry and other things, would not be fit to serve process or go out into the mountains and arrest a moonshiner and bring him before the court. That is the preposterous and ridiculous civil service that we have in this matter. We have had for 16 years and more upon the rolls of the Government deputy marshals in the office of the collector of internal revenue who were appointed by Republican officeholders in that State, as they are in other States. Many of them were not efficient and in order to get rid of them, in order that the people to whom have been restored the right to have efficient officers from that dominant party in that State, which constitutes and has constituted since 1863 the intelligence and virtue of the people—in order that the officers thus appointed by the Democratic administration may be selected from the intelligent and efficient people, be they deputy United States marshals or deputy revenue collectors, to enforce the law, to serve process, I have offered this amendment.

The CHAIRMAN. The time of the gentleman from Georgia has expired.

Mr. BARTLETT. Mr. Chairman, I ask unanimous consent to proceed for five minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. BARTLETT. Mr. Chairman, I have only this to say with reference to the point of order. Of course I have endeavored to comply with the rule, paragraph 2 of Rule XXI. I have reduced the amount carried in this bill by \$1. The rule does not say whether you shall reduce it by \$1 or by \$1,000,000. Of course I frankly state to the Chair that I have done that in order to comply with the rule, but if this amendment passes, Mr. Chairman, then the appropriations for the Civil Service Commission necessary to hold these examinations in order to fill these offices will not be used, and, therefore, I say it reduces expenditures and reduces the amount carried in the bill.

Mr. CULLOP. Mr. Chairman, will the gentleman yield?

Mr. BARTLETT. Yes.

Mr. CULLOP. At the time the Executive order was made placing the deputy marshals and assistants in the marshal's office and in the office of collector of internal revenue under the classified list, had these men obtained their positions through competitive examinations?

Mr. BARTLETT. No; and they could not have obtained them under any sort of examination in a number of cases. They obtained them because of political reasons. They had obtained them because every four years they were necessary, when it came time to select delegates to Republican national conventions. It was necessary to give these little offices in many instances to members of the colored population in order to hold the colored brother in a particular district in line, so that he could accompany his white United States marshal or internal-revenue collector to Chicago, or wherever the convention was held, and be in line. The last time they wanted something else, and they got something else, as was demonstrated by the fact that when they returned to Georgia and other Southern States their wealth had somewhat increased, and those who went there in a very impecunious condition came back rather flush. That is the answer to the gentleman from Indiana. These men obtained these positions by reason not of civil-service examination but of political preferment, and it does not satisfy me to have gentlemen now say, "You want to return to the spoils system of the Republicans." We want an opportunity for the intelligent officeholder now in office—the collector of internal revenue and the United States marshal, who are Democrats, who have been appointed by this administration because of the fact that they represent the intelligence and worth and virtue of the people of that State—and they could not do anything else, being Democrats—we want these men, selected by a Democratic administration on account of their prominence and intelligence, to have an opportunity to select these officers from the intelligence and worth of the white Democratic population.

Mr. LANGLEY. Mr. Chairman, will the gentleman yield?

Mr. BARTLETT. Yes.

Mr. LANGLEY. Will the gentleman be opposed to those Democrats when they are appointed to these places, having anything to do with politics, especially in his district?

Mr. BARTLETT. I would certainly rather they would do that and attend to their business and leave politics alone.

Mr. LANGLEY. I hope the gentleman will stick to that.

Mr. BARTLETT. The gentleman knows I do not generally dodge and do not generally recede from any position. It is not necessary with me to do it, as is often the case with the gentleman from Kentucky, and occupy two positions upon the same question.

Mr. LANGLEY. Oh, the gentleman certainly does not mean that, because he knows I have never done that in my life, and I did not mean to infer that he did.

Mr. BARTLETT. No, I do not. I withdraw it. It was not said seriously.

Mr. LANGLEY. I have even consistently admired the gentleman from Georgia for many years, and that is a pretty fair test of my stability; and I—

Mr. BARTLETT. I withdraw the remark. I do not believe it anyhow, as the gentleman well knows and can feel assured.

Mr. LANGLEY. I thank the gentleman; I was sure he did not mean it.

Mr. FITZGERALD. Mr. Chairman, I am a believer in the merit system. [Laughter and applause.]

Mr. MANN. Will the gentleman reserve the point of order?

Mr. FITZGERALD. I am going to argue the point of order.

Mr. MANN. Will the gentleman reserve the point of order?

Mr. FITZGERALD. Yes; I am a believer in the merit system. That seems to have occasioned some doubt—

Mr. MANN. I want to take the floor for a moment.

Mr. FITZGERALD. Well, maybe I had better wait.

Mr. MANN. Mr. Chairman, I do not wish to discuss the point of order. Mr. Chairman, it is quite within the power of any newly appointed Democratic marshal or other official, with the consent of the Treasury Department and the Department of Justice, to discharge deputy marshals, internal-revenue collectors, or any other officer under them. There is nothing in the civil-service law or Executive order which will prevent the discharge of anyone who is incompetent or of anyone who is competent if the authorities desire to discharge them. There is nothing in the argument of the gentleman from Georgia [Mr. BARTLETT] in that respect, because the authority to discharge already lies in the departments, but the proposition of the gentleman from Georgia is that in making new appointments men shall not be appointed because they are qualified, but because he or somebody else wants them appointed for political reasons. If they had the qualification they can take the examinations and pass them. I do not believe there will be a Republican, not one in a thousand, appointed to any of these places under the civil-service laws or under the so-called merit system. I should advise a Republican who is taking one of these examinations for an internal-revenue collectorship or a deputy marshalship that he might do it to pass away the time if his time was hanging heavily on his hands, but if he desires to accomplish anything he had better go and dig on the road, because he would have no chance of appointment. But what the gentleman seeks to avoid is to have men who are to be appointed have some intelligent qualifications. The difference between the spoils system and the merit system is not a matter of discharge; it is a matter of appointment. Under the merit system a man has to show some qualifications outside of being a political bruiser; under the spoils system a man's chief qualifications are that he can rob a ballot box and prevent voters from voting, either by force or fraud, and pay by political services—

Mr. HARDWICK. The gentleman, I suppose, of course refers to conditions under a Republican administration, to former experiences?

Mr. MANN. Oh, that is what the gentleman from Georgia is seeking to avoid, to prevent the application of the merit system which has been in force. Mr. Chairman, the most disgusting exposition which I have ever heard of—

Mr. BARTLETT. May I interrupt the gentleman?

Mr. MANN (continuing). In a great parliamentary body, if the newspapers are correct, took place in this Hall on Friday last when the Democratic Members of a great body, hungry and thirsty for pap, passed a resolution to fire out every employee of this body, regardless of past services, in order that some one on the Democratic side of the House should have the pleasure of putting into office some peanut pimple somewhere to draw pay from the Government. [Applause on the Republican side.]

Mr. HARDWICK. Will the gentleman yield? I was not present at the caucus.

Mr. MANN. And neither was I.

Mr. HARDWICK. And I can establish an alibi—

Mr. MANN. Though I came very near it—

Mr. HARDWICK. The resolution to which the gentleman refers did not at all affect the minority employees of the House, and those are about all the Democrats we got when the gentleman's party had the House.

Mr. MANN. My understanding is that it did affect minority employees of the House.

Mr. HARDWICK. No. No minority employees of the House were affected.

Mr. MANN. Minority employees so understand and say it did.

Mr. HARDWICK. I want to reassure the gentleman. He is mistaken on that point.

Mr. MANN. I hope so.

Mr. HARDWICK. I know so.

Mr. FOSTER. Mr. Chairman, I agree with my colleague from Illinois [Mr. MANN] that men who are appointed to office should have the necessary qualifications to fill the office to which appointed. I had occasion lately to look up some matters in relation to the civil service in the State of Illinois during the last administration, and my investigation has shown me that in all the civil-service boards in the twenty-third congressional district, which I have the honor to represent, not a single, solitary Democrat has been placed on any board for the examination of any applicant to any position. And yet the law provides that these examining boards shall be nonpartisan.

It has been so in the country in which I live that whenever a number of applicants came up for examination invariably a Republican received the appointment, until finally it came to pass that a Democrat did not go and take the examination any longer because he realized, as my colleague has just said, that he might just as well go out and dig in the earth.

Talk about the merit system. Under the past administration there has been none of that under civil service.

Mr. LANGLEY. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Illinois yield to the gentleman from Kentucky?

Mr. FOSTER. Yes.

Mr. LANGLEY. Does the gentleman mean to say that these men who have been holding these examinations have willfully violated the law and have rated papers wrongly?

Mr. FOSTER. I have not charged that they have done that.

Mr. LANGLEY. Well, the gentleman's language means as much as that.

Mr. FOSTER. I charge this, and the records show it: That in every examining board that has been established every single examiner in the twenty-third congressional district of Illinois—and I am not speaking for others—has been a Republican.

Mr. LANGLEY. That is a nonpartisan board. That is what "nonpartisan" means.

Mr. FOSTER. I contend that the men who as Republicans are attempting to hold positions under a Democratic administration ought to have courage to resign and get out of the service. This is a Democratic administration. A letter which was written by a Republican postmaster in the State of Illinois that has come to my attention, in which he said to a Senator:

SHELBYVILLE, ILL.

MY DEAR SENATOR: Noting from the Washington news in the metropolitan press to-day that a number of Republican postmasters are appealing to you "to save them from the wrath of the present administration," I am constrained to arise and inquire "Are they patriots or merely professional pap suckers?"

"To the victor belongs the spoils," and it strikes your Uncle Dudley that the whimpering and whining of such so-called leaders of the G. O. P. is discreditable to them and a disgrace to the party responsible for their elevation to the position they hold.

Save 'em, Senator, from the wrath of the powers that be, otherwise they will be minus a few thousand in salary. And to the man up the sapling it looks much as though it is the fear of this that is driving them to the limit of exposing the yellowish disgusting streaks in their composition. And sympathy expended on the "yellow," whether in man, monkey, or canine, is sympathy wasted.

Very respectfully,

H. M. MARTIN,
Postmaster.

(Resignation filed.)

[Applause on the Democratic side.]

Mr. CULLOP. Mr. Chairman, I take it that the amendment offered by the gentleman from Georgia [Mr. BARTLETT] is not subject to a point of order, for the reason that it does provide, although in a small sum, for the reduction of the appropriation.

Now, the amendment of the gentleman from Georgia does not preclude persons who are hereafter appointed to these important places from being examined. The only effect of this order is to set aside the Executive order covering these men in the classified service who were appointed for their political service and as political henchmen. The President, in making new appointments, may require the applicants to be examined just as provided now; but I take it that the amendment ought

to be passed for the good of the service. I am astonished at the gentleman from Kentucky [Mr. LANGLEY] when he asked the gentleman from Georgia whether these men could take part in the political affairs of the country. What objection could be urged to an official taking part in our political affairs? As a citizen he has that right, and, in my judgment, should exercise it.

They have been doing so under the civil service, and the civil service has constituted the greatest political machine that was ever erected in this or any other country. [Applause on the Democratic side.] The rural route carriers are, and have been for the last 15 years, the greatest auxiliary that the Republican Party has had in this country. They take the polls; they report the political conditions; they examine into the political affairs along their routes, and report them to their county committees. They are the main sources from which the funds for political purposes are collected in every State in the Union. You will not keep men out of politics by giving them office, and should not do so. They are politicians still, and the machine has been operated under the civil service for the purpose of putting in office the most astute politicians they have and to work the political games all over the country. These men have done it with telling effect in the past and will continue to do so in the future.

As the gentleman from Georgia [Mr. BARTLETT] has said, the examination is a farce. For what would you examine a man who is to carry the mail along the public highway? What qualification would it take other than the ability to read and write? Yet an examination is held for the appointment of rural mail carriers. It has been used for the purpose of picking out the best political workers the party in power had, and they have worked the game most successfully all over the country. I hope the amendment of the gentleman from Georgia [Mr. BARTLETT] will be adopted. I believe that a Member of Congress is more interested in good public service in his district than is a political machine or the Civil Service Commission wherever it may act. Other considerations than education alone enter into the qualifications for office. It sometimes is the least important. Business and executive ability are always of prime importance and form an important function in the selection of officials. All these elements are essential in the selection of a public official.

Mr. STAFFORD. Do I understand the gentleman to say that in the appointment of rural carriers, until the recent change whereby the postmaster was allowed to make a selection of one from the three highest candidates, any political consideration whatever was given to the appointments under the civil service?

Mr. CULLOP. I can not tell whether he examined to find out the politics of the applicant or not, but I will say it has been the most remarkable coincidence I have ever known that a chapter of accidents seems to have always come along and the best Republican worker was selected for the place. That has been the result since the order was made.

Mr. LANGLEY. Perhaps that was because he was the smartest man.

Mr. STAFFORD. That was because the best qualified men in the State of Indiana happened to be Republicans, but it has not been the fact that politics was taken into consideration so far as the appointment of rural carriers under the civil service is concerned.

Mr. CULLOP. As the gentlemen are both woefully mistaken, both as to Indiana and elsewhere, the Republican was not the smarter or the better, but the Republicans had the civil-service machine and worked the Republican in office every time until the people knew civil service as practiced by the Republican Party was a farce.

Mr. STAFFORD. I am only referring to the gentleman's district.

Mr. CULLOP. No; nor in my district, either. The gentleman will understand that my district has more intelligent and able Democrats in it than it has Republicans. That is the reason it is Democratic. [Applause on the Democratic side.]

Mr. STAFFORD. That does not apply to the rural carriers.

Mr. CULLOP. Yes; it does; and I will say it will compare favorably with any district in the country; but the Republican Party operated the civil-service machine, and that is how it controlled the examination. The manner in which it has been operated is to be deplored by all high-minded people. I am sure there are quite as many people in my district of as great intelligence as in the gentleman's district, able and competent to serve the people, who belong to the Democratic Party, and who could not succeed, though, because of the partisan political machine as operated by the Republican Party. [Applause on the Democratic side.] The Democrats in my district are intelligent, and that is the reason they are Democrats.

Now, take the men selected in the Internal-Revenue Service. They have not been selected for competency. Take the men in the Federal marshalship. They have not been selected for competency. They have been selected for their political service, as a political reward, and then the blanket order of the civil service was spread over them and they were placed in the classified service. Now, I want to know if anybody can contrive a greater political machine than that which resulted from the order that put these men in the classified civil service. Yet that is upon a par with all civil-service procedure for the last 15 years in the United States.

Mr. LANGLEY. Will the gentleman yield for a question?

Mr. CULLOP. Certainly.

Mr. LANGLEY. Does not the gentleman recall that under a previous Democratic administration there were thousands of men appointed in the various Government departments as a reward for political service who were afterwards covered into the classified service by Executive order?

Mr. COX. But they were taken out.

Mr. LANGLEY. No. I beg the gentleman's pardon, most of them are still in.

Mr. CULLOP. If that was done, I assume that they were competent, and if they were not competent then it ought not to have been done. One wrong is never a valid excuse for the commission of another wrong, and if this was done, as the gentleman from Kentucky asserts, then it furnishes another evidence of the great farce that is made of the civil-service law. He furnishes, by the example cited, splendid proof of the great frauds committed under the guise of civil service. It is about time the fraud was exposed.

Mr. LANGLEY. It was done nevertheless, and they have never stood any civil-service test.

Mr. CULLOP. What service?

Mr. LANGLEY. Why, in every department of the Government service.

Mr. CULLOP. Further and better proof of the deception practiced under it. Now, if ever a better example was furnished for the exposure of the deception which has been practiced under the name of civil service I have never heard of it, and I am sure I do not know where it could be found. Oh, how indefensible the conduct has been under it. No wonder the people all over the country denounce it as a fraud, and its administration a great farce.

Whenever an attempt is made to correct the great evils grown up under it the attempt is met with the cry of spoils-men, hungry horde, and such odious unfounded cries, but the people care not for these.

Mr. Chairman, I can conceive of no higher purpose, no more laudable ambition of any man than a desire to serve the people faithfully and well. To aspire to public office is laudable, is noble, and it is no disparagement to any person to have such aspirations. To serve one's country well and attempt to better the conditions of the country and of the people is worthy of the best efforts of any man, and the best men the country has produced have spent their energies and talents in the public service, hoping by so doing to improve conditions and earn a place famous in public history. We accord them the full measure of praise and point with pride to their achievements. Because they aspire to public office does not brand them as party spoils-men, as public plunderers, but, on the contrary, as worthy, patriotic, public-spirited citizens, who endeavor to improve public conditions and advance public welfare.

It is not against the civil service we advocate this amendment for the annulment of this Executive order it will, if adopted, set aside. We are for good civil service. We believe in efficiency in public office. We believe in the improvement of the public service. We know, however, in order to secure good public service, efficient service, it is essential that this order be annulled and set aside. Those who are sheltered by it in their tenure of office did not obtain their positions by competitive examinations, but solely because of their political services and as reward for the same. They were selected as political henchmen, and, when appointed, then by Executive order were placed in the classified service by a Republican President. It was the act in so doing of a political spoilsman to protect his political henchmen and reward them for their political services. The issuance of the order was for political purposes and for the benefit of fellow partisans. It is indefensible and should be set aside. President Wilson would never be guilty of such partisan politics or strike such a blow at public service. He is too high minded and too patriotic to stoop to such partisan methods.

It is not against the civil-service law we contend so much as it is against the partisan and unfair administration of the

same. For 16 years it has been used to build up a strong and impregnable partisan machine and has been most successfully operated for that purpose all over the country. It has been used for the purpose of placing party workers in office for life, to pay party debts, and to continue the operation of party methods. In this respect it has been most successfully operated, from the highest to the lowest, and its maladministration deserves the severest condemnation of all good citizens, irrespective of party, who believe in good public service and desire the intelligent administration of the same.

For what reason we are unable to conceive that all of the subordinates in the internal-revenue collectors' offices, in the Federal marshals' offices of the country, after being appointed for their partisan services should be, by Executive order, placed under the classified civil service. We think no man on this floor will attempt to explain, defend, or justify it. It had but one object in view and that was to fortify the administration in power and strengthen the machine to be operated for its continuation.

Men should be selected for these places who are practically adapted to the service. Some may be better adapted to the service who are not so highly educated as others who would win over them in a civil-service examination, and especially when the examination was a farce, such as has usually been the case for the last decade or more.

It is useless to talk about a man divesting himself of his politics when he is appointed to office. This he will not and could not do if he wanted to. It has not been done in the past and we do not believe it will be done in the future. Every citizen of this Republic should take an interest in the political affairs of the country, and most assuredly one who does not take such an interest would not be the best person to be selected to administer a political office under any administration. This is a Government of parties, and the majority party which is to form the policies of the Nation should most assuredly have as its subordinates in office men who are in sympathy with its policies, men who believe in the success of its policies and who would help carry them out, men who believe the party in power is right and would lend every honorable effort in their power to make it a success.

No business management in this country would attempt to run the same with all of the subordinates opposed, to the policies and whose greatest ambition was to make the same a failure. The management would not permit this to exist and would immediately discharge the subordinates and place in their stead persons who were in full accord with the policies of the management of the same. This is true of a government as well as of a business. The management of this great Government is a great business and the subordinates in office should be in hearty accord and full sympathy with the management of the same, and unless they are they will not be enthusiastic for its success, but, on the other hand, will rejoice in its failure and quietly lend their efforts to that end.

Mr. Chairman, there is another feature about the civil-service office-holding class which should not be underestimated and should at all times receive consideration. For the last four years the great army of officeholders under the civil service in this Government have had the most powerful lobby operating at this Capitol that was ever known in the history of the Government. The purpose of this lobby was to secure the passage of an old officers' pension law, one that would eventually, at an age to be fixed by law, retire them from office on a salary. Once pass this law and this Government will never be able to secure the repeal of the same, and no man could approximate the cost to the people it would entail.

To-day in this Government there is an office-holding class of 500,000. What will the number be in 10 years from now with the business of the country growing by leaps and bounds? With new responsibilities being added almost daily, all requiring an increase of the officeholders of the Government no man, therefore, would attempt to approximate the great cost, the enormous burden, such a law would be upon the citizenship of this Republic.

When we contemplate it, when we view the conditions as they are existing to-day with this great force of officeholders pleading with Congress to pass such a law we can realize to some extent, but only to a small extent, the enormous burden this would impose upon the American people—a burden to continue for all time.

For one, I am opposed to a life tenure of office. I do not believe it is good for the service. On the contrary, I believe it is a detriment to the public service. Once a person has secured an office for life, free from all duty to answer to the public for its administration, such officeholder no longer has

aspirations to forge to the front or to improve the conditions of his office. Since I have been a Member of this House at least \$500,000 has been appropriated for the Secretary of the Treasury to employ experts for the purpose of installing in that great department of the Government up-to-date methods. On each occasion when such appropriation was made it was stated that the business methods of that, the greatest business department of our Government, were antiquated and altogether out of date. It is to be remembered that nearly all of the employees in that office are under civil service, holding their office for life, and for this reason the conditions there existing can be attributed more to this fact than to anything else. If they had been holding office for a term of four years, with the opportunity for re-appointment, it would have been an inspiration to them to improve the conditions in that department, to forge forward, and to make greater endeavor to make that great business place a model for all other business institutions in the country; but, content with the places they held, knowing the same were for life, they have had no ambition to forge to the front and to improve the conditions in that great department. Instead of securing good public service, the history of the operation of this law I think will clearly demonstrate that it has operated rather against than in favor of good service. The example of the Treasury Department of the Government is only one of many of the examples to be found in other departments regarding the public service. It has operated more to the deterioration of the service than to the improvement of the same.

The people last fall voted for a change not only in the Presidency, in the Cabinet, but in all of the departments of public service as well. They expect this change, and they will not be satisfied unless the same is made. I sincerely hope this amendment will be adopted, the Executive order of President Roosevelt against which it is directed set aside, and these subordinate places open for appointments to fill the same. This, in my judgment, will improve the public service and be of a very great advantage to the country. It will infuse new blood, new energies, and better ability in the public service, and the country then will realize that a public office is a public trust and not alone a private sinecure, as now is found too often to be the case. It is not fair, I assert, to ignore the people who were public-spirited enough, patriotic enough, to bear the burden of the great political conflict which raged all over the country, and waged and won the battle to redeem this Government from the political bandits who were prostituting it to selfish purposes at the behest of the special interests, and now leave those same officials in office. The people will not be satisfied if this is done, but they demand and are entitled to changes all along the line in order that the policies for which they then stood shall be successfully carried into execution and the men who fought for those policies inducted into office to assist in the administration of public affairs.

Mr. BORLAND. Mr. Chairman, I am going to oppose the amendment if it gets past the point of order. I would not undertake to defend the civil service as it has been conducted under the Republican régime. I would not undertake to defend nor do I regard as defensible the order of the President of the United States, in the closing days of his administration, on the eve of a national election, covering into the civil service a lot of political employees. Nobody can defend the order of President Taft of October, 1912. I believe thoroughly in the modification of that order made by President Wilson requiring those men to go before an examining board and show their qualifications.

Mr. BARTLETT. Let me say to the gentleman that this does not refer to fourth-class postmasters.

Mr. BORLAND. I am well aware of that, but the discussion has taken a wide range. I understand that this amendment applies to deputy United States marshals and deputy internal-revenue collectors. Irrespective of all talk about good Democrats being found to fill the offices of deputy marshals, which unquestionably is true, in spite of all this dust that has been kicked up over the Executive order, I believe that what the people of the United States are demanding is an extension of the civil-service system rather than the curtailment of it.

Mr. HARDWICK. Will the gentleman yield?

Mr. BORLAND. Yes.

Mr. HARDWICK. Does the gentleman regard it as an extension of any correct civil-service principle to cover people into offices who have never been examined?

Mr. BORLAND. What is the use of taking up my time in that way with a question about a statement I had just covered?

Mr. HARDWICK. That is a legitimate question.

Mr. BORLAND. I just covered that matter. I believe the order of President Wilson compelling these parties to take an examination is in the direction of the extension of the system,

and that the order of President Taft was a gross violation of the letter and the spirit of the civil-service law. If I did not make that clear at first, I will make it clear now, even to the gentleman from Georgia.

I believe the people of the United States are going to demand the extension of the civil service rather than its curtailment. They are not going to demand the extension of the Republican doctrine, "To the victor belongs the spoils," irrespective of the fact that we have been accused for a number of years of originating the doctrine 100 years ago.

Here is the fact about the matter: The greatest plums of a political sort are going to men of no experience in the office they seek to fill. The postmaster at St. Louis gets \$8,000 a year—more than any one of the four Assistant Postmasters General. Eight thousand dollars a year! There has recently been appointed a postmaster at St. Louis, after a fight that took the time and energy of 100 politicians and all the delegations from the State of Missouri. This fight took time and energy, to the total eclipse of public business, public interest, or party policy, as I believe. Much energy was devoted to seeing who got the \$8,000 job for four years in the city of St. Louis. Was there a single applicant for the office who claimed to know anything about running a post office? Why, every kind of an indorsement and inducement was offered in favor of a candidate except that they had qualifications or experience for the office. The postmaster gets \$8,000. The First, Second, and Third Assistant Postmasters General get \$5,000. The postmaster at St. Louis has not the discretion to fire a colored janitor without instructions from Washington. The governor of Missouri gets \$5,000. The United States district judge in St. Louis, who stands at the head of the bar and must have a technical and professional education, gets \$6,000. The circuit judge who sits in the circuit court of appeals gets \$7,000. The counselor of the State Department, who is a man big enough to run any Cabinet office and who is big enough to run any kind of a position, gets \$7,500. The postmaster in St. Louis gets \$8,000. Is it any wonder that that job becomes the vortex of every political fight in the State of Missouri?

What sane business man would hire a man for \$8,000 to run his business at St. Louis, discharge him at the end of four years, and hire another man who had never served a day in a post office? Would any sane business man run a business in that way? The American people are not going to run their business in that style.

The American people are going to demand that the men who fill these places, the United States postmasters, United States marshals, and United States collectors of internal revenue, be men qualified by experience to discharge the duties of the office that is committed to them.

Mr. BARTLETT. Mr. Chairman, will the gentleman yield?

Mr. BORLAND. I will very gladly yield if I can get an extension of time.

Mr. BARTLETT. What did the gentleman say to this proposition? These men affected by this amendment have never stood any civil-service examination, and were covered into the civil service by Executive order.

Mr. BORLAND. Yes; and that is a violation of the letter and spirit of the civil-service law, and will be so recognized by the American people; but I say that it is no defense for the Democrats to repeal that order, and put nothing in its place that extends the real virtue of civil service. I say it is our duty to correct the evil and not to continue it. Take the collector of internal revenue at a place like St. Louis or Kansas City. Under the new income-tax law a large amount of work will be added to that office. They tell me down at the Treasury that they are holding back appointments of these men until the income-tax law passes, because they will have to have men of a great deal bigger caliber to hold that office than formerly. I know that the collector of internal revenue of Kansas City was so densely ignorant of the plain provisions of the corporation-tax law that it cost hundreds of dollars of loss in fines and penalties and repetition of work on the part of business men. There was not a shadow of excuse for the way that office was run.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. MURDOCK. Mr. Chairman, I ask unanimous consent that the gentleman be permitted to continue for five minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. BORLAND. We are now confronted with a situation where the collectors of internal revenue will have not only the corporation tax to impose, but the income tax. Of course the corporation tax affects only the corporations of the country, and none of us have very much sympathy with them, it is true, but

the income tax will affect every citizen, and every business man will be interested in seeing that the man who is the United States collector of internal revenue is a man who understands the business that he is called upon to do. This idea of picking up a man who never had a day's experience in any counting-house, who has no knowledge of the law under which he acts, who has no elementary knowledge of bookkeeping, necessary to examine a statement and tell whether it is correct, and putting him in a position of responsibility is going to be in direct violation of the will of the American people. The American people are going to demand the same degree of technical training for these positions that they do now for the judiciary, and that they do in many cases, and I believe in most cases, for the legislative office. A man who goes before the people as a candidate for legislative office must in some way demonstrate that he is fit and able to hold the office. A man who goes before them for a judicial office must demonstrate that he has some ability as a lawyer, and that his brother lawyers have confidence that he will be able to properly handle the office, but a man can be put in as postmaster who never saw the inside of a post office and can draw \$8,000 a year, which is supposed to be the salary of an experienced and technical man.

Mr. DYER. Mr. Chairman, will the gentleman yield?

Mr. BORLAND. Certainly.

Mr. DYER. What suggestion does the gentleman have to make to remedy that condition? Having had four years' experience as a postmaster, does the gentleman not think that the man should be kept in office?

Mr. BORLAND. If we had any good postmasters in office at the present time that would be a very good remedy, but inasmuch as the postmaster of St. Louis was nothing but a Republican chairman when he was appointed, that remedy would not hold good.

Mr. DYER. The entire business public of St. Louis, regardless of politics, have commended him for his administration of the office.

Mr. LANGLEY. And a lot of Kentuckians are familiar with it also. They have even heard of him over there and have heard how efficient he is.

Mr. BORLAND. I recognize the pleasantry the gentlemen are indulging in, but I am satisfied that a \$2,500 or a \$3,000 Government clerk could have run the office just exactly as well, and I say that the American people are going to demand the extension of the civil service to the position of collector of internal revenue and the first and second and third class postmasterships.

Mr. SIMS. Is it not the understanding of the gentleman that our present Postmaster General desires an extension of the civil service to first, second, and third class postmasters?

Mr. BORLAND. I have no knowledge of that, but am glad to hear it.

Mr. SIMS. I understand that to be the fact.

Mr. BORLAND. I hope that to be true. I believe in that he will have the American people back of him. You can talk about getting good Democrats for jobs in place of bad Republicans, but when you put it up to the tribunal of public opinion they are going to look to the question of efficiency and economy, and that is the only argument that will go with them. It is not a question whether A, B, or C gets a job; it is a question of whether the business of the Government is transacted in the way the people want it transacted. In the past it has not been so transacted, and I believe the time is coming when the American people will demand a change, and they will want the man who will have a job calling for \$8,000 who will have experience and technical ability, and not \$8,000 worth of politics.

Mr. DYER. Will the gentleman permit a brief question?

Mr. BORLAND. Yes.

Mr. DYER. The gentleman has referred to the new postmaster appointed at St. Louis a day or two ago by the President.

Mr. BORLAND. Yes.

Mr. DYER. And spoke of the qualifications for a man for that position. I want to say to the gentleman that the gentleman whom the President has appointed postmaster, a Democrat living in my district, is a most efficient man and in my judgment will give splendid service in that position. [Applause on the Democratic side.]

Mr. BORLAND. I do not know but that is a doubtful compliment coming from a Republican, but I will accept it as a real compliment. I will accept it that he is a satisfactory man for the place. For my own part I should not be surprised that he is satisfactory to the Republicans. But it does not alter the situation at all. Mr. Selph never saw the inside of a post office. That office if it is worth \$8,000 to the American people is worthy of an \$8,000 man of technical training and experience, because the men who draw \$5,000 salaries under the Federal Gov-

ernment here in Washington are men of the highest training. The Director of the Geological Survey, one of the greatest scientists in the Union, gets \$6,000. The Commissioner of Public Lands, the Commissioner of Patents, the Indian Commissioner, all get \$5,000—men who are expected to have technical training. You can not pick up any lawyer, any ex-candidate for Congress, any county chairman of a committee and make him postmaster at \$8,000. Either the salary does not fit the job or the job does not fit the salary. Now there are only five offices in the United States that pay \$8,000—New York, Boston, Philadelphia, Chicago, and St. Louis. There is no reason why they should, absolutely no reason. There are some others that pay \$6,000—Kansas City, Cleveland, and so forth. There is no reason why they should. There is no doubt in any man's mind that a \$3,000 man promoted by civil service can do all the work. We have a Republican postmaster at Kansas City who has been there six years. We got under law an assistant postmaster who was a Republican politician who got up the Roosevelt Club No. 1, and the assistant postmaster had to go because Taft was still in office. They could not agree and he was dismissed, and the postmaster promoted a man from the ranks by the name of Dan Clawges. There is not a man in Kansas City who knows what the politics of Clawges are, but the Kansas City post office is run well and run by a man at a salary of \$2,500 a year. Why, there are plenty of men in the civil service in St. Louis who can run the post office better than Mr. Akin or Mr. Selph.

Mr. DYER. Mr. Chairman, I ask that the gentleman have additional time on account of the interruptions.

Mr. BORLAND. Mr. Chairman, I do not desire any further time.

Mr. FITZGERALD. I will object. Mr. Chairman, I stated a little while ago that I was in favor of the merit system, and yet I have great sympathy for the gentleman from Georgia [Mr. BARTLETT] in this amendment. These officials give bond to their immediate superiors, and there is a personal liability which places them in a different category. As an illustration of how this matter was conducted under the Republicans, I wish to read a part of a letter which I have just received from a constituent:

On September 10, 1896, I entered a competitive examination for the position of deputy collector of internal revenue, held in Brooklyn, N. Y., and having passed with a general average of 93.10 was duly appointed on January 27, 1897, a deputy collector for the first district, State of New York.

A certificate to that effect was issued and signed by John C. Kelley, then collector of said district.

I served continuously in that position until December 31, 1899, when I was dismissed by Frank R. Moore, the succeeding collector. No charges whatsoever were preferred against me. I was dismissed solely for political reasons and none other.

Collector Moore's action was the outcome of several conferences with a Republican delegation from Suffolk County, who urged him to appoint as deputy collector one A. M. Darling, of Suffolk County, to be assigned to that county. At that time I was detailed to the Suffolk County district.

The visits of this delegation occurred immediately after the suspension of the civil-service rules applicable to deputy collectors of internal revenue, and in consequence of which Collector Moore asked for my resignation. He stated at the same time that he had no fault to find with my work, but he was obliged to give some recognition to the Suffolk County Republican delegation and wanted to appoint in my stead one whom it recommended. I refused to resign, and thereupon he directed my removal, to take effect December 31, 1899.

That is how this matter operated when it was to the advantage of the Republicans.

But, Mr. Chairman, this amendment under the rules of the House is not in order on this bill. However much I might sympathize with it, I must insist upon the point of order.

The pending paragraph is one to supply a deficiency for the payment of salaries, fees, and expenses of the United States marshals and their deputies for the fiscal year 1913. The proposed amendment is not germane to that paragraph, for the reason that it applies to an entirely separate and distinct matter; that is, the method of appointment of deputy marshals and deputy collectors of internal revenue in the future, and under the rule such amendments, so as to be in order under the so-called Holman rule, must not only affect the amount carried by the bill, but must be germane to the paragraph to which they are attached. There is nothing in this paragraph at all except supplying a deficiency. This amendment purports to annul Executive orders relative to the manner of appointment of deputy marshals in the Department of Justice and deputy collectors of internal revenue in the Treasury Department and to regulate the manner of their appointment in the future.

Mr. THOMAS. Mr. Chairman, I move to strike out the last word.

Mr. FITZGERALD. That is not in order.

The CHAIRMAN. A point of order is pending. The Chair is ready to rule. The Chair sustains the point of order. The

Chair does not think the amendment is germane to the subject matter of the bill.

Mr. THOMAS rose.

The CHAIRMAN. For what purpose does the gentleman from Kentucky rise?

Mr. THOMAS. Can I have five minutes in my own right?

The CHAIRMAN. The gentleman can move to strike out the last word.

Mr. THOMAS. Yes; I move to strike out the last word.

The CHAIRMAN. The gentleman from Kentucky [Mr. THOMAS] is recognized for five minutes.

[Mr. THOMAS addressed the committee. See Appendix.]

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

For miscellaneous expenditures in the discretion of the Attorney General, including the same objects specified under this head for this institution in the sundry civil appropriation act of August 24, 1912, \$8,004.01.

Mr. THOMAS. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. The gentleman from Kentucky [Mr. THOMAS] asks unanimous consent to revise and extend his remarks in the RECORD. Is there objection?

Mr. FOSTER. Mr. Chairman, I hope the gentleman will not ask for revision, but just for extension.

Mr. MURRAY of Oklahoma. It is fine enough as it is, you know.

Mr. THOMAS. Only extension.

The CHAIRMAN. Does the gentleman from Illinois [Mr. FOSTER] object?

Mr. FOSTER. No; I do not object. I simply suggest that the gentleman ask unanimous consent to extend his remarks in the RECORD.

Mr. THOMAS. I make that request, Mr. Chairman.

The CHAIRMAN. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

POST OFFICE DEPARTMENT.

The bequest of the late C. F. Macdonald of \$2,000 to the Secretary of the Treasury for the service of the Post Office Department, to be used by the Postmaster General for the improvement of the postal money-order system of the United States, is accepted, and an appropriation of said amount is hereby made, to be expended under the authority and direction of a commission of three persons, who shall be appointed by the Postmaster General and serve without compensation.

Mr. MURDOCK. Mr. Chairman, I should like to ask the chairman of the committee what is the meaning of the paragraph providing for the acceptance of the bequest of the late C. F. Macdonald?

Mr. FITZGERALD. C. F. Macdonald was the father of the postal money-order system. He died some years ago, and in his will bequeathed \$2,000 to the United States, to be used by the Post Office Department in perfecting and improving the postal money-order system. The money can not be covered into the Treasury and it can not be used without authority from Congress. The Third Assistant Postmaster General, Gov. Dockery, said that if the provision were inserted in this bill the Postmaster General would appoint a commission of three employees of the department to take up the matter and to utilize this money in attempting to improve the postal money-order system, and that he considered that it was a wise thing to do.

The Clerk read as follows:

BUREAU OF FOREIGN AND DOMESTIC COMMERCE.

Investigating cost of production: For salaries and all other actual necessary expenses, including field investigations at home and abroad, compensation of special agents, clerk hire, and rental of quarters in Washington, D. C., purchase of books of reference and manuscripts, to enable the Bureau of Foreign and Domestic Commerce of the Department of Commerce to ascertain at as early a date as possible, and whenever industrial changes shall make it essential, the cost of producing articles at the time dutiable in the United States, in leading countries where such articles are produced, by fully specified units of production, and under a classification showing the different elements of cost of such articles of production, including the wages paid in such industries per day, week, month, or year, or by the piece; and hours employed per day; and the profits of manufacturers and producers of such articles; and the comparative cost of living, and the kind of living; what articles are controlled by trusts or other combinations of capital, business operations, or labor, and what effect said trusts or other combinations of capital, business operations, or labor have on production and prices, fiscal year 1914, \$50,000.

Mr. MANN. Mr. Chairman, I move to strike out "\$50,000" and insert "\$100,000."

The CHAIRMAN (Mr. HARRISON). The gentleman from Illinois offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amend, page 29, line 19, by striking out "\$50,000" and inserting in lieu thereof "\$100,000."

Mr. MANN. Does the gentleman from New York desire to limit debate?

Mr. FITZGERALD. Will 10 minutes be sufficient?

Mr. MANN. The gentleman had better make it 20 minutes.

Mr. FITZGERALD. I ask unanimous consent that debate on this paragraph and all amendments thereto be limited to 20 minutes.

The CHAIRMAN. The gentleman from New York asks unanimous consent that debate on this paragraph and all amendments thereto be limited to 20 minutes. Is there objection?

There was no objection.

Mr. MANN. Mr. Chairman, at times there has been considerable controversy in and out of this House concerning the creation of a tariff board or tariff commission and concerning the information which was necessary in order properly to determine what tariff rates should be. In recent years the Republicans have urged a tariff board, and the other side of the House have protested against it.

During the recent tariff debate, when we offered an amendment to create a tariff board, to which amendment the gentleman from Alabama [Mr. UNDERWOOD] made a point of order, it was stated, as at other times, upon the Democratic side of the House, that the Bureau of Foreign and Domestic Commerce was the means now established by the Democrats which took the place of a tariff board or a tariff commission. The gentleman from Alabama [Mr. UNDERWOOD] on May 6 last said:

This House within a year has established the machinery of government by which the President of the United States can assemble the facts desired; and through that machinery already established can give Congress not only the information that we call for in this bill, but can give Congress all the information called for in this so-called Tariff Board amendment. The Bureau of Foreign and Domestic Commerce was builded for that purpose. (CONGRESSIONAL RECORD, May 6, 1913, p. 1234.)

Mr. MURRAY of Oklahoma. Mr. Chairman—

Mr. MANN. I do not yield.

Mr. MURRAY of Oklahoma. A point of order. And reserving the point of order, I want to say—

Mr. MANN. I decline to let the gentleman reserve a point of order.

Mr. MURRAY of Oklahoma. The—

Mr. MANN. Mr. Chairman, the gentleman from Oklahoma has not the floor. If he wants to make a point of order, let him state it.

Mr. MURRAY of Oklahoma. I want to say this—

Mr. MANN. I decline to yield. Let the gentleman make his point of order.

Mr. MURRAY of Oklahoma. I make the point of order that the gentleman's discussion of this question is not any more germane than the discussion I had the other day with reference to this same bill, when he made a point of order against me three times.

The CHAIRMAN. The point of order is overruled.

Mr. MURRAY of Oklahoma. Having made that statement, I withdraw the point of order, to call the gentleman's attention to fair play.

Mr. MANN. The point of order is overruled, and I do not yield.

Mr. MURRAY of Oklahoma. I simply want to inform the gentleman that this is a game two can play.

Mr. MANN. The point of order is overruled, and I do not yield. The gentleman knows no more about points of order than he does about the point he was discussing the other day, and that is nil in both cases.

In April last the gentleman from Alabama [Mr. UNDERWOOD], in discussing this question, said:

Now, I want to say to the gentleman on that side of the House that you need not worry about this question. The Democratic administration and the Democratic House in the near future is going to vitalize that bureau by the necessary appropriations and extend its powers to get information that will be of use to the committees whether they are Republicans or Democrats in the future. (RECORD, Apr. 29, 1913.)

Here was the leader of the House, who holds the Democratic side of the House almost in the hollow of his hand, declaring that the Democrats had created the Bureau of Foreign and Domestic Commerce for the purpose of obtaining this information and then declaring that the Democratic side of the House proposed to make the necessary appropriations to vitalize the bill. There ought to have been appropriated for this purpose one-quarter of a million dollars. The department estimated for \$100,000, but under the skillful questioning of the gentleman from New York [Mr. FITZGERALD] Secretary Redfield admitted that he could do the field work for \$50,000. If you meant it, if you were sincere in creating this bureau, as I believe the gentleman from Alabama [Mr. UNDERWOOD] was, you ought to give them sufficient money to make these investigations, and they can not do it with \$50,000. You ought at least to give them the

amount of the estimate, \$100,000. [Applause on the Republican side.]

Mr. FITZGERALD. Mr. Chairman, a Democratic House created the Bureau of Foreign and Domestic Commerce. In doing so it demonstrated its capacity to organize in the departments of the Government such service as would provide the necessary facilities to obtain the information it desired.

The estimate of \$100,000 was submitted by the Secretary of Commerce to vitalize this bureau. Although it was created at the long session of the last Congress, no estimate was transmitted to Congress by the last Republican administration until some time in January after the bill had left the House and gone to the Senate. If I recollect correctly, the estimate was only for about \$20,000. This present estimate was prepared some time in May or June and sent to Congress in June requesting the \$100,000. The Secretary of Commerce when before the committee made this statement:

Secretary REDFIELD. This \$100,000. For present purposes this might be reduced to \$50,000. I will state to the committee that Mr. Baldwin can go into further details in regard to this matter and show just exactly how this amount is being used. I have a detailed statement showing the men who are at work.

Mr. GILLET. Did you say it is being used? Have you got it now? Secretary REDFIELD. I will explain that to you fully. This is used for the purpose of utilizing the powers of the department granted by law in 1912, but which were never heretofore used and for which no appropriation has ever heretofore been made.

The committee recommended what the Secretary of Commerce said would be necessary.

Mr. HARDWICK. Will the gentleman yield?

Mr. FITZGERALD. Yes.

Mr. HARDWICK. Where did you get the language that is in this bill—from the recommendation of the Secretary of Commerce?

Mr. FITZGERALD. The language in the paragraph is transmitted in the estimates and is the language of the statute which creates the bureau.

Mr. HARDWICK. On what theory are we investigating into the cost of production abroad? What has that to do with the Democratic theory? Why do we need to spend thousands of dollars as to what things cost abroad—on what theory?

Mr. FITZGERALD. That is one of the provisions in the bill creating the bureau.

Mr. HARDWICK. It is one of the doctrines of the Republican Party, but never one of the Democratic Party.

Mr. FITZGERALD. It is in the paragraph because it was the language of the organic law creating the bureau.

Mr. HARDWICK. That was the Republican proposition; it was not a Democratic proposition.

Mr. FITZGERALD. Yes; it was; a Democratic House created it in the second session of the last Congress.

Mr. HARDWICK. If I had known that that language was in I would have asked the same question.

Mr. FITZGERALD. It was created at a time when it was thoroughly discussed.

Mr. HARDWICK. It is funny that the gentleman can not answer the question now.

Mr. FITZGERALD. Democrats voted for it. This language was in the provision, and it has been authorized ever since 1888 and had been conferred upon the Bureau of Labor.

Mr. HARDWICK. That was under a Republican theory as to the tariff.

Mr. FITZGERALD. It had nothing to do with the tariff question at that time.

Mr. HARDWICK. I do not see why we should investigate the cost of production abroad compared with the cost of production in this country. I do not see why we should spend money for that purpose.

Mr. FITZGERALD. We do not intend to spend it for that.

Mr. HARDWICK. I am very glad to hear the gentleman say so.

Mr. FITZGERALD. The purpose of this appropriation is to enable the Secretary of Commerce to make certain investigations.

Mr. HARDWICK. What investigations?

Mr. FITZGERALD. Regarding methods of manufacture.

Mr. HARDWICK. And the cost of producing articles?

Mr. FITZGERALD. The cost of production.

Mr. MURDOCK. Articles controlled by the trusts?

Mr. FITZGERALD. And certain investigations now being made of the pottery industry, the methods of which are shown to be obsolete and inadequate, and very material benefit will result to the industry. I do not agree with some that it is the function of government to make the investigations that a private individual should make in order to perfect his business, but there are certain general fundamental phases of these matters that properly belong to the Government. That was one

reason for the investigation; and the other is, as was stated by the gentleman from Alabama [Mr. UNDERWOOD] during the discussion of the tariff, that this bureau would be given ample funds, so that if after the tariff law was enacted certain manufacturing establishments attempted by cutting wages or shutting down their plants to charge that a business depression had resulted from Democratic legislation this bureau would be equipped to make investigation to determine whether those charges were justified or whether they were a part of the old Republican policy of attempting to attribute all of the financial evils of the country to the Democratic Party.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. FITZGERALD. Mr. Chairman, how much time is remaining?

The CHAIRMAN. Ten minutes.

Mr. MONDELL. Mr. Chairman, the jurisdiction of the Bureau of Foreign and Domestic Commerce is a very broad one, and the work which it is expected to do covers a very wide field and is exceedingly important, not only the work of inquiry as to the cost of production at home and abroad, which is exceedingly important, and on which we could advantageously expend much more than \$50,000 during the balance of the fiscal year, but in addition to that this is the bureau that is expected to carry on that work which the chairman of the Committee on Ways and Means assured us at the time of the passage of the tariff bill this administration proposed to carry on for the purpose of investigating as to the methods of such American manufacturers as found they could not conduct their business under the new tariff law without loss. There has been one very conspicuous example in the Democratic ranks of a gentleman who has been so unmindful of the warning given by the chairman of the Committee on Ways and Means, reiterated by the Secretary of Commerce, that he has actually been unpatriotic enough to move his factory into Canada, and a large portion of this \$50,000 might properly be used for the purpose of investigating why this distinguished Democrat found it impossible to operate in the United States under Democratic tariff law.

Mr. HARDWICK. Mr. Chairman, will the gentleman yield? Mr. MONDELL. Yes.

Mr. HARDWICK. The gentleman also moved his politics into the Republican Party while doing that?

Mr. MONDELL. Not yet.

Mr. HARDWICK. He went to a Republican convention and we are no longer responsible for him.

Mr. MANN. But there has been no Republican convention.

Mr. MONDELL. He has been edging a little, but he has not yet gotten into the Republican ranks.

Mr. MANN. We will welcome him if he comes.

Mr. MONDELL. We are glad to have anybody come into the Republican ranks when they finally get their eyes open.

Mr. HARDWICK. That is not to be wondered at. There are so few of you left that you need some help.

Mr. MONDELL. Here we have a measly sum of \$50,000 appropriated for the purpose of investigating the relative cost of production at home and abroad, and also for that broad and exhaustive work which the chairman of the Committee on Ways and Means assured us and which the Secretary of Commerce has assured us is to be carried on for the purpose of compelling American manufacturers to carry on their business without regard to how much they may lose under the Democratic tariff law. We desire the Democratic administration to be furnished with a sufficient amount of funds so that it can and may do the very thing that it has said it proposes to do. We desire that you shall carry out your threat, if threat it was, and not make a mere bluff. If your investigation shall develop the fact that American manufacturers are not using proper methods, it may be helpful to them to suggest possible means of improvement; but what we believe your investigation, if properly carried on, will prove is that it will be impossible to carry on many lines of industry in this country under your tariff bill without a loss unless there shall be a reduction in wages. As we do not want to see a reduction of wages, we desire that you shall have a sufficient sum of money to carry on this important work that you have mapped out for yourselves. All will agree that \$50,000 is nowhere near enough if the work is to be thoroughly prosecuted. We hope when you find the harm your tariff bill has done you will be inclined to help us to remedy its faults.

The CHAIRMAN. The time of the gentleman has expired.

Mr. UNDERWOOD. Mr. Chairman, I wish to state that I think this bureau is one of the most important bureaus in the Government. I am heartily in favor of its having all the money it needs to carry out its purposes. The appropriation of \$50,000

In this bill is carried on the recommendation of the Secretary of the Department of Commerce, who presides over and controls this bureau, as well as the others of that department. If he had asked for more money at this time to vitalize this bureau, I would have voted for it. I recognize the fact that he can not organize the work of this bureau at once. It has to be entirely reorganized. I hope and expect by next winter that the reorganization will be perfected and that the Congress by that time will give the necessary money to entirely vitalize this bureau. Now, in reference to the work of the bureau, the language that is adopted by this bill really comes down from the Cleveland administration. It was inserted during Mr. Cleveland's time in the Bureau of Labor, authorizing the head of that bureau to make these investigations. Shortly after its enactment the Democratic Party went out of power. The Republican Party came in, and the law was never vitilized by an appropriation to carry it into effect, so that the language is nothing new.

Mr. HARDWICK. Why is it necessary or desirable to find out the cost of production in foreign countries of articles dutiable in the United States under any Democratic theory of the tariff?

Mr. UNDERWOOD. Well, the Democratic theory of the tariff, of course, is not to place a tariff on the difference in the cost at home and abroad, but to write a competitive tariff—

Mr. HARDWICK. No; that is not the Democratic theory.

Mr. UNDERWOOD. Well, it is to write a tariff for revenue only, which of itself means a competitive tariff—

Mr. HARDWICK. Not necessarily.

Mr. UNDERWOOD (continuing). Because there can not be a tariff for revenue only unless it is competitive; I mean as to articles that are produced both in this country and abroad. Of course as to articles only produced abroad it can be, but that is not competitive, because there is nobody to compete with.

Now, there is a good reason for inserting this language in here, even under the Democratic theory. In the first place, when you go to write a competitive tariff or revenue tariff the best guide you have on which to base your tariff and base your rate is the competition at the customhouse; but as an incident to that it is of real value to the committee that is writing to determine at what point a tariff for revenue, a competitive tariff, can be written to understand the difference in cost, so that they can use that as a guide and adjust their rates. But that is not the important point why this language should be in this act. When we write a tariff for revenue we want to collect the revenue just as much as our Republican friends want to write a tariff for revenue when they write a tariff for protection, and in ascertaining whether there is a correct valuation of goods that are coming into this country, whether there is an undervaluation, whether anyone is attempting to defraud the customhouse. It is of great value to the administration of the customs laws that there is a bureau in this Government that has the power to ascertain the difference in the cost of production at home and abroad, or, in other words, to ascertain the value of the foreign article, so that our customs officials may have something on which to base their findings.

Mr. Chairman, I feel that it is of the utmost importance that this appropriation should pass. I feel, though, that it is not necessary for this House to make an appropriation at this time that exceeds the amount requested by the head of this great department. He knows what money he can expend. I know from personal conversation with him that he is as earnest in his idea to vitalize this bureau as I am, and that he will ask for all the money that is needed at this time. And if, as he states in his testimony, \$50,000 is all that is required at this time for the use of his bureau, I am sure that that is all the money that can be used. I am further confident that as soon as he can finish the reorganization of the bureau he will ask for more money, and I hope this Congress will give it to him.

The CHAIRMAN (Mr. HARRISON). The time of the gentleman from Alabama has expired. All time has expired. The question is on agreeing to the amendment offered by the gentleman from Illinois [Mr. MANN].

The question was taken, and the Chairman announced that the "noes" seemed to have it.

Mr. MANN. Mr. Chairman, I ask for a division.

The committee divided; and there were—ayes 28, noes 45.

Mr. MANN. Mr. Chairman, I ask for tellers.

Tellers were ordered, and the Chairman appointed Mr. FITZGERALD and Mr. MANN.

The committee again divided; and the tellers reported—ayes 31, noes 53.

So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Hereafter inspectors and other employees in the Steamboat-Inspection Service shall be allowed, in lieu of mileage, only their actual necessary traveling expenses while traveling on official business assigned them by competent authority.

Mr. COX. Mr. Chairman, I move to strike out the last word. The CHAIRMAN. The gentleman from Indiana [Mr. Cox] moves to strike out the last word.

Mr. COX. I do this for the purpose of submitting a few observations at this point.

The Department of Commerce and Labor, in its report last December, made the following recommendation, found on page 145:

Traveling expenses. If inspectors were placed on actual expenses in traveling and not upon mileage, a large saving in traveling expenses would undoubtedly result, and it is recommended that such a change in the practice be given the sanction of law.

Mr. Chairman, that was a recommendation made by Mr. Nagel, a Republican Secretary of the Department of Commerce and Labor. As soon as I read his report making the recommendation I wrote him a letter in which I called his attention to it, and asked him how many employees it would affect and how much the saving would amount to. I have his reply in my possession, dated December 23, 1912, and I ask unanimous consent to incorporate it in the RECORD and make it a part of my remarks.

The CHAIRMAN. The gentleman from Indiana [Mr. Cox] asks unanimous consent to insert a letter in the RECORD. Is there objection?

There was no objection.

Following is the letter referred to:

DEPARTMENT OF COMMERCE AND LABOR,
Washington, December 23, 1912.

Hon. W. E. Cox,

House of Representatives, Washington, D. C.

DEAR MR. COX: I beg to acknowledge the receipt of your communication of the 18th instant, in which you so kindly commend the recommendations made in my last annual report that inspectors in the Steamboat-Inspection Service be placed upon actual expenses when traveling, and not upon mileage, as now provided for by law.

There are now in the Steamboat-Inspection Service approximately 185 inspectors who would be affected by the recommended change in the law, and it is estimated that of an approximate expenditure of \$60,000 annually for traveling expenses for these inspectors about \$15,000 would be saved were the method of reimbursing travel expenses changed from mileage to actual necessary traveling expenses.

The inspectors in the Steamboat-Inspection Service are the only employees in the Department of Commerce and Labor whose traveling expenses are reimbursed in the shape of mileage. With reference to the service of the department at large I beg to state that any one of the employees of the Department of Commerce and Labor may be called upon to travel on official business. All such employees, except those in the Steamboat-Inspection Service or employees in bureaus where a portion of their traveling expenses, the expense for subsistence, is reimbursed by an allowance of a certain sum as per diem in lieu of subsistence, are reimbursed for their actual necessary traveling expenses, the subsistence portion of which must not exceed \$5 per day.

The reimbursement of actual necessary traveling expenses is made under the acts of June 16, 1874, and March 3, 1875 (18 Stats., 72, 452), and the limit of \$5 per day is fixed by departmental regulations.

The services of the department in which per diem in lieu of subsistence is allowed, either by express provision of law or by the terms of departmental appointments, are the Bureau of Labor, the Bureau of Corporations, the Bureau of the Census, and the Immigration Service. An estimate of the total number of employees of the department traveling, based upon records of travel made in the past year, would indicate that 185 persons traveled with a mileage allowance in lieu of traveling and subsistence expenses, 900 with a per diem allowance in lieu of subsistence and actual necessary traveling expenses, and 615 whose actual and necessary traveling and subsistence expenses are reimbursed them on vouchers.

In addition there are each year in the Immigration Service about 350 cases where an attendant with a party of aliens travels under writs of deportation and who receive reimbursement for their actual and necessary expenses of travel and subsistence.

The differences in the method of payment of subsistence expenses of employees of the department arise from practical reasons. It is found that in some bureaus of the department where many employees in connection with their official work travel for a considerable portion of their time, the payment to them of a per diem allowance in lieu of subsistence is advantageous for the reason that it presents a simpler accounting problem, in the long run saves money to the Government, and the employee receives reimbursement for the actual outlay which he makes on account of his travel on Government business. Such an allowance, however, can only be made in bureaus where Congress by express provisions of law, such as are contained in appropriation acts, authorized the payment of a per diem in lieu of subsistence, or where the department in its contract of employment agrees to pay compensation at a certain fixed rate and in addition thereto a certain fixed additional compensation per day when the employee is absent from his official station traveling on Government business, such additional compensation to be in lieu of subsistence.

The providing for additional compensation in lieu of subsistence is possible only in those cases where the department has by law the authority, without limitation by Congress, to fix compensation of the employee. Such an allowance can never be made where the law fixes the salaries of employees.

In all cases where per diem is allowed the Government pays the actual railroad, steamship, and other transportation fares, and the subsistence allowance covers meals and lodging.

Very truly, yours,

CHARLES NAGEL, Secretary.

Mr. COX. A few days after that correspondence, when the Army bill was going through, I took occasion on the floor of the House to submit some observations on the mileage proposition. I made some statements then in reference to the recommendation made by the Secretary of the Department of Commerce and Labor, but my statements were not entirely accurate. A few days after that time I received a letter from the Department of Commerce and Labor, calling my attention to the inaccuracies of my statement. That letter I have in my possession, dated January 18, 1913, and I ask permission to incorporate it also and make it a part of my remarks.

The CHAIRMAN. The gentleman from Indiana [Mr. Cox] asks unanimous consent to incorporate another letter in his remarks. Is there objection?

There was no objection.

Following is the letter referred to:

DEPARTMENT OF COMMERCE AND LABOR,
Washington, January 18, 1913.

Hon. W. E. Cox, M. C.,
House of Representatives, Washington, D. C.

MY DEAR MR. COX: Referring to your statement on the floor of the House of Representatives, as reported on page 1647 of the CONGRESSIONAL RECORD, in connection with the debate on the payment of mileage to officers of the Army, I beg to advise you that your statement contains two inaccuracies, which, however, do not affect the value of your argument, but which I desire to call to your attention merely for your information.

In your remarks you state that the persons to be affected by the recommendations contained in my annual report, as you understood it, were Army officers, and also that you thought mileage was paid at the rate of 7 cents per mile. The employees affected by the recommendation in my annual report, as stated in my letter to you of December 21, 1912, are inspectors in the Steamboat-Inspection Service, who are not in any way connected with the military service, and the mileage paid to them under the law is at the rate of 5 cents per mile.

I appreciate very much the complimentary notice of the recommendation in my last annual report with reference to this matter given to the House of Representatives in your remarks.

Very truly, yours,

CHARLES NAGEL, Secretary.

Mr. COX. Mr. Nagel was the first Secretary of any of the departments that I have any knowledge of or know anything about that recommended that all of his employees be put upon the actual-expense basis, and that they be taken from the mileage basis. He answered me, and makes the statement in his letter that the department could save \$15,000 per year, and that his employees received only 5 cents a mile while traveling.

This question is closely allied to another question which, in my judgment, deserves careful consideration. Last winter I called attention to the mileage of the Army, wherein officers received 7 cents a mile while traveling under orders. It was argued then, and presumably it will be argued in the future, that 7 cents a mile is cheaper than it would be to allow them their actual traveling expenses. The query comes to my mind, if by putting the steamboat inspectors, who only get 5 cents per mile, on an actual-expense basis, we can save \$15,000 per year, why can not we save money by putting Army officers, who get 7 cents per mile while traveling under orders, on an actual-expense basis? We can save anywhere from \$300,000 to \$400,000 per year if we will cut out this 7 cents per mile and put them on the actual-expense basis. I shall await with pleasure the recommendation of a Democratic Secretary of War on this line with the hope that he will recommend putting all officers of the Army on the actual-expense basis.

Mr. MANN. The gentleman will wait a long time.

Mr. COX. I am afraid so. I will await with pleasure the recommendation of a Democratic Secretary of War with the view of seeing whether or not he will recommend that the Army mileage be reduced to actual traveling expenses.

The CHAIRMAN. The time of the gentleman has expired.

Mr. COX. I ask unanimous consent for five minutes more.

The CHAIRMAN. The gentleman from Indiana asks unanimous consent for five minutes more. Is there objection?

There was no objection.

Mr. COX. I want to relate this incident which came under my own personal observation, about three months ago, while coming from Indianapolis to Washington on a Saturday evening. It occurred in Ohio. We traveled that day with a young Army officer, who, with a friend, was on board the train. As I gathered from their conversation, they had traveled from San Francisco or from some point in the extreme West. After supper, in the smoking compartment of the car the two men had a heated controversy as to which of them should pay the bill for their dinner, which, as I recall, amounted to \$3.25, including drinks, as they expressed it. The young man who was not an Army officer insisted on paying the bill. Finally the Army officer suggested that this trip netted him \$115. His friend inquired how that was, and he said he "was traveling under orders," and that he got 7 cents a mile. I gathered

from the conversation—though I did not enter into it—that they were traveling from San Francisco and were going either to Washington or New York. I wonder whether the American people are willing to pay Army officers 7 cents a mile, making a net profit of \$115 for traveling from San Francisco to Washington or New York City, in addition to their salaries? Therefore I will await the recommendation of a Democratic Secretary of War when he comes to make his recommendation upon this point, because it involves an item of \$550,000, and this bill carries a deficiency of something like \$50,000 for mileage for officers. I shall await with pleasure the recommendation of a Democratic Secretary of the Navy, because his officers while traveling under orders draw 7 cents a mile; and I will not stop there, but I will await with pleasure the recommendation of a Democratic Secretary of the Treasury of the United States, who has a large number of employees in the Revenue-Cutter Service who draw mileage which, if I remember correctly, is 6 cents a mile. I wonder whether or not it is going to remain for a Republican Secretary of a great department of the Government to call attention to this fact alone or whether the Democratic Party, that has burned paper in all its platforms for the last 16 years preaching economy, will take the initiative on this line. Let us wait and see.

I have sought this opportunity for the sole purpose of doing what I think is my duty, in calling the attention of the country to the service of Mr. Nagel, who had this question investigated and who made this important recommendation. And great credit is due this important Committee on Appropriations for following out the advice of Mr. Nagel. I hope, Mr. Chairman, that when our Secretaries and the heads of our great departments come to look into this question they will not hesitate, as Mr. Nagel did not hesitate, to send a recommendation to Congress to put these employees upon an actual-expense basis.

If they will do it we can save anywhere from \$700,000 to \$800,000 per year and work no hardship upon anyone in the Army, Navy, or the Revenue-Cutter Service. Here is a splendid opportunity to economize. We have promised it; let us fulfill and redeem the promise made in our platform at Baltimore and on which we swept this country from ocean to ocean.

The Clerk read as follows:

LIGHTHOUSE ESTABLISHMENT.

Aids to navigation, Atchafalaya Entrance Channel, La.: For aids to navigation in Atchafalaya Entrance Channel, La., \$50,000.

Mr. BARTLETT. I move to strike out the last word. Mr. Chairman, the Bureau of Lighthouses is a recent bureau in the Government of the United States, and a reorganization of the system was brought about a few years ago mainly through the efforts of the gentleman from Illinois [Mr. MANN], then chairman of the Committee on Interstate and Foreign Commerce, which had jurisdiction over the Department of Commerce and Labor. A reorganization was obtained by which it was hoped that the expenditure of money in that establishment might in some way be diminished and a more careful and economical administration might be had than was then being carried on under the old and not very satisfactory system. I think I can give the gentleman from Illinois due credit for a desire to reorganize that bureau of the service, and I think he will accord to me the statement that I assisted him as much as I could in making this great reform and in the desire to have that service changed from the way in which the public money was then extravagantly expended and for which no account seemed to have been rendered.

Mr. MANN. If the gentleman from Georgia will permit me, I have on many occasions stated before that the gentleman from Georgia [Mr. BARTLETT] rendered great service to the Government in connection with the legislation affecting that reorganization.

Mr. BARTLETT. I endeavored to do so. But, Mr. Chairman, it is because of the fact that I took a small part in the reorganization of that service, following the gentleman from Illinois [Mr. MANN] in endeavoring to reform this service and put it where there would be both efficient and economical service, that I have still continued to hold my interest in the service and in the administration of affairs of that particular service. Judge, then, of my surprise when the head of this service was before the committee asking for the items of expenditure to find out from the head of that service and elicit from him information with reference to the details of the expenditure of money of the Government on certain lines we were unable to get it. When he was asked by me, as the hearings will show, the cost of particular things used, such as buoys and different kinds of buoys, the chief of that service could not give it to us. He could not in the committee room give answers as to the amount that had been expended or the cost of particular buoys

and other equipment purchased by the Government, and was compelled to send to the committee a statement which was so technical, so apparently covered up with figures, that we could not arrive at any conclusion in regard to it.

I undertook to find out in regard to the A. G. A. buoys, which is the American Gas Accumulator buoys—I undertook to find out when they apportioned the money, how they apportioned it, how many of these buoys were purchased, whether a certain amount was on hand or not, and I was unable to find out from him, the head of the service, anything in regard to it.

[The time of Mr. BARTLETT having expired, by unanimous consent his time was extended five minutes.]

I asked him if they kept a supply of these buoys on hand. I have not time to go into the details, but I will say that I propose to introduce a resolution and have it referred to the proper committee, so that the House may be informed as to the manner in which the money of the people has been expended in this service, and I will give the reason for that.

The Commissioner of Lighthouses stated to the committee that he did not have on hand and did not keep on hand a supply of certain buoys, the buoys manufactured by the American Gas Accumulator Co. I have statements coming from employees in the service which will prove that that very day and to-day there lie in Tompkinsville, N. Y., at the lighthouse depot, as many as 30 that have been bought and are not in use. I undertook to show that there were more buoys bought from the American Gas Accumulator Co. than was necessary for the service. I undertook to ascertain from him that these buoys of the American Gas Accumulator Co., of which a former employee, a deputy commissioner of lighthouses, is vice president, if they did not purchase more buoys of that character than of any other kind, and I was informed that they did not. I have now information that they do, and that there is a supply on hand of at least 30 not in use.

So I state to this House that the information given to this committee seeking to appropriate money for this establishment was so unsatisfactory as to the way the money had been expended and the cost to the Government of these buoys that we were compelled, because we were in the dark as to the way in which the money had been expended, to leave to another committee of the House any investigation on this subject.

I desire simply at this time to call the attention of the House to the inability of the head of this service to give the Appropriation Committee any sufficient, succinct statement of the cost of this material. As an example of what I have been stating, I asked him with reference to the manufacture and the cost of manufacture of certain buoys known as the American Gas Accumulator buoys. I asked him if he did not pay \$4,200 or \$4,000 for buoys that only cost to manufacture \$1,250. He said he did not know; he did not think it was correct. He says, "I think they cost them much more than that." I asked him if the Government did not pay the difference between that sum and \$1,250 for the patent on these buoys. He said he did not think so.

Mr. Chairman, I have a letter here from a man who manufactures the buoys for the American Gas Accumulator Co., and I will incorporate it in the RECORD; he states that they are manufactured and sold to the American Gas Accumulator people for the sum of \$1,250. There are 30 of them in the Tompkinsville depot for which the Government has paid \$4,200 each, I am informed, and they cost to manufacture only \$1,250, so that the Government pays \$4,200 for buoys that cost only \$1,250.

The CHAIRMAN. The time of the gentleman from Georgia has expired.

Mr. BARTLETT. Mr. Chairman, I ask unanimous consent to insert the letter in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Light station on Navassa Island, West Indies: For a light station on Navassa Island, in the West Indies, \$125,000.

Mr. ADAMSON. Mr. Chairman, I move to strike out the last word.

"There is a great rock in the ocean"—not the stone of classic lore, but a gigantic creation which bared its hoary head to tropical storms and repelled the lashings of turbulent seas for untold ages before the classics were inspired. Navassa lifts its awful form in the Windward Passage directly in the track of commerce following all paths and currents of the seas in quest of markets old and new. "When seas are calm and skies are clear" Navassa is visible many miles far out and around over the waste of waters, but when clouds and fog bewilder the storm-tossed mariner old Navassa becomes an object of terror. Delays, both expensive and harrowing, become necessary to avert threatened wreck amid the breakers raging and roaring in the crush of Caribbean storms and billows against that horrible rock. This lighthouse was first suggested by our late colleague, Gen. Gordon, of Memphis, as a

memorial to Commander Maury, the pioneer nautical scientist who discovered, traced, and mapped the currents, courses, and channels of the oceans for the safety of all "who go down to the sea in ships." All the medals, commissions, correspondence, and reports of that great naval scientist, the most eminent geographer of the seas, have been presented to the Government of the United States. Among the papers is a letter from the Grand Duke Constantine, of Russia, dated August 8, 1861, in behalf of the Russian Government, extending to Commander Maury a formal invitation to remove with his family to Russia and enter the service of the Russian Government and there continue his scientific researches, one sentence of the grand duke's letter reading:

Your indefatigable researches have unveiled the great laws which rule the winds and currents of the ocean and have placed your name among those which will ever be mentioned with feelings of gratitude and respect, not only by professional men, but by all those who pride themselves in the great and noble attainments of the human race.

The papers also reveal the interesting fact that it was he who first planned the trans-Atlantic cable. Commander Maury died in Virginia, his native State, February 1, 1873.

That accidents such as befell the *Titanic* are of such rare occurrence is undoubtedly due in large measure, scientists say, to the researches and discoveries of Commander Maury, who was the first scientist to track the sea. He was honored by many crowned heads.

In agreeing upon the final form of the bill for aids to navigation, including the Navassa light, the memorial feature which had been incorporated in the first form was eliminated, but if such a structure can brighten the fame of Maury it will always be known as the Maury light without the formality of a name plate. Tablets and shafts are not necessary to his fame, which will outlast the crumbling stone and shine when all flickering lights are dim, inspiring admiration and gratitude for his achievements as long as men can read and sail and human hearts can throb.

There is no doubt of the urgent necessity for the light as an aid to navigation, situated in a main roadstead of commerce; but, important as it may be to commerce, under existing circumstances its importance will be greatly enhanced when the operation of the Panama Canal shall invite universal commerce to take that course, which it will do if we conclude to act honestly and fairly with our own people and the rest of the world in the treatment of vessels at the canal. Mere prose, however, can not do justice to this subject. The purpose of these remarks is to give to the committee and the country a production of another and greater genius, more worthy and able to deal with this important theme. We have on the Committee on Interstate and Foreign Commerce a statesman of lofty attainments and infinite versatility of genius. In his lucid intervals he is master of commerce and statecraft, but on frequent occasions his soul takes fire from the lofty mount of song and usually bursts into a conflagration. At such times, when the divine afflatus is upon him, he mounts old Pegasus and rides him hard and rides him high. When the Hon. JOHN J. ESCH, of the State of Wisconsin, gazed in awe and admiration on old Navassa and his mind ran back over the history of those southern seas, buccaneer robbers, and stormy countries, at the same time swelling with pride in contemplation of our own glorious history and still brighter future, he, the poet-statesman, golden-hearted gentleman and friend, delighted his fellow passengers by breaking forth into the following inspiring verses:

What subterranean power, now at rest
Beneath the Caribbean's storm-ridden breast,
Caused thee to rise with dangerous shore
Athwart our course from days of yore?—Navassa.

Or art thou, with thy tree-topped crown,
All that the eroding tempest's frown
Has left of some great island of the sea
Or fabled Atlantis? Solve this mystery—Navassa.

Must thou be mute because no human soul
Within the circle of thy billow's roll
Can thrive and find the means of life
With all thy solitude and want of strife?—Navassa.

No bubbling fount of water pure
To shipwrecked mariner can assure
The quenching draft. No fruitful tree
Or root supplies him food from thee—Navassa.

Tell us the tragedies of thy rocks;
Can one be guiltless who ever mocks
The prayers of those in stress and pain
Who thought to shun thee, but in vain?—Navassa.

Inhospitable thou art, and to be feared
As much as those embattled rocks that reared
Their rugged fronts at far off Roncador
Or at Manila's sentry at Corregidor—Navassa.

No wealth of soil, or mine, or seed,
Has been sufficient to excite the greed
Of nations to possess themselves of thee,
Thou ownerless waif of this southern sea—Navassa.

Soon may thy reign of terror end
And welcome lights their rays extend
To gladden the weary storm-tossed sailor's sight
On ships that pass by in the night—Navassa.

[Applause.]

So we built the lighthouse; the memorial tablet can be provided later.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield?

Mr. ADAMSON. Certainly.

Mr. MURDOCK. Does the rock belong to the United States?

Mr. ADAMSON. Yes.

Mr. MURDOCK. How did we acquire it?

Mr. ADAMSON. We have acquired it in the regular way. I can furnish the gentleman with an abstract of title if he desires it.

Mr. MURDOCK. Did we purchase it or did we discover it?

Mr. ADAMSON. We did not "take it"; we just gained it by legitimate means.

Mr. MURDOCK. I notice from the effusion that this island is ownerless.

Mr. ADAMSON. I hope the gentleman will withdraw the epithet "effusion."

Mr. MURDOCK. Well, this epic. I notice that the poet says the land is ownerless.

Mr. ADAMSON. That may have been in the days of the buccaneers, but titles have been settled in that country lately.

Mr. FITZGERALD. Mr. Chairman, I just want to say to the gentleman that one of the things that has been noted is the fact that no ship has ever been found stranded on Navassa Island, but on nearly every island on the route from here to Panama and back that has a light there is a wrecked steamship.

Mr. ADAMSON. I will ask just a moment to explain the reason for that. In fair weather, "when the seas are calm and the skies are clear," that rock can be seen for miles away; but when storms come and waves dash in their fury, there is danger in going near it, and mariners either go away around it or stop until things clear up, thus occasioning great delay.

The only reason there have not been any wrecks there is that great precaution against a known and absolute danger, and the object of this light is to facilitate navigation and help commerce.

Mr. MANN. Mr. Chairman, will the gentleman yield?

Mr. ADAMSON. Certainly.

Mr. MANN. I dislike very much to ask an embarrassing question, but I understood the gentleman to say that when it is clear one can see this island?

Mr. ADAMSON. Yes.

Mr. MANN. If it is foggy, you can not?

Mr. ADAMSON. That is true.

Mr. MANN. Then what good will the light do in the fog when there is no fog signal?

Mr. ADAMSON. Mr. Chairman, I will say to the gentleman from Illinois that this lighthouse is not an exclusive remedy at all, but may be cumulative. We may do something else. Furthermore, I will say to him that the studies which I have made, largely in company with him, as to headlights and other lights have led me to believe that just as a flash of lightning can be seen in the darkest storm and clouds, so electric lights can be seen in fogs when other lights can not be located at all.

Mr. MANN. Well, the gentleman has made a very entertaining answer to a question that paralyzes the whole proposition on its merits.

Mr. ADAMSON. It can not paralyze me; if it did, I would not let the gentleman know it. [Laughter.]

Mr. BARTLETT. Mr. Chairman, I move to strike out the last word. Mr. Chairman, a few moments ago as my time was about expiring I said I had a letter, which I desire to offer now, in reference to the cost of certain buoys of which the Lighthouse Establishment purchases a great number. I asked this question of Mr. Putnam:

Mr. BARTLETT. Do you know what it costs the American Gas Accumulator Co. to produce one of those buoys, outside of the patented parts?

Mr. PUTNAM. What it costs to manufacture one of those buoys?

Mr. BARTLETT. Yes; they have them manufactured, do they not?

Mr. PUTNAM. I think so. I can not give you the cost.

Mr. BARTLETT. About \$1,250, is it not?

Mr. PUTNAM. I do not know.

Mr. BARTLETT. The buoy that you pay \$4,200 for costs the American Gas Accumulator Co. about \$1,250—is not that correct?

Mr. PUTNAM. I do not think that is correct; I think it costs them much more than that.

In that connection I now desire to have this letter read.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

UNION BOILER & MANUFACTURING CO.,
Lebanon, Pa., August 5, 1913.

HON. CHARLES L. BARTLETT,
Committee on Appropriations, Washington, D. C.

DEAR SIR: Replying to inquiry of August 4, 1913, requesting information relative to the cost of manufacturing gas buoys similar to those we have been making for the Lighthouse Service, we take pleasure in

advising you that our contract prices with the American Gas Accumulator Co., who furnish these buoys to the Government, are as follows:

For one buoy designated as "B. W.—600/II," \$1,200, complete, excepting two gas tanks, whistle and valve, bottom casting, flasher and lantern, and the necessary small gas piping leading from the two tanks to the flasher.

For one buoy designated as "B. K.—600/II," \$800, complete, excepting bell frame and bell, gas tanks, flasher and lantern and necessary small gas piping leading from the two tanks to flasher.

The bottom casting of the "B. W.—600/II" buoy would cost \$125 additional, should one be used instead of the submarine bell attachment.

Relative to the cost of manufacturing the gas tanks, will say that we did not make the tanks for these buoys; if, however, we should be asked to furnish these tanks without the composition filling therein our price would be approximately \$75 each.

We are not prepared to furnish any flashers or lanterns such as are used on these buoys; we believe they are made by the American Gas Accumulator Co., Philadelphia, Pa.

Trusting the above information is all that is desired, we remain,
Very truly, yours,

W. A. SCHOOLS, Superintendent.

Now, these buoys which the American Gas Accumulator Co. sells to the Government at \$4,200 and \$4,600 cost \$800 and \$1,200, and the head of the service, who expends this large amount of money, was not able to tell the committee how much the Government was paying in excess of the proper cost. That is what I am complaining of.

Mr. MURDOCK. What excuse did he give for not offering this testimony?

Mr. BARTLETT. Why, he did not know. He is so competent an official he did not know.

The Clerk read as follows:

Necessary additional land for light stations and depots authorized to be acquired under the act of Congress approved March 4, 1913, may hereafter be purchased from the appropriation "General expenses, Lighthouse Service," no single acquisition of such additional land to cost in excess of \$500, the total sum to be expended for this service not to exceed \$3,000 in any one fiscal year.

Mr. MANN. Mr. Chairman, I reserve a point of order. This is a proposition to let the department purchase additional land for light stations and depots out of the general expense fund so that no one will know anything about it. I do not say that is the reason it is proposed.

Mr. FITZGERALD. The last lighthouse act gave this authority without any limitation upon the amount to be expended. The Secretary requested this limitation be placed upon it.

Mr. MANN. I will withdraw the point of order.

The CHAIRMAN. The point of order is withdrawn, and the Clerk will read.

The Clerk read as follows:

Contingent expenses: For additional amounts for contingent and miscellaneous expenses for the offices and bureau of the Department of Labor, to be available for the objects named in the appropriation for contingent expenses for the Department of Commerce and Labor, contained in the act approved March 4, 1913, and for all other miscellaneous items and necessary expenses not included therein, fiscal year 1914, \$5,000.

Mr. KELLY of Pennsylvania. Mr. Chairman, I move to strike out the last word. I would like to ask the chairman of the committee a question. I notice in the hearings that the matter of an appropriation of \$10,000 for an international congress on social insurance was before the committee and the matter was left very much in doubt as to a final determination of whether or not an appropriation of \$10,000 already made could be applied to the purpose desired by the Secretary of Labor. I would like to ask the chairman in regard to that. It is a matter of very great importance.

Mr. FITZGERALD. My recollection is that this convention is to be held a year from this fall.

Mr. KELLY of Pennsylvania. In 1915.

Mr. FITZGERALD. Under a prior joint resolution, passed early in the session, all appropriations made under the Secretary of Commerce which would properly belong to the Department of Labor would be transferred to the Secretary of Labor, and they will now pass to the appropriations under the Secretary of Labor.

Mr. KELLY of Pennsylvania. Now, does the gentleman mean to say that the \$10,000 will be available to the Secretary of Labor and can be used in this coming year?

Mr. FITZGERALD. That is my understanding. That is the impression of the committee.

The Clerk read as follows:

Commissioners of conciliation: To pay the expenses of commissioners of conciliation in labor disputes, whenever appointed in pursuance to section 8 of the act creating the Department of Labor, \$5,000, or so much thereof as may be necessary.

Mr. MANN. Mr. Chairman, I move to strike out, line 4, page 35, "\$5,000" and insert "\$25,000."

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 35, line 4, strike out "\$5,000" and insert "\$25,000."

Mr. MANN. Mr. Chairman, a very short time ago the House, the Senate, and the President, under considerable stress,

passed a law providing for the appointment of commissioners in arbitration between railroads and their employees. I forget how much the appropriation carried by that law is, but it is more than \$25,000.

That is a good law, and the money will be well expended. In the creation of the Department of Labor at the last session we provided that the Secretary of Labor might appoint commissioners of conciliation, and he has got authority in all cases except those involving transportation companies and their employees. Now, we have provided for a board of mediation and conciliation under this law to which I have just referred, so far as railroad employers and their employees are concerned. The Secretary of Labor has the same power as to all other industrial disputes. He sent in an estimate of \$50,000, which was small enough, and the committee, with a liberality which was truly generous, proposed to give him \$5,000.

Mr. BARTLETT. Mr. Chairman, may I interrupt the gentleman?

The CHAIRMAN. Does the gentleman yield?

Mr. MANN. Certainly.

Mr. BARTLETT. If the gentleman will examine the hearings he will see that the Secretary of Labor wanted to establish a permanent board, which he was not authorized to do under this act of labor conciliation.

Mr. MANN. Oh, I have read the hearings, and the gentleman is mistaken about what the Secretary of Labor wanted to do. The Secretary of Labor wanted to employ somebody here in charge and somebody under him, just as he will in the case of the board of mediation and conciliation. There must be some one in Washington to keep charge of the questions in relation to these industrial disputes; and then, having these people here, they could be named as the mediators or conciliators if that should be agreeable to the parties involved, or the Secretary would have the power to name other conciliators.

Now, what is \$25,000 or a great deal more than that as between bringing employers and employees together without either strike or lockout? These disputes are occurring everywhere over the country from time to time. They almost invariably cover matters affecting interstate commerce. One of the very best reasons for creating the Department of Labor was that the Secretary of Labor should have this power. He can not do it with \$5,000. He ought certainly to be prepared to pay \$5,000, if necessary, to commissioners of conciliation in one case. But he will have no machinery. He ought to have the machinery here, and then when cases arise in New York or San Francisco or New Orleans or elsewhere in the country, where trouble is threatened between employer and employee, the products of the factory going into interstate commerce, he can appoint somebody to endeavor to bring the employers and employees together without a strike.

Twenty thousand dollars. Do you gag on that sum for the purpose of giving your Secretary of Labor the opportunity to carry into effect this law? We are willing to trust him in the hope that he will develop through this system a method of settling industrial disputes. You passed the law, but you gag when it comes to carrying it out. You would rather give the extra thousand dollars to the Platt National Park in Oklahoma. That is what you voted for, and that will be used purely for political patronage. We ask you to give money where it will be used for the benefit and welfare of the whole people. [Applause on the Republican side.]

Mr. FITZGERALD. Mr. Chairman, I am surprised that the applause is not much more vociferous on that side of the House. Such an entertaining speech was entitled to much more enthusiastic support from the gentleman's following.

We do not indulge, Mr. Chairman, in the unnecessary expenditure of public money either under a Democratic or a Republican administration. They look alike to us with respect to unnecessary expenditures unless they demonstrate to us the propriety of the situation in each case.

The act under which these commissioners of conciliation are to be appointed provides—

That the Secretary of Labor shall have power to act as mediator and to appoint commissioners of conciliation in labor disputes whenever, in his judgment, the interests of industrial peace may require it to be done, and all duties performed and all power and authority now possessed or exercised by the head of any executive department in and over any bureau, office, officer, board, branch, or division of the public service by this act transferred to the Department of Labor, or any business arising therefrom or pertaining thereto or in relation to the duties performed by and authority conferred by law upon such bureau, office, officer, board, branch, or division of the public service, whether of an appellate or revisory character or otherwise, shall hereafter be vested in and exercised by the head of the said Department of Labor.

Mr. MANN. That provision has nothing to do with it.

Mr. FITZGERALD. Yes; it has.

Mr. MANN. The authority granted was new in the act creating the Department of Labor.

Mr. FITZGERALD. The gentleman does not seem to be aware of the fact that I am reading from the act.

Mr. MANN. I understand that, but—

Mr. FITZGERALD. I am reading the authority under which these commissioners may be appointed.

Mr. MANN. The gentleman is not reading the authority at all. He is reading about something else.

Mr. FITZGERALD. What I have read is the authority under which the Secretary of Labor can appoint commissioners of conciliation.

Mr. MANN. If the gentleman will permit, the first provision is the authority. The latter provision transfers to the Secretary of Labor certain authority theretofore conferred upon the Secretary of Commerce and Labor.

Mr. FITZGERALD. It is all one paragraph taken from the act creating the Department of Labor. I have read it so that it will be in the Record for the information of the House and of that intelligent part of the public that reads the CONGRESSIONAL RECORD.

Mr. MONDELL. Mr. Chairman, will the gentleman yield?

Mr. FITZGERALD. Do not interrupt me for one moment, please. The Secretary of Labor submitted an estimate of \$50,000 to pay the expenses that might arise under this authority. After the estimate was submitted, Congress passed the Newlands-Clayton Act, as I think it is called, under which a special board was created with authority over disputes arising between employers and employees in connection with interstate transportation. They have the disposition of cases of the greatest magnitude and difficulty with which the Department of Labor might have to do. The Secretary of Labor outlined his plan. It was to create a permanent division in the Bureau of Labor. There seemed to be no need for it. He proposed to appoint commissioners of conciliation permanently, and whenever a dispute arose, assign them to this work. The Committee on Appropriations believed that the true purpose intended by this provision of the statute was that when a dispute should arise the Secretary of Labor should offer his friendly services, or suggest the appointment by him of commissioners of conciliation, and the committee recommended such sum as it believed would be sufficient to pay the expenses of the commissioners during the current fiscal year. It did not provide that they should receive compensation, because it believed that experience had demonstrated that it is much better in matters of this character to select men of such standing in a community that they will gladly volunteer their services and not provide a number of places for which there might be active competition on the part of men unfit for the work, merely because of the compensation to be paid. The committee believed that \$5,000 would be ample for this year. If a situation should arise where additional money was required during this year, I am sure Congress will give it. Now I yield to the gentleman from Wyoming.

Mr. MONDELL. The gentleman has expressed his opinion on the point on which I wished to interrogate him.

Mr. FITZGERALD. There was no dissension in the committee. The committee believed that this was ample, and that it would be more serviceable to carry out the law in the manner which I have outlined.

Mr. MANN. Will the gentleman yield?

Mr. FITZGERALD. Certainly.

Mr. MANN. Does Secretary Wilson think it will be ample?

Mr. FITZGERALD. Mr. Chairman, I do not know; but I have never permitted the head of any department, Democrat or Republican, to control my judgment. I am charged with responsibility for my own actions, and if my mature judgment happens to differ, as it unfortunately sometimes does, with the heads of the departments, it is a misfortune from which, I regret, I can not relieve myself.

Mr. MANN. But the gentleman yielded his judgment in the case that we had up awhile ago.

Mr. FITZGERALD. What matter was that?

Mr. MANN. Where Secretary Redfield was quoted. Now, why does not the gentleman quote what Secretary Wilson says about this case?

Mr. FITZGERALD. After Secretary Redfield had submitted his estimate, he reached the conclusion that I had arrived at before he did, that \$50,000 would be ample. I was very glad to point out the fact that the head of that department had come to the same conclusion as myself.

If he had not I should have regretted very much that I had not sufficiently formed my conclusions to coincide with those of the distinguished gentleman who presides over the Department of Commerce. [Laughter.]

The CHAIRMAN (Mr. HARRISON). The question is on the amendment offered by the gentleman from Illinois.

The question was taken, and the Chairman announced that the noes had it.

Mr. MANN. Mr. Chairman, I ask for a division. I want to see if there are any friends of labor on the Democratic side.

The committee divided, and there were 23 ayes and 54 noes. So the amendment was lost.

The Clerk read as follows:

Any unexpended balance on July 1, 1913, of the \$100,000 appropriated for the Commission on Industrial Relations for the fiscal year ending June 30, 1913, is made available for the fiscal year 1914.

Mr. MANN. Mr. Chairman, I move to strike out the last word. I would like to ask the chairman for what reason this is put under the head of Department of Labor. It is not a branch of the Department of Labor. It is a commission created by Congress and appointed by the President, and ought properly to be under the head of "The President."

Mr. FITZGERALD. The request for the appropriation came from the Secretary of Labor, and he also requested certain control over the appropriation.

Mr. MANN. He was asking for control over the appropriation, but this Commission on Industrial Relations is not under the Department of Labor nor would it be under his control. It is under the control of the President.

Mr. FITZGERALD. It just happened to fit here better than in any other place.

Mr. MANN. And it happens in this way that Congress would indicate that it is under the control of the Department of Labor.

Mr. FITZGERALD. I think not.

Mr. MANN. Anyone who took the bill, knowing how we make up appropriation bills, would come to the conclusion that it was under the Department of Labor.

Mr. FITZGERALD. No; no Member of Congress would be misled.

Mr. MANN. Any man who knows the custom of the committee to segregate items under proper heads would not suppose that a commission under the control of the President was put under the heading of the Department of Labor. He would suppose that it would be put under the head of "The President," where the Civil Service Commission is and other commissions of that sort in appropriation bills. This commission is wholly under the control of the President.

The CHAIRMAN (Mr. Flood of Virginia). The pro forma amendment will be withdrawn, and the Clerk will read.

The Clerk read as follows:

Whenever aliens arriving at any port of the United States are temporarily removed from a vessel in accordance with the provisions of section 16 of the immigration act approved February 20, 1907, the transportation lines which brought them and the masters, owners, agents, and consignees of the vessel on which they arrive shall pay all expenses of such removal and all expenses arising during subsequent detention pending decision of the eligibility of such aliens to enter the United States and until they are either allowed to land or returned to the care of the line or to the vessel which brought them, and such expenses shall include those of maintenance, medical treatment in hospital or elsewhere, burial in the event of death, and charges for transfer to the vessel in the event of deportation, excepting only where such expenses arise under the terms of any of the provisos of section 19 of the said immigration act; and aliens shall not be temporarily removed from any vessel unless the master, owner, agent, or consignee thereof shall guarantee in a manner prescribed by and to the satisfaction of the Secretary of Labor that said expenses will be paid.

Mr. MURDOCK. Mr. Chairman, I want to ask the gentleman from New York if this is not existing law?

Mr. FITZGERALD. It was supposed to be, but Judge Meagher, of New York, very recently handed down a decision holding that the steamships were not liable. It has been the practice right along, and at the request of the department we compel the companies to pay the expenses, as they should.

The Clerk read as follows:

The Superintendent of the Capitol Building and Grounds is authorized to pay, out of the appropriation for Capitol power plant, fiscal year 1913, the sum of \$438, amount of demurrage on shipments of coal for Capitol power plant between the dates February 17 and April 14, 1913.

Mr. MADDEN. Mr. Chairman, I move to strike out the last word in order that I may ask the gentleman from New York a question. How many carloads of coal were involved in this demurrage for which you appropriate the sum of \$438?

Mr. FITZGERALD. I do not remember. What happened was this: Prior to the inauguration, in anticipation of the congested condition of transportation facilities, the Superintendent of the Capitol ordered an additional amount of coal to be delivered. At that time the switch at the Capitol power house was completely occupied and it was impossible to move the cars from the company's switches to our track within the time allowed. I believe there were 90 cars, with demurrage at the regular rates.

Mr. MADDEN. Mr. Chairman, I do not understand the reason why a railroad company should be allowed to charge demurrage because they were not able to place the cars on the switch.

If these switches were occupied by cars that were not being unloaded—

Mr. MANN. Will my colleague yield?

Mr. MADDEN. Yes.

Mr. MANN. I do not know how far this explanation will go, but the Superintendent of the Capitol ordered the coal in connection with the inaugural ceremonies, with the idea that with the large amount of railroad traffic to Washington at the time, the large number of cars that would be on the tracks, that he should get coal in season to be available at that time, and he ordered an extra supply. Otherwise the coal comes and is delivered at the switches down here in regular order so that there is no demurrage. Owing to the way that this coal was ordered, it came in so that there would be no possibility of our being without coal so far as the Capitol Building is concerned at that time.

Mr. MADDEN. The only point about the matter is this: First, do we own the switch, and was the switch occupied by cars of material that we were to unload, or was the switch occupied by cars of the railroad carrying other material, or was it occupied by passenger cars that were held here on account of the expected traffic, due to the inauguration?

Mr. FITZGERALD. Our switch was occupied by coal, to be unloaded at the Capitol power plant, and the number of cars was increased to 90 that week. We could not take care of them on the switch and the charge is for the additional cars. It is the usual charge.

Mr. MADDEN. It is \$1 a day.

Mr. FITZGERALD. And it amounted to this sum of money.

Mr. MADDEN. It seems a large amount of money to pay for demurrage.

Mr. FITZGERALD. I do not know how much they charge.

Mr. MADDEN. They charge \$1 a day. That is the rule of the railroads. They charge a dollar a day for every car occupying the track after 48 hours has elapsed. Every car has 48 hours allowed it, and if it is not unloaded within the 48 hours, demurrage begins at the rate of a dollar a day. If we paid \$438 for demurrage within the space of a single month, there is somebody to blame.

Mr. FITZGERALD. It is between February 17 and April 14.

Mr. MADDEN. That is too much. If we pay \$438 in a year, it is too much.

Mr. MANN. Of course it would be too much under ordinary conditions, but, as I stated, these conditions arose because the Superintendent of the Capitol desired to take no chances of being short of coal at the time of the inauguration ceremonies.

Mr. MADDEN. It does not matter what the cause was. There is negligence somewhere, or extravagance, or bad management. I ship on the average 100 carloads of material every day, and I will take my oath that I have not paid \$438 demurrage in a year or two years, and if the Government of the United States is so negligent in the transaction of its business—

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. MADDEN. Mr. Chairman, I ask unanimous consent to proceed for two minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. MADDEN. If the Government of the United States is so negligent in the transaction of its business that it can afford to pile up \$438 demurrage in 60 days, then somebody ought to be censured for it, and a bill of this kind ought not to be paid.

Mr. CULLOP. Mr. Chairman, will the gentleman yield?

Mr. MADDEN. Yes.

Mr. CULLOP. If these cars were placed on a switch where they could not be unloaded, then they were not available for the emergency for which they had been ordered, and in that event certainly the Government should not pay demurrage.

Mr. MADDEN. Of course not; and what we ought to do is through the proper agents negotiate with the local officials of the railroads to prevent the collection of such a sum of money as this for demurrage. I do not know how much a ton we pay for coal, but whatever the sum is, this demurrage is added to it, and there is no reason on earth that should appeal to anybody why an additional 90 or 100 carloads of coal should be ordered in simply because we were going to have an inauguration for two or three days. If we knew we were going to have a possibility of crowded railroad tracks and that it might not be easy to transfer trains promptly, that information was in our possession three months before the inauguration.

Mr. COX. Why did he not order it sooner?

Mr. MADDEN. That is what I say.

Mr. MANN. Where would you put it?

Mr. MADDEN. Unload it.

Mr. MANN. The gentleman understands that this coal is loaded from the car down here at the steam-power plant into automatic stokers?

Mr. MADDEN. We did not put it anywhere. We just paid demurrage.

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

The Clerk read as follows:

For miscellaneous items and expenses of special and select committees, exclusive of salaries and labor, unless specifically ordered by the House of Representatives, \$60,175.

Mr. MANN. Mr. Chairman, I move to strike out the last word. May I ask—this is for the last fiscal year—how much will this make the total appropriation for the miscellaneous items and expenses of special and select committees, which is commonly called the contingent fund of the House?

Mr. FITZGERALD. This will make \$210,000.

Mr. MANN. That is, I suppose, considerably the largest appropriation that ever has been made in the history of the Government?

Mr. FITZGERALD. No; I would not say that.

Mr. MANN. I think the gentleman will if he will look at it.

Mr. FITZGERALD. In 1905 it was \$170,000.

Mr. MANN. Yes.

Mr. FITZGERALD. In 1900, \$115,000; 1910, \$115,000; in 1911, \$150,000; and in 1912, \$200,000.

Mr. MANN. That is a Democratic administration.

Mr. FITZGERALD. And in 1913 it would be \$210,000.

Mr. MANN. Well, I do not desire to say, "I told you so." I have no desire at all to make useless criticisms of the Democratic side of the House because it apparently has no effect upon you gentlemen who come in with the plea of economy. The contingent fund of the House has constantly increased—

Mr. FITZGERALD. If the gentlemen on that side join with gentlemen on this side in authorizing committees of the House to make certain investigations you must expect to pay for it.

Mr. MANN. Well, but the truth is, we have not usually joined with gentlemen on that side of the House. They have not needed or wanted us. They have an ample number over there to go into this extravagance without our help.

Mr. FITZGERALD. I know, but unfortunately the gentleman from Illinois [Mr. MANN] and the gentleman from Kansas [Mr. MURDOCK] have taken a new tack, and they have voted together to increase items in this bill, and it is because of this new combination working that the amount increases.

Mr. MANN. We acted against that side of the House for the good of the country and have no apology to make for that. Of course, I understand that the Democratic side of the House last Friday endeavored to divide their pork barrel in the House; but, as I say, here is a contingent item making a total of \$210,000. The ordinary appropriation for contingent expenses of the House has usually been \$75,000 a year in a regular appropriation bill. Now, of course, if you need the places, appropriate the money. The \$210,000 was for the last Congress. You have not got your places yet. You are only asking or insisting upon your places now, but mind you, the \$210,000 contingent fund for the last Congress will pale into insignificance when the total appropriations for the contingent fund of this House for this Congress shall be added together. Now, Mr. Chairman, I desire to have read in my time an article from the Star of last Saturday giving and commenting on what took place in the Democratic caucus. I believe authentic, as far as the resolutions are concerned; or I would ask leave to extend my remarks by inserting it.

Mr. FITZGERALD. All right, let it go in.

The CHAIRMAN. The gentleman from Illinois asks unanimous consent to extend his remarks by incorporating in it an article from the Star. Is there objection?

Mr. DONOVAN. Mr. Chairman, reserving the right to object, the gentleman ought to be informed there has been no Democratic caucus held; not any held. I would be surprised to have anyone impose upon him information of that character. No caucus has been held of the Members of the House as yet; not last week or the week before.

Mr. MANN. I do not wonder the gentleman repudiates the caucus.

Mr. DONOVAN. No; there has been no repudiation; there has been none held of Members last week or the week before.

Mr. MURDOCK. What does the gentleman call the meeting the other day?

Mr. DONOVAN. And every able parliamentarian technically knows it. I had no idea such an able and distinguished character as the gentleman from Illinois [Mr. MANN], a Member of this and other Congresses for 20 years or more, should try to im-

pose upon the public news of that character, which will not bear investigation and which is without a particle of truth.

The CHAIRMAN. The time of the gentleman from Illinois [Mr. MANN] has expired.

Mr. MURDOCK. Mr. Chairman, I move to strike out the last two words.

Mr. MANN. Mr. Chairman, I ask for two minutes more.

Mr. FITZGERALD. Does anybody object to the gentleman's request?

The CHAIRMAN. Does the gentleman from Connecticut [Mr. DONOVAN] object to the request of the gentleman from Illinois [Mr. MANN] to extend his remarks in the Record?

Mr. DONOVAN. I object to his extending his remarks. I certainly would object to anyone making a fool of himself. [Laughter.]

The CHAIRMAN. Does the gentleman from Connecticut object to the request?

Mr. MANN. Oh, no; he does not.

The CHAIRMAN. Without objection, the request will be granted.

There was no objection.

Following is the newspaper article referred to:

[From the Washington Evening Star, Sept. 6, 1913.]

REPUBLICANS TO GO, DEMOCRATS DECREE—HOUSE MAJORITY DECIDES IN CAUCUS TO MAKE CLEAN SWEEP OF C. O. P. EMPLOYEES—MEMBERS WANT PLACES FOR MEN OF OWN PARTY—PATRONAGE PIE ABOUT TO BE SLICED SO THAT NEW MEN WILL EACH GET A SHARE.

Democrats of the House woke up this morning with the glorious taste of patronage pie. They had gone to bed last night with large slices of this delicious political pastry in their mouths, figuratively speaking, for, following the long and exciting caucus of yesterday afternoon, when the patronage committee presented its report, the party in power went on record as saying that every job connected with House patronage that can possibly be filled by a Democrat should be given to a Democrat, no matter how long and how faithfully any Republican incumbent has served. The resolution showing the sense of the caucus on that particular point was presented by Representative FRANK CLARK, of Florida, and from within the closed doors of the secret session the loud applause of the pie-hungry Democrats could be heard in vociferous volume.

Many things were done to bring about a clean sweep of employees of the House, wherever it is possible. Colored barbers will probably be taken out of their places and white barbers will be put on their jobs. While this point was being discussed, a southern Member made an impassioned speech in which he said:

"I see many places around this House being held by colored men, and I know they are Republicans, because I never saw a colored Democrat in my life."

OLD EMPLOYEES TO GO.

An attack was made on William R. Woolley, custodian of the House Office Building, and all the Republicans under his charge, and despite the defense of this particular employee, made by Speaker CLARK and Representative FITZGERALD, the caucus broom swept clean, and with the House Office Building Republicans will go George W. Sabine, assistant librarian of the House, an old and experienced Republican employee.

The caucus was called to settle the long-standing grouches of many Members, especially the new men, who have complained bitterly that they have been deprived of their rightful patronage. The matter has been brooding in the House for a long time, and a committee on organization, composed of Representatives HUMPHREYS of Mississippi, COVINGTON of Maryland, and DOREMUS of Michigan, was charged with the responsibility of a plan for dividing up the jobs around the Capitol. That committee worked over the problem a long time and then decided that it would be physically impossible to slice up the jobs so that each man got exactly as much as his neighbor.

RESOLUTIONS FOR CLEAN SWEEP.

Therefore, when the caucus met yesterday afternoon this committee presented the following resolution, which was adopted:

"It is the sense of this caucus that it is neither practicable nor possible so to distribute the patronage of the House as to give to all members of the caucus places of equal importance or salary. The committee on organization should be given broad discretion in the selection of the employees upon whom we must depend for the efficient conduct of the business of the House; and in securing and maintaining this efficiency as a first consideration, as well as for the equitable distribution of the patronage of the House, we must trust to the wisdom and sense of fairness of the committee. No hard and fast rules can be prescribed. Therefore be it

Resolved, That the committee on organization be, and it is hereby, authorized to nominate to the officers of the House all employees not hereafter excepted, and the officers are hereby directed to appoint all and only such employees as may be so nominated to them.

"That said committee shall apportion the patronage of the House among the members of this caucus, having in view, first, the efficiency of the House organization, and, second, the fair distribution of the patronage among the members of the caucus.

"That said committee shall keep a register of all employees of the House appointed or retained by them, which shall show the name of the employee, the position held, the salary paid, and the name of the Member, or Members, if any, to whom each employee is charged. Such register shall be properly indexed and shall at all times be open to inspection by any member of this caucus.

"That employees of the standing committees of the House, the journal clerk, cloakroom men, and the appointees of the Speaker at the desk are excepted from the employees to be apportioned by the committee.

"That all employees appointed by the officers of the House shall be subject to dismissal by the officer making the appointment, the fact that such employee has been appointed in pursuance of a nomination by the committee on organization notwithstanding.

"That chairmen of standing committees of the House, except the committee on mileage, shall not be allotted patronage."

DISAGREES WITH COMMITTEE.

The resolutions had not been read more than a few seconds when Representative WINGO of Texas, a new Member, declared he did not believe in the committee's contention that it would be impossible to divide up the jobs, and challenged the preamble of the resolution, but the committee was upheld after a strenuous word battle. Representative FINLY GRAY, of Indiana, who has been "sore" on the patronage subject for a long time, made a speech that drew the yells from the throats of the newer and hungrier Members. Mr. GRAY said he had been done out of patronage long enough and he wanted to get what was coming to him. He had surrendered his patronage, he explained, in the beginning of the Sixty-second Congress so that E. Stokes Jackson, an Indiana man, could be made Sergeant at Arms. Mr. GRAY did this, he said, simply as an accommodation, and not because Jackson had been of help to him in the campaign.

Mr. Jackson died, and when Representative GRAY tried to get back what he believed was his rightful patronage he was told, "No; you already have had a Sergeant at Arms, and that is enough." "I do not believe in the assumed wisdom of these older Members," said Mr. GRAY. "I think the new men make better Congressmen." "Better not let that remark get back to your district, then," advised a Democrat.

AMENDMENT TO OUST REPUBLICANS.

The sweeping amendment by Representative CLARK of Florida to oust all Republicans must be taken as "the sense of the caucus." It shows the temper of the Democrats, but is not the final action. The amendment was vigorously defended by the author, and reads as follows:

"It is the sense of the caucus that the committee on organization shall not allow any Republican to hold any position which should be included in Democratic patronage, no matter how long he may have served, as we believe a Democrat can be found who is fully capable of discharging the duties of any place in the House organization."

This amendment was adopted, and would oust Custodian Woolley and Assistant Librarian Sabine and other old Republicans. It was sharply combated by Representative FITZGERALD, speaking for Mr. Woolley. Mr. FITZGERALD is a member of the commission of Congressmen in charge of the House Office Building, and he has dealt with Custodian Woolley ever since his appointment, which was made, it was stated, in a nonpartisan manner following Mr. Woolley's position as superintendent of some of the construction work on the building.

Mr. MANN. Now, Mr. Chairman, I ask unanimous consent for two minutes more.

The CHAIRMAN. The gentleman from Illinois [Mr. MANN] asks unanimous consent for two minutes more. Is there objection?

There was no objection.

Mr. MANN. Mr. Chairman, of course, in view of the statement of the distinguished gentleman from Connecticut [Mr. DONOVAN], I beg to say that I am not informed as to how far or to what extent the Democratic caucus was held on last Friday. But on that day the House adjourned before 3 o'clock on the announced statement that the Democrats were to hold a caucus then. If I recollect correctly, I sat in a seat over here—that was last Friday—with a distinguished Senator, who was talking with me about a personal matter, until, looking around, I saw that every eye in the House, almost, was directed at me, the owners evidently wondering why on earth I did not get out. [Laughter.] The distinguished Senator being a Democrat, I suppose he, of course, could have remained. I walked out.

What took place after that I do not know. My friend from Connecticut [Mr. DONOVAN] repudiates it as a caucus; but they looked at me mightily like they were going to caucus. [Laughter.]

Mr. MURDOCK. What does the gentleman from Connecticut call it?

Mr. ADAMSON. Mr. Chairman, I presume that the explanation of the denial offered by the gentleman from Connecticut [Mr. DONOVAN] would be that the caucus was supposed to be secret and confidential, and that anybody who reported anything that occurred in it would violate confidence and therefore was unworthy of belief; and that whatever he said was not true, and therefore there was no caucus. [Laughter.]

But what I desired to say is that I hope the apparent relapse of the gentleman from Kansas [Mr. MURDOCK] into concord with the standpatters, indicated by his accord with the gentleman from Illinois [Mr. MANN], is not chronic, but only intermittent.

Mr. BARTLETT. Spasmodic—

Mr. ADAMSON. Because if it becomes chronic I shall be compelled to lament, in the language of the Scripture, "Ye are fallen from grace." [Laughter.]

Mr. MANN. Yes; and if it becomes chronic, and we stick together, there will not be enough left on your side to make two grease spots. [Laughter and applause on the Republican side.]

Mr. ADAMSON. That is not in the Scripture, nor anything to sustain the idea. [Laughter on the Democratic side.]

Mr. MANN. It is just as truthful as Scripture. [Applause on the Republican side.]

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

To reimburse the official reporters of debates \$490 each and the official stenographers to committees, M. R. Blumenberg, Frank H. Barto, and R. J. Speir, \$205 each for moneys actually expended by them for clerical assistance to August 31, 1913, \$3,555.

Mr. FITZGERALD. Mr. Chairman, I offer the following amendment.

The CHAIRMAN. The gentleman from New York offers an amendment, which the Clerk will report.

The Clerk read as follows:

Page 38, after line 5, insert "For services of substitute telephone operators when required, at \$2.50 per day, fiscal year 1914, \$250."

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from New York.

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk resumed and completed the reading of the bill.

Mr. FITZGERALD. Mr. Chairman, the provision relating to the Commerce Court, on page 20, was passed over.

The CHAIRMAN. The Clerk will read on page 20.

The Clerk read as follows:

Commerce Court: For expenses of the Commerce Court during the first half of the fiscal year 1914, namely: Clerk, at the rate of \$4,000 per annum; deputy clerk, at the rate of \$2,500 per annum; marshal, at the rate of \$3,000 per annum; deputy marshal, at the rate of \$2,500 per annum; for rent of necessary quarters in Washington, D. C., and elsewhere, and furnishing same for the Commerce Court; for books, periodicals, stationery, printing, and binding; for pay of bailiffs and all other necessary employees at the seat of government and elsewhere, not otherwise specifically provided for, and for such other miscellaneous expenses as may be approved by the presiding judge, \$17,500; in all, \$23,500, or so much thereof as may be necessary: *Provided*, That in the event of the enactment of a law discontinuing or abolishing said court, any balance of this appropriation remaining after the date of such abolition shall lapse and be covered into the Treasury.

Mr. FITZGERALD. Mr. Chairman, I ask unanimous consent that this whole matter referring to the Commerce Court be read and considered as one paragraph.

The CHAIRMAN. The gentleman from New York asks unanimous consent that all the matter in the bill referring to the Commerce Court be read and considered as one paragraph. Is there objection?

There was no objection.

The Clerk read as follows:

The Commerce Court, created and established by the act entitled "An act to create a Commerce Court and to amend the act entitled 'An act to regulate commerce,' approved February 4, 1887, as heretofore amended, and for other purposes," approved June 18, 1910, is abolished from and after December 31, 1913, and the jurisdiction vested in said Commerce Court by said act is transferred to and vested in the several district courts of the United States, and all acts or parts of acts in so far as they relate to the establishment of the Commerce Court are repealed.

The venue of any suit hereafter brought to enforce, suspend, or set aside, in whole or in part, any order of the Interstate Commerce Commission shall be in the judicial district where some or all of the transportation covered by the order has either its origin or destination, except that where the order does not relate to transportation the venue shall be in the district where the matter complained of in the petition before the commission arises, and except that where the order does not relate either to transportation or to a matter so complained of before the commission the matter covered by the order shall be deemed to arise in the district where one of the petitioners in court has either its principal office or its principal operating office. In case such transportation relates to a through shipment the term "destination" shall be construed as meaning final destination of such shipment.

The procedure in the district courts in respect to cases of which jurisdiction is conferred upon them by this act shall be the same as that heretofore prevailing in the Commerce Court. The orders, writs, and processes of the district courts may in these cases run, be served, and be returnable anywhere in the United States; and the right of appeal from the district courts in such cases shall be the same as the right of appeal heretofore prevailing under existing law from the Commerce Court. No preliminary injunction, or restraining or stay order, suspending the enforcement, operation, or execution of, or setting aside, in whole or in part, any order made or entered by the Interstate Commerce Commission shall be issued or granted by any district court of the United States, or by any judge thereof, or by any circuit judge acting as district judge, unless the application for the same shall be presented to a circuit or district judge, and shall be heard and determined by three judges, of whom at least one shall be a circuit judge, and unless a majority of said three judges shall concur in granting such application. When such application as aforesaid is presented to a judge he shall immediately call to his assistance to hear and determine the application two other judges. Said application shall not be heard or determined before at least five days' notice of the hearing has been given to the Interstate Commerce Commission, to the Attorney General of the United States, and to such other persons as may be defendants in the suit. The hearing upon such application shall be given precedence, and shall be in every way expedited and be assigned for a hearing at the earliest practicable day after the expiration of the notice hereinbefore provided for. An appeal may be taken direct to the Supreme Court of the United States from the order granting, after notice and hearing, a preliminary injunction, or restraining or stay order, in such case if such appeal be taken within 30 days after such preliminary injunction or restraining order or stay order is granted, and upon the final hearing of any suit brought to suspend or set aside, in whole or in part, any order of said commission the same requirement as to judges and the same procedure as to expedition and appeal shall apply. A final judgment or decree of the district court may be reviewed by the Supreme Court of the United States if appeal to the Supreme Court be taken by an aggrieved party within 60 days after the entry of such final judgment or decree, and such appeals may be taken in like manner as appeals are taken under existing law from the Commerce Court to the Supreme Court. The provisions of this section shall also apply to the issuing and granting of preliminary injunctions and restraining or stay orders suspending the enforcement, operation, or execution of, or

setting aside, orders made by any administrative board or commission created by and acting under the statute of a State. And in such case the notice required shall be served upon the defendants in the case and upon the attorney general of the State. All cases pending in the Commerce Court at the date of the passage of this act shall be deemed pending in and be transferred forthwith to said district courts except cases which may previously have been submitted to that court for final decree. Each of said cases and all the records, papers, and proceedings shall be transferred to the district court wherein it might have been filed at the time it was filed in the Commerce Court if this act had then been in effect; and if it might have been filed in any one of two or more district courts it shall be transferred to that one of said district courts which may be designated by the petitioner or petitioners in said case, or, upon failure of said petitioners to act in the premises within 10 days after the passage of this act, to such one of said district courts as may be designated by the judges of the Commerce Court. The judges of the Commerce Court shall have authority, and are hereby directed, to make any and all orders and to take any other action necessary to transfer as aforesaid the cases and all the records, papers, and proceedings then pending in the Commerce Court to said district courts.

Any case hereafter remanded from the Supreme Court which but for the passage of this act would have been remanded to the Commerce Court shall be remanded to a district court, designated by the Supreme Court, wherein it might have been instituted at the time it was instituted in the Commerce Court if this act had then been in effect, and thereafter such district court shall take all necessary and proper proceedings in such case in accordance with law and such mandate, order, or decree therein as may be made by said Supreme Court.

All laws or parts of laws inconsistent with the foregoing provisions relating to the Commerce Court are repealed.

Mr. FITZGERALD, Mr. CULLOP, and Mr. BROUSSARD rose.

The CHAIRMAN. The Chair recognizes the gentleman from Louisiana.

Mr. BROUSSARD. Mr. Chairman, I make the point of order that this provision is not in order.

Mr. MANN. There is a rule providing that it shall be in order.

Mr. FOSTER. There is a rule making it in order.
Mr. BROUSSARD. I understand there is, Mr. Chairman, but I want to make a point of order beyond the rule.

Mr. FOSTER. I suggest that the gentleman can not do that.

Mr. FITZGERALD. What is the gentleman's point of order?

Mr. MURDOCK. Let the gentleman state his point of order.

Mr. BROUSSARD. I make the point of order that this legislation has not been referred to any committee having authority to legislate upon the question involved in the proposition and that there has been no report from any committee of this House of Representatives warranting the insertion of this legislation in this appropriation bill.

Mr. FITZGERALD. Mr. Chairman, no rule of the House makes that a sufficient ground.

Mr. BROUSSARD. I should like to explain what my proposition is.

The CHAIRMAN. The Chair will hear the gentleman from Louisiana. The Chair thought the gentleman had yielded the floor.

Mr. FITZGERALD. The gentleman has stated the grounds of his point of order. The rule provides that this particular provision will be in order on this bill.

The CHAIRMAN. The Chair will hear the gentleman from Louisiana if he desires to be heard.

Mr. FITZGERALD. I hope the gentleman will not take up much time.

Mr. BROUSSARD. I will only take up a moment.

Mr. MANN. Will the gentleman from Louisiana yield for a question?

Mr. BROUSSARD. Certainly.

Mr. MANN. Is the gentleman familiar with the special rule we adopted the other day, providing that these paragraphs were in order?

Mr. BROUSSARD. I was not here at the time, but have been informed of what that rule is. But "the gentleman from Louisiana" takes the position that there has been no report of any committee having jurisdiction over this subject matter except the Rules Committee, which has jurisdiction to report a bill already reported by the proper committee and to make that in order in a bill wherein it is not permissible to insert it except for the rule.

Mr. MANN. The Committee on Rules may report making a red apple in order on the Clerk's desk, and if the House adopts the rule it is in order, no matter how much it would be out of order otherwise.

Mr. BROUSSARD. That is the gentleman's opinion. I want the ruling of the Chair upon it.

The CHAIRMAN. The Chair will hear the gentleman from Louisiana.

Mr. BROUSSARD. Mr. Chairman, the rules of the House require, not as a matter of permission, but as a matter that is mandatory upon the House, that every bill introduced in this House shall be referred to the committee having jurisdiction of the subject matter of the bill. There has been some controversy as to whether the jurisdiction concerning this particular

bill belongs to one or other of two committees of the House. There has been a report from neither of these committees, and the point of order which I raise is that until there is such a report it is incompetent for the Committee on Rules to authorize the Committee on Appropriations, or for the Committee on Appropriations on its own volition to report any particular bill which is not germane. This is not germane to the appropriation involved. It is not competent for the Rules Committee to bring in a rule without such a report from a committee having jurisdiction of the subject matter.

I should like to refer the Chair to a rule of the House defining the powers of the Rules Committee of the House, and to call attention to the fact that this provision not only violates the rule with reference to the question as to whether it is germane—which violation of the rules, of course, is cured by any special rule—but that without a report from the committee having jurisdiction of the subject matter it is not in the power of the House to act upon it.

In other words, if any committee of the House has reported any particular proposition, germane or not, to any appropriation in this bill, the Rules Committee can make it germane by simply reporting a rule making it in order.

The House has never through any committee considered this matter. It has never vested the Commerce Court jurisdiction in the district courts of the United States until such a committee of the House, either by virtue of the rule itself fixing jurisdiction or by the action of the House committee, referred it to the appropriate committee or to the Rules Committee, and a rule does not lie to permit it to be considered in Committee of the Whole House on the state of the Union, without such report.

I do not want to delay the consideration of this matter, but I would like to refer the chairman of the committee to Rule XI, defining the duties and powers of various committees.

On page 337, Rule XI, it is provided that all proposed legislation shall be referred to committees of the House.

And then follows the various committees and their jurisdiction. The first paragraph of this rule recites that this rule is mandatory upon the Speaker in reference to public bills and upon Members in reference to private bills and petitions under Rule XXII. Not that it is optional with the Speaker; not that the committee has the power to set aside this mandatory rule of the House; but that it shall be mandatory upon the Speaker and upon Members.

The bill abolishing the court was introduced and referred to the Judiciary Committee of this House, but that committee has made no report. Now, when we turn over to page 339, we find this:

On judicial proceedings, civil and criminal law, to the Committee on the Judiciary.

Now, I hold that if that rule is mandatory, any general legislation shall be referred by the Speaker if the bill is about a general law, or by any Member if it is a private bill, it is not proper for the Appropriation Committee to embody it in an appropriation bill, even though backed up by the Rules Committee, because the Rules Committee is powerless to set aside a law of the House. If the bill provided for by the proper committee had been reported to the House by the Judiciary Committee it would have been proper for the Rules Committee to have brought in a rule making that bill in order. But there being no report from the Judiciary Committee, and as this rule is obligatory upon the Speaker and on the House, I claim that my point of order should be sustained.

The CHAIRMAN. The special rule making these paragraphs in order is a sufficient reason for overruling the point of order. It is not a question whether the Rules Committee had a right to report the rule to the House for the House adopted the rule, and the House has a right to suspend any rule that it has adopted and to adopt another in its place, and that is what the House did. The Chair overrules the point of order.

Mr. FITZGERALD. Mr. Chairman, in order to facilitate matters, I ask unanimous consent that this provision be debated for an hour and a half, and that amendments be offered during that time, and at the close of the discussion to vote on the amendment.

Mr. BROUSSARD. How is the time to be divided?

Mr. FITZGERALD. One-half to be controlled by the gentleman from Louisiana, who is opposed to the proposition, and one-half by myself.

Mr. MANN. How much time does the gentleman from Louisiana wish?

Mr. BROUSSARD. I do not want much time, but on the four propositions I think I would like about an hour.

Mr. FITZGERALD. Oh, the gentleman does not want to take an hour.

Mr. BROUSSARD. I should want at least 25 minutes to explain my amendment.

Mr. ADAMSON. Will the gentleman yield?

Mr. FITZGERALD. Yes.

Mr. ADAMSON. If the gentleman's amendment that he speaks of is offered and a point of order disposed of, we might decide more intelligently as to the time wanted.

Mr. FITZGERALD. Oh, I want to complete the bill to-night.

Mr. BROUSSARD. Then I would like 20 minutes.

Mr. FITZGERALD. I have no desire for any time myself.

Mr. BROUSSARD. On the whole, I would like 25 minutes.

Mr. BORLAND. And I would like 15 minutes.

Mr. FITZGERALD. I will take no time myself, I am willing to yield my time.

Mr. BARTLETT. Mr. Chairman, I have an amendment which I propose to offer.

Mr. FITZGERALD. I am trying to find out how much time is wanted on both sides. I suggest that we take an hour and a half in all.

Mr. MANN. As far as the opposition to the bill is concerned, the gentleman from Louisiana is on that side and so am I. I think we will be willing to agree to 45 minutes on this side, of which the gentleman from Louisiana may have 25 minutes.

Mr. FITZGERALD. Yes; and the gentleman from Illinois 20 minutes.

Mr. MURDOCK. I am on the gentleman's side. I am for the abolition of the court.

Mr. FITZGERALD. How much time does the gentleman from Illinois want?

Mr. MANN. I suggest that we take 45 minutes, as far as I am concerned, in opposition, the gentleman from Louisiana [Mr. BROUSSARD] to have 25 minutes, and I to control 20 minutes.

Mr. FITZGERALD. The gentleman from Georgia [Mr. BARTLETT] wishes to offer an amendment.

Mr. BARTLETT. I have an amendment that I desire to present.

Mr. FITZGERALD. Mr. Chairman, I ask unanimous consent that there be an hour and a half of discussion on this provision, that amendments may be offered during that time, and that at the end of an hour and a half a vote be taken on the amendments, the gentleman from Louisiana [Mr. BROUSSARD] to control 25 minutes, and the gentleman from Illinois 20 minutes, and I 45 minutes.

Mr. ADAMSON. Mr. Chairman, reserving the right to object, if I correctly apprehend the substance of the amendment proposed by the gentleman from Louisiana [Mr. BROUSSARD], if it should not be ruled out of order on a point of order, I might desire 10 or 15 minutes in which to reply to that proposition.

Mr. MANN. But the gentleman could get that on the point of order.

Mr. MURDOCK. Mr. Chairman, I would like to have the gentleman from New York yield me some of his time. I shall have to get it from him.

Mr. FITZGERALD. Yes.

Mr. BORLAND. Mr. Chairman, reserving the right to object, the gentleman from Louisiana proposes to offer an amendment giving shippers a right of appeal, which I intend to favor, and I would like to have 15 minutes on that.

Mr. FITZGERALD. I can not consent to 15 minutes for one gentleman upon this matter.

Mr. BORLAND. Then I shall have to object.

Mr. FITZGERALD. I can do the other thing. I can have the amendments offered and close debate on the amendments in much shorter time.

The CHAIRMAN. The gentleman from New York asks unanimous consent that debate on this provision be limited to one hour and a half, 25 minutes to be controlled by the gentleman from Louisiana [Mr. BROUSSARD], 20 minutes by the gentleman from Illinois [Mr. MANN], and 45 minutes by himself, that during that time amendments be offered, and that at the end of that time the amendments be voted on. Is there objection?

Mr. BORLAND. Mr. Chairman, I object.

Mr. BARTLETT. Mr. Chairman, I have an amendment which I desire to offer.

Mr. FITZGERALD. Mr. Chairman, I intend to close debate on this amendment and all amendments.

Mr. ADAMSON. Mr. Chairman, I ask as a compromise that 1 hour and 40 minutes of debate be allowed.

Mr. FITZGERALD. I am willing to consent to that. The gentleman from Missouri [Mr. BORLAND] is opposed to the abolition of the court, I understand?

Mr. MANN. Oh, no; I think not. I think nobody knows how the gentleman stands. He is straddling it.

Mr. ADAMSON. Mr. Chairman, I ask that my proposition be submitted, compromising on 1 hour and 40 minutes.

The CHAIRMAN. What is to be done with the additional 10 minutes?

Mr. FITZGERALD. Mr. Chairman, I suggest that the Chair control the time.

Mr. MANN. We can not make that arrangement, because the gentleman from Louisiana [Mr. BROUSSARD] desires more time than five minutes.

Mr. FITZGERALD. He is in opposition, and ought to be given more time.

Mr. MANN. I am perfectly willing to give it to him, but he could not have it if the Chair controlled the time.

Mr. ADAMSON. Make it an hour and 50 minutes.

Mr. MANN. I do not think that all of the time should be given to that side of the House, which favors the abolition of the court.

Mr. FITZGERALD. Is the gentleman opposed to the provision in the bill?

Mr. MANN. Why does not the gentleman ask me if I am living? I have opposed the abolition of the court a number of times.

The CHAIRMAN. The Chair will put the request as made by the gentleman from Georgia, that debate on the provision be limited to an hour and 40 minutes—25 minutes to be controlled by the gentleman from Louisiana [Mr. BROUSSARD], 30 minutes by the gentleman from Illinois [Mr. MANN], and 45 minutes by the gentleman from New York [Mr. FITZGERALD]. Is there objection? [After a pause.] The Chair hears no objection.

Mr. BROUSSARD. One moment, Mr. Chairman.

Mr. FITZGERALD. Mr. Chairman, the Chair has not accounted for all of the time.

Mr. ADAMSON. I want the gentleman from New York to have as much as the other side.

Mr. FITZGERALD. I do not think that I should be deprived of any of my time.

Mr. ADAMSON. I want an equal division of the hour and 40 minutes.

Mr. MANN. I will yield 10 minutes to the gentleman from Missouri [Mr. BORLAND].

Mr. ADAMSON. There would be one easy way out of this and that would be for the gentleman from Missouri [Mr. BORLAND] to speak five minutes on each side. [Laughter.]

Mr. BORLAND. I do not know but what I can accommodate the gentleman from Georgia.

Mr. FITZGERALD. I ask the Chair to submit the request to see if there is objection.

Mr. MANN. It has not been objected to.

The CHAIRMAN. That gives the gentleman from Illinois [Mr. MANN] 30 minutes, of which he is to yield 10 minutes to the gentleman from Missouri [Mr. BORLAND].

Mr. MANN. I do not want that in the request.

The CHAIRMAN. The request is that debate be limited to 1 hour and 40 minutes, 25 minutes to be controlled by the gentleman from Louisiana, 30 minutes by the gentleman from Illinois, and 45 minutes by the gentleman from New York. Is there objection? [After a pause.] The Chair hears none, and it is so ordered.

Mr. FITZGERALD. And during that time amendments may be offered and voted on at the conclusion of the discussion.

The CHAIRMAN. The Chair understood that to be included in the request.

Mr. MANN. Of the 30 minutes allotted to me I now yield 10 minutes to the gentleman from Missouri [Mr. BORLAND], to be occupied by him when he gets the floor.

The CHAIRMAN. The gentleman from Georgia now offers an amendment.

Mr. CULLOP. I ask that the amendment of the gentleman from Georgia be reported.

The CHAIRMAN. Does the gentleman from Georgia desire now to have his amendment reported?

Mr. BARTLETT. I do.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amend by adding, on page 21, in line 15, after the word "repealed," the following: "The five additional circuit judgeships provided for by the act of Congress approved June 18, 1910, and by chapter 9 of the act entitled 'An act to codify, revise, and amend the laws relating to the judiciary,' approved March 3, 1911, are hereby abolished and the authority in said acts of Congress for the President, by and with the advice and consent of the Senate, to appoint 5 additional circuit judges is hereby repealed, the number of circuit judges is hereby reduced to 29. So much of the act of June 18, 1910, and of March 3, 1911, as

authorizes or directs the said 5 judges to preside in the circuit or district courts of the United States or in the circuit courts of appeals or to exercise any of the powers, duties, or authority of circuit or district judges or of said circuit or district courts or of said circuit courts of appeals is hereby repealed."

Mr. MANN. Mr. Chairman—

The CHAIRMAN. For what purpose does the gentleman from Illinois rise?

Mr. MANN. To offer an amendment.

Mr. FOSTER. Mr. Chairman, I reserve a point of order.

The CHAIRMAN. The gentleman from Illinois reserves a point of order on the amendment offered by the gentleman from Georgia.

Mr. FITZGERALD. Mr. Chairman, I ask for a ruling on the amendment. I do not want time wasted if it is in order.

The CHAIRMAN. What is the point of order?

Mr. FOSTER. The point of order is that this amendment offered by the gentleman from Georgia is not germane to this particular section, because this deals with the court and not with these particular judges. Then another is that this amendment changes the law as it now exists with reference to these judges and is not germane as to this paragraph.

Mr. BARTLETT. Mr. Chairman, in reply to that, if it needs reply—

Mr. FOSTER. And further, that the judges are independent of the court and are only designated as Commerce Court judges temporarily as circuit judges of the United States.

Mr. BARTLETT. Mr. Chairman, this is germane to this particular section because it proposes to repeal the act itself. The paragraph commencing in line 4 and ending in line 15 itself repeals. It repeals part of an act which this paragraph itself repeals the law establishing the court. If you will examine the law, the establishment of the court and the appointment of the judges is under paragraphs 1 and 2 of the act of 1910, and it goes further than that and repeals the law as contained in the judiciary act of 1911. So it is germane to this particular section. It can not be said not to be in order because it changes existing law, because the whole paragraph and the whole section about the Commerce Court itself changes existing law and is made in order upon this bill. The rule that reported this amendment which made it not subject to the point of order provided that you should not offer an amendment to the site-agents section of the amendment, but it did not say you should not offer an amendment to this part of it, and the debate upon the rule will show that I inquired of the gentleman from Georgia [Mr. HARDWICK] when he was presenting the rule if it was the intention of the committee to prevent amendments to this paragraph, and he said not. Now, the rule is well established that when there is a bill which would change existing law and the bill is made in order that amendments to it which change existing law are not subject to the point of order, and I apprehend the Chair will not at this time undertake to determine whether this is a valid amendment in law that we propose to pass, whether it is subject to the point of order as not being germane to this section.

Mr. MANN. Mr. Chairman, I would like to be heard on the point of order.

Mr. Chairman, the amendment is so clearly subject to a point of order that I would like to call the attention of the Chair to the situation. Any germane amendment to this paragraph is in order, the paragraph itself having been made in order; but the paragraph is to be treated as though, being subject to a point of order, no point of order had been made to it. The amendment would have to be germane to the provision.

Now, would the Chair or anyone else think that it was germane to this provision to abolish all the circuit judges of the United States? There is no provision in here for abolishing a judge.

Now, is it germane to provide for the abolition of all the circuit judges of the United States? Yet the gentleman from Georgia [Mr. BARTLETT] offers an amendment fixing the number of circuit judges hereafter at 29. His amendment, if it is permitted to go in, is plainly subject to amendment. You could reduce the 29 to 1 or to a cipher if you wished to, because if his amendment is in order an amendment to that is in order, fixing the number different from the number he has indicated.

It is not in order on this bill, on this proposition, to change the number of circuit judges or to abolish the circuit judges or to fix the number of circuit judges. It might be as easily claimed, if the gentleman from Georgia can offer his amendment, that we might increase the number of circuit judges to 39. The gentleman proposes to reduce the number from 34 to 29. It is germane to his proposition to increase the number from 29 to 39. Yet no one would claim that upon the consideration of the bill to abolish the Commerce Court it was a germane amendment

to increase the number of circuit judges in the United States by 5. There is no escape from the logic of that.

Mr. CULLOP rose.

The CHAIRMAN. For what purpose does the gentleman from Indiana rise?

Mr. CULLOP. I desire to address myself to the point of order.

I submit, Mr. Chairman, that the point of order is well taken; that the amendment is out of order, and does not come within the purview of the special rule that enables new legislation to be carried in this bill.

That rule was directed only to legislation abolishing the Commerce Court. These judges exist by virtue of law irrespective of the Commerce Court, and they are a part of the Federal judiciary of the country. They are only selected or transferred by the President for the purpose of holding the Commerce Court while the Commerce Court law remains in force and on the statute book.

But this amendment to abolish the five judges created by the statute does not come within the application of this rule at all, and is not covered by it. The attempt made here to add an amendment abolishing five of the judges of the Federal court is clearly out of order, and is not within the provisions of the rule in any respect whatever. This amendment is in direct conflict with article 3, section 1, of the Federal Constitution, and would be invalid if adopted. The special rule adopted permits legislation in this bill abolishing the Commerce Court, but it does not provide for legislation abolishing the offices of five circuit judges. Because these five circuit judges hold the Commerce Court is no reason for the abolishing of their offices. That could not be done even if authorized by the special rule. I respectfully submit the point of order made against the amendment is well taken and ought to be sustained.

Mr. FOSTER. Just a moment, Mr. Chairman. I think if the Chair will make the distinction which exists in reference to these judges in connection with the court he will see that these judges are not created especially for the Commerce Court, but are designated from the circuits, I think by the Supreme Court, one each year, to act as Commerce Court judges, so that when the Commerce Court is abolished these circuit court judges go back to their circuits. The distinction ought to be understood—that they are not Commerce Court judges, but circuit court judges of the United States.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. FOSTER. Yes.

Mr. MURDOCK. How many circuit judges were there before the Commerce Court was created?

Mr. BARTLETT. Forty-two, I believe.

Mr. MURDOCK. Twenty-nine.

Mr. BARTLETT. Yes; twenty-nine.

Mr. MURDOCK. And when the Commerce Court was created there were 34. Now, when the Commerce Court is abolished, there ought to be 29 again. These men are not going back to their circuits. There are no circuits for them.

Mr. FOSTER. There is an attempt to create additional circuits and there are places where they now act.

Mr. MURDOCK. That might be true.

Mr. FOSTER. And there might be use for them at another time. But I think the Chair will recognize that these are not specially Commerce Court judges, but they are judges of the United States circuit courts, designated for a time temporarily to act as Commerce Court judges.

Mr. BARTLETT. Mr. Chairman, just a suggestion. I beg to suggest to the Chair that this amendment does come within the rule. It abolishes offices, reduces expenditures, and repeals the law creating the new offices; and therefore it comes within the Holman rule requirement of reducing expenditures.

Besides, Mr. Chairman, the amendment proposes to repeal the law which creates these judges. This provision repeals the court, and it simply extends the appeal to the office as well as to the court.

The CHAIRMAN. The Chair thinks the amendment is germane.

Mr. ADAMSON. Mr. Chairman, I would be glad to be heard against that proposition for a moment.

The CHAIRMAN. The Chair is ready to rule.

Mr. ADAMSON. I do not think the Chair's ruling will be the correct ruling in that case, and I want to call the Chair's attention to a distinction, though I may be infelicitous in the use of language.

The act of 1910 created a Commerce Court. In the paragraph creating it, defining its powers and duties, it did not undertake to put judges on it, but in a subsequent paragraph it was pro-

vided that circuit judges should preside in that court, and while the President is authorized to appoint five other circuit judges, the five named became part of the general body of circuit judges.

The body of circuit judges was increased by those five. The Commerce Court itself is an entirely distinct and independent creation from the judiciary body of circuit judges. The court can be abolished without interfering at all with the judges, because the law itself provides for them to go back to their circuits, as each one serves his turn on the Commerce Court, and resume the circuit work. It is not germane to a proposition to abolish a court, which is independent in itself, to attempt to reform and modify the judicial system of the United States. It is not germane to a proposition to abolish this court to say that circuit judges who have been designated to serve upon it shall also be recalled when their office and life tenure as circuit judges are entirely independent of the Commerce Court.

The CHAIRMAN. The Chair thinks that under the Holman rule this amendment is germane.

Mr. BARTLETT. Mr. Chairman, I voted against the establishment of the Commerce Court. In company with my friend and colleague from Georgia [Mr. ADAMSON], Judge RICHARDSON, of Alabama, and Mr. PETERS of Massachusetts, a minority report was made against the establishment of this court and the creation of these offices. I have voted in this House on several occasions to abolish the court. I think it was an unnecessary creation of a useless court. When the decisions of that court first came to be considered by the greatest court on the face of the earth, the Supreme Court of the United States, that court reversed them because they set themselves up to destroy the policy of Congress in enacting the interstate-commerce law.

In the case of *Procter & Gamble v. United States* (225 U. S., 282, 294, 295, 298) the Supreme Court reversed the decision of the Court of Commerce (188 Fed., 221), holding that the court had jurisdiction to grant relief from an order of the Interstate Commerce Commission refusing to award the relief sought, on the ground that the jurisdiction conferred by clause "second," section 207, of this code, "to enjoin, set aside, annul, or suspend in whole or in part any order of the Interstate Commerce Commission," applied only to affirmative orders of the commission. Mr. Chief Justice White said:

It can not be disputed that the act creating the Commerce Court was intended to be but a part of the existing system for the regulation of interstate commerce which was established by virtue of the original adoption in 1887 of the act to regulate commerce, and which was expanded by the repeated amendments of that act which followed, developed in practical execution by the rulings of the body (Interstate Commerce Commission), upon whom was cast the administrative enforcement of the act, the whole elucidated and sanctioned by a long line of decisions of this court. That in adopting the provisions concerning the Commerce Court and making it part of the system, it was not intended to destroy the existing machinery or method of regulation, but to cause it to be more efficient by affording a more harmonious means for securing the judicial enforcement of the act to regulate commerce is certain. The first six sections, which called into being the Commerce Court and defined its powers all demonstrate the purpose as above stated; that is, to adjust the powers and duties of the newly created court in such manner as to cause them to accord with the system of regulation provided by the act to regulate commerce as it then existed. It is impossible, we think, in reason, to give to the act creating the Commerce Court the meaning affixed to it by the court below, since to do so would be virtually to overthrow the entire system which had arisen from the adoption and enforcement of the act to regulate commerce.

I have not the time to enter into a legal argument as to the right of Congress to abolish the office of judge created by act of Congress. It is true that these judges after being appointed hold their office during good behavior; but as a lawyer I maintain the proposition that when you create an office, and that office is filled by appointment as provided by the Constitution, if you take away the office the whole superstructure falls. No judge can hold an office when the power that creates the office takes the office away.

When Adams went out of office on the 4th of March, 1801, he appointed what were called the "midnight judges," who were commissioned as circuit judges. When Jefferson came in, answering the demands of the people, he had Congress repeal the law that created those seven circuit judges, who had their commissions in their pockets. Jefferson restored the old judicial system of district judges, requiring the Supreme Court judges to sit as circuit judges, and those seven circuit judges appointed by Adams were turned out of office, and they never had the effrontery to appeal to Congress to pay their salaries. It was such a well-accepted doctrine that it never was questioned; and I, as a representative of the people, stand here to assert that no judge, and no other officer who draws his power to hold an office from an act of Congress, can become greater than the

creator and hold that office in spite of the will of Congress. We are repealing the law that creates this court. Let us at the same time repeal the act that creates the office of judge, take away the power of the judge to hold office, and let the courts settle the question. As a lawyer, after some investigation which I have not the time to state to the House now, I have not the slightest doubt that if we enact this amendment and repeal the act that creates the office of judge, repeal the act to establish the court, the court will go, the office of judge will go, and the judges themselves will go. Either that, or else we have arrived at that stage in the history of this Republic where an officeholder created by act of Congress is greater than the creator of the office—the Congress itself. For myself I am willing to vote to abolish this court, but I think we should follow it with this amendment that not only strikes the court from the statute book, but takes away from the judge whose office was created by this act the right to continue longer in office. [Applause.]

Mr. FITZGERALD. I yield to the gentleman from Kansas [Mr. MURDOCK] 10 minutes.

Mr. MURDOCK. Five minutes will be enough.

Mr. MANN. The gentleman might take the 10 minutes and reserve 5.

Mr. MURDOCK. I will take the 10 minutes and reserve 5.

Mr. FITZGERALD. I will only give the gentleman five minutes.

Mr. MURDOCK. Mr. Chairman, I favor the proposition in the bill which abolishes the Commerce Court, and I also favor the amendment which has been offered by the gentleman from Georgia [Mr. BARTLETT] which does away with the five judgeships. It must be that Congress is not helpless in a matter of this kind. When the Commerce Court was created we created along with it 5 circuit judges. Previous to that there had been 29 circuit judges in this country. The additional 5 created made the number 34. Now, the court itself is to pass, and when the court passes these 5 additional and unnecessary judgeships should pass with it. I particularly favor the abolishment of the Commerce Court, because I believe that it was not only useless but that its creation has tended to defeat justice in the matter of the regulation of railroad rates. The Interstate Commerce Commission was created largely because of delay which met the shipper when he sought redress in the courts.

The Interstate Commerce Commission, a legislative creature, in its development through the years met with many obstacles in judicial limitations, and finally the special Commerce Court was established, created when Congress was really not inclined to create it, but because political powers forced the new court on Congress. When the new Court of Commerce was created it began to arrogate to itself powers which belonged to the Interstate Commerce Commission.

In one notable case in its short history the court took upon itself the right to review the administrative judgment of the Interstate Commerce Commission. The case came about through a complaint before the commission by Procter & Gamble, manufacturers in Cincinnati, who claimed that a railroad did not have a right to charge demurrage on a private car held on a private track and not unloaded.

The Interstate Commerce Commission acting in its administrative capacity, and entirely within its rights, held that the railroad rule should stand; that is, decided against Procter & Gamble. That should have settled the matter; that should have been final. The Interstate Commerce Commission was created for making just such decisions final as the one which resulted from this dispute between Procter & Gamble and the railroad. The original idea was to bring speedy relief in a controverted matter without recourse to the courts. But this new Commerce Court in its very beginning showed its disposition to go beyond its powers and take commission jurisdiction away.

Mr. BROUSSARD. Will the gentleman yield?

Mr. MURDOCK. Yes.

Mr. BROUSSARD. Did not the Commerce Court uphold the decision of the Interstate Commerce Commission?

Mr. MURDOCK. It did; but it went beyond its province. I agree that the Commerce Court upheld the Interstate Commerce Commission, but when the Commerce Court did that it went beyond its jurisdiction; it was reviewing the administrative judgment of the Interstate Commerce Commission, a thing it did not have the right to do, and the Supreme Court of the United States so held.

Mr. BARTLETT. The gentleman will find that decision in my remarks.

Mr. MURDOCK. There is no disagreement between myself and the gentleman from Georgia and the gentleman from

Louisiana. I am stating the fact—that the new Commerce Court arrogated to itself powers that it did not have.

Mr. BARTLETT. And undertook to destroy the powers of the Interstate Commerce Commission.

Mr. MURDOCK. I hope that the Commerce Court will be abolished. This is not the only time that it went beyond its jurisdiction, and if it is continued it will undoubtedly continue to do so in the future.

Mr. BROUSSARD. Mr. Chairman, do I understand that under the agreement all the amendments are to be offered now?

Mr. FITZGERALD. The gentleman has 25 minutes in which he can offer all the amendments he pleases.

Mr. MANN. Mr. Chairman, I desire to submit an amendment to be pending. The amendment is to strike out the entire paragraph.

The CHAIRMAN. Does the gentleman desire to be heard on it now?

Mr. MANN. Not at present; I want the amendment pending.

Mr. BROUSSARD. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 21, line 13, after the words "United States," strike out the comma and insert a period, and add the following words:

"The several district courts of the United States shall also have jurisdiction over the cases brought to correct any error of law made by the Interstate Commerce Commission in granting the rights and granting relief in any proceeding before said commission."

Mr. SIMS. Mr. Chairman, I make the point of order against the amendment.

The CHAIRMAN. What is the gentleman's point of order?

Mr. SIMS. The point of order is that it is not germane to the provisions of the bill which are made in order by a special rule. The provisions of the bill provide for two things—first, the abolition of the court, and second, vesting the jurisdiction from now on in the district court. Those are the two purposes of the legislation, and any amendment that follows this purpose is germane, but an amendment that is offered to increase or decrease the powers of the Commerce Court is not germane, or any amendment that increases jurisdiction of the court is not germane. The amendment proposes to give appeals to the courts from what is called negative orders of the commission, or, rather, no orders, and that is legislation on the powers of the commission which is not embraced within the legislation in the appropriation bill made in order under the special rule.

The CHAIRMAN. Does the gentleman from Louisiana desire to be heard?

Mr. BROUSSARD. I do, unless the Chair is ready to overrule my point of order.

I desire to present this proposition to the House: There has been a whole lot said here about the Commerce Court overriding the Interstate Commerce Commission. The fact of it is that Congress has never been willing to permit the poor shipper anywhere in this land to appear before this court. We have sought here to give him that right, and it is germane to the jurisdiction that some are now seeking to abolish, to give that jurisdiction to the district courts of the country, so that, as my friend from Kansas [Mr. MURDOCK] says, when the commission seeks to override the shipper in favor of the railroads the shipper may have a chance to go into the district court and present his case.

Mr. MURDOCK. Mr. Chairman, I think the gentleman does not intend to misstate my proposition.

Mr. BROUSSARD. No; but the gentleman will have a chance, because I propose to offer another amendment.

Mr. Sisson. Mr. Chairman, I rise to a point of order. I want to know whether the gentleman from Louisiana is now consuming a portion of his time or debating the point of order?

Mr. BROUSSARD. I am debating the point of order.

Mr. Sisson. Then, Mr. Chairman, I make the point of order that the gentleman is not talking to the point of order, because the committee has endeavored to limit debate upon this question to an hour and 45 minutes. I have no objection to the gentleman discussing the point of order.

The CHAIRMAN. The point of order is well taken.

Mr. BROUSSARD. I think the amendment is germane. The provision in the pending bill seeks to take jurisdiction from one court and vest it into several courts. I think that this matter is subject to amendment upon the floor of the House or in this committee of the House, and that is exactly what I seek to do by my amendment.

I seek to extend the jurisdiction of the United States district courts, just as the Rules Committee, under the provision fixed in this bill, proposes to extend the jurisdiction of those courts. It is proposed in this bill to take the jurisdiction which belongs somewhere and vest it in several other courts elsewhere in the Nation. If that is true, which we all know is true, why is it

not competent under the rule to go a little further and extend that jurisdiction to other courts upon a question absolutely germane to the particular jurisdiction recited in the bill? If the Commerce Court is abolished, the district courts have, under this bill, jurisdiction over every affirmative order of the commission whenever it may please the railroads to apply to any district court in the United States. If that jurisdiction is extended to the district courts, in favor of the railroads, why can it not be extended to shippers when the commission decides against them? And the question being so germane, I submit to the Chairman that the ruling just made by the Chairman with regard to the amendment of the gentleman from Georgia applies with greater force in this case than in the case of the gentleman from Georgia [Mr. BARTLETT].

Mr. FITZGERALD. Mr. Chairman, this provision does two things. It purports to abolish the Commerce Court and it purports to make provision for the litigation over which that court now has jurisdiction. It does not give any new right to any parties. The amendment of the gentleman from Louisiana proposes to extend the rights which are not now in existence, under the law, and it seems to me there is quite a distinction and that it is not germane. I ask for a ruling.

The CHAIRMAN. While the Chair is in some doubt, he believes the amendment to be germane, and overrules the point of order.

Mr. BROUSSARD. Mr. Chairman, I can now yield to the gentleman from Missouri [Mr. BORLAND] if he desires to discuss the amendment. This amendment is a bill that was introduced by him in the last Congress and unanimously reported by the Committee on the Judiciary.

Mr. FITZGERALD. He has 10 minutes. The gentleman from Illinois gave him 10 minutes.

Mr. BORLAND. I will ask the gentleman from Illinois to yield me 10 minutes of his time.

Mr. MANN. I yielded the gentleman 10 minutes a while ago.

The CHAIRMAN. The gentleman from Missouri is recognized for 10 minutes.

Mr. BORLAND. Mr. Chairman, this amendment is the exact wording and substance of a bill that was introduced by me in the Sixty-second Congress and referred to the Committee on the Judiciary, considered by that committee in full hearing, and reported by the committee in report No. 1012 of the Sixty-second Congress, second session. So that it is not a new proposition at all. It has been before a committee of this House, clothed with ample jurisdiction to consider it, and has been considered and favorably reported by that committee. The question is what it seeks to do. It is very brief in its language. It says that the district courts shall have the jurisdiction in cases to correct any error of law made by the Interstate Commerce Commission in granting or refusing to grant relief in any proceedings before said commission.

In the present condition of the law the shippers have not an equal chance with the railroads in reviewing the action of the Interstate Commerce Commission. This amendment is designed to put the shippers on an equal footing with the railroads.

The condition of the law as decided by the Supreme Court of the United States in the Procter & Gamble case was that if the shippers applied to the commission for relief from certain practices of the railroads, certain conditions of service, certain charges which were imposed upon traffic, or a division of earnings or any other proposition, and upon presentation of their case to the commission it was decided that the case did not come within the letter of the interstate-commerce act, the shippers could not have any relief under the law. The order of the commission was said to be a negative order, and, even though based on an erroneous view of the law, was not reviewable. The shippers then were foreclosed from any other action. But take the other side of the proposition. If the Interstate Commerce Commission decided upon the same state of facts that the interstate-commerce law did cover the case, and did give the shippers relief, and ordered the railroad to cease the practices in which they were engaged or abate the charges which they were making against the shippers, then the railroads have unlimited power of appeal. That was the difference between an affirmative order which was made against the railroad and a negative order which was made against the shippers on the same state of facts, on the same points of law, the point of law being whether the act complained of came within the wording of the interstate-commerce law. Now, we say that the shippers should have the same right to an appeal to the courts on points of law that the railroads have. Every man here concedes and has conceded in all these arguments and hearings that the right of appeal of the railroads can not be taken away. The railroads now have a right of appeal to the courts in three cases, as stated in these hearings. First, confiscation. If the

order made by the Interstate Commerce Commission be confiscatory of the railroad company's property. That, they say, is a constitutional right which can not be taken away. We do not want to take it away. Second, an error of law. The railroads have a right to appeal, the Interstate Commerce Commission says, not only on confiscation, but on errors of law. Third, arbitrary and unwarranted action; that is, if the Interstate Commerce Commission exceeds its power, even in a case where it has jurisdiction.

In those three cases—confiscation, errors of law, arbitrary and unwarranted action—the railroads have full right of appeal. In those three cases the shipper has no right of appeal. In the first place, the shipper can not prove a case of confiscation of his business against a common carrier. As to the other two cases, errors of law will exist in many cases, or arbitrary or unwarranted action may possibly exist; in those two cases the shippers ought to be on precisely the same basis as the common carrier. This amendment does not say anything about arbitrary or unwarranted action, because we are not assuming that the Interstate Commerce Commission is going to be prejudiced against the shippers. The railroads have the right to appeal on unwarranted and arbitrary action, but our amendment goes only to one of those three cases in which it is conceded the railroads have the right of appeal. We ask that the shippers be given the right of appeal on errors of law made by the commission. This is not a question relating solely to any special line of business. There will be a good deal of opposition by members of the Interstate Commerce Committee of this House on the ground that this is some kind of a special privilege applying to a special class of industry. Now, every industry in the United States is a special industry as far as that is concerned. The lumber business is a special industry. Of course, the soap industry of Procter & Gamble is a special kind of industry and business. Each industry raises a special question for the consideration of the Interstate Commerce Commission, but this law is not directed to any special line of business. It is particularly applicable, however, to the lumber business of the great Southwest—Missouri, Kansas, Arkansas, Texas, and Louisiana.

The lumber business is one of the most important lines of industry for the development of the Southwest. It is the great pioneer in opening up the country. It is a highly competitive business. Lumber can not be gotten out to market unless the millman has a little lumber road to take his product down to the trunk-line railroad. The millman has to build that little road himself. He goes back into the country 50 or 100 miles from a railroad and sets up his little sawmill. He begins to develop the country and get out lumber. Throughout all the Southwest there is a blanket rate on lumber to the basic point on the Mississippi River. Mills located on the trunk-line railroads or within switch limits therefore get the benefit of that rate, but mills located back in the country are largely at the mercy of the trunk-line roads as to what allowance they would get for bringing the lumber down. This is a most unfortunate condition of affairs, so far as the business interests of the Southwest are concerned. I plead very earnestly for fair treatment and an equal show for all business men, big and little, in these transportation matters.

The railroads are bitterly opposing this change. They have no right to do so, for they should have no special privilege that is not given to the shippers.

Many good men have been misled by the false clamor that has been raised about this bill.

It was first said that it applied only to a special line of cases—the tap-line cases. This is not true, because the Interstate Commerce Commission changed the form of its ruling in the tap-line cases from a negative order to an affirmative order. Thereupon the tap-line cases were taken into court, where they are now. This shows that the bill did not have for its sole purpose enabling the tap-line cases to get a trial.

It was said also that this would enlarge the rights of the railroads to appeal. Such a thing is clearly impossible, for the railroads have almost unlimited rights in that direction now. It is the shipper who has no right of appeal, and the railroads do not want him to have. It was said, also, with more noise than truth, this was an attempt to destroy the Interstate Commerce Commission. Instead of being an attempt to destroy, it is an attempt to perfect that system. I believe strongly in the strict regulation of railroads, and I believe the Interstate Commerce Commission is a splendid thing. It ought to be upheld and sustained, but its benefits ought to be made as equal as possible. I maintain, without fear of successful contradiction, that most of the railroad legislation and decisions of the past 20 years have been a direct aid to the railroads.

I come from a great railroad center and know something about the matter. The truth is that the railroads are getting

more clear money out of their business to-day than ever before in their history. Twenty years ago they were giving rebates right and left to all big shippers. A man would hardly ship a carload of freight without asking for and getting a special rate. The railroads seldom collected tariff on anything. Now they get full tariff on everything, which is clear gain for the railroads. The railroads used to employ an army of traffic agents, soliciting freight agents, and so forth, with fine offices and big expense accounts, to get business. Now all that has ceased. They used to give passes right and left. Hardly a respectable white man wanted to pay fare. A man felt cheap if he could not get a pass. Cut-rate tickets were openly sold at the broker's offices. Now all this is changed. Everybody pays fare; even the politicians. This is all right, but the railroads are winners to that extent. They even charge now for excess baggage.

All these abuses were properly corrected, but the reforms put money in the pockets of the railroads. This saving ought to come back to the people by a general reduction of freight rates, but it has not done so. When the railroads stop paying rebates to the big shippers, then the little shippers ought to get some reduction in the general tariff rates, but they did not get any reduction. The railroads simply pocketed the winnings. I am glad to see the railroads prosper, but my main interest is to see that the shippers get not only uniform rates but as low rates as possible. It makes a big difference to a business community that is as far from the seaboard as Kansas City.

This bill has been indorsed practically by every commercial body in the United States. It has been indorsed by every city big enough to have a traffic bureau maintained by the shippers instead of by the railroads. There is not a city big enough to have a traffic bureau of its own that has not indorsed this legislation. I think that statement can be made almost without exception, and nearly every board of trade, nearly every business club, nearly every business association in the South and Southwest has asked to be put on the same basis as the railroads.

The great main point is that the railroads to-day are the ones that have the power of appeal, and use the power of appeal, and use it to the Commerce Court, to the district court, to the Supreme Court, to any court. When you present the question to your body of shippers and say, "Gentlemen, you have the right to petition the Interstate Commerce Commission in regard to these terminal charges, or bridge charges, or whatever they may be, but if the Interstate Commerce Commission says it does not come within the purview of the interstate-commerce law, then, gentlemen, you are out of court. If they say it does come within the jurisdiction of the Interstate Commerce Commission, then, if they are wrong in that decision, the railroads could have appealed." This is not equality for the shippers. [Applause.]

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. BROUSSARD. Mr. Chairman, I have some amendments I want to offer. This first amendment is contingent upon the defeat of the amendment introduced by the gentleman from Missouri [Mr. BORLAND], and inasmuch as it is decided to be pending, and I have nothing to conceal in my efforts, I would be satisfied to have it reported now for information and considered as pending.

The CHAIRMAN. The gentleman from Louisiana [Mr. BROUSSARD] offers an amendment, which will be considered as pending. The Clerk will report it.

The Clerk read as follows:

On page 21, line 11, after the word "thirteen," strike out the comma and insert a period. Strike out, after said period, the balance of page 21 and all of pages 22, 23, 24, and strike out all of that part of page 25 up to and including line 17 and insert in lieu thereof the following: "And no court in the United States shall entertain jurisdiction of any suit to enforce, suspend, set aside, in whole or in part, any order of the Interstate Commerce Commission, but such orders of said commission shall be final as to questions of law as well as to questions of fact."

Mr. SIMS. Mr. Chairman, I make the point of order against all of this amendment as legislation upon what the courts can do or can not do in the future, because certainly it is not within the proper legislative provisions of this appropriation bill, made in order by the rule.

The CHAIRMAN. The Chair will reserve his decision until the amendment comes up for consideration. The Chair understands this amendment will not be offered if the other is adopted.

Mr. BROUSSARD. If the other amendment is adopted, then of course everybody has an equal chance, and I will withdraw this one. If the other is defeated, then I propose to press this amendment.

Mr. SIMS. If the amendment which was discussed by the

gentleman from Missouri [Mr. BORLAND] is adopted, then you do not propose to offer yours?

Mr. BROUSSARD. I do not.

Mr. SIMS. I want to make the point of order in time.

The CHAIRMAN. The point of order will be considered as made.

Mr. SIMS. If the gentleman has other amendments to offer, I shall be glad to have him offer them as he did this, and let us know what they are.

Mr. BROUSSARD. This is all. The gentleman from Illinois offered one amendment which I intended to offer.

Mr. SIMS. I did not know how many the gentleman intended to offer. I thought he had about four.

Mr. BROUSSARD. Mr. Chairman, I can use some of my time now.

The CHAIRMAN. The Chair recognizes the gentleman from Louisiana.

Mr. BROUSSARD. Mr. Chairman, this controversy over the Commerce Court has been going on ever since the creation of that court. There never has been a time when the lines of gentlemen fighting for and against the continuation of that court could be outlined with certainty until this very moment. As soon as the decision to which the gentleman from Kansas referred was announced by the Commerce Court and was reviewed by the Supreme Court of the United States the shippers of the country, who over the protest of every railroad in the country had been solely responsible for the creation of the Commerce Court, commenced their appeal to Congress by petition to give them an equal right with the railroads under the law. They came here and they found that there were two committees which claimed jurisdiction over this subject matter. They came here not by ones or tens or dozens, but by tens of thousands to petition Congress. Representative merchants, men of business, shippers—all came from every quarter of this Republic. They came from New Orleans, Boston, San Francisco, New York, Chicago, Philadelphia, St. Louis, Kansas City, and everywhere. They did not say, as my friend interprets the situation, that the Commerce Court had undertaken to override the work of the Interstate Commerce Commission, but they said that the Commerce Court was intended to give them their day in court and that Congress had permanently denied them that right. Scarcely had that decision been printed in the newspapers when the gentleman from Missouri had a bill before the Judiciary Committee which is the basis and wording of the resolution upon which I asked him to speak and in whose behalf he had spoken before the Judiciary Committee. At that time I was a member of the Interstate and Foreign Commerce Committee, which had reported the bill creating that court, and that very day I had a bill which I was trying to get out of the committee to give the shippers of the country an equal chance with the railroads. From that day to this we have fought, in and out. But now the proposition comes in this wise: The resolution means that, whether you maintain the Commerce Court or whether you vest the jurisdiction in the district courts of the United States, the shipper may be permitted, upon questions of law, to enter any court that the railroads are permitted to enter.

The second proposition I have is that if you will not give that right to the shipper, then take that right also from the railroads. You should align yourselves one way or the other on the proposition. What right has a corporation to be permitted to go into courts where the shipper is not permitted to go? Why do you insist upon giving the railroads the right to walk into the Commerce Court as they have been doing into the district court as is proposed in this bill unless the shipper also is given an equal opportunity to have an interpretation of the law involved in the order issued by the commission? I say the shipper ought to have his day in court, and if you say he shall not have it, then the railroads ought not to have it.

So I have offered two propositions, one to vest the jurisdiction in the district court, or the circuit court, or the Commerce Court, or in any other court that a railroad may go into, so as to have the law of the commission interpreted; that if the railroads may go into court to have the law interpreted the shipper may likewise step into that same court and have the law of the commission's order interpreted when the order is against him. If you will not give the shipper that right, when he alone is responsible for the creation of the Commerce Court, why will you give the same right to the railroads? Have they more rights than the shippers? Why will you give the right to the steamboat companies? Why will you give the right to the steamship companies, of which we hear so much about their controlling the transportation all around our 7,000 miles of coast line to the exclusion of every other country? Why should they have the right to go into court and your constituents from Indiana and mine from New Orleans not have the same right?

God knows they have been driven out of business time and time again over the protest of the commission of Louisiana, of the Board of Trade of New Orleans, and every commercial body in the State, just simply because the Interstate Commerce Commission said, "No, we will not give you an order." An order of the Interstate Commerce Commission only lasts for 24 months, and under the old order of things it took the court more than 24 months to bring a case to a final decision, so that in many cases no result at all beneficial to the people was reached and the commission's order was absolutely nullified by the delays of the court in the trial of those orders, provoked by the carriers, to which the shippers were ever excluded, to the profit of the carrier and the confusion of the shipper, whether he was an individual or a community.

It all amounts to this, and I predict now that if you adopt this proposition you will not have any order of the commission not consented to by the railroads that will ever become effective. Why do I say that? I say that because I have talked with the Attorney General and have gone over the facts with him, and he says that the Interstate Commerce Commission's order is dead unless the railroad consents to it, and otherwise if any one of the 85 district judges in this Republic signs an injunction.

Why do I say this? Because the Interstate Commerce Commission says it. They have said it, they have published it. This is true if there can be found in the country a judge along the line of the traffic from the point of shipment to the point of destination who will sign an injunction against the shipper who commenced action, and he might as well abandon the suit, and the shipper might as well become ready to pay the railroad rates demanded, in the face of the decision of the orders of the Interstate Commerce Commission.

Now, I am putting this proposition fairly before you. I have no interest in the matter beyond the business interest of the city that stands at the mouth of the Mississippi River, which we believe, perhaps erroneously, will be the great gateway of the great valley when the Panama Canal is opened in the next 24 months. I have no interest in the matter except the demand of the individual shippers and commercial organizations of the city of New Orleans, of the railroad commission of my State, of Arkansas and of other Southern States, of the people living in the great Mississippi Valley, and of Kansas City, St. Louis, and every large town clear up the River to the Great Lakes demanding that if there is going to be any appeal from the findings of the Interstate Commerce Commission the shipper may come in equally and have an equal opportunity with the carriers—railroad and all.

Who stands here as the particular representatives of the carriers of the country? Who are standing as their spokesmen? Let me read you just one letter showing that there is nobody. You can not find in any of the hearings before the Committee on Interstate and Foreign Commerce, or the Judiciary Committee, or any other committee, one solitary shipper anywhere in the United States defending the abolition of this court.

You will find that they want the court abolished unless they themselves are given an equal opportunity with the railroads as the carriers, so they likewise can go before the courts upon questions of law.

Let me show you how the railroads view it. I have here a letter from the vice president of the New York, New Haven & Hartford Railroad Co. Let me show you how he looks at the matter as a railroad man and as a citizen:

I have thought of you frequently during these last months, and of what it seems to me an unwise and unjust action by Congress in attempting to terminate the Commerce Court. From the standpoint of a railroad man perhaps I ought to be glad that we can go back to the district courts and have all of the delays and confusion arising from congested dockets and different lines of decision, but I hope that my sense of duty as a citizen overtops my railroad prejudices.

That is as close as you can get anybody to say he wants the abolishment of the Commerce Court. He hopes it will be advantageous to his corporation, but he hopes his duty as a citizen overtops his duty as a railroad man.

My friends, there can be no escape from the proposition. There is no question upon which there has been more misinformation than upon this question. I have not time to go over the whole matter. Take what my friend, the gentleman from Georgia [Mr. BARTLETT], usually a most accurate man, said awhile ago, that this court was trying to estop the Interstate Commerce Commission from enforcing the law which Congress had intrusted to that commission for interpretation and enforcement. Let me read to the gentleman from Georgia, if he is here, an opinion of the Assistant Attorney General, given the other day before the Judiciary Committee upon this point—the man who has looked after the cases arising from the Interstate Commerce Commission.

He says:

The orders of the commission upheld by the circuit courts in only 42 per cent of the cases, by the Supreme Court in 56 per cent, and by the Commerce Court in 67 per cent.

Here are the figures and the cases. And yet you say, men usually well informed, like my friend from Georgia [Mr. BARTLETT], like my friend from Kansas [Mr. MURDOCK], say that the moment the court was created it sought to strangle the efforts of the commission, and yet the court to which they proposed to refer under this proposition did not come within 40 per cent of upholding the commission as did the court which they propose to abolish. I cite that as an example of how they misrepresent the whole situation.

The fact is that when the Commerce Court was created the railroads, when orders were issued against them, were able through the law to delay matters to the length of 23½ months, and when the railroads lost their cases the people under the law got the benefit of the ruling for two-fifths of one year. When they got before the Commerce Court their cases were decided in 9½ months and orders were effective for nearly 15 months. The people got the benefit of that. What happened? Congress had refused to allow the people to go into the courts and they permitted only the corporations to go in them, and then the railroads very adroitly desired to do what this proposed legislation intends—to go into the district courts and have the delays to which this railroad gentleman refers in this letter, part of which I have read. They undertook to say to the people of our country that the Commerce Court was the enemy of the shippers, and was trying to throttle the Interstate Commerce Commission, when in fact that court had advanced the decision of cases until the case, as in the intermountain case, in which the constituents of the gentleman from Wyoming [Mr. MONDELL] are interested, was heard on a second trial in 76 days.

It is possible to make effective the commission's orders through this court; but if you are not going to maintain the court, then give the people an equal chance with the carriers in the court. If you do not want to give the people an equal chance with the carriers, then deprive the carriers of the court as well. The people are willing to stand by the decision of the Interstate Commerce Commission, but they are unwilling to stand by a one-sided court, where everyone opposed to the shippers can get an injunction and every decision that favors the shipper can not be tried in the courts. So I say that the proposition now comes for the first time in a logical way. We have never had an opportunity to present this matter in the way in which it is now presented.

Mr. OGLESBY. Mr. Chairman, will the gentleman yield?

Mr. BROUSSARD. Certainly.

Mr. OGLESBY. Will the gentleman kindly tell us which proposition he favors, whether he thinks the right of appeal should be taken from the railroads or should be given to the shippers?

Mr. BROUSSARD. I favor that right being given to the shippers. I believe there ought to be courts and that these courts ought to interpret the law of the land; so I favor the Commerce Court.

Mr. OGLESBY. That is, that both should have the right to appeal?

Mr. BROUSSARD. Yes; but I can not get anybody to hear the shippers' side on this floor. I have not been able for the last two years, any more than the gentleman from Missouri [Mr. BORLAND], even though backed up by the entire membership of the Judiciary Committee, to have a hearing on his bill until it was offered as an amendment in this way. Is it possible that the Congress has gotten to the point where the shipper can not get a hearing?

Is it possible that he is to be thrown out of Congress entirely and kept out forever from having this law interpreted? Is it possible that Congress has gotten to the point where no one can be heard on the floor unless he speaks for the carriers of the country? It is said that those who are talking for the people are simply talking to throttle the commission itself.

Mr. COX. Mr. Chairman, will the gentleman yield?

Mr. BROUSSARD. Certainly.

Mr. COX. The gentleman has studied this question exhaustively?

Mr. BROUSSARD. Yes; for the last two years.

Mr. COX. The gentleman's amendment, as I understand it, will give the shipper an equal chance along with the railroads to have his day in court?

Mr. BROUSSARD. Yes.

Mr. COX. And unless the gentleman's amendment is adopted the shipper will not have it?

Mr. BROUSSARD. He will not; and if it is not adopted, then the other amendment ought to be adopted and keep the railroads also out of the courts. Let us have the commission settle the whole thing. I am not afraid of the commission. I know the men on that commission as well as any man on the floor of this House. We are appropriating \$300,000 in this bill to start the physical valuation of railroads in this country. Let me tell you that the commission is of the opinion now that it will take eight years to carry out what we instructed them to do in the last Congress with regard to the physical valuation of railroads and eight more years to have the court decide whether they are right or wrong if this bill goes through. There are 16 years in front of us. With \$300,000 appropriated in this bill, we start to expend over \$10,000,000 to do what? To accomplish a thing which, if everything runs smoothly, we will be able to legislate about in 16 years.

Now, is there any gentleman who doubts—

Mr. BARKLEY. Will the gentleman yield for a question?

Mr. BROUSSARD. First, let me finish this. Is there any one who doubts there ought to be a central court here, so that the question of the physical valuation may be tried at once, so that the Illinois Central in Illinois, the Southern Pacific in Louisiana and California, and others may not have their physical valuation held from one end to the other, until the Supreme Court has an opportunity for a final judgment upon the physical cost of some railroad somewhere in New England, or possibly in my little borough down home, in order that it may take and construe the law and give effect to what Congress intended when it contemplated the expenditure of ten millions to get a physical valuation of railroads in order that we may legislate intelligently and assist the Interstate Commerce Commission in regulating rates? Is it possible we are going to abolish this court without any more thought, without any committee having considered the legislation? Is it possible we are going to sandbag the court? It is not as decent as the recall, because the recall of the court, that device for the distortion of justice, is predicated at least upon the law giving the people the right to do that, but here the people as a force throughout the United States are demanding the retention of a central court that it may make effective the legislation of this country. And yet we sit here and blackjack this court. We refuse to pay the man who sweeps the floor of that court. We have not paid him since the 1st of July. We have held the court up to opprobrium. We say: "We will not let you try any case; and if you do not try your case, you are held up and crucified before the public and in the press of the country as favoring the carrier as against the shipper. We propose to sandbag you. We will blackjack you out of existence. We will abolish your court. We will put the court out of business. Your marshal goes out of business. We will close your office. You have not paid the rent even. You have not paid the rent since the 1st of July. We will cripple your office. You have not even paid the telephone girl in the office."

I say the recall of judges does not compare with the conduct of Congress toward this court. I know nothing of the men who compose it, but that court, in my judgment, has stood with dignity assaults which were not borne out by the facts. It has stood there with dignity issuing its decrees regardless of opinions but simply praying that opportunity might be given it for the shipper to step into that court some day and say: "I would like to have the right of injunction because the law of my case is at fault." Congress is responsible for the condition in the court. Congress is responsible for it, not the law. Congress is responsible for it in every way, and Congress will have to reckon with that when they have abolished the court, for if you abolish that court you shall create another one within 24 months. Before this Congress goes out you will have another court to replace this one giving the shipper a chance in that court, and I know whereof I speak. I have over 10,000 petitions in my office about it asking me to urge that this thing be done. They do not come from any particular section, but from everywhere.

Mr. BARKLEY. Will the gentleman now yield to my question?

Mr. BROUSSARD. Certainly; I beg the gentleman's pardon.

Mr. BARKLEY. Is the amendment of the gentleman so framed that if this Commerce Court should be abolished, in the interpretation of the law as given by the district courts the shipper will have the right to appeal whether the Commerce Court is continued or discontinued?

Mr. BROUSSARD. Yes; but let me illustrate it by saying this: If a man in Florida ships a package of vegetables to Fairbanks, Alaska—and they do so ship—all the railroads over which that package travels have the right to go into any court

that touches that railroad, so in that case the shipper would have to go to one particular court and the railroad might take him to Fairbanks in Alaska to try whether they have charged him 13 cents too much a package of vegetables going to Alaska. If a man in Louisiana ships a crate of strawberries to Nome, Alaska—which they do—and they beat him out of 2 cents a box on those strawberries, he will have to go to try his case at Nome to get his 2 cents. If a man in California ships a package of fruit to Boston—oranges, say—and the railroads refuse to accede to the Interstate Commerce Commission's order, they can go to Boston and get their case tried there. If the judge there will not grant the order, the railroad can go to Kansas City and get it, and drag a man from California, from Florida, from Louisiana, and so forth, to make good the deficit.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BROUSSARD. I wish I had an hour of time to discuss further this subject.

Mr. QUIN rose.

The CHAIRMAN. For what purpose does the gentleman rise?

Mr. QUIN. I would like to get some time.

The CHAIRMAN. The time has been divided between the gentleman from Illinois [Mr. MANN] and the gentleman from Georgia [Mr. BARTLETT].

Mr. MANN. Mr. Chairman, I yield five minutes to the gentleman from Wisconsin [Mr. ESCH].

The CHAIRMAN. The gentleman from Wisconsin [Mr. ESCH] is recognized for five minutes.

Mr. ESCH. Mr. Chairman, when the proposition providing for the Commerce Court was before the Committee on Interstate and Foreign Commerce there were several arguments proposed upon which the committee based its action. Those arguments were these, in brief: By the establishment of a Commerce Court the disposition of cases arising out of the interstate-commerce act would be expedited; we would have a harmonious line of decisions rendered by an expert tribunal and at less expense than under the preceding system.

There is no question in my mind but that the establishment and maintenance of a Commerce Court begets uniformity of decisions, and uniformity of decisions begets stability in the law itself. Before the Commerce Court was established the decisions were made by the circuit judges throughout the United States, and there are some 30 of these. They sometimes differed as to the law upon the same state of facts, and the records show that in one State the circuit court would hand down a decision on a given state of facts and in the next State along the line of the same carrier another circuit court might hand down a different decision upon the same state of facts. Now, inasmuch as instability in decisions of courts undermines confidence in the law itself, when we have one tribunal to try all cases of the same kind we are sure of a uniformity of decisions.

Mr. FITZGERALD. Mr. Chairman, will the gentleman yield for a question?

Mr. ESCH. Yes; for a question.

Mr. FITZGERALD. Does not that objection exist to permitting circuit courts to exist at all? Is there not the same liability in other classes of cases?

Mr. ESCH. In some measure; but here we eliminate that lack of uniformity by having one court.

Again, the establishment and maintenance of a Commerce Court gives us a tribunal of experts in these interstate-commerce cases. There are district judges and judges of the court of appeals who really do not wish to try cases arising out of or connected with railroad rates, because of the highly technical character of this litigation. But with a Commerce Court, the men in it would soon become efficient judges.

It is true that under the law that exists the judges are to go to the circuit bench after a period of years' service on this tribunal, but after one year's absence therefrom they can be reappointed thereto.

Again, the Commerce Court is more economical to the litigant because it shortens the period in which the litigation is pending, and because the records of the Commerce Court, being here in Washington, are accessible and available in the event the case is appealed to the Supreme Court; and it is certainly more expeditious to have one court before which all actions can be brought and from which appeal can be had to the Supreme Court than to have litigation pending, as is now proposed, in the 86 district courts of the United States. From these districts an appeal is to be allowed to the Circuit Court of Appeals, and from thence to the Supreme Court.

The delay caused by these repeated appeals is almost ruinous to the average litigant. This Commerce Court saves the time of litigation and expedites the trial and hearings. There is no one charge against American judicature so well founded as the delay in the trial of causes. The Commerce Court gives us

expedition in trials, and for these reasons I have always been a firm believer in the efficacy of the court, and I believe that it ought to be sustained. [Applause.]

Mr. BARTLETT. Mr. Chairman, I yield 10 minutes to the gentleman from Tennessee [Mr. SIMS].

The CHAIRMAN. The gentleman from Tennessee [Mr. SIMS] is recognized for 10 minutes.

Mr. SIMS. Mr. Chairman, before I begin, I ask permission to extend my remarks in the RECORD, because I can not hope to cover the subject in 10 minutes.

The CHAIRMAN. The gentleman from Tennessee [Mr. SIMS] asks unanimous consent to extend his remarks in the RECORD. Is there objection?

There was no objection.

Mr. SIMS. Mr. Chairman, I want to reply very briefly to the argument of the gentleman who has just taken his seat [Mr. ESCH], to the effect that litigation is liable to be delayed if this amendment is adopted.

How many suits were brought in the last fiscal year from July 1, 1912, to July 1, 1913, in this court? Just 20. Only 20 suits brought, and you must have 5 judges to try 20 suits. That is only 4 cases to a judge. They talk about it being an economical court, when each of these judges gets \$7,000 and \$1,500 extra for being required to stay in Washington, where we Members have been all the summers for the past six years with no extra pay or allowances.

Gentlemen talk about the expediting of suits. Who brings these suits? Only the railroad companies. Whose suits do you want to expedite? The suit of a railway company, that is brought to nullify the orders of the Interstate Commerce Commission.

No one except a friend of the railroads wants to expedite the ruin of the work of the commission. When it used to be that a suit had to be brought by the commission in order to have an order of the commission executed, what railroad man or railroad lawyer was asking for expedition?

I drew up the provisions carried in this bill, not exactly in this form as to some details, and sent it to the Interstate Commerce Commission for remarks, and I read the letter of the commission in reply to the request:

INTERSTATE COMMERCE COMMISSION,
Washington, June 6, 1913.

Hon. T. W. SIMS,
House of Representatives, Washington.

DEAR SIR: In reply to yours of the 30th and referring to bill H. R. 5611. I am directed by the commission to say that the only suggestion which occurs to us in connection with this bill is that if it is to become law it would seem advisable to insert the words "and for other purposes" in the title of the bill, for the reason that, in addition to the purposes now stated in the title, the bill proposes material changes in the law, particularly with reference to the granting of preliminary injunctions and stay orders.

I might add that if the jurisdiction is to be transferred the provision that applications for restraining or stay orders shall be heard before three judges and upon due notice to the commission is highly commendable.

Yours, truly,

E. E. CLARK, Chairman.

The legislation contained in this bill simply abolishes a court that ought never to have been created and vests the jurisdiction which it now exercises in the district courts of the United States. That is all of it, and that is all there ought to be of it. There ought not to be any attempt to enact substantive law in this bill. There ought not to be any attempt to have an increase or decrease of the powers of the commission, and there ought not to be any attempt to increase or decrease the jurisdiction of the district courts over that of the Commerce Court. The only reason why the district courts are designated instead of the circuit courts is that the circuit courts have been abolished since the Commerce Court was created.

Let me tell you what else the Commerce Court has done. You wanted an expert court. Why did you want it? The argument was that it would come nearer deciding a case right; that it would reduce the number of appeals to the Supreme Court. How has it been with the Commerce Court? Twelve cases that have been appealed from the Commerce Court to the Supreme Court of the United States have been decided by that court. In how many do you suppose the action of this expert court was approved and sustained? In 2 cases out of 12. The Supreme Court reversed the Commerce Court in 10 out of the 12 cases. Pray, my friend from Wisconsin, do you want any more expert courts? This court has been expert in error, expert in failing to understand and interpret the law, and the Supreme Court has reversed it in 10 out of 12 cases, and in 1 case in which it was sustained it was simply in the granting of a preliminary injunction. Ought any court to be fed and clothed that can not guess better than that? Show me the justice of the peace, show me the police judge, show me the most inferior court which is wrong in 10 out of 12 of its decisions.

They said, "Oh, this is going to be an economy." How long are you going to take to educate a court that is wrong 10 times out of 12? What are you going to do with all these questions that come up, if they have to go through this court that is wrong 5 times out of every 6 cases it tries? Talk about expedition. I will tell you what expedition this court is bringing about. It is expediting the ruin, annihilation, the destruction of the interstate-commerce law. [Applause.]

My friend Mr. BROUSSARD and my friend Mr. BORLAND are the gentlemen whom I expected to reply to. There is too much in this subject to undertake it in 10 minutes. They get up here and cry themselves hoarse in behalf of the shipper and want the shipper to have the same rights that the railroads have. Bless their souls, I will make them happy right now by telling them they have the same right that the railroads have. Show me where a railroad can go into any court under heaven to test the validity of what they call a negative order. Not one. What is a negative order? There is no such thing. It is a misnomer. There is no such thing as a negative order. The only kind of orders the commission can make are affirmative orders. The commission either directs a railroad to do something it has not been doing or to cease and desist from doing something it has been doing. Chief Justice White stated plainly and emphatically that if the Commerce Court had the power it claimed it had, the whole scheme and purpose of the interstate-commerce law would be in confusion and destroyed.

Why do they make an order against a railroad company? It is a public carrier. It is dealing with the public, and the public is dealing with it. Do you not see that the moment you go into court to test the question whether the commission ought to have acted or not you have substituted the judgment of the court for the judgment of the commission? A court can not legislate. A court can not make a rate for the future. That is an exercise of legislative power. A court could not, by mandamus or otherwise, order the commission to make a rate for the future.

The commission itself up to 1906 had no power to make a rate for the future. Remember that the Interstate Commerce Commission has no jurisdiction to act in any case until it fully passes upon the question of law that the existing rate is unreasonable. It has no jurisdiction to make another rate; it has no jurisdiction to make any kind of an order in the case, until it first determines that the rate attacked, the existing rate, is unreasonable. When it does this, then, and not until then, does it have the right under existing law to determine what rate shall be made to take the place of the condemned rate for the future.

Now, what would a court do with such a proposition? Talk about the shippers. Who receives the benefits of rebates and discriminations except favored shippers and favored localities? The law was made to prevent discrimination in favor of shippers. My friend from Louisiana [Mr. BROUSSARD] goes almost into hysterics over the rights of the shippers, over the wrongs to the shippers. We want to control the big shippers, the big towns, the big cities, the Standard Oil Co., the Steel Trust, and other great shippers. These are the people who get favors from the carriers; who call themselves shippers; who ask permission to do something, and when they fail to get permission to do it they want to come into the courts and have the courts do for them that which the commission would not do, under the disguise of acting on or passing on a so-called negative order of the commission.

Whenever you write into the interstate-commerce law the amendment offered by the gentleman from Louisiana [Mr. BROUSSARD], to give the court jurisdiction of the nonaction of the commission, you substitute for the judgment of this expert administrative board the court's judgment, and when this is done the law will not be worth a bawbee.

Mr. BORLAND. Will the gentleman yield?

Mr. SIMS. I will.

Mr. BORLAND. The gentleman realizes that it is a question of law.

Mr. SIMS. There can not be any case arise before the commission that does not involve a question of law. The question of whether or not an existing rate is unreasonable is a question of law. The question of whether the commission has jurisdiction is a question of law. So the right to appeal by a shipper from the action of the commission in saying it had no power to act, or that a rate is not unreasonable, is a question of law; and when you give the courts power to review negative orders, so called, on questions of law, you give them power to review every case that can possibly be brought before the commission.

Mr. Chairman, the Commerce Court assumed that it had the power sought to be given the courts by this proposed amendment to review so-called negative orders of the Interstate Commerce Commission in the Procter & Gamble Co. case. The Supreme Court, by unanimous decision in that case, held

that the Commerce Court had no jurisdiction to pass on the validity of anything but the affirmative orders of the commission. Chief Justice White, in delivering the opinion of the Supreme Court, commented at length on the effect such jurisdiction in the courts would have on the whole scheme of Government regulation of railroads, and in order to make no mistake in stating what Chief Justice White said as to the effect of an exercise of such power, I quote as follows from the language of the Chief Justice in delivering the opinion of the court in the Procter & Gamble Co. case:

We might well be content to rest our conclusion upon the considerations just stated. In view, however, of the importance of the subject we do not do so, but shall consider the matter in a broader aspect for the purpose of demonstrating that to give to the statute a meaning contrary to that which we have found results from its text, and therefore to recognize the existence in the court below of the power which it deemed it possessed would result in frustrating the legislative public policy which led to the adoption of the act to regulate commerce, would render impossible a resort to the remedies which the statute was enacted to afford, would multiply the evils which the act to regulate commerce was adopted to prevent, and thus bring about disaster by creating confusion and conflict where clearness and unity of action was contemplated.

Now, Mr. Chairman, language could not be clearer or more distinct than what I have just read in your hearing from the learned Chief Justice. So in his language if we give by legislation the power the Commerce Court deemed it possessed and exercised to review the so-called negative orders of the commission it will be impossible to resort to the remedies which the commerce law was enacted to afford and will multiply the evils which the act to regulate commerce was adopted to prevent and bring disaster by creating confusion and conflict where clearness and unity of action was contemplated. Is it possible to bring a stronger indictment against any court than is thus brought against the Commerce Court by the highest court of the land?

Further on in the same opinion Chief Justice White says:

Originally the duty of the courts to determine whether an order of the commission should or not be enforced carried with it the obligation to consider both the facts and the law. But it had come to pass prior to the passage of the act creating the Commerce Court that in considering the subject of orders of the commission for the purpose of enforcing or restraining their enforcement, the courts were confined by statutory operation to determining whether there had been violations of the Constitution, a want of conformity to statutory authority, or of ascertaining whether power had been so arbitrarily exercised as virtually to transcend the authority conferred although it may be not technically doing so. Interstate Commerce Commission v. Union Pacific Railroad (222 U. S., 541, 547); Interstate Commerce Commission v. Illinois Central Railroad (215 U. S., 452). So also at the time the law creating the Commerce Court was passed, suits to compel obedience to orders of the commission or to restrain an enforcement of such orders were required to be brought in the circuit court of the United States in the district where a carrier or one of two or more carriers to whom the order was directed had its principal operating office.

In view of the provisions of the act to regulate commerce just referred to as originally enacted, of the legislative evolution of that act, its uniform practical enforcement and the constant judicial interpretation which we have thus briefly indicated, it is impossible, we think, in reason, to give to the act creating the Commerce Court the meaning affixed to it by the court below, since to do so would be virtually to overthrow the entire system which had arisen from the adoption and enforcement of the act to regulate commerce.

Mr. Chairman, does it not seem to be a ridiculous contention on the part of anyone that this Commerce Court should be given one hour of additional life after the decision of the Supreme Court in the Procter & Gamble Co. case? To call such a tribunal an expert court is a misuse of the English language. It is seen that to give the act creating the Commerce Court the meaning affixed to it by that court would overthrow the entire system to regulate commerce. This court could lay no claim to being experts at anything unless it was in its power to destroy the law it was created to enforce.

But the seeming efforts of this court to destroy the acts of Congress to regulate commerce between the States did not stop with the Procter & Gamble Co. case. It will be recalled that prior to the act of June 18, 1910, the fourth section of the act of 1887, known as the long and short haul clause, provided in substance that no greater charge should be made for a shorter than for a longer haul under similar circumstances and conditions over the same road, the shorter being contained in the longer haul. This language, "similar circumstances and conditions," was so construed by the courts as to virtually destroy the intent and purpose of the fourth section. In the new act of 1910 the above language was eliminated. The new long and short haul clause or new fourth section reads as follows:

SEC. 4 (as amended June 18, 1910). That it shall be unlawful for any common carrier subject to the provisions of this act to charge or receive any greater compensation in the aggregate for the transportation of passengers, or of like kind of property, for a shorter than for a longer distance over the same line or route in the same direction, the shorter being included within the longer distance, or to charge any greater compensation as a through route than the aggregate of the intermediate rates subject to the provisions of this act; but this shall not be construed as authorizing any common carrier within the terms of this act to charge or receive as great compensation for a shorter

as for a longer distance: *Provided, however*, That upon application to the Interstate Commerce Commission such common carrier may in special cases, after investigation, be authorized by the commission to charge less for longer than for shorter distances for the transportation of passengers or property; and the commission may from time to time prescribe the extent to which such designated common carrier may be relieved from the operation of this section: *Provided, further*, That no rates or charges lawfully existing at the time of the passage of this amendatory act shall be required to be changed by reason of the provisions of this section prior to the expiration of six months after the passage of this act, nor in any case where application shall have been filed before the commission, in accordance with the provisions of this section, until a determination of such application by the commission.

Whenever a carrier by railroad shall in competition with a water route or routes reduce the rates on the carriage of any species of freight to or from competitive points, it shall not be permitted to increase such rates unless after hearing by the Interstate Commerce Commission it shall be found that such proposed increase rests upon changed conditions other than the elimination of water competition.

The commission proceeded under this new fourth section to dispose of many thousands of applications filed by the railroads to be permitted to continue to charge less for a longer than for a shorter haul, under the provisions of this new section, and in doing so divided up the territory of the whole country into zones Nos. 1, 2, 3, 4, and 5, beginning on the Pacific coast, and permitted the carriers by rail to charge less for a longer than for a shorter haul in certain of the above-named zones, giving the differences in percentages. The railroads brought suit in the Commerce Court attacking the action of the commission. These suits are commonly called the intermountain rate cases. The Commerce Court held that the commission exceeded its powers, and that its orders were void. In the opinion of the Interstate Commerce Commission, the practical effect of the decision of the Commerce Court is to perpetuate the old system; that the amended act as to the long and short haul provisions is precisely to-day what it was before its amendment, to every practical intent. So we see that the Commerce Court, in utter disregard of the evident intent of Congress, has so construed the new fourth section of the act of June 18, 1910, as to render it nugatory. It is true that these cases were appealed to the Supreme Court, where they are now pending, but the decision of the Commerce Court shows how willing it is to solve every doubt in favor of the carriers, against the obvious intent and purpose of Congress. It shows a readiness to destroy the law by construction, rather than to give the acts of Congress a broad and liberal construction, such as any remedial statute ought to receive at the hands of any court.

Mr. Chairman, in the act of June 10, 1910, Congress undertook to place the pipe lines used by the great Standard Oil Co. and its subsidiaries under the control of the Interstate Commerce Commission. But when the commission undertook to exercise its authority thus conferred, or attempted to be conferred, the Commerce Court, in line with its course of destructive decisions, did not hesitate to hold the amendment conferring this power in the commission to be void, again giving the benefit of the doubt to the instruments of monopoly. It is true these cases are also pending in the Supreme Court on appeal, but the action of the Commerce Court shows its persistent leaning against a broad, liberal, and remedial construction of the acts of Congress in its efforts to furnish an effective but just regulation of interstate carriers.

Mr. Chairman, in drafting the provisions of the bill that have been incorporated in this appropriation bill I have only intended to abolish the court and vest the jurisdiction now vested in it in the district courts of the United States. There is no provision in the bill to abolish the tenure of the circuit judges assigned to duty in this court. They are simple circuit judges and can be assigned to duty in the several district courts of the country. I have thought it unwise to attempt to remove these judges from office and thus raise a constitutional question that might delay the passage of the bill or possibly meet with another veto. I hope those who want to remove the judges now assigned to duty in the Commerce Court will be willing to resort to a separate bill for that purpose and not incorporate it in this bill.

I have personally not the slightest ill feeling against any of these judges, and do not think that a just attempt to abolish a useless court ought to be attributed to a desire to remove certain judges from office. I would be as much in favor of abolishing this court as I am now if I was permitted to name every judge on its bench.

Mr. Chairman, I have seen a good deal in certain newspapers recently to the effect that the shippers were demanding the continuance of the Commerce Court. Of course, all those shippers who have been deprived of rebates and other unlawful advantages by the action of the Interstate Commerce Commission, like the tap-line railroads, who were held by the commission not to be common carriers as to their own products, are clamorous for the continuance of the Commerce Court as a handicap to the commission. But, Mr. Chairman, there are other ship-

pers who do not seek rebates or resort to rebating devices who are very anxious for the abolition of this useless court.

I recently received a letter from the traffic man of one of the largest shippers in this country, giving his analysis of the work of the Commerce Court up to June 16, 1913, together with the cost and expenses incident to the court since its establishment and organization in February, 1911. I do not give his name, for the reason that in his letter transmitting these tables to me he closes it by saying:

If you use any of the figures or statements that I have sent you, it will not be necessary to refer to them as coming from me, as I am not sure how far the friends of this court would go in a follow up.

NEW YORK, N. Y., June —, 1913.

I inclose herewith some tables covering the work of the Commerce Court: No. 1. Commerce Court work shows on an average nine decisions per year for the three-year period, at an approximate cost of maintaining the court to date of \$225,000. At this time there is only one case open for trial and three cases waiting decision in this court. Organized to consist of five members for work of a little over two opinions per judge per year.

The remarkable thing is that practically all of the opinions have been appealed to the Supreme Court—the only ones not appealed were small reparation cases.

We could certainly trust the district judges with these cases (with the restrictions on issuing injunction as covered by House bill 5611), as they are capable of rendering opinions as sound as any that have come out of the Commerce Court to date.

Uniformity of decisions is asked by the friends of this court. The only uniformity up to the present time is that they are overruled by the higher court.

No. 2 shows the expenses of this court. In connection with this I refer you to the following House documents:

No. 311, Sixty-second Congress, second session; No. 1081, Sixty-second Congress, third session; and the following discussion in the CONGRESSIONAL RECORD on these expenditures: June 8, 1912, page 8304; June 11, 1912, page 8450; January 15, 1913, pages 1565 to 1569.

No. 3. Statement of expenditures for furnishings of the Commerce Court. No. 4 shows yearly losses to shippers on account of injunctions issued by the Commerce Court against the orders of the Interstate Commerce Commission.

I would also refer you to the testimony taken in Judge Archbald's impeachment trials, CONGRESSIONAL RECORD, January 6, 1913, page 1048; January 7, 1913, pages 1121 to 1123; or Senate Document No. 1140, record of impeachment, pages 1264 to 1267, 1332 to 1337, showing how the court reversed itself, with the exception of Judge Mack, and came over to the views of Judge Archbald after the Bruce correspondence.

As in the other cases, the shippers were saved by the Supreme Court reversing this decision of the Commerce Court.

COMMERCE COURT WORK AS OF JUNE 20, 1913.

Court created June 18, 1910. Period of review of litigation covers three years, as none of the circuit or district courts acted on cases before them after the Commerce Court was authorized, and the accumulated cases were transferred to this court on its organization, February 28, 1911.

Number of cases docketed, 94; number of cases dismissed without consideration, 34; number of decisions rendered 34, covering 48 docket numbers, leaving undisposed of 12.

Average number of decisions per year of litigation, 11. Eliminating decisions rendered in cases not within the jurisdiction of this court, as held by the Supreme Court, makes average per year 9; number of decisions appealed to Supreme Court 22, covering 35 docket numbers; decisions sustained by Supreme Court, 2; decisions overruled by Supreme Court, 10.

Commerce Court expenses.

	5 months to June 30, 1911.	Year end- ing June 30, 1912.	Year end- ing June 30, 1913.	Year end- ing June 30, 1914.
Special allowances to judges.....	\$3,187.50	\$7,500.00	.....	.....
Traveling expenses judges, Com- merce Court work.....	353.20	744.95	.....	.....
Salaries, clerks.....	2,269.34	9,407.47	.....	.....
Traveling expenses, employees.....	127.45	354.00	.....	.....
Rent.....	2,140.00	10,547.50	.....	.....
Books.....	1,631.10	991.20	.....	.....
Supplies.....	1,309.93	2,883.87	.....	.....
Printing.....	832.85	2,736.77	.....	.....
Stenographers' services.....	976.55	575.37	.....	.....
Blue prints and maps.....	100.00	200.00	.....	.....
Furniture.....	12,927.92	35,941.13	.....	.....
Salaries.....	18,115.82	14,458.67	.....	.....
Salaries, judges.....	31,043.74	50,399.80	.....	.....
Salaries, judges.....	4,745.86	12,000.00	.....	.....
Salaries, judges.....	14,875.00	35,000.00	.....	.....
.....	50,664.60	97,399.80	.....	.....
Appropriations requested.....	39,750.00	94,500.00	\$74,500.00	\$54,500.00
Judges' salaries.....	17,500.00	35,000.00	35,000.00	35,000.00
.....	57,250.00	129,500.00	109,500.00	89,500.00
Appropriations.....	39,750.00	94,500.00	42,022.22	.....
Judges' salaries.....	17,500.00	35,000.00	35,000.00	35,000.00
Total.....	57,250.00	129,500.00	77,022.22	35,000.00

Compiled from appropriations, acts 1911.
 Urgent deficiencies 1911, approved Dec. 23, 1910.
 Appropriations, acts 1912.
 Appropriations, acts 1913.
 Annual Report Attorney General 1911, p. 280.
 Annual Report Attorney General 1912, p. 255.
 House Document, Sixty-second Congress, second session, No. 311; third session, No. 1081.

Furnishings for the Commerce Court.

(See H. Docs. Nos. 311 and 1081, 62d Cong.)

Furniture, \$18,115.82 in 1911 and \$14,458.67 in 1912.
Some of the new items appearing in 1912 report:

Fitting pasteboard pipes in drapery	\$150.00
Slip covers for 55 window draperies and 7 court screens	145.00
13 mahogany and silk sliding window shades	122.00
Altering 5 judges' court-room chairs (original cost \$945)	425.00
72 feet mahogany bookcase	1,404.00
1 leather davenport	175.00
Models for carved work	160.00
5 judges' court-room chairs	690.00
3 plate-glass tops for desks	57.00
7 leather pillows	70.00

CHAIRS FOR THE COMMERCE COURT.

5 swivel chairs, \$61.25 each	306.25
6 swivel chairs, \$28.75 each	172.50
25 armchairs, \$58.75 each	1,468.75
35 armchairs, \$26 each	910.00
12 armchairs, \$23.50 each	282.00
7 davenports, \$175 each	1,225.00
6 chairs, \$90 each	540.00
10 court-room chairs, \$52 each	520.00
5 chairs, altering, new leather	425.00
8 armchairs	192.00
5 armchairs	60.00
18 armchairs	270.00
3 revolving chairs	80.25
1 swivel chair	38.00
1 easy-chair	90.00
1 davenport	175.00
5 judges' chairs	690.00
2 armchairs	52.00
1 revolving chair	11.25
2 side chairs	19.00
6 revolving chairs	76.50
2 wood chairs	12.00
1 swivel chair	28.75
7 leather pillows	70.00
2 revolving chairs	25.50
1 judges' bench	1,055.00
6 benches, \$159 each	945.00

Total.....9,639.75

Yearly loss to shippers due to injunctions issued by the Commerce Court.

Docket No. 1, California switching	\$110,705
Docket No. 2, California switching	144,430
Docket No. 4, New Orleans class rates	260,000
Docket No. 7, California lemons	225,000
Docket No. 41, precooling California fruit	600,000
Dockets Nos. 50 and 51, long and short haul clause	3,000,000
Docket No. 58, Florida vegetables	100,000

Total.....4,440,135

Docket No. 38, lighterage allowances to Sugar Trust denied independent plants.

Dockets Nos. 46 and 47, grain transit Nashville denied Atlanta and other Southern cities.

These amounts are taken from carriers' statements in briefs and arguments before the court.

Mr. BARTLETT. Mr. Chairman, how does the time stand?

The CHAIRMAN. The gentleman from Georgia has 24 minutes remaining and the gentleman from Illinois 15 minutes.

Mr. BARTLETT. I ask that the gentleman from Illinois use some of his time.

Mr. MANN. I will yield five minutes to the gentleman from Wyoming [Mr. MONDELL].

Mr. MONDELL. Mr. Chairman, I think it is a very conservative statement that any action of legislation taken in a spirit of pique, in a spirit of prejudice, in a spirit of reprisal, is likely to be an unwise act. Gentlemen propose to abolish the Commerce Court because they do not like some of its decisions. They entirely lose sight of the fact that the court was established for the benefit of the shippers of this country; they entirely lose sight of the fact that the establishment of the court has not only greatly expedited the action upon cases, but that it tends to uniformity of decision, and therefore, in the long run, to the settlement of a vast number of cases without appeal and upon the order of the Interstate Commerce decision instant. But the gentlemen are piqued, the gentlemen are prejudiced, the gentlemen, in a spirit of reprisal, want to dispense with the court because that court in its judgment did not always decide just as they think it ought to have decided. The court did make some mistakes, no doubt. The highest tribunal in the land has said that it made mistakes and has by its decisions established a guide for this court for the future, so that the court could not make these same mistakes again, at least.

Who knows but that among the district courts of the country infinitely more and more grievous mistakes might have been made if these cases had gone to the district courts instead of going to the Court of Commerce? The court was established for the purpose of expediting cases, for the benefit of shippers, for the purpose of securing speedy and uniform decisions which were appealable to the highest court of the land which, by its decision, finally settled these cases. We make a grievous mistake when we deprive the people of this machinery, simply because the personnel of the court as first established did not

exactly suit everyone, simply because the court in some of its first decisions erred. We make a mistake when, by reprisal, we attempt to deprive these gentlemen of their offices and recall their decisions by legislation. My opinion is there is not a gentleman here present who votes for this decision to-day who will not live to rue it and who will not live to find his constituents demanding of him that he remedy the error and again provide for the establishment of a tribunal of this sort before which all cases arising under the interstate-commerce law shall be brought.

I yield back the balance of my time.

Mr. BARTLETT. Mr. Chairman, I yield five minutes to the gentleman from Indiana [Mr. CULLOP].

Mr. CULLOP. Mr. Chairman, I send the following amendment to the desk and ask to have it pending.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 21, line 19, amend by striking out the words "some or all of," after the word "where," and in line 20, after the word "has," the word "either," and after the words "its origin," "or destination."

Mr. CULLOP. If the amendment I have just offered be adopted, Mr. Chairman, it will read then:

Shall be in the judicial district where the transportation covered by the order has its origin.

I offer that amendment fixing the jurisdiction of the beginning of the process to meet an objection that was made to this provision by the gentleman from Louisiana [Mr. BROUSSARD]. I do not believe that this section ought to be left open to the extensive jurisdiction in the filing of a suit to which the attention of the committee has been called by the gentleman from Louisiana and as the provision now, in my judgment, authorizes. I think this amendment on the question of jurisdiction of the beginning of suits ought to be adopted. It makes certain that which as now contained in the bill is uncertain.

As to the amendment of the gentleman from Georgia [Mr. BARTLETT], I am opposed to that for the reason that I think it is directly infringing upon a constitutional provision. Section 1 of Article III of the Constitution reads as follows:

The judicial power of the United States shall be vested in one Supreme Court and in such inferior courts as the Congress may from time to time ordain and establish. The judges, both of the Supreme and inferior courts, shall hold their offices during good behavior, and shall at stated times receive for their services a compensation, which shall not be diminished during their continuance in office.

If the gentleman's amendment as now proposed should be adopted, it would be in direct conflict with that provision of the Constitution. The Congress can not legislate a judge in office out of office. It may abolish his office after he has resigned, if he ever does resign, or after he has been removed, if he is ever removed, or after his death, but you can not, while he is holding office and that constitutional provision stands, abolish the office and turn him out of office.

Mr. Chairman, it matters not how much we may desire to wipe out of existence every vestige of the Commerce Court, every memory associated with it, yet if a constitutional barrier is interposed, we are estopped. The constitutional provision I have read stands squarely between Congress and legislating these five circuit judges out of office. We may abolish the court, and of that legislation I am in favor, but we can not abolish the offices of the judges who hold that court while these judges are in office. This constitutional provision is wise. It was written into our Constitution as a cautionary measure—to curb inconsiderate action by Congress against the Federal judiciary; to prevent hasty and passionate action.

Its adoption would constitute a dangerous precedent, one that doubtless some day might rise to vex and harass Congress and humiliate the judiciary, and could be used as an instrument of coercion. This we would all deplore. Above all things, the judiciary should be preserved from dangers of this kind.

Mr. MONDELL. Mr. Chairman, will the gentleman yield?

Mr. CULLOP. Not now. He is a circuit judge. His office was named as such. He was appointed as a circuit judge, not as a judge of the Commerce Court. He was appointed as one of the circuit judges of the United States. His jurisdiction was defined, the same as the jurisdiction of other circuit judges, and he was only designated by the President, as the law provides, creating the Commerce Court, to hold the Commerce Court, and for a specified time. They are to be rotated in office, but the judges are of the circuit bench, and belong to the class of circuit judges of the United States; and if this amendment be passed, it would be absolutely invalid, because it conflicts with that provision of the Constitution. I hope for that reason it will not be passed.

Mr. BARTLETT. Is that the only objection the gentleman has to it?

Mr. CULLOP. That is the best reason I have.

Mr. BARTLETT. Is that the only one?

Mr. CULLOP. No; I have another reason, that before these men would pass out of office, if they lived the usual time, with the congested condition of some of the court dockets that is complained of here, there would be a necessity for creating that many or more. There is work for them to do, and I am reliably informed they can be utilized and perform a much-needed service to the country. It is reliably asserted that dockets in various parts of the country are congested, and courts are behind with their work. If this be true, then these judges should be designated to assist in that work in order that all such dockets may be cleared and the work dispatched. Here is a work for them to perform, and in doing it they will render a valuable service to the country.

To-day, according to reports we hear from Pennsylvania, there is a demand for one of these judges to be sent to hold a court in Philadelphia, and he ought to be designated for that purpose. Now, I think the Commerce Court ought to be abolished. I was opposed to it when it was instituted. I opposed the enactment of the law creating it. It is taking the litigation before it too far away from the litigant. So the shipper institutes this litigation thousands of miles away from the city of Washington. He is compelled to come here to try his case, and thereby expenses are increased, so that in many cases it works a denial of justice and enables the transportation companies to impose on the shipping public. I never believed its purpose was really to help the shipper, and I think experience has demonstrated that in this respect I was right. The district courts should hear and determine the cases now tried by it, with the right of appeal granted the aggrieved party. This method would better serve the purpose for which it was created.

Mr. MANN. I yield five minutes to my colleague from Illinois [Mr. MADDEN].

Mr. MADDEN. Mr. Chairman, it is not fair to say the shippers of the country are not in favor of the continuation of this court. This is really the shippers' court. Up to the time of the organization of this court the shippers all over the United States found difficulty in having differences between themselves and the railroads adjudicated. It is said that only 20 cases have been started since the establishment of this court. Well, do you wonder that is so in the face of the fact that the Democratic Congresses have embarrassed the court in every way in their power ever since the Democratic Congresses came into power? For, in the first place, they refused to make appropriations to continue the work of the court. There is no doubt whatever but that a court of experts dealing with the propositions with which they are familiar are better qualified to decide those questions than men who have had no experience on the subject, and the purpose of the organization of this court was to educate a set of judges who would become expert in the matter of interstate-commerce law and who would be familiar with the conditions under which disputes between shippers and carriers arose, and the shippers all over the United States pleaded very urgently for the establishment of this court, and they still continue to plead for its continuation.

There is no justification for the abolishment of the court. There ought not to be any disposition on the part of the Congress not to continue the appropriations needed to make the court as efficient as it would be if they had the facilities with which to continue the business for which the court was created, and the shippers of the Nation do not want to go back to the old familiar practice of having their cases tried here, there, and everywhere. They want the records of disputes between the railroads and the shippers to be in some central place, and they want precedents established by means of which their cases can be conducted along lines of a well-fixed policy. And so I say that I hope this House will not agree to the recommendations made by the Committee on Appropriations, the members of which continue to pare down the appropriations to a point where the business of the Nation can not be efficiently conducted except in cases where they might add to the political prestige of the party to which they belong. There ought not to be any such practice indulged in as this committee has indulged in in a case of this importance. They ought to remember the interests of the great communities of the Nation and they ought to do everything in their power to facilitate the settlement of the disputes between those shippers and the great carriers of the country. [Applause.]

I yield back the balance of my time.

Mr. ADAMSON. How much time remains to the gentleman from New York?

The CHAIRMAN. Nineteen minutes.

Mr. BARTLETT. I yield four minutes to the gentleman from Pennsylvania [Mr. KELLY].

Mr. KELLY of Pennsylvania. Mr. Chairman, the Interstate Commerce Commission to my mind is an agency of Congress to represent the people. We have heard a great deal from the gentleman from Louisiana [Mr. BROUSSARD] regarding the rights of the shippers and the protection of the rights of the shippers by the Commerce Court; but the idea in the creation of the Interstate Commerce Commission was that of protecting all the people against the encroachment of both the railroads and the shippers.

By the term "people" I mean not simply the collection of individuals living in this Nation, but a political entity, conscious of its own existence and able to express its will through laws. This body of the citizenship protects itself against the rapacious few who through violence or subtlety would secure and maintain advantages for themselves at the expense of the rest.

The argument of the gentleman from Louisiana [Mr. BROUSSARD] that the shippers make up the "people" is not true. The fact is that the Interstate Commerce Commission bears the responsibility of protecting the whole people against injustice, whether it be injustice on the part of the railroad companies or the shippers. A man may be a part of the sovereign people and yet in his business capacity be an enemy of the people and their best interests.

There may be those who violate the laws while forming a part of the citizenship of this country, but they are not a part of the political entity which unites in upholding the laws and makes their enforcement possible. In acknowledgment of that the encroachments of the shippers as well as of the railroads were regarded in the creation of the Interstate Commerce Commission.

I favor the abolishment of this Commerce Court and uphold this provision of the bill, because the Commerce Court steps in between the litigants and this agency, representing the people, and distorts the issue and complicates the situation unnecessarily. The situation has become such that it is necessary to strip away some of the jungle and underbrush of technicality, so that the will of the people can be carried out promptly and efficiently. This underbrush must not be used to delay justice and, in fact, create a denial of justice.

Mr. BROUSSARD. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Pennsylvania yield to the gentleman from Louisiana?

Mr. KELLY of Pennsylvania. I do.

Mr. BROUSSARD. Is it not a fact that it took more than 24 months for the two most important cases that this country has ever known, emanating from the Interstate Commerce Commission by injunction from the railroads, to be decided so that the decisions were futile and meant nothing to the shippers of the country? Does not the gentleman believe that we ought to return to a system where the important questions wherein the shippers of the country have rights should get back to the commission that we created?

Mr. KELLY of Pennsylvania. I say the people of the country want full justice to the shippers, but they also want to strip away some of these useless obstructions of justice to the whole people.

Mr. BROUSSARD. Then, why not do away with the courts entirely?

Mr. KELLY of Pennsylvania. I have but a moment. I decline further to yield.

The CHAIRMAN. The gentleman from Pennsylvania declines to yield.

Mr. KELLY of Pennsylvania. I want to say, Mr. Chairman, that the people of this country demand that the Interstate Commerce Commission be given full power in dealing with interstate commerce. The people have confidence in that tribunal, and they demand that the power which comes from the people shall be exerted for the people's interests.

I favor the amendment that has been proposed by the gentleman from Georgia [Mr. BARTLETT]. While we are abolishing the Commerce Court, let us abolish the offices which were created at the same time. If the creation of these judgeships was a mistake, their continuance now will be equally a mistake. I believe that a great deal of the distrust and complaint which is prevalent throughout the country in regard to the courts is due to the fact that they have usurped sovereign power and rest secure in that usurpation because the possibility of prevention is very slight.

I would refer the Democrats of this House to their patron saint, Thomas Jefferson, when he discussed the judiciary bodies, which were supposed to be the most helpless and harmless members of the Government, but which have become the most powerful.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. KELLY of Pennsylvania. Mr. Chairman, I ask unanimous consent to extend in the RECORD a paragraph from Jefferson's remarks.

The CHAIRMAN. The gentleman from Pennsylvania [Mr. KELLY] asks unanimous consent to extend his remarks in the RECORD by inserting the statement he indicates. Is there objection?

There was no objection.

Following is the extract referred to:

The judiciary is the subtle corps of sappers and miners, constantly working underground to undermine the foundations of our confederated fabric. * * * Having found from experience that impeachment is an impracticable thing, a mere scarecrow, they consider themselves secure. They skulk from responsibility to public opinion, the only remaining hold on them, under a practice introduced into England by Lord Mansfield.

An opinion is huddled up in conclave, perhaps by a majority of one, delivered as if unanimous—and with the silent acquiescence of lazy or timid associates—by a crafty chief judge, who sophisticates the law to his mind by the turn of his own reasoning. * * * A judiciary independent of a king or an executive alone is a good thing, but independence of the will of the people is a solecism in a republican government. * * *

The judiciary bodies were supposed to be the most helpless and harmless members of the Government. Experience soon showed, however, in what way they were to become the most dangerous; that the insufficiency of the means provided for their removal gave them a free hold and irresponsibility in office; that their decisions, seeming to concern individual suitors only, pass silent and unheeded by the public at large; that these decisions nevertheless become law by precedent, sapping by little and little the foundations of the Constitution and working its change by construction before anyone has perceived that that invisible and helpless worm has been busily employed in consuming its substance.

Mr. BARTLETT. Mr. Chairman, we have got one more speech on this side.

Mr. MANN. And only one more on this side.

Mr. BARTLETT. I wish the gentleman from Illinois would use his time.

Mr. MANN. Mr. Chairman, how much time have I remaining?

The CHAIRMAN. Seven minutes.

Mr. MANN. Mr. Chairman, some years ago William Randolph Hearst, then a Member of the House, introduced a bill creating a court of transportation. I believe that was the first time it had been proposed to have a court located in Washington, although as far back as 1893 the organizations of shippers had asked for the creation of a special court of commerce in each of the judicial districts.

The court of transportation proposed by the Hearst bill was not favorably reported upon, and in 1905 Mr. TOWNSEND, now Senator TOWNSEND, then a Member of the House, introduced a bill providing for a court of transportation. That bill was merged in what was known as the Esch-Townsend bill, introduced by Mr. TOWNSEND a few days later, in January, 1905, and that was the bill upon which President Roosevelt made his determined effort to have legislation.

It is very peculiar that the gentlemen now following that distinguished President are all in favor of abolishing the court, which really received its impetus from the Esch-Townsend bill, so strenuously advocated by President Roosevelt. It is true that in the last campaign President Roosevelt took occasion to say that the Commerce Court ought to be abolished. Probably he had forgotten that his campaign in favor of amending the interstate-commerce law was based primarily upon a court of transportation, which is exactly the same thing as is covered by the Commerce Court. It was to a large extent the advocacy of that measure by President Roosevelt which led President Taft to have incorporated in the administration bill when he came into power the provision for a Commerce Court.

I am frank to say that I never was enthusiastically in favor of creating the Commerce Court. The original court of transportation, which President Roosevelt so urgently insisted upon, did not seem to me very desirable, and I was denounced by many gentlemen because I did not favor that bill at that time. Most of those gentlemen are now in the Progressive Party, denouncing the Commerce Court.

Mr. Chairman, the Commerce Court was finally provided for. It has not yet been fairly tested. I do not know whether it is desirable in the long run to maintain special courts in Washington, such as the Customs Court, the Commerce Court, the proposed patent court, or other special courts, to be presided over by judges who become experts in the line of work demanded by the courts. I have sometimes thought it was better to let judges who were more familiar with the ordinary litigation decide that which was expert. But we have not yet tested the Commerce Court. Because Congress has changed its political complexion, because the exigencies of a campaign led

President Roosevelt to denounce the court for whose creation he was more responsible than anyone else in the land, we have come to the point where both the Democracy and the Progressive Party propose to abolish this court without a reasonable test. The shippers of the country generally were and are in favor of the Commerce Court, believing that the work can be expedited, that the hearings will not be so long delayed, that the decisions will come quicker through a court located here, presided over by the same judges. It has been said by the gentleman from Tennessee [Mr. SIMS] that there were only 20 cases before the Commerce Court last year, and therefore that the court had only 4 cases to adjust. That is hardly as fair a statement as the gentleman from Tennessee usually makes; because under the law these judges are assigned to any circuit in the United States where the Chief Justice may deem it proper to send them. One of them has been holding court in Richmond; one of them has been holding court in New Mexico. There being only four of them now, they have all been holding court in different parts of the country, and they have done the full amount of work which can be asked of any judge in any of the circuits. They have not been loafing in Washington. They have been doing the work which they can properly do in those circuits and districts where additional work is required. I fear it is a mistake to abolish the court without making the test now, because, in my judgment, if the court is abolished now there will be that delay in the decision of cases which will require the shippers of the country to demand additional legislation to test the same court over again.

These cases have been long delayed. We have enacted legislation time after time, giving preference in the Supreme Court to every phase of interstate-commerce litigation arising out of the act to regulate commerce. We have repeatedly provided that cases arising out of this act shall, upon the request of the parties in interest, have preference in the Supreme Court, and notwithstanding all this, notwithstanding the provision by which these cases were expedited in the lower court and were expedited in the Supreme Court, the cases were long delayed until the Commerce Court was created, and the decisions were seldom made until after their application had expired. These orders of the Interstate Commerce Commission are only good for two years, and in nearly every case which was decided by the courts under the old system the order of the court came after the expiration of the two years.

The CHAIRMAN. The time of the gentleman from Illinois has expired. The gentleman from Georgia [Mr. BARTLETT] has 16 minutes remaining.

Mr. BARTLETT. I yield one minute to the gentleman from Mississippi [Mr. Sisson].

Mr. Sisson. Mr. Chairman, I will not take the minute allotted to me, but simply want to state that being on the subcommittee that prepared this bill I agree with the gentleman from Georgia [Mr. BARTLETT] in his conclusion in reference to the law, and in reference to the right of Congress not only to abolish the court, but to abolish the judges. The gentleman from Georgia and I reserved the right to offer this amendment in the House. Being a member of the committee, I have thought it proper to make this explanation.

Mr. BARTLETT. I yield the balance of my time to my colleague from Georgia [Mr. ADAMSON].

The CHAIRMAN. The gentleman from Georgia [Mr. ADAMSON] is recognized for 15 minutes.

Mr. ADAMSON. Mr. Chairman, when I was a very young man I was advised by an old friend of mine, "Never throw dollars back over your shoulder." I thought he was talking in a foolish way, and asked him what he meant. He said, "If you have any dollars to throw away, or imagine you have, throw them in front of you, so you will not have to lose time in going back to pick them up in case you find you need them." He explained the moral of that to me, and it has been percolating into my head ever since. It is that every time you make a mistake you must take the time and trouble to go back and correct that mistake.

The creation of this Commerce Court was a great mistake made by Congress.

That mistake was caused by the absence of our colleagues at a baseball game. Two or three times efforts to eliminate the court failed on a tie vote. A newspaper in the district I represent, noticing that some Members were dragged away from the baseball park to make a quorum in the House, remarked that—

It served them right. They ought to have had more sense than to try to hold a session of Congress during the baseball season.

At the first opportunity we introduced a bill to abolish the court. That was vetoed by the late President. I think we

have a President in the White House now who will sign the bill when it reaches him, and therefore I am anxious to pass a bill abolishing the court. I wish to say to you, gentlemen, that the distinguished gentleman from Illinois [Mr. MANN], who for so long was a member of our committee, a long time its distinguished chairman, has always been moderate, industrious, and fair, and his talk just now indicated his line of conduct all the time on that committee.

It is true as he said—and I am not allowed to state what occurred in committee every time; if so, I could give you some interesting statements about some of these bills for the Commerce Court. Suffice it to say that when this administration bill was finally introduced, no man has ever stated positively or has been able to state how it was inspired, who imposed on the President, who has been described as a great big fat man entirely surrounded by men who knew what they wanted. It was bifurcated, and one leg got into the House and one leg just like it into the Senate, and both Houses went to work upon it at once. Without violating any confidence, I desire to say that the gentleman from Illinois and other able Republicans cooperated with Democrats and managed to abstract and eliminate from the bill many iniquitous features and incorporate some good ones. It came into the House in such a shape that its own mother would not have known it, and then, with such help as we could get to eliminate the bad things, we fused with the other branch of the Republican Party and worked out all of the other bad features except the Commerce Court. We must now correct the mistake of leaving that in the bill, and that is the object of this meeting. [Laughter.]

Mr. MANN. Will the gentleman yield?

Mr. ADAMSON. I will yield for a question, but I will say to the gentleman from Illinois that while I am always ready from the beginning to the end to answer any question, I prefer to wait until I get through and then let him cross-examine me.

Mr. MANN. That will be too late. The gentleman has always been opposed to the creation of a special court, has he?

Mr. ADAMSON. Yes.

Mr. MANN. Did the gentleman vote for the Esch-Townsend bill creating a special court?

Mr. ADAMSON. I guess I did finally after I did the best I could to secure something better and failed.

Mr. MANN. The Esch-Townsend bill?

Mr. ADAMSON. I was never for that bill. In the Republican House it was the best we could secure in the way of regulation. We could not afford to vote against conferring the power to make rates.

Mr. MANN. But the gentleman did finally vote for it?

Mr. ADAMSON. I think I did; but I never did vote for the last administration bill, although we worked on it and improved it in committee, and when it came into the House there was still too much of iniquity in it to commend it to my support and consideration. What good things there were in it we put in and were contrary to the wishes of those who inspired its introduction. I know that the gentleman from Illinois did not inspire it, but the transmogrification he helped us make of it trimmed it and helped it mightily. It changed the sponsorship of it, and he brought it in instead of the author who introduced it. The purpose of that bill, I believe, was to emasculate the Interstate Commerce Commission. The first thing the Commerce Court did was to assume and usurp jurisdiction unconstitutional and never intended, designed, or desired by Congress. Then the friends and relatives of that court began to take great interest in it and said that the shippers were being outraged. My God, if it had not been for the shippers there would have been no Interstate Commerce Commission. There never would have been a case before the commission. Let me give you briefly the theory on which this regulation proceeds. Congress has the right to legislate and make rates by legislative act. Some things the commission does as an administrative body, as an executive, just as the President does. The carriers are public officials just as much as you are. They call them quasi, but the duties are not quasi; the duties are entirely solid and whole.

We have a right in the interest of the people, by whose grace these carriers were chartered and do business and take charge of us and jeopardize our lives and property and charge us for it, to regulate them by law. How would you do it? Would Congress sit here and regulate every rate? No. That would take forever. We would be here every summer, every winter, every autumn, until Gabriel blew his horn. The President could not administer all of these things without appointing some agency. We may just as well constitute an agency to administer while creating a commission to legislate. Then we provided that this commission should receive complaints from shippers who thought the railroads were not giving them fair rates.

The shipper went in there and the railroad was cited; and if the commission thought it was a case to act it acted, just as Congress would do in passing a bill. It was a public instrumentality delegated by Congress to legislate rates for a public servant. If the commission acted, the railroad company was then affected. If its property was confiscated, if the commission had no constitutional authority to pass the order, the railroad had a right to hale it into court and attack the validity of it, just as you can attack the validity of anything unconstitutionally affecting your rights anywhere in any court, and no act of Congress can deprive you or the railroad of the constitutional right. The proposition now is to change the entire character of that commission and destroy the system of regulation. The commission is not a court at all. It is a legislative body to make rates. It is an administrative body to execute some things that are determined upon and intrusted to it. If Congress refuses to pass a bill, your remedy is to introduce another bill. You can not substitute the conscience of a court for the Congress if Congress fails to act; neither can you carry up the refusal of a commission acting for Congress in that way to act where there is no cause shown. That is the shipper's case, but he can file a new complaint. If the railroad is injured, it takes steps to attack the order of the commission.

The gentleman says the shipper must have his day in court. He has had his day in court up to that time, and if he has not gotten all that he wants all he has to do is to file another application and make a better case. [Applause.] That is all there is to that. They say, Take up the case. Are you going to substitute another commission? Are you going to do the foolish thing of saying a court can make a rate when the commission has refused to make a rate? That is nonsense. You may just as well try to take to the courts the refusal of Congress to pass a bill, and you may just as well take to the court the refusal of the President to pardon a criminal, if the commission is acting in its administrative capacity. If under the Constitution you should provide to substitute the judgment of a court, you would overturn the entire character of the scheme, and you would make a court out of a commission and have two authorities to make rates instead of one, which would be ridiculous, if not unconstitutional.

Let me tell you where the gentlemen got their hallucination about shippers. We have been working on this question ever since 1887. The first bill was passed at that time. Brother MANN and I went on the committee at the same time, 17 years ago. This identical proposition has been urged every time there has been a revision of the commerce laws. The gentleman from Illinois [Mr. MANN] I am sure agrees with me in my views of the functions and powers and purposes of the commission. Time after time when we revised the commerce law we refused to do this thing because it would have been subversive of the very character and purpose of the Commerce Commission. Let me tell you how this trouble arose and at the same time explain to you how the statement "the shippers are complaining" can be true and the only way it can be true, for the only persons complaining are those mentioned in two paragraphs of the commerce law, the first of which is as follows and which we put in as the last paragraph of section 1 on the demand of the industrial enterprises throughout the country, who desired legislative coercion to make the railroads facilitate shipping the products of their plants and receiving their supplies.

The following is the paragraph:

Any common carrier subject to the provisions of this act, upon application of any lateral, branch line of railroad, or of any shipper tendering interstate traffic for transportation, shall construct, maintain, and operate upon reasonable terms a switch connection with any such lateral, branch line of railroad, or private sidetrack which may be constructed to connect with its railroad, where such connection is reasonably practicable and can be put in with safety and will furnish sufficient business to justify the construction and maintenance of the same; and shall furnish cars for the movement of such traffic to the best of its ability without discrimination in favor of or against any such shipper. If any common carrier shall fail to install and operate any such switch or connection as aforesaid, on application therefor in writing by any shipper or owner of such lateral, branch line of railroad, such shipper or owner of such lateral, branch line of railroad may make complaint to the commission, as provided in section 13 of this act, and the commission shall hear and investigate the same and shall determine as to the safety and practicability thereof and justification and reasonable compensation therefor, and the commission may make an order, as provided in section 15 of this act, directing the common carrier to comply with the provisions of this section in accordance with such order, and such order shall be enforced as hereinafter provided for the enforcement of all other orders by the commission, other than orders for the payment of money.

Having secured that provision compelling the railroads to connect with their track, run on their switches, to load and unload, and taking and delivering their cars, these several thousand industrial enterprises, now referred to as shippers, and referred to in the act as shippers, decided that they wanted some remuneration for contributing to the transportation,

Their tracks were used, sometimes their cars were used. In other ways they substantially contributed to the transportation of their commodities. They then requested, and at their demand we enacted, the following provision for their benefit:

If the owner of property transported under this act directly or indirectly renders any service connected with such transportation, or furnishes any instrumentality used therein, the charge and allowance therefor shall be no more than is just and reasonable, and the commission may, after hearing on a complaint or on its own initiative, determine what is a reasonable charge as the maximum to be paid by the carrier or carriers for the services so rendered or for the use of the instrumentality so furnished, and fix the same by appropriate order, which order shall have the same force and effect and be enforced in like manner as the orders above provided for under this section.

It will be observed that in this provision they are referred to as "owners of the property," but nevertheless they are recognized as the shippers of that property. These shippers, being sugar mills, lumbering mills, coal mines, brickyards, wholesale stores, and every conceivable enterprise, having forced the railroads to make physical connections and having gotten in the habit of being paid for all contributions to transportation, became quite cocky and bumptious and concluded they would claim to be common carriers and insist on participating with the through carriers in through routes and joint rates. The Interstate Commerce Commission failing to see the matter in that light overruled their contention, holding that they were not common carriers subject to the act to regulate commerce. In the Procter & Gamble case the Supreme Court set out at length our whole theory and purpose and practice in our efforts to regulate commerce just exactly as I have stated it here to you to-day, justifying the action of the Commerce Commission. That is all there is to it.

Mr. MANN. Will the gentleman yield?

Mr. ADAMSON. Yes, sir.

Mr. MANN. Is it a fact if they had this right they would get for themselves a lower rate than a competitor who did not happen to have a sidetrack?

Mr. ADAMSON. I think the great objection the commission always found to it was that they used it for rebates.

Mr. BORLAND. Did not the Tap Line cases finally get into court?

Mr. ADAMSON. Yes; by usurpation of authority by a court that was created for the purpose of destroying the Commerce Commission and after getting it decided that the Commerce Commission was right. The Supreme Court went further and decided that, while they did stumble along and decide the merits of the case right, they were guilty of usurpation and taking jurisdiction of something they had no business with, and turned the tap lines out of court. Now, as to the operations of the court. I have never stated, and I do not care, how many cases they have decided right or wrong. I say they have no business with them. The court is taking away business from the Federal courts, and to that extent relieving them from doing anything, and none of the Federal judges are worked to death. I have never heard of one being buried from overwork, never. [Applause.] I will tell you as to this talk about uniformity. We have every kind of a case on earth in all the States, including all questions. The common head is the Supreme Court of the United States, and that is the final arbiter and unifier. There and there only you will secure uniformity. Oh, but they say you have to scatter about the litigation. That is exactly what I want. The people are scattered all over these States and Territories. They have a right to litigate at home in the vicinage. I object to their having to come to Washington. But who is benefited by that. The railroads first. The railroads can all unite and retain two or three lawyers, and it is mighty easy for those lawyers to go before the court and try all the cases for all the carriers and they get out easy. If they should have much business there would be congestion and delay.

Talk about hearings. We have had hearings for 17 years to my knowledge—and we knew just what the law was, and we were not surprised at the Procter & Gamble case at all. When the gentleman from Louisiana and the gentleman from Missouri became excited over the subject and undertook to remove the regulation of commerce to another committee we went right on with hearings on bills before our committee. We examined the members of the Commerce Commission. We examined the lawyers who are assembled in Washington and who would find it very convenient and profitable if they could assemble all litigation against the carriers and be permitted to conduct it all before one court here. We demonstrated on that hearing the hallucination that any shippers except the tap lines and their lawyers were agitated on the subject. We showed that the imaginary and loudly and widely heralded demand from shippers found its only basis in responses to stereotyped statements sent out from Washington. All that howling storm of

clamor from the shippers was but the echo responding to statements from interested attorneys in Washington, and in making their responses they were misled by erroneous statements to the effect that the shippers had no chance; that the railroads had their day in court with the right to appeal, but that the shipper had no chance anywhere. All this will appear from the hearings taken a year ago by our committee. Not one solitary demand has ever come to our committee from a shipper, nor anybody claiming to be shippers, except some letters suggested and inspired by the erroneous statements already referred to, that the poor shipper was robbed and buffeted about and had no chance; that under the system erected by Congress everything and everybody was for the railroads and nobody for the shipper; when the truth is the only shippers who have ever complained are the tap-line tracks erected by industrial institutions as facilities for their own accommodation, and they were never turned down as shippers. The law itself recognized them as shippers, gave them all they were entitled to as shippers, but when they undertook to become carriers then it was a fight between tap-line railroad and trunk-line railroad, and they lost their complaint, not as shippers, but as pretended and self-assumed carriers, a character under which the Interstate Commerce Commission declined to recognize them, and claiming privileges as carriers which the law denied them. There was never a position so false, there was never an argument so sophistical, there was never a proposition fraught with so much poppy-cock as that urged in the amendments supported by the gentlemen from Louisiana and Missouri.

There is another great trouble about the gentleman from Louisiana. He has introduced a pair of contradictory propositions, either of which if successful would destroy the Interstate Commerce Commission and all our efforts to regulate, and both are in harmony with the spirit which supports the Commerce Court. His first proposition is to make the courts the guardians of the Commerce Commission, to correct it when it fails to modify a rate, and take charge and itself regulate the rate, a proposition unconstitutional, impracticable, and ridiculous. The second, he proposes to make all orders final, so as to deny redress in the courts to anybody. Of course everybody knows that is unconstitutional.

The CHAIRMAN. All time has expired. [Applause.]

The question is on the amendment offered by the gentleman from Georgia [Mr. BARTLETT].

Mr. FITZGERALD. Mr. Chairman, what is the amendment? Let us have it again reported.

The CHAIRMAN. The Clerk will again report the amendment.

The amendment was again reported.

The question was taken; and the Chair announced the ayes seemed to have it.

On a division (demanded by Mr. FITZGERALD) there were—ayes 82, noes 36.

Mr. MANN. Mr. Chairman, let us have tellers.

Tellers were ordered.

The committee again divided, and the tellers [Mr. FITZGERALD and Mr. BARTLETT] reported that there were—ayes 80, noes 40. So the amendment was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois.

Mr. MANN. Is not the amendment to strike out the paragraph?

The CHAIRMAN. Yes.

Mr. MANN. That should be voted on last.

The CHAIRMAN. The Clerk will report the first amendment offered by the gentleman from Louisiana [Mr. BROUSSARD].

Mr. BROUSSARD. Mr. Chairman, in view of the action taken by the committee in adopting the Bartlett amendment, where does this amendment come in giving jurisdiction to the district courts? Of course the amendment of the gentleman from Georgia still leaves the proposition of the decisions of the Interstate Commerce Commission to be reviewable by the district courts, and the amendment now under consideration is an amendment to give additional jurisdiction to the district courts. At what part would this amendment come in under that amendment? I am not clear as to that.

Mr. FITZGERALD. Let the amendment be again reported so we will know what it is.

The CHAIRMAN. The Clerk will again report the amendment.

The first amendment of Mr. BROUSSARD was again reported.

Mr. BORLAND. That is the one that is identical with the Borland bill of the last session.

Mr. BROUSSARD. Yes.

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken; and the Chairman announced that the yeas seemed to have it.

Mr. BROUSSARD. A division, Mr. Chairman.

The CHAIRMAN. The gentleman from Louisiana [Mr. BROUSSARD] demands a division.

The committee divided; and there were—ayes 8, yeas 67.

So the amendment was rejected.

The CHAIRMAN. The Clerk will report the next amendment offered by the gentleman from Louisiana [Mr. BROUSSARD]. That is the amendment to which the gentleman from Tennessee [Mr. SIMS] reserved a point of order.

Mr. SIMS. Yes; I reserved a point of order, but it might take a longer time to discuss it.

The Clerk read as follows:

On page 21, line 11, after the word "thirteen," strike out the comma and insert a period. Strike out, after said period, the balance of page 21 and all of pages 22, 23, and 24, and strike out all of that part of page 25 up to and including line 17, and insert in lieu thereof the following: "And no court in the United States shall entertain jurisdiction of any suit to enforce, suspend, set aside, in whole or in part, any order of the Interstate Commerce Commission, but such orders of said commission shall be final as to questions of law, as well as to questions of fact."

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken, and the Chairman announced that the "yeas" seemed to have it.

Mr. BROUSSARD. I call for a division, Mr. Chairman.

The CHAIRMAN. The gentleman from Louisiana asks for a division.

The committee divided; and there were—ayes 3, yeas 70.

So the amendment was rejected.

The CHAIRMAN. The Clerk will report the next amendment, which is the amendment offered by the gentleman from Indiana [Mr. CULLOP].

The Clerk read as follows:

Amend, page 21, line 19, by striking out the words "some or all of," after the word "where," and in line 20, after the word "has" strike out the word "either," and after the word "origin" strike out the words "or destination," so that the paragraph will read "The venue of any suit hereafter brought to enforce, suspend, or set aside, in whole or in part, any order of the Interstate Commerce Commission shall be in the judicial district where the transportation covered by the order has its origin," etc.

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken, and the Chairman announced that the "yeas" seemed to have it.

Mr. MURDOCK. A division, Mr. Chairman.

The CHAIRMAN. A division is demanded.

The committee divided; and there were—ayes 34, yeas 58.

So the amendment was rejected.

The CHAIRMAN. The question now is on agreeing to the amendment offered by the gentleman from Illinois [Mr. MANN]. The Clerk will report it.

The Clerk read as follows:

Strike out the paragraph from line 4, page 21, to line 17, page 25, both lines inclusive.

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken, and the amendment was rejected.

Mr. FITZGERALD. Is that all of the amendments, Mr. Chairman?

The CHAIRMAN. That is all.

Mr. FITZGERALD. Mr. Chairman, I offer the following amendment.

The CHAIRMAN. The gentleman from New York [Mr. FITZGERALD] offers an amendment which the Clerk will report.

The Clerk read as follows:

For compensation (not exceeding in the aggregate \$15,000 and at a monthly compensation not exceeding \$300 each, to be fixed by the Secretary of the Treasury) and traveling expenses of agents to select and recommend sites that have been authorized by law for public buildings for the fiscal year 1914, \$30,000.

Mr. BROUSSARD. Mr. Chairman, I want to reserve the right to have a vote in the House upon the two amendments which I offered.

The CHAIRMAN. The Chair did not catch the gentleman's request.

Mr. BROUSSARD. I say, Mr. Chairman, I want to reserve the right to ask for a separate vote in the House upon the amendments which I offered, which have been defeated in the committee.

The CHAIRMAN. The gentleman would not be in order, the amendments having been lost in the committee.

Mr. BROUSSARD. My amendments were lost in the committee. I want to reserve the right for a roll call in the House.

Mr. FITZGERALD. The gentleman can ask for his rights in the House.

The CHAIRMAN. The Chair would advise the gentleman from Louisiana to submit that proposition to the Speaker when we get into the House.

Mr. BROUSSARD. I do not want to lose my rights; that is all.

Mr. MONDELL. Mr. Chairman, I desire to submit a few remarks on this matter, but as it is quite late I ask unanimous consent that I may extend them in the Record.

The CHAIRMAN. The gentleman from Wyoming [Mr. MONDELL] asks unanimous consent to extend his remarks in the Record. Is there objection?

There was no objection.

Mr. MONDELL. Mr. Chairman, I listened with much interest to observations made by gentlemen during the debate yesterday relative to the standardization of public buildings and in criticism or condemnation of the policy of erecting public buildings in relatively small cities and towns. To my surprise a number of gentlemen on the other side of the aisle expressed a rather remarkable change of opinion on the subject of public buildings in communities of less than metropolitan size; and for fear that it might be understood that this change of opinion was quite universal I have felt it my duty to say a few words on the subject.

One of the gentlemen who spoke has expressed the opinion that no public building should be erected in a city of less than 100,000 inhabitants, other gentlemen have placed the limit considerably lower, but still exclusive of a very large class of thriving towns. Other gentlemen would establish the rule that no public building shall be erected unless it is cheaper for the Government to build and maintain than to pay rent. Very briefly I desire to dissent from the opinions thus expressed.

It is and has been a very cheap and easy criticism of public-building bills to refer to them as pork-barrel bills. With certain classes of people every appropriation is a pork-barrel appropriation unless the money is to be spent to pay the salaries of men in uniform, for \$15,000,000 battleships, for arms and munitions of war, or for costly structures to adorn great cities.

On what theory all expenditures for public buildings are to be limited to cities of upward of 100,000 people I do not know. If it is on the theory that as a cold business proposition it pays better to build than to rent I fear that an unbiased investigation would develop the fact that, assuming that the money we take from the people in taxes to build public buildings is worth 5 per cent to them and taking into consideration every element of cost and upkeep, there are very few places where the Government could not rent accommodations which would serve the purpose much better than the buildings that the Government ordinarily rents in small towns for much less than it costs to build and maintain. The gentlemen who have advanced the theory that the Government should erect no buildings to serve the purposes of peace except upon conclusive proof that such building is essentially a matter of economy will find mighty few buildings to erect.

Possibly gentlemen argue that none but the largest communities and cities should have post-office buildings, because they, as clearing houses of postal business, receive the major portion of the postal revenues. One would judge from the pride and complacency with which gentlemen from large cities refer to the enormous postal receipts in such cities that they imagine that these receipts flow entirely from billet-doux and parcel-post transactions between and among the favored inhabitants of their and like communities.

Gentlemen seem to forget that if it was not for the people on the farms and in the small towns the postal receipts of these great centers would dwindle amazingly. Gentlemen who can not view these things except from the standpoint of the metropolitan citizen are not satisfied apparently that the cities shall have all the advantage which comes to the manufacturer, the finisher, the jobber, the middleman, while the country and the small towns and cities in the person of the ultimate consumer pays the fiddler. In addition to that it is their desire that when it comes to Government expenditures for permanent structures the hundreds and thousands of smaller communities which make up postal receipts shall not only receive no consideration but they—the larger communities—shall be the sole beneficiary of the aggregate of receipts contributed by many smaller communities.

I am not one of those who believe that the committee or the Congress, which passed the last public-building bill, is properly subject to any considerable censure in that behalf. No doubt they provided for buildings which we could do without, as, in fact, we could do without the monumental structure, beautiful and inspiring in situation and design, which we have just com-

pleted for the Bureau of Printing and Engraving in this city; but in my philosophy no properly planned and constructed public building in any growing community represents either a waste or a misappropriation of public funds. In many communities it is the only permanent, visible, tangible evidence of the existence of the Federal Government, and justifiable from that standpoint alone.

Some gentlemen who are not willing to go to the length of confining Federal construction to large cities would standardize all structures. If small cities and towns must have a public building, the theory seems to be that a glorified soap box, with a few tin trimmings painted, I suppose, to correspond with the tone of the landscape—a bright green in Virginia, a dull drab in Texas, and a dust color in Utah—would be about the thing. Standardization within reason is a good thing, but I have been inclined to the opinion that in late years we have been standardizing quite enough in the general plan and style of public buildings, though possibly not as much as we could or should in the matter of detail. My experience with public buildings is that they exert a most helpful and salutary influence upon the towns in which they are built. A public building of a design in harmony with its surroundings, of material that can be utilized without excessive cost in the better class of private structures, is a constant inspiration to the community and exerts a continuous, helpful influence in the improvement in plan and permanence in private structures.

I can not agree with the views that have been expressed by one or two of the gentlemen to the effect that we are not and have not been getting our money's worth in public buildings. I do not pretend to know what happens in large cities, where men make diligent study of sharp practice and tricks of the trade, but I do know that in the part of the country from which I hail the Government—not only the Post Office Department, but the War Department—has been erecting buildings as cheaply as the same class of buildings could be erected by anyone; in fact, I have in mind instances in which it has been a matter of surprise to well-informed people that a building of the kind could be constructed as cheaply as the Government has been constructing them. Gentlemen should bear in mind that these buildings are constructed with a degree of thoroughness and permanence that private individuals are inclined to think they can not afford, though, as I have said, the influence of these structures in the encouragement of good taste and permanence in private structures is very great. It should also be remembered that in Government construction of all kinds it is the practice to compel a closer adherence to specifications than in the case of private construction, and this of course has a tendency to somewhat increase cost.

Gentlemen have complained that the cost of the Supervising Architect's Office is excessive. As to that I am not informed, but we all know that a great variety of work performed through public agencies is more expensive than like work performed by private enterprise.

I expect to continue to support reasonable appropriations for Government expenditures along all proper lines, but I adhere to the belief that the flag floating from a Government building of pleasing design and appropriate finish in the small towns and cities of the country is at least as fine an inspiration of patriotism and good citizenship as is the banner floating from a \$5,000,000 building in a great city or from the peak of a \$15,000,000 battleship.

Mr. AUSTIN. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD with respect to the Supervising Architect's Office.

The CHAIRMAN. The gentleman from Tennessee [Mr. AUSTIN] asks unanimous consent to extend his remarks in the RECORD. Is there objection?

There was no objection.

Mr. POWERS. Mr. Chairman, I make the same request.

Mr. OGLESBY. And, Mr. Chairman, I make the same request.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky [Mr. POWERS] and the request of the gentleman from New York [Mr. OGLESBY]?

There was no objection.

[Mr. AUSTIN addressed the committee. See Appendix.]

Mr. POWERS. It has been so, Mr. Chairman, for many, many years that every time a Post Office appropriation bill, or anything akin to it, was up for discussion before Congress, and every time such a bill was passed by either House of the National Legislative body, there was a great hue and cry raised about "pork-barrel" legislation—about Congressmen getting things for their districts, and all that. What are Members sent here for except to do what they can, and all they can, for the

constituents who sent them? Oh, but the point is raised that when one is elected a Member in Congress he is then a representative of all the people, and that he should be broad and fair enough to look at the general welfare of all the people; and if a certain proposed measure does not redound to the benefit of a majority of all the people, in that event he should not favor the legislation, even if it should greatly benefit and bless the people of his own district. It may be a narrow view for me to take, but I am for the people of my district first and the rest of the world afterwards. If every Member here should take that view of it there would never be any legislation passed that was not in harmony with the views, wishes, and welfare of a majority of all the people of this great country, because all the people of this great country are represented, or supposedly represented, by the 435 Members of the House of Representatives.

The people in the district I have the honor to represent are citizens and taxpayers of this great and glorious old country of ours, and, as such, they are entitled to have, at least, some of the immense appropriations of this Congress redound directly to their benefit. We have no great rivers, no bays, no harbors, no great lakes touching our territory. We have no great cities down there, no great navies nor standing armies. We have virtually none of the things in the district upon which the Government has been spending large sums of money. And, if the plan contended for here by some gentlemen be adopted that no money should be appropriated with which to erect a public building unless the population in the town or city exceed 100,000 people, in that event the district I have the honor to represent would get no appropriations whatever. Federal aid to public roads will come some time, and the upper Cumberland will some day, and I hope soon, be locked and dammed from its mouth to Burnside, Ky. But at present no appropriations of that character are being made. There is not a town in any county in the district I represent that has a population of over 10,000 people. A good many of the other Members of Congress are similarly situated. That is true of Congressman LANGLEY's district north of me. It is true of Congressman AUSTIN's district in the State of Tennessee, just south and east of the district I represent. It is true of a host of districts throughout the Union. Are they to have no appropriations for the erection of public buildings in these districts because, forsooth, there are no cities of at least 100,000 population within their boundary lines? Unfortunately, too, there are some congressional districts whose people measure the fitness of their Congressman to represent them by the number and size of the appropriations he is able to obtain for his district.

If he obtains none, in the minds of some people he is an unfit representative, however able and untiring he may be in his efforts to serve his constituency both faithfully and well. He may be instrumental in helping shape the great legislative measures of the country. He may have reflected credit upon the people of the district who gave him a seat in Congress, and all that, still when he becomes a candidate to succeed himself his enemies will yell themselves hoarse asking what he has done for his district; and unless he is able to point to some visible thing which money in the form of an appropriation has erected or constructed there are too many who are prone to say, "I can not see anything that he has done."

One of the dangers to our Republic is that the people have been flocking from the farms to the cities. By reason of this the farms have become partially deserted, production thereon has not kept pace with the ever-increasing tide of humanity, and as a result of it all prices of farm products have soared heavenward. "Back to the farm," is now the cry. "Back to the soil," is now the watchword and shibboleth of the advocates of a reduced cost of living. It was the reduction of the "robber" tariff for a while, you know. Are these advocates in Congress—these strenuous advocates—now wanting to adopt a policy to reward the people who live in the cities of immense size and punish the people who live in the country by giving appropriations to the one and denying it to the other? Consistency, consistency! It can be found everywhere except in politics and the American Congress. And why do you gentlemen trouble your souls about the high cost of living? You Democratic spellbinders on the raging stump in the last campaign told the confiding public that if they would just turn the robbing Republican scoundrels out of office and put your pious but red-nosed scoundrels in that all would be lovely; that the high cost of living would melt away like the mist before the rising sun; and that peace, plenty, and right living would be the common heritage of all. But lo, and behold! Lo and behold! Human nature has not changed. Wickedness is yet abroad in the land. The high cost of living each day continues to soar still higher. The third Maine district has gone Republican. There is a day

of reckoning for you gay deceivers. The people are deserting the party of asininity, deception, and failure.

[Mr. OGLESBY addressed the committee. See Appendix.]

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from New York [Mr. FITZGERALD].

The question was taken, and the amendment was agreed to.

Mr. FITZGERALD. Mr. Chairman, I move that the committee do now rise and report the bill favorably to the House with amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The motion was agreed to.

Accordingly the committee determined to rise; and the Speaker having resumed the chair, Mr. Flood of Virginia, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 7898, the urgent deficiency bill, and had directed him to report the same back with sundry amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

Mr. FITZGERALD. Mr. Speaker, I move the previous question on the bill and amendments to final passage.

The motion was agreed to.

The SPEAKER. Is a separate vote demanded on any amendment?

Mr. MANN. Mr. Speaker, I ask for a separate vote on the Bartlett amendment to the Commerce Court proposition abolishing the judges.

The SPEAKER. The gentleman from Illinois demands a separate vote on the Bartlett amendment to the Commerce Court proposition.

Mr. BROUSSARD. Mr. Speaker, I ask for a separate vote on both amendments that I offered.

The SPEAKER. Both amendments were lost, were they not?

Mr. BROUSSARD. Yes.

The SPEAKER. The gentleman can not have a vote upon them. Is a separate vote demanded on any other amendment, and if not, the Chair will put the rest of them en gros.

There was no further demand for a separate vote, and the remaining amendments were agreed to.

The SPEAKER. The Clerk will report the Bartlett amendment.

The Clerk read as follows:

Amend by adding on page 21, in line 15, after "repealed":

"The five additional circuit judgeships provided for by the act of Congress approved June 18, 1910, and by chapter 9 of the act entitled 'An act to codify, revise, and amend the laws relating to the judiciary,' approved March 3, 1911, are hereby abolished, and the authority in said acts of Congress for the President, by and with the advice and consent of the Senate, to appoint five additional circuit judges is hereby repealed, and the number of circuit judges is hereby reduced to 29. So much of the acts of June 18, 1910, and of March 3, 1911, as authorize or direct the said five judges to preside in the circuit or district courts of the United States or in the circuit courts of appeals or to exercise any of the powers, duties, or authority of circuit or district judges, or of said circuit or district courts or of said circuit courts of appeals, is hereby repealed."

The SPEAKER. The question is on the amendment.

The question was taken; and on a division (demanded by Mr. MANN) there were—92 ayes and 45 noes.

Mr. MANN. Mr. Speaker, I make the point of order that no quorum is present.

The SPEAKER. The Chair will count. [After counting.] One hundred and fifty-two Members present; not a quorum.

ADJOURNMENT.

Mr. FITZGERALD. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 20 minutes p. m.) the House adjourned until to-morrow, Tuesday, September 9, 1913, at 12 o'clock noon.

EXECUTIVE COMMUNICATION.

Under clause 2 of Rule XXIV, a letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report of examination of Paint Rock River, Ala. (H. Doc. No. 227), was taken from the Speaker's table, referred to the Committee on Rivers and Harbors, and ordered to be printed.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 2750) granting a pension to Stanley S. Stout; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 3306) granting an increase of pension to Charles Wilson; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. SMITH of Idaho: A bill (H. R. 7968) to provide for the erection of a Federal building at Blackfoot, Idaho; to the Committee on Public Buildings and Grounds.

By Mr. BRITTEN: A bill (H. R. 7969) to prohibit the killing and interstate shipment of beef cattle under a certain age; to the Committee on Interstate and Foreign Commerce.

By Mr. SUMNERS: A bill (H. R. 7970) to establish in the Department of Agriculture a bureau of marketing; to the Committee on Agriculture.

By Mr. BORLAND: A bill (H. R. 7971) to provide for the construction of sanitary dwellings at a low rental for unskilled wage earners in the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. CARTER: A bill (H. R. 7972) providing for the holding of the United States district and circuit courts at Hugo, Okla.; to the Committee on the Judiciary.

By Mr. HOBSON: A bill (H. R. 7973) to provide for the publication of an official journal; to the Committee on Printing.

By Mr. STEPHENS of Texas: A bill (H. R. 7974) to adjust the tribal rolls and to settle the affairs of the Five Civilized Tribes in Oklahoma; to the Committee on Indian Affairs.

By Mr. BOOHER: Resolution (H. Res. 245) directing the Secretary of Agriculture to communicate to the House of Representatives the cost and result of the investigation of the hog-cholera plague; to the Committee on Agriculture.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BRITTEN: A bill (H. R. 7975) for the relief of the heirs of Claud Graham; to the Committee on Claims.

By Mr. DYER: A bill (H. R. 7976) granting a pension to Charles F. Lang; to the Committee on Invalid Pensions.

By Mr. FORDNEY: A bill (H. R. 7977) granting a pension to George Oatten; to the Committee on Pensions.

By Mr. HOUSTON: A bill (H. R. 7978) granting an increase of pension to Thomas Davis; to the Committee on Invalid Pensions.

By Mr. KIESS of Pennsylvania: A bill (H. R. 7979) granting a pension to Lucy M. Cooke; to the Committee on Pensions.

By Mr. LOBECK: A bill (H. R. 7980) granting a pension to George J. Jarchow; to the Committee on Pensions.

Also, a bill (H. R. 7981) granting an increase of pension to John K. Lowry; to the Committee on Invalid Pensions.

By Mr. PATTON of Pennsylvania: A bill (H. R. 7982) granting a pension to George M. Maginnis; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7983) granting a pension to Mary E. Schnell; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7984) granting an increase of pension to Dallas Patrick; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7985) granting an increase of pension to William M. McIntosh; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7986) granting an increase of pension to Charles H. Else; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7987) granting an increase of pension to James T. Herrington; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7988) granting an increase of pension to William Jones; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7989) granting an increase of pension to Alfred Richards; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7990) granting an increase of pension to William Colpetzer; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7991) granting an increase of pension to Elizabeth A. Clemson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7992) granting an increase of pension to Seymour Ross; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7993) granting an increase of pension to Irvin G. Alexander; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7994) granting an increase of pension to Cyrus Wilson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7995) granting an increase of pension to Charles F. Heichtel; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7996) granting an honorable discharge to C. H. Cole; to the Committee on Military Affairs.

Also, a bill (H. R. 7997) granting an increase of pension to Christian H. Buckwalter; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7998) granting an increase of pension to George W. Brink; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7999) granting an increase of pension to John Anderson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8000) granting an increase of pension to Jacob Woodruff; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8001) granting an increase of pension to Marshall C. Conroe; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8002) granting an increase of pension to John C. Rote; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8003) granting an increase of pension to J. Milton Carlisle; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8004) granting an increase of pension to Lavina Sharp; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8005) granting an increase of pension to Joseph Gates; to the Committee on Invalid Pensions.

By Mr. SINNOTT: A bill (H. R. 8006) granting an increase of pension to Sarah A. Tillard; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. BURNETT: Petition of the Association of German Authors of America, New York, N. Y., and of the Alabama State Branch of the German-American National Alliance, Mobile, Ala., protesting against placing a tariff on books printed in languages other than English; to the Committee on Ways and Means.

Also, petition of the Switchmen's Union of North America, Houston, Tex., protesting against the schedule of compensation provided for in the workmen's compensation bill; to the Committee on the Judiciary.

Also, petition of sundry business men of the seventh congressional district of Alabama, favoring the passage of legislation compelling concerns selling goods direct to the consumer by mail to contribute their portion of the funds for the development of the local community, county, and State; to the Committee on Interstate and Foreign Commerce.

Also, petition of Fred J. Buchmann, Cullman, Ala., and J. J. Tucker, Crane Hill, Ala., protesting against including mutual life insurance companies in the income-tax bill; to the Committee on Ways and Means.

By Mr. BRITTEN: Papers to accompany bill for the relief of the heirs of Claude Graham; to the Committee on Claims.

By Mr. CAMPBELL: Petition of sundry business men of the third congressional district of Kansas, favoring the passage of legislation compelling concerns selling goods direct to the consumer by mail to contribute their portion of the funds for the development of the local community, county, and State; to the Committee on Interstate and Foreign Commerce.

By Mr. CLARK of Florida: Petition of the city council of Jacksonville, Fla., favoring the passage of legislation for national aid for the construction of good roads; to the Committee on Roads.

By Mr. DYER: Petition of the Missouri Old Trails Road Association, Booneville, Mo., favoring the passage of legislation making an appropriation for the continuance of the Cumberland Road through the States of Ohio, Indiana, Illinois, and Missouri; to the Committee on Roads.

By Mr. SAMUEL W. SMITH: Petition of Williamston (Kans.) Grange, No. 115, protesting against the passage of the Underwood tariff bill; to the Committee on Ways and Means.

Also, petition of sundry business men of 29 towns of the State of Michigan, favoring the passage of legislation compelling concerns selling goods direct to the consumer by mail to contribute their portion of the funds for the development of the local community, county, and State; to the Committee on Interstate and Foreign Commerce.

SENATE.

TUESDAY, September 9, 1913.

The Senate met at 9 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

The Journal of yesterday's proceedings was read and approved.

MEMORIAL.

Mr. POINDEXTER presented a memorial of Local Camp No. 2, Sons of Veterans, of Spokane, Wash., remonstrating against any change in the design of the American flag, which was referred to the Committee on Military Affairs.

NATIONAL CONSERVATION EXPOSITION, KNOXVILLE, TENN.

Mr. ASHURST, from the Committee on Industrial Expositions, to which was referred S. Res. 175, to provide for a committee to accept on behalf of the Senate an invitation to

visit the National Conservation Exposition, reported it without amendment, submitted a report (No. 111) thereon, and moved that it be referred to the Committee to Audit and Control the Contingent Expenses of the Senate, which was agreed to.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. OWEN:

A bill (S. 3099) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes; to the Committee on Banking and Currency.

By Mr. GORE:

A bill (S. 3100) fixing the compensation of letter carriers of the Rural Delivery Service at a salary not exceeding \$120 per month; to the Committee on Post Offices and Post Roads.

AMENDMENT TO DEFICIENCY APPROPRIATION BILL.

Mr. PENROSE submitted an amendment proposing to appropriate \$10,000 for completion of post-office building under present limit at Hanover, Pa., etc., intended to be proposed by him to the urgent deficiency appropriation bill (H. R. 7898), which was referred to the Committee on Appropriations and ordered to be printed.

PUBLIC LANDS IN CALIFORNIA.

Mr. WORKS submitted an amendment intended to be proposed by him to the bill (H. R. 7207) granting to the city and county of San Francisco certain rights of way in, over, and through certain public lands, the Yosemite National Park, and Stanislaus National Forest, and certain lands in the Yosemite National Park, the Stanislaus National Forest, and the public lands in the State of California, and for other purposes, which was referred to the Committee on Public Lands and ordered to be printed.

THE TARIFF.

The VICE PRESIDENT. The morning business is closed.

Mr. SIMMONS. I ask unanimous consent that the Senate proceed to the consideration of House bill 3321.

There being no objection, the Senate resumed the consideration of the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes.

Mr. SMOOT. Mr. President, I believe we should have a quorum before we start with the consideration of the bill. I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Brandegee	McCumber	Pomerene	Smoot
Bristow	Martin, Va.	Robinson	Sterling
Chamberlain	Myers	Sheppard	Thomas
Gallinger	Nelson	Sherman	Walsh
James	Norris	Shields	Works
Jones	Owen	Simmons	
Kenyon	Page	Smith, Ga.	
Lane	Perkins	Smith, S. C.	

Mr. STERLING. I desire to announce that my colleague [Mr. CRAWFORD] is unavoidably absent.

Mr. JONES. I desire to state that the junior Senator from Michigan [Mr. TOWNSEND] is necessarily absent from the city. He is paired with the Senator from Florida [Mr. BRYAN].

The VICE PRESIDENT. Twenty-nine Senators have answered to the roll call.

Mr. BRANDEGEE. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The VICE PRESIDENT. May the Chair suggest to the Senator from Connecticut that the roll of absentees be first called?

Mr. BRANDEGEE. Certainly; I shall be very glad to have that done.

The Secretary called the names of the absent Senators, and Mr. ASHURST, Mr. HOLLIS, Mr. KERN, Mr. LEA, Mr. SHIPLEY, and Mr. VARDAMAN answered to their names when called.

Mr. SHEPPARD (when Mr. CULBERSON's name was called). My colleague, the senior Senator from Texas, is necessarily absent. He is paired with the Senator from Delaware [Mr. DU PONT]. This announcement may stand for the day.

Mr. McCUMBER (when Mr. GRONNA's name was called). My colleague is necessarily absent.

Mr. FLETCHER, Mr. HUGHES, Mr. BRYAN, Mr. LA FOLLETTE, and Mr. THORNTON entered the Chamber and answered to their names.

The VICE PRESIDENT. Forty Senators have answered to the roll call. There is not a quorum present.

Mr. SIMMONS. Mr. President—

Mr. BRANDEGEE. I renew my motion.

The VICE PRESIDENT. The Senator from Connecticut moves that the Sergeant at Arms be directed to request the attendance of absent Senators.

Mr. SIMMONS. I rose to make that motion.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will execute the order of the Senate.

Mr. RANDELL, Mr. OLIVER, Mr. CATRON, Mr. WILLIAMS, Mr. OVERMAN, Mr. JOHNSON, Mr. SAULSBURY, Mr. CUMMINS, Mr. REED, and Mr. BRADLEY entered the Chamber and answered to their names.

The VICE PRESIDENT (at 9 o'clock and 35 minutes a. m.). Forty-eight Senators have answered to the roll call. There is a quorum present.

Mr. BRANDEGEE. Mr. President, I ask unanimous consent that further proceedings under the order of the Senate directing the Sergeant at Arms to request the presence of absent Senators be dispensed with.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the order is vacated. The pending amendment is the amendment offered by the Senator from Washington [Mr. JONES].

Mr. JONES. On that I ask for a roll call.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. NELSON (when his name was called). I have a general pair with the Senator from Georgia [Mr. BACON], and withhold my vote for that reason.

Mr. SAULSBURY (when his name was called). I transfer my pair with the junior Senator from Rhode Island [Mr. COLT] to the Senator from Oklahoma [Mr. GORE] and vote "nay."

Mr. SUTHERLAND (when his name was called). I ask whether the Senator from Arkansas [Mr. CLARKE] has voted?

The VICE PRESIDENT. The Chair is informed that he has not voted.

Mr. SUTHERLAND. Then I withhold my vote on account of my pair with that Senator.

Mr. THOMAS (when his name was called). I have a general pair with the Senator from Ohio [Mr. BURTON], which I transfer to the senior Senator from Nevada [Mr. NEWLANDS], and vote "nay."

Mr. WILLIAMS (when his name was called). I wish to announce my general pair with the senior Senator from Pennsylvania [Mr. PENROSE] and the transfer of that pair to the Senator from Nevada [Mr. PITTMAN]. I vote "nay."

The roll call was concluded.

Mr. WILLIAMS (after having voted in the negative). I have just been informed that the senior Senator from Pennsylvania [Mr. PENROSE], if present, would vote "nay," and therefore, without any transfer of my pair with him, I take the liberty of allowing my vote to stand.

Mr. GALLINGER (after having voted in the negative). I inquire if the junior Senator from New York [Mr. O'GORMAN] has voted?

The VICE PRESIDENT. The Chair is informed that he has not voted.

Mr. GALLINGER. I am paired with that Senator. I transfer the pair to the junior Senator from Maine [Mr. BURLEIGH] and will allow my vote to stand.

Mr. CLARK of Wyoming. I ask if the senior Senator from Missouri [Mr. STONE] has voted?

The VICE PRESIDENT. The Chair is informed that he has not voted.

Mr. CLARK of Wyoming. I have a general pair with that Senator, and therefore withhold my vote.

Mr. REED. My colleague, the senior Senator from Missouri, is unavoidably detained from the Chamber.

I have a pair with the Senator from Michigan [Mr. SMITH]. I transfer that pair to the Senator from Maryland [Mr. SMITH] and vote "nay."

Mr. FLETCHER (after having voted in the negative). I understand the Senator from Wyoming [Mr. WARREN], with whom I am paired, has not voted. I transfer that pair to the junior Senator from Virginia [Mr. SWANSON] and will allow my vote to stand.

Mr. CLARK of Wyoming. As I have stated, I have a general pair with the senior Senator from Missouri [Mr. STONE]. I transfer that pair to the Senator from Vermont [Mr. DILLINGHAM] and vote "yea."

Mr. LEA. I transfer my pair with the senior Senator from South Dakota [Mr. CRAWFORD] to the junior Senator from Ohio [Mr. POMERENE] and will vote. I vote "nay."

The result was announced—yeas 8, nays 42, as follows:

YEAS—8.			
Bradley	Catron	Jones	Perkins
Brandegee	Clark, Wyo.	Norris	Sherman
NAYS—42.			
Ashurst	Kern	Page	Smoot
Bristow	Lane	Reed	Sterling
Chamberlain	Lea	Robinson	Thomas
Cummins	McCumber	Saulsbury	Thompson
Fletcher	McLean	Shafroth	Thornton
Gallinger	Martin, Va.	Sheppard	Vardaman
Hollis	Martine, N. J.	Shields	Walsh
Hughes	Myers	Shively	Williams
James	Oliver	Simmons	Works
Johnson	Overman	Smith, Ga.	
Kenyon	Owen	Smith, S. C.	
NOT VOTING—45.			
Bacon	Culberson	Lodge	Smith, Mich.
Bankhead	Dillingham	Nelson	Stephenson
Borah	du Pont	Newlands	Stone
Brady	Fall	O'Gorman	Sutherland
Bryan	Goff	Penrose	Swanson
Burleigh	Gore	Pittman	Tillman
Burton	Gronna	Polindexter	Townsend
Chilton	Hitchcock	Pomerene	Warren
Clapp	Jackson	Ransdell	Weeks
Clarke, Ark.	La Follette	Root	
Colt	Lewis	Smith, Ariz.	
Crawford	Lippitt	Smith, Md.	

So the amendment of Mr. JONES was rejected.

Mr. JONES. Mr. President, I offer another amendment. I am not going to ask for a roll call upon it. I desire to say that it restricts the provisions of the bill, as sent here by the House, to vessels built in this country, and also to vessels registered prior to the passage of the bill, and puts in a provision for abrogating the treaties.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. It is proposed to insert, after the word "vessels," on line 13, the words "built in the United States or"; and after the word "registration," to insert the words "prior to the passage of this act," and to add as a proviso the following:

Provided, That the President is directed to cause to be abrogated without unnecessary delay, and in the manner therein provided, all treaties which contravene this provision; and, until so abrogated, this provision shall not apply to goods, wares, and merchandise imported in vessels affected by such treaties.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was rejected.

Mr. JONES. On the question of concurring in the committee amendment made as in Committee of the Whole, which strikes out the House provision, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. NORRIS. Mr. President—

Mr. ASHURST. Mr. President, may the question be stated?

The VICE PRESIDENT. The Chair must recognize the Senator from Nebraska, who first rose.

Mr. NORRIS. I rose for the purpose of getting information upon the pending question. I did not hear it and do not understand it. In order that we may know what the question is, I should like to have the Senator from Washington state it.

The VICE PRESIDENT. The Secretary will state the question.

The SECRETARY. In the Committee of the Whole the Senate agreed to an amendment, on page 263, beginning on line 11, J, subsection 7, to strike out that subsection. The Senator from Washington [Mr. JONES] now asks for the yeas and nays upon concurring in that action of the Senate as in Committee of the Whole.

The VICE PRESIDENT. The Secretary will call the roll.

Mr. McCUMBER (when Mr. GRONNA's name was called). My colleague [Mr. GRONNA] is unavoidably absent from the city. He is paired with the junior Senator from Illinois [Mr. LEWIS]. I will let this announcement stand for every vote during the day.

Mr. JAMES (when his name was called). Mr. President, there is a great deal of confusion on this side of the Chamber as to just what question we are voting upon. I should like to have the Chair let us know.

The VICE PRESIDENT. The question is upon concurring in the amendment agreed to as in Committee of the Whole.

Mr. JAMES. As agreed upon in Committee of the Whole?

The VICE PRESIDENT. Yes.

Mr. McCUMBER. Mr. President, there is a little confusion also on this side, and we did not hear the Chair, because his face was turned the other way. If the Chair will repeat the statement, we shall be much obliged.

The VICE PRESIDENT. The question is on concurring in the amendment made as in Committee of the Whole as to J, sub-

section 7. The action taken by the Committee of the Whole consisted in striking out the subsection.

Mr. LEA (when his name was called). I transfer my pair with the senior Senator from South Dakota [Mr. CRAWFORD] to the junior Senator from Oklahoma [Mr. GORE] and will vote. I vote "yea."

Mr. REED. I transfer my pair, as I did on the last vote, to the senior Senator from Maryland [Mr. SMITH] and will vote. I vote "yea." At this time I should like to announce that my colleague [Mr. STONE] is unavoidably detained from the Chamber this morning, but will be here later.

Mr. SAULSBURY (when his name was called). I transfer my pair with the junior Senator from Rhode Island [Mr. COLT] to the junior Senator from Nevada [Mr. PITTMAN] and will vote. I vote "yea."

Mr. SUTHERLAND (when his name was called). Again announcing my pair with the senior Senator from Arkansas [Mr. CLARKE], on account of his absence I withhold my vote.

Mr. THOMAS (when his name was called). I make the same transfer as heretofore and will vote. I vote "yea."

Mr. WILLIAMS (when his name was called). I announce my pair with the senior Senator from Pennsylvania [Mr. PENROSE] and withhold my vote.

The roll call was concluded.

Mr. FLETCHER. I have a pair with the junior Senator from Wyoming [Mr. WARREN]. I transfer that pair to the junior Senator from Virginia [Mr. SWANSON] and will vote. I vote "yea."

Mr. BRYAN. I have a pair with the junior Senator from Michigan [Mr. TOWNSEND]. I transfer that pair to the junior Senator from Arizona [Mr. SMITH] and will vote. I vote "yea."

Mr. CLARK of Wyoming (after having voted in the negative). I announce my pair with the senior Senator from Missouri [Mr. STONE], which I transfer to the senior Senator from Vermont [Mr. DILLINGHAM] and will allow my vote to stand.

Mr. GALLINGER (after having voted in the affirmative). I inquire whether the junior Senator from New York [Mr. O'GORMAN] has voted?

The VICE PRESIDENT. He has not.

Mr. GALLINGER. I am paired with that Senator. I transfer the pair to the junior Senator from Maine [Mr. BURLEIGH] and will allow my vote to stand.

I also desire to announce pairs between the senior Senator from Idaho [Mr. BORAH] and the senior Senator from Nebraska [Mr. HITCHCOCK]; the senior Senator from Delaware [Mr. DU PONT] and the senior Senator from Texas [Mr. CULBERSON]; the junior Senator from West Virginia [Mr. GOFF] and the Senator from Alabama [Mr. BANKHEAD]; and the junior Senator from Wisconsin [Mr. STEPHENSON] and the senior Senator from South Carolina [Mr. TILMAN].

Mr. PITTMAN. Mr. President, I understand I am paired upon this vote. Therefore I withhold my vote.

Mr. GALLINGER. The senior Senator from Connecticut [Mr. BRANDEGEE] has been called from the Chamber. He is paired with the junior Senator from Ohio [Mr. POMERENE].

Mr. SMITH of Arizona. I understand I am paired on this vote, and therefore withhold my vote.

The result was announced—yeas 41, nays 12, as follows:

YEAS—41.

Ashurst	Kenyon	Owen	Smith, S. C.
Bacon	Kern	Ransdell	Smoot
Bristow	Lane	Reed	Sterling
Bryan	Lea	Robinson	Thomas
Chamberlain	Lodge	Saulsbury	Thompson
Cummins	McCumber	Shafroth	Thornton
Fletcher	McLean	Sheppard	Vardaman
Gallinger	Martin, Va.	Shields	Walsh
Hollis	Martine, N. J.	Shively	
James	Myers	Simmons	
Johnson	Overman	Smith, Ga.	

NAYS—12.

Bradley	Jones	Oliver	Sherman
Catron	Nelson	Page	Weeks
Clark, Wyo.	Norris	Perkins	Works

NOT VOTING—42.

Bankhead	Culbertson	Lewis	Smith, Mich.
Borah	Dillingham	Lippitt	Stephenson
Brady	du Pont	Newlands	Stone
Brandeggee	Fall	O'Gorman	Sutherland
Burleigh	Goff	Penrose	Swanson
Burton	Gore	Pittman	Tillman
Chilton	Gronna	Poindexter	Townsend
Clapp	Hitchcock	Pomerene	Warren
Clarke, Ark.	Hughes	Root	Williams
Colt	Jackson	Smith, Ariz.	
Crawford	La Follette	Smith, Md.	

So the amendment was concurred in.

Mr. JONES. I ask unanimous consent to insert in the remarks that I made last night a few extracts from the report of the House committee and also from the treaty.

The VICE PRESIDENT. Is there objection? The Chair hears none, and that action will be taken.

Mr. SMOOT. Yesterday there was no reservation made of paragraph 657. Therefore I suppose I am not authorized to move an amendment to that paragraph, but I have just received a letter from Mr. Walter West, of the Decorative Glass Workers' Protective Association, and I ask unanimous consent that the letter be printed in the RECORD without reading.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DECORATIVE GLASS WORKERS' PROTECTIVE ASSOCIATION
OF NEW YORK AND VICINITY,
Washington, D. C., September 8, 1913.

Hon. REED SMOOT,
United States Senate, Washington, D. C.

DEAR SIR: The voices of 10,000 people or more employed in the stained-glass industry of this country and their dependents are crying out in desperation to you not to allow paragraph 657 of the Underwood-Simmons bill to pass. It is ambiguous and meaningless so far as its intent or purpose in giving to the industry the slightest protection.

Senator WILLIAMS's amendment to paragraph 657—stained-glass item—does not give the slightest protection to the stained-glass industry in this country, for the very reason that there are no stained-glass windows imported to this country except for churches.

By the adoption of Senator WILLIAMS's amendment paragraph 97 becomes an ignominious parody so far as bestowing to the industry any protection whatsoever.

The hue and cry of taxing the churches is instigated and has been a plan well mapped out by the representative of the foreign houses for years past, and the Members of Congress should understand this. The stereotyped letters and the signatures thereto can be had for the asking in lieu of promises of a return.

Stained glass is a luxury and not a necessary of life. Are you going to tell us you will legislate in the interest of the foreign manufacturer; that you are going to take our means of livelihood away from us; that we must give up the industry followed for years which has provided bread and butter for ourselves and children, and with one stroke wipe out this industry in the United States?

We emphatically demand for ourselves and families the reenactment of the present Payne-Aldrich law, with the possible adoption of the proposed changes of duty in paragraph 97 from 45 per cent to 30 per cent.

Respectfully submitted.

WALTER WEST,
Representing above organization and Amalgamated Glass
Workers' International Association of America.

The SECRETARY. On page 55 the Senator from Kansas [Mr. BRISTOW] reserved paragraph 188. The Senate, as in Committee of the Whole, struck out the paragraph. It reads as follows: 188. Cattle, 10 per cent ad valorem.

Mr. BRISTOW. Before that is voted upon I desire to offer an amendment. I move to insert as paragraph 188:

Swine, cattle, sheep, and all other domestic live animals, 15 per cent ad valorem.

Mr. President, I desire to say that the duty suggested is a very reasonable one. It is a smaller rate than is imposed on most of the articles that are imported. I see no reason why the products of the American farm should not have some protection in the form of import duties.

I ask for the yeas and nays on the amendment.

The VICE PRESIDENT. The amendment proposed by the Senator from Kansas will be stated.

The SECRETARY. On page 55 insert a new paragraph, as follows:

188½. Swine, cattle, sheep, and all other domestic live animals, 15 per cent ad valorem.

The VICE PRESIDENT. Is the demand for the yeas and nays seconded?

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I again announce my pair and withhold my vote because of the absence of the Senator from Michigan [Mr. TOWNSEND].

Mr. CLARK of Wyoming (when his name was called). Again announcing the transfer of my pair to the Senator from Vermont [Mr. DILLINGHAM], I vote "yea."

Mr. STERLING (when Mr. CRAWFORD's name was called). I wish to announce the necessary absence of my colleague [Mr. CRAWFORD] and to state that he is paired with the Senator from Tennessee [Mr. LEA].

Mr. FLETCHER (when his name was called). Under the same announcement as heretofore, I vote "nay."

Mr. GALLINGER (when his name was called). Making the same transfer as on the last two votes, I vote "yea."

Mr. LEA (when his name was called). I again transfer my pair with the senior Senator from South Dakota [Mr. CRAWFORD] to the junior Senator from Oklahoma [Mr. GORE] and vote "nay."

Mr. REED (when his name was called). I pass my vote for the present.

Mr. THOMAS (when his name was called). I make the same transfer as heretofore and vote "nay."
The roll call was concluded.

Mr. SUTHERLAND. I will transfer my pair with the Senator from Arkansas [Mr. CLARKE] to the Senator from New York [Mr. Root] and vote. I vote "yea."

Mr. REED. I desire to announce my pair with the Senator from Michigan [Mr. SMITH]. I have been unable to obtain a transfer. If I could vote, I would vote "nay."

Mr. JACKSON (after having voted in the affirmative). I have a general pair with the senior Senator from West Virginia [Mr. CHILTON]. I understand that he has not voted. I transfer my pair with that Senator to the Senator from Rhode Island [Mr. LIPPITT] and allow my vote to stand.

The result was announced—yeas 29, nays 33, as follows:

YEAS—29.

Bradley	Gallinger	Nelson	Sterling
Brady	Jackson	Norris	Sutherland
Bristow	Jones	Oliver	Thornton
Catron	Kenyon	Page	Weeks
Clapp	La Follette	Perkins	Works
Clark, Wyo.	Lodge	Ransdell	
Colt	McCumber	Sherman	
Cummins	McLean	Smoot	

NAYS—33.

Ashurst	Lane	Saulsbury	Smith, S. C.
Bacon	Lea	Shafroth	Thomas
Chamberlain	Martin, Va.	Sheppard	Thompson
Fletcher	Martine, N. J.	Shields	Vardaman
Hollis	Myers	Shively	Walsh
Hughes	Overman	Simmons	Williams
James	Owen	Smith, Ariz.	
Johnson	Pittman	Smith, Ga.	
Kern	Robinson	Smith, Md.	

NOT VOTING—33.

Bankhead	Culberson	Lippitt	Stephenson
Borah	Dillingham	Newlands	Stone
Brandegge	du Pont	O'Gorman	Swanson
Bryan	Fall	Penrose	Tillman
Burleigh	Goff	Poinexter	Townsend
Burton	Gore	Pomerene	Warren
Chilton	Gronna	Reed	
Clarke, Ark.	Hitchcock	Root	
Crawford	Lewis	Smith, Mich.	

So Mr. BRISTOW's amendment was rejected.

The VICE PRESIDENT. The question is on concurring in the amendment made as in Committee of the Whole striking out paragraph 188 from the bill.

Mr. BRISTOW. The House, in paragraph 188, imposed a duty of 10 per cent ad valorem on cattle. I want the Senate to have an opportunity to do as well by the cattle producers of our country as the House did, and I ask for the yeas and nays on concurring in the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I transfer my pair with the Senator from Michigan [Mr. TOWNSEND] to the Senator from Mississippi [Mr. VARDAMAN] and vote "yea."

Mr. CLARK of Wyoming (when his name was called). Again announcing the transfer of my pair, I vote "nay."

Mr. STERLING (when Mr. CRAWFORD's name was called). I make the same announcement as before as to the necessary absence of my colleague [Mr. CRAWFORD] and his pair with the Senator from Tennessee [Mr. LEA].

Mr. GALLINGER (when his name was called). Making the same transfer of my pair, I vote "nay."

Mr. LEA (when his name was called). I transfer my pair with the senior Senator from South Dakota [Mr. CRAWFORD] to the junior Senator from Oklahoma [Mr. GORE] and vote "yea."

Mr. THOMAS (when his name was called). I make the same transfer as heretofore announced and vote "yea."

Mr. WILLIAMS (when his name was called). I again announce my pair. If the Senator from Pennsylvania [Mr. PENROSE] were present, I should vote "yea."

The roll call was concluded.

Mr. CLARK of Wyoming (after having voted in the negative). The Senator from Vermont [Mr. DILLINGHAM] having entered the Chamber, I will transfer my pair to the Senator from Rhode Island [Mr. LIPPITT] and allow my vote to stand.

Mr. BANKHEAD. I am paired with the junior Senator from West Virginia [Mr. Goff] and withhold my vote.

Mr. REED. I again announce my pair and withhold my vote. If permitted to vote, I would vote "yea."

Mr. LEA (after having voted in the affirmative). The junior Senator from Oklahoma [Mr. GORE] having returned to the Chamber, I withdraw my vote. I am paired with the senior Senator from South Dakota [Mr. CRAWFORD]. If at liberty to vote, I would vote "yea."

Mr. BACON. I understand that the Senator from Minnesota [Mr. NELSON] has not voted.

The VICE PRESIDENT. He has not.

Mr. BACON. I therefore withhold my vote. If at liberty to vote, I would vote "yea."

The result was announced—yeas 33, nays 28, as follows:

YEAS—33.

Ashurst	James	Pittman	Smith, Ga.
Bryan	Johnson	Robinson	Smith, Md.
Chamberlain	Kern	Saulsbury	Smith, S. C.
Chilton	Lane	Shafroth	Thomas
Clarke, Ark.	Martin, Va.	Sheppard	Thompson
Fletcher	Martine, N. J.	Shields	Walsh
Gore	Myers	Shively	
Hollis	Overman	Simmons	
Hughes	Owen	Smith, Ariz.	

NAYS—28.

Bradley	Cummins	Lodge	Sherman
Brady	Dillingham	McCumber	Smoot
Bristow	Gallinger	McLean	Sterling
Catron	Jackson	Norris	Sutherland
Clapp	Jones	Page	Thornton
Clark, Wyo.	Kenyon	Perkins	Weeks
Colt	La Follette	Ransdell	Works

NOT VOTING—34.

Bacon	Fall	O'Gorman	Stone
Bankhead	Goff	Oliver	Swanson
Borah	Gronna	Penrose	Tillman
Brandegge	Hitchcock	Poinexter	Townsend
Burleigh	Lea	Pomerene	Vardaman
Burton	Lewis	Reed	Warren
Crawford	Lippitt	Root	Williams
Culberson	Nelson	Smith, Mich.	
du Pont	Newlands	Stephenson	

So the amendment was concurred in.

The SECRETARY. On page 55, paragraph 189 was reserved by Mr. BRISTOW. In the paragraph the Senate, as in Committee of the Whole, in line 10, after the words "horses and mules," struck out the words "valued at \$200 or less per head, \$15 per head; if valued at over \$200 per head," so that as amended the paragraph reads:

Horses and mules, 10 per cent ad valorem.

Mr. BRISTOW. I will not ask for a roll call on that amendment.

The VICE PRESIDENT. The question is on concurring in the amendment made as in Committee of the Whole.

The amendment was concurred in.

The SECRETARY. On page 55, paragraph 190 was reserved. The Senate, as in Committee of the Whole, struck out the paragraph in the following words:

190. Sheep, 10 per cent ad valorem.

Mr. BRISTOW. Mr. President, I have offered one amendment this morning placing a duty of 15 per cent ad valorem on sheep and cattle. That amendment was defeated. Then I demanded a roll call on the amendment of the committee striking out the duty of 10 per cent on cattle, and that duty was stricken out. The duty placed in the bill by the other House, in paragraph 190, is 10 per cent on sheep. It seems to me that it is wasting the time of the Senate to demand a roll call on this paragraph. I take it for granted that it will be stricken out, the same as was the paragraph as it came from the House placing a duty on cattle, the Senate having already refused to put a duty of 15 per cent on both sheep and cattle.

I regret very much that the growers and producers of domestic animals are being treated by the Senate as they are. I think they are entitled to better consideration, but my efforts up to this time have proven fruitless. So I shall not demand a roll call on the amendment, as it appears to be useless to do so.

The VICE PRESIDENT. The question is on concurring in the amendment made as in Committee of the Whole.

The amendment was concurred in.

The SECRETARY. On page 56, paragraph 198 was reserved. In Committee of the Whole the Senate struck out the paragraph, as follows:

198. Wheat, 10 cents per bushel.

Mr. McCUMBER. Mr. President, I understand, for all intents and purposes, that the paragraph now stands as stricken out, so I move to amend by inserting a new paragraph 198, on page 56, to read as follows:

198. Wheat, 15 cents per bushel.

I only wish to say that under the present law the duty on wheat is 25 cents a bushel. My amendment would be a reduction of 10 cents a bushel on the present tariff. Our tariff laws have shown that the protection we actually receive on wheat has been about one-half the amount of duty, which makes only about 7½ cents a bushel upon a 15 per cent duty. I ask for the yeas and nays upon the amendment.

Mr. REED. Mr. President, I want to appeal to Senators upon the other side not to continually demand the yeas and nays, and

for this reason: So long as there was any reasonable anticipation of changing the result by a roll call or so long as it was necessary to make a record for every Senator upon this side of the Chamber and make a corresponding record for every Senator on the other side of the Chamber, I think the roll calls were highly proper; but certainly that record has been made; certainly the position of each side has been defined; certainly the country now understands for what each Senator stands. That being true, I hope we shall not be compelled to vote by roll call on every question. I am not objecting to the roll call at this time, but I hope that Senators on the other side of the Chamber will be more considerate of the matter of time and not demand a roll call unless there is some good purpose to be served. I do not say that in criticism of this demand.

Mr. McCUMBER. Mr. President, we have had a roll call on a great many questions where the value of the product involved was very light indeed. On this the value of the product in the United States is from \$650,000,000 to \$700,000,000. If the duty should be made 10 cents a bushel, we would have from \$65,000,000 to \$70,000,000 involved on that basis. It is of sufficient importance to justify the demand that every Senator go upon record upon the treatment to be given to that great cereal.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from North Dakota [Mr. McCUMBER], on which he asks for the yeas and nays.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I transfer my pair with the Senator from Michigan [Mr. TOWNSEND] to the Senator from Mississippi [Mr. VARDAMAN], who is absent on important business. I vote "nay."

Mr. CLARK of Wyoming (when his name was called). I transfer the pair which I have with the senior Senator from Missouri [Mr. STONE] to the junior Senator from Maine [Mr. BURLEIGH] and vote "yea."

Mr. POMERENE (when his name was called). I have been temporarily paired with the Senator from Connecticut [Mr. BRANDEGEE], and therefore withhold my vote. If I were at liberty to vote, I should vote "nay."

Mr. REED (when his name was called). I have a pair with the senior Senator from Michigan [Mr. SMITH], and therefore withhold my vote.

Mr. THOMAS (when his name was called). I make the same transfer of my pair as heretofore announced and vote "nay."

Mr. WILLIAMS (when his name was called). I have a general pair with the senior Senator from Pennsylvania [Mr. PENROSE] and therefore withhold my vote. If he were present, I should vote "nay."

The roll call was concluded.

Mr. CHAMBERLAIN. I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER]. As he has not voted, I withhold my vote.

Mr. FLETCHER. I have a pair with the Senator from Wyoming [Mr. WARREN], who is not present, and therefore withhold my vote.

Mr. SAULSBURY. I am requested by the senior Senator from Tennessee [Mr. LEA] to announce that he is absent on important business and is paired with the Senator from South Dakota [Mr. CRAWFORD].

The result was announced—yeas 29, nays 35, as follows:

YEAS—29.			
Bradley	Dillingham	Nelson	Sterling
Brady	Gallinger	Norris	Sutherland
Bristow	Jackson	Page	Thornton
Catron	Jones	Perkins	Weeks
Clapp	Kenyon	Poindexter	Works
Clark, Wyo.	Lodge	Ransdell	
Coit	McCumber	Sherman	
Cummins	McLean	Smoot	
NAYS—35.			
Ashurst	Johnson	Owen	Smith, Ariz.
Bacon	Kern	Pittman	Smith, Ga.
Bryan	La Follette	Robinson	Smith, Md.
Chilton	Lane	Saulsbury	Smith, S. C.
Clarke, Ark.	Martin, Va.	Shafroth	Swanson
Gore	Martine, N. J.	Sheppard	Thomas
Hollis	Myers	Shields	Thompson
Hughes	O'Gorman	Shively	Walsh
James	Overman	Simmons	
NOT VOTING—31.			
Bankhead	du Pont	Lippitt	Stephenson
Borah	Fall	Newlands	Stone
Brandeggee	Fletcher	Oliver	Tillman
Burleigh	Goff	Penrose	Townsend
Burton	Gronna	Pomerene	Vardaman
Chamberlain	Hitchcock	Reed	Warren
Crawford	Lea	Root	Williams
Culberson	Lewis	Smith, Mich.	

So Mr. McCUMBER's amendment was rejected.

The VICE PRESIDENT. The question now recurs on concurring in the amendment made as in Committee of the Whole.

The amendment was concurred in.

The SECRETARY. Paragraph 208, on page 57, was reserved.

Mr. BRISTOW. What became of paragraph 198? The vote just taken was on the amendment of the Senator from North Dakota [Mr. McCUMBER].

The VICE PRESIDENT. The amendment to paragraph 198 has just been concurred in.

Mr. BRISTOW. Very well. I did not intend to demand a roll call anyway, because it is useless to do so.

The SECRETARY. Paragraph 208, on page 57, was amended as in Committee of the Whole, in line 21, after the numerals 208, by striking out "Eggs not specially provided for in this section, 2 cents per dozen; eggs," and inserting "Eggs," on page 58, line 1, after the word "containers," by striking out "2½" and inserting "2," and in the same line, after the word "pound," by inserting "frozen or liquid egg albumen, 1 cent per pound."

The VICE PRESIDENT. The question is on concurring in the amendment made as in Committee of the Whole.

Mr. BRISTOW. Mr. President, not satisfied with putting the products of the farmer on the free list, the framers of this bill now propose to put the products of the farmer's wife on the free list. They not only invade the wheat fields and the herds, but they rob the henhouse as well. Inasmuch, however, as we only have a limited time and there are many votes to be taken to-day, I will not waste the time of the Senate by asking for a roll call upon this amendment, knowing that it will suffer the same fate. I will simply content myself with the protest against this kind of treatment for the farmer's wife.

The VICE PRESIDENT. The question is on concurring in the amendment made as in Committee of the Whole.

The amendment was concurred in.

The SECRETARY. Paragraph 227, page 62, relating to pineapples, was reserved. The Senate, as in Committee of the Whole, agreed to an amendment in the paragraph, in line 3, after the word "thousand," to insert "bananas, one-tenth of 1 cent per pound."

The VICE PRESIDENT. The question is on concurring in the amendment made as in Committee of the Whole.

Mr. BRISTOW. Mr. President, I should like to inquire of the chairman of committee, since the committee has increased the tax on incomes, whether it is still necessary to place a tax of two and a quarter million dollars on the bananas consumed by the people of this country?

Mr. SIMMONS. In answer to the Senator, I will state that I do not think we are going to be overburdened with revenue. Notwithstanding the increase in the rates upon incomes, I think we will need the revenue; but, outside of and independent of that, we are in favor of this proposed duty on bananas.

Mr. BRISTOW. Since a vote was taken on this amendment as in Committee of the Whole, I will not ask to repeat it here.

Mr. GALLINGER. Mr. President, before the vote is taken I wish to avail myself of the privilege of reading a portion of a very interesting and illuminating editorial in a recent issue of the Boston Herald, a well-known independent newspaper of New England. It is headed "The poor man's table," and is as follows:

"THE POOR MAN'S TABLE."

The Democratic platform adopted at Baltimore a year ago declared that the one duty of the Democratic Party was to cut off the high duties on food. "The high cost of living," said the party creed, "is a serious problem in every American home."

All through the campaign the Democrats demanded the abolition of "the taxes on the food on the poor man's table."

And now the Democrats at Washington insist that "in order to secure enough revenue" they are "forced" to tax bananas, the one fruit which is most used among the poor.

The people of the United States alone consume, every year, more than 60 bananas per capita; in other words, more than 6,000,000,000 bananas are eaten every year in this country. And yet Senator WILLIAMS has very kindly explained that when the framers of the tax considered the subject they taxed bananas because they are merely a luxury of the rich and are not in common use among the families of American wage earners.

It looks to-day as if there were no immediate prospect of any cheaper food in this country under the Underwood tariff bill. And, on the other hand, the Democrats have picked out the one food which has not advanced in price in the last 10 years and have imposed a tax of 5 cents a bunch, which is going to add to the price of every single banana sold at retail, because the fruit is so perishable and so many bananas spoil in the hands of the retail dealers that they can not afford to pay the extra tax without passing it along to consumers.

In Congress some Democratic orators insist that the tax is justified by being imposed upon the big fruit company, which they denounce as a trust. In the meantime, the independent importers are charging that the "trust" really inspired the idea of the tax, and they claim that its chief effect will be to wipe out the independent dealer and put the entire business hereafter wholly under trust control. The public, however, has little interest in these charges and countercharges. What concerns the public is that the tariff makers have gone out of their way to increase the cost of the food on the "poor man's table." And the bitter feeling certain to result if the tax goes into effect is likely to show in election returns sooner or later.

But, wholly apart from the tax on food, there is another and a very serious side to this proposed tax. For the past five years every business organization in the country has been making an effort to help to capture the trade of Latin America for the United States. The boats which bring the 6,000,000,000 bananas to the United States go back empty unless they can carry American goods to South or Central America. Hence freight rates have been low and a big trade has been created, a trade which promised to be one of the most important, eventually, this country could have. With the tax on this business, what is going to happen to this promising line of commerce? The question practically answers itself.

Not only will the proposed tax tend to hurt the commerce to Latin America, but it is practically certain that the "touch" inhabitants of Latin America will find a special grievance against this country. Both President Taft and President Wilson have gone on record to the effect that the United States should make all reasonable effort to cultivate better relations with the people of Latin America, inasmuch as the policy of the Roosevelt administration created such a widespread hostility to the United States that it has taken all this time to counteract that unfair but widespread hostility to the United States. If the United States singles out one common article of export for a special tax, does it need a diagram to explain what the influence will be on American trade to the South?

The Boston business interests, fresh from a tour of Latin America, have recently protested to President Wilson against this tax as probably an irreparable blow to American commerce to South and Central American countries if the tax ever goes into effect. Business bodies in all other manufacturing cities are doing the same thing. Here is a business which has been quadrupled in only a decade, a business which is making markets for more American goods than were ever before sold in that part of this hemisphere by four times its former proportions, to be sacrificed by a tax which will increase the cost of living to practically every workingman's family in this country. It hits both ways.

Mr. President, it does seem incredible to me that our Democratic friends, even for the purpose of raising revenue, should put a tax on a food such as bananas, which we do not produce in this country—and not a single one of them is produced in our own country—but it seems to be the policy of this bill to place on the free list every food product of our farms, and those that are not produced here on the protected list.

Mr. CLAPP. Mr. President, interlocking with that suggestion, it is a matter of surprise also that they will tax bananas and then let Philippine cigars come in here free against our cigar makers in this country.

Mr. GALLINGER. I think the suggestion is a very appropriate and convincing one—or it ought to be a convincing one. The importation of cigars from the Philippine Islands free of duty is a blow to the cigar industry in this country which ought not to be inflicted upon the men who are engaged in that great industry. On the other hand, the taxing of this food, six billions of which are imported into the the United States—a food which is on the table of almost every poor man in this country—is something that ought not to be done, whatever the exigency of the case might be.

I hope the Senator will ask for a roll call on this item.

Mr. BRISTOW obtained the floor.

Mr. GORE. Mr. President—

The VICE PRESIDENT. Does the Senator from Kansas yield to the Senator from Oklahoma?

Mr. BRISTOW. I was just going to make a suggestion, and then I will yield the floor. I was going to suggest to the Senator from New Hampshire that if the Senator from North Carolina thinks we need the revenue he might follow the suggestion of the Senator from Nebraska [Mr. HITCHCOCK], and impose a slight tax, at least, on the products of the Tobacco Trust, so as to raise the revenue in that way, instead of putting it on the bananas consumed in our country.

Mr. SIMMONS. I think this is a tax upon the Banana Trust.

Mr. BRISTOW. Mr. President, according to the theory of the Senator from North Carolina, I suppose a duty on an article which we do not produce here certainly will be added to the price of the article, will it not?

Mr. SIMMONS. If the Senator asks me the question of course I will answer it. I had not desired to enter into any discussion of this question because we thrashed it out very thoroughly in the Committee of the Whole.

I remember having quite a little controversy with some Senator—I do not recall exactly which one now—with reference to that matter. I think it was demonstrated in the argument that this would be a tax which would not be passed on to the consumer and which could not be passed on to the consumer. It would be a tax paid by the United Fruit Co., which now absolutely controls the banana trade of this country.

The United Fruit Co. has a monopoly of the banana trade of every country, I think, from which we buy bananas, except Jamaica. It not only has a monopoly of the transportation of bananas to this country, but it owns a number of the banana plantations in the countries in which bananas are produced.

The tax we have imposed upon bananas is only one-tenth of 1 cent per pound. I think it has been shown that bananas are sold in this country generally in bunches of five, weighing a

pound, at 5 cents. So the tax upon this unit in which they are sold will be one-tenth of 1 cent. It will be very hard for the middlemen to pass on that one-tenth of 1 cent, unless, as suggested, I think by the Senator from Illinois [Mr. SHERMAN], they should add 1 cent to the price. If they should add 1 cent to the price we would have a very fine tariff object lesson in this country. We would find that the producer and the dealer in this article would be adding to the price of the article nine times the amount of the tariff imposed upon the article. If that is the way protection works in this country, we have reached a conclusion about the matter which should satisfy the people of the country that the protective-tariff system ought to be abolished.

Mr. BRISTOW. According to the Senator's mode of reasoning, therefore, a tax on bananas can not be passed on to the consumer, but a tax of 10 cents on a bushel of wheat can be passed on to the consumer of the loaf of bread. If the Senator can harmonize those two theories, I think he ought to have the rest of the day in which to do it.

Mr. WEEKS. Mr. President, I am surprised to hear the Senator from North Carolina say that the United Fruit Co. has a monopoly of the banana business in this country. As I recall the figures—they are substantially correct—when the United Fruit Co. was formed in 1900 it brought into this country about 16,000,000 bunches of bananas per annum, and other companies brought in about 5,000,000. Since that time the business of the other companies has increased more than 200 per cent, so that last year they brought in 17,000,000 bunches, while the United Fruit Co. brought in about 25,000,000.

In other words, the business of the United Fruit Co. in the 13 years has increased but 50 per cent, while the business of the opposition to the United Fruit Co. has increased over 200 per cent. If the same rate is maintained for two or three years longer, the United Fruit Co. will not be bringing into this country even one-half of the bananas that are imported.

Furthermore, the statement that the United Fruit Co. controls the production of bananas in any of the countries where they are produced is very far from correct.

Mr. SIMMONS. The Senator misunderstood me if he understood me to say that they controlled the production of bananas. I said my information was—and that was the information the committee had—that the United Fruit Co. does practically control the banana trade of the United States. I have no figures here with me at this time, because I did not expect this question to come up again. But I did not say that the United Fruit Co. controlled the production of bananas in other countries. I said that in certain countries where bananas are produced they do own large banana plantations.

Mr. WEEKS. If the majority has decided to put a duty on bananas because of the control of the banana trade by the United Fruit Co., it has acted upon information which is not trustworthy, because the figures I have just given the chairman of the committee are substantially correct.

Mr. SIMMONS. The Senator did not understand me to say that we had put on the duty altogether for that reason. I was simply stating that as a subsidiary reason, rather by way of reply to the suggestion of the Senator from Kansas that we have not taxed tobacco, which is controlled by a trust, but we are taxing bananas. I answered that bananas are also controlled by a trust, and I thought that trust would have to pay this little tax, because in the nature of things, being so small, it can not be passed on to the consumer.

I have not stated, and I do not wish the Senator to understand me to mean, that that is the only reason why we imposed a tax upon bananas. We imposed a tax upon bananas, as I stated before, partly because we needed revenue, and partly because we think bananas are a proper and legitimate subject of taxation.

Mr. WEEKS. I do not care to discuss the question again. I discussed it at some length when it was under consideration in the Committee of the Whole. The reasons assigned, as far as reasons have been assigned, by the chairman of the Finance Committee for imposing this duty are, I think, entirely without justification.

Mr. NORRIS. Mr. President, it seems to me that in absolute fairness there ought to be just a word or two more said on this proposition.

In the first place, I think those who are opposed to this tax—and I am one of them—ought to concede to the other side, who have placed this tax on bananas, the fairness of their proposition if it works out as they think it will.

It is claimed, as I understand, that this tax of one-tenth of a cent a pound will not be paid by the consumer of bananas. I am willing to concede that when you put this tax of one-tenth of 1 cent a pound on bananas in the bill you are acting honestly,

in the honest belief that it will not be passed on, and therefore that there will be just that much revenue gained without anybody being injured, excepting that the dealers in bananas who bring them into this country will make that much less profit, and what they lack in profit will go into the Treasury of the United States.

It may be that it will work out in that way. Of course the theory of a tariff for revenue would allow you to put a tax on bananas and other articles that we can not produce in this country; but the same theory always admits, I think, that the tax, whatever it is, that you do put on such articles, is always added to the price of the article and is paid by the consumer. The reason you think it will not be done in this instance is because of the impossibility of the banana raiser or importer dividing or passing on this tax, which is so small that it could not be passed on to a single banana or a half dozen bananas without breaking even a cent to do it, and therefore you think he will bear the burden and not try to pass it on.

With regard to the claim of the Senator from North Carolina that even if the tax is passed on it will be an illustration of the hardship of the theory of protection, he ought to be fair enough to admit that no protectionist has ever advocated a tariff on bananas or things of that kind which can not be produced in this country. It is contrary to the theory of protection. It seems to me that in passing on this matter we ought at least to be fair with each other.

I think it ought to be said, too, that the duty of one-tenth of 1 cent a pound, as I understand the provision, will be levied not only on the banana but on the large stem to which the banana is attached. I presume the bananas will be weighed in bunches, so that the number of bananas in a pound that would have to pay the tax would perhaps be less than the number suggested by the Senator from North Carolina.

There is not any doubt but that the dealer, the importer of bananas, will pass on this tax to the consumer if he can. I do not care to take any part in the controversy as to whether or not there is a banana trust. I have heard the argument here, but for the sake of this argument I am going to assume that there is such a trust. If there is a banana trust, as suggested by the Senator from North Carolina, it would be much easier for that trust, having a monopoly, to pass on the duty to the consumer than if there were no trust. I think that will be conceded by every man who wants to be fair.

I concede that it is clearly within the theory of a tariff for revenue to levy a tax on bananas. I believe that theory is wrong. These banana importers will pass it on to the consumer if they can, even though they increase it nine times; and if they are a trust, as is alleged, they will be much more able to pass it on than though there were real competition in bananas.

Mr. McCUMBER. Mr. President, I rather like the new tack adopted by the Democratic mind in meeting these questions. The Senator from North Carolina says that this will be such a mere bagatelle, one-tenth of 1 cent a pound, that in all probability it will not be carried against the consumer, and yet the Senator at the same time advocates free wheat when the 10 cents a bushel benefit that we have been giving will be only one thirty-second of 1 cent upon a loaf of bread; and he assumes that he is going to save the American ultimate consumer a very heavy burden because he will save him that one thirty-second of 1 cent on a loaf of bread.

The VICE PRESIDENT. The question is on concurring in the amendment made as in Committee of the Whole.

Mr. GALLINGER. I ask for the yeas and nays on concurring in the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I transfer my pair with the Senator from Michigan [Mr. TOWNSEND] to the Senator from Mississippi [Mr. VARDAMAN] and vote "yea."

Mr. THOMAS (when his name was called). I make the same transfer as heretofore announced and vote "yea."

Mr. WILLIAMS (when his name was called). I make the same announcement that I made upon the last roll call and withhold my vote.

The roll call was concluded.

Mr. REED. I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from South Carolina [Mr. SMITH] and vote "yea."

Mr. CHAMBERLAIN. I transfer my general pair with the junior Senator from Pennsylvania [Mr. OLIVER] to the Senator from Maine [Mr. JOHNSON] and vote "yea."

Mr. LEWIS. I desire to announce my pair with the junior Senator from North Dakota [Mr. GRONNA].

Mr. REED (after having voted in the affirmative). The Senator from South Carolina [Mr. SMITH] has come into the Chamber, and I withdraw my vote.

Mr. LEA. I again announce my pair with the senior Senator from South Dakota [Mr. CRAWFORD]. If at liberty to vote, I would vote "yea."

The result was announced—yeas 38, nays 32, as follows:

YEAS—38.

Ashurst	James	Pomerene	Smith, Md.
Bacon	Kern	Robinson	Smith, S. C.
Bryan	Lane	Saulsbury	Stone
Chamberlain	Martin, Va.	Shafroth	Swanson
Chilton	Martine, N. J.	Sheppard	Thomas
Clarke, Ark.	Myers	Shields	Thompson
Fletcher	O'Gorman	Shively	Tillman
Hitchcock	Overman	Simmons	Walsh
Hollis	Owen	Smith, Ariz.	
Hughes	Pittman	Smith, Ga.	

NAYS—32.

Borah	Colt	McCumber	Sherman
Bradley	Cummins	Nelson	Smoot
Brady	Dillingham	Norris	Sterling
Brandeggee	Gallinger	Page	Sutherland
Bristow	Jackson	Perkins	Thornton
Catron	Jones	Poin Dexter	Warren
Clapp	Kenyon	Ransdell	Weeks
Clark, Wyo.	Lodge	Root	Works

NOT VOTING—25.

Bankhead	Goff	Lippitt	Stephenson
Burleigh	Gore	McLean	Townsend
Burton	Gronna	Newlands	Vardaman
Crawford	Johnson	Oliver	Williams
Culberson	La Follette	Penrose	
du Pont	Lea	Reed	
Fall	Lewis	Smith, Mich.	

So the amendment was concurred in.

The VICE PRESIDENT. The paragraph as amended is agreed to.

Mr. McCUMBER. I desire to ask as a matter of information what has been done with paragraph 196. I understood that that paragraph was passed over at the request of the Senator from Kansas [Mr. Bristow] with all the other paragraphs in the agriculture schedule to which amendments had been made.

The VICE PRESIDENT. Paragraph 196 was not reserved by anyone. The Senator from North Dakota can offer an amendment to it if he wishes to do so.

Mr. McCUMBER. Then I wish to offer an amendment to that paragraph. In line 8, I move to strike out the entire line and insert in lieu thereof:

196. Oats, 15 cents per bushel of 32 pounds.

Mr. SIMMONS. That amendment has been voted on. The Senate as in Committee of the Whole has agreed to a rate of 6 cents per bushel. In order to move his amendment, would not the Senator have to move to strike out and insert?

Mr. McCUMBER. It amounts to the same thing in effect as striking out and inserting. I thought this would be the better way. It would not change the parliamentary status at all.

Mr. JAMES. I understand that the amendment made as in Committee of the Whole has been concurred in in the Senate.

The VICE PRESIDENT. It has.

Mr. SIMMONS. I did not know it had been concurred in.

Mr. McCUMBER. I do not understand that it has been concurred in in the Senate.

Mr. SIMMONS. If it has been concurred in, it could not be reached except upon a motion to reconsider.

The VICE PRESIDENT. It has been concurred in.

Mr. JAMES. The Senator did not reserve it before the bill came into the Senate. Of course, it has been concurred in, and now it is too late to offer an amendment in that form.

Mr. McCUMBER. I was perhaps in error, but I did not understand that all the amendments which were not specially reserved had been concurred in. If that is the case, I assume it would not, perhaps, be open to amendment, and I would have to prepare a different amendment, which I will do.

The SECRETARY. On page 142, paragraph 548, relative to meats, was reserved by the Senator from Kansas [Mr. Bristow]. In that paragraph the committee reported a substitute for the proviso printed in italics in the bill and that substitute was agreed to as in Committee of the Whole.

Mr. BRISTOW. That is paragraph 548, relating to meat.

Mr. President, I move that a new paragraph be added to the dutiable list, to be numbered 183½ and to read as follows:

Meats: Fresh beef, veal, mutton, lamb, and pork; bacon and ham; meats of all kinds, 15 per cent ad valorem.

It is my purpose to place a duty on meats, the product of the farm. Free meats give the great packing houses of the country an opportunity to use the cattle products of the Argentine in competition with the products of our own farms. The American

packers own and control the packing business in the Argentine as completely or more completely than they own and control the markets in this country.

Free meat is against the interest of the cattle producer and in the interest of the packing house. There is not an intelligent farmer in the United States who does not realize that fact.

This bill discourages in every way the production of cattle and sheep upon the American farm. It seeks to force the farmer to abandon his pasture and his herd and grow tobacco in that section of the country where tobacco is produced. It will induce him to plow up the blue-grass pastures of Kentucky and waste their fertile soil by the growing of tobacco. Those blue-grass fields, which in years past were the pride of the Nation, this bill would penalize. It seeks to induce the farmer not to feed his corn to the fattening of his steer, as he has done in former days, but to haul that corn to distilleries, there to be made into whisky to poison the youth of the land. It places a protective duty of \$1.50 a gallon on whisky and meat on the free list. It encourages the distiller by protecting him from foreign competition, but it discourages the farmer in growing live stock by placing them on the free list.

That is the tendency of this bill. If the corn is used to produce whisky there is a protective duty, approximately, of 40 cents a bushel on that which is produced from that corn, while if it is used to produce a fat steer it is put on the free list.

Now, that is what this bill does, and I think it is an iniquity.

Mr. President, I call for the yeas and nays on agreeing to my amendment.

The VICE PRESIDENT. The Senator from Kansas requests the yeas and nays on agreeing to his amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I again announce my pair and withhold my vote.

Mr. STERLING (when Mr. CRAWFORD's name was called). I make the same announcement as before with regard to the necessary absence of my colleague and his pair with the Senator from Tennessee [Mr. LEA]. I will also state that if my colleague were present, he would vote "yea."

Mr. LEA (when his name was called). I again announce my pair with the senior Senator from South Dakota [Mr. CRAWFORD]. If at liberty to vote, I would vote "nay."

Mr. PERKINS (when his name was called). I have a general pair with the junior Senator from North Carolina [Mr. OVERMAN], who is absent on account of official business. I therefore withhold my vote.

Mr. REED (when his name was called). I again announce my pair with the Senator from Michigan [Mr. SMITH] and withhold my vote.

Mr. THOMAS (when his name was called). I make the same transfer as heretofore announced and vote "nay."

Mr. WILLIAMS (when his name was called). I again announce my pair with the senior Senator from Pennsylvania [Mr. PENROSE]. If he were present, I would vote "nay."

Mr. JACKSON. I have a general pair with the senior Senator from West Virginia [Mr. CHILTON]. I understand that he has not voted. I transfer my pair to the Senator from Maine [Mr. BURLEIGH] and vote "yea."

Mr. WARREN. I am paired with the Senator from Florida [Mr. FLETCHER]. I transfer my pair so that he will stand paired with the Senator from New Mexico [Mr. FALL]. I vote "yea."

Mr. REED. I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from South Carolina [Mr. SMITH] and vote "nay."

Mr. WILLIAMS. I desire to transfer my pair to the senior Senator from South Carolina [Mr. TILLMAN] and vote "nay."

The result was announced—yeas 32, nays 38, as follows:

YEAS—32.

Borah	Cummins	McCumber	Sherman
Bradley	Dillingham	Nelson	Smoot
Brady	Gallinger	Norris	Stephenson
Brandeggee	Jackson	Oliver	Sterling
Bristow	Jones	Page	Sutherland
Cañon	Kenyon	Poindeexter	Thornton
Clark, Wyo.	Lippitt	Randell	Warren
Coit	Lodge	Root	Weeks

NAYS—38.

Ashurst	Kern	Robinson	Stone
Bacon	Lane	Saulsbury	Swanson
Chamberlain	Martin, Va.	Shafroth	Thomas
Clarke, Ark.	Martine, N. J.	Sheppard	Thompson
Cole	Myers	Shields	Vardaman
Hitchcock	O'Gorman	Shively	Walsh
Hollis	Owen	Simmons	Williams
Hughes	Pittman	Smith, Ariz.	Works
James	Pomerene	Smith, Ga.	
Johnson	Reed	Smith, Md.	

NOT VOTING—25.

Bankhead	Culberson	Lea	Smith, Mich.
Bryan	du Pont	Lewis	Smith, S. C.
Burleigh	Fall	McLean	Tillman
Burton	Fletcher	Newlands	Townsend
Chilton	Goff	Overman	
Clapp	Gronna	Penrose	
Crawford	La Follette	Perkins	

So Mr. Bristow's amendment was rejected.

The VICE PRESIDENT. The question recurs upon concurring in the amendment made as in Committee of the Whole to paragraph 548.

The amendment was concurred in.

The VICE PRESIDENT. The paragraph as amended will be agreed to.

Mr. STONE. I desire to offer an amendment to paragraph 254½. In line 14, page 71, I move to strike out the word "sweet"; in line 16, between the words "before" and "during," to strike out the word "or" and insert a comma, and after the word "during," in line 16, to insert "or after," so as to make the proviso read:

Provided, That the tax herein imposed shall not be held to apply to pure wine made exclusively from fresh grapes, berries, or other fruits to which has been added, before, during, or after fermentation sugar, pure boiled or condensed grape must, or water not exceeding in either case 20 per cent of the weight of such wine.

The VICE PRESIDENT. The Senator from Missouri moves to reconsider the vote whereby paragraph 254½ was inserted in the bill.

The motion to reconsider was agreed to.

The VICE PRESIDENT. The amendments submitted by the Senator from Missouri will be stated in their order.

The SECRETARY. On page 71, line 14, before the word "wine," strike out the word "sweet."

The amendment to the amendment was agreed to.

The SECRETARY. In line 16, after the word "before," strike out the word "or" and insert a comma.

The amendment to the amendment was agreed to.

The SECRETARY. In the same line, after the word "during," insert the words "or after."

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The question is on concurring in the amendment of the committee as amended.

The amendment as amended was concurred in.

Mr. CUMMINS. I offer an amendment to the bill, to be inserted immediately after paragraph 659.

The VICE PRESIDENT. The amendment will be stated.

The Secretary proceeded to read the amendment of Mr. CUMMINS, and read to the end of line 15, on page 3, the entire amendment being to add to section 1 of the bill the following:

Provided, That if, with respect to any article or commodity upon which an import duty is laid under the provisions of this act, substantial, effective, and actual competition as to extent of production, price for sale, or manner of distribution has ceased, or shall in the future cease, to exist among domestic producers or sellers, or both, generally throughout the United States, or if the buyers, users, or consumers of any such article or commodity are now or shall hereafter be deprived, and without regard to the cause or causes of such deprivation, generally throughout the United States, of the benefits and advantages of substantial, effective, and actual competition with respect thereto, then and so long as such conditions, or either of them, shall exist all imports of such articles or commodities shall be admitted free of duty into all the ports of the United States.

The existence of such conditions or either of them shall be determined as follows, to wit: Any citizen of the United States may bring a suit in equity for injunction in the circuit court of the United States against the collector of customs of any port of entry in the district in which the port is situated. The bill in any such suit shall contain the requisite allegations showing the existence of such conditions, or one of them, and shall pray for an injunction to restrain the collector from levying or collecting a duty or duties upon such article or commodity. The procedure in any such suit shall be as now established for ordinary suits in equity. Immediately after the service of the subpoena the defending collector shall publish for three successive days a notice of the bringing of the suit, stating in general terms the allegations of the bill, and setting forth the day upon which the defendant is required to appear, in at least five daily newspapers published in the United States of general circulation, no two of which are published in the same State, and the cost of such publication shall be allowed to the collector as a part of his expenses. Upon the day on which the defendant is required to appear, or at such later date as the court may fix, any person, copartnership, association, or corporation interested in the manufacture or sale of such article or commodity may appear and be made a defendant to said suit with all the rights, privileges, and obligations of a party thereto. If no such person, copartnership, association, or corporation shall appear, the United States district attorney for the district may, if he is so advised by the Attorney General, appear for the collector and make such defense as the case may warrant. If upon the final hearing of any such suit an injunction shall issue, the clerk of the circuit court shall at once certify a copy of the decree to the Secretary of the Treasury, and then and thereafter all imports of such articles or commodities from all foreign countries shall be admitted free of duty into all the ports of entry in the United States.

Provided further, That if the President of the United States shall at any time be of the opinion that such conditions, or either of them, exist, it shall be his duty to direct the Attorney General to give notice to the person or persons, copartnership or copartnerships, association

or associations, corporation or corporations responsible therefor that at the end of 30 days from and after the service of such notice the said article or articles, commodity or commodities will be admitted free of duty in all the ports of the United States unless a bill in equity is brought in the circuit court of the United States against a collector by such persons, copartnerships, associations, or corporations, or some or one of them, to restrain such free admission of imports. If there is a collector in the district of the residence of any such person, copartnership, association, or corporation, or in the district of the residence of one of them, the suit shall be brought in that district, otherwise in the district in which any collector has his principal office. If no such suit is brought within the 30 days hereinbefore specified, the President of the United States shall, by proclamation, suspend the duties imposed by this act upon any such article or articles, commodity or commodities, and they shall thereafter be admitted free of duty. If, however, a suit is brought as hereinbefore last provided, the bill shall show by its allegations that no such condition or conditions exist, and shall pray an injunction to restrain the collector from admitting such imports free of duty. The Attorney General, or by his direction the United States district attorney for the district in which the suit is brought, shall appear for the collector and defend the suit, and the procedure shall be as now established for ordinary suits in equity. If upon final hearing the court shall refuse to issue the injunction and shall find in its decree that such conditions, or either of them, exist, the clerk of the court shall immediately certify the decree to the Secretary of the Treasury, and then and thereafter such article or articles, commodity or commodities shall be admitted from all foreign countries into the ports of the United States free of duty.

Provided further, That if, following a decree in either of the cases hereinbefore mentioned, any article or articles, commodity or commodities are admitted free of duty, then, after the period of one year of such free admission of any such article or articles, commodity or commodities, any citizen of the United States may file a supplemental bill in any such suit, showing that after the entry of the decree the condition or conditions found by the decree had disappeared, and that substantial, effective, and actual competition existed; whereupon such notice as the court may direct shall be given to the parties to said suit, and the supplemental bill with the issues made therein shall proceed to final hearing, the Attorney General or, by his direction, the district attorney, appearing for the collector. No testimony shall be introduced upon any such supplemental bill to impeach the original decree, but all testimony shall be confined to a change in conditions occurring after the original decree was entered. If upon any such supplemental bill the court shall enter a decree finding that the conditions found to exist by the original decree had changed, and that substantial, effective, and actual competition existed, the clerk of the court shall at once certify the decree upon the supplemental bill to the Secretary of the Treasury, and then and thereafter, and until affected by a subsequent proceeding taken in accordance with the provisions hereof, the import duties specified in this act shall be levied and collected upon such imports.

Mr. CUMMINS. Mr. President, if the Senate will consent, I shall be glad to state the substance of the remainder of the amendment. I think I can save time by so doing. I wanted the first portion read in order that the full import of the amendment might be clearly understood.

The VICE PRESIDENT. If there be no objection, by unanimous consent the further reading of the amendment is dispensed with. The Chair hears none, and it is so ordered.

Mr. CUMMINS. Mr. President, it will be observed that the first paragraph of the amendment provides that with respect to any commodity upon which a duty is levied by this bill there shall cease to be in the United States actual effective competition, thereupon the commodity shall be removed from the dutiable list and put upon the free list. The method which I have suggested for determining whether or not actual and substantial competition has ceased in this country is the bringing of a suit in one of the courts of the United States by any citizen who is interested in the matter, and thereafter the suit proceeds to trial upon the issue of competition in our own country. If the decree is to the effect that competition has ceased in our country, it is certified to the Secretary of the Treasury, and thereafter the commodity, whatever it may be, is imported into the United States without duty.

That part of the amendment which has not been read provides that if after the rendition of the decree, after the commodity has been put upon the free list, competition shall appear with respect to the commodity, so that the people of the country may be protected through the natural forces of business and of trade, the President is given power to act, and anyone interested in the subject may secure a retrial. If the trial discloses that there is then substantial and effective competition, it is so certified to the Secretary of the Treasury, and thereupon the commodity takes its place upon the dutiable list with the duty provided for in the existing law. In using the words "existing law" I am referring, of course, to the law as it exists at the time the decision is made.

I have assumed that my Democratic friends do not want to protect commodities that are so completely monopolized that actual competition has ceased among our own people. I can understand why they hesitate about putting such a commodity on the free list without any opportunity to remove it from the free list in the event that competition shall appear. But I find it very difficult to understand why they can not and why they do not favor some such proposal as is contained in my amendment if they are in earnest with regard to monopolies and if

they sincerely believe that the people of this country have a right to the competitive force in commerce.

Mr. HITCHCOCK. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Nebraska?

Mr. CUMMINS. I do.

Mr. HITCHCOCK. From the reading of that portion of the amendment which was read from the Secretary's desk I was unable to determine whether the Senator from Iowa designs to put an article on the free list only in cases where competition has entirely ceased or whether he designs to place it upon the free list when it is found that the article is largely under the control of a few great concerns. I should like to know by what degree he proposes to measure competition.

Mr. CUMMINS. Mr. President, in answer to the Senator from Nebraska, I will ask the Secretary to again read the first few lines of the amendment, for it states the matter quite as clearly as I could possibly state it.

The VICE PRESIDENT. The Secretary will read as requested.

The Secretary read as follows:

Provided, That if, with respect to any article or commodity upon which an import duty is laid under the provisions of this act, substantial, effective, and actual competition as to extent of production, price for sale, or manner of distribution has ceased, or shall in the future cease, to exist among domestic producers or sellers, or both, generally throughout the United States, or if the buyers, users, or consumers of any such article or commodity are now or shall hereafter be deprived, and without regard to the cause or causes of such deprivation, generally throughout the United States, of the benefits and advantages of substantial, effective, and actual competition with respect thereto, then and so long as such conditions or either of them, shall exist all imports of such articles or commodities shall be admitted free of duty into all the ports of the United States.

Mr. HITCHCOCK. Then, for instance, if it should be found that one concern controlled, say, 85 per cent of a single line of production or sale, it would be for the court to say whether that control of 85 per cent substantially obliterated competition?

Mr. CUMMINS. Mr. President, that is the very question to be tried. The idea of the amendment is that in this country the price of a commodity ought to be fixed by the rivalry of business through the natural forces of trade. We call that rivalry and those natural forces competition. Whenever competition so far exists as to perform its real function and fix prices, then we have competition; whenever competition so far disappears that it is inadequate or incapable of fixing prices, then we have no competition.

I have not endeavored, of course, to specify the various phases which monopolistic power may assume. I have gone straight to the central and essential idea of competition, because it is that force which really protects the American people from the exactions of monopoly whenever they are so protected.

Mr. McCUMBER. Mr. President—

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from North Dakota?

Mr. CUMMINS. I yield to the Senator from North Dakota.

Mr. McCUMBER. The Senator from Iowa has explained one provision of his amendment. Will he now explain the operation of the amendment relative to cases where only one concern manufactures a product? We had a case, for instance, before us the other day in which it was claimed that the manufactures of aluminum were produced simply by one concern; that there was no combination with any other concern—at least that was the claim—and that it required an investment of some \$5,000,000 in order to establish the necessary plant and machinery for its manufacture. In that case there could be no competition. Would the amendment, as the Senator from Iowa has drawn it, compel the free importation of that product?

Mr. CUMMINS. Mr. President, in answer to the Senator from North Dakota, I will say that if it be true, as has been asserted, that the aluminum company has a complete monopoly, then, of course, competition in this country has ceased with respect to that article, and upon a finding to that effect by the court to which the cause may be submitted the duty upon aluminum would be removed and it would be admitted free of duty until some competitor arose in the United States ready to challenge the supremacy of the aluminum company; ready to do business with the people of the United States. Then, upon a certificate that competition had so reappeared, or so appeared if it had never existed, that product would be again placed upon the dutiable list.

What I am seeking is the protection of the people against a condition in which there is no competition in the United States. I stated the other day I have not favored putting aluminum on the free list in this bill, because if aluminum were put on the free list and competition did appear, or was ready to appear,

and there is a difference in the cost of making it as between this country and France or any other foreign country, the competitor could not make headway; he could not appear. I want a condition in which, when competition does come, the commodity can have the protection which the circumstances require in the general business of the country.

Mr. SUTHERLAND. Mr. President—

Mr. CUMMINS. I yield to the Senator from Utah.

Mr. SUTHERLAND. If I understand the Senator's amendment, the article which would be put upon the free list in pursuance of the decree of the court would be restored to the dutiable list when the court afterwards found that competition had been resumed. Now, I want to ask the Senator whether or not, in his opinion, the fact that the article had been put upon the free list—there being no protection whatever—would discourage independent manufacturers or persons who desired to engage in manufacturing from beginning operations at all?

Mr. CUMMINS. Mr. President, I do not think it would. I think if the business was one which afforded reasonable profit and the competitor knew that the moment he established his business and was ready to meet the monopoly which had theretofore existed, the fact that the commodity was at that moment on the free list would not discourage—it ought not, to discourage—the appearance of the rival.

Mr. SUTHERLAND. One other suggestion I desire to make to the Senator. The Senator's amendment is to the effect that, if competition has ceased, no matter from what cause, the article shall go upon the free list. Does the Senator not think that it would make his amendment stronger if he would introduce into it the element of competition having ceased by reason of some combination or conspiracy or agreement which resulted in that condition?

Mr. CUMMINS. I hope, Mr. President, that the Senator from Utah will wait just a moment until I come to that phase of the subject. I do not agree with the evident conclusion of the Senator from Utah, and will state why in a moment. I think I have clearly enough given to the Senate the substance of this amendment.

Now, Mr. President, I want just a very few moments in which to state my reasons for bringing this matter forward at this time. I am a profound believer in the doctrine of protection. I believe sincerely that when it is properly applied it is helpful alike to the producer and the consumer. When fairly in operation it distributes its benefits and advantages among all the people. The bill we are now considering is not a protective bill. I shall not recite the victories of protection in the years that have gone by. The people of this country believe in protection. They believed in it last fall; they believe in it now; and there is no better evidence of their continued faith in the system of protection than the result of the election in Maine yesterday.

I do not think that the Democrats of this country can persuade a majority of the people that our commerce ought to be exposed to the unlimited competition of the world. I had very much hoped—and I say so frankly—that the Democrats in assuming power would take the Payne-Aldrich tariff law, which is almost uniformly too high—its duties are from 25 to 40 per cent higher than they ought to be—maintaining its uniformity, and reduce its duties from 25 to 40 per cent. Had they done so I believe they would have commanded the general approval of the people of the country, as I know they would have commanded the support of many Senators upon this side of the Chamber. I have been disappointed in that. I find a bill which is neither protective nor competitive, for a protective tariff bill is in its highest and best sense a competitive tariff bill.

Some of us on this side of the Chamber have been struggling for years to secure such rates of duty as would prevent the domestic manufacturer from lifting his price above a fair American level without inviting competition from all the countries of the earth. That has been our end; this has been our view of the adjustment of this very difficult subject, but our Democratic friends have chosen not only to reduce duties in every instance—and I agree that in a great many instances they ought to have been reduced—but they have rendered their bill partial and sectional and unequal by removing all protection from a very large part of the products of the country. I can not think that in the end the experience of the United States will justify such gross discrimination. But, however that may be, our Democratic friends have prescribed duties upon some things. Upon some things I think the duties they have fixed are too high; upon some things I think the duties of the bill are altogether too low; upon many things from which they have removed all protection they have made a serious and fatal mistake, but it is not for me to criticize them at this time. We are now in the last hours of the debate, and I have no disposition

to trespass upon the patience of Senators in making an argument against the general framework of the bill. I have done that before, and I am content with what I have said. I rest upon the conclusions that I have heretofore announced; but there are duties upon a great many articles; there are very high duties upon some articles—I do not care to particularize at this time; it would take altogether too much time—but, now that we are nearing the end of the tariff struggle, why will you not join in some effort to put upon the free list those things concerning which competition has ceased to exist in this country? That brings me to a further declaration of faith, and then I will attempt to answer the Senator from Utah [Mr. SUTHERLAND].

Mr. CLAPP. Mr. President—

The PRESIDING OFFICER (Mr. POMERENE in the chair). Does the Senator from Iowa yield to the Senator from Minnesota?

Mr. CUMMINS. I yield to the Senator from Minnesota.

Mr. CLAPP. I certainly have a very profound regard for the judgment of the Senator from Iowa as a lawyer, and while I shall vote for his amendment I question if he is not seeking to confer or to impose a duty upon the courts which the courts would not be obliged to take upon themselves. First, you file a bill—

Mr. REED. We are unable to hear the Senator from Minnesota on this side.

Mr. CLAPP. I say I want to suggest to the Senator from Iowa a doubt in my mind whether his amendment does not seek to impose a duty upon the courts that is in no sense a judicial duty. A suit is to be brought to determine the question whether or not there exists a condition where competition has been eliminated. That suit is not brought against the defendant to dissolve an association which has brought about the elimination, but simply for a tariff purpose, and it does seem to me that it is a duty that is not judicial. The court having found that, then the Senator's amendment provides for a supplemental suit to ascertain whether or not that condition has ceased to exist and competition has been resumed. It seems to me beyond any question that that is the imposition of a duty that is not judicial.

Mr. CUMMINS. Mr. President, I have reflected very carefully upon and have studied diligently the question now suggested by the Senator from Minnesota. I have no doubt whatever about the jurisdiction of the court conferred in my amendment. The Senator from Minnesota possibly has not noticed that the amendment provides that any citizen of the United States may bring a suit against the collector of the port in his district, charging that competition has ceased with regard to the particular commodity that may be described. Whether competition has ceased or not is purely a question of fact. I do not care what destroys the competition; it matters not to me under what conditions it has disappeared; my position is that the American people have a higher right to competition than has any man or any interest to protection.

But, returning to the legal point, the citizen upon whom is laid the burden of the duty imposed upon that particular commodity appeals to the court for the removal of that burden, and it is to be removed if he establishes, as a matter of fact, that the competition to which the citizen is entitled has disappeared. Therefore I can not imagine a question that is more completely judicial than the one I have named as the issue in the proceeding in court that is here established.

Mr. CLAPP. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa further yield to the Senator from Minnesota?

Mr. CUMMINS. I do.

Mr. CLAPP. What would the Senator say as to the supplemental suit? The most that could be claimed there would be a restoration of competition, as the result of the finding that competition had been restored.

Mr. CUMMINS. Precisely. Every court has a right, within certain limitations provided by the law, to set aside or to modify a decree that it has entered. There are certain rules, of course, which surround that right, and it must be exercised in accordance with them. The rules and regulations under which the court may modify its decree must be a matter of legislation. Certainly it is not beyond our power to declare under what conditions the court may modify its decree.

Mr. WALSH. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Montana?

Mr. CUMMINS. I yield.

Mr. WALSH. Before the Senator passes from that interesting feature of the question, let me make an inquiry. If such a citizen who might be moved thus to appeal to the courts for the redress that he desired felt the pressure upon him, he could,

of course, without such a law appeal to the Congress. He could assert that that condition of affairs existed. The Congress would then inquire into the nature of his complaint—the evidence to sustain it on the one side and the evidence to overcome it on the other. The Congress, reaching the conclusion that the conditions contemplated by the amendment did exist, and being impressed with the wisdom of the policy that is the foundation of the amendment, would accordingly pass a law by which the commodity would go to the free list.

Of course, that would be no judicial proceeding. It would be a legislative act. How, then, can it be, under the other procedure, anything but a legislative act?

Mr. WORKS. Mr. President—

Mr. CUMMINS. Allow me to answer the Senator from Montana for just a moment, because I must not prolong this discussion.

This amendment declares as a matter of law, of legislation, that articles concerning which there is no competition in the United States shall be on the free list. That is the legislative declaration. The next step is to devise a method of procedure through which it can be ascertained whether the particular article or commodity is subject to competition. If it is not, then the law itself places the article upon the free list. If it is under competition, the law continues the commodity on the dutiable list, where it is placed by the statute we are about to pass.

I now yield to the Senator from California.

Mr. WORKS. Mr. President, as I understand the effect of the proposed amendment, it provides that under certain conditions the collection of the duty shall be illegal. It then provides that the court may, under conditions provided for, determine whether that fact exists or not; and if it so finds, the court is then authorized to issue its decree and its injunction accordingly.

I do not see why that is not a judicial question and a legitimate trial of the question of fact in the first instance by the court, followed by its decree founded upon that fact.

Mr. CUMMINS. It so seems to me; and I think upon further reflection the lawyers of the Senate will agree that there is no difficulty about pursuing this plan so far as the constitutional power of the courts is concerned.

But I now return to the real question.

Mr. STERLING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from South Dakota?

Mr. CUMMINS. I yield.

Mr. STERLING. Before the Senator proceeds I should like to ask him as to a question of policy. It is whether under the plan proposed by the Senator in this amendment he does not bring the judiciary into the administration of the tariff law? Does he not impose upon the judiciary such administration in the last analysis, and would that be a wise policy?

Mr. CUMMINS. Mr. President, I think that is not the case. The courts have nothing to do with the policy of this law. Congress is declaring, if the amendment should be adopted, that articles concerning which there is no competition shall come into the United States without the payment of duty. The only thing the court has to do with respect to the matter is to determine whether there is or is not actual and substantial and effective competition in the business of the United States. It is not nearly so close an approach to the legislative function as is the antitrust law, because here is a plain, simple matter of fact to be determined.

Mr. STERLING. But, Mr. President, the court in such a case, in hearing the evidence and in rendering its decision, must have before it all the while the ultimate effects of that decision—the ultimate effects in determining the policy of the Government with reference, perhaps, to some great industry in this country. I question whether that is a wise policy.

Mr. CUMMINS. Mr. President, the court must have in view the consequences of every decision it renders. If the view just suggested by the Senator from South Dakota is sound, then we ought at once to repeal the antitrust law, because I can conceive of no vaster or more serious consequences than follow the inquiry as to whether some great corporation has combined trade and commerce so as to restrain it in its operation among the States or with foreign nations.

Mr. STERLING. But, Mr. President, under the antitrust law the decision is necessarily confined to the case against the particular corporation.

Mr. CUMMINS. And so it is here. If the subject matter be toothpicks, the decree is confined to toothpicks. If it be meat, it is confined to meat. It has no relation to the wide scope of the tariff law. It must be confined to the very commodity or commodities upon which the suit is based.

I return, however, to the question propounded by the Senator from Utah [Mr. SUTHERLAND], for I regard that as the vital, the important inquiry in this matter. I reassert my belief in the advantages and in the wisdom of the doctrine of protection. I think that in the years to come it will be crystallized permanently in the law and policies of the United States, so that attacks on it will cease. But I think there is one right that the American people have and that every American citizen has that is higher, more sacred, more vital to the perpetuation of free institutions and independence among them than the policy of protection.

I am not a socialist. I do not believe in community of property. I do not believe in the assumption on the part of the Government of the task of fixing prices for the people. I foresee consequences that will flow from the assumption of that gigantic labor on the part of the Government that are perilous to a Republic like ours.

There are but two forces that will fix prices and that will distribute wealth. There are but two that are tolerable. There is another of which I may speak first, namely, monopoly—private monopoly. There is no man who defends it. No man is willing to say that the wealth of this country shall be distributed through the medium of monopoly, which means the arbitrary will of one man or a concert of men.

Passing that condition, there are but two forces upon which we can rely; there are but two we can summon to this vast work. The first is the natural law of commerce and trade and business, the rivalry which exists between men engaged in like occupations or engaged in carrying on like enterprises—honorable rivalry, with equal competition. Hitherto the world has been governed by competition. It is not confined to trade. It exists in every phase of social and public life. We are all creatures of competition. All the victories of the world have come as the reward of competition, and they have come in the main to those who were entitled to enjoy them.

I wish to preserve competition in American life. I wish to see the man who is worthy of it succeed above his fellowmen. I wish to see every person take and carry away the thing which he fairly and justly wins in the battle, in the struggle for existence. I am not willing to see the law of competition impaired at any point. I am not willing to see its force weakened anywhere; and I intend to do all I can to aid it as a living and a real force in American life.

The other alternative is, of course, the assumption by the Government of the duty to fix prices. I know that if we are not able to preserve competition we must then accept this governmental duty. There is no escape from it. If we do not maintain the force of competition as the real regulating power in American business and American life, there is but one other thing to do, and that is to demand that organized society shall protect the weak as against the strong. That will come, just so surely as the days dawn upon us, if we are not alert and vigilant in the preservation of the fundamental law, or what has hitherto been the fundamental law, of the world. It is the law of nations; it is the law of society; it is the law of the individual; and it will be a sad day for the progress of humanity when it disappears from our lives.

Therefore I say, in answer to the Senator from Utah, that if I must select, if I must choose, between protection of any kind and competition, my voice is for competition. It will be better for this country to invite the competition of the world if we have been driven to the point at which we must rely upon a single man or upon a single combination of men for anything which civilization demands.

Mr. OLIVER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Pennsylvania?

Mr. CUMMINS. I yield to the Senator.

Mr. OLIVER. I should like to have the Senator from Iowa let us know what would be the effect of this amendment upon an industry in which there happened to be only one producer in this country but in which there was strong and substantial competition from abroad, notwithstanding there was a reasonably protective duty on the article.

Mr. CUMMINS. Mr. President, with regard to the instance just put by the Senator from Pennsylvania, there is no way by or through any general law to accommodate ourselves to so great a variety of conditions as exist in the United States. When we pass any general law we will in its application do an injustice here and there. It is the unhappy result of the generality of the law. We all know that courts of equity sprang into existence for no other reason than to relieve men from injustice and hardship in the application of a general law.

I agree that in the case put by the Senator from Pennsylvania my amendment might work a hardship; it might not

result in any benefit to the people of this country. But my answer to him is that in the great majority of instances the amendment I have proposed will serve the welfare of the people, and we must be content now and then to witness an apparent injustice in order to serve the public good.

Mr. President, I have been looking in vain for some favorable response from the other side of the Chamber. My eyes have been fastened upon the Senators who are sitting there—there are not very many of them, but more than there usually are—and I have hoped that with regard to a subject like this, so plainly for the benefit of the people, so plainly putting into execution a principle that must commend itself to every lover of justice, I might see, at least, a shade of approval pass over the countenances of my esteemed friends over there. I can not understand their indifference.

Are you not in favor of putting on the free list those things in the sale of which or in the production of which competition has ceased in our country? As I remember, you did not in so many words declare for my amendment in the platform adopted at Baltimore, although you might well have done so, but did declare against duties on articles controlled by monopolies. I offered this amendment four years ago, when I appealed to my friends upon this side of the Chamber, when I challenged the attention of that Nestor of the Senate who since that time has passed to the rewards of private life. I challenged his attention then. I urged him, as I am now urging you, to do something for the people of this country in a substantial way.

It is said over there—I have heard it said many times—that the distinguished Senator to whom I have just referred was, in fact, the caucus on the Republican side. I will not say whether he was or was not. I quite agree that his voice was very potential. I appealed to him, but I did not elicit from that immobile and passive countenance a single indication of sympathy or concurrence. I am now appealing to Democratic Senators who have come into power upon the promise that they would do something for the people of this country; that they would do something that would relieve them, so far as the tariff is concerned, of the burden of monopoly; that they would do something to destroy conditions in which one man or one combination of men could effect whatever price cupidity and avarice might suggest as to a commodity which all the people demanded and which all the people must use.

Tell me why you are not willing to submit to the courts of the country the mere question of fact, "Is there competition?" That question being answered in the negative, then the Democratic theory that relief from import duties will lessen price will find opportunity for operation.

Mr. President, some time we shall have to choose between the monopoly of the Government and the monopoly of the private individual, unless you will energetically aid in the maintenance of competition. You have done nothing for competition in this bill so far. The only thing you have done is to put the American producer, where there is already abundant and complete and perfect competition, into rivalry upon unequal terms with the people across the sea. Why do you not provide for a case in which there is no competition at home and give the people some chance to invite that competition from abroad?

Mr. LANE. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Oregon?

Mr. CUMMINS. I yield to the Senator.

Mr. LANE. I would like to say that there are many things in this bill which do not appeal to me, for the same reason perhaps that they do not appeal to the Senator from Iowa. The Democratic Party and the Senators on this side are entering upon new fields. They are opening up entirely new propositions and changing old ones. They are trying and endeavoring, to the best of their ability, to open the resources and the opportunities of this country to the people thereof, and in doing so are going against a fixed condition of affairs which has existed for many years.

The bill which they present to the people, and which they will pass, is an imperfect one. They are willing to concede that. I am. In many ways I am not in sympathy with it. It is a step in advance, however.

The Democratic Party can not do all things at once. They can not accomplish at once the ideals to which they wish to attain. It takes time to do that. Step by step they must undo the work of the past—the work which has been done, not by the Democratic Party, but by the Republican Party. They are using their best efforts to attain a condition wherein the mass of the people, the great majority of the people, may have the necessities of life at a just cost to them—the least just cost, if you please.

The Senator from Wisconsin [Mr. LA FOLLETTE], a statesman able and experienced, and for whom we have the greatest

respect, whose opinion goes far with us, yesterday came in at the last moment—not early, in the stage when his advice and his sage wisdom would have been of advantage to us—and suggested a remedy which we would have been glad to have investigated had we received it earlier. We can not do everything at this time. We are going before the people with radical changes in this bill, many of which, no doubt, are mistakes on our part. They will not accomplish the good which we hope, nor yet do the harm which is prophesied by the men of the opposition, by you who oppose it. But in the main it will be for the betterment and for the good of the people of this country.

We are doing all that we think we legitimately can, all that we can safely venture upon at this time. We are willing and we wish to follow up this bill with other measures making it more beneficial. If you will suggest them at a time when we can take them up, we will go with you down the line to the last ultimate object of the good of the common people of this country; but we can not burden the bill by tacking onto it the theory of every man who wishes to put a new proposition of his own into this bill at this time. It is hard enough to carry it now.

There are prophecies from all over the other side of the Chamber that the bill is going to fail in every respect; that it is wrong in every principle. We are doing the best we can, and we would like your patience to carry it through at this time, with the assurance on our part that after we have put it into effect we will remedy the defects in it which prove to be defects and then go further and make it a better administrative measure, a better law for the people of this country—just as far, my friend the Senator from Iowa, as you dare travel down that road. But do not overload and overburden us at this time. Your advice will come better after we have carried this bill into effect and have tried to see what we can accomplish with it. We ask of you that patience, and not the rebuke that we have not gone to the full limit, when you have lain back for 50 years and have ground the iron into the heart and the soul of every poor man in this country—you of that party.

Mr. CUMMINS. Mr. President, of course I recognize the pathos of the appeal just made by the Senator from Oregon. I do not doubt his good intent. I beg, however, to remind him that three months ago, nearly—or two months ago, at any rate—I proposed this amendment. It was printed. It was referred to the Committee on Finance. I suppose it passed into the caucus of the Democratic Senators. Now, my complaint is that if the Democratic side did not intend to consider anything or any argument save something that was presented to the caucus and the arguments that were made there, you ought to have invited me to address the Democratic caucus and give my reasons then, as I have given them now, for this legislation. Then I might have been in contact with plastic minds. Now I collide with minds so hardened that I have no hope whatever of making an impression upon them.

Mr. LANE. Mr. President—

Mr. CUMMINS. That is what ought to have been done. You had an opportunity to consider this amendment. It is just as pertinent to the tariff bill as the percentage of duty upon a commodity to be imported from a foreign country to our shores.

I did not intend to drift away upon this complaint, but I simply repeat what I have already said, that the effort to legislate for the United States in a caucus of one part of Congress or of the Senate, while I have no doubt that it has been prompted by practical motives if not highly commendable motives, in the end will bring your party to complete disaster and to the people of the United States nothing but disappointment.

We can not legislate in that way. We have a right to be heard. It is our privilege to make an argument upon legislation before the minds of Senators are foreclosed. That is my complaint with regard to the matter.

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Oregon?

Mr. CUMMINS. I yield to the Senator.

Mr. LANE. I am willing to concede that the caucus method does not appeal to the American people, and it does not appeal to me. Our party, however, is but a narrow majority of this body. It has within its ranks men who are not in sympathy with its plans and who will not vote for the bill. It necessarily had to present a solid front as near as it could do so in order to pass the measure. It has failed in incorporating many things which are ideal, and in other places unwittingly perhaps it has made discriminations in favor of one class and against another. I regret this condition as much as anyone.

I fear, however, that had the Senator from Iowa been present at the conferences that we would have been unable to have met his wishes. We would have been compelled to adopt his tariff bill and not ours in order to have pleased him. We have done the best we could under the circumstances, and indulge

in the hope that we will be able to relieve conditions in this country. If we fail, it will have been a failure due to fault of judgment on our part and not of deliberate intent.

The people of this country have but little confidence, if the Senator will just allow me to say so, in this body of their representatives, but the people of the country will forgive mistakes. They will overlook errors if they believe their servants are trying to better conditions. They will not forgive deliberate treachery on the part of their servants, and should not be asked or expected to do so.

Mr. CUMMINS. Mr. President, I am sure that the Senator from Oregon has not read a most instructive and delightful passage from a recent work known as *The New Freedom*. Its author is now the most powerful man in the world. His word is law to more Members of Congress than ever before listened to the word of an Executive. I have already commented upon that. I look upon the fact as one of the surest signs of national decadence. It is one of the indications that the Congress of the United States has lost its place in the affection and confidence of the people, and that they have substituted—or, at least, he believes they have substituted—a single will. We are drifting in that direction as rapidly as subservience can drift us.

I want to read, however, from this author, for whom I have personally the highest esteem and of whom, as much as I criticize what he is doing and his interference with the legislative branch of the Government, I am glad to be able to say that I believe he is, from his point of view, trying to serve the American people. His name is Woodrow Wilson. He says:

In the first place—

I will read a word or two before. It is in a chapter of which the heading is "Let there be light." It begins:

The concern of patriotic men is to put our Government again on its right basis by substituting the popular will for the rule of guardians—

This must have been written before the guardian was appointed for the American Congress—

In the first place, it is necessary to open up all the processes of our politics. They have been too secret, too complicated, too roundabout; they have consisted too much of private conferences and secret understandings.

I commend the wisdom of this distinguished author, uttered to the American people before the vast power which he now enjoys was conferred upon him.

Mr. LANE. Mr. President, just a word more and I will quit the controversy.

I wish to say that the new bill, the bill which we are presenting, is far and away a better measure and a preferable one to the old law. I believe not all of you, but nearly all of you, will concede that.

There does not seem to be anything in the bill which appeals to the gentlemen on the other side, whether he be a stand-pat Republican or a Progressive. All we can do is to pursue our own course and be held responsible for it before the people. If you will allow us to do that and accept the responsibility, we will thank you.

Mr. CUMMINS. Mr. President, it matters little whether the Senator from Oregon pleases this side of the Chamber, whether he pleases stand-pat Republicans or progressive Republicans. It is, however, of immense concern that he shall do right, for in doing right, even if he dissatisfies this side of the Chamber, he will satisfy the American people. This bill does not seem to have been considered from that standpoint.

Mr. STONE. Mr. President—

Mr. CUMMINS. I yield to the Senator from Missouri.

Mr. STONE. I have no disposition—

Mr. CUMMINS. I will yield the floor. If the Senator from Missouri will permit me to ask for the yeas and nays upon my amendment, then I will yield the floor.

Mr. STONE. Just a moment. The Senator from Iowa has read an extract from a book written by the President. He read it as a criticism or a rebuke to Senators on this side because we deemed it advisable to go into a party conference to discuss this bill and settle in conference individual differences that might exist with a view to reaching a common ground upon which we might act. The margin of party strength in this Chamber, as we know, is exceedingly slight. We could well anticipate that whatever we might do with respect to the bill would be vigorously and adroitly assailed by the other side. Having the responsibility of this legislation, it was important that we should discuss it among ourselves and agree as far as possible. It was not only important but necessary, as we thought, that we should take this course with a view to unifying our strength instead of weakening our position by a lack of agreement, when an agreement might be reached by a full and free conference. Now, because we did that, the Senator from Iowa and others criticize us and the Senator reads this extract from one of the President's books to support his criticism. This

same quotation has been read over and over again during this debate.

Mr. MARTINE of New Jersey. It is a thrice-told tale.

Mr. STONE. Yes; I think more than a thrice-told tale. The Senator reads it as a rebuke to us coming from the President. Whenever we follow the advice of the President we are accused of a lack of independence and of being subservient to the Executive. Whenever the President makes a recommendation to Congress and we attempt to carry it out the honorable Senator or some of his associates says we are subservient to Executive influence. But if we do not follow the advice or a suggestion of the President, then the President is quoted to show that we are wrong. The idea seems to be to attack us, whether we are coming or going. At this moment the Senator from Iowa is criticizing us because we do not follow the President, as he says. In the name of heaven, how can we please the Senator from Iowa? If we follow the President, he accuses us of subservience, and if we do not follow him, he accuses us of doing a wrong thing by not following him. It seems to be impossible to please the Senator, no matter what we do.

Mr. CUMMINS. Mr. President, I have the most amiable disposition in this Chamber. I suppose the Senator from Missouri can please me more easily than he can please any other Senator in the Chamber. He has entirely mistaken my attitude. I am opposed to the caucus that you held. I think it is wrong. I do not speak of it lightly. I think it is wrong. It is wrong because your Members come out of it—and it matters not whether you call it a caucus or a conference; the name makes no difference—but you come out of it with your minds closed against argument upon the floor of the Senate. You come out of it either actually or impliedly pledged to do a particular thing before you have tried the case.

Mr. STONE. But, Mr. President—

Mr. CUMMINS. You have not listened to a single argument on this side of the Chamber.

Mr. STONE. The Senator should not say that. Frequently amendments have been suggested from the other side of this Chamber during the consideration of this bill, some by the Senator himself, and they have been taken up by the committee of the Senate charged with this business, and amendments have been made to conform to suggestions so made from the other side when we were convinced by the argument presented that they should be made. The Senator seems to be annoyed that he was not invited into this Democratic caucus.

Mr. CUMMINS. I have not expressed any annoyance.

Mr. STONE. But the Senator said to the Senator from Oregon [Mr. LANE] that he ought to have been invited.

Mr. CUMMINS. Not in the caucus, but I should like to have made an argument before that illustrious body on some of the questions involved in this bill. I should like to have been heard before judgment was rendered.

Mr. STONE. There is only one way—

Mr. CUMMINS. All I know about the caucus and the history of it is the description of it given by the Senator from Nebraska [Mr. HITCHCOCK]. I should like to ask the Senator from Missouri whether the Senator from Nebraska correctly described what occurred in the caucus.

Mr. STONE. I did not hear the Senator from Nebraska say anything on the subject.

Mr. CUMMINS. Then the Senator from Missouri missed one of the most entertaining performances that has occurred during the progress of the debate. He gave us the other day a very full account of what happened in the caucus and the way it happened and the reasons that were advanced for what happened. Now, if the Senator from Missouri was here—

Mr. STONE. The Senator speaks of the occurrence several days ago. I thought he was speaking of what occurred to-day.

Mr. CUMMINS. Yes; but it occurred in the memory of man.

Mr. STONE. I heard the speech of the Senator from Nebraska some days ago. I misunderstood the Senator from Iowa. I thought he was referring to his colloquy to-day with the Senator from Oregon [Mr. LANE].

Mr. CUMMINS. Oh, no; I was referring to the Senator from Nebraska, who told us the fate of his tax bill and how it met its death.

Mr. STONE. I heard that.

Mr. CUMMINS. I am not suggesting anything but asking whether the Senator from Nebraska did relate the transaction as it happened?

Mr. STONE. Not as I understood it.

Mr. CUMMINS. That is a question of veracity.

Mr. STONE. It is not a question of veracity.

Mr. HITCHCOCK. I would like to ask the Senator from Missouri—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Nebraska?

Mr. STONE. It is not a question of veracity, and I am not going to be drawn into a controversy of that kind. Here is what happened. Here is what influenced my action, and I think influenced the action of Senators generally. It was not because of any opposition, as far as I know, to the substantial features of the amendment proposed by the Senator from Nebraska, but a majority of those present believed that it was not a fit subject or proper subject to be put into a tariff bill, but that it should be treated separately. The Senator from Nebraska took a different view of that, as he had a right to do, and there were Senators in the conference, I am sure, who agreed with him as to that; but the majority took the opposite view.

Mr. CUMMINS. I am not entering upon the merits of the proposition made by the Senator from Nebraska. I only asked whether his account of its untimely death was a correct account.

Mr. STONE. I decline to go into a matter of that sort. The Senator from Nebraska can go into it if he wishes.

Mr. CUMMINS. If the Senator from Nebraska desires to be heard, I will yield to him.

Mr. HITCHCOCK. I understood when the colloquy began that the Senator from Missouri questioned the accuracy of my description of the caucus proceeding.

Mr. STONE. I decline to go into that. I am not in the habit of discussing on the outside what occurs in executive party conferences, and I decline to do it now.

Mr. HITCHCOCK. The Senator does not question the accuracy of my statement?

Mr. STONE. I make no statement respecting it.

Mr. HITCHCOCK. If the Senator does not question my statement, I have nothing further to say.

Mr. STONE. I decline to discuss it.

Mr. HITCHCOCK. I think that is a wise course, I will say to the Senator.

Mr. STONE. I think it is, too.

Mr. BORAH. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Idaho?

Mr. CUMMINS. I do.

Mr. BORAH. I understand the Senator from Missouri refuses to commit himself.

Mr. STONE. I can not consent, Mr. President, when I go into a conference with gentlemen on anything to go out and publicly exploit what occurred, and I decline to do it now.

Mr. CUMMINS. Of course, the Senator from Nebraska related the history of the matter to the Senate a few days ago—

Mr. STONE. I am willing to let it rest there.

Mr. CUMMINS. What happened there and the character of the proceedings generally, largely from his statements—

Mr. STONE. Very well; let it rest there.

Mr. CUMMINS. It is the Senator from Nebraska who is challenged now by the Senator from Missouri.

Mr. STONE. I have not challenged the Senator from Nebraska. I decline to challenge him or to have any controversy with him on that subject.

Mr. CUMMINS. I applaud the discretion of the Senator.

Mr. STONE. It is not a question of discretion. It is my judgment on a question of propriety.

Mr. CUMMINS. But the Senator from Nebraska has already made it public. The Senator from Missouri would not be violating the secrecy of the occasion.

Mr. STONE. The Senator thinks he is very smart in trying to force me into a controversy over what occurred in the Democratic caucus, but he is not smart enough for that. [Laughter.]

Mr. CUMMINS. If I had any such purpose, Mr. President, I forego it. I see how unavailing it would be.

Mr. STONE. The Senator from Iowa has expressed rather a disappointment that he could not get into a Democratic caucus.

Mr. CUMMINS. Oh, no. Now, let me correct the Senator.

Mr. STONE. That is what you said.

Mr. CUMMINS. I said I would have liked to appear before the court and to have argued my case before judgment was rendered.

Mr. STONE. Yes; but—

Mr. CUMMINS. And if I had had an opportunity to make the argument I made this morning before the Democratic caucus I might have impressed the Democratic caucus, but judgment was rendered against me without a hearing.

Mr. STONE. But there is not a thing the Senator has discussed here this morning that was not gone over in the caucus or the conference. All questions relating to this bill were discussed, considered, and numerous amendments offered, and the views of individual members were freely expressed—expressed

personally, if they desired so to do, or expressed by their votes—upon every question raised.

The Senator from Iowa seems to be chagrined or aggrieved because he was not admitted into this Democratic caucus.

Mr. CUMMINS. No; but the Democratic caucus, as I understand it, was a court trying certain questions.

Mr. STONE. Yes; we tried them, and tried them well, and determined them, we think, rightly.

Mr. CUMMINS. I think it ought to have had the advocates upon both sides before it, so that its judgment might have been intelligent and uniform.

Mr. STONE. Oh, we had—

Mr. CUMMINS. Now, before we have had any opportunity to be heard the judgment is rendered, and we appeal to deaf ears. We have no opportunity of presenting the case. My amendment does not involve duties upon imports—that is, the amount of duties upon imports—but it involves a general legislative policy toward monopolies, and it ought not to have been discarded and rejected before the argument upon it was made.

Mr. STONE. Mr. President, the Senator from Iowa has been edging in and in toward the Democratic Party for a good while. He has got in sight of the promised land and is looking on with longing eyes; but he can only get into a Democratic caucus or conference when he passes over the mountain top and comes down into the land of milk and honey. [Laughter.]

Mr. CUMMINS. It may be, Mr. President, that for a time I struggled toward that mountain top very much dissatisfied with some things that were being done by my own party. However, when I reached the mountain top and looked over into what was said to be the promised land it had no fascination for me.

Mr. STONE. And the Senator passes back into the dominion of that old organization he has denounced and repudiated.

Mr. CUMMINS. On the contrary—

Mr. STONE. Where does the Senator stand?

Mr. CUMMINS. I stand upon the mountain top, in the clear sunlight, insisting that both parties—

Mr. STONE. And condemning both. Do I understand that the Senator is standing on the mountain top looking both ways and condemning both parties?

Mr. CUMMINS. I condemn some things that both parties have done, and inasmuch as the Democratic Party is now in action my condemnation falls immediately upon the Democratic Party.

Mr. STONE. Mr. President, the Senator can not long stand on the peak of the mountain and look down upon one party and upon the other. If he stays there on the peak he can not survive. He must either go down into the Democratic Party or back into the bosom of the Republican Party, from which he has sought to escape.

Mr. CUMMINS. The Senator from Missouri, Mr. President, mistakes the aspect of the mountain top; he has never been there, and he can not describe it accurately. It is a broad plateau upon which all justice-loving people can live.

Mr. STONE. I have not been on that mountain top; I have been content to reside in the "Land of Promise." [Laughter.]

Mr. FALL. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from New Mexico?

Mr. CUMMINS. I yield with pleasure.

Mr. FALL. I should like to ask the Senator from Missouri a question before he leaves the Chamber.

Mr. STONE. I shall be delighted to hear the Senator.

Mr. FALL. There are others who have been in sight of Democratic "Holy Land," and I should like to know of the Senator from Missouri, just for my own information, if the only way now to get into the Democratic Party is to swear allegiance to the Senate Democratic caucus?

Mr. STONE. The Senator from New Mexico is trying to be facetious.

Mr. FALL. No; the Senator from New Mexico is asking for information.

Mr. STONE. Has the Senator from New Mexico some idea of desiring to enter into the fold of the Democratic Party?

Mr. FALL. The Senator from New Mexico was once a Democrat, but when he had to be bound by a Democratic caucus he left the Democratic Party. Now, I want to know if the only way to join the Democratic Party is to abide by the decision of the Democratic caucus?

Mr. STONE. Oh, if the Senator from New Mexico really desires to come back to his original faith, we will excuse him from being bound by a caucus [laughter] and give him full liberty.

Mr. CUMMINS. I ask for the yeas and nays on my amendment, Mr. President.

The yeas and nays were ordered.

Mr. ROOT. Mr. President, before we vote on the amendment I wish to say to the Senator from Iowa [Mr. CUMMINS] that I find a radical difference between the two parts of his amendment. One appears to impose upon the courts the duty of ascertaining a fact upon the ascertainment of which certain consequences shall follow, to wit, the placing of the articles upon the free list; the other imposes upon the Executive, the President, the duty of ascertaining the fact, upon his determination of which certain consequences follow unless prevented by the courts. In my opinion—I express it with diffidence, for I share with the Senator from Iowa in regret that this subject should not have had the kind of discussion which takes place when there is a possibility of the discussion affecting the conclusion—in my opinion the first branch of the amendment does not provide for a case or controversy which, under the Constitution of the United States, we are at liberty to impose upon the courts. The second branch of the amendment does, I think, provide for such a case or controversy; it does provide a constitutional exercise of power both by the Executive and by the courts. If that stood alone, while I should want certain adjustments of phraseology to guard against incidental and minor difficulties, I should vote for the amendment, but with the first provision in the amendment I can not vote for it.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Iowa [Mr. CUMMINS], on which the yeas and nays have been ordered.

The Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I have a pair with the junior Senator from Michigan [Mr. TOWNSEND], and I therefore withhold my vote.

Mr. LEWIS (when his name was called). I again announce my pair with the junior Senator from North Dakota [Mr. GRONNA].

Mr. THOMAS (when his name was called). I make the same transfer of my pair as heretofore announced and vote "nay."

Mr. WILLIAMS (when his name was called). I repeat the announcement as to my pair which I made upon the last roll call and withhold my vote.

The roll call was concluded.

Mr. BACON. I note that the Senator from Minnesota [Mr. NELSON] has not voted. I therefore withhold my vote, having a general pair with that Senator.

Mr. CHAMBERLAIN. I have a general pair with the junior Senator from Pennsylvania [Mr. OLIVER], and in his absence withhold my vote.

Mr. REED. I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from South Carolina [Mr. SMITH] and vote "nay."

Mr. LEA. I again announce my pair with the Senator from South Dakota [Mr. CRAWFORD]. If I were at liberty to vote, I should vote "nay."

Mr. SAULSBURY. I transfer my pair with the junior Senator from Rhode Island [Mr. COIT] to the junior Senator from Nevada [Mr. PITTMAN] and vote "nay."

Mr. BRADLEY (after having voted in the affirmative). I understand that the Senator from Indiana [Mr. KERN] has not voted.

The PRESIDING OFFICER. The Chair is informed that he has not voted.

Mr. BRADLEY. Then I withdraw my vote, as I have a pair with that Senator.

Mr. SAULSBURY (after having voted in the negative). The junior Senator from Nevada [Mr. PITTMAN] having returned and voted, I now withdraw my vote because of my pair.

The result was announced—yeas 20, nays 43, as follows:

YEAS—20.

Brady	Cummins	McCumber	Smoot
Brandeggee	Fall	Norris	Stephenson
Bristow	Jackson	Page	Sterling
Catron	Jones	Perkins	Warren
Clapp	Kenyon	Polindexter	Weeks

NAYS—43.

Ashurst	Johnson	Ransdell	Smith, Md.
Chilton	La Follette	Reed	Stone
Clark, Wyo.	Lane	Robinson	Sutherland
Clarke, Ark.	Lodge	Root	Swanson
Dillingham	Martin, Va.	Shafroth	Thomas
Fletcher	Martine, N. J.	Sheppard	Thompson
Gallinger	Myers	Shields	Thornton
Gore	Overman	Shively	Tillman
Hollis	Owen	Simmons	Vardaman
Hughes	Pittman	Smith, Ariz.	Walsh
James	Pomerene	Smith, Ga.	

NOT VOTING—32.

Bacon	Coit	Lea	Penrose
Bankhead	Crawford	Lewis	Saulsbury
Borah	Culberson	Lippitt	Sherman
Bradley	du Pont	McLean	Smith, Mich.
Bryan	Goff	Nelson	Smith, S. C.
Burleigh	Gronna	Newlands	Townsend
Burton	Hitchcock	O'Gorman	Williams
Chamberlain	Kern	Oliver	Works

So the amendment of Mr. CUMMINS was rejected.

Mr. NORRIS. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The SECRETARY. On page 250, after line 13, it is proposed to insert:

That whenever the President shall ascertain as a fact that any country, dependency, state, colony, province, or other political subdivision of government is a party to any conspiracy or combination to monopolize and control the trade or commerce between the United States and such foreign country, dependency, state, colony, province, or other political subdivision of government of any of the products of such country, whereby the prices of such products are increased to the consumers of the United States, or has any law, rule, or regulation legalizing any such combination or conspiracy, or has any law, rule, or regulation valorizing any of the products of such foreign country by purchasing any part of the same and holding the same out of the markets of the world, whereby the price of the same is increased to the consumers of the United States, he shall have the power, and it shall be his duty, to suspend, by proclamation, the operation of the provisions of this act relative to the rates of duty to be assessed upon the products of such country, dependency, state, colony, province, or other political subdivision of government when imported into the United States; and thereafter, in addition to whatever rate of duty is assessed against the products of such country by this act, all the products of such country, dependency, state, colony, province, or other political subdivision of government shall, when imported into the United States, pay a duty of 25 per cent ad valorem.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Nebraska [Mr. NORRIS].

Mr. NORRIS. Mr. President, I feel very much discouraged in presenting this amendment to the Senate by the parliamentary condition in which we are now placed. To begin with, I know that the amendment will not be adopted, not because of any infirmity in the amendment, not because the Senators on the other side of the aisle do not believe in the proposition that I have brought before the Senate, but because their hands are tied in such a way that they will not be able, without a violation of what they believe to be their duty to their caucus, to vote for the amendment.

I regret, Mr. President, that the time now intervening will make it impossible for me to pursue the course that I had intended to pursue in presenting this amendment. I know there are many other Senators having very important propositions to bring forth who desire to be heard. Therefore I am not now able, without intruding upon them, to discuss this question as fully as I had intended to do or as I should like to do; but inasmuch as my amendment can not be adopted anyway, on account of it being prejudged by the caucus—or, rather, because perhaps it has not been considered by the caucus—it will not, perhaps, make so very much difference.

There are questions involved in this amendment in which every patriotic American who loves his country is deeply interested, and I wanted to lay them fully before the Senate and the country at this time, so that, even though you would refuse to take any steps toward bringing relief, you could at least offer no excuse which, in my judgment, would be good; but I have decided, Mr. President, that it would perhaps be better for me later on to introduce a resolution asking a committee of the Senate to make a proper investigation of the facts which I have several times laid before the country and, at least on one occasion, at some length laid before the Senate.

I want to say, Mr. President, that this amendment, while couched in general terms, is intended to reach such schemes as that known as the Brazilian valorization of coffee. The language is general, and if there are any other international trusts of that kind it would, of course, reach them. It is not a question of tariff; it does not involve the question whether or not we should have a tariff for revenue or free trade or protection, but it does involve the same things, only perhaps in a different degree, that you have already considered in this bill. It is an amendment to some of the provisions of the bill wherein you have undertaken to legislate—and I think properly—to prohibit discrimination against the products of the United States. I have only asked that similar action be taken where the discrimination is leveled against the entire world, but has the effect of producing by such illegal combination a condition wherein our people must contribute from their incomes to the support of this gigantic international trust.

I wanted to take the time of the Senate to explain why, in my judgment, this proposed legislation was necessary in addition to the legislation which we have already adopted and which is on the statute books, but to do so would involve some time.

It would involve, too, a criticism, in a friendly spirit, however, of some of the departments of our Government, and, for the reasons already stated, I am not going to take the time of the Senate to go into that.

The method by which I undertake to control the matter in this amendment is one that can be very properly subject to debate; it is one upon which men, striving to gain the same end, may disagree. It provides when a condition exists like that which has been practically proven to exist, and which, as I understand, before the world absolutely is undisputed and unparalleled in regard to the coffee situation, that thereupon all the products of the country that is offending shall become subject, in addition to the tariff provided by this bill, to an ad valorem duty of 25 per cent. That is intended to be a discrimination against the products of that country. Whether that is too severe, whether it is severe enough, whether it is not severe enough, whether it is the proper method to pursue is something which I concede ought to be debated, ought to be considered. That is a question upon which honest minds may honestly differ; but that we ought to meet this question and that we ought to legislate so as to give relief to the American people from this intolerable condition there is only one side to the question.

On that question I have talked privately with Senators on the other side of the Chamber, who have commended the work which I have been trying to do, and several of them have stated to me that, from the study they have made of the question, they thought we ought to do something. I remember one Senator, at least, told me that he had taken the revelations which I gave on this question in the House of Representatives and had used those facts in every speech he made in his campaign for election to this body.

Yesterday we had an opportunity to vote on an inheritance-tax provision. I have talked with Senators on the other side, who have agreed fully with me that the kind of provision that was offered yesterday ought to become the law of this land; they just as honestly believe in it as I do; and yet yesterday every Senator on the other side voted against it. I said then, and I say now, in regard to this amendment, that, so far as this particular kind of legislation is concerned, until there is another revision of the tariff you will perhaps not have another opportunity to vote for this relief that you will have now when the roll is called and that you had yesterday on the inheritance tax. I have had Senators on that side tell me that a tax like I proposed yesterday was much more important than the tariff bill itself and that the enactment of such an inheritance tax would do more good for the people than any other legislation. Many other Democrats feel the same way, and yet every one of them voted against it yesterday. You will do the same with this amendment, and all because your votes in this Chamber are arbitrarily controlled by secret caucus.

I am not criticizing any man's patriotism or honesty; but it does seem to me, when Senators absolutely agree that the propositions presented are right, and where some of them have advocated them on the stump during their entire campaigns for election to this body, that there should be an opportunity for them to vote their honest convictions. When you were arguing those questions with your people, did you tell them that when you got here if a caucus decided that you should vote against those things you said you favored you would obey the mandate of the caucus? As was well said the other day by my colleague [Mr. HITCHCOCK], over on the other side, we are all elected to the Senate and not to a caucus.

It is in the Senate where the Constitution provides that a record shall be kept, where the constituents of all of us can look down from the galleries and can hear what we say and can see what we do; it is there that our action ought to be untrammelled; it is here that we ought to be uncoerced; it is here that we ought to follow the dictates of our conscientious convictions and not surrender them to a body that has met in secret, with only a portion of the membership present, and decreed what our official action shall be. When we take that course and submit to a caucus, we are permitting an unofficial organization, composed of only a part of the official organization, to control the action of the official organization; there is not anything else to it.

The Senator from Missouri [Mr. STONE] a while ago said, speaking of the Democratic caucus, "We were a court." What would we think of the Supreme Court of the United States if, when a case came before them, five of the judges should go off in secret, before the case was argued, before the evidence was introduced, before a hearing was had, and in a secret caucus determine what the judgment should be when it was rendered, and then come back into the court, become a part of the official organization, listen to the evidence, listen to the arguments,

listen to the attorneys as they presented the two sides of the case, and then ignore it all and render a decision in accordance with the decree that was agreed on in secret? Senators on this side are Members of the Senate as well as those on the other side. We are conscientious in trying to perform our duties. I know that I came here with a firm hope that this bill would be brought out in the open and that in the end I would be able to cast my vote for it. But what is the result? I know that this does not appeal to many, at least on the other side, because I have had it often brought to me that those who were the most influential in the framing of this bill wanted to put it in such shape, wanted to make it so obnoxious that no one on this side could vote for it, and thus make it entirely a partisan proposition. I know that I would be just as willing to vote with you, and I have shown my willingness to do so during this entire debate. On every amendment that has been offered where I have thought I understood it, if I believed you gentlemen were right, I have voted with you, and many other Senators on this side have done the same thing. I would like to have seen you do the same thing. I would like to see you throw off the shackles of a parliamentary caucus slavery and be free to give your consciences an opportunity to act.

Mr. BRYAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Nebraska yield to the Senator from Florida?

Mr. NORRIS. I yield to the Senator from Florida.

Mr. BRYAN. The Senator from Nebraska believes that his colleague is untrammelled by any caucus rules, does he not?

Mr. NORRIS. I did not understand the Senator's question.

Mr. BRYAN. Does the Senator contend that his colleague from Nebraska [Mr. HITCHCOCK] is under obligation to abide by the decision of the Democratic caucus?

Mr. NORRIS. Of course that is a matter for him to determine. I think from his course here that he has abided by the caucus with the exception of one vote, and, so far as I know, that is the only time he has voted contrary to the caucus.

Mr. BRYAN. Has he not said that he was not under any obligation to abide by the decision of the caucus?

Mr. NORRIS. I want to say to the Senator from Florida that that remark, if my colleague made it—and if the Senator says he did I will assume that to be true and believe it to be true in fact, though I do not remember his saying that—but that is true of every caucus that has ever been held. Everybody knows that you are not legally bound; everybody knows that, but everybody knows that you will become a political outcast if you do not obey its behests. I have been through it all; I know what it is, not perhaps in the shape of a caucus, but from a political machine, and I know the feeling of the Member when he has asserted his independence and has refused to obey the dictates of a boss. It is the same with the caucus. The man who cuts himself loose and says he will not be bound by it becomes to a great degree a political outcast. I will say if he goes into a caucus with the idea of agreeing to what is done there, though he does not get his way, he ought to abide by its decision.

Mr. BRYAN. And yet the Senator from Nebraska and other Senators on the other side of the aisle commended the Senator's colleague for the stand he took.

Mr. NORRIS. Let me say—

Mr. BRYAN. I will ask the Senator—

Mr. NORRIS. I hope the Senator will be brief, because I want to get through, in order to allow other Senators to speak.

Mr. BRYAN. I will ask the Senator to examine the ye-and-nay calls and point out to the Senate a particular instance in which his colleague did not vote as the other Democrats voted.

Mr. NORRIS. Does the Senator want me to point them out?

Mr. BRYAN. Except on one amendment.

Mr. NORRIS. I have not looked over the RECORD with that in view; but I think I can tell the Senator offhand that it was only in one instance that my colleague voted differently from his Democratic colleagues.

Mr. BRYAN. And that was on his own amendment?

Mr. NORRIS. That was on his own amendment.

Mr. BRYAN. And yet he was not bound.

Mr. NORRIS. I think he was bound.

Mr. BRYAN. He says not.

Mr. NORRIS. Certainly he could not be otherwise. A Senator would not go into a caucus—and my colleague is a perfect gentleman—and stay through it—

Mr. BRYAN. But he did not stay through it.

Mr. NORRIS. And not be influenced or bound by the result.

Mr. HUGHES. Mr. President, the Senator knows—

Mr. NORRIS. Let me get through with one Senator at a time. I said at the time my colleague spoke that, in my judgment, he was entitled to a great deal of credit. I think it took

a great deal of courage to do what he did here on the floor of the Senate; but I added that he had only taken one step. I said then that he had not gone very far, that he was still voting according to the caucus dictation in every instance that I noticed, except the one where his own amendment was involved.

Mr. REED. Mr. President—

The PRESIDING OFFICER. Does the Senator from Nebraska yield to the Senator from Missouri?

Mr. NORRIS. I want to say to the Senator from Missouri that I have agreed not to speak more than 15 minutes, and I have already spoken that long. I would be very glad to pursue this for another hour, but I want to quit.

Mr. REED. I do not think the question I was about to propound would have the effect in any manner of prolonging the time, but I will not ask it.

Mr. NORRIS. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. NEWLANDS. Mr. President, whilst the pending bill makes material reductions in existing duties, it does not, in my judgment, go far enough. I have always believed in radical accomplishment by progressive methods; and whilst I have thought that in some of the reductions made we were going too fast, I have been in sympathy with my party as to the goal ultimately to be reached.

Regarding many of these reductions as desirable reductions, I have been desirous that they should be made in such a way as not to injure any existing industry, or displace labor. I can not imagine how a material reduction can be forced by law in the price of any product of labor without some readjustment prejudicial either to the capital or to the labor employed; and I have been desirous of graduating the force of that readjustment by distributing it over a longer period.

With this view I have urged in the party conference that the reductions called for by this measure should be distributed and apportioned over a period of three years, and that provision should be made for further reductions than those contemplated by the bill through the action of a tariff board, acting under a rule prescribed by Congress, such board acting in the discharge of its duty under this rule as the servant of Congress. My views, therefore, whilst counseling moderation in the preliminary stages of tariff reform, would result in a much more radical reduction of the tariff than that contemplated by the pending bill.

In these views I have been overruled by my party associates in the conference of the party. The only question that remains, therefore, is whether or not the pending bill is an improvement upon the existing tariff. That it is I have no doubt; and I shall therefore vote for the bill.

I may add, in this connection, without violating, I imagine, the confidence of the conference, for it has become a public matter, that the discussion in the last conference regarding a tariff board disclosed the fact that a very large number of the Democrats—in my judgment, a majority—favor the creation of a tariff board or commission, though they differ as to the powers that should be intrusted to it. I think the only reason why there was no action taken in this bill regarding a tariff board was that it was deemed best to make such legislation the subject of a separate bill, and thus secure mature deliberation in party conference and general concurrence as to the methods to be used and the powers to be given.

Regarding my contentions as to sugar and wool, two prominent western industries, I have been of the opinion that the same moderate action should be taken regarding the reduction of the duties on them that has been taken with reference to manufactured products. I could not see why the same consideration should not be given to the labor employed on the sheep ranch as to that employed in the woolen factories of Lowell, or in the sweatshops of New York. Inasmuch as the Democratic Party, true to its platform that reductions should be made in such a way as not to injure or destroy any legitimate industry, had applied that principle to the manufacture of woolen goods and to the manufacture of woolen clothing, I saw no reason why it should not be also applied to the production of wool itself, which is the first stage in the ultimate production of the finished product.

So far as wool is concerned, I believe the injury to the wool-grower will not be a serious one, for the increased value of mutton will probably compensate the wool-grower for the diminished price of his wool; but I should have preferred a slower readjustment of this industry. I should not like to see the sheep grower put his sheep on the market for mutton when it is desirable that they should be held for wool, for I think it of the highest importance in a great country like this that a large proportion of the wool used in its manufactures should be raised

upon domestic soil. I believe in every nation, as far it can, doing its own work and producing the things which it consumes; and I should regard it as a misfortune if the wool-growers, instead of raising wool as heretofore, should kill their sheep and their lambs and turn them into meat.

Mr. WARREN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Nevada yield to the Senator from Wyoming?

Mr. NEWLANDS. I have promised that I would take only a few moments, and there are several speeches yet to be made.

Mr. WARREN. I did not wish to interrupt the Senator, but only to make one observation. I will not do that if the Senator prefers that I shall not.

Mr. NEWLANDS. I prefer not to be interrupted, as I have promised to be brief in my remarks. There are several Senators who propose to make extended remarks, and I have assured them that mine would not be lengthy.

As to sugar, Mr. President, my views are unchanged. None of our insular possessions, in my judgment, can compete with Cuba in the production of sugar. I believe the effect of its going immediately to the free list will be to bring about an injurious readjustment of the sugar industry in our insular possessions. As to the production of beet sugar, a very modern industry in this country, whose development has extended over a period of not more than 15 or 20 years, I am firm in the conviction that if no radical readjustment is made in the tariff duties that industry will greatly thrive and that it will be one of the most prominent methods of advancing the prosperity of the West.

I believe that alfalfa and sugar beets will be the chief products of the irrigated regions of the West, and that if the sugar industry is not seriously disturbed the production of sugar in that region will be more valuable than our entire mining product. I believe the production of beets tends to intensive cultivation, so essential to this country, and tends to that careful husbandry which has been so neglected here, as the result of which neglect the yield per acre in this country is only one-half the yield of what we are accustomed to regard as the old, worn-out soils of European countries.

As to this industry, I have asked nothing more than a moderate revenue duty. The present duty is excessive. I think it should be gradually reduced from 1½ cents a pound to half a cent a pound. Later on, if the industry can stand it without injury, and if the money is not needed for revenue, this product can be shifted to the free list.

I have made no contention for a protective duty. The ultimate duty, as I have stated, should not exceed one-half cent a pound. This is the duty that prevails in France, Germany, and England. It would be productive of needed revenue, and at the same time would save an important western industry from injury and our insular possessions from prostration. Such a duty is entirely consistent with the traditions of the party which has throughout its history imposed a revenue duty on sugar and wool.

Mr. President, I have fully presented these views in the party conference, and they have been overruled. The question is, What action shall I now take regarding this bill?

I believe in party responsibility. I believe that as a party we have pledged the country to definite action in the line of material reductions in the tariff. Necessarily it would be difficult for all of us to agree as to the exact amount of reduction that should be made upon each article and as to the articles upon which reductions should be made. There must be in the party conference, as there were in this case, great differences of opinion upon these subjects; and necessarily party action must mean a composition of party differences, or else the party would never be able to act and to respond to the pledges given to the people.

I have kept my vote free and untrammelled by express declaration in the party conferences up to this time. It is still free. I do not recognize the binding obligation of a party conference or of a party caucus. In fact, the party has not sought to impose that obligation upon its members, for the resolution passed by the party conference simply declared this to be a party measure without imposing any obligation upon the members of the party. So I am free by virtue of my declaration, and I am free because the party itself has never decided in favor of obligatory support of the party action.

But regarding, as I do, party solidarity of the highest importance, I should feel guilty of a breach of trust to that party were I unwilling without the gravest reasons to make its will effective. For this reason, as the party action differs materially from my views upon only two items out of about 4,000 items in the tariff bill, I propose to yield my views upon that question, and to stand with my party.

I hope that hereafter the Democratic Party will take up the question of still further reductions in the tariff through the action of a tariff board created by Congress, and acting as its servant; and I trust that when that action is taken, wherever it may appear through subsequent proof that the action already taken by the party is injurious to any legitimate industry, that matter will be considered by this board, and that its recommendations will be made to Congress and considered by Congress as the findings of fact of experienced and expert men.

I do not regard tariff making as finished, as many do. We are told that tariff tinkering should be at an end; that the country should have industrial peace. I believe that tariff tinkering should be at an end; but I believe in a steady and progressive movement in the line of tariff reform—a movement which should go on through accomplished experts every day in the year, until a just, an impartial, and an equitable tariff is established.

Mr. President, I desire to insert in the RECORD, as an appendix to my speech, certain extracts from a press dispatch published September 6 and containing an account of the action of the last conference of Democratic Senators regarding the tariff.

The PRESIDING OFFICER. Without objection, permission to do so is granted.

The matter referred to is as follows:

[Press dispatch.]

NEWLANDS IN LINE FOR PARTY'S TARIFF—VIEWS REGARDING SUGAR AND WOOL UNCHANGED, BUT WILL SUPPORT BILL AS IMPROVEMENT ON EXISTING LAW—ANALYZES CURRENCY LEGISLATION.

WASHINGTON, September 6, 1913.

Senator NEWLANDS, after six weeks' absence in the West, during which time he visited his home State of Nevada and spent some time on the Pacific coast, returned to Washington yesterday. Immediately upon his return Senator NEWLANDS made it plain that he intended to support the tariff bill, although he did not say so in specific words. To the newspaper men he said: "I have never at any time contemplated making a fight outside the party councils." Later on Mr. NEWLANDS issued a carefully prepared statement, in which he discussed conditions as he found them throughout the West, and the tariff action he thought ought to be taken by his Democratic colleagues. Mr. NEWLANDS said:

"I found a general tightening of the money market, caused by what I regard as unfounded apprehension regarding pending tariff and financial legislation. I do not believe this to be due to any propaganda by the large banks with a view to forcing amendments which they desire to the pending currency bill, but rather to the natural conservatism of bankers.

BANKS CONTRACTING LOANS, HE SAYS.

"The country has pronounced its verdict in favor of material reductions in the tariff, which will, of course, affect the protected industries, whose custom it has been to add in our local market the duty to the normal or international price. The average duty of the existing tariff is 43 per cent, and the normal price of a protected product being \$1, our domestic producer adds 43 cents, making the price \$1.43. It is proposed to cut this duty down to an average of 25 per cent, which means that such products will hereafter sell on an average for \$1.25 instead of \$1.43. This means ultimately, if the Democratic contention that the duty is added to the price is correct, a large reduction in the prices received by the protected industries.

"These industries are dependent upon credits from the banks, and it is natural, therefore, that the banks should be overlooking and revising their loans, with a view to securing the safety of their deposits, largely loaned to protected industries. I find that such loans are being everywhere closely scrutinized, and that contraction is the rule of the hour. This is true of western industries, such as sugar and wool, as well as of eastern manufacturing industries.

MR. NEWLANDS'S CURRENCY VIEWS.

"The administration, realizing that this would be the result of tariff reduction, decided to enter upon financial legislation which would insure a better banking system, responsive to the legitimate demands of our industries for the credits necessary to the maintenance and extension of business.

"It very wisely concluded to enter upon financial legislation that would unionize the various banks in different regions of the country into credit reserve associations which would so handle the reserves under Government supervision as to bring them to the rescue wherever needed to prevent monetary stringency or panic.

"In doing this it has sought to make all issues of notes, even those formerly issued by the banks, Government issues, and to place the capital and operations of the reserve banks under the control of a board composed entirely of Government officials.

"It is perhaps natural that the banks should fear the effect of placing so large a proportion of their capital under the control of what they call a political board, and I think their fears have led them to exercise additional caution in loaning their depositors' money. The country banks have been calling upon the city banks for their deposits, and this limits the capacity of the city banks to make loans.

"This caution is natural, due, as I believe, to an exaggerated alarm, but not prompted by a desire to injure the country or to intimidate legislators. The contemplated reserve board will be neither partisan nor political in character, but will be as free from partisan or political control as is the Interstate Commerce Commission. The fears of the railroad managers regarding railroad legislation were not realized, though their outcry caused the depression of 1907, and the bankers will have a similar experience.

"The administration has handled the banking situation admirably; its deposits of public moneys to make the crops have been most beneficial.

BELIEVES IN UNIONIZING BANKS.

"Individually I do not believe in either a central bank or the so-called regional banks. I believe in unionizing all banks, both Federal and State, within the boundaries of each State, in a reserve association, acting for that State alone, and then federating these reserve associations through a Federal reserve board consisting of officials selected by these reserve associations from each section of the country, and then organizing a national banking commission, with powers of supervision,

veto, correction, and examination over all these reserve associations and their constituent banks in everything that relates to interstate exchange.

"We would thus harmonize our financial legislation with our dual scheme of government, leaving to the States their control over purely State commerce, including banking and exchange, and to the National Government full control over interstate commerce, including interstate exchange.

DEFINES FEDERAL POWERS.

"I do not believe in weakening the functions of the States over matters clearly within their jurisdiction any more than I believe in the disuse of the functions of the Federal Government.

"I do not believe in the new doctrine that the Federal Government is lord paramount over the State governments wherever the regulation of State commerce lacks harmony with the regulation of interstate commerce. They are equal sovereigns, operating on the same soil, each in the exercise of an exclusive jurisdiction, and wherever they disagree they must come together through the exercise of comity rather than of force. It seems to me that in all our legislation we should seek not to merge State and national functions but to preserve the functions of both; otherwise our Central Government will become unsatisfactory and burdensome. Our dual system has some inconveniences, but it is the only method through which local self-government can be maintained.

"I do not believe that the reduction of the average tariff duty from 43 per cent to 25 per cent is sufficient. I think tariff duties should ultimately not exceed an average of 15 per cent, but I would make the reduction gradually over a period of 3 years, and provide for a further reduction over a period of 5 or 10 years to not exceeding 15 per cent through a tariff board acting under a rule fixed by Congress.

"I do not believe that sugar and wool should be so suddenly drifted to free trade. We are engaged not in making a perfect tariff system based upon Democratic principles of tariff for revenue only but in making material reductions of excessive duties in such a way as not to injure or destroy any legitimate industry, according to the requirements of our party platform. I believe that if we go to free trade on wool we should go slowly, meanwhile leaving a moderate revenue duty, but not a protective duty.

VIEWS ON SUGAR UNCHANGED.

"As to sugar, my views are unchanged. None of our insular possessions can compete with Cuba in sugar production. We should, therefore, short of such a reduction as will bring disaster in Hawaii, Porto Rico, and the Philippines. We can accomplish this by maintaining a moderate revenue duty. So, also, with the beet-sugar industry of the West. The production of alfalfa and beets will be the main industries of our irrigated regions, where the success of the Government irrigation projects depends largely upon beet growing as a form of intensive cultivation necessary to the development of the soil by rotation of crops. No contention is made for any high protective duty; the ultimate duty should not exceed one-half cent a pound—the duty which prevails in England, France, and Germany. It will be productive of revenue and at the same time save an important western industry from injury and our insular possessions from prostration.

"I can not see why we should fix a duty of one-half cent a pound on rice and deny it on sugar, nor why we should impose a duty upon wheat, rice, barley, oats, eggs, and chickens, and refuse a moderate revenue duty on sugar. Sugar is to be placed on the sacrificial altar because of the crimes of the sugar refiners, known as the Sugar Trust. Their operations have disgusted the country and made the very name of sugar detested; but the beet growers of the West and the cane growers of Louisiana and our insular possessions had nothing to do with these iniquities.

"It is the irony of fate that the innocent sugar grower should suffer while the guilty refiners should be the beneficiaries of our legislation, for it will weaken the only antagonists of the sugar refiners and tend to give the latter a monopoly under which they will seek to collect toll upon every pound of sugar consumed in this country.

WILL VOTE WITH PARTY.

"I believe that this injustice should be remedied before final action, and that instead of putting sugar and wool upon the free list, a moderate revenue duty should be imposed, which will give the country needed revenue and at the same time save legitimate industry from injury or destruction.

"Though I have kept my vote free, I have never contemplated attempting to defeat a party measure by alliance with our political antagonists. I shall still urge in the party conference a distribution of the reduction contemplated by the pending bill over a period of three years in order that its effect may be gradual and providing for still further reductions after the termination of the three years, through a tariff board acting under a rule fixed by Congress. These contentions will be made in the party conference.

In caucus last night Mr. NEWLANDS made a last stand in favor of a gradual reduction of the tariff duties over a period of 10 years and in favor of a tariff on sugar and raw wool. But he was defeated, and at the close of a long debate told his colleagues he would support the bill.

THE NEWLANDS RESOLUTION.

The resolution offered in the caucus by Senator NEWLANDS, and which was defeated, was as follows:

"That the reductions in tariff duties called for by the pending bill should be distributed and apportioned over a period of three years, and that an amendment to this effect be prepared by the Finance Committee.

"That at the end of three years further reductions should be made of all excessive duties through a tariff board organized by Congress and acting under a rule fixed by Congress; and that the Committee on Finance prepare an amendment to the pending tariff bill to this effect.

"That a tariff duty of 15 per cent be placed upon wool for a period of three years, and that thereafter the duty be reduced to 10 per cent.

"That at the end of three years the tariff duty on sugar be fixed at one-half cent per pound for a period of two years, and thereafter at 10 per cent ad valorem."

Mr. GORE. Mr. President, no man of feeling can witness without emotion the pathetic partings, the affectionate farewells, now taking place between Senators on the other side and the expiring system of protection. Their tears are at once a tribute to the tenderness of their hearts and the fidelity of their friendship. These farewells, I trust, are not only affectionate but final.

I believe the temple of protection is falling. Some one has said that Schedule K is the very keystone in the arch of protection. I assume that the topmost point in that keystone is the duty on scoured and sorted alpaca. Based upon the imports of 1910, the ad valorem equivalent on imported alpaca mounted up to 333 per cent. That ought to satisfy the cravings of the most voracious protectionist.

This lofty temple of protection is fallen. I do not believe protection will ever be able to "roll from its grave the stone away." And yet, sir, with a devotion that disarms all criticism, the Republican Party still says to the spirit of protection, "Even though thou slay me, yet will I trust in thee."

Mr. President, I do not intend to discuss the details of the pending bill. That has already been done with equal skill and ability. I desire to address a few remarks to the general character, principles, and purpose of this legislation.

This measure must be judged not merely by its character as a revenue measure, not only by its character as a whole, but as a part of a general program of legislation. The passage of this measure, in my judgment, marks the sunrise of a new day upon the fiscal and legislative history of this country. It marks the passing of privilege in taxation and the coming of justice and equality.

This, sir, is the spirit of the new freedom and the new emancipation. I wish to digress here long enough to say that the present year has already witnessed the placing of several conspicuous milestones upon the highway of human progress. This year has witnessed the ushering in of a Democratic administration, the inauguration of a Democratic President. The mere fact that the President bears the label of Democracy is not in itself significant. It is the fact that he embodies the living spirit, the vital principle, of true Democracy. It is the fact that he is devoted to the rule of the people; that he is devoted to the rights of the people; that he places right above might, and even above riches.

This, sir, is not an old thing under the sun. With the President ancient wrongs plead in vain their prescriptive claim to fitness and survival. The President is devoted to the establishment and to the maintenance of justice—not merely social and industrial justice, but individual and international justice; in other words, sir, just justice. The President is devoted to the general welfare—not that glittering general welfare that sometimes dazzles and deceives, but that welfare which means that the individuals who make up the mass fare well. He concerns himself to know how fares it with the common man. That is the true test of prosperity, and that must come to be the ultimate standard of our civilization.

The average man is in sympathy with this administration. He is upholding the hands of the President in his struggle to see that the blessings of industrial, commercial, and civil liberty are enjoyed by the living and not merely embalmed and placed in cold storage for unborn posterity.

This year has witnessed the coming into power of a Congress which has so far proven itself to be in sympathy with the spirit of the times; which has shown itself willing not to mark time but to keep step with the mighty march of events; a Congress which is not ignorant of what Galileo discovered three centuries ago, that the world moves; a Congress which is willing to bring our legislation up to date, willing to accept what is good in the new and to reject what is bad in the old, yet which worships at the shrine neither of novelty nor antiquity.

This Congress has not lost the common touch. It is willing to lay its hand to the task of practical reform, to redeem the pledges of its platform, and to execute the will of its master and its maker—the American people.

Mr. President, the present year has witnessed the final adoption of a constitutional amendment ordaining the direct election of United States Senators. Gradually fear of the people is giving place to faith in the people. Gradually the governed are gathering into their own hands the sinews of government. Gradually the facts of our political history are squaring themselves more and more with the theory of our political institutions.

Sir, it is a source of some satisfaction to me that my first official act upon entering the Senate was the introduction of an amendment looking to the direct election of Senators. Few there were then who seemed disposed to do it reverence. Public opinion gathered volume and velocity, it thundered at the gates of the Capitol. The House harkened. The House hastened. The Senate lingered, but obeyed. To-day the people have the sovereign right and power to choose their own representatives, to select their own servants in this high legislative body. Why should not the master choose the servant? Why should not the represented select their representatives? Why should not the governed govern? The people will abundantly approve their fitness for this added trust and responsibility.

The present year has witnessed the final adoption of the constitutional amendment authorizing Congress to impose a tax upon incomes. For more than a century this power was supposed to reside in Congress. In 1815 Congress considered the imposition of an income tax. In 1862 Congress actually levied and collected a tax upon incomes. That measure remained in full force and effect until January 1, 1872. During that period it brought nearly four hundred millions of revenue into a famished Treasury. It helped to preserve and to perpetuate the Union. It helped to save the grandest Republic the eyes of time have yet beheld.

In 1894 the Democratic Party, anxious that wealth should share with want the burdens as well as the blessings of government, levied a tax of 2 per cent on incomes exceeding \$4,000. In 1895 the Supreme Court annulled that law. The court stripped Congress of the power, or the supposed power, to levy a tax upon incomes.

Congress could no longer compel Dives to share with the beggar at his gate the expense of their mutual protection. The "favorites of fate in fortune's lap caressed" were exempted from taxation, while the weary laden were vouchsafed their indefeasible right to mourn and to pay tribute.

The decision in the Income Tax case was another Dred Scott decision. When the decision in the Dred Scott case was handed down it seemed the ultimate triumph of the "slave power." It seemed then to be crowned and sceptered. Its dominion promised to be perpetual if not universal. That was the high noon of slavery. It was the low noon of liberty. It was freedom's darkest hour. But, sir, it was that ominous darkness which precedes and which presages the splendors of the dawn.

Prior to the French Revolution and its terrors the nobility of France had succeeded in exempting from taxation both their fortunes and their incomes. The exemption of their incomes foreran and foreordained the confiscation of their fortunes. Avarice, like ambition, oftentimes overleaps itself.

The income-tax decision seemed to be the final triumph of the undertaxed rich and the final defeat of the overtaxed poor. But, sir, under the ordinances of nature and of God, the triumphs of injustice are of few days and full of trouble. That decision raised an impossible and intolerable situation. Every nation of the earth—kingdom, empire, despotism—could compel the incomes of the wealthy to share, if not to bear, the expense of their own protection. In this free Government, in this self-governing Republic alone, did the incomes of the rich enjoy a sanctuary which the Government could not enter, even though upon the verge of bankruptcy and dissolution.

This situation was unjust. It could not endure. Such a condition could not long confront a free people without either reform or revolution. The people had recourse to reform. They did not resort to revolution. Their behavior on that occasion is at once a striking testimonial and tribute to their patience, their prudence, their self-restraint, their good sense, and to their fitness and capacity for self-government. In peace and in order they amended their own Constitution in the appointed way. The supreme court of public opinion rendered null and void the decision of the lower court. The people have written their will into the fundamental law of the land. God still reigns and the Government still stands.

Mr. President, this year will witness the enactment of the first revenue measure since the income-tax amendment became a part of the Constitution. The pending measure will supersede the Payne-Aldrich law. I believe that the Payne-Aldrich law had fewer friends at its birth and will have fewer mourners at its funeral than any other tariff act which ever passed the American Congress.

It broke the pledges of the party; it disappointed the hopes of the country. On the day of its passage I predicted that it would prove a disappointment to the President and a disappointment to the people. It retired the former and it aroused the latter. On the day of its passage I advised the people to withhold their judgment until they could determine the character and effect of that measure by its actual operation. The country has returned a verdict of guilty.

The people have commissioned this Congress to repeal the Payne-Aldrich law and to enact in its stead a revenue measure based upon different principles and directed to different and to better objects. We are now proceeding to execute that commission.

If you inquire whether the pending bill be a perfect tariff bill or not, I shall answer in the negative. I believe that no tariff measure ever deserved that description. The question which confronts us, the question which demands an answer here and now, is not whether the pending bill is a perfect bill, but whether it is better than the existing law; whether it is better than the confessed and convicted failure—the Payne-Aldrich

law. That is the issue, that is the only issue. Between these two alternatives Senators must this day make their choice. The majority has found itself handicapped by existing facts and conditions, and handicapped by ancient and established evils based upon a system of protection. The present measure is the very best which circumstances have rendered possible. It embodies the best, the collective wisdom and patriotism of the majority now charged with the responsibility of legislation.

Possibly some of the duties are too high, certainly in the abstract, but they will be revised and reduced in the light of experience and as time and occasion may give consent. I do not believe that any of the duties are too low, certainly not in the abstract, although we appreciate the feelings of those Senators who have insisted that longer time should be allowed for adjustment and for readjustment.

But, Mr. President, the disadvantages, if any, will be but temporary, while the advantages will be permanent and enduring.

If you inquire whether this measure will raise sufficient revenue to defray the expenses of the Government, I answer that I do not know. No man can tell. The judgment of the most experienced experts is that the revenues will be ample to meet the legitimate requirements of the Government. But, sir, there is an element of uncertainty in the future operation of all fiscal measures which human foresight can neither eliminate nor determine.

I make this reference to revenue in order to say that if this measure produces a surplus the majority will proceed to revise and reduce the duties in order to obviate the accumulation of needless moneys in the Treasury. If, on the other hand, this measure should result in a deficit, the majority, if continued in power, will proceed without hesitation and without embarrassment to revise these and other rates so as to insure ample revenues to meet all the legitimate needs of the Government.

The citizen does not object to the payment of just, equal, and necessary taxes. He protests only against the payment of unjust, unequal, and unnecessary taxes.

In its essential character the pending bill proposes a tariff for revenue only. Revenue is the only legitimate object of taxation. The sovereign power to tax the people should never be used, should never be abused, to protect hoary-headed infant industries, to protect a monopolized home market, or to protect the imported paupers of one country against the unimported paupers of another. I quote the phrase "pauper labor" from our Republican friends. The power of taxation ought never to be used to guarantee or underwrite either reasonable or unreasonable profits. It should be used to raise public revenue for public purposes alone and never abused to insure private profit, either to private individuals or private monopoly.

On the other hand, the power of taxation should never be abused for purposes of revenge or retaliation or even for retribution. A system of taxation limited to revenue alone is founded upon justice and bounded by security. Whenever you depart from that principle or depart from that purpose you have passed the danger signal and are liable to wreck and disaster. It is as true in politics as in physics that reaction is equal to action in a contrary direction.

Mr. President, the theory that protective duties should be graduated to cover the difference between the cost of production here and abroad, in my judgment, is undesirable even if possible, and is impossible even if desirable. It is neither desirable nor possible. A tax is a fixed charge. The cost of production is a variable quantity. The cost of production varies in all the mills of all the countries of the earth. The cost of production varies in all the mills in any given country. The cost of production varies from time to time in the same mills in the same country. Which factory would be selected as the standard, the most efficient or the least efficient? How can you adjust a fixed tax to a variable quantity like the cost of production?

Mr. President, the impossibility of applying this principle is clearly illustrated in the instance of wool. According to the report of the Tariff Board, the inspired Tariff Board, wool in New Zealand is a by-product. Mutton pays the way and wool is produced without cost. In adjusting our duties upon wool it would be necessary in that case to make the duty as high as the desired price of wool in the United States.

Not only that, sir, the course of international trade is determined not by the absolute cost of production, but by the comparative costs of production in the two exchanging countries.

This theory is based upon the same error as the doctrine of downright protection. It proceeds upon the fallacy that trade is a curse and not a blessing. It avows a willingness to trade with all the countries of the earth on one condition alone—that we shall trade with no country at a bargain.

This measure makes a general reduction of the average duties under the Payne-Aldrich law from a little less than 37 per cent to a little less than 27 per cent.

I believe that John Sherman once remarked that no protective duty should exceed 25 per cent. Erasmus Bigelow is credited with the statement that no industry which can not live and thrive with 25 per cent protection is suited to the country or ought to survive. Mere averages mean but little to the average man. We must examine particular rates and particular reduction.

In framing a measure of this kind there are certain classes of goods which ought to bear less taxes than other classes. There are also certain classes of taxpayers who ought to pay less taxes than others ought to pay. This bill has observed those distinctions. It has placed upon the free list certain articles of prime utility and prime necessity. Perhaps sugar is the most conspicuous example. This measure has free listed the raw material of a number of great industries. This proves the good will of the party in power toward the manufacturing interests of this country.

We are willing not to confer favors and privileges upon our own manufacturers by levying unjust taxes upon the consuming public, but we are willing to befriend them. We are willing to mete out equal justice to them by the remission of unjust and unreasonable taxes.

This measure has free listed other articles of first importance to the people—the tools of the mechanic, the implements of the farmer, the manufacturer's machinery of certain kinds, when made and controlled by a monopoly. It has always seemed to me that a tax upon tools was the most indefensible of all taxes. Even from the standpoint of the protectionist it seems to me to be a high crime and misdemeanor.

They profess a friendship, they profess a solicitude, for the welfare of the poor. If any man is willing to toil, if any man is obliged to toil, in Heaven's name let him toil untaxed. Do not make his burden too grievous to be borne.

There ought to be a distinction in a measure of this kind between the duties levied on luxuries and those levied upon necessities. This distinction has been observed. This bill will bring a measure of relief to every class of American consumers. It has effected a general reduction in practically all the duties. Reductions have been made in all, and the reductions upon necessities have been, as they ought to be, more substantial and more material than upon the luxuries.

Mr. President, there are certain classes of taxpayers who ought to be required to contribute more to the expense of the Government than others. Taxation ought to be based upon the ability to pay and not upon the inability to escape payment. Those who have most ought to pay most; those who have least ought to pay least. These principles are self-evident, but they have never yet prevailed in practice.

There are classes in this country who have been subjected to undue burdens of taxation alike in the Nation, in the State, in the county. I refer to the farmer and to the wage earner. Let me illustrate what I mean. The farmer's land is tangible; it is therefore taxable; it can not be hidden away in a strong box or in a safety vault. His stock, his live stock, is visible. He has no invisible stocks and bonds; he has no so-called intangible wealth, which seems to have an equal facility to contribute to the income of its owner and to escape any contribution to the income of the Government.

The statistics are appalling which show the undue burdens borne by those who pay upon land and live stock and other visible property as contrasted with those whose holdings are intangible or consist in different forms of securities.

Mr. President, this discrimination is not limited to local taxation; it is not limited to State and county taxes. So far as the farmer and the laborer are concerned, they have always borne an undue share of our national taxation. That is due to the fact that tariff taxes are levied upon want and not upon wealth; are levied upon necessities and not upon property in the form of capital or investments; are levied upon what a man consumes and not upon what he produces or upon what he possesses.

Let me illustrate how tariff duties discriminate against the less fortunate members of society. Perhaps the best illustration will be found in Schedule K. Based upon the importations of 1910, if a farmer, if a wage earner, and a president of a trust desire to buy woolen or worsted goods made of the hair of the camel, of the alpaca, of the angora goat, if the goods were worth less than 40 cents a pound they would be obliged to pay a tariff tax of 252 per cent. That would be the duty if purchased in the United States, but if purchased in Canada, on the same character of goods, the tax would be not less than 15 per cent and not more than 17½ per cent. If the farmer, the wage earner, and the magnate desired to purchase the same

character of goods, costing not less than 40 and not more than 70 cents a pound, they would be allowed to escape with a tariff tax of only 112 per cent if purchased in the United States, but if purchased in Canada not less than 15 nor more than 17½ per cent. If the farmer, if the toiler, desired to emulate the fashions of his more wealthy compatriot and purchased goods costing more than 70 cents a pound, he was let off with a tax, of only 77 per cent—only 77 per cent.

This shows how this kind of tax operates; how it discriminates. It also illustrates how a laboring man, with a family of a dozen children, might be called upon under a system of indirect taxation to contribute as much and more to the revenues of the Government than, I may say, a millionaire bachelor who neither toils nor spins nor spends.

The pending measure, Mr. President, is intended to rectify these wrongs and to correct these abuses. It will shift a portion of the burden of taxation from the earnings of the poor to the incomes of the rich; it will afford our wealthy fellow citizens an opportunity to perform the patriotic duty of contributing to the expenditures of the Government. This bill imposes a tax of 1 per cent on incomes ranging from \$3,000 to \$20,000, and the rate is graduated up to 7 per cent on incomes of one-half million or more. I wish that every one of my constituents might be subjected to this form and rate of taxation. I believe they would rejoice in its payment. This tax will raise approximately \$100,000,000 of revenue, about one-third as much as all our tariff duties. This will enable us to lift or lighten the burdens of those who are least able to bear burdens. The power to tax incomes should be used and tempered with justice, for they who abuse power lose power.

Mr. President, I must hasten. This measure in the larger vision will accomplish several most important, most desirable results. It will strike the fetters from the limbs of trade; it will remove the brakes from the wheels of commerce; it will place this Republic where it is entitled to be, in the very vanguard of modern industrial, commercial, and financial progress. This Nation has a right to be the primate in the parliament of man, in the federation of the world.

Mr. President, this measure will contribute not alone to national prosperity and to national grandeur, but it pays heed to the humble citizen. It brings a new time upon our legislation. We must devote more and more attention to the individual man, more and more attention to social betterment. Time was when the sole and supreme function of government was thought to be to repel invasion, to suppress insurrection, to adjudicate private suits, and to punish robbery, murder, and like crimes. That theory has gone. When the factory laws were enacted they shocked the sensibilities of the conservatives; when the hours of labor were limited, when the conditions of labor were regulated, these were thought to be unwarranted invasions of personal liberty, of the right of contract, yea, even of the rights of man. Those measures have vindicated themselves in the improved condition of the man who eats bread in the sweat of his own face. The Government must more and more afford protection to those who are unable to protect themselves. Not that sort of protection which begins with a kiss and which ends with a crucifixion.

Some one has said that this age has hailed the coronation of the common man. Let us hope that it will at least witness the emancipation of the common man.

There have been those among us who were despairing of the fate of the Republic, who doubted alike the virtue of the Constitution and the value of our institutions, who feared or fancied that the Constitution had petrified, that our institutions had lost their capacity for growth and could not respond to the new demands of modern civilization. Mr. President, I say to the doubting, have faith; I say to the despairing, take hope; and to the desponding, be of good cheer, the morrow cometh and the lips of the morning are reddening.

Mr. LA FOLLETTE. Mr. President, progressive Republicans contend for protective duties high enough to measure the difference in the cost of production at home and abroad. They are opposed to a tariff that is above that point.

Every argument made for a protective tariff, whether limited strictly to the difference in the cost of production, which the Progressive Republican advocates, or raised so high as to be practically prohibitory, which is always the end and aim of the standpoint Republican—every argument for a protective tariff, moderate or excessive, is based upon the higher wages paid in this country as compared with the lower wages paid in the competing country.

The attempt to secure and maintain tariff rates for the protection of our capitalists would have failed utterly. But to "protect the American wage earner against open competition with the poorly paid workman of foreign countries" introduced

the human element, which has made "protection to American labor" a vital, living, successful issue.

The people of this country will consent to tax imports to preserve a high standard of living for the men and women employed in our factories and shops, even though it adds something to the prices paid for the manufactured products turned out by our own labor. Eliminate the human element from the protective tariff and the policy would soon be swept aside.

But capital protected by the tariff has combined to destroy competition and exact unreasonable prices from the consumers of their products. This has been done in violation of the Sherman antitrust law. That law, if enforced, is ample in its provisions to prohibit the practice.

Because that statute is not enforced and these unlawful combinations are permitted to operate in the face of it, an amendment is proposed to this tariff bill by the senior Senator from Iowa [Mr. CUMMINS], which provides in effect that when competition in the production and sale of any article is destroyed by combination the tariff shall be removed from that article, and it shall be placed upon the free list.

But, Mr. President, the tariff is laid upon the article to protect the labor employed in its production. Because those who employ that labor have wrongfully entered into a combination and have destroyed competition in the sale of that article, the amendment offered by the senior Senator from Iowa [Mr. CUMMINS] proposes to take away the protection to that labor and subject it to free competition with the underpaid foreign labor.

The wage earners employed in the factories of these great combinations are in no wise responsible for the unlawful acts of their employers, and it is unjust to punish them for the wrongdoing of their masters.

We have an antitrust law—the Sherman Act. It lodges with the Executive all the power to destroy trusts which legislation can confer. Under its ample provisions the guilty can be punished. Our markets can be made free. The people can be protected.

I stand for the enforcement of the antitrust law against the violators of that law. There has never yet been a sincere, determined effort to execute the law. From its enactment in 1890 down to this hour no President has ever seriously attempted to compel obedience to its mandates. We have had a few prosecutions under each administration; the largest number under any one President was an average of seven cases annually. During that same period the trusts were organizing by the hundreds every month. They well understood that the prosecutions were little more than a sham, and they were not afraid to advertise their wrongdoing and unload their spurious securities upon gullible investors. They knew that just enough cases were being brought to deceive the public into the belief that the trusts were being prosecuted. But no one was seriously hurt. No trust magnate, however guilty, was ever sent to jail. The law was ample. The power of the Executive was ample.

The law is still on the statute books. The authority of the Executive to direct its enforcement is unlimited. Instead of so amending this tariff bill that the innocent laborers in the factories will be deprived of the benefits of protection and punished for the guilty acts of their employers, let us rather appeal to the President to direct his Attorney General to prosecute criminally all violations of the Sherman law in every State in this Union.

I can not give my support to legislation such as that proposed by the senior Senator from Iowa [Mr. CUMMINS].

Mr. President, I will at this time present what seems to me some important material in connection with Schedule B. I have prepared amendments to some of the important paragraphs of this schedule, and at the proper time shall offer these to be acted upon. This schedule covers earthenware, fire brick, cement, tile, earthenware, glass, and glassware.

On fire brick and bricks not glazed, enameled, painted, vitrified, ornamented, or decorated in any manner the Payne-Aldrich law imposed a duty of 25 per cent. The pending bill imposes a duty of 10 per cent. On bricks glazed, enameled, painted, vitrified, ornamented, or decorated in any manner the Payne-Aldrich law imposed a duty of 35 per cent. The present bill imposes a duty of 15 per cent. There is no available data on the cost of production, but the present duties are so high that domestic production and exports are rapidly increasing. Imports have so diminished that they amount to only one-tenth of 1 per cent of the domestic production.

Tiles, plain and unglazed, bore a duty under the Payne-Aldrich tariff law equivalent to 69.83 per cent. The pending bill reduces the duty to 25 per cent. On tiles glazed, ornamented, and so forth, the Payne-Aldrich duty was 46.95 per cent. The pending bill reduces that duty to 26.92 per cent.

On mantels, friezes, and so forth, the Payne-Aldrich duty is 60 per cent. The pending bill reduces that duty to 30 per cent. The Aldrich rates on these products were plainly excessive. The total value of the importation on all classes and kinds in 1912 amounted to \$138,403, while the total value of the production for this country amounted to \$5,291,963.

The production cost was not presented to the committee of either House, but it was charged before the Ways and Means Committee and not denied that within the last year a combination has been formed among the tile manufacturers of the United States. This was not a general charge, but the names and location of all of the tile companies embraced in the combination were given specifically. The effect of this combination upon prices was also specifically alleged, showing an advance in prices after the combination was formed ranging from 20 to 40 per cent, there having been in the meantime no advance in the cost of material or wages paid by the American manufacturers.

It is further to be borne in mind that there is a heavy breakage in shipping tile, which, together with the ocean freight on the foreign products, furnishes in itself a considerable margin of protection to the American manufacturer.

The reductions on tile reported in the pending bill on the whole seem to be reasonable.

CEMENT NEEDS NO DUTY.

The present law imposes a duty of 21 per cent on cement. The House bill made it 5 per cent. The Senate bill puts it on the free list, excepting as to Keene cement, on which a duty of 10 per cent is imposed. The principal factor in the manufacture of Keene cement in this country is the chemicals that enter into it, which are imported from England. The great bulk of the cement is Roman, Portland, and other hydraulic cements.

In 1912 we produced 82,438,006 barrels; we exported 3,423,747 barrels; we imported the negligible amount of 60,703 barrels.

During the construction of the Panama Canal the Government advertised for bids on large quantities of cement. Bids were invited from all the world, and in this open competition the lowest bidder was the Atlas Portland Cement Co., of Northampton, Pa., and this company received the contract for furnishing 4,500,000 barrels. When an additional million barrels were required, further bids were called for, and only two other American firms submitted them. The Atlas Co. was awarded the second contract, as its bid was lower than either of the competing bids submitted. The foreign bids being higher than the American bids, were not considered at all, and therefore the duty did not enter as a factor in the award.

Furthermore, each of the principal cement-producing countries at the present time require the bulk of its production for domestic consumption, and consequently only a very small percentage is available for export under the circumstances. And ocean freight rates afford a protection amounting to \$1.95 per ton.

There is no specific information regarding costs of production.

On the whole, it would seem that transfer to the free list is warranted. Taking into account European production alone, the transfer to the free list is justifiable. With cement free, however, Canada, where the costs of production can not be materially different from ours, can reach cities on or contiguous to the border at a lower freight rate than our own producers, and in that limited area a protective duty would be required.

DUTIES ON LIME AND GYPSUM.

On lime the duty fixed by the Payne-Aldrich law is 9.17 per cent. The pending bill reduces this to 5 per cent. The present rate is practically prohibitory. In 1912 our importation of lime amounted to \$54,459, as against a total production in this country of the value of \$13,763,604. Besides, we exported twice as much as we imported. There could not possibly be any foreign competition, excepting at possibly a few local points on the Canadian border.

On plaster rock, or gypsum, the Payne-Aldrich duty is 25.42 per cent. The present bill reduces that duty to 10 per cent. No information upon the costs of production was presented. The duty on this product was subjected to a sharp cut of about 40 per cent in the Payne-Aldrich bill. It is again reduced by 40 per cent in this bill. It would have been safer, it seems to me, and fairer to the industry to have left a duty of at least 15 per cent upon the product at this time.

The value of this product imported in 1912 was \$437,155, against a domestic production of \$12,803,758.

The reductions in the duties on clays seem to be reasonable and to afford no ground for criticism. Indeed, as to two of the products embraced in this paragraph, china clay or kaolin and fluorspar, the rates assigned can not be justified.

TARIFF ON FLUORSPAR.

There were imported in 1912, 22,664 tons of fluorspar. The production of fluorspar in this country in 1895 was 4,000 tons. Prior to 1909 this product was brought in free of duty. Fluorspar is used in the manufacture of glass and enameled and sanitary ware, in the electrolytic refining of antimony and lead, the production of aluminum, and manufacture of hydrofluoric acid, and in the wire and steel industries. It is used as a flux in glass furnaces and in basic open-hearth steel furnaces. About 80 per cent of the home production of grained spar is consumed in the manufacture of basic open-hearth steel. The production of fluorspar in this country received its greatest impetus with the introduction of the open-hearth process, and it is interesting to note from the figures of our home production what growth this industry made without the aid of a tariff.

The following table, taken from the report of the Department of the Interior, 1911, shows the annual production of fluorspar since 1905:

	Tons.
1895	4,000
1896	6,500
1897	5,032
1898	7,675
1899	15,900
1900	18,450
1901	19,586
1902	48,018
1903	42,523
1904	36,452
1905	57,385
1906	40,796
1907	49,486
1908	38,785
1909	50,742
1910	69,427
1911	87,048

The open-hearth process was introduced in 1901-1903; immediately the American production of fluorspar increased from 19,586 tons in 1901 to 48,018 tons in 1902. There was a falling off again in 1903-4, but in 1905 it reached a production of 57,385 tons. Then there was a falling off for the three years 1906-1908; in 1908 the production was 38,785 tons. The low production of the year 1908 was practically 100 per cent greater than that of 1901.

The Payne-Aldrich bill levied a duty of \$3 per ton upon this product. Immediately there was an increase of 12,000 tons in the production of 1909 over 1908, but the Payne-Aldrich Act did not go into effect until August 5, 1909, so that all of the increased production of that year should not be attributed to the effect of that tariff act. Without the tariff in 1905 the production was 57,385 tons. The production of 1910 was 69,000 tons, and the production of 87,000 tons in 1911 shows the effect of the tariff. To the more extended use of the open-hearth system of making Bessemer steel creating a larger demand for fluorspar as a flux rather than to the effect of the tariff must be attributed the increased production.

The substantial and continuous growth which marked the period from 1895 to 1908 without tariff aid demonstrates that this industry could make substantial progress upon a sound basis in a fair, competitive field without a protective tariff.

There are no reliable data upon the difference in the cost of production between this and the competing foreign country. As fluorspar was free of duty and largely brought in as ballast, there are no reliable data as to the amount of the importation prior to 1910. In that year there was imported 16,561 tons. In the year 1912 the importation was 22,664 tons. The domestic production in the year 1910 was 50,742 tons and for the year 1912 87,048 tons. While there was an increase in the importations in 1912 of 6,103 tons over 1910, there was also an increase in domestic production of 26,306 tons.

The action of the committee in reducing the Payne-Aldrich duty from \$3 to \$1.50 I believe to be justified by the showing of the conditions of the industry.

CHINA CLAY OR KAOLIN SHOULD BE FREE.

In connection with the consideration of the earthenware paragraphs some attention should be given to china clay or kaolin, the principal raw material of the finer grades of tableware and the pottery industry generally. It is also extensively used as a filter in news print and other paper making.

The value of the china clay or kaolin produced in this country in 1912 is given as \$221,045.

Our import of china clay amounted to 234,428 tons, valued at \$1,528,257. Nearly all of this came from England—indeed, all excepting a negligible quantity.

It appears that china clay or kaolin is divided into two classes—(1) residual and (2) sedimentary.

Beds of china clay occurring in or close to their place of origin are known as residual clays.

In the erosion of the earth's surface residual clay is washed into the lakes and seas, where it is deposited in the form of

sediment, with the addition of many impurities, and this is known as sedimentary clay.

All English clays are residual.

The residual clays in the United States would not be affected by the removal of the duty. Our china-clay industries are located principally in Pennsylvania, New Jersey, Maryland, North Carolina, South Carolina, Georgia, and Florida.

With the exception of deposits in North Carolina, as I understand it, these are all sedimentary clays; and, according to the statement of John Richardson, representing the John Richardson Co., of Boston, made before the House committee, page 524, 1913 hearings, this North Carolina kaolin—the name kaolin has always been applied to the clay in that State—which is of an average value of \$7.72 per short ton at the mine, is used almost wholly in potting and is far superior to the average paper clay, which sells for only \$4.74 a short ton at mine. This kaolin, owing to its ability to stand being fired by intense heat, has no equal for potting. English clays have to be fired much more slowly. To show that there is no competition between the kaolin and English clays in pottery we have the added fact that it is advantageous to use the two different kinds of clay. In other words, the English clay is combined with the North Carolina kaolin to make the proper mixture.

Mr. Richardson inserts the following table in his statement with the idea of ascertaining to what extent English clays are in competition with domestic clays:

[Estimated, 1909.]

	English clay.	American paper clay.
	Short tons.	Short tons.
Book and coating.....	184,785	.....
Pottery.....	29,566	.....
Bleacheries.....	17,247	.....
News paper.....	12,319	.....
Ultramarine.....	2,464	.....
News, wall, and low-grade book paper.....	.....	81,586

There is no substitute for English clay in the better classes of paper. The fact that American paper manufacturers have paid the duty to use English clay to such a large extent is proof of this.

From 1905 to 1910, in spite of the duty, the increase of English clay imported over the increase of domestic clay produced was 938 per cent.

Since 1907 the world-wide demand for English clay has exceeded the supply. Makers of fine paper can not get enough now.

In 1912 we imported from England 233,322 tons of china clay, or kaolin, valued at \$1,512,038.

TRANSPORTATION RATES.

The element of transportation is an important one to be taken into account. The best freight rate obtainable by the Georgia clay producers, according to the statement presented by the American Clay Co., in 1909, from their shipping point to Chicago was \$4.60 per ton. (House hearings, 1909, vol. 2, p. 733.)

The freight rate from the English mines is given on page 738, volume 2, House hearings, 1909, as follows:

From the mines in Cornwall to Fowey, 3½ cents per hundred; from Fowey to Liverpool, 4½ cents per hundred; from Liverpool to Atlantic ports, 5 cents per hundred; total from Cornwall to Atlantic ports, \$2.81 per ton. There is a combination freight rate given to the foreign shipper of china clay from Atlantic seaports to Chicago of 16 cents per hundred, as against the domestic rate of 20 cents per hundred. Adding to the amount which it costs the foreign producer of clay to reach the American seaport, the rate from New York to Chicago, at 16 cents per hundred, makes an additional freight charge of \$3.58 per ton, or a total freight charge from the mines in Cornwall to Chicago of \$6.39 per ton.

As I stated yesterday, I have had put into my hands information the result of hundreds of thousands of dollars of expenditure of the public money. By employing the same people who were engaged by the Tariff Board in conducting an investigation of the glass and earthenware industry, I have carried it on further. It has a value. That value I feel ought to be preserved. If this information is not to be applied in this tariff legislation, it may be helpful in future tariff legislation. I hope it may have some consideration from the conference committee if it can not get consideration of the Senate at this time.

I feel that this material ought to be preserved for the future. So I am going to ask, in the brief time left, the privilege of presenting a number of amendments, which, judging by the fate of all amendments comprehensive in character offered heretofore, can only come to defeat.

I offer the amendments which I send to the Secretary's desk.

The VICE PRESIDENT. The Secretary will read the amendments.

The SECRETARY. On page 19, lines 20 and 21, it is proposed to strike out the words:

China clay or kaolin, \$1.25 per ton.

Mr. LA FOLLETTE. Mr. President, I am not going to ask for a roll call on any one of these amendments, but I just ask to have the formal vote submitted. As fast as they are read I shall be glad if the presiding officer will put the question on them.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was rejected.

The SECRETARY. The second amendment is, on page 133, to insert after line 24 a new paragraph, as follows:

4332. China clay or kaolin.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Wisconsin.

The amendment was rejected.

Mr. LA FOLLETTE. I submit herewith a table showing the range of rates provided in paragraphs 80, 81, and 82 of the Senate bill, as compared with the range of rates provided in the amendment which I suggest. It will be observed that for the greater part, and with the exception of a very few items included within these paragraphs, the rates in the amendment which I suggest are lower than those provided in the Senate bill.

It is not possible with the data at hand, either in the hearings or from any investigation which has been made, to take the whole range of material covered by these three paragraphs and compute the difference in the cost of production upon each separate class. The base of the earthenware industry, upon which is computed the wages of those who are employed in the industry, is the 7-inch white granite plate, which is covered in paragraph 81. Upon this article an investigation was made and a report was submitted to the Tariff Board upon the cost of production in this and in competing foreign countries which demonstrates conclusively that the rate provided in my amendment and covering this ware is sufficiently high to measure the difference in the cost of production. The rate provided in my amendment covering white granite ware is slightly in excess of the rate that is provided in the Senate bill, but taking that as the base, and taking into consideration all of the known elements surrounding the industry, I have graded the rates provided in these three paragraphs up and down from that base.

The net result of this work is a general average of reduction, not only below the present law, but below the rates provided in the Senate bill, and I am certain that the rates provided in my amendment are sufficiently high to cover any difference in the cost of production between this country and competing foreign countries.

Article.	Rates of the Senate bill.	Rates of the La Follette amendment.
Paragraph 80:	Per cent.	Per cent.
Common yellow ware, plain.....	15	10
Common yellow ware, ornamented.....	20	15
Common stoneware, plain.....	20	10
Common stoneware, decorated.....	20	12
Rockingham ware.....	30	25
Samian ware, plain ¹	35	35
Samian ware, decorated.....	40	35
Paragraph 81:		
Cream-colored ware, plain.....	35	35
Cream-colored ware, decorated.....	40	40
White granite, plain ²	35	45
White granite, decorated.....	40	50
Paragraph 82:		
China and porcelain, plain.....	50	50
Bisque and parian wares, plain.....	50	50
China and porcelain, decorated.....	55	55
Bisque and parian wares, decorated.....	55	55
Paragraph 83:		
Earthy or mineral manufactures, if not decorated.....	20	20
Earthy or mineral manufactures, decorated.....	25	25
Sanitary ware, plain ³	20	Free.

¹ Jet ware and Samian ware are not specified in any of the paragraphs of the bill as prepared by the Senate committee, although they are well-recognized trade names, the use of which is rapidly growing under the Senate bill these wares would fall under paragraph 81.

² White granite ware is the base upon which the difference in the cost of production has been ascertained.

³ Sanitary pottery is not specially mentioned anywhere in the Senate bill, and falls under the general clause, paragraph 83. There is no reason for a duty upon this pottery, as Europe makes no pottery of this character that can be sold in the United States, as the designs and shapes and the character of the work of this class that they turn out would not be acceptable to the American people. All of the American product is controlled by agreement among the manufacturers, the plumbing supply houses, the retail plumbers, and reaches down to the plumbers' union.

Article.	Rates of the Senate bill.	Rates of the La Follette amendment.
Paragraph 83—Continued.	Per cent.	Per cent.
Sanitary ware, decorated.....	25	Free.
Carbon, unmanufactured.....	15	15
Electrodes, dynamos, generators, etc., of which carbon is the material of chief value.....	25	20
Carbon for electric lighting, made from petroleum coke ¹	(2)	(2)
Carbon, if composed chiefly of lampblack or retort carbon ⁴	(2)	(2)
Carbon, for flaming arc lamps, not specially provided for, and filter tubes ⁵	30	2
Porous carbon pots.....	15	15

¹ Carbon for electric lighting in the La Follette amendment is transferred from paragraph 84 and placed in paragraph 83, so as to combine it with the other carbons that are covered in the Senate bill in paragraph 83.

² 15 cents per hundred feet.

³ 25 cents per hundred feet.

⁴ Petroleum-coke carbons are not imported, and will not be imported, no matter what the rate of duty. They are practically obsolete in electric lighting, and only carry duty under the La Follette amendment because they would fall under the general provision.

⁵ 40 cents per hundred feet.

⁶ Flaming arc-light carbons are the only carbons that are specially desirable to import, and the manufacture of these in this country is entirely controlled by the National Carbon Co. In the testimony before the Ways and Means Committee it was asserted that the change from a duty per 100 feet to an ad valorem rate was a trick to get a high rate of duty upon this article. On the class of carbons of this character, which furnishes the large part of the importations, the 30 per cent rate would amount to a duty the equivalent of \$1.10 per 100 feet.

REASONS FOR CHANGES PROPOSED IN PARAGRAPHS 80, 81, AND 82.

In the amendments I have prepared these paragraphs have been entirely rearranged and made to conform to the conditions in the trade to-day rather than to follow the form and verbiage of this and former tariff bills. The term earthenware embraces all classes of opaque and nonvitreous pottery, from the crudest to wares bordering on china or porcelain, and the classes of such goods are technically known in the trade to-day as follows:

Yellow ware, used largely for kitchen and culinary purposes. This ware is composed of a crude yellow clay without any other ingredient. It is simply mixed with water to about the consistency of fresh putty. After being shaped it is first air dried and is then coated with a cheap lead glaze, known as raw glaze, and is fired but once. As a matter of fact it is too cheap and too bulky to pay for transportation, and the 10 per cent given it in this section is a Canadian border-line proposition.

Rockingham ware: This is a specific line of goods made largely in teapots. The body is composed of a cheap buff or red clay, while the glazing material is a rich brown, produced largely by the use of oxide of manganese. Up to recently these goods were made in a limited variety of shapes and without serious attempts at decoration. Now, however, Rockingham ware comes in a great variety of forms, is of much better quality than formerly, and in many cases is quite elaborately decorated. The rate given in this amended section is based upon the relation of this better quality to the standard white granite-ware pottery which it tends to displace.

Jet ware: This class of goods is made chiefly in teapots, coffeepots, sugar bowls, and so forth, and is usually of a good quality of red clay glazed with a jet-black glaze, this color being produced by the use of cobalt or nickel. Owing to the more expensive material used and the greater care required in potting these goods are more expensive to produce than Rockingham ware.

Samian ware: Usually made in teapots, sugar and cream sets, and so forth; the body is of red or brown clay and glazed with a transparent glaze which shows the natural color of the clay. The cost of production here is largely in the care necessary to properly fire the ware, and the ornamentations, which are usually embossed work upon the clay.

Stoneware: This term is applied to crocks, butter pots, vinegar and molasses jugs, and all those articles of common stoneware clay glazed by the salt-glaze process. Recently, however, this class of goods has been divided into what is known as common stoneware and stoneware, the latter generally having the name of the maker prefixed, such as "Doulton stoneware," produced by Doulton & Co., in England, famous for their ornamental stoneware. It is exceedingly doubtful if any common stoneware would be imported into this country, with or without the tariff.

C. C. ware: This is the cheapest quality of white pottery. It is an abbreviation of the words "cream-colored ware," and originally it was of a creamy tint, but has in recent years improved in grade until it is now the equal of what was formerly the next better grade of white earthenware.

White granite ware: This is the ordinary standard white earthenware goods of the world, known indiscriminately by the

names "queensware," "ironstone china," and "white granite ware." As a matter of fact, all earthenwares grade up or down from this standard. All prices that are not based upon passing fads grade up and down with the relation of the article to similar articles made of this ware. Manifestly it would be impossible to go into cost of production of a very large variety of things made of this material. Fortunately the 7-inch plate is to white granite ware what white granite ware is to the other pottery products. It is the criterion of cost and of price. It is the pig iron of the trade—the base. This being true, I have to submit herewith a statement showing the cost of production of 7-inch plain white granite ware plates per dozen in the United States, England, Germany, and Holland. The table also shows the jiggerman's piece rates in the countries named in the table. The jiggerman is the principal skilled workman in this case. His rate in the United States is 4½ cents per dozen; in England it is 2.6 cents; in Germany, 2.54 cents; in Holland, 1.44 cents. It is well to note that the so-called 7-inch plate now measures 9 inches across instead of 7, this size having been increased by competition since the original standards were made. That is to say, while the old designation of 7-inch plate is still maintained in the wage scales of the workmen and in the commercial price lists, nevertheless the actual measurement is now everywhere 9 inches for this plate. The difference in cost between the United States and England on this plate is 16 cents per dozen; between the United States and Germany it is 17 cents per dozen. The duty under the present law yields at the present wholesale prices 19.8 cents per dozen. House bill 3321 would yield 12.6 cents per dozen. My amendment will yield 16.2 cents per dozen. The table also gives the wholesale price of this plate in the United States, England, Germany, France, Belgium, and Holland. These prices are f. o. b. factory. I may say frankly that the rate proposed in this amendment is adjusted so as to protect the difference in the cost of production at home and abroad upon this basic article in the trade, the 7-inch plate, that any rate which fairly protects this plate will be ample for any article of this ware, and may be slightly overprotective when it reaches covered tureens and articles of that sort. It has seemed to me, however, that the theory required a duty that would protect the base line. After all, the excess of actual requirements upon any article is very slight.

Seven-inch plate, plain white granite ware.

	United States.	England.	Germany.	Holland.
	Cents.	Cents.	Cents.	Cents.
Total cost of production.....per dozen..	38	22	21	18
Jiggerman's piece rates.....do.....	4.75	2.6	2.54	1.44
Difference in cost (cents):				
England and United States.....				16
Germany and United States.....				17
Tariff duties (cents):				
Present law.....				19.8
H. R. 3321.....				12.6
Proposed amendment.....				16.2
Wholesale prices (cents):				
United States.....				46
England.....				36
Germany.....				28
Holland.....				28
Belgium.....				27
France.....				38

DUTIES ON CHINA AND PORCELAIN.

The rates in paragraph 82 follow the necessary gradation from the rate on white granite ware taken as a base. The principal difficulty in the manufacture of pure chinaware in the United States is that such of the Americans as buy this ware insist for the most part upon buying imported goods. It is a matter of record that the china set which took the first premium at the World's Fair in Chicago, in open competition with the world, was made in East Liverpool, Ohio; was made for that exhibit by a firm never before having made chinaware; that this firm undertook to sell the set that had the distinction of having won the first premium at this fair, and they were unable to get even an offer, and finally gave the set to one of our American battleships. This firm has never since made any chinaware. The fact of the matter is that the American manufacturers can make, and are perfectly willing to make, the best chinaware in the world, but in the face of such experiences it is useless to attempt to reach a trade which is impregnable through prejudice or pride. If the American people simply will not buy any other than imported pure chinaware, it is not a matter of great concern how much they have to pay for it.

I herewith submit and attach the wage scales and agreements between the organized manufacturers and the organized workmen in the United States in this industry. These I submit to be printed as an appendix.

SANITARY POTTERY SHOULD BE FREE.

Two radical changes are made in paragraph 83: First, sanitary pottery for building purposes is specifically excepted from its provisions and put upon the free list. The reason for this is twofold—first, the sanitary-pottery business of the United States is so far in advance of any other country in the world in the matter of style, shapes, and finish that the output of no other country could get a foothold in a market used to our products under anything like legitimate conditions; second, the fact that the conditions are not legitimate here is due entirely to the combination of sanitary-pottery manufacturers with other allied plumbing-supply concerns, even reaching down to and taking in the plumbers' union, for which reason a free access to even the less desirable plumbing pottery of other countries may operate at least as a check upon an illegitimate combination so long in operation here.

My amendment provides that sanitary pottery shall be admitted free, except for the statistical tax to be hereinafter provided for. This brings up the question of an amendment to the free list providing that all articles otherwise free shall pay a statistical tax of one-half of 1 per cent ad valorem merely as an entry fee, which sum shall be set aside to maintain a statistical division that shall give us actual and detailed statistics of all the imports and exports. I have prepared an amendment to provide for this statistical tax and for the collection of statistics in such form as to be of value in consideration of a tariff measure.

DUTIES ON CARBON.

In the Senate bill certain manufacturers of carbon are provided for in paragraph 83, while others are dutiable under paragraph 84. In the amendment which I offer all of these carbons are brought together in paragraph 83.

The rate on carbon and carbon manufactures has been fixed at 20 per cent ad valorem. In the case of electric-light carbons all the juggling about various kinds of these carbons, and including the almost obsolete petroleum-coke carbons, has been stricken out in my amendment and a safe and competitive rate of 25 cents per hundred feet has been provided. This to apply to all carbons of whatever material composed or by whatever process manufactured.

In the Senate bill, after providing a rate of 15 cents per hundred feet for petroleum-coke carbons and 40 cents per hundred feet for lampblack or retort carbons, a change is made to an ad valorem rate of 30 per cent for flaming arc lamps and filter tubes. This change in the rate was characterized in the hearings before the Ways and Means Committee of the House as a trick to exclude from our markets the only foreign electric-light carbons salable in this country. Some of these carbons are high in price, and this duty would work to the special advantage of the National Carbon Co., which controls practically all of the electric-light carbon output in this country. In the amendment which I have introduced I have provided a flat rate of 25 cents per hundred feet, which is ample to take care of the manufacturers of these articles.

The rates on gas retorts and lava tips as given in H. R. 3321, while in all probability too high, have not been changed because no reliable data are at hand to show what the rates ought to be. I submit the following amendments.

The SECRETARY. It is proposed to strike out paragraphs 80, 81, and 82, from page 20, line 14, to page 22, line 5, and insert in lieu thereof the following:

80. Common yellow earthenware and common crockery ware made of natural unglazed, unglazed clay, raw glazed and not ornamented or decorated otherwise than by designs or incisions made in the presses or molds, 10 per cent ad valorem; if decorated, or ornamented in any manner other than by impressions made in the green clay by presses or molds, 15 per cent ad valorem. Common stoneware, salt glazed, not ornamented, decorated, or embossed, and earthenware crucibles, 10 per cent ad valorem; if ornamented or decorated by stamps, transfer, or other cheap colored designs, 12 per cent ad valorem. Ornamental stoneware, such as Doulton's stoneware, Fulper stoneware, or other similar wares, whether intended for use or only ornamental shapes, bric-a-brac and all toys made of such material, 25 per cent ad valorem. Rockingham earthenware, 25 per cent ad valorem. Jet ware, Samian ware, and all other similar wares, whether made of red, brown, or gray clays as a base, and whether colored in or by the glaze or glazed to preserve the natural color of the clay, whether or not embossed, decorated, or otherwise ornamented, 35 per cent ad valorem.

81. Cream-colored earthenware, commonly known as C. C. ware, and all articles made of such material, whether for use, ornament, bric-a-brac, or toys, plain white, not ornamented or decorated in any way other than by designs raised or impressed in the green clay by molds or presses, 35 per cent ad valorem; painted, stained, decorated, or ornamented in any way other than by impressions made in the molds or presses, 40 per cent ad valorem. White granite earthenware, known as W. G. ware, and all articles made of such, whether for use, ornament, bric-a-brac, or toys, plain white, not ornamented or decorated in any way except by impressions or designs in the green clay by means of molds or presses, 45 per cent ad valorem; painted, gilded, stained, or decorated in any manner other than by impressions made in molds or presses, 50 per cent ad valorem.

82. China, porcelain, and semiporcelain wares, bisque, parian wares, and all articles of which such material is the component of chief value, whether for use, ornament, bric-a-brac, or toys, plain white, without

ornamentation other than designs impressed upon the green clay in molds or presses, 50 per cent ad valorem; the same if painted, decorated or ornamented in any way other than by impressions made in molds or presses, 55 per cent ad valorem.

Also, it is proposed to strike out all of paragraph 83 and insert in lieu thereof the following:

83. Earthy or mineral substances, wholly or partly manufactured, and articles or ware composed wholly or in chief value of earthy or mineral substances, not specifically provided for in this section, whether susceptible of decoration or not, if not decorated in any manner, 20 per cent ad valorem; if decorated, 25 per cent ad valorem: *Provided*, That all sanitary pottery, for building purposes, bathtubs, urinals, washouts, stationary wash bowls, all plumbing supplies of which the chief material of value is clay of any character shall be admitted free of duty, except for the statistical tax to be hereafter provided for.

Carbon, unmanufactured, 15 per cent ad valorem; electrodes for electric batteries, dynamos, generators, motor contact and similar brushes, plates and disks, and all manufactures of which carbon is the component material of chief value, not otherwise specifically provided for, 20 per cent ad valorem; carbon for electric lighting, of whatever material composed, or by whatever process manufactured, whether wholly or partly finished, 25 cents per hundred feet; porous carbon pots for electrical batteries, 15 per cent ad valorem.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was rejected.

The SECRETARY. The next amendment, in paragraph 84, line 19, page 22 of the printed bill, it is proposed to strike out all of the paragraph after the words "ad valorem."

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was rejected.

DUTIES ON GLASS BOTTLES.

Mr. LA FOLLETTE. The duties provided in the Senate bill in paragraphs 85 and 86 are for the most part in excess of a rate sufficient to cover the difference in the cost of production between this and competing foreign countries as ascertained by investigation of the Bureau of Labor Statistics and by a comparison of the wage piece-rate scales paid in this industry in this and foreign countries.

The rates provided in the amendment which I suggest are sufficiently high to cover any difference in the cost of production.

The following table shows the rates of the Senate bill as compared with those in my suggested amendment:

Article.	Rates of the Senate bill.	Rates of the La Follette amendment.
	<i>Per cent.</i>	<i>Per cent.</i>
Paragraph 85:		
Green glass bottles.....	30	25
Covered demijohns.....	30	28
Uncovered demijohns.....	30	25
Pressed tableware.....	30	20
Pressed stemmed goblets.....	45	30
Lead and lime flint glass bottles.....	30	35
Lead and lime flint glass uncovered demijohns.....	30	35
Lead and lime flint glass covered demijohns.....	30	38
Paragraph 86:		
Cut glass, cut from smooth blanks.....	45	65
Cut glass, cut from pressed or blown blanks upon which the pattern has been indented.....	45	40
Mechanically engraved glassware.....	45	40
Glassware etched or engraved by acid.....	45	35

¹ Covered demijohns are not specially provided for or distinguished in the Senate bill from the uncovered ones.

² Pressed stemmed goblets in the Senate bill come under paragraph 86.

³ This cut glass is all labor.

In my amendments to these paragraphs glass is classified according to its natural properties as recognized both in manufacturing and in commercial circles. That is to say, there are three specific kinds of glass, namely, green glass; flint glass, more properly lime flint; and lead glass, more properly lead-flint glass. Green glass does not necessarily mean that the glass is green in color; it means a common glass, common because its ingredients are not selected nor purified. It is used in the making of most beer bottles, ink bottles, cheapest Mason fruit jars, window glass, plate glass, and so forth. It is crude, unclarified glass. It may be colored amber, or even black. The material cost is low and the labor cost is, generally speaking, much less than on flint work. Flint glass is made of the best selected materials. It may be fluxed with either lime or lead. If fluxed with lime, it is a lime-flint glass, such as the perfectly clear glass used in druggist prescription ware, cheap pressed tableware, and so forth. If fluxed with lead it is lead-flint glass, and is of course much better and more expensive. These flint glasses have been separated from green glass in the proposed amendment, though lead flint has not been given a different rate from lime flint. Any flat ad valorem, of course, gives lime flint the advantage and puts lead flint at a disadvantage. Nevertheless the higher price of lead glass will help it some. Forty per cent barely covers the actual labor cost difference in

this and such foreign countries as Germany, Belgium, and Italy, even after the severe reduction in the American wage scale of last year.

In these amendments for the first time covered demijohns, carboys, and so forth, have been given a higher rate than uncovered ware of the same kind. The cost of demijohn covering is almost entirely a labor cost and practically equals that of the skilled labor in producing the demijohn itself. For instance, take a 5-gallon demijohn—the blower gets 81 cents per dozen, and he is the skilled and the highest paid man employed in the manufacture of these demijohns. Follow the demijohn to the wicker room and you find that men are paid 6½ cents each for covering 5-gallon demijohns. This is 78 cents a dozen, or practically the wages paid the blower. In all former tariffs this additional cost has been ignored. In the proposed amendment here it has been given a higher rate to shield in a small and inadequate way this labor cost of covering.

I herewith submit tables showing the cost of production of flint-glass prescription bottles in the United States and the cost of production of pint beer bottles—green glass—per gross in the United States, Germany, France, Belgium and Italy.

Cost of production in United States, glass bottles, per gross.

Kind and size of bottle.	Cost of material.	Blower's rate.	Other labor cost.	Total cost per gross.
4-ounce prescription.....	\$0.234	\$0.54	\$0.402	\$1.176
8-ounce prescription.....	.41	.69	.505	1.605
16-ounce prescription.....	.602	.91	.848	2.36

Cost of production of pint beer bottles, per gross.

Country.	Cost of material.	Blower's rate.	Other labor cost.	Total cost per gross.	Difference between United States cost.
United States.....	\$0.144	\$0.85	\$0.45	\$1.444	
Germany.....	.10	.63	.27	1.00	\$0.444
France.....	.10	.595	.25	.945	.699
Belgium.....	.10	.5655	.25	.9155	.7285
Italy.....	.12	.522	.25	.892	.752

In paragraph 85 pressed or cast tableware, whether green or flint glass, is specially emphasized and given a duty of 20 per cent if not decorated and of 30 per cent if decorated. This includes a whole industry, and one in which American manufacturers excel. The superior quality of American pressed-glass tableware is, in fact, its own protection.

DUTIES ON CUT GLASS.

In this proposed paragraph cut glass is separated from other kinds of ornamentation and treated, as it should be, as a separate industry. The two kinds of cut glassware distinguished in the section—that is, cut from smooth blanks and cut from pressed blanks—are those now well established in the trade. A smooth blank is, as its name indicates, perfectly smooth upon its surface when it reaches the cutting room. The design must be marked upon and cut into the solid glass, and the depth of the fissure or cut renders this a slow task. It is an industry in which nine-tenths of the cost is labor. The pressed blank was introduced to shorten this labor. Here the blank, instead of being even and smooth upon the surface, has its pattern roughly molded into the glass at the original pressing of the article. All of the fissures of the pattern are thus already in the glass, and at practically the required depth. To convert such a piece into cut glass each fissure must only be further cut with a sharp grindstone. This gives the incision the peculiarly sharp sparkle, the possession of which is the beauty of cut glass. The preparation and cutting of a smooth blank is, however, very considerably more expensive and requires greater skill than that of the cheaper pressed blank. To simply mention cut glass, as is done in paragraph 86 of the pending bill, without distinguishing these kinds, is an absurdity which puts all the premium upon cheap work. I now present my amendments to these paragraphs.

The SECRETARY. It is also proposed to strike out paragraphs 85 and 86 and substitute the following:

85. Plain green, amber, or colored "green" glass bottles, vials, jars, uncovered demijohns and carboys, any article blown or partly blown and partly shaped by mold or press, the same being made of green glass, filled or unfilled, 25 per cent ad valorem, except that the contents of any such glass containers shall bear the duty appropriate to such contents. Covered demijohns made of crude or green glass, 28 per cent ad valorem; pressed or cast tableware, whether green or flint glass and not decorated beyond incisions or designs impressed in mold, press, or dye, 20 per cent ad valorem; if decorated, painted, stained, or otherwise ornamented, 30 per cent ad valorem. Flint-glass bottles, whether lime or lead flint, and all such flint-glass vials, jars, uncovered demijohns and carboys, any of the foregoing filled or unfilled, not

otherwise specifically provided for within this section, and whether their contents be dutiable and free (except that such contents shall be subject to the duty applicable thereto), and lead flint-glass stemmed goblets and lead flint barroom glassware, 35 per cent ad valorem. Covered demijohns, made of flint glass, covered with rattan, reed, or other wicker-woven jackets, 38 per cent ad valorem: *Provided*, That the terms "bottles, vials, jars, demijohns, and carboys," as used herein shall not apply to chemical implements or appliances.

86. Cut-glass articles made of lead flint glass and cut from smooth blanks, whether blown or pressed or either in part, 65 per cent ad valorem; cut from "pressed blanks" or blanks upon which the pattern has been indented by molds or presses, whether such blanks are blown or pressed or both in part, 40 per cent ad valorem; mechanically engraved glassware and glass etched by direct cutting and not by acid method or a sand-blasting process, 40 per cent ad valorem; if engraved, etched, or ornamented by acid methods or by sand blasting, 35 per cent ad valorem: *Provided*, That this section is not to apply to graduated glass tubes, vials, or any other glass implement or article used in chemical laboratories or for other scientific purposes.

THE VICE PRESIDENT. The question is on the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was rejected.

TARIFF RATES ON WINDOW AND PLATE GLASS.

Mr. LA FOLLETTE. I present herewith a comparative table showing the rates of duty provided in paragraphs 87, 88, 89, 90, 91, and 92, covering the common window and the plate glass industry.

The rates provided in my amendment are such as will cover the difference in the cost of production between this and competing foreign countries, as ascertained by the Bureau of Labor Statistics and by a comparison of recent wage scales which prevail in this industry in this and foreign countries.

Article.	Rates of the Senate bill.	Rates of the La Follette amendment.
	Duty per lb.	Duty per lb.
Common window glass, single thickness, 16 by 24 inches, not exceeding 384 square inches.	1 cent.....	$\frac{1}{2}$ of 1 cent.
Common window glass, 24 by 36, not exceeding 864 square inches:		
Up to 720 square inches.....	1½ cents.....	1 cent.
Above 720 square inches and not above 864 square inches.....	1½ cents.....	1 cent.
Not exceeding 1,200 square inches.....	1½ cents.....	1½ cents.
Not exceeding 2,400 square inches.....	1½ cents.....	1½ cents.
Above 2,400 square inches.....	2 cents.....	1½ cents.
Common window glass, double strength, 16 by 24 inches:		
Not exceeding 384 square inches.....	1 cent.....	$\frac{1}{2}$ of 1 cent.
Not exceeding 24 by 36 or 864 square inches—		
Up to 720 square inches.....	1½ cents.....	$\frac{1}{2}$ of 1 cent.
Above 720 square inches and not exceeding 864 square inches.....	1½ cents.....	$\frac{1}{2}$ of 1 cent.
Not exceeding 30 by 41 inches or 1,230 square inches—		
Up to 1,200 square inches.....	1½ cents.....	1 cent.
Above 1,200 and not above 1,230 square inches.....	1½ cents.....	1 cent.
Not exceeding 39 by 60 inches or 2,140 square inches.....	1½ cents.....	1½ cents.
Not exceeding 40 by 78 or 3,120 square inches—		
Up to 2,400 square inches.....	1½ cents.....	2½ cents.
Above 2,400 square inches.....	2 cents.....	2½ cents.
Above 3,120 square inches.....	2 cents.....	3½ cents.
Paragraph 88:	Per square foot.	Per square foot.
Polished window glass 1—		
Up to 384 square inches.....	3 cents.....	3 cents.
Up to 720 square inches.....	4 cents.....	3 cents.
Up to 1,440 square inches.....	7 cents.....	5 cents.
Above 1,440 square inches.....	10 cents.....	3 cents.
Paragraph 89:		
Plate glass, rough—		
Not exceeding 384 square inches.....	$\frac{1}{2}$ cent.....	1 cent a pound.
All above 384 square inches 2.....	1 cent.....	1 cent a pound.
Cast polished plate glass, finished or unfinished 3—		
Up to 384 square inches.....	6 cents.....	6 cents.
Up to 720 square inches.....	8 cents.....	6 cents.
Above 720 square inches.....	12 cents.....	6 cents.
Paragraph 91:		
Cast polished plate glass, silvered, not exceeding 144 inches 4.....	1 cent.....	2 cents.
Paragraph 92:		
Cast polished plate glass, bent, ground, obscured, frosted.....	4 per cent ad valorem.	$\frac{1}{2}$ cent a pound.

¹ The polishing of glass is all done by machinery. Once the glass is put on the table, it requires no more labor to polish 1,440 square inches than it does to polish 384 inches per foot.

² The rates of the Senate bill in this schedule are unnecessarily complicated by a clause which says, "And all fluted, rolled, ribbed, or rough plate glass, weighing over 100 pounds per 100 square feet, shall pay an additional duty on the excess at the same rates herein imposed." In other words, while ostensibly giving a rate per square foot, yet this rate is controlled by the weight of the glass per 100 square feet, and the weight varies with the thickness.

³ The polishing of glass is done by machinery and it costs no more to polish a piece containing 720 inches than it does to polish a piece of 384 inches. The rate in the Senate bill is based on a commercial distinction which does not exist in the factory.

⁴ The Senate bill contains an oversight. It is made to apply to glass exceeding 144 square inches, and provides no duty for glass of that size or under.

The La Follette amendment equals the rate of from one-fourth of a cent to 1 cent per square foot.

REASONS FOR CHANGES IN CLASSIFICATION.

Heretofore the classification of the window-glass schedule has ignored the conditions in the factory and the basic distinction between single and double thickness glass and the rates of wages paid. The costs of production are radically different between double and single thickness glass of the same size.

In my amendments it is the purpose to get away from commercial classifications which have no existence in the factory, and upon which, because of this fact, no specific cost of production could be secured and make a classification in the tariff bill which conforms to the facts of manufacture.

In this connection, and to further emphasize this distinction, the wage agreement between the National Window Glass Manufacturers' Association and the Window Glass Blowers' Union for the years 1912-13 is made a part of this record.

Provision is made in my amendment to cover dry glass and other glass less than single thickness which is imported for photographic, picture glass, and so forth. This character of glass weighs less than ordinary single-strength window glass. In fact, a box of this glass containing the same surface might weigh anywhere from 29 to 49 pounds per 100 feet, so that a box of 55 pounds of this glass might contain the same surface space as two boxes of the single-thickness glass of the same weight per box.

These conditions make it apparent that this glass should have a higher rate of duty than that which is given to the ordinary window glass, and even if this demand is supplied by rejected negatives, still, as a matter of fact, it does not take the place of our domestic single-strength glass, and because it would replace twice the amount of surface of single thickness in proportion to weight it ought to take a much higher rate of duty.

It is for this reason that I have given this character of glass a duty of twice that which is given to the single-thickness glass, or a duty of $1\frac{1}{2}$ cents per pound.

REASONS FOR SUBSTITUTE FOR PARAGRAPHS 87 AND 88.

In all tariff bills heretofore enacted the grading by size has been based upon commercial glass and not upon the sizes recognized in the manufacture of glass. In this amendment it is proposed to adjust the duties upon the same basis that the manufacturer pays for the work. In other words, manufacturing cost is taken as the base and not the commercial price.

The following extract from the National Window Glass Workers' wage scale, 1912 and 1913, gives the sizes recognized in the factories and the price per 100-foot box paid for this work:

This wage agreement shall be in full force and effect from October 15, 1912, to May 29, 1913, inclusive.

	A.	B.
Per 100-foot box, single:		
6 by 8 to 16 by 24.....	\$0.41	\$0.38
16 by 25 to 24 by 36.....	.54	.46
All above.....	.62	.54
Per 100-foot box, double:		
6 by 8 to 16 by 24.....	.52	.42
16 by 25 to 24 by 36.....	.72	.64
24 by 37 to 30 by 41.....	.79	.70
30 by 42 to 39 by 60.....	.84	.78
40 by 60 to 40 by 78.....	1.75	1.60
All above.....	3.22	3.00
Grinders.....		.46

1. On the price specified in the above brackets there shall be paid an advance of 15 per cent. It is also understood and agreed that future advances which may be secured under the provisions of this scale shall be added to the amount due as wages after 15 per cent has been applied.

2. Gatherers shall receive 80 per cent as much as blowers' wages for both single and double in all sizes.

Flatteners shall receive 27 per cent as much as blowers' wages.

3. Cutters shall be paid for cutting single strength 18 cents per box of 100 square feet plus 15 per cent; for double strength, 23 cents per box of 100 square feet plus 15 per cent.

4. All triple-strength, or 32-ounce, glass shall be paid for as follows: Blowers' wages, per 100-foot box, up to and including 16 by 24, \$1.90; all above 16 by 24, \$2.15.

All triple blown containing 110 or more united inches, \$4 per box.

Gatherers, 75 per cent as much as blowers' wages.

Flatteners, 27 per cent as much as blowers' wages.

Cutters, 50 cents per box of 100 square feet, with price and one-half for all fractional sizes booked, 16 by 16 and under.

5. When orders are given for 29-ounce glass averaging 7 lights to the inch, all trades to be paid at the rate of 25 per cent less than price specified for triple strength.

6. Fifteen per cent above price specified for triple strength shall be paid for 42-ounce or glass averaging 5 lights to the inch.

7. Thirty per cent advance above price specified for triple strength shall be paid for 52-ounce or glass averaging 4 lights to the inch.

In the following table the labor cost is shown on single and double strength glass, using the Belgian rates and the American rates figured on boxes containing 50 feet of glass. It will be noted that the Belgian skilled labor is precisely the same regard-

less of the size into which the glass is cut. The American, on the other hand, is paid according to the size of sheet into which his blown cylinder can be cut. The table shows the amount of duty needed per box of each size of glass, the present duty and the protection yield, the duty under H. R. 3321 and the protection it would yield, and the La Follette amendment with the duty that it would yield.

Common window glass.

Size up to—	American.			Foreign.		
	Labor cost per 50-foot box.			Labor cost per 50-foot box.		
	General labor.	Skilled.	Total.	General labor.	Skilled.	Total.
Single strength, 55 pounds to a box of 50 feet:						
16 by 24, or 384 square inches.....	\$0.23	\$0.59	\$0.82	\$0.15	\$0.30	\$0.45
Over that and up to 24 by 36, or 864 square inches.....	.23	.75	.98	.15	.30	.45
Over that.....	.23	.80	1.03	.15	.30	.45
Double-strength window glass, 80 pounds to box of 50 feet:						
Up to 16 by 24, or 384 square inches.....	.40	.76	1.16	.25	.45	.70
Over that and not exceeding 24 by 36, or 864 square inches.....	.40	1.00	1.40	.25	.45	.70
Over that and up to 30 by 41, or 1,230 square inches.....	.40	1.08	1.48	.25	.45	.70
Over that and up to 39 by 60, or 2,140 square inches.....	.40	1.15	1.55	.25	.45	.70
Over that and up to 40 by 78, or 3,120 square inches.....	.40	2.21	2.61	.25	.45	.70
All above.....	.40	2.97	3.37	.25	.45	.70

Size up to—	Difference in labor cost per box.	Present duty.		H. R. 3321.		La Follette.		Margin in La Follette amendment.
		Rate per pound.	Yield per box.	Rate per pound.	Yield per box.	Rate per pound.	Yield per box.	
Single strength, 55 pounds to a box of 50 feet:								
16 by 24, or 384 square inches.....	\$0.37	1 $\frac{1}{2}$ Cents.	\$0.75 $\frac{1}{2}$	1 $\frac{1}{2}$ Cents.	\$0.55	1 $\frac{1}{2}$ Cents.	\$0.41 $\frac{1}{2}$	1
Over that and up to 24 by 36, or 864 square inches.....	.53	1 $\frac{1}{2}$	.96 $\frac{1}{2}$	1 $\frac{1}{2}$ to 1 $\frac{1}{2}$	1.01 $\frac{1}{2}$	1	.55	3
Over that.....	.58	2 $\frac{1}{2}$	1.42	1 $\frac{1}{2}$ to 2	1.10	1 $\frac{1}{2}$	.62	4
Double-strength window glass, 80 pounds to box of 50 feet:								
Up to 16 by 24, or 384 square inches.....	.46	1 $\frac{1}{2}$	1.10	1 $\frac{1}{2}$ to 1	.80	1 $\frac{1}{2}$	.50	4
Over that and not exceeding 24 by 36, or 864 square inches.....	.70	2 $\frac{1}{2}$	2.00	1 $\frac{1}{2}$	1.00	1 $\frac{1}{2}$	.69	1
Over that and up to 30 by 41, or 1,230 square inches.....	.78	3 $\frac{1}{2}$	2.60	1 $\frac{1}{2}$	1.20	1	.80	2
Over that and up to 39 by 60, or 2,140 square inches.....	.85	3 $\frac{1}{2}$	3.00	1 $\frac{1}{2}$	1.50	1 $\frac{1}{2}$	1.00	15
Over that and up to 40 by 78, or 3,120 square inches.....	1.91	4 $\frac{1}{2}$	3.60	2	1.60	2.4	1.92	1
All above.....	2.67	4 $\frac{1}{2}$	3.60	2	1.60	3.4	2.72	5

In the matter of polished common window glass, as alleged to be covered by paragraph 88, it seems to have been drafted to cover thin plate glass rather than common window glass. A 2-cent per square foot net excess on unpolished window glass is an ample protection. The graduation of sizes in section 88, like that in paragraph 87, and the section covering plate glass is based purely upon commercial measurements; that is, it is intended to protect price and not cost, since it costs just as much to polish one square foot as another and the size of the sheet does not increase the cost of the polishing. I now submit amendments to these paragraphs.

The SECRETARY. It is also proposed to strike out paragraphs 87 and 88 and substitute the following:

87. Cylinder-blown and common window glass, blown, unpolished, single strength or thickness, neither stained nor colored, in melt or pot, in sizes not exceeding 16 by 24 inches, or 384 square inches, three-fourths of 1 cent per pound; above that, and not exceeding 24 by 36 inches, or 864 square inches, 1 cent per pound; above that, 1½ cents per pound: *Provided*, That single-strength glass shall be construed to mean glass weighing not less than 100 pounds per 100 square feet. Cylinder-blown glass weighing less than 100 pounds to the 100 square feet shall pay a duty of 1½ cents per pound. Cylinder and common window glass, blown, unpolished, double strength, unstained and uncolored in melt, in sizes not exceeding 16 by 24 inches, or 384 square inches, five-eighths of 1 cent per pound; above that and not exceeding 24 by 36 inches, or 864 square inches, seven-eighths of 1 cent per pound; above that and not exceeding 30 by 41 inches, or 1,230 square inches, 1 cent a pound; above that and not exceeding 39 by 60 inches, or 2,140 square inches, 1½ cents per pound; above that and not exceeding 40 by 78 inches, or 3,120 square inches, 2.4 cents per pound; above that, 3.4 cents per pound: *Provided*, That unpolished cylinder and common window glass, imported in boxes, shall contain 50 square feet, as nearly as the size will permit, single-strength glass 55 pounds or less to the box, and double strength 80 pounds to the box, and it shall be computed according to the actual weight of the glass. Cylinder-blown common window glass of triple or quadruple strength, known as 32-ounce or heavier glass, shall carry twice the duty of double-strength glass of the same size. Cylinder-blown and common window glass, blown, when polished, shall carry 3 cents per square foot in addition to the pound rates for single, double, or triple glass, whichever the blown glass may be: *Provided*, That no cast or polished plate glass shall be admitted under this paragraph, but only cylinder-blown glass.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was rejected.

Mr. LA FOLLETTE. I submit herewith, to be published as an appendix to what I have to say, the wage scale of the National Window Glass Workers' Union made under agreement with the manufacturers' wage committees. While it is true that this wage scale expired May 29, 1913, that is a mere form and it will be reenacted probably without change in time for the starting of the fires this fall.

I also submit, to be inserted as an appendix to my remarks, the wage scale and working rules of the Glass Bottle Blowers' Association, which is also for the season of 1912 and 1913. All glass factories, at least all union glass factories, close during July and August and the window-glass factories during June, July, and August, and the wage scales are made from year to year, expiring at the date upon which it has been previously agreed that the factory shall close. During the vacation these wage committees get together and reenact the wage scale, which usually does not vary except in minor points from the preceding one.

CHANGES IN PLATE-GLASS RATES.

The reason for the change in paragraph 89 is that there is no essential difference in cost of rough plate glass per square foot or per pound as based upon different sizes, such as is contemplated in paragraph 87 of H. R. 3321.

Plate glass is made by pouring molten glass from the pots upon a large iron casting table and running a roller over it while in plastic condition to press it to the required thickness. Ribs or flutes would be in the surface of the table or in the roller and do not carry with them any increased expense. This is also true of wire netting in glass. It is simply forced into the plastic glass while it is being rolled, and the additional expense is practically nil. Plate glass is made of the cheapest material that will make glass.

No more striking example could be cited of the policy of placing the tariff on selling price rather than cost of production than is shown in the plate-glass schedules.

Rough plate glass when cast is placed upon a large disk, upon which revolve grinding wheels, which grind it down to the thickness required. The glass is usually cast twice as thick as the finished plate; that is to say, if it is the intention to make a sheet of plate glass one-half inch thick, it is cast 1 inch thick and ground one-fourth inch off each side. This work is all done by machinery and very little skilled labor is employed. It costs just as much to grind one foot as it does another, and the fact that the selling price is based upon the size of the glass, the small sizes being sold cheap and the large sizes bringing enormous prices, is due to the following facts:

First. They can get it.

Second. It is more expensive to pack and ship large sheets than small ones.

Third. Where large sheets break, the pieces can be cut into smaller sizes, and hence the commercial value is less; but as a matter of cost of production, there is absolutely no difference per square foot.

I offer the following amendment.

The SECRETARY. It is also proposed to strike out paragraphs 89 and 90 and insert in lieu thereof the following:

89. Fluted, rolled, ribbed or rough plate glass, cast and not blown, whether containing wire netting within itself or not, 1 cent a pound: *Provided*, That when ground, smoothed, or otherwise obscured or subjected to any manufacturing process beyond the casting table it shall be subject to the same duties as cast polished plate glass unsilvered.

90. Cast plate glass, polished and unsilvered, and whether or not containing a wire netting within itself, 6 cents per square foot.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was rejected.

The SECRETARY. It is also proposed to strike out paragraphs 91 and 92 and insert the following:

91. Polished plate and cylinder blown or common window glass when silvered shall be subject to a duty of 2 cents per square foot in addition to the rates otherwise chargeable on such glass unsilvered: *Provided*, That no looking-glass plates or glass silvered when framed shall pay a less rate of duty than that imposed upon similar glass of like description unframed, but shall pay in addition thereto upon such frame the rate of duty that would be applicable thereto if imported separately.

92. Plate glass and cylinder blown or common window glass, polished or unpolished, silvered or unsilvered, when bent, ground, frosted, sanded, etched, embossed, stained, colored, painted, ornamented, or decorated shall be subject to a duty of one-half cent per pound in addition to the rates otherwise chargeable thereon; the above if having beveled edges and containing over 120 square inches, 2 cents per pound in addition to rates otherwise chargeable thereon; under 120 square inches, 4 per cent ad valorem additional. Glass colored by flashing and not in melt or pot, 4 per cent ad valorem additional.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was rejected.

Mr. LA FOLLETTE. The Senate bill in paragraph 97 imposes a duty of 30 per cent upon incandescent electric-light bulbs and lamps. This duty is not warranted by the cost of manufacture of these articles. The Senate bill makes them dutiable in the same paragraph which covers stained-glass windows and certain mirrors. It is a mistake to make this grouping, as these incandescent electric-light bulbs bear no relation to the other articles included within the paragraph. A duty of 20 per cent will fully cover these articles.

The effect of my amendment is to take these electric-light bulbs out of the general provisions of the paragraph and give to them a separate rate of duty. I offer the following amendment.

The SECRETARY. It is also proposed to amend paragraph 97, by inserting after the word "cases," on page 27, line 16, "30 per centum ad valorem"; and after the word "filaments," in line 18, by inserting the words "20 per centum ad valorem."

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was rejected.

APPENDIX A.

WAGE SCALE AND AGREEMENTS BETWEEN THE UNITED STATES POTTERS' ASSOCIATION AND THE NATIONAL BROTHERHOOD OF OPERATIVE POTTERS.

WHITE GRANITE AND SEMIPORCELAIN.

Clay making: Iron chamber presses, 1 cent per leaf, including all pugging and delivery of clay on elevator.

Forty-two pounds shall be the average weight of a leaf of clay, give and take 2 pounds; that is, if a leaf of clay weighs 40 pounds the manufacturer shall pay 1 cent per leaf, and if a leaf weighs 44 pounds he shall also pay 1 cent per leaf. If it weighs less than 40 pounds the manufacturer shall pay on the basis of 1 cent for 42 pounds, and if it weighs over 44 pounds he shall do likewise.

These prices to apply only to presses installed since May 1, 1900. When clay filter sacks are dipped in a creosote preservative, the work of dipping shall be done at the expense of the firm.

Casting: The term of apprenticeship for casters and the discounts applying to the various periods shall be identical with those established for pressers.

In determining the ratio of apprentices to which any firm is entitled the total number of pressers and casters shall be taken together, and in this feature shall be regarded as one and the same trade.

In any firm where the number of apprentice casters now employed is such that the total number of apprentice pressers and casters is above the proportion to which that firm is entitled under this agreement it is agreed that no apprentice shall be discharged to create the proper proportion, but no additional apprentice presser or caster may be employed by that firm until the correct ratio shall become there established in the usual course of events.

At all times either as apprentice or journeyman the status of any individual shall be considered the same, both as a caster and as a presser, and he may be transferred at any time from the one trade to the other, if mutually agreeable to himself and employer without prejudice to his standing in either branch and at the same discount, if an apprentice, to which he is entitled in the other trade. In other words, anyone who has completed his term as a caster shall be considered as having completed his term as a presser, and vice versa.

Creams shall take the same price as jugs of the same size, both to be governed by the official size for fancy jugs as specified in the official size list, but it is understood that this does not in any way apply to the articles known as restaurant or individual creams upon which special prices are specified below. Should restaurant or individual creams in future be introduced for casting in shapes other than

those upon which prices have been fixed, the prices thereon shall be set upon merit.

The following list prices for casting staple articles are established to become effective on and after January 1, 1908, subject to the apprenticeship rules for casters adopted as above:

	Per dozen.
Restaurant creams:	
Block handle, net	\$0.10
Double lipped, net	.10
Tankard creams:	
Os, handled	.20
Os, unhandled	.14
1s, handled	.16
2s, handled	.16
Saxon creams:	
Handled	.20
Unhandled	.14
Plain oval individual creams	.16
Rocaille individual creams	.20
Rocaille jugs, 60s	.20
Rocaille jugs, 54s	.25
Jugs:	
48s	.28
42s	.30
36s	.36
30s	.42
24s	.45
12s	.55
Sugars:	
24s	.55
30s	.50
36s	.45
Brush vases	.27
Mugs, toilet	.25

Cast articles not enumerated on this list shall remain as paid for at present in the various potteries.

The same understanding as to special prices on articles extraordinarily difficult shall apply as on all other classes of work.

Dipping: Hooking ware, 65 cents per kiln man's day's work. Firm to furnish sponges and gatherer where ware has to be gathered. Ware to be delivered at tub and glaze to be delivered and sieved by firm.

Ware thrown out on grid and not sponged at tub, 45 cents per kiln man's day's work. The firm to furnish all help to the dipper.

For all pin ware placed in first ring the dipper shall count the same number of days extra as the kiln men do.

In the class of dipping for which 65 cents per kiln man's day is paid the employer shall have the option of requiring that not less than 84 minutes actual working time be given to dipping each kiln man's day, and that not more than 53 kiln man's days shall be allowed for a day's work of 8 hours actual working time.

In the class of dipping for which 45 cents per kiln man's day is paid the employer may require that not less than 58 minutes actual working time be given to dipping each kiln man's day, and that not more than 83 kiln man's days shall be allowed for a day's work of 8 hours actual working time.

All extra dipping to be settled by standing committee. An apprentice may be put on whenever it is not possible to secure a competent journeyman.

The term of apprenticeship for dippers shall be three years, during which the rates of wages shall be as follows:

First 6 months	\$1.50
Second 6 months	1.75
Second year	2.25
Third year	2.75

Eight hours actual work shall constitute a day.

During the entire term the wages of the apprentice shall be figured at \$3.50 per day, 10 per cent of which shall be retained by the firm, and the difference between the remainder and what the apprentice actually receives under the apprenticeship scale shall be divided between the journeymen dippers on the same crew in any manner they may stipulate.

At some period during the term of apprenticeship all apprentice dippers shall be required to do hollow-ware dipping until they become thoroughly skilled in that class of work, and they shall be required to begin that work not later than the beginning of the third year of apprenticeship.

Extra compensation for dipping underglaze.

E. M. Knowles, per decorating kiln tier	\$0.20
K. T. & K. Buckeye, per decorating kiln tier	.20
Laughlin No. 2, per decorating kiln tier	.20
Hall china, per decorating kiln tier	.20
Colonial pottery, each 100 dozen regular dinner ware	.40
D. E. McNicol pottery, each 100 dozen regular dinner ware	.40
Buffalo Pottery Co., each decorating kiln	1.00

It is recommended that the use in the glaze of materials of an unusual character which are injurious to the health of workmen is condemned, and where such are used they shall be discontinued.

Dish making.

	Per dozen.
Bakers, oval:	
2½-inch	\$0.09
3-inch	.09
4-inch	.10
5-inch	.11
6-inch	.12
7-inch	.13
8-inch	.15
9-inch	.16
10-inch	.18
Bakers, square:	
3-inch	.12
4-inch	.14
5-inch	.15
6-inch	.16½
7-inch	.17½
8-inch	.20
9-inch	.22½
10-inch	.25
Dishes, oval:	
2½-inch	.09
3-inch	.09

Dishes, oval—Continued.

	Per dozen.
4-inch	\$0.10
5-inch	.11
6-inch	.12
7-inch	.13
8-inch	.15
9-inch	.16
10-inch	.18
11-inch	.20
12-inch	.22
13-inch	.25
14-inch	.29
15-inch	.37
16-inch	.37
18-inch	.46
Dishes, square, plain:	
6-inch	.16½
7-inch	.17½
8-inch	.20
9-inch	.22½
10-inch	.25
11-inch	.27½
12-inch	.30
13-inch	.33½
14-inch	.40
16-inch	.52

The firm shall deliver clay to the floor on which dish maker works, free of charge.

All ware stamped in the clay state shall be paid for at the rate of one-fourth cent per dozen extra.

Fancy festooned and embossed dishes to be set by standing committee. Day wage on dish machine or for dish maker, \$3 per day.

Piecework on dish machine shall be paid for at cable prices.

The number of apprentices at the dish-making trade shall be one apprentice to every three journeymen or less, and shall serve five years, subject to the same discount as the apprentice presser.

The firm shall have the privilege of giving any article on the dish-making list to apprentice dish makers during the last two years of their service.

Handling.

	Per dozen.
Chamber covers, turned	\$0.12
Chambers:	
Handling	.08
Knobbing covers	.05
Turned-up handles	.06
Cups, chocolate, extra thin	.05
Cups, coffee:	
Block handle	.04
Open handle	.04
Extreme extra thin	.05
A. D., open handle	.04
A. D., block handle	.03½
Jumbo	.06
Hotel	.04½
Cups, tea:	
Block handle	.03½
Thin, open handle	.04
Extreme extra thin	.05
Hotel	.04½
Cups, toy:	
Open handle	.04
Block handle	.03½
Custards:	
Ordinary	.04
Thin	.04½
Egg cups, double	.05
Mugs:	
24s	.06
30s	.06
36s	.06
Beer	.08
Mustache cups, lip and handle	.20
Mustards:	
Handling	.04
Sticking on knobs	.04
Cutting covers	.04
Spoons	.05
Spitting cups:	
Turned-up handle	.06
Pressed handle	.08
Spoon holders:	
Turned, sticking on feet	.06
Two handles	.12
Sugars, hotel:	
Handling	.08
Sticking on ears	.06
Sugars, toy:	
Two handles	.08
Sticking on ears	.06
Teapots, toy, spouting and handling	.20

Where covering or ringing of cups exists same prices to be paid as heretofore.

One-half cent per dozen shall be paid for boxing cups with the use of starch or other adhesive material, and nothing shall be paid for this work where no cementing preparation is employed. The firm shall have the option of having boxing done by an employee independent of the handler; the employer may require that all handles be cut and stuck on, and all cups boxed by a journeyman or apprentice handler, and that all handles shall be properly finished and trimmed.

The firm furnishes the starch and the handler mixes it.

One apprentice shall be allowed for the first journeyman handler, and one additional apprentice for every three additional journeymen.

The apprentice handler shall serve three years at the following rates:

First year	20 per cent off.
Second year	15 per cent off.
Third year	10 per cent off.

No handler after having served his full term of apprenticeship shall be discharged to make room for an apprentice.

Jiggering.

Basins:	Per dozen.
Mouth inside	\$0.18
Outside	.35
Inside—	
6s	.30
9s	.25
12s	.20

No claim for extra price shall be demanded for lug or festoon on basin that does not protrude beyond the line of the basin more than three-eighths of an inch; if lug is larger or shape unusually difficult, price shall be determined upon merit. Measurement of lug shall be taken in glost state. It is understood that this provision shall not disturb any fixed or settled price for any basin now being made, it being conceded that prices now being paid in the West for fancy basins are sufficient and satisfactory, and no increase is to be asked during the life of this agreement for any new basin of similar style.

Bowls:	Per dozen.
Oyster—	
24s, with ball or bat, turned	\$0.03½
30s, with ball or bat, turned	.03½
36s, with ball or bat, turned	.03½
Where necessary to run up, all sizes	.04½
Punch—	
7-inch	.20
8-inch	.20
9-inch	.23
10-inch	.24
24s, sponged	.06
30s, sponged	.05½
36s, sponged	.05
St. Denis, all sizes, with ball or bat, turned	.03½
St. Denis, where necessary to run up, all sizes	.04½
Brush vases:	
Toilet	.10
Turned	.06
Butters:	
Individual—	
Plain	.02½
Hotel	.03
Festooned	.03
Covered—	
Cable, jigger only, 3 pieces	.22½
Ordinary, round, jigger only, 3 pieces	.20
Plate bottom, 3 pieces	.16
Buckwheat covers (Laughlin China Co.), complete	.08
Cake plates:	
Ordinary, 9-inch	.08
With lugs	.10
Casseroles:	
8-inch	.30½
9-inch	.35
10-inch	.40
Chambers:	
Toilet	.25
Cable—	
6s	.25
9s	.25
12s	.20
One-piece mold chamber of the style commonly made in Trenton, complete	.43
Turned (same as cable)	.50
Combinets	.50
Creams:	
Individual and toy	.06
Block, individual	.06
Cups:	
Turned	.02
Sponged	.03½
Cuspidors, jiggered only	.50
Egg cups:	
Double	.04
Single, "block"	.03
Ewers	.30
Mouth	.18
Fruits:	
Plain, all weights	.03
Festooned	.03½
Ice cream:	
Plain, all weights	.03
Festooned	.03½
Jugs:	
Hall boy—	
12s	.18
24s	.15
30s	.14
Ordinary—	
6s	.23
12s	.18
24s	.15
30s	.13
36s	.11
42s	.09
Mugs:	
Toilet	.09
24s, turned	.03½
30s, turned	.03½
36s, turned	.03½
42s, turned	.03½
Mustards:	
Turned	.02½
Covers	.03
Nappies:	
Plain scalloped—	
2½-inch, inside	.07
3-inch, inside	.07
4-inch, inside	.07
5-inch, inside	.08
6-inch, inside	.08
7-inch, inside	.08
8-inch, inside	.09
9-inch, inside	.09
10-inch, inside	.09

Nappies—Continued.	Per dozen.
2½-inch, outside	\$0.08
3-inch, outside	.08
4-inch, outside	.08
5-inch, outside	.10
6-inch, outside	.10
7-inch, outside	.10
8-inch, outside	.10
9-inch, outside	.12
10-inch, outside	.12
Oyster—	
24s	.06
30s	.05
36s	.05
Oatmeals, 36s and 30s	.04

This price shall apply to all oatmeals now made within the official size list, but it shall not apply to any oatmeal introduced in future over 6½ inches in diameter or 1½ inches in inside depth, glost.

Pails:	Per dozen.
Funnel top	\$0.60
Flat top, side straight, with or without inside verge	.50
Bellied pail, flat top:	
Without inside verge	.50
With inside verge	.60
Plates:	
Coupe soups—	
Festoon—	
6-inch	.06
7-inch	.06½
8-inch	.07½
Plain edge—	
6-inch	.05½
7-inch	.06
8-inch	.06½
Flat, festooned—	
3-inch	.04
4-inch	.04
5-inch	.04½
6-inch	.05
7-inch	.05½
8-inch	.06½
Plain, all weights—	
3-inch	.03
4-inch	.03½
5-inch	.03½
6-inch	.04½
7-inch	.04½
8-inch	.05½
Soup:	
Plain—	
5-inch	.04½
6-inch	.05
7-inch	.05½
8-inch	.06½
Festooned—	
5-inch	.05½
6-inch	.06
7-inch	.06½
8-inch	.07½
Saucers:	
Plain—	
Tea, coffee, toy, and A. D.	.03
Hotel	.03
Hotel, when stamped in clay	.03½
Jumbo—	
Festooned	.05
Plain	.04
Extra thin	.03
Festooned	.03½
Toy, festooned	.03½
Slop jars	.90
Soaps, jigger only:	
Loose drainer (including drainer)	.18
Fast drainer	.16
Spittoons:	
Low parlor	.18
Tall parlor	.20
Two-piece	.25
Spoon holders, stuck-up	.09
Sugars:	
Individual, round, complete	.05
Ordinary	.20
Toy	.15
Teapots:	
Ordinary	.25
Ordinary toy	.15

It is understood that where an advance of one-fourth cent per dozen on plain-edge plates embossed and of one-eighth cent per dozen on plain-edge saucers and fruits embossed have been previously paid, that same advance will apply over the above prices for plain-edge plates, fruits, and saucers.

The firm shall deliver clay to the jigger floor free of charge. Whenever a manufacturer desires that plates shall be sanded and settered, he shall deliver the sand and setters to the jiggerman without charge.

When a manufacturer requires that hotel plates be stamped in the green state one-quarter of a cent extra shall be allowed for that work. Jiggermen shall not be required to hold their crews longer than 30 minutes when an accident occurs that cuts off their power.

In the employment of finishers by jiggermen the firm shall not require any discrimination solely on account of sex.

It is recommended that manufacturers investigate the distance jiggermen are required to carry molds and make an effort to lessen the inconvenience in cases of extreme long carry.

It is recommended that where any hardship is imposed upon jiggermen by the firm insisting upon the use of a scraper or hook in making cups some fair remedy be applied.

It is recommended that any jiggerman required to make granite mixing bowls shall be given a part of his order in better paid work.

Where unusual conditions or inconveniences exist beyond the average the jiggerman shall receive a percentage extra, the same to be fixed by the standing committee.

Day wage: Ordinary jigger, \$3; jumbo jigger, \$3.50.

APPRENTICE JIGGERMEN.

Apprentice jiggermen may be employed in the following maximum ratio: One in a total of 5 jiggermen or less, 2 in 10, and 1 in each additional 5. The period of apprenticeship shall be two years, and the price a discount of 5 per cent throughout the entire period from the established prices for jigged work. In the selection of apprentices the employer shall give preference to competent jiggermen helpers who have been employed at his factory for not less than two years. Should a scarcity of competent jiggermen exist, employer shall have the privilege of putting on jigger at journeyman's wages any journeyman in the clay department of his factory. No journeyman shall be discharged to make room for an apprentice.

It is recommended that a journeyman presser be given preference when a vacancy occurs on a jumbo jigger, provided a competent jiggerman is not available.

Settlements made by eastern standing committee.

Pie plates:	Per dozen.
5-inch	\$0.04½
6-inch	.05
7-inch	.05½
8-inch	.06½
9-inch	.07½
10-inch	.08½
Jugs, with handles made in the body mold:	
6s.	.23
12s.	.18
24s.	.15
36s.	.13
48s.	.11
60s.	.09
Haliboy jugs, with handles made in the body mold:	
12s.	.18
24s.	.15
36s.	.13
Mugs, with handle made in the body mold.	.09
Mustards, body, made with handle in the body mold.	.06½
Mustard covers, made with knob in mold.	.03½
Brush vases, straight up, one-piece mold.	.05
Mugs, straight up, one-piece mold.	.03½

The following prices are paid at the Trenton Potteries Co. for making flat-top drug jars. These jars are turned, and this is the only place in that city making them:

	Per dozen.
1 ounce	\$0.04
2 ounces	.05
4 ounces	.06
6 ounces	.08
8 ounces	.08
10 ounces	.09
12 ounces	.09
14 ounces	.09
16 ounces	.09
18 ounces	.10
20 ounces	.10
24 ounces	.11
32 ounces	.12
48 ounces	.15
64 ounces	.18
96 ounces	.25

Jars only, two-thirds above price. Covers only, one-third above price.

KILN DRAWING.

Four hundred and forty-three cubic feet shall be considered one day's drawing in bisque kilns, and where the measurements give 221 cubic feet or less—over the number of days called for—nothing shall be allowed, but where the measurements give 222 feet or more—over the number of days called for—one full day shall be paid.

One-half day extra shall be allowed for carrying ware up or down one or more full stories of stairs.

Kiln drawers shall not be required to start work before 6 o'clock a. m., unless there is a reasonable necessity for it.

Kiln drawers (men) shall receive 25 cents per hour for actual time employed in drawing kiln, with a maximum of \$1.75 for any one kiln. The drawing boss shall receive 25 cents extra per kiln. Lunch time shall be abolished in kiln drawing. Should the firm insist upon kilns being drawn in less than seven hours, the kiln drawers shall be paid the limit of \$1.75 each per kiln. A day's work for kiln drawers (women) shall be the time required for drawing one kiln.

The seven-hour clause shall not be enforced when the firm requires that two kilns be drawn by one crew in the same pottery on the same day.

It shall be optional with kiln drawers whether they shall empty a kiln when the temperature registers more than 130° F. within 2 feet from the crown at the second ring.

When kiln drawers are required to draw kilns between the hours of 8 o'clock p. m. and 5 o'clock a. m., or on Sundays, they shall be allowed time and one-half for such work, provided that the necessity for drawing at that time is not caused by the refusal of kiln men to go into the kiln at or about noon time.

Kiln drawers shall not be required to wheel, carry, or throw out sagger sherds.

It is recommended that all firms shall furnish sufficient baskets for the proper drawing of kilns.

It is recommended that the firms shall investigate the conditions surrounding the work of kiln drawing, and where there appears to be an unnecessary long carry of either sand or empty saggars that condition shall be remedied.

KILN WORK.

Placing bisque kilns, 212 cubic feet a day.

Placing glost kilns, 162 cubic feet a day.

Kiln men shall not be required to rub individual butters.

All footed ware to be sponged. Where the ware is not sponged, the kiln men shall receive 20 cents extra on each kiln man's day's work in the kiln for rubbing ware.

(This settlement was made at the time the uniform list was adopted in Trenton.)

Where there is an ascension of a half story to the green room or dipping room, there shall be one-half day added to kiln and one full day for full story. Where the distance from the door of the green

room or dipping room is between 60 and 75 feet to the kiln door an extra half day shall be allowed. Where the distance is between 75 and 100 feet 1 day extra shall be allowed. Where the distance is between 100 and 125 feet an extra 1½ days shall be allowed.

Every pin bung placed in the first ring shall count 2 ovals.

When the saggars are placed flat on in the first ring in glost kilns, the kiln men shall receive 1 day extra on 14-6 diameter kiln, 1½ days extra on a 15-6 diameter kiln, and 2 days extra on a 16-6 diameter kiln.

Journeyman kiln men, \$2 for each day's work in the kiln.

Bench boss, \$2.50 for each day's work in the kiln.

China placing bisque and glost to remain same as heretofore in each locality, East and West.

Kiln men required to place ware in flint shall be paid 25 cents extra per kiln men's day.

When it becomes necessary to put on an apprentice he shall serve three years. The first week he shall be paid out of the office, after which he shall receive a day out of the kiln until he has served 3 months at the trade. If it becomes necessary to work after 5 o'clock, he shall be paid extra. The first 6 months he shall receive \$1.25 per day; second 6 months, \$1.35 per day; second year, \$1.50 per day; last year, 15 per cent less than journeyman's wages and receive all extra time after 3 months. Not more than 1 apprentice to 8 journey is allowed. Apprentices shall finish their apprenticeship in the pottery in which they started to learn the trade, except in cases where the firm by which an apprentice is engaged shall shut down indefinitely, when he may complete his time with any other firm having a vacancy for an apprentice. Apprentice kiln men shall be required to serve 18 months at glost kiln placing and 18 months at bisque kiln placing whenever the change from one branch to the other can be made without the necessity of discharging a kilnman from the opposite crew. In shops where there are less than 8 journeymen in the crew they shall be entitled to an apprentice.

Where a scarcity of kiln men exists the manufacturer shall have the privilege of putting on an additional apprentice, who shall be paid at regular journeyman rates, the excess of his regular apprenticeship wages to be divided among the kiln men of the crew for the first year and go to the manufacturer thereafter. This concession is made to the kiln men in consideration of the time they give to teaching the apprentice, and it is understood that the kiln men are to be responsible for the workmanship of said apprentice.

It is understood that the provisions of the uniform scale requiring that the regular apprentice kiln man shall receive his first week's wages from the office, and that his time for said week shall not count in the kiln, shall not apply to the second apprentice; also that the second apprentice shall serve his full time under the terms and conditions provided specially for the second apprentice, and that he shall not under any circumstances revert to the status of the regular apprentice; it is further understood that the manufacturer shall at all times be permitted to employ one regular apprentice on each crew of kiln hands.

FLAT WARE IN FIRST RING OF BISQUE KILN.

Plates, dishes, coupe soups, oat meals, saucers, ice creams, and fruits when placed in sagger loads only shall be considered flat ware. All other ware shall be considered hollow or first ring ware.

The ordinary setting of a bisque kiln shall be as follows: Flat ware in the first ring four saggars high, and in all other rings of the kiln except in the ordinary topping of green saggars. Hollow ware in the first ring above the first four saggars and in the ordinary topping of green saggars.

Flat ware placed in excess of four saggars high in the first ring of kilns, so ordered by the firm or its representative, shall be paid for extra at the rate of one-fourth day on each day's work of such excess flat ware in first ring; but if no such orders shall have been given, or hollow ware is placed in any part of the balance of the kiln, except as specified in the next paragraph above, then no extra shall be paid on such excess flat ware placed in the first ring.

When kiln men are required to place saggars flat on in bisque kilns, the extra compensation for this work shall be as follows:

On bisque kiln:

14 feet 6 inches, ¾ day.

15 feet 6 inches, 1 day.

16 feet 6 inches, 1½ days.

Where there is a shortage of green saggars, the bisque kilns may be topped off with fired saggars, provided the same class of ware is placed in the fired saggars that would be placed in the topping of green saggars, such topping of fired saggars to pay nothing extra.

Six Jack saggars or the equivalent is considered an ordinary topping in the middle of kiln.

Kiln men shall not be required to wheel, carry, or throw out sagger shreds.

The firm shall bear the expense of removing all green ware scraps from the kiln men's benches.

All tile, door liners, bit stone, fritt, stain, and glost kiln props and bats shall be delivered without expense to kiln men at the door of the kiln in which they are to be used, and fritt, stain, and bit stone shall be placed in saggars at the expense of the firm.

All new kilns shall be measured, and all old kilns when repaired with new crown or bottom shall be remeasured after the third firing.

It is recommended that as far as practicable the time and methods employed for sweeping kiln-shed floors and punching kilns shall be so adjusted as to protect workmen about the kilns from the injurious effects of dust arising from that work.

It is recommended that manufacturers investigate distances bisque kiln men are required to carry green saggars, and endeavor to make some adjustment to afford relief in cases of extra long carry.

The employer may require that all glost and bisque kiln men shall put in not less than five hours actual working time for what is known as a kiln man's day, and should this time limit not prove effective in producing satisfactory workmanship, this question may be reopened and revised at the expiration of this agreement.

It is understood that whenever kiln men are unable to place kilns on time by working one and one-half kiln man's days each day, they shall be required to put on additional men.

SETTLEMENT BY THE WESTERN STANDING COMMITTEE.

A pin boy shall be put on at the request of either the firm or the kiln crew. The expense shall be borne equally between the firm and the crew.

Where a pin boy is employed he shall be paid not to exceed \$2 per kiln and 25 cents per hundred for all pin saggars cleaned for first ring.

Mold making.

Bakers:			
3, 4, 5, 6 inch	dozen	\$0.40	
7, 8, 9 inch	do	.65	
10, 11, 12 inch	do	.80	
Basins:			
Outside, all sizes	do	1.50	
Inside, all sizes	do	1.75	
Mouth, all sizes	do	1.10	
Basins, plug	each	.45	
Batters	do	.08	
Batting and wedging block	do	.25	
Bedpans	do	.60	
Bidet pans	do	.50	
Bird baths, all sizes	do	.20	
Bone dishes	dozen	.70	
Bottom molds	each	.08	
Bowls:			
24s, 30s, 36s	dozen	.45	
42s	do	.40	
18s	do	.60	
9s, 12s	do	1.10	
4s, 6s	do	1.35	
Punch, 2 parts	each	.25	
Bread trays:			
Round	do	.10	
Oval	do	.15	
Brush trays	do	.45	
Brush vases	do	.30	
Brush vases with frame	do	.35	
Butters:			
Covered—			
6 parts	do	.40	
7 parts, handle 10 cents extra	do	.55	
Fst. diner, opn.	do	.35	
Butter covers, single	do	.10	
Butters, individual	dozen	.25	
Cake plates, fancy	each	.15	
Cake stands:			
7 to 14 inch	do	.60	
16 to 20 inch	do	.75	
Celery trays	do	.15	
Chair pans:			
5 to 7 inch	dozen	1.00	
8 inch and up	do	1.50	
Chambers:			
Pressed and covered	each	.85	
12s, jiggered, uncovered	dozen	1.10	
9s, 6s, jiggered, uncovered	do	1.25	
4s, jiggered, uncovered	do	1.40	
Chamber covers:			
Single	do	.70	
Pressed, double	each	.20	
Chamber handles	do	.10	
Chamber bows	do	.08	
Chocolate pots	do	.95	
Chums for mugs, cups, and bowls	do	.10	
Chums from 24s up	do	.18	
Combinets	do	1.60	
Comports:			
Pressed	do	.45	
3 parts	do	.25	
Cospadores, body only	do	1.25	
Covered dishes, all sizes	do	.75	
Cracker jars:			
Handled	do	.75	
Unhandled	do	.65	
Crucifixes			
do	do	.15	
Creams:			
Individual and restaurant	do	.25	
Double lipped	do	.20	
24s, 30s, 36s	do	.35	
Toy	do	.30	
Cups:			
Coffee	dozen	.40	
Feed, canary, mocking	do	.30	
Toy	do	.35	
Tea, all sizes	do	.40	
Dishes:			
2½ to 8 inch	do	.40	
7 and 8 inch	do	.65	
9 to 12 inch	do	.75	
13 to 18 inch	do	1.40	
Dish makers' flag to 24 inch	each	.30	
Dish makers' flag to 30 inch	do	.40	
Ewers:			
6s, 9s, 12s	do	.70	
Mouth	do	.50	
Foot baths	do	2.00	
Footers, all kinds	do	.10	
Glove boxes	do	.65	
Glove boxes, handle	do	.10	
Handles:			
Cup and mug	do	.08	
Chambers and jug	do	.10	
Ice creams	dozen	.30	
Jardinières, ordinary:			
4 inch	each	.50	
5 inch	do	.50	
6 inch	do	.65	
7 inch	do	.65	
8 inch	do	.75	
9 inch	do	.75	
10 inch	do	.95	
11 inch	do	.95	
12 inch	do	1.10	
14 inch	do	1.50	
Jars, flat top, body only	dozen	.50	
Jar covers, flat	do	.25	
Jelly cans	do	.50	
Jigger heads	each	.20	

Jugs:			
4s	each	\$0.60	
6s	do	.55	
12s	do	.45	
24s to 48s	do	.35	
Covers	do	.20	
Handles	do	.10	
Hallboy, jiggered—			
12s	do	.50	
24s	do	.40	
30s	do	.40	
36s	do	.40	
Jiggered—			
4s	do	.65	
6s	do	.60	
12s	do	.50	
24s to 42s	do	.40	
Ladles:			
Soup and sauce	do	.15	
Cup	dozen	.40	
Lead rings	each	.37½	
Mugs:			
Jiggered	dozen	.35	
Toilet, jiggered	each	.30	
Pressed, complete	do	.35	
Shaving—			
Complete	do	.30	
Partition only	do	.10	
Jiggered, with frame	do	.35	
Mustards	do	.30	
Mustards, jiggered	dozen	.35	
Mustard covers	do	.25	
Nappies:			
2½ to 5 inch	do	.50	
6 to 8 inch	do	.65	
9 and 10 inch	do	.75	
Oval and square—			
2½ to 5 inch	do	.60	
6 to 8 inch	do	.67½	
9 and 10 inch	do	.80	
Oatmeals	do	.45	
Match boxes:			
Body	do	.25	
Covers	do	.25	
Pickles	do	.70	
Pin trays	do	.75	
Plates:			
Pie—			
6 to 8 inch	do	.55	
9 and 10 inch	do	.65	
2½ to 4 inch	do	.35	
5 and 6 inch	do	.40	
7 and 8 inch	do	.45	
Bread, jiggered	each	.10	
Puff boxes	do	.42	
Rings:			
Notched	do	.18	
Single	do	.12	
Ring stand, hand and tree	do	.10	
Ring-stand bowls	dozen	.30	
Saucers:			
Tea and coffee	do	.30	
Toy and A. D.	do	.30	
Fruit	do	.30	
Salads	each	.45	
Sauce boats:			
Complete	do	.45	
Stands	dozen	.70	
Sick feeders	each	.25	
Ship bottles	do	.45	
Slop jars:			
1s	do	1.90	
2s and 3s	do	1.65	
Soaps:			
Covered	do	.50	
Fast drainer	do	.20	
Slabs	do	.08	
Slabs with hoops	do	.10	
Hanging, 3 parts	do	.25	
Spit cups, fast tops or loose	do	.35	
Spittoons, 4 pieces	do	.50	
Stove founts	dozen	.45	
Sugars, complete	each	.75	
Teapots, all sizes	do	.95	
Teapot covers, double	do	.20	
Teapot handles	do	.10	
Teapot spout:			
Single	do	.10	
Double	do	.20	
Top molds			
Tureens, sauce, all sizes, complete	do	.75	
Tureens, sauce, stands	do	.10	
Tureens, soup and oyster, all sizes, complete	do	1.00	
Tureens, soup, stands	do	.15	
Urinals	do	.50	
Whirlers	do	.37½	
Blocking and casing	per hour	.50	

The journeyman prices for mold making shall be a discount of 10 per cent from the established mold-making list. The work of each mold maker shall be counted separately, and each shall be paid separately from the office. Buckets, coddles, and soap shall be furnished without cost to the mold maker. The foregoing regulations covering mold-making prices shall not apply in shops making china exclusively.

The ratio of apprentices to journeymen mold makers in the entire general-ware trade shall not exceed 1 to 4. No shop shall be entitled to more than 50 per cent of its full force of mold makers in apprentices. No shop shall be entitled to an apprentice until it can provide reasonably steady work for at least one journeyman and one apprentice. No shop shall be entitled to a second apprentice until it employs at least four journeymen, nor to a third apprentice until it employs at least seven journeymen. The term of apprenticeship shall

be five years; the apprentice shall be given the opportunity to thoroughly learn blocking and casing during the last two years of his service as an apprentice; the apprentice shall receive his wages directly from the office at the following scale of discounts figures from the full list, not being subject to the extra 10 per cent:

First year, 33½ per cent discount from full list.

Second year, 25 per cent discount from full list.

Third year, 20 per cent discount from full list.

Fourth year, 15 per cent discount from full list.

Fifth year, 15 per cent discount from full list.

No journeyman mold maker shall be discharged to make room for an apprentice, and no apprentice at present employed shall be discharged for the purpose of establishing the foregoing ratio.

Pressing.		Per dozen.
Bedpans:		
No. 1		\$1.05
No. 2		1.00
Jumbo		1.25
Bidet pans:		
17-inch		1.40
18-inch		1.50
Bird baths:		
24s		.15
30s		.14
36s		.13
Bone dishes:		
Footed		.25
Unfooted		.15
Bread trays		.65
Brush trays, footed		.60
Brush vases, fast footed		.30
Butters:		
Hotel, fast drainers		.55
Loose drainers		.64
Bodies		.35
Covers		.20
Drainers		.09
Casseroles:		
Round—		
7-inch		.97
8-inch		1.06
9-inch		1.20
10-inch		1.33
Covers, notching		.14
Chambers:		
6s		.97
9s		.88
Uncovered—		
6s		.65
9s		.60
Chamber covers:		
6s		.32
9s		.28
Chocolate pots, ordinary		1.00
Comports:		
6-inch		.45
7-inch		.51
8-inch		.55
9-inch		.60
10-inch		.65
11-inch		.70
Cospadores:		
Unhanded and uncurved—		
1s		1.47
2s		1.29
3s		1.10
Handled—		
1s		2.02
2s		1.84
3s		1.61
Covers only, all sizes		.32
Covered dishes, oval:		
5-inch		.86
6-inch		.92
7-inch		1.01
8-inch		1.11
9-inch		1.24
10-inch		1.38
Differential in size shall not be over ½ inch between 5 and 6 inch covered dishes.		
Cracker jars:		
Handled		.85
Unhanded		.70
Creams:		
24s		.45
30s		.42
Block		.22
Toy		.22
Ewers:		
Hotel		.82
Cable—		
6s		.92
9s		.82
12s		.60
Ewers:		
Mouth—		
Small ordinary		.45
Toilet		.55
Slabs		.45
Toilet		.82-.92
		and upward.
Foot baths:		
14s		4.14
15s		4.83
16s		5.52
Jugs:		
4s		.85
6s		.70
12s		.55
24s		.50

Jugs—Continued.

Per dozen.

30s	\$0.46
36s	.40
42s	.34
48s	.31

The above is not intended to have any bearing on special prices that have been established for pressing jugs of difficult shapes where those prices are equal to or higher than those here listed, but the above shall be the minimum for any shape.

Jugs, fork handle:

4s	\$1.50
6s	1.25
12s	1.15

Jugs, ice, plain handle:

4s	1.15
6s	.92
12s	.69
24s	.55

Plain round-top covered jugs, price and one-half of regular jugs.

Molasses cans:	
With stands	.45
Without stands	.39

Mugs, toilet

Mustard covers (Laughlin China Co.) pressing

Nipples, square, scalloped, inside mold, all sizes, per dozen

Pickles:

Plain ordinary

Scalloped or festooned

Salads:

6s, unfooted

7s, unfooted

8s, unfooted

9s, unfooted

10s, unfooted

Sauce boats:

Single handle

Double handle

Ladles

Stands

Fast stand, double handle

Sick feeders:

Spout on front

Spout on side

Slop jars:

No. 1

No. 2

Slop-jar covers

Soaps:

Round, fast drainers

Oval

Fast drainers

Covered and drainer complete

Hanging

Slabs

Box

Soup ladles:

1s

2s

3s

Spitting cups

Spittoons:

1s, ordinary

3s, ordinary

4s, ordinary

5s, ordinary

6s, ordinary

Parlor

Low parlor

Spoon holders:

Double handle

Unhanded

Sugars:

24s

30s

Toy

Tea pots:

Round or oval

Toy

Tureens:

Oval

9-inch

10-inch

11-inch

Oyster, round—

9s

10s

Sauce

Stands

Ladles

Soup, round—

8-inch

9-inch

10-inch

11-inch

12-inch

Tureen stands:

For oval

9-inch

10-inch

11-inch

For round—

8-inch

9-inch

10-inch

11-inch

12-inch

Urinals:

Male

Female

Pressing (day wage only) per day

In the combined pressing and casting trades the proportion of apprentices shall not exceed one apprentice to five journeymen in any one firm, it being understood that no apprentice or journeyman shall be discharged in order to establish this ratio.

It is also agreed that when the manufacturer with a full quota of apprentices desires an additional presser, and is unable to obtain a competent journeyman after application to the secretary of the National Brotherhood of Operative Potters, he is at liberty to put on an extra apprentice beyond the established ratio.

It is also understood that there shall be no limitation upon the class of work that either journeymen or apprentice pressers shall do in any pottery where the foregoing ratio is established.

The apprentice presser shall serve five years before becoming journeyman and shall be paid at the rate of 33½ per cent off first year, 25 per cent off second year, 20 per cent off third year, 15 per cent off fourth year, 10 per cent off fifth year, sixth year and thereafter journeyman; it being understood that apprentices shall receive their advances each year as they become due.

Specially difficult shapes, prices to be settled by standing committee. Clay to be delivered by the firm to floor on which it is used, free of charge.

One-third shall be deducted from price of a footed article when same is made without foot.

One-half of the price of an unfooted article shall be added when same is made with foot.

PRESSING SPECIALTIES.

Celery trays, jardinières, spice stands, umbrella stands, glove boxes, pedestals, berry dishes, cake plates, ewer slabs, salt cups, olive trays, slaw dishes, salonettes, fruits, water filters, orange bowls, ash trays, pin trays, mustards, taberettes, manicure sets and jellies—prices to be settled by standing committee if not otherwise agreed upon.

Packing.	Each.
No. 00.....	\$0.50
No. 0.....	.45
No. 1.....	.40
No. 2.....	.40
No. 3.....	.35
No. 4.....	.30
No. 5.....	.25
No. 6.....	.20
No. 7 or 24-inch barrel.....	.15
22-inch barrel.....	.15
20-inch barrel.....	.12½
19-inch barrel.....	.12½
18-inch barrel.....	.12½
17-inch barrel.....	.12½
16-inch barrel.....	.12½
14-inch barrel.....	.10
All scheme.....	.10
All kegs.....	.10
Crates and boxes measuring inside 3,400 cubic inches or less.....	.05
Crates and boxes measuring inside between 3,400 and 5,500 cubic inches.....	.08
100-piece to 112-piece dinner sets in crates or boxes of any size.....	.10

All other crates and boxes at prices of barrels or casks of corresponding size.

The firm shall have the option of employing all packers at day wage, and of paying all packers either on day wage or on piecework, individually from office: journeymen packers shall be paid \$3 per day for all day work, and 9 hours shall constitute a day's work, with the exception of pay Saturday, which shall be 8 hours.

Apprentice packers shall work under the following terms:

First year, per day.....	\$1.50
Second year, per day.....	2.00
Third year, per day.....	2.50
Fourth year.....	Journeyman.

An apprentice may be put on whatever it is not possible to secure a competent journeyman.

Where a foreman packer is employed over a day-wage crew, the wages of such foreman shall be adjusted between him and his employer.

It is recommended that all firms provide comfortably heated packing sheds during the winter months, and that they provide a suitable shelter for protecting returned packages and their contents from the weather.

Prices for packing general ware, approved by Eastern General Ware Standing Committee.

Crates:	Each.
Packed with toilet sets, umbrella stands, and large jardinières.....	\$0.55
Packed with teas.....	.60
Packed with all other ware.....	.58
No. 00 cask and No. 1 Demerara, head stave, 42 by 42.....	.50
No. 0 cask and No. 2 Demerara, head stave, 40 by 42.....	.45
No. 1 cask and No. 3 Demerara, head stave, 38 by 42.....	.40
No. 2 cask, sugars and molasses, head stave, 36 by 40.....	.40
No. 3 cask and sodas, head stave, 32 by 40.....	.35
No. 4 casks and clay tierce, head stave, 30 by 36.....	.30
No. 5 cask and full tierce, head stave, 27 by 36.....	.25
No. 6 cask and three-fourths tierce, head stave, 22 by 36.....	.20
No. 7 cask and barrel and half tierce, head stave, 24 by 30.....	.15
22-inch barrel, head stave, 22 by 30.....	.15
20-inch barrel, head stave, 20 by 30.....	.12½
19-inch barrel, head stave, 19 by 30.....	.12½
18-inch barrel, head stave, 18 by 30.....	.12½
17-inch barrel, head stave, 17 by 30.....	.12½
16-inch barrel, head stave, 16 by 24.....	.12½
14-inch barrel, head stave, 14 by 24.....	.10
Kegs.....	.10
Small crate boxes.....	.08
Small boxes.....	.05

Loose packing without strawing, that is loose bungs put in packages, two-thirds of regular packing price, per package.

Unpacking full packages, to be paid same as regular prices for packing, if done by a journeyman packer, but it is optional with the firm whether they have the packer, warehouseman, or others to do unpacking.

Packing cars, to be done day wage.

Day-wage packing, \$3 per day; nine hours to constitute a day's work. The "small crate boxes" on this list are understood to mean boxes that compare in size with the following sizes of "small crates," packed in the West at 8 cents each.

No. 1, 20½ inches long, 17 inches wide, 18 inches deep.
No. 2, 19½ inches long, 14½ inches wide, 14 inches deep.
No. 3, 18½ inches long, 12 inches wide, 10 inches deep.
All boxes smaller than the above sizes shall be known as small boxes, at 5 cents each.

PRINTING.

The price for printing regular dinner ware sprig patterns is to be based upon the following scale:

Copper or steel plates to be 14 by 16 inches as a basis.
14 by 16 plate, containing 18 to 24 sprigs, to be 4½ cents per print.
14 by 16 plate, containing 25 to 27 sprigs, to be 4½ cents per print.
14 by 16 plate, containing 28 to 30 sprigs, to be 5 cents per print.
14 by 16 plate, containing 31 to 33 sprigs, to be 5½ cents per print.
14 by 16 plate, containing 34 to 36 sprigs, to be 5½ cents per print.
14 by 16 plate, containing 37 or more sprigs, to be 6 cents per print.
No pattern with 3 sprigs on flat to be done for less than 5½ cents per dozen.

Or with 4 sprigs on flat not less than 6 cents per dozen.
Or with 5 sprigs on flat not less than 7 cents per dozen.
Or with 6 sprigs on flat not less than 7½ cents per dozen.
Or with 7 sprigs on flat not less than 8 cents per dozen.
Or with 8 sprigs on flat not less than 8½ cents per dozen.

The standard 100-piece dinner set is to be used for computing price per dozen, to be figured as follows:

Divide the number of sprigs on dinner sets by number of sprigs used from copper plate which gives number of prints required to do one set; then multiply by price per print as given in above scale, which gives you the price of printing 100-piece set, which divided by 8½ dozen gives you the price per dozen of the pattern, which price is to be paid for dinner sets or open stock, straight count, or 12 pieces to the dozen.

The price of printing scheme dinner ware is to be based on the following scale for three-sprig pattern, no piece to have more than 3 sprigs; size of plates, 14 by 16.

Plates containing 28 or 29 sprigs, 4½ cents per print.
Plates containing 30 or 31 sprigs, 4½ cents per print.
Plates containing 32 or 33 sprigs, 4½ cents per print.
Plates containing 34 or 35 sprigs, 5 cents per print.
Plates containing 36 or 37 sprigs, 5½ cents per print.
Plates containing 38 or 39 sprigs, 5½ cents per print.
Plates containing 40 or more sprigs, 5½ cents per print.
No scheme to be less than 4 cents per dozen.

Two-sprig scheme to be 4 cents per dozen for patterns having not less than 28 sprigs on plate. Any plate having less to be proportionately more. Amount of sprigs on 100-piece set not to exceed 228 on 3-sprig scheme, distributed as follows:

Plates, 5, 6, and 7 inch, dishes and bakers, 3 sprigs.
Cups, saucers, fruits, sauce boats, creams, bowls, and pickles, 2 sprigs.
Covered butters and cover dishes, 5 sprigs.
Sugars, 4 sprigs.
Individual butters, 1 sprig.
Scheme when stilted or spurred to be one-fourth cent per dozen more.
All sprigs on copper plate to be used on scheme ware.

TOILET WARE.

The price for sprig toilet sets to be 10 cents for 10 pieces and 15 cents for 12 pieces when done with three prints or less and not to exceed more than 36 sprigs on 12-piece set. And 12 cents for 10 piece sets and 18 cents for 12-piece sets when taking not more than four prints for 12 pieces and three prints for 10 pieces. Twelve-piece sets not to have over 50 sprigs and 10 pieces not over 37 sprigs on.

Scattered spray toilet sets to be 15 cents for 10-piece set and 21 cents for 12-piece set; not to exceed 80 sprigs on 12-piece set and 60 on 10 pieces.

Ewers and basins, 55 cents per dozen when done regular and 45 cents per dozen when all of print is used up. Six-piece toilet sets to be paid one-half the price of 12 pieces.

Scattered spray ewers and basins, 65 cents per dozen.
Sheet or all over patterns, 40 cents for 10 pieces and 60 cents for 12 pieces.

Remarks: All copper plates between and including 14 by 14 and 14 by 16 to be the same as 14 by 16; those larger than 14 by 16 now in use to be the same price as 14 by 16. Any new plates put into use hereafter larger than 14 by 16 shall be paid proportionately more per print. The price of day-wage printing shall be \$3 per day for printer.

Nine hours shall be considered a day's work for a printer.
Any plate smaller than 14 by 14 shall be settled for at a price agreed upon by the parties concerned.

This scale does not pertain to underglaze or border patterns.

No apprentice printer shall be put on the press so long as a competent journeyman can be secured.

Sagger making.

SAGGERS—BISQUE.	Each.
Bats.....	\$0.03
Bed pans.....	.05
Bisque billiers.....	.04
Bisque plates, 8-inch.....	.05
Bisque ringers, cut bottom.....	.06
Bisque steaks:	
14 and 16 inch.....	.05
18-inch.....	.08
Chambers, common height, quarts, regular and 3 pint.....	.05
Claming brick.....	.02
Combinets, single.....	.05
Pail and combinet sagger made off an 8-inch bisque drum.....	.05
Crown circle.....	1.00
Cups, round or oval.....	.04
Door lining.....	.05
Ewers.....	.05½
Gill flippers and score cups.....	.05
Glost billiers.....	.05
Jugs.....	.05
Slops, pails, and combinets made off a slop-jar drum.....	.05½
Washbowls, ordinary.....	.05
Washbowls over 62 inches in circumference.....	.06
Washbowls 65 inches or over in circumference.....	.09

SAGGERS—GLOST.

Banjoes:	
Single.....	.10
Double.....	.10
Covered dishes.....	.10
Jardinières, double.....	.10

Oval steaks:	Each.
9s.	\$0.10
10s.	.13
12s.	.10
14s.	.13
16s.	.13
18s.	.10
Oval deckers, punched or with props.	.08
Plates, 8-inch.	.08
Single banjo covers.	.10
Single round covers.	.08
Washbowl ringers.	.08
Washbowls.	.08
Yolks, double.	.13
Single jardinières.	.07

All pin sagers shall be stripped outside punch holes when the firm so desires.

SAGGER CLAY.

First. Where present conditions are agreeable to both the sagger makers and the firm there shall be no change.

Second. Where the firm now prepares all clay and makes an established charge to the sagger maker for that work there shall be no change.

Third. Where the sagger maker now does any part of the actual work of preparing clay and either the firm or the sagger maker desires that the sagger maker shall be relieved of that actual work, then the firm and sagger maker shall calculate the present cost of doing the work at that particular plant, of putting up the soak and one pugging. Both parties must agree upon what that cost is, which should be set so as not to increase cost to firm nor decrease sagger maker's wages. When this cost is agreed upon the firm shall assume charge of preparing all clay, and shall deduct from sagger maker's pay the agreed cost of all such work except the second pugging. It is understood that the calculation of cost shall be for each firm separately, and shall not be modified by the cost established at any other plant.

Fourth. Before accepting the prepared clay the sagger maker must pass upon the work, after which he can make no complaint that the work or mixing and pugging was not properly done.

The firm to stand the expense of grinding the grog.

Sticking-up and finishing.

Butters:	Per dozen.
Plate bottom, 3 pieces.	\$0.10
Round, ordinary, 3-piece.	.20
Cable, 3 pieces.	.22½
Casseroles:	
8-inch.	.40
9-inch.	.45
10-inch.	.50
Chambers:	
Toilet, 9s.	.30
Cable.	
9s.	.25
6s.	.30
12s.	.25
Combinets.	.50
Cuspidors, unhandled and uncovered.	.25
Cuspidors, handled and uncovered.	.50
Creams, individual, block.	.06
Creams, toy.	.10
Ewers.	.30
Ewers, mouth.	.18
Graham egg cups (Laughlin China Co.) sticking-up complete.	.15
Jugs:	
6s.	.24
12s.	.19
24s.	.17
30s.	.17
36s.	.15
42s.	.15
48s.	.14
Hallboys—	
12s.	.19
24s.	.17
30s.	.17
Mugs, toilet.	.12
Pails.	.65
Punch bowls:	
7-inch.	.21
8-inch.	.22
9-inch.	.25
10-inch.	.25
Slop jars.	.85
Soaps:	
Two pieces.	.16
Three pieces.	.20
Spittoons:	
Two pieces.	.20
High parlor.	.15
Low parlor.	.11
Spoon holders:	
Unhandled.	.08
Two handles.	.20
Sugars:	
Individual, round, complete.	.06
Ordinary.	.25
Toy.	.20
Teapots:	
Ordinary.	.43
Toy.	.25
Vases, toilet.	.09

Settled by Eastern Standing Committee.

Jugs:	
With handle in body mold—	
6s.	.20
12s.	.17
24s.	.13
30s.	.12
36s.	.11
42s.	.09
Hallboy—	
With handle in body mold, 12s.	.17
With handle in body mold, 24s.	.13
With handle in body mold, 30s.	.12

Mugs, with handle in body mold.	Per dozen.
Mustards, body, with handle in body mold.	\$0.09
Mustard covers, with knob in mold, finishing and notching.	.05
Brush vases, straight up, one-piece mold.	.03
Mugs, straight up, one-piece mold, finishing and sticking.	.07½
Brush vases.	Throwing.
Cups:	
Coffee, single thick.	.03½
Tea, single thick.	.03½
Coffee, double thick.	.04½
Tea, double thick.	.04
Custards.	.04
Egg cups:	
Single.	.04
Double.	.04½
Match safes:	
1s.	.08
2s.	.09
3s.	.09
Molasses cans:	
Blake (pineapple).	.11
Cable.	.09
Muffin cups.	.02
Mugs:	
42s.	.03
36s.	.04
30s.	.04½
24s.	.05½
Beer mugs.	.11
Liners:	
Cup.	.01
Bowl.	.01½
Mustard, covered.	.07
Spit cups:	
Mug shape.	.10
Cuspidor shape.	.12
Spittoons:	
Small size.	.15
Large size.	.20
Sugars:	
Hotel, covered.	.09½
Restaurant, covered.	.09
Teapot and sugar bodies.	.09½
Teapot and sugar covers.	.02½
Bowls:	Turning.
Oyster—	
42s, out of mold, thick and thin.	.07
36s, out of mold, thick and thin.	.07½
30s, out of mold, thick and thin.	.08½
24s, out of mold, thick and thin.	.09½
24s, extra thin.	.11½
30s, extra thin.	.10½
36s, extra thin.	.09½
24s, off of block.	.10½
30s, off of block.	.09½
36s, off of block.	.08½
Figured—	
24s, out of mold.	.06
30s, out of mold.	.05½
36s, out of mold.	.05
42s, out of mold.	.05
W. G.—	
24s, out of mold.	.06
30s, out of mold.	.05½
36s, out of mold.	.05
42s, out of mold.	.05
24s, off of block.	.07
30s, off of block.	.06½
36s, off of block.	.06
42s, off of block.	.06
Brush vases.	.12
Chambers:	
6s, turned.	.10
9s, turned.	.17
12s, turned.	.14
Coffees, St. Denis:	
Topping and polishing.	.01½
Turning up side.	.02½
Turning complete.	.03½
Teas, tulip, same as coffees.	
Cups:	
Coffee—	
Single thick.	.03½
Half thick.	.04
Double thick.	.04½
Thin.	.04
Extra thin.	.04½
A. D., single thick.	.03½
A. D., half thick.	.03½
A. D., double thick.	.04½
Jumbo.	.05½
Minton, half thick.	.04½
Tea—	
Single thick.	.03
Half thick.	.03½
Double thick.	.04
Thin.	.03½
Extra thin.	.04
Minton, half thick.	.04
Toy—	
Single thick.	.03
Thin.	.03½
Topped, bottom turned, side sponged or burnished, or turning complete without cutting out foot:	
Thin or fancy tea cups.	.03
Thin or fancy coffee cups.	.03½
Thin or fancy bowls—	
30s.	.04½
36s.	.04½

Topped and polished only or topped and sponged only:	Per dozen.
Thin or fancy tea cups	\$0.02½
Thin or fancy coffee cups	.03
Thin or fancy bowls—	
30s	.04½
36s	.03½

Prices for any special method of turning not covered by above definitions shall be settled on merit.

Cuspidors:	
1s	\$0.30
2s	.25
Custards:	
Double	.08
Extra thin	.09
Egg cups:	
Double	.09
Extra thin	.10
Single—	
Out of mold	.06
Off of block	.08
Match safes:	
1s	.12
2s	.11
3s	.10
Mugs:	
24s	.08½
30s	.07½
36s	.07
42s	.06
Mustards:	
Bodies	.10
Covers	.06
Spitting cups, cuspidor shape	.16
Spoon holders	.25
Sugars:	
Round bodies—	
24s	.08½
30s	.06
36s	.05½
Round covers—	
24s	.07
30s	.06½
36s	.06
Round, individual, complete	.18
Teapots and sugars, toy:	
Bodies	.12
Covers	.06
Teas, St. Denis:	
Topping and polishing	.01½
Turning up side	.02
Turning complete	.03

The minimum prices for turning complete, with exception of the bottom, shall be as follows:

Baltimore teas	.02½
St. Denis and similar teas	.02½
St. Denis and similar coffees	.03

Thick, thin, and extra thin are defined and understood as follows: Extra thin to be specially thin, and general teacups for dinner sets ordinarily made do not come under this classification, but are considered thin.

Turning—Apprentices' scale.

	Per cent.
First six months	33½
Second six months	25
Third six months	20
Fourth six months	15
Third year	10

Any manufacturer who employs one or more journeymen turners may employ one apprentice turner; a second apprentice may be engaged where four journeymen are employed, and one additional apprentice may be put on for each three additional journeymen. When a manufacturer with the full quota of apprentices desires an additional turner, and is unable to obtain a competent journeyman after application to the secretary of the N. B. of O. P., he is at liberty to put on an extra apprentice beyond the established ratio.

Employer shall have the privilege of giving any article on the turning list to apprentice turner during the last year of his service.

No turner after having served his full term of apprenticeship shall be discharged to make room for an apprentice.

Prices established in Trenton.

Milliners' display stand bases:	Plain, per doz.
5-inch	\$0.25
6-inch	.25
7-inch	.35
8-inch	.40
9-inch	.40
10-inch	.55

Beading, per row, 5 cents extra per dozen.

Beer mugs:	
Tankard	.20
Barrel	.25

Prices paid by the Trenton Pottery Co.

Flat-top drug jars:	Per dozen.
1-ounce	\$0.09
2-ounce	.09
4-ounce	.09
6-ounce	.09
8-ounce	.10
10-ounce	.11
12-ounce	.12
14-ounce	.13
16-ounce	.13
18-ounce	.15
20-ounce	.15
24-ounce	.16
32-ounce	.16
48-ounce	.20
64-ounce	.25
96-ounce	.30

CHINA.

PRICES FOR HANDLING HOTEL CHINA.

By agreement between the United States Potters' Association and the N. B. of O. P.

Tea, coffee, and A. D. cups:	Per dozen.
Block handle	\$0.04½
Open handle	.05
A. D. special, known as Philadelphia A. D. at Greenwood	
Pottery	.07
Tulip cup	.05
Cup custards:	
Block handle	.04½
Open handle	.05
Mustards:	
Block handle	.04½
Open handle	.05
Barrel mustard, cutting cover and sticking body on saucer	.12
Cutting mustard covers:	
Ordinary thickness	.04
Hotel extra thick	.05
Boston coffee cup	.05
Split cup	.08
Mustache cup, sticking lip and handle	.20
Hotel Saxon cup, extra large, with large handle	.05
Culot cup, block handle	.06
Soda mugs	.07
Chocolate mugs	.07
Dairy mugs:	
Ordinary shapes	.06
18s and 24s, with handle worked on	.09
30s, with handle worked on	.08
Beer mugs	.08
Steins	.10
Creams:	
Handle and snipping, snip made solid and cut out	.10
Snipping only, snip made solid and cut out	.06
Sugars, 24s, 30s, 36s, and 42s, two ears or faces stuck on	.08
Vienna coffee and tea pots, Nos. 1 and 2	.20
Sticking egg cups, double, after Jiggerman or turner	.05
Whiskey jugs	.08
Shirred egg cups	.07

Jiggering—China.

Basins, plain, 9s	.35
Butters:	
Individual, plain	.03½
Loose drainer	.50
Fast drainer	.55
Covered, complete	.60

Bowls:	
Oyster	.04
Punch—	
9-inch	.28
10-inch	.28
11-inch	.28
12-inch	.28
13½-inch	.40
15-inch	.40

Cake covers:	
Made for turners	.04
To be sponged	.06
Comports, all sizes, foot thrown	.10
Cups, with ball, turned	.02½ to .04
Fruits, plain	.03½
Ice creams, plain	.03½

Ice tubs:	
8½-inch, turned	.40
9½-inch	.45
10-inch	.50

Nappies:	
Plain—	
3-inch	.07
4-inch	.07
5-inch	.07
6-inch	.10
7-inch	.10
8-inch	.10
9-inch	.10
Fluted, 5-inch	.10

Plates:	
Flat—	
Plain—	
4-inch	.04
5-inch	.04
5½-inch	.05
6-inch	.05
6½-inch	.06
7-inch	.06
7½-inch	.07
8-inch	.07

Festoon—	
4-inch	.05
5-inch	.05
5½-inch	.06
6-inch	.06
6½-inch	.07
7-inch	.07
7½-inch	.08
8-inch	.08

Deep—	
Plain—	
5-inch	.05
5½-inch	.06
6-inch	.06½
6½-inch	.07
7-inch	.07
7½-inch	.08
8-inch	.08

Plates—Continued.

Deep—Continued.	Per dozen.
Festoon—	
5-inch	\$0.06
5½-inch	.07
6-inch	.07
6½-inch	.08
7-inch	.08
7½-inch	.09
8-inch	.09
Coup soup—	
6-inch	.06
7-inch	.06½
Saucers, plain	.04
<i>Throwing—China.</i>	
Brush vases	net .09
Coffee mugs	do .09
Coffee pots, Vienna:	
1s	do .13
2s	do .13
Comports, feet:	
5-inch	do .10
6-inch	do .10
7-inch	do .10
8-inch	do .12
9-inch	do .12
Creams, Vienna:	
1s	do .05
2s	do .06
3s	do .07
Custards:	
Small	do .05
Large	do .06
Egg cups:	
Double	do .06
Single	do .05
Match safes:	
Cornick—	
1s	do .09
2s	do .09
3s	do .09
Flat-footed	do .18
French B—	
1s	do .11
2s	do .15
Molasses cans, barrel	do .11
Mustard barrel and cover	do .08
Mustards:	
Vienna	do .08
New York	do .11
Mugs:	
42s	do .04
36s	do .05
30s	do .06
24s	do .07
Q. M. D. cans	do .25
Spittoons:	
Small	do .25
Large	do .30
Sugars, round, covered, all sizes	do .13
Whiskys:	
1-quart	do .20
1-pint	do .15
½-pint	do .11
<i>Turning—China.</i>	
Bowls:	
Oyster, single thick—	
42s	.07½
36s	.08½
30s	.09½
24s	.10½
St. Denis—	
36s	.06
30s	.06½
24s	.07
Tulip—	
30s	.08½
36s	.07½
42s	.07
Cake covers, knobbed	.15
Coffees:	
Extra thick	.05½
Culot	.06
A. D. culot	.05
Coffee pots, Vienna, complete	.20
Comports:	
5 and 6 inch	.25
7 and 8 inch	.30
8½-inch	.35
9-inch	.40
Sticking up	.18
Creams:	
No. 1	.09
No. 2	.09
No. 3	.10
Cups:	
Custard	.09
Tea, single thick	.04
Coffee, single thick	.04½
Tea, double thick	.04½
Coffee, double thick	.05
A. D., thin	.04½
Tulip—	
Teas	.04½
Coffees	.05
Egg cups:	
Double	.10
Single	.09
Ice tubs:	
Small	.35
Large	.45
Footed	.60

Jugs, whisky	Per dozen.
Match safes:	\$0.30
No. 1	.12
No. 2	.11
No. 3	.10
Molasses cans	.20
Extra large	.35
Mugs, cable:	
42s	.09
36s	.09
30s	.10
24s	.11
Mustards:	
Bodies	.08-.09
Covers	.08-.09
Oysters:	
Gov	.10½
Plain	.08½
Salads:	
5-inch	.12
6-inch	.14
7-inch	.16
8-inch	.18
9-inch	.20
Spittoons:	
Low	.30
High	.35
Sugars, hotel:	
Complete	.17
Covers	.08½
Sugars, round:	
42s, complete	.16
36s, complete	.17
30s, complete	.18
24s, complete	.19
Covers	
36s	.08½
30s	.09
24s	.09½

TURNING PRICES FOR CHINA GREENWOOD POTTERIES.

Prices for turning Greenwood china, made to conform with the uniform wage scale adopted by the Manufacturing and Operative Potters of the United States, May 1, 1900:

Vienna:	New price.
A. D.	\$0.04½
A. D. low	.04½
Tankard A. D.	.04
Philadelphia A. D.	.04½
Cup covers	.07
Hotel, Conklin coffee	.05
Half thick Conklin coffee	.04½
St. Louis Conklin coffee	.04½
Special St. Louis Conklin	.05
Burley Conklin	.04½
Chicago Conklin	.04½
Yale coffee	.04½
Ohio Ovide	.04½
Ovide:	
Coffee cup	.05
Medium	.04½
Tea	.04
A. D.	.04½
K. & T.:	
Coffee cup	.05
Medium	.04½
Tea	.04
A. D.	.04½
Bridgwood:	
Coffee	.05
Medium	.04½
Tea	.04
A. D.	.04½
Greenwood medium	.04½
French Ovide medium	.04½
Crown Derby:	
Coffee	.04½
Tea	.04
A. D.	.04½
Duane coffee	.04½
New Boston coffee	.07
Old Boston coffee	.07
Small Boston coffee	.07
Hub coffee	.07
Hart coffee	.06½
Edwards:	
Coffee	.04½
Low coffee	.04½
Tea	.04
Merkle	.04½
Wiggins	.04½
Loubat Conklin coffee	.05
Trenton:	
Coffee	.04
Medium	.04½
Coronado:	
Coffee	.04½
Tea	.04
A. D.	.04
F. & M. coffee	.06½
Ship:	
Coffee	.08
Tea	.06½
Thin Saxon:	
Coffee	.04½
Tea	.04
A. D.	.04½
Paris tea	.04
Rialto:	
Coffee	.04½
Tea	.04
A. D.	.04½

Plain Rialto:	New price.	Dairy mug:	New price.
Coffee	\$0.04½	18s	\$0.11
Tea	.04	24s	.11
A. D.	.04½	30s	.10
Plain egg:		Vienna mug:	
Coffee	.04½	24s	.11
Tea	.04	30s	.10
Tulip:		36s	.09
Large coffee cup	.05	42s	.09
Regular coffee cup	.05	Barber mugs, 24s	.11
California coffee cup	.05	Philadelphia or Graham mug, 30s	.10
Sham coffee cup	.05	Graham mug, 24s	.11
Tea		Match safes:	
Hotel	.04½	No. 1	.12
Half thick	.04	No. 2	.11
Coffee, half thick	.04½	No. 3	.10
Majestic coffee	.05	On stand, R. D.	.14
Thin		K. & T.	.14
Coffee	.05	Sugars, round:	
Tea	.04½	24s	.19
A. D.	.04½	30s	.18
Large Saxon coffee	.06	36s	.17
Regular Saxon coffee	.05	42s	.16
California Saxon coffee	.05	Vienna:	
New York Saxon coffee	.05	24s	.19
Saxon, A. D., half thick	.04	30s	.18
Saxon, A. D., half thick (Weston)	.04	36s	.17
Loubat Saxon A. D.	.04	42s	.16
Astor House coffee	.05	Restaurant or individual, covered	.16
Miller coffee	.05	F. & E. individual sugar, no cover	.07
B. & T. regular	.04	Vienna teapots:	
New B. & T.	.04	No. 1	.20
Conic:		No. 2	.20
Coffee	.04½	Toy teapots	.18
Tea	.04	Brush vases	.15
Dennett conic	.04½	Round toothpick holders	.10
Barth conic tea	.04	B. & O. custard	.09
Coleman coffee	.03	Navy custard	.10
New York:		Burley special custard	.09
Coffee	.04½	Regular footed custard, one-half thick	.09
Tea	.04	Small footed custard, one-half thick	.09
Small tea	.04	Hotel custards:	
A. D.	.04	No. 1	.09
Ruby:		No. 2	.09
Coffee	.04½	No. 3	.09
Tea	.04	Face custards:	
A. D.	.04	No. 1	.09
Coffee House cup "off block"	.08	No. 2	.09
Palmer House cup	.05	No. 3	.09
Terhune tea	.04	Cup custards	.09
Hotel extra tea	.04½	Butter custards	.09
Half thick extra tea	.04½	Vienna creams:	
Philadelphia tea	.04	No. 0	.09
New Orleans tea	.04½	No. 1	.09
Shaw tea	.04	No. 2	.09
Lyons tea	.04½	No. 3	.10
Baltimore tea	.04	Tankard creams:	
Pierce tea	.04	No. 0	.09
Strauss tea	.04	No. 1	.09
Persell tea	.04	F. & E. creams, No. 1	.09
California Saxon tea	.04½	San Francisco	.09
Persell A. D.	.04½	Vienna mustards	.16
Borke tea	.04	Large	.18
Grecian tea	.05½	Round mustard, half thick	.14
English tea, "small"	.04	Round mustards	.14
Globe tea	.04	Barrel mustards:	
Cable:		Covered	.16
Extra tea	.04½	On stand	.16
Small tea	.04½	Bean pots	.07
A. D.	.04½	Tea testers	
Smith tea	.04	G. P. C. barrel egg cup	.10
Culot:		G. C. C. barrel egg cup	.12
A. D.	.05	Single egg cup	.09
Coffee	.06	Shirred egg cup	.04
Shaw A. D.	.04	Egg cup on stand	.25
Imperial:		Shirred egg cup covers	.07
Coffee	.04½	Noak drainers	.06
Tea	.04	Medicine cups	.07
A. D.	.04½	Cake covers:	
Lincoln:		With knobs	.15
Coffee	.06	No knobs	.13
Tea	.06	Greenwood cake covers	.17
A. D.	.05½	Candlesticks	.30
Plain:		Plain nappies, 4, 4½, and 5 inch	.07
Coffee	.04½	Boston nappies, 4½ inch	.07
Tea	.04	Oatmeal bowl	.08½
A. D.	.04½	Cracker bowl	.10½
L. B. medium	.04½	Government bowl, 24s	.10½
Block handle	.04½	K. & T. high footed bowl:	
Bennett coffee:		24s	.10½
Hotel	.05	30s	.08½
Half thick	.04½	K. & T. berry cups, hotel	.06
Minton tea	.04½	4 inch special footed bowl (will agree to set off on foot)	.07½
B. & O. conic coffee	.04½	Oyster bowl:	
Navy:		Footed—	
Coffee, thin	.04½	P. E., 24s	.11½
Tea, thin	.04½	Hotel	
A. D. thin	.04½	24s	.10½
Medium half thick	.04½	30s	.09½
Beef-tea mug, barrel shape	.10	36s	.08½
Beer mug	.09	42s	.07½
Café mug:		Small, 42s	.07½
Flanged edge	.09	Small, 48s	.07½
Straight edge	.09	Low footed, hotel:	
Temple	.10	24s	.10½
K. & T. or buffet mug	.07	30s	.09½
Chocolate mug	.12	36s	.08½
Antique mug	.15	42s	.07½
Soda mug	.06	Footed, half thick—	
Automat mug	.07	24s	.10½
Hot-milk mug	.07	30s	.09½
Gearles mugs, 30s	.10	36s	.08½
French mug, 30s	.10		

		New price.
Oyster bowl—Continued.		
Low foot, half thick—		
24s		\$0.10
30s		.09
36s		.08
Tulip bowls, hotel:		
30s		.08
36s		.07
42s		.07
St. Denis bowls:		
Hotel—		
24s		.07
30s		.06
36s		.06
Half thick—		
24s		.07
30s		.06
36s		.06
Closet pulls		.15
Coach handles		.18
Casket handles:		
No. 1		.20
No. 2		.20
CREAM-COLORED WARE.		
Handling.		
Chambers		\$0.08
Chambers, ribbon and turned handle		.06
Cups, teas, St. Denis and Baltimore, block handle		.03
Bowls: Jiggering.		
42s, 36s, 30s, and 24s		.04
18s		.07
12s		.09
9s		.12
6s		.18
4s		.26
Chair pans:		
5 inch		.09
6 inch		.10
7 inch		.12
8 inch		.13
9 inch		.16
10 inch		.20
11 inch		.24
12 inch		.28
Chambers, open:		
4s		.17
6s		.14
9s		.12
12s		.09
Chamber covers, with knobs, complete, all sizes		.15
Cups, tea, unhandled, sponged, complete		.02
Jars, flat top:		
3, 1, 2, and 3-ounce		.03
4 and 6-ounce		.04
8-ounce		.04
10-ounce		.05
12 and 16-ounce		.05
32 ounce		.06
Mugs, sponged, complete, 24s, 30s, and 36s		.10
Nappies:		
Plain, scalloped, fluted, beaded—		
24-10		.07
11, 12		.15
Saucers, tea		.03
Pressing.		
Bakers:		
2 1/2 and 3 inch		.07
4-inch		.08
5-inch		.09
6-inch		.10
7-inch		.11
8-inch		.12
9-inch		.14
10-inch		.16
Nappies, oval, same as above.		
Bed pans:		
No. 1		1.05
No. 2		1.00
Jumbo bed pans		1.25
Cuspidors, tall:		
No. 3		1.00
No. 4		1.16
Covered dishes:		
6-inch		.80
7-inch		.90
8-inch		1.00
9-inch		1.11
Dishes:		
2 1/2 and 3 inch		.07
4-inch		.08
5-inch		.09
6-inch		.10
7-inch		.11
8-inch		.13
9-inch		.14
10-inch		.16
11-inch		.18
12-inch		.20
13-inch		.22
14-inch		.25
15-inch		.30
16-inch		.33
Ewers:		
9s		.60
12s		.55
Jugs:		
4s		.75
6s		.65
12s		.45
24s		.44
30s		.37
36s		.33
42s		.32

		New price.
Sauce boats, cable		\$0.40
Soaps:		
Oval, fast drainer		.27
Square, fast drainer		.30
Hanging		.45
Spitting cups:		
Fast top		.36
Funnel top		.33
Sugars, round:		
24s		.60
36s		.56
Tea pots:		
24s		.90
30s		.80

White granite prices apply to all articles not enumerated in this list.

WAREHOUSE WORK.

Journeyman warehousemen, \$2.50 per day.

It is understood that above price of \$2.50 per day shall be the minimum wage paid to any journeyman glost warehouseman competent to properly do all classes of warehouse work, and who can show a clear record of not less than four consecutive years of work in that trade, the firm to be the judge of competency. This is not intended to prevent the payment of higher wages in particular cases.

RULES.

NINE-HOUR CLAUSE.

Nine hours shall constitute a day for all day wage workers excepting engineers, engineers' helpers, kiln firemen, watchmen, oddmen, and such others as must from necessity work longer hours. Eight hours shall constitute a day's work on pay Saturday. Lunch time shall be abolished for all day wage workers. Since the time of dippers' helpers must be regulated by the time of the dippers, who, as a rule, work by the piece, the dippers' helpers shall not be treated as day wage workers under this clause.

RULES GOVERNING APPRENTICES.

[Agreed to by committees representing United States Potters' Association and the National Brotherhood of Operative Potters.]

RULE 1. Apprentices shall serve their apprenticeship under the wages and conditions specified in the wage agreements existing between the United States Potters' Association and the National Brotherhood of Operative Potters.

RULE 2. An apprentice shall complete his apprenticeship under the firm with whom he started unless excused by them for valid reasons, and any time lost by said apprentice on his own account, such as loss of time, shall be made up to the firm, providing it amounts to 30 days or more.

RULE 3. When an apprentice is leaving their employ for any reason the firm shall give him discharge papers and shall state on same the reasons of his discharge, together with the discount at which he was working.

RULE 4. Should any apprentice lose his position through no fault of his own, such, for instance, as a firm discontinuing business or having no further work for such apprentice, he shall be allowed to accept a position in any pottery where a vacancy might occur, even though the full ratio of apprentices is already employed. This section does not apply to kiln placing, as the matter is covered in rules under kiln placing. And he shall be permitted to work at such pottery until he can be located in a position as apprentice. Such time shall count on his apprenticeship, providing he has his discharge papers approved by firm discontinuing his services.

RULE 5. An apprentice discharged for neglect of work or other misbehavior shall not be permitted to work at the trade again until he finds a vacancy for an apprentice, and shall serve his full time, not counting the time he may be out of employment through the above discharge.

RULE 6. If an apprentice leaves the firm which employs him and attempts to pass off as journeyman or as an apprentice of less discount than his time calls for, he shall be compelled to return and finish his apprenticeship under the firm with whom he started, unless the standing committee orders otherwise.

RULE 7. In case of strike or lockout the provisions of this agreement shall stand suspended until the termination of such strike or lockout, and any time that may be lost by said apprentice shall be fully made up by him.

RULE 8. Any breach or violation of an apprentice's contract, either on the part of the firm or the apprentice, shall be a subject for action by the standing committee.

If at any time the adding of new apprentices in any branch of the trade works an apparent hardship, owing to the depressed business conditions, any petition from the National Brotherhood of Operative Potters to the United States Potters' Association setting forth this situation will be given proper consideration.

How to figure ratio of apprentices: In calculating the ration of apprentices in any branch of the trade all potteries under one management or ownership in any one city must be considered as one pottery; but where potteries under one management are located in different cities they shall be considered separately.

Excessive loss: Manufacturers shall use due diligence to prevent loss from green ware cracking on molds, and wherever excessive loss occurs and it appears that the manufacturer refuses to make necessary investigation and take immediate steps to correct such trouble, it shall be a proper matter for adjustment by the standing committee.

Standing committee: The standing committee, East and West, shall be appointed as heretofore, to adjust matters that can not be settled between the firm and employee. The standing committee shall meet at stated intervals of 30 days, and all work in dispute shall be continued pending and subject to the decision of the standing committee. A disinterested man shall be appointed in the East and in the West, to whom shall be referred for final decision all matters that result in tie vote of the standing committee.

Disputes referred to the standing committee and not settled within 90 days shall be referred back to the parties interested.

No settlement shall be regarded final or binding unless reported to the standing committee. Such report shall state the price and properly describe the article, together with the names of the firm and the individual making the settlement, and these particulars shall be recorded by the standing committee.

Time clock: The National Brotherhood of Operative Potters recognizes the right of the manufacturer to require that all day wage employees shall register time of beginning and quitting work on time clock, or other time recording device, and of paying according to this record.

The square-deal clause: In the interpretation and application of the wage agreement and uniform scale, both sides shall recognize the intent to establish a fair day's wage for a fair day's work; they shall not insist upon technicalities where the opposite intent is clear and when points arise not clearly and literally covered by the list they shall be decided upon merit and shall not be governed by what the wage scale may specify for something similar. When any material change from that contemplated by the uniform scale is made in the method of doing any particular work, or of making any particular article, rendering such work more difficult or more simple, full allowance shall be made for said change either by an increase or a decrease in the price as the case may be.

It is agreed that no price or condition shall be considered settled by reason of the fact that it has been agreed upon by a firm not a member of the United States Potters' Association or by a workman not a member of the National Brotherhood of Operative Potters.

Penalty for violation of agreement: In view of the fact that the committee representing the United States Potters' Association and the National Brotherhood of Operative Potters are both empowered with full and final authority to act for their respective organizations in the formation of this agreement, it shall be considered that the individual members of both are parties to this contract, and should any individual member of either refuse to accept any condition herein, or should anyone withdraw from his organization by reason of his dissatisfaction with the terms hereof, such act shall be considered a violation of contract upon the part of that individual and shall cancel his right to demand that he shall participate in the benefits and privileges of this wage agreement and his right to demand that he shall employ or be employed at the rates and under the conditions specified.

Both parties to this agreement, through their duly authorized representatives of the conference committee, pledge themselves to use every honorable means to enforce the acceptance and observance of this agreement by all parties affected, to discourage any opposition on the part of individuals, and to favor in every reasonable way those employers and employees who faithfully and honorably abide by this contract in all its provisions.

GENERAL RULES AND RECOMMENDATIONS.

Manufacturers are requested when work is short to instruct foremen to divide work as equally as possible, and not to prefer some men over others in the distribution.

No workman shall be charged for losses for which he is not responsible.

It shall be left optional with individual firms whether they shall pay at noon on pay day, and whether they shall observe a Saturday half holiday.

Adequate closets shall be provided separately for male and female employees, and they shall be kept in sanitary condition.

Double time shall be allowed for all labor required to be done on Christmas, July 4, and Labor Day, except to firemen, oddmen, and to others whose labor is necessary to maintain the orderly running of the plant, and for the proper protection of plant and property.

It is recommended that heat be provided in all those departments where workmen are now exposed to excessive cold.

It is recommended that an investigation be made of the heating conditions where the blower system is now installed, and if this system anywhere proves to be injurious to workmen an effort shall be made to provide a remedy.

It is recommended that manufacturers shall take up with the workmen in their respective clay shops the subject of sweeping floors in such shops and endeavor to make some mutually satisfactory arrangement whereby such shops shall be swept after regular working hours.

When prior to the expiration of a wage agreement the National Brotherhood of Operative Potters desires to propose amendments to be embodied in the new agreement, such amendments shall be submitted to the United States Potters' Association as nearly as may be feasible, 60 days prior to the meeting of the joint conference committee, and the United States Potters' Association shall submit its amendments as nearly as may be possible 30 days in advance of said meeting.

APPENDIX B.

WAGE SCALE OF THE NATIONAL WINDOW GLASS WORKERS, EFFECTIVE OCTOBER 15, 1912, EXPIRING MAY 29, 1913.

NATIONAL WAGE SCALE FOR BLAST OF 1912-13.

The undersigned manufacturer of glass, located at _____, agrees to the following wage scale and conditions. This wage agreement shall be in full force and effect from October 15, 1912, to May 29, 1913, inclusive.

Per 100-foot box, single:	A	B
6 by 8 to 16 by 24.....	\$0.52	\$0.42
16 by 25 to 24 by 36.....	.54	.46
All above.....	.62	.54
Per 100-foot box, double:		
16 by 8 to 16 by 24.....	.52	.42
16 by 25 to 24 by 36.....	.72	.64
24 by 37 to 30 by 41.....	.79	.70
30 by 42 to 39 by 60.....	.84	.78
40 by 60 to 40 by 78.....	1.75	1.60
All above.....	3.22	3.00
Grinders.....		.46

1. On the price specified in the above brackets there shall be paid an advance of 15 per cent. It is also understood and agreed that future advances which may be secured under the provisions of this scale shall be added to the amount due as wages after 15 per cent has been applied.

2. Gatherers shall receive 80 per cent as much as blowers' wages for both single and double in all sizes.

Flattners shall receive 27 per cent as much as blowers' wages.

3. Cutters shall be paid for cutting single strength 18 cents per box of 100 square feet, plus 15 per cent; for double strength, 23 cents per box of 100 square feet, plus 15 per cent.

4. All triple strength or 32-ounce glass shall be paid for as follows: Blowers wages per 100-foot box, up to and including 16 by 24, \$1.90; all above 16 by 24, \$2.15.

All triple blown, containing 110 or more united inches, \$4 per box.

Gatherers, 75 per cent as much as blowers' wages.

Flattners, 27 per cent as much as blowers' wages.

Cutters, 50 cents per box of 100 square feet, with price and one-half for all fractional sizes booked, 16 by 16 and under.

5. When orders are given for 29 ounce glass averaging 7 lights to the inch, all trades to be paid at the rate of 25 per cent less than price specified for triple strength.

6. Fifteen per cent above price specified for triple strength shall be paid for 42 ounce or glass averaging five lights to the inch.

7. Thirty per cent advance above price specified for triple strength shall be paid for 52 ounce or glass averaging four lights to the inch.

8. The basis of wages from date of this scale up to and including November 7 or 8, 1912, shall be the before-specified scale. For each succeeding four weeks, settlement shall be made on the basis of sales as shown by report for previous settlement period computed on the basis of 1 1/2 per cent advance in wages for every 1 point the price of glass advances above the discount of 90-20 single strength and 90-25 double strength.

9. Sworn monthly statements showing sales of glass during the four weeks preceding shall be submitted not later than three days after the close of each settlement period by the secretary of the National Window Glass Manufacturers' Association. The National Window Glass Workers shall have full privilege to examine the books and records of the secretary of the National Window Glass Manufacturers' Association in order to verify statements that are submitted.

10. The wage commissioners for the National Window Glass Workers shall be appointed by either the national president or executive board of the National Window Glass Workers and shall meet at the call of the president as soon after the close of each settlement as possible and tabulate sales reports submitted by the secretary of the National Window Glass Manufacturers' Association. The average selling discount shall be ascertained from the gross and net sales and a general average of these discounts shall be taken as the selling price for the settlement upon which basis settlement shall be made for the ensuing four weeks, as specified in section 8 of this wage scale. In such general average less than one-fourth per cent shall be dropped from consideration, and one-fourth to one-half per cent shall be counted as one-half per cent.

11. The standard size of single strength shall be to cut 42 by 56; 44 by 56, or its equivalent in inches, not to exceed 64 inches in length, can be made as special orders at any time that by so doing it is possible to avoid cutting in sizes up to 16 by 24, inclusive. Single strength shall be made at the rate of 9 rollers per hour.

Number of double-strength rollers allowed per hour:

All sizes up to and including 1,728 square inches, 9 per hour.

All sizes up to and including 2,160 square inches, 8 per hour.

All sizes up to and including 2,584 square inches, 7 per hour.

All sizes above 2,584 square inches, 6 per hour.

Up to and including—

	Per hour.
28 by 60.....	9
28 by 72.....	8
30 by 56.....	9
30 by 72.....	8
30 by 86.....	7
32 by 54.....	9
32 by 66.....	8
32 by 80.....	7
36 by 60.....	8
34 by 76.....	7
36 by 70.....	7
38 by 68.....	7
40 by 54.....	8
40 by 64.....	7
42 by 50.....	8
42 by 60.....	7
44 by 48.....	8
46 by 56.....	7
48 by 52.....	7

12. Cutters shall receive price and one-half for all fractional sizes above 16 by 16 excepting 13 1/2 by 26 and 28, and double price for all fractional sizes booked 16 by 16 and under, and double price for all sizes under 14 united inches, and above prices shall be subject to no discounts.

13. A boss cutter shall be employed by all firms, and shall be a member of the National Window Glass Workers. Boss cutters shall receive the following rate of wages for their services: For 12 pots or less, \$12.50 per week, and \$2.50 for each additional 12 pots or less per week. This rate only to apply to cutters who are cutting.

14. Ten dollars extra at the end of every four weeks shall be paid to cutters cutting the big plate.

15. The number of lights per box in all strengths shall be uniform.

16. The following list governs cutters when setting out single strength sheets: Six and one-half lights per 100 feet. In setting out double sheets, 48 by 64 or the equivalent in square inches shall be set out at the rate of five lights per box.

17. Stock sheets.—Manufacturers may set out a limited number of stock sheets, amount not to exceed 800 feet per four weeks for any pot, place, or blower. This to apply to both single and double, except that for the last eight weeks of the operating period of this scale the amount heretofore specified may be doubled.

The single and double strength glass set out shall be booked to the blower at the price the single-strength glass and double-strength glass, respectively, cut and packed during the week it is set out, averages per box.

The cutter is to receive full price for all glass set out in stock sheets. Stock sheets shall not be cut up or shipped during the blast.

18. Poor double-strength glass may be set out for grinding at the rate of 1,000 feet per four weeks per pot or place and not to exceed 1,000 feet for any four weeks. Single-strength shall not be set out for grinding purposes.

19. Crackle or muffle glass shall be paid for at the rate of \$1.50 per box of 100 square feet. Gatherers to receive 80 per cent as much as blowers' wages.

20. There shall be no glass blown, gathered, flattened, or cut on the following holidays: Thanksgiving, Christmas, Decoration Day, and Labor Day.

21. Manufacturers shall furnish oil, soap, chalk, and ice for drinking water; also must at their own cost piece blowpipes and put new handles on same.

22. A boss blower shall be employed at all pot furnaces, and shall receive not less than \$1.50 per pot per month.

23. Manufacturers shall pay snappers' wages. When blower and gatherer work without snappers they shall receive snappers' pay.

24. Manufacturers shall deduct from the earnings of all members of the National Window Glass Workers working for them 2 per cent of the amount earned for dues to the National Window Glass Workers, and shall, within 10 days after each and every settlement, present a check for the full amount to the local president, payable to the secretary of

the National Window Glass Workers, together with the names, amount earned, and the amount paid by each member during said period, same to be forwarded by local president to the national secretary. No debt of any kind that a member contracts shall prevent the deduction of this 2 per cent, and any manufacturer who overpays or fails to deduct and forward said money for dues shall be held liable to the National Window Glass Workers for the payment of same, whether the member has anything due him or not. This also to apply to entire earnings for boss cutters. All bills to be presented weekly, with the amount earned. Said bills to have the amount of glass cut in each bracket and amount of A and B.

25. The manufacturer shall deduct money from members' wages when notified to do so by the president, secretary, local president, or executive board, and the National Window Glass Workers agrees to collect from its members money or transportation advanced to its members by any manufacturer, providing the member signs an order and continues to work at his trade.

26. In case of dispute over poor glass, the blower and gatherer shall be required to work at list wages unless released by the manager or local president, except that this shall not apply to stony glass, in which case the manufacturer shall pay an average day's wages if he insists on having the glass worked. The gatherer and flattener shall receive the same proportionate guaranty as the blower's guaranty. When a general guaranty is given at any plant to protect the blower, gatherer, and flattener from poor glass, it shall be made by the local president and local council, subject to ratification by the president or executive board. Should such guaranteed glass amount to more than the specified guaranty, the blower, gatherer, and flattener shall receive the benefit of the full amount of such excess. Should such guaranteed glass amount to less than the specified guaranty, the cutter shall receive the same relative increase as provided for the blower, gatherer, and flattener as above.

27. Manufacturers shall pay all workmen weekly. Members shall be paid for a week's work not later than the following week.

28. Forty hours shall constitute a week's work for blowers and gatherers. The following system may be adopted when locals so decide: In order to do away with the 4 o'clock shift on Saturday morning, the midnight shift shall continue until 8 o'clock, the day shift starting at 8 o'clock and working until 12 noon. The 4 o'clock shift finishes work for the week at midnight Friday night. All work ceases on Saturday at 12 o'clock noon.

29. All manufacturers signing or authorizing the signing of this scale hereby agree and bind themselves to comply with the usages and working rules of the National Window Glass Workers, which shall be printed for the use of both parties.

30. In case of fires being blocked or plants going out of blast, all glass must be cut up and counted off by the regular cutter, and the four trades paid in full at the end of seven days from time of going out of blast.

31. All manufacturers signing this scale hereby bind themselves and those they represent to and with the National Window Glass Workers that they will not, either by themselves or any officer, stockholders, representative, or other authorized person, sign any other scale or agree to pay any other scale of wages than the scale provided herein, and for any violation of this the president of the National Window Glass Workers shall, upon being satisfied of the violation, notify the company or firm, that they have canceled this scale, as to such manufacturers, and all members of the National Window Glass Workers employed by such manufacturer shall cease work.

32. We, the scale committee of the National Window Glass Workers, do hereby declare that we represent each and every member of the National Window Glass Workers, and that we have been given full authority by all of said members to sign this scale, and each manufacturer signing or authorizing the signing of this scale thereby recognizes the said scale committee and acknowledges its authority so to sign.

SECTION II.—Rules for working—Manufacturer.

SECTION 1. Manufacturers shall employ regular skimmers for both day and night shifts to do all necessary skimming. (This to apply to tanks only.) Gatherers shall be permitted to skim at the beginning of the shift and at tempo.

SEC. 2. Manufacturers paying on Saturday shall do so before 12 o'clock noon.

SEC. 3. No local president, executive officer, scale committeeman, or trustee shall be discharged during the blast except it be for willfully neglecting his work or incompetency, which shall be proven to satisfaction of local council.

SEC. 4. Any company hiring a member and said member upon arrival and reporting for duty finding no vacancy existing, that company shall pay said member at the rate of \$15 per week until place is vacant, or said company shall defray all expenses incurred by said member from the time he left his home or place of starting until his return to his destination.

SEC. 5. Any manufacturer introducing into his flattening house, blow furnace, tank, or pots new inventions, supposed improvements, shall so long as said improvements continue to be an experiment, or until it shall have been demonstrated that it shall not be a loss to the workmen, pay a guaranty to all workmen whose work is or may be affected by said machine or invention. Said guaranty shall consist of so much per box, and every 6½ rollers 42 by 56 to constitute a box of single strength, and the number of rollers according to the regular list to constitute a box of double strength. Said guaranty to be arranged between the manager of the said works and the national president of the National Window Glass Workers, subject to ratification of the executive board.

SEC. 6. No member of the National Window Glass Workers shall be denied the right to enter any factory, flattening house or cutting room where the national scale is in force. This not to apply to men under the influence of strong drink, sleeping in factories, or using abusive language.

SEC. 7. Stock sheets.—Manufacturers may set out a limited number of stock sheets, amount not to exceed 800 feet per four weeks for any pot, place, or blower. This to apply to both single and double, except that for the last eight weeks of the operating period of this scale the amount heretofore specified may be doubled. The single and double strength glass set out shall be booked to the blower at the price the single-strength glass and double-strength glass respectively cut and packed during the week which it is set out, averages per box. The cutter is to receive full price for all glass set out in stock sheets. No stock sheets shall be cut up or shipped during the blast.

SEC. 8. Poor double-strength glass may be set out for grinding at the rate of 250 feet per week per pot or place, and not to exceed 1,000 feet for any four weeks. Gatherers shall receive 80 per cent as much as blowers' wages for all grinders.

SEC. 9. There shall be no glass blown, gathered, flattened, or cut on the following holidays: Thanksgiving, Christmas, Decoration Day, and Labor Day.

GENERAL WORKING RULES.

SECTION 1. The following working rules shall govern both manufacturers and members of this association on and after the signing of what is known as the wage scale.

SEC. 2. In all cases, except in cases of willful neglect of work, when immediate discharge may follow, seven days' notice shall be given before discharging any workman. Any workman desiring to quit a place shall be required to give seven days' notice and to faithfully work out the same, unless released by his employers. Notice to quit a place to be valid, must be given in writing to the local president. This to apply alike to employers and men.

SEC. 3. When a member leaves a factory, either by discharge, release by the manager, or after having worked out his week's notice, the local president shall notify the manager or firm that the member's wages are due seven days thereafter.

SEC. 4. Blowlers and gatherers shall not be allowed to work on two successive shifts.

SEC. 5. No member shall gather or blow before 1 o'clock a. m. on Monday.

The foreman of a pot furnace may permit a blower and gatherer to commence before the regular time, but in no case shall they be allowed to make more than the regular number of rollers per hour, nor commence ahead of time—Monday morning at 1 o'clock or 12 o'clock midnight following a holiday.

SEC. 6. No blower or gatherer shall dip out pots, nor shall any blower or gatherer carry out rollers, whether paid for doing so or not.

SEC. 7. No member of this association shall pay for the piecing or repairing of pipes or tools at any time, and the manufacturer shall also furnish pipe handles and have them put on. A rental charge, not to exceed 25 cents per week, may be made when manufacturers furnish a full set of blowpipes.

SEC. 8. Gatherers and blowers working spare glass shall mark it spare and have it kept separate.

SEC. 9. All companies engaging a spare blower will have him mark his glass when gathering the same as when blowing and not pay on average blowing.

SEC. 10. Each pot furnace shall be under the control of a foreman, who shall be either a blower or gatherer, and said foreman shall have full charge during blowing and oversee all pot settings.

SEC. 11. Manufacturers shall furnish blackboard or slate to Lehr tenders and shove boys, on which shall be kept an account of all glass which bursts in the oven and number of pieces coming off Lehr.

SEC. 12. No two blowers or gatherers will be allowed to work in the same place on the same shift except as helper.

SEC. 13. The work of turning pots shall be done by the boss blower, but when requested by the boss blower, blower and gatherer shall assist in turning pots and building up furnace rings in his own place.

SEC. 14. No boss blower or gatherer will be allowed to mend benches except from clute holes hen setting pots. No blower or gatherer shall be allowed to get sand or clay or furnish any other material for pot setting or mending benches.

SEC. 15. The standard size of single strength shall be to cut 42 by 56; 44 by 56 or its equivalent in inches not to exceed 64 inches in length can be made as special orders at any time that by so doing it is possible to avoid cutting in sizes up to 16 by 24, inclusive.

SEC. 16. If any blower or gatherer is absent from pot setting and not excused by the manager or master blower, he shall be subject to fines as follows: Blowlers absent from pot settings without reasonable excuse, \$1; gatherers, 75 cents. This not to apply to spare workers except when they work that blowing.

SEC. 17. A list of all fines imposed shall be handed into the office of the company by the local president, and the amount deducted from such workmen's account at the next settlement.

SEC. 18. A blower or gatherer working at single strength, making a thickness of more than 11 to the inch, shall be fined \$5 for each and every offense.

SEC. 19. Members will not be allowed to work with anyone not a member of this association. This, however, does not apply to discharged apprentices.

SEC. 20. Any blower or gatherer making more grinders than provided for by law, or any cutter cutting or setting out more stock sheets or grinders than provided by law, shall be fined not less than \$5 for the first offense and \$10 for each succeeding offense.

SEC. 21. No single-strength blower or place will be allowed to make double-strength grinders.

SEC. 22. No blower shall be allowed to let snappers open, swing, or put rollers on the crane. Anyone violating this law shall be fined at the discretion of the local council. (This shall also apply to snapper carrying lump to cooling tub.)

SEC. 23. Snappers shall not be allowed to gather on ring irons for the purpose of filling thread pots or glaze blocks or to make trinkets. This does not apply to snappers gathering threads during the blowing.

SEC. 24. Boss blowers in pot furnaces shall receive not less than \$1.50 per pot per month.

SEC. 25. No member or local, when a difficulty arises, shall have the right to cease work or pull pipes without the authority or permission of the national president or executive board through the local council.

SEC. 26. Forty hours shall constitute a week's work for blowers and gatherers. The following system may be adopted when locals so decide: In order to do away with the 4 o'clock short shift on Saturday morning the midnight shift starting at 8 o'clock and working until 12 noon. The 4 o'clock shift finishes work for the week at midnight Friday night. All work ceases on Saturday at 12 o'clock noon.

SEC. 27. Where breakage of glass occurs through fault in construction of flattening oven, or breaking of dip frames, blowers, gatherers, and flatteners shall be reimbursed and receive an average of pay for all glass broken.

SEC. 28. A thorough investigation of the methods of any company shall be undertaken when charges are made by local president and council that members are not receiving proper amount of boxes or wages. Any member assisting in the investigation shall be properly protected by the organization.

FLATTENERS.

SEC. 29. Twelve pots shall be the limit for any one flattening oven.
 SEC. 30. Where 12 pots are flattened in any oven 3 flatteners shall be employed on said oven.
 SEC. 31. All flatteners working over 6 hours shall stop at least 20 minutes for lunch.
 SEC. 32. No flattener shall flatten for more than four pots, unless in case of actual emergency.
 SEC. 33. Any flattener working where coal is used shall not be allowed to clunker out producer or put on braces.
 SEC. 34. No one other than an apprentice shall be allowed to lay out except the oven shall be larger than a four-stone. Any flattener violating this law shall be fined \$25.
 SEC. 35. Flatteners shall not saw or cut the rounds off logs or scantlings to prepare blocks.
 SEC. 36. No flattener shall be allowed to pay any part of layer out's wages, or any help that may be employed about the flattening house.
 SEC. 37. No flattener shall be compelled to rub flattening stones.
 SEC. 38. No flattener shall be allowed to assist in setting flattening stones, building fire boxes or mantles, or anything pertaining thereto. This only to apply during time fire is in blast.

CUTTERS.

SEC. 39. No cutter shall be allowed to cut more than two and a half pots of single strength and three pots of double strength.
 SEC. 40. Each cutter shall assort his own glass, count off the same and credit to the blower, gatherer, and flattener, retaining the amount of glass on his slate until the local president has received the bills for the amount of glass produced each week, and the cutter shall give the blower, gatherer, and flattener a weekly account of glass cut, and shall also place slips which will state number of boxes cut and brackets in which they are booked in glass after having counted off.
 SEC. 41. No cutter shall work while the fire is out filling orders from glass set out in the sheet for weekly wages, when such wages would be exceeded in amount if the glass cut was paid for according to the regular price per box, as fixed in the articles of agreement between this association and manufacturers.
 SEC. 42. Cutters in setting out single strength stock sheets shall book the same to blower, six and a half lights per hundred foot box.
 SEC. 43. Each manufacturer shall employ a boss cutter, said boss cutter to be a member of the National Window Glass Workers, and he shall divide and distribute the orders among the cutters.
 SEC. 44. All fractional sizes shall be counted to the full inch above, not below.
 SEC. 45. No cutter shall be allowed to accept less than the regular price per box for cutting on account of the employment of an assorter.
 SEC. 46. All glass must be flattened and cut weekly, except in cases of ovens breaking down or other unavoidable circumstances.
 SEC. 47. Cutters when squaring up glass in sheets and standing them out shall book the same according to the wage agreement, and any cutter violating this law shall be fined \$25 for the first offense, \$50 for the second offense, and any member found guilty of a third offense shall be suspended from the association.
 SEC. 48. Cutters shall not be allowed to work on Sunday, subject to a fine of \$5 for each and every offense.
 SEC. 49. All stock sheets must be handled by the cutter, who shall receive full pay for doing same.
 SEC. 50. Cutters shall not cut or book more than one blower's glass at any one time.
 SEC. 51. Cutters shall not carry spare glass into their stalls to cut. The company shall bear the expense of such transfer of glass.
 SEC. 52. Cutters shall not be allowed to keep an account of the snapper's work.
 SEC. 53. The manufacturers shall furnish oil and chalk for cutters.
 SEC. 54. Cutters shall not be allowed to cut glass in any size and book same to the company and themselves.
 For violation of the above a fine of \$25 shall be imposed for the first offense, \$50 for the second offense, and suspension from the association for the third offense.
 Accepted:

 Manufacturer.

 Local President.

Manufacturers' scale committee: John Koblegard, chairman; J. S. Walker, secretary; H. R. Hilton, John G. Todd, Charles H. Harding, Joseph Grant, C. F. Lutes.

National Window Glass Workers' scale committee: J. M. Neenan, president; Charles Bryant, secretary; John Siemer, Shreve Ames, George W. Harbert, Charles L. Bryant, Charles Beebe, Jules A. Brasseur, George H. Rozzell, James W. Woodruff.

APPENDIX C.

WAGE SCALE AND WORKING RULES ADOPTED BY THE GLASS BOTTLE BLOWERS' ASSOCIATION OF THE UNITED STATES AND CANADA AND THE NATIONAL GLASS VIAL AND BOTTLE MANUFACTURERS' ASSOCIATION.

List of prices, season of 1912 and 1913.

ROUND AND FLUTED PRESCRIPTIONS—LONG AND SHORT.

Contents.	Weight.	Per gross.	
		N. M.	W. M.
1-dram to 1-ounce.....	Ounces. 1 1/2	\$0.54	\$0.53
1-ounce to 1 1/2-ounce.....	1 1/2	.56	.59
2-ounce.....	2	.58	.61
3-ounce.....	3	.59	.61
4-ounce.....	4	.61	.64
5-ounce.....	5	.63	.65
6-ounce.....	6	.65	.67
8-ounce.....	8	.69	.71
9-ounce.....	9	.73	.76
10-ounce.....	10	.77	.80
12-ounce.....	12	.82	.86
14-ounce.....	14	.86	.91
16-ounce.....	16	.91	.96
20-ounce.....	20	.99	1.04
24-ounce.....	24	1.09	1.13
32-ounce.....	32	1.22	1.26

List of prices, season of 1912 and 1913—Continued.

OVALS, FRENCH SQUARES, TALL BLAKES, AND TALL OBLONG PRESCRIPTIONS.

Contents.	Weight.	Per gross.	
		N. M.	W. M.
1-ounce.....	Ounces. 1 1/2	\$0.54	\$0.57
1-ounce.....	1 1/2	.56	.58
2-ounce.....	2	.58	.61
3-ounce.....	3	.59	.63
4-ounce.....	4	.61	.64
5-ounce.....	5	.63	.66
6-ounce.....	6	.65	.68
7-ounce.....	7	.67	.70
8-ounce.....	8	.71	.75
10-ounce.....	10	.79	.82
11-ounce.....	11	.82	.86
12-ounce.....	12	.86	.90
14-ounce.....	14	.90	.94
15 1/2-ounce.....	15 1/2	.93	.96
16-ounce.....	16	.95	.99
17-ounce.....	17	.99	1.02
18-ounce.....	18	1.02	1.05
19-ounce.....	19	1.06	1.08
20-ounce.....	20	1.09	1.12
24-ounce.....	24	1.21	1.24
28-ounce.....	28	1.25	1.28
32-ounce.....	32	1.30	1.33

LIQUOR OVALS, WITH WINE OR BRANDY FINISH ONLY, AS SHOWN IN CUT.¹
 [This list to apply on Union Oval Picnic, Shoo-Fly, and Jo-Jo flask. Blowers shall receive count for all blowover flasks after being chipped.]

Contents.	Weight.	Per gross.	
		N. M.	W. M.
1-ounce.....	Ounces. 1 1/2	\$0.54	
1 1/2-ounce.....	1 1/2	.56	
2-ounce.....	2	.58	
3-ounce.....	3	.59	
4-ounce.....	4	.61	
5-ounce.....	5	.63	
6-ounce.....	6	.65	
7-ounce.....	7	.67	
8-ounce.....	8	.71	
10-ounce.....	10	.79	
11-ounce.....	11	.82	
12-ounce.....	12	.86	
14-ounce.....	14	.90	
16-ounce.....	16	.95	
17-ounce.....	17	.99	
18-ounce.....	18	1.01	
19-ounce.....	19	1.04	
20-ounce.....	20	1.06	
24-ounce.....	24	1.16	
28-ounce.....	28	1.19	
32-ounce.....	32	1.24	

¹ Not printed.

FLATS, SHORT BLAKES, AND SHORT OBLONGS.

Contents.	Weight.	Per gross.	
		N. M.	W. M.
1-ounce.....	Ounces. 1 1/2	\$0.57	\$0.59
1-ounce.....	1 1/2	.58	.60
1 1/2-ounce.....	1 1/2	.59	.61
2-ounce.....	2	.59	.61
2 1/2-ounce.....	2 1/2	.62	.64
3-ounce.....	3	.65	.67
3 1/2-ounce.....	3 1/2	.64	.65
4-ounce.....	4	.65	.67
4 1/2-ounce.....	4 1/2	.63	.65
5-ounce.....	5	.68	.70
6-ounce.....	6	.73	.74
7-ounce.....	7	.77	.78
8-ounce.....	8	.82	.84
10-ounce.....	10	.90	.92
12-ounce.....	12	.95	.97
14-ounce.....	14	1.04	1.06
16-ounce.....	16	1.25	1.26
24-ounce.....	24	1.42	1.45

ROUND CASTOR OILS AND LEMON SIRUPS.

[Olive oils and castor oils, bell-bottom oils, octagon shape, to be rated the same as round castor oils.]

Contents.	Weight.	Per gross.	
		N. M.	W. M.
1-ounce.....	Ounces. 1 1/2	\$0.58	
1-ounce.....	1 1/2	.60	
1 1/2-ounce.....	1 1/2	.65	
2-ounce.....	2	.65	
2 1/2-ounce.....	2 1/2	.68	
3-ounce.....	3	.70	
4-ounce.....	4	.76	
5-ounce.....	5	.81	
6-ounce.....	6	.86	
8-ounce.....	8	.92	
10-ounce.....	10	.99	
12-ounce.....	12	1.05	
14-ounce.....	14	1.08	
16-ounce.....	16	1.14	
20-ounce.....	20	1.29	
24-ounce.....	24	1.40	
32-ounce.....	32	1.62	

List of prices, season of 1912 and 1913—Continued.

BALL-NECK PANELS.

Contents.	Weight.	Per gross.
	Ounces.	
1-ounce.....	1½	\$0.59
2-ounce.....	2	.60
3-ounce.....	2½	.61
4-ounce.....	3	.66
5-ounce.....	3½	.66
6-ounce.....	4	.69
7-ounce.....	4½	.73
8-ounce.....	5	.80
9-ounce.....	6	.86
10-ounce.....	7	.93
11-ounce.....	8	1.00
12-ounce.....	10	1.15
13-ounce.....	12	1.24
14-ounce.....	13	1.29
15-ounce.....	15	1.38
16-ounce.....	18	1.56
17-ounce.....	22	1.80

DEMIJOHNS AND CARBOYS.

Contents.	Weight.	Value.
	Ounces.	
2-ounce.....	2	\$0.67
5-ounce.....	3	.72
1-quart.....	4	.82
1-gallon.....		.14
1-gallon.....		.18
2-gallon.....		.26
2-gallon.....		.42
4-gallon.....		.61
4-gallon.....		.78
5-gallon.....		.81
8 and 9 gallon.....		.08½
20 and 11 gallon.....		.11½
12-gallon.....		.12
13-gallon.....		.12½
14-gallon.....		.14
16-gallon.....		.14½
Baltimore lipped, 3-pint.....		.17
Baltimore lipped, 5-pint.....		.21
Hydrock's, 5-gallon.....		.81

BULB NECK OR EXPORT BEERS—SPECIAL LIST TO BE APPLIED ONLY ON EXPORT BEERS.

Contents.	Weight.	Per gross.
	Ounces.	
Sample export.....	2	\$0.62
Do.....	3	.70
1-pint.....	12-13	.77
11-ounce.....	13	.81
1-pint.....	14-16	.85
1½-pint.....	18	.93
Do.....	20	.96
1-quart.....	22-24	1.02
Do.....	32	1.33
7-gallon, per bottle.....		.22

BRANDIES, WHISKIES, IRISH WHISKIES, TOM GINS, AND WINES.

[All brandies, whether round, square, or octagon, tall or squat, bulb, twist, or plain neck, except very flat-shouldered, square brandies, such as the Hannis, which shall be a special price, shall be rated on the present bracket.]

Contents.	Weight.	Per gross.
	Ounces.	
1-ounce sample.....	1½	\$0.62
1½-ounce sample.....	1½	.62
2-ounce sample.....	2	.65
2½-ounce.....	2½	.68
2½-ounce.....	2½	.68
3-ounce.....	3	.70
4-ounce.....	4	.61
6-ounce.....	6	.70
16 to gallon.....	8	.63
12 to gallon.....	10	.69
10 to gallon.....	12	.75
8 to gallon.....	13	.78
7 to gallon.....	16	.88
6 to gallon.....	16	.88
Do.....	18	.92
5½ to gallon.....	18	.92
Do.....	20	.97
5 to gallon.....	20	.97
Do.....	22	1.00
4 to gallon.....	24	1.18
1-gallon.....	34	1.44

NOTE.—Any brandy bottle holding more than 25½ ounces and less than 32 ounces shall be rated as a brandy 4 at the standard weight of 24 ounces. Price, \$1.10 per gross.

List of prices, season of 1912 and 1913—Continued.

SPECIAL LIST—TO BE APPLIED ONLY ON LAGER BEERS, CHAMPAGNE SHAPE APOLLINARIS, AND SELECT BEERS.

	Per gross.
2-ounce samples.....	\$0.62
10-ounce weight.....	.73
11-ounce weight.....	.74
12-ounce weight.....	.75
13-ounce weight.....	.78
14-ounce weight.....	.82
15-ounce weight.....	.86
16-ounce weight.....	.88
17-ounce weight.....	.90
18-ounce weight.....	.92
19-ounce weight.....	.92
20-ounce weight.....	.94
21-ounce weight.....	.97
22-ounce weight.....	.99
23-ounce weight.....	1.02
24-ounce weight.....	1.04
25-ounce weight.....	1.06
26-ounce weight.....	1.10
27-ounce weight.....	1.14
28-ounce weight.....	1.18
30-ounce weight.....	1.18
32-ounce weight.....	1.26
34-ounce weight.....	1.35
36-ounce weight.....	1.78
52-ounce weight.....	1.88
1 gallon, per dozen.....	3.17
	.38½

MINERAL, WEISS BEERS, AND GINGER ALES.

	Per gross.
6-ounce.....	\$0.83
12-ounce.....	.76
13-ounce.....	.80
14-ounce.....	.83
15-ounce.....	.87
16-ounce.....	.90
17-ounce.....	.94
18-ounce.....	.96
20-ounce.....	.99
22-ounce.....	1.08
24-ounce.....	1.15
26-ounce.....	1.18
27-ounce.....	1.22
28-ounce.....	1.26
29-ounce.....	1.30
30-ounce.....	1.35
31-ounce.....	1.39
32-ounce.....	1.40

Mr. LA FOLLETTE. Now, Mr. President, I will ask for a vote pro forma upon those amendments.

Now, Mr. President, I will ask for a vote pro forma upon those amendments.

The VICE PRESIDENT. The question is on agreeing to the amendments proposed by the Senator from Wisconsin.

Mr. STONE. It is understood, of course, that the matter referred to goes in the Record.

The VICE PRESIDENT. Yes; without objection, it goes into the Record. The question is on agreeing to the amendments.

The amendments were rejected.

Mr. LA FOLLETTE. Mr. President, I offer the amendment which I send to the Secretary's desk.

The VICE PRESIDENT. The Secretary will read the amendment.

The SECRETARY. Strike out paragraphs 255 to 271, inclusive, being all the paragraphs of Schedule I, and insert in lieu thereof the following:

1. Cotton card lap, sliver, roving, or roping, 5 per cent ad valorem.
2. Cotton waste and flocks manufactured, 10 per cent ad valorem; antiseptic, medicated, or sterilized cotton, cotton waste, or flocks, 20 per cent ad valorem.

3. Cotton carded yarn in the gray or otherwise, not advanced beyond the condition of singles by grouping or twisting two or more single yarns together, 1 cent per pound on all numbers up to and including No. 10, and one-twentieth of 1 cent per pound additional for each number or fraction thereof in excess of No. 10 and up to and including No. 29 or any fraction thereof; on No. 30 2 cents per pound, and one-tenth of 1 cent per pound additional for each number or fraction thereof in excess of No. 30.

4. Cotton carded yarn or thread not otherwise provided for, in the gray or otherwise, advanced beyond the condition of singles by grouping or twisting two or more single yarns together; and cable-laid yarn or thread, in the gray or otherwise, made by grouping or twisting two or more twisted yarns or threads together, 1½ cents per pound on all numbers up to and including No. 10 and three-fortieths of 1 cent per pound additional for each number or fraction thereof in excess of No. 10 and up to and including No. 29 or any fraction thereof; on No. 30, 3 cents per pound, and three-twentieths of 1 cent per pound additional for each number or fraction thereof in excess of No. 30.

5. Cotton combed yarn, in the gray or otherwise, whether in the condition of singles or advanced beyond the condition of singles by twisting two or more single yarns together, shall be dutiable at the same rates of duty as cotton carded yarns of similar structure, and in addition thereto one-half of 1 cent per pound.

6. Spool thread of cotton, crochet, darning, and embroidery cottons, on spools, shall be dutiable at the same rates of duty as the single yarns from which they are made.

7. Cotton cloth made of carded yarn, plain woven, in the gray, or bleached, dyed, colored, stained, painted, printed, mercerized, or otherwise finished, containing not more than 5 square yards to the pound, 5 per cent ad valorem; containing more than 5 and not more than 7½ square yards to the pound, 10 per cent ad valorem; containing more than 7½ square yards to the pound, 15 per cent ad valorem.

8. Cotton cloth, made wholly or in part of combed yarn, plain woven, in the gray, or bleached, dyed, colored, stained, painted, mercerized, or otherwise finished, containing more than 5 square yards to the pound, 12½ per cent ad valorem; containing more than 5 and not more than 7½

yards to the pound, 17½ per cent ad valorem; containing more than 7½ square yards to the pound, 22½ per cent ad valorem.

9. Cotton cloth, fancy woven, in the gray, or bleached, dyed, colored, stained, painted, printed, mercerized, or otherwise finished, figured or containing figures produced by various weaving devices known as dobby, drop-box, leno, lappet, swivel, and any other name except Jacquard, 25 per cent ad valorem.

10. Cotton cloth, made wholly or in part of dyed yarns, containing less than 5 square yards to the pound, 10 per cent ad valorem; containing 5 or more square yards to the pound, 25 per cent ad valorem.

11. Cotton cloth woven by means of the Jacquard attachment, not otherwise provided for, 30 per cent ad valorem.

12. Cotton table damask, 30 per cent ad valorem; manufactures of cotton table damask, or of which cotton table damask is the component material of chief value, not otherwise specially provided for in this section, 30 per cent ad valorem.

13. Cloths containing silk or artificial silk, in which cotton is the component material of chief value, shall be subject to the same rates of duty as cotton cloths of similar weave or construction, and in addition thereto 5 per cent ad valorem.

14. Cotton cloths filled or coated, in whole or in part, including oil-cloth of cotton; waterproof cloths composed of cotton or in which cotton is the component material of chief value, 25 per cent ad valorem.

15. Handkerchiefs or muffers of cotton, in the piece or otherwise, finished or unfinished, hemstitched or not, not otherwise specially provided for, shall pay the same rate of duty as the cloth of which they are made, and in addition thereto 5 per cent ad valorem.

16. Towels, wash rags or cloths, finished or unfinished and not in the piece, or cloth composed wholly or in part of looped threads lying on the surface, such as are known as terry cloth, and articles made therefrom, not including wearing apparel; any of the foregoing made of cotton or of which cotton is the component material of chief value, 20 per cent ad valorem.

17. Plushes, velvets, and all pile fabrics made of cotton, or of which cotton is the component material of chief value, whether the pile covers the entire surface or not, and cut in whole or in part, 40 per cent ad valorem: *Provided*, That manufactures or articles in any form, including such as are commonly known as bias dress facings or skirt bindings, made or cut from plushes, velvets, or other such pile fabrics composed of cotton, or of which cotton is the component material of chief value, shall be subject to the same rates of duty as the fabrics from which they are made.

18. All articles manufactured of cotton chenille, or of which cotton chenille is the component material of chief value; Jacquard-figured tapestry, and Jacquard-figured upholstery goods, weighing over 6 ounces per square yard, made of cotton, or of which cotton is the component material of chief value, 40 per cent ad valorem.

19. Stockings, hose, and half hose, made wholly or in part on knitting machines or frames, commercially known as seamless, composed of cotton, or of which cotton is the component material of chief value, 20 per cent ad valorem.

20. Stockings, hose, or half hose, made wholly or in part on knitting machines or frames, or knit by hand, and commercially known as full-fashioned, composed of cotton, or of which cotton is the component material of chief value, valued at not more than \$2 per dozen pairs, 50 per cent ad valorem; valued at more than \$2 per dozen pairs, 60 per cent ad valorem.

21. All underwear of every description, made wholly or in part on knitting machines or frames, or knit by hand, finished or unfinished, not otherwise specially provided for, composed of cotton, or of which cotton is the component material of chief value, valued at not more than \$1.50 per dozen garments, 20 per cent ad valorem; valued at more than \$1.50 per dozen garments and not more than \$3 per dozen garments, 30 per cent ad valorem; valued at more than \$3 per dozen garments and not more than \$6 per dozen garments, 40 per cent ad valorem; valued at more than \$6 per dozen garments, 45 per cent ad valorem.

22. Men's and boys' gloves, knitted or woven, composed of cotton, or of which cotton is the component material of chief value, 50 per cent ad valorem.

23. Tire fabric or fabric suitable for use in pneumatic tires, made of cotton, or of which cotton is the component material of chief value, 25 per cent ad valorem.

24. Bone casings, garters, suspenders and braces, webs, webbings, and tubing, any of the foregoing composed wholly or in chief value of cotton or of cotton and India rubber, and not embroidered by hand or machinery; spindle banding, woven, braided, or twisted lamp, stove, or candle wicking, loom harness, beads or collars, boot, shoe, and corset laces, labels for garments or other articles; composed of cotton, or of which cotton is the component material of chief value, 30 per cent ad valorem.

25. Belting for machinery made of cotton and India rubber, or of which cotton is the component material of chief value, 20 per cent ad valorem.

26. Clothing, ready-made, and articles of wearing apparel of every description, wholly or partly manufactured, not otherwise specially provided for, composed wholly or in chief value of cotton, 30 per cent ad valorem.

27. Lace window curtains, pillow shams, and bed sets, finished or unfinished, made on the Nottingham lace-curtain machine, and composed of cotton or other vegetable fiber, when counting not more than six points or spaces between the warp threads to the inch, 35 per cent ad valorem; when counting more than six and not more than eight points or spaces to the inch, 40 per cent ad valorem; when counting nine or more points or spaces to the inch, 45 per cent ad valorem.

28. All articles made from cotton cloth, and all manufactures of cotton, or of which cotton is the component material of chief value, not otherwise specially provided for, 30 per cent ad valorem.

29. The term cotton cloth wherever used in the paragraphs of this schedule, unless otherwise specially provided, shall be held to include all woven fabrics composed wholly or in chief value of cotton, in the piece or cut in lengths, and shall not include any article, finished or unfinished, made from cotton cloth.

Mr. LA FOLLETTE. Mr. President, I desire to submit some observations on this amendment before it is acted upon.

The handbook which has been constantly before us since the first day of this debate presents for each paragraph of the bill a table showing the rate fixed in the Payne-Aldrich tariff law as a basis of comparison with the rates in the pending bill. Throughout our consideration of this subject we have been constantly reminded that a rate under consideration is this or that much "below the Payne-Aldrich rate"; that it "reduces the Payne-Aldrich rate" this or that percent; that it is a "very great reduction over existing duties." Such has been the reiterated

comment. The Payne-Aldrich rates have been taken as a standard of measurement in considering the reductions in the pending bill.

I begin, therefore, on the cotton schedule, as on yesterday I began on the woolen schedule, with a brief discussion of the character of the duties of the Payne-Aldrich cotton schedule. The Dingley rates were concededly high-tariff rates. The call for tariff revision heard throughout the country for years prior to 1909 was based upon a demand for a reduction of those duties. When revision came four years ago, however, some of the most unjustifiable increases were made in the cotton schedule, and instead of being reduced the rates in this schedule were actually increased.

Let me remind Republicans upon this side that the thing that first introduced division in Republican ranks was this demand for tariff revision. The men who, responding to that demand, urged revision came to be known as progressive Republicans. The men who resisted it came to be known as standpat Republicans. The standpat Republicans opposed revision just as long as it was possible to do so. Tariff revision was insisted upon by the great body of the people of this country who believed the duties too high; otherwise there would have been no revision. And it was to secure *downward* revision that the subject was pressed.

When finally revision was forced upon the standpat bosses in Congress and we came to this cotton schedule that revision resulted, as it did in nearly all of the schedules, in wanton and reckless tariff increases instead of the reductions which the public had so urgently demanded.

Mr. President, the cotton rates were already excessive, *even if the cost-of-production principle was applied in the most liberal way*. Cottons are used, sir, by every class in the community, but especially by the poorer classes. But in the face of all this the standpat bosses, resentful that the people had finally forced revision of the tariff, resolved to "give them a lesson in tariff revision that would teach them to be less meddlesome in the future." They denied the plain fact that the duties were already rankly extortionate. They ignored the platform pledge to revise the duties according to the difference in the cost of production at home and abroad, which everyone knew would result in sweeping reductions, and seizing upon the opportunity to give the manufacturers still greater monopoly privileges they boldly and flagrantly increased the tariff on cotton goods in the revision of 1909.

It is difficult to illustrate by means of statistics many increases in these rates, since they were concealed in specific duties. It may be done, however, by a comparison and computation based on the rates themselves. For example, the rate on a certain class of fabrics, valued at over 16 cents per square yard, was raised from 30 per cent to 8 cents per square yard, an increase of over 50 per cent. On a fabric valued at 17 cents there was an increase from 30 to over 47 per cent. I cite these as characteristic of the changes made.

Fortunately, as to this schedule it is possible to demonstrate that the rates on cotton cloth in the Payne-Aldrich law are very excessive. To determine whether the rates in the cotton schedule are excessive it is desirable to see to what extent they restrict importation. These rates are not nearly so prohibitory as the rates on manufactures of wool, but the imports are nevertheless a comparatively small part of the domestic production. The year 1909 is the last year for which we have comparable statistics. In 1909 the total importation of unbleached, bleached, dyed, colored, stained, painted, or printed cotton cloth amounted to 67,985,908 square yards, valued at \$10,100,252. Production figures are only in a general way comparable, but they serve to show that the importation of cotton cloth amounts to a very small per cent of the domestic production. The following table gives the domestic production in 1909:

Production of cotton goods, including cotton small scales, in 1909 in the United States.

Products.	1909	
	Quantity produced.	Value.
Plain cloth for printing or converting.....	Square yards 2,324,635,171	\$115,914,170
Brown or bleached sheetings and shirtings.....	1,396,587,105	84,620,247
Twills and satens.....	388,314,961	34,274,107
Fancy woven fabrics.....	426,710,359	47,498,713
Ginghams.....	537,430,463	37,939,040
Ducks.....	162,478,322	27,485,892
Drills.....	226,678,488	17,116,608
Ticks, denims and stripes.....	264,870,508	27,350,162
Cottonades.....	25,676,286	3,343,533
Napped fabrics.....	305,655,864	25,695,367
Corduroy, cotton velvet and plush.....	19,706,438	6,965,634
Mosquito and other netting.....	59,100,819	2,103,560
Upholstering goods.....	94,840,051	14,882,842
Cotton towels and toweling.....	52,778,170	6,037,075
Total.....	6,285,461,005	451,226,950

Mr. President, I submit another table based on the Tariff Board's samples. I have before me the cotton textile samples, showing the actual cloth, upon which the Tariff Board based its investigation of 1912. They are, I think, exactly 100 in number. They are typical of the entire cotton industry of this country.

I have applied to these samples the Payne-Aldrich rates. I have had the same computations made upon the rates in the pending cotton schedule and in the substitute which I have offered.

This table gives the kind of cloth, the number of square yards to the pound, the kind of finish, the total American cost of conversion per square yard, the total English selling price per square yard, the duty per square yard under the Aldrich Act, the duty per square yard under the pending bill, and also the duty per square yard under the substitute which I have presented.

Mark you, Mr. President, this table shows the *total cost of conversion*. That means the total expense of making any one of these fabrics—converting them from the raw material as it comes to the factory into the finished product as it goes upon the market.

Now, the utmost that anyone contending for the principle of protection asks to-day is that the tariff shall measure the difference between the cost of production in this country and abroad; that is, the *difference* in the conversion cost.

I have not figured out in this table the difference in the conversion cost, but I have the total American conversion cost. I find that on these hundred samples, which are representative of the whole cotton industry, the present duties in all but 25 of the samples equal the *entire* conversion cost, to say nothing about the difference. In 4 of these hundred samples the duty is 55 per cent of the total conversion cost; in 4 more it is 70

per cent; in 5 more it is 75 per cent; in 6 more it is 80 per cent; in 6 more it is 90 per cent; in 20—that is, in one-fifth of these samples, which represent the cotton industry—it is 100 per cent of the conversion cost.

Just think of it, 100 per cent of the total conversion cost! Think of the burden that the American people have been carrying! Think of the iniquity of this cotton schedule, which, as a part of the tariff bill, was the issue of the campaign for many, many years. The people were promised revision downward, and when revision came the rates were lifted in this iniquitous and reprehensible way, and the American people were victimized. Is it any wonder, Mr. President, that they rose in revolt?

Fourteen of these samples show a duty of 125 per cent of the total cost of conversion; 10 of them carry duties of 150 per cent of the total cost of conversion; 9 of them—that would mean nearly a tenth of the industry—bear a duty to-day which is 175 per cent of the total conversion cost. Three of these samples show duties 200 per cent higher than the total conversion cost. You see the revisers had some special pets in this industry. Four of these typical samples show duties of 250 per cent of the total cost of conversion. Two of these samples carry duties of 300 per cent—not 300 per cent of legitimate protection, but 300 per cent more than all the cost of converting from the raw material to the finished product. One sample has a duty of 400 per cent and two of 600 per cent higher than the conversion cost.

Mr. President, I ask leave to incorporate this table in connection with my remarks without reading it in full.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The table referred to is as follows:

Duties on the Tariff Board cotton samples under the Payne-Aldrich law, the pending bill, and the La Follette substitute compared with the American conversion cost as found by the Tariff Board.

Sample No.	Kind of cloth.	Yarn.		Square yards per pound.	Kind of finish.	Total American cost of conversion per square yard.	Total English selling price per square yard.	Duty per square yard under Payne-Aldrich Act.	Duty per square yard under Senate bill.		Duty per square yard under La Follette substitute.	
		Warp.	Filling.						Per cent.	Amt.	Per cent.	Amt.
1	Duck	7/1	6/1	1.29	Unbleached	\$0.0129	\$0.2087	\$0.0800	7½	\$0.0157	5	\$0.0104
2	do	8/1	7/1	1.57	do	.0130	.1703	.0800	7½	.0128	5	.0085
3	Osnaburg	11/1	10/1	3.25	do	.0193	.0784	.0225	7½	.0059	5	.0039
4	Heavy sheeting	12/1	16/1	3.125	do	.0150	.0750	.0225	10	.0075	5	.0038
5	Sheeting	11/1	14/1	2.93	do	.0167	.0814	.0225	10	.0081	5	.0041
6	Brown domestic	18/1	22/1	4.02	do	.0160	.0668	.0200	12½	.0209	5	.0033
7	Brown drills	12/1	16/1	2.59	do	.0219	.1092	.0438	10	.0109	5	.0055
8	Canton flannel	14/1	9/1	2.27	do	.0298	.1462	.0650	10	.0146	5	.0073
9	Cheese cloth or bunting	20/1	36/1	9.68	Bleached	.0193	.0567	.0225	15	.0085	15	.0084
10	Window holland	18/1	18/1	2.82	Filled, glazed, and bleached	.0182	.1159	.0532			25	.0290
11	Linen-finished suiting	14/1	14/1	3.22	Bleached	.0207	.0855	.0150	12½	.0107	5	.0043
12	Bleached sheeting	28/1	32/1	4.98	Bleached	.0285	.0592	.0300	15	.0089	5	.0030
13	Shirting	28/1	30/1	3.621	do	.0197	.1123	.0350	15	.0168	5	.0056
14	Wide sheeting	22/1	22/1	3.96	do	.0228	.0916	.0250	15	.0137	5	.0046
15	Long cloth	30/1	36/1	5.85	do	.0429	.0610	.0300	15	.0092	10	.0061
16	English long cloth	40/1	40/1	5.97	do	.0242	.0721	.0400	20	.0144	10	.0072
17	Nainsook	55/1	60/1	8.36	do	.0334	.0727	.0425	22½	.0163	22½	.0164
18	India linen	60/1	80/1	10.76	do	.0302	.0951	.0425	25	.0237	22½	.0214
19	Persian lawn	80/1	120/1	14.30	do	.0442	.1008	.0425	27½	.0277	22½	.0225
20	do	80/1	100/1	14.83	do	.0419	.0793	.0375	27½	.0218	22½	.0179
21	Fancy white goods	60/1-16/2, mercerized	100/1	8.17	do	.0529	.1175	.0525	25	.0294	25	.0294
22	Check nainsook	26/1	26/1	4.44	do	.0662	.1060	.0300	15	.0159	25	.0285
23	Dimity check	40/1	60/1	8.61	do	.0329	.0793	.0375	22½	.0178	25	.0198
24	Pique or welt	50/1	50/1	3.46	do	.0317	.1811	.0800	15	.0272	25	.0452
25	Fancy white goods	80/1-40/2, mercerized	100/1-40/2, mercerized	8.12	do	.0499	.1608	.0900	25	.0402	25	.0402
26	Checked lawn	50/1	80/1	9.87	do	.0894	.1120	.0425	25	.0280	25	.0280
27	Mercerized corded check	70/1-10/2, mercerized	90/1-24/2, mercerized	8.51	do	.0615	.1375	.0625	25	.0344	25	.0335
28	Dotted swiss check	55/1-14/3	80/1-14/1	8.62	do	.0640	.1625	.1000	25	.0406	25	.0406
29	Dotted swiss	60/1	80/1-7/1	10.15	do	.0567	.1410	.0725	25	.0352	25	.0352
30	Curtain swiss or madras	50/1	60/1-20/1	11.60	do	.0661	.0824	.0575	22½	.0185	25	.0206
31	Fancy or all-over swiss	60/1	70/1-8/1	7.13	do	.0413	.2013	.1325	25	.0503	25	.0503
32	Lappet dotted swiss	50/1-16/2, lappet ends	70/1	10.12	do	.0741	.0918	.0575	22½	.0207	25	.0280
33	Mercerized jacquard or fancy white goods	50/1	32/1	5.53	Mercerized and bleached	.0429	.0719	.0750	20	.0374	30	.0455
34	Fancy white goods	80/1-50/1; 40/2, mercerized	130/1	8.47	Bleached	.0615	.1968	.1100	30	.0590	25	.0492
35	Striped voile	70/2-45/1	120/4	7.26	Mercerized and bleached	.0699	.1426	.0625	25	.0357	25	.0357
36	Marquisette	120/2	55/1	15.59	do	.0494	.1683	.0800	27½	.0463	25	.0421

¹ Cost estimated from mills manufacturing similar construction and does not include the cost of filling and glazing.

Duties on the Tariff Board cotton samples under the Payne-Aldrich law, the pending bill, and the La Follette substitute, etc.—Continued.

Sample No.	Kind of cloth.	Yarn.		Square yards per pound.	Kind of finish.	Total American cost of conversion per square yard.	Total English selling price per square yard.	Duty per square yard under Payne-Aldrich Act.	Duty per square yard under Senate bill.		Duty per square yard under La Follette substitute.	
		Warp.	Filling.						Per cent.	Amt.	Per cent.	Amt.
37	Striped marquisette.....	40/2, mercerized; 55/1.	55/1.....	10.64	Bleached.....	\$0.0387	\$0.1805	\$0.1100	20	\$0.0361	25	\$0.0451
38	Table damask.....	24/1.....	16/1.....	3.51	Bleached and schrimmered.		.1221	.0488			30	.0305
39	Cotton challie.....	28/1.....	32/1.....	7.19	Printed.....	.0308 .0331	.0982	.0325	15	.0147	10	.0098
40	Printed lawn.....	30/1.....	36/1.....	7.67	Bleached and printed.	.0239 .0312	.0677	.0325	15	.0102	15	.0202
41	Calico print.....	30/1.....	30/1.....	6.28	Printed and hot calendered.	.0346 .0392	.0756	.0425	15	.0113	10	.0076
42	.....do.....	28/1.....	36/1.....	5.76	Bleached and printed.	.0272 .0298	.1121	.0375	15	.0108	10	.0112
43	.....do.....	30/1.....	30/1.....	5.40	Printed.....	.0364 .0273	.0978	.0375	15	.0147	10	.0098
44	Printed percale.....	30/1.....	32/1.....	5.82	.....do.....	.0318 .0399	.0737	.0375	15	.0111	10	.0074
45	Printed lawn.....	45/1.....	65/1.....	9.94	Bleached and printed.		.0695	.0450	22½	.0156	22½	.0156
46	Printed organdy.....	50/1.....	80/1.....	10.61	.....do.....	.0435 .0577	.0885	.0450	25	.0216	22½	.0195
47	Printed batiste.....	55/1.....	90/1.....	9.65	.....do.....	.0478 .0554	.0872	.0500	25	.0218	22½	.0194
48	Printed lawn.....	60/1.....	110/1.....	10.67	Mercerized, bleached, and printed.	.0424 .0606	.1020	.0600	25	.0255	22½	.0230
49	.....do.....	65/1.....	100/1.....	10.68	.....do.....	.0494 .0676	.1079	.0600	25	.0270	22½	.0243
50	Organdy.....	100/1.....	120/1.....	16.30	Bleached and printed.	.0594	(1)		30		22½	
51	Scrim.....	20/2.....	26/2.....	5.41	Registered print.....	.0330 .0256	.1030	.0275	15	.0155	10	.0103
52	Crêpe kimona cloth.....	36/1.....	20/1, extra twist.....	4.72	Crêped, bleached, and printed.	.0570 .0691	.1429	.0525	15	.0214	5	.0071
53	Drapery twill.....	28/1.....	18/1.....	4.38	Printed.....	.0592	(1)		15		5	
54	Cotton serge.....	26/2.....	28/2.....	3.07	.....do.....	.0624 .0337	.1089	.0350	15	.0163	12½	.0135
55	Galatea cloth.....	22/1.....	20/1.....	2.80	Bleached and printed.	.0418 .0510	.1584	.0700	15	.0238	5	.0053
56	Printed dimity.....	60/1.....	70/1.....	10.46	.....do.....	.0518 .0518	.0839	.0450	25	.0210	22½	.0189
57	Fancy dimity.....	90/1-45/1.....	120/1.....	11.19	.....do.....	.0735 .0417	.1151	.0500	27½	.0317	25	.0288
58	Dimity check.....	55/1.....	80/1.....	9.14	.....do.....	.0577 .0631	.0908	.0500	25	.0227	25	.0237
59	Madras shirting.....	50/1.....	50/1.....	5.65	.....do.....	.0631 .0565	.1328	.0600	20	.0265	25	.0342
60	Leno, fancy.....	60/1-70/2-28/3	85/1.....	8.94	.....do.....	.0565 .0145	.1265	.0900	25	.0324	25	.0324
61	Book cloth.....	24/1.....	24/1.....	3.09	Filled and dyed.....	.0207 .0207	.0819	.0464	25	.0265	25	.0265
62	Window holland.....	18/1.....	18/1.....	2.99	Filled and glazed.....	.0207 .0654	.1384	.0577	25	.0346	25	.0346
63	Chambray.....	28/1, dyed.....	36/1, dyed.....	5.22	Ordinary.....	.0654 .0536	.1066	.0375	15	.0160	25	.0267
64	Pongee.....	55/1.....	28/1.....	6.41	Mercerized and dyed.		.1007	.0525	15	.0151	17½	.0176
65	Seisette.....	80/1.....	40/1.....	6.69	.....do.....	.0550 .0884	.1310	.0700	22½	.0295	17½	.0129
66	Pongee.....	90/1.....	40/1.....	6.97	.....do.....	.0839 .0709	.1299	.0700	22½	.0292	17½	.0227
67	Poplin.....	60/2.....	30/1.....	4.59	.....do.....	.0554 .0736	.1657	.0600	22½	.0373	12½	.0207
68	Repp.....	32/2, dyed.....	5/1, dyed.....	1.82	Ordinary.....	.1139	.2542	.1000	12½	.0318	25	.0636
69	Sateen.....	30/1.....	36/1.....	4.53	Dyed and schrimmered.	.0511 .0541	.1013	.0475	15	.0152	10	.0101
70	.....do.....	45/1.....	45/1.....	4.08	Mercerized.....	.0569 .0361	.1433	.0800	20	.0287	10	.0143
71	Cambray gingham.....	24/1, dyed.....	30/1, bleached.....	4.72	Ordinary.....	.0361 .0361	.0879	.0375	15	.0132	10	.0088
72	.....do.....	26/1, dyed.....	40/1, bleached.....	4.40	.....do.....	.0361 .0339	.0939	.0375	15	.0141	10	.0094
73	Cheviot shirting.....	12/1, dyed; 12/1, bleached.....	14/1, dyed.....	3.06	Ordinary.....	.0339 .0380	.1177	.0275	12½	.0147	10	.0118
74	Madras.....	18/1, bleached; 18/1, dyed.....	24/1, bleached.....	4.08	.....do.....	.0352	.1052	.0375	15	.0158	10	.0105
75	Gingham.....	28/1, dyed; 24/1, bleached.....	40/1, bleached.....	5.04	Ordinary hot calendered.	.0439	.1044	.0375	15	.0157	25	.0229
76	Outing flannel.....	28/1, dyed; 20/1, print; 24/1, unbleached.....	12/1, unbleached.....	3.51	Napped.....	.0211 .0339	.0913	.0350	12½	.0114	10	.0091
77	Ticking.....	9/1, dyed; 9/1, unbleached.....	14/1.....	3.78	Ordinary.....	.0462 .0587	.2001	.1000	12½	.0230	10	.0201
78	Denim.....	9/1, dyed.....	14/1, mock twist.....	3.97	.....do.....	.0375 .0402	.1647	.0700	12½	.0206	10	.0165
79	Cotton plaids.....	12/1, dyed.....	14/1, dyed.....	3.55	.....do.....	.0312 .0809	.1269	.0500	12½	.0159	10	.0127
80	Scotch gingham.....	50/1, dyed; 50/1, bleached.....	55/1, dyed; 55/1, bleached.....	6.90	.....do.....	.0809	.1191	.0500	22½	.0267	25	.0298
81	Fine gingham.....	50/1, dyed; 50/1, bleached.....	50/1, dyed; 50/1, bleached.....	6.87	.....do.....	.0663	.1131	.0500	22½	.0254	25	.0283
82	Gingham.....	30/1, dyed; 30/1, bleached; 14/2, dyed; 16/2, bleached.....	28/1, dyed; 30/1, bleached.....	4.77	.....do.....	.0326	.1231	.0375	15	.0185	10	.0123
83	Fancy gingham.....	40/1, dyed; 40/1, bleached; 40/2, mercerized and bleached.....	40/2, mercerized and dyed; 36/2, mercerized and dyed; 32/2, mercerized and bleached.....	5.03	.....do.....	.0416	.1591	.0800	15	.0239	25	.0338
84	Tissue.....	18/2, bleached; 60/1, bleached; 70/1, dyed.....	24/1, bleached; 70/1, bleached; 80/1, dyed.....	7.38	.....do.....	(1)	.0973	.0425	22½	.0218	25	.0243
85	.....do.....	18/2, bleached; 20/2, dyed; 45/1, dyed; 50/1, bleached.....	20/1, bleached; 20/1, dyed; 55/1, dyed; 55/1, bleached.....	7.48	.....do.....	(1)	.1192	.0425	20	.0238	25	.0298
86	Fancy wash fabric.....	40/1, bleached; 40/1, dyed.....	40/1, bleached; 40/2, dyed.....	5.44	.....do.....	.0416	.1571	.0800	15	.0236	25	.0378
87	Tissue or fancy wash fabric.....	50/2, dyed; 18/2, dyed; 18/2, bleached; 50/1, dyed.....	60/1, dyed.....	8.22	.....do.....	.0904	.1487	.0825	27½	.0409	25	.0372

(1) Not obtained.

(2) Cost estimated from mills manufacturing similar construction and does not include the cost of filling and glazing.

(3) French selling price.

Duties on the Tariff Board cotton samples under the Payne-Aldrich law, the pending bill, and the La Follette substitute, etc.—Continued.

Sample No.	Kind of cloth.	Yarn.		Square yards per pound.	Kind of finish.	Total American cost of conversion per square yard.	Total English selling price per square yard.	Duty per square yard under Payne-Aldrich Act.	Duty per square yard under Senate bill.		Duty per square yard under La Follette substitute.	
		Warp.	Filling.						Per cent.	Amt.	Per cent.	Amt.
88	Fancy wash fabric.....	55/1, dyed; 60/1, bleached; 18/2, bleached.	32/1, bleached; 12/2, mercerized and dyed; 20/2, mercerized and bleached.	7.50	Ordinary.....	(1)	\$0.2469	\$0.1300	22½	\$0.0556	25	\$0.0617
89	Turkey red damask.....	18/1, bleached; 18/1, dyed.	16/1, bleached; 16/1, dyed.	2.67	do.....	{ \$0.0703 .0968	.1759	.0704	25	.0440	30	.0528
90	Corduroy.....	36/2.....	36/1-36/1, pile.....	1.83	Cut and dyed.....	.3013	.4879	.3020			40	.1952
91	Velveteen.....	30/1.....	40/1-40/1, pile.....	2.54	do.....	.2454	.3305	.2026			40	.1322
92	Cotton velvet.....	40/2-32/2, pile.....	28/2.....	1.28	do.....	(1)					40	
93	Cotton tapestry.....	32/2, dyed; 80/2, dyed.	40/1, dyed; 7/1, dyed.	1.10	Ordinary.....	{ .3196 .5431	\$2.4714	.2357			40	.1886
94	Cotton voile.....	40/1, bleached; 40/1, dyed; 240 drs. art silk.	45/1, bleached.....	8.74	do.....	{ .0561 .0723	.1223	.0550				
95	Novelty gingham.....	45/1, bleached; 45/1, dyed; 50/2, spun silk.	50/1, dyed; 40/1, dyed; 50/1, bleached.	6.74	Ordinary; calendered.	.0819	.1448	.1234			30	.0434
96	Silk gingham.....	36/1, dyed; 32/1, bleached.	36/1, bleached; 32/1, dyed; 90/1, spun silk.	6.26	Ordinary.....	.0644	.1563	.1269			15	.0234
97	do.....	45/1, dyed; 45/1, bleached.	90/1, spun silk; 100/1, spun silk.	7.24	do.....	.0980	.2458	.2210			15	.0309
98	Silk mull.....	60/1.....	16/18, Denier silk, Grege (canton).	13.81	Dyed.....	{ .0683 .0932	\$1.1608	.2245			20	.0322
99	Dotted silk mull.....	60/1.....	28/30, Denier silk tram.	12.13	do.....	{ .0595 .1028	\$1.1742	.2556			30	.0523
100	Jacquard silk mull.....	60/1.....	26/28, Denier silk tram.	11.54	do.....	.0653	\$1.1866	.0840			35	.0653

¹ Not obtained.

² French selling price.

³ As there is no English competition of samples 98, 99, and 100, and this class of goods is exported to England from America, the rate of the present duty is shown by taking the value equal to the lowest American cost obtained plus the cost of finishing and adding 8 per cent, as provided by law to make the value as the minimum basis in applying duty to foreign consigned goods.

Mr. LA FOLLETTE. Mr. President, one of the unjustifiable increases made by that revision of the tariff was on mercerization. Senators who were Members of this body then will remember the contest on that subject. I hold in my hand the evidence which I presented to the Senate at that time. I have not the time to read it now, but I had the original bills for mercerization in England and in this country, and I submitted them to the Senate in that debate to show that we could mercerize in this country as cheaply as they could in England. And yet those who had charge of the cotton schedule at that time, regardless of that evidence, insisted upon fixing a duty of 1 cent per yard for mercerization, to measure the "difference in the cost" of doing that work here and in England.

The opposition of the Progressive Republicans to any duty for mercerization in the tariff debate of 1909 is amply supported by the report of the Tariff Board on Schedule I. I will insert the table covering this subject. It shows that in all cases a duty of 1 cent a yard is much more than the total cost of mercerization. In fact, the difference in cost of mercerization, where there is any difference at all, is so small that it may properly be disregarded. The Tariff Board, in its report on Schedule I, page 503, says:

In order to show the relation of the extra duty on account of mercerization to the cost of mercerization, Table 157 has been arranged to show the labor cost and the total cost of mercerization on the square-yard basis. As will be seen from the table, the labor cost of mercerizing cotton fabrics varies from less than 0.08 of 1 cent to less than 0.11 of 1 cent per square yard, while the total cost of mercerizing varies from more than 0.53 of 1 cent to over 0.72 of 1 cent per square yard.

The extra duty on account of mercerization is 1 cent per square yard. That is to say, the duty is from 9 to 12.5 times the total labor cost of mercerizing and from 1.4 to nearly 2 times the total cost of mercerizing.

Cost per square yard of mercerizing selected samples.

Sample No.—	Width.	Cost per square yard for mercerization.		
		Labor.	Total.	Duty for mercerization.
33.....	Inches. 27	\$0.001069	\$0.007223	\$0.010000
48.....	29½	.000979	.006611	.010000
49.....	29½	.000979	.006611	.010000
64.....	28	.001031	.006965	.010000
65.....	32	.000902	.006904	.010000
67.....	27½	.001055	.007124	.010000
70.....	36½	.000791	.005343	.010000

The table prepared by the Tariff Board just presented shows that 1 cent for mercerization not only covers the difference in the cost, but in some cases considerably more than the whole cost. In some cases it is nearly twice as much as the whole cost. Every opportunity was seized upon in the tariff revision of 1909 to exact more and more from the overtaxed American people.

I have presented here an amendment—a substitute for the cotton schedule proposed in the pending bill. I hope I may offer some suggestions upon this schedule which will lead those in charge of this legislation, and who are disposing of it in their own way, to revise it in some respects. In the main, according to all the evidence of a scientific character which we now have, the cotton schedule proposed in the pending bill is a fair one, but I am satisfied that a critical study of it from any standpoint would result in changes which would materially improve this schedule. I do not mean to imply that those in charge of this schedule have failed to give it intelligent and painstaking scrutiny and investigation. However, I think I have had some advantage over them in the assistance which I have received from the expert who for two or three years—I do not know just how long—worked with the Tariff Board upon this subject. He has had a broader experience than anybody from the appraisers' office could possibly have had. He investigated different mills throughout the United States. And I am hopeful that what I shall incorporate with my remarks in the way of tables and explanations of them will induce the committee to make some changes.

At this point I ask leave, in connection with what I have to say upon this schedule, to print, without reading, the tables to which I have referred.

The VICE PRESIDENT. Is there objection? The Chair hears none, and permission is granted.

Mr. LA FOLLETTE. The rates of duty on yarns in my substitute are specific instead of ad valorem. While there are serious objections to specific duties on cloth and other complex products covered by Schedule I, there are excellent reasons for applying them to yarns, especially when the duties are levied with the object of equalizing the difference in cost of production between this country and abroad. The Tariff Board speaks with approval of making the duties on worsted yarns specific (report on Schedule K, p. 710) and the comments apply equally to cotton yarn. It says:

Yarns are comparatively well standardized and their cost varies in a certain regular relation to the fineness or count of the yarn. It is a simple matter, then, to adopt the specific system in this particular case. A duty can be assessed on No. 1 yarn and be made to increase by a cer-

tain proportion with each additional count of yarn. The proper additions could furthermore be made for doubling, dyeing, hard twisting, etc.

One of the objections, therefore, to the cotton schedule of the pending bill is the ad valorem duties on yarns.

Carded yarns are first considered in my substitute. The Tariff Board gave both the American and English costs for single yarns of number 28s to 60s. A careful analysis of these figures show that a duty of 2 cents on single 30s will a little more than equalize the difference in cost between here and England; it also shows that the difference in cost increases at the rate of about one-tenth of a cent per number between 30s and 60s. These differences were therefore written into my substitute.

The basis for these conclusions is found in the following tables, which are based on Tariff Board figures, and worked out in more detail, to show the conversion cost of warp yarns in the United States and England. All the calculations are in accord with the report of the Tariff Board on Schedule I (pp. 411-423).

Warp yarn conversion cost as found in lowest cost American mill, including spooling and other processes beyond spinning.

Yarn count.	Labor cost per pound through spinning process.	Labor cost per pound, adding 89 per cent for spooling, reeling, and packing.	Works expense cost per pound through the spinning process.	Works expense cost per pound, adding 34 per cent for spooling, reeling, and packing.	Total conversion cost per pound.
28s.....	\$0.015066	\$0.028475	\$0.017657	\$0.023660	\$0.052135
30s.....	.016710	.031582	.019583	.026241	.057823
32s.....	.018381	.034740	.021543	.028868	.060981
34s.....	.019979	.037760	.023415	.031376	.066136
36s.....	.021249	.040161	.024903	.033370	.073531
38s.....	.022833	.043154	.026759	.035857	.079011
40s.....	.024185	.045710	.028343	.037980	.083990
42s.....	.025888	.048928	.030339	.040654	.089582
44s.....	.027850	.052637	.032638	.043737	.096374
46s.....	.029409	.055583	.034466	.046184	.101767
48s.....	.031420	.059384	.036821	.049340	.108724
50s.....	.033420	.063164	.039167	.052484	.115648
60s.....	.042255	.079862	.049521	.066358	.146220

Warp yarn conversion cost as found in lowest cost English mill, including spooling and other processes beyond spinning.

Yarn count.	Labor cost per pound through spinning process.	Labor cost per pound, adding 89 per cent for spooling, reeling, and packing.	Works expense cost per pound through the spinning process.	Works expense cost per pound, adding 34 per cent for spooling, reeling, and packing.	Total conversion cost per pound.
28s.....	\$0.012635	\$0.023880	\$0.010284	\$0.013781	\$0.037661
30s.....	.013628	.025757	.011092	.014863	.040620
32s.....	.014733	.027845	.011991	.016068	.043913
34s.....	.015868	.029991	.012915	.017306	.047297
36s.....	.017034	.032194	.013864	.018578	.050772
38s.....	.018233	.034460	.014841	.019887	.054347
40s.....	.019468	.036795	.015846	.021234	.058029
42s.....	.020742	.039202	.016882	.022622	.061824
44s.....	.022044	.041663	.017942	.024042	.065705
46s.....	.023391	.044209	.019039	.025512	.069721
48s.....	.024777	.046829	.020167	.027024	.073853
50s.....	.026207	.049531	.021331	.028584	.078115
60s.....	.034068	.064389	.027728	.037156	.101545

The following table shows the difference in conversion cost of warp yarns between the United States and England, as compared with the rates in my substitute:

Difference in conversion cost of warp yarn between the United States and England.

Count of yarn.	American conversion cost per pound.	English conversion cost per pound.	Difference in conversion cost per pound.	Duty under the La Follette substitute.
28s.....	\$0.052135	\$0.037661	\$0.014474	\$0.0190
30s.....	.057823	.040620	.017203	.0200
32s.....	.060981	.043913	.017068	.0220
34s.....	.066136	.047297	.021839	.0240
36s.....	.073531	.050772	.022759	.0260
38s.....	.079011	.054347	.024664	.0280
40s.....	.083990	.058029	.025961	.0300
42s.....	.089582	.061824	.027758	.0320
44s.....	.096374	.065705	.030669	.0340
46s.....	.101767	.069721	.032046	.0360
48s.....	.108724	.073853	.034871	.0380
50s.....	.115648	.078115	.037533	.0400
60s.....	.146220	.101545	.044675	.0500

It was found, however, that 2 cents per pound on all numbers of yarns up to and including No. 30 would be excessive on the low numbers. This was determined by studying the total American yarn cost for low-count yarns in the Tariff Board report on Schedule I (p. 401). In absence of the English cost it is not possible to determine with accuracy the proper duty on low-count yarn, but the American costs lead to the belief that 1 cent per pound on No. 10s would be adequate and that one-twentieth of 1 cent should be added for each number up to No. 30.

In fixing the duties on twisted yarns allowance must be made for the added cost of twisting. An increase of one-half over the single yarns is adequate. This would make the duty on twisted 30s 3 cents. From this point the duty is made to increase at the rate of three-twentieths of 1 cent per number. As in the case of singles the duty on twisted yarns of low grade was reduced to conform with the rapid decline in the cost of production.

Applying these duties to the various counts we have the following duties in cents per pound resulting:

The rate of duty in cents per pound under the La Follette substitute on carded cotton yarns.

Count of yarn.	Rate of duty on singles cotton yarns (cents per pound).	Rate of duty on twisted cotton yarns (cents per pound).
10s.....	\$0.0100	\$0.01500
15s.....	.0125	.01875
20s.....	.0150	.02250
25s.....	.0175	.02625
30s.....	.020	.03000
35s.....	.025	.03750
40s.....	.030	.04500
45s.....	.035	.05250
50s.....	.040	.06000
55s.....	.045	.06750
60s.....	.050	.07500
65s.....	.055	.08250
70s.....	.060	.09000
75s.....	.065	.09750
80s.....	.070	.10500
85s.....	.075	.11250
90s.....	.080	.12000
95s.....	.085	.12750
100s.....	.090	.13500
105s.....	.095	.14250
110s.....	.100	.15000
115s.....	.105	.15750
120s.....	.110	.16500
125s.....	.115	.17250
130s.....	.120	.18000
135s.....	.125	.18750
140s.....	.130	.19500
145s.....	.135	.20250
150s.....	.140	.21000
155s.....	.145	.21750

Combed yarns are separately provided for in paragraph 5 of my substitute. They are made dutiable at the same rates as carded yarns plus $\frac{1}{2}$ cent per pound. The grading of the carded-yarn duties takes care of the increase in cost of combed yarns that comes with increased fineness and the flat $\frac{1}{2}$ cent additional covers the combing cost. The cost of combing cotton used in fine yarns is not materially greater than in medium yarns. Up to the roving and spinning processes the costs are substantially parallel. It is in the spinning process where the cost of fine yarns increases so much faster than medium and low yarns.

COTTON CLOTH.

Five paragraphs provide duties for cotton cloth in my substitute:

- Paragraph 7, plain cloth containing carded yarn.
- Paragraph 8, plain cloth containing combed yarn.
- Paragraph 9, fancy woven cloth.
- Paragraph 10, dyed yarn cloth.
- Paragraph 11, jacquard figured cloth.

PLAIN CLOTHS CONTAINING CARDED YARN.

These cloths are classified according to the number of square yards of cloth in one pound. Into the two lower classifications of this paragraph (7), the bulk of the automatic loom production of the country falls. (Illustrated by samples 1 to 5 of Tariff Board.) On these cloths the rates of duty proposed is 10 and 15 per cent. Automatic loom goods are produced as cheaply in this country as anywhere in the world; at least this is a fair inference from the findings of the Tariff Board.

PLAIN CLOTHS CONTAINING COMBED YARN.

Illustrated by Tariff Board samples 19 and 20. The same classification is followed here as in the case of carded yarn cloths and $2\frac{1}{2}$ per cent is added to cover combing.

FANCY WOVEN CLOTH.

Illustrated by Tariff Board samples 32, 35, 37, 57, and 60. Paragraph 9 provides a flat duty of 25 per cent on all fancy woven cloths, woven by means of any of the various known devices except Jacquard. A glance at the cost of production of 1,268 cotton cloths, on pages 743-797 of the Tariff Board report on Schedule I, shows that the percentage of labor cost in these goods is very much greater than on plain goods. This is due in a large degree to the fact that a weaver can run fewer looms on these goods than on plain goods. A few examples are here given of cloths having over 100 and not over 150 threads per square inch, and having over 4 and not over 6 square yards per pound. They are taken from pages 758-763 of the report.

Cotton cloths having over 100 and not over 150 threads per square inch and having over 4 and not over 6 square yards per pound.

[Tariff Board report on Schedule I, pp. 758-763.]

	Plain-weave colored yarn.	Plain-weave gray yarn.	Drop-box weave colored yarn.
Per cent labor is of total cost.....	33.3	15.3	31.9
Do.....	27.2	15.0	38.1
Do.....	31.6	17.9	32.6
Do.....	31.6	15.3	38.8
Do.....	32.7	15.8	37.2
Do.....	31.0	18.8	30.3
Do.....	30.2	20.3	32.6
Do.....	31.8	19.5	40.0
Do.....	38.1	17.6	30.6
Do.....	29.3	15.3	31.7
Do.....	32.5	19.5	34.5
Do.....	38.1	20.0	34.9
Do.....	27.5	19.5	35.5
Do.....		17.2	30.5
Do.....		20.3	35.9

NOTE.—These, of course, are not the same samples. The plain-weave samples are Nos. 487 to 501, inclusive; the drop-box weave samples are Nos. 554 to 568, inclusive; the plain-weave colored-yarn samples are Nos. 515 to 527, inclusive.

YARN-DYED CLOTHS.

Tariff Board samples 81 and 83 illustrate the fabrics which are dutiable under the highest classification in paragraph 10 of my substitute. The reason for a higher duty on these goods than on plain goods is shown in the foregoing table. The labor cost in them is almost twice as much as the labor cost in plain cloths. The lower classification is to take care of such goods as are illustrated by sample 77 of the Tariff Board samples. They do not need as much protection as the fine ginghams.

Yarn-dyed cloths are not provided for in the pending bill, and it is probable that if the importers desire to test the matter in the courts they may be made dutiable as plain cloths. This is a serious defect.

A very effective argument against Schedule I, as the committee has presented it to the Senate, is to be found in a brief submitted by Simeon B. Chase for the independent manufacturers of the New England States. His argument is based on the Tariff Board report. Part of his Exhibit D, which is inserted below, makes it clear that higher duties should be levied on combed-yarn cloths and fancy cloths.

Showing the error made by the Ways and Means Committee in not separating in wider proportion the duties for combed yarn and fine or fancy cloths against duties for carded-yarn productions.

Yarns above 60s, as used in cloth, are largely combed yarns. The Tariff Board gave details but did not mention the application in the table of 100 representative cloths, or in Table 215, pages 744-789, which table covered all cloth investigated.

Compare the facts as established in Tariff Board report on cloths of plain weave, 6 to 9 square yards per pound, viz:

Carded-yarn cloths, as represented by samples 26 to 117 (yarn number from 4 to 37), page 744/6—92 samples:	Per cent.
Labor-cost averages.....	14.97
Conversion-cost averages.....	28.82
Combed-yarn cloths, as represented by samples 615 to 693 (yarn number from 42 to 120), page 764/6—79 samples:	Per cent.
Labor-cost averages.....	29.4
Conversion-cost averages.....	46.4

JACQUARD FIGURED GOODS.

Illustrated by No. 33 of the Tariff Board samples. The pending bill makes Jacquard figured goods dutiable at the same rate as "cloth when bleached, dyed, colored, stained," and so forth. It is designated as "woven figured." There is no reason to justify this classification. The pending bill is too low on these goods. My substitute makes them dutiable at 30 per cent (par. 11). Jacquard figured goods are woven in Europe on broad looms with a double selvedge in the middle. The goods are then split. It is said that American manufacturers can not compete with this cheap production without a very high tariff. This argument does not appeal strongly to me, but I do think that Jacquard figured goods require more protection than ordinary cotton cloths.

In my substitute no additional duties are added for any of the finishing processes, such as bleaching, dyeing, coloring, staining, painting, printing, or mercerizing. (The paragraph, 10, relating to dyed-yarn fabrics relates to coloring done before weaving.) The Tariff Board establishes that the cost of finishing is as low in the United States as abroad; it therefore may be disregarded. (Tariff Board Cotton Report, p. 502.)

The pending bill increases the rates 2½ per cent, to cover the finishing processes mentioned above. They thus err both ways. They leave unprotected by a differential several classes of goods that need it, and protect by a differential, classes of goods that do not need it.

OBJECTIONS TO CLOTH DUTIES OF PENDING BILL.

The objections to the cloth duties of the pending bill may be summed up as follows:

First. It stands admitted on the record of the proceedings of the Senate that it would be next to impossible to have administered the cloth paragraph of the pending bill as it was reported from the Finance Committee, classifying cloths according to the "highest" count of yarn which they contain.

Following criticism on this paragraph in the debate, the Finance Committee proposed to amend the same by substituting the word "average" for the word "highest." This would classify cloths according to the average count of yarn which they contain. This is virtually an abandonment of the principle upon which the paragraph was framed at the outset. As the wording now stands, cloths would be classified somewhat as they are under the Payne-Aldrich law.

The committee has attempted to escape from what was admittedly an error, but it still retains the framework of the original scheme upon which it ventured, and gives us finally a classification in debatable language that will prove difficult and embarrassing in administration.

Second. The pending bill does not provide a differential for cloths containing combed yarns. These cloths have a much higher labor cost than carded yarn cloths, and they should have such a differential as is found in my substitute.

Third. No provision is made in the pending bill for yarn-dyed cloths. The phrase "bleached, dyed, colored, stained, painted," and so forth, does not provide for these cloths, since the courts have held that this phrase refers to finishing operations subsequent to weaving. Hence dyed yarns would be dutiable in the pending bill as plain cloths.

Fourth. Adequate provision is not made for Jacquard figured goods. They should not be classed with "cloth when bleached, dyed, colored, stained," and so forth. Their cost of production is very much greater than that of the cloths with which they are classed. They should be separated and made dutiable at a higher rate.

Fifth. The increase of duties in the pending bill because of such finishing processes as bleaching, dyeing, coloring, printing, mercerizing, and so forth, is not justified. The framers of this schedule have fixed differentials where they are not needed and omitted them where needed.

FILLED COTTON CLOTH AND WATERPROOF CLOTH.

The rates of duty on these cloths in the pending bill and my substitute are the same.

The pending paragraph (259) provides duties for waterproof cloths containing "other vegetable fiber" as well as cotton. A separate amendment accompanies my substitute, transferring waterproof cloth containing "other vegetable fiber" to Schedule J.

HANDKERCHIEFS.

The provision of my substitute (par. 15) that handkerchiefs and mufflers shall be dutiable at the same rates of duty as the cloth from which they are made plus 5 per cent is a much more equitable duty than the rates of 25 and 30 per cent provided in paragraph 260 of the pending bill. In my substitute all the changes in the cloth paragraphs help to equalize the duties.

TOWELS, TERRY CLOTH, ETC.

My substitute provides on these articles a duty of 20 per cent (par. 16); the rate in the pending bill is 25 per cent (par. 269).

DAMASK.

Damask is illustrated by Tariff Board samples 38 and 89. Under paragraph 268 of the pending bill it is dutiable at 25 per cent. Under paragraph 12 of my substitute it is dutiable at 30 per cent. The Jacquard is frequently used in the manufacture of damask; it therefore is fair to put the same rate on it as on Jacquard figured goods.

CLOTHS CONTAINING SILK.

Illustrated by Tariff Board samples 96 to 100, inclusive. On these goods the pending bill fixes a flat rate of 30 per cent

(par. 259); my substitute makes them dutiable at the same rates as cloths of similar structure plus 5 per cent. This is much fairer. It avoids excessive duties on cotton goods containing silk, with plain weaves, and it provides adequate duties on goods of more complicated weaves. The flat rate in the pending bill is too high on plain-weave goods and too low on the more complicated weaves, such as Jacquards.

PLUSHES, VELVETS, ETC.

Illustrated by Tariff Board samples 91 and 92. The rate of duty on these goods in my substitute (par. 17) is the same as in the pending bill (par. 262).

JACQUARD FIGURED TAPESTRIES, UPHOLSTERY GOODS, ETC.

Illustrated by Tariff Board sample 93. The pending bill carries a rate of 35 per cent (par. 263); my substitute a rate of 40 per cent (par. 18).

HOSE.

Paragraphs 19 and 20 of my substitute provide duties on hosiery. They correspond to paragraphs 264 and 265 in the pending bill. Both bills recognize the distinction between machine-made hosiery and full-fashioned, hand-finished hosiery. On the former both bills fix the duty at 20 per cent. On the latter my rates are higher. They are justified by the following table based on the Tariff Board report (p. 615).

Costs of ladies' full-fashioned hose in the United States and Germany.
[Statistics are for 1 dozen pairs. M. C. P.=Mercerized combed peeler cotton; C. E. L.=Combed Egyptian lisle; M. E. L.=Mercerized Egyptian lisle.]

Unit No.	Description of yarn.	German mill selling price.	American conversion cost, including selling expense and profit.	German conversion cost, including selling expense and profit.	Difference in cost.	Difference in cost expressed in per cent.	Duty under pending bill, per cent.
1	United States, 1/18 M.C.P.	\$1.3750	\$1.5200	\$0.7090	\$0.8110	58.9	50
2	Germany, heavy lisle	1.5000	1.2150	.7650	.450	30.0	50
3	United States, 2/80 C. E. L.	1.0000	1.2300	.5400	.690	69.0	30
4	Germany, 1/16 Egyptian	2.0000	1.3125	1.1100	.1725	8.6	50
5	United States, 2/70 M.E.L.	.9290	1.2777	.5240	.7537	81.1	30
6	Germany, Egyptian	.9930	1.2100	.5880	.6220	62.7	30
7	United States, 1/12 K. P.	1.0000	1.5309	.5800	.9509	95.1	30
	Germany, Am. cotton						
	United States, 1/24 C. P.						
	Germany, 1/20 A. M.						

¹ The German mill expense, selling expense, and profit on these samples (Tariff Board report, p. 615) is very much higher than on the other samples. It is fair to assume that there was a mistake in transcribing the figures.

Discussing the costs of full-fashioned hosiery in the United States and Germany, the Tariff Board says in its report on Schedule I (p. 614):

In the full-fashioned hosiery industry the labor cost in the United States is notably higher than in Germany. A number of manufacturers stated to agents of the board that perhaps this wide divergence of labor costs is due to the fact that this branch of the industry in this country is comparatively new; that it is necessary to employ laborers at day wages until they have become sufficiently skilled in their occupation to permit of a piece wage being established, and that at the present time it is very difficult to obtain proficient workmen. A high degree of skill is required to operate a full-fashioned knitting machine and a proficient workman is able to demand a relatively high wage, since he is able not only to increase the output per machine, but also to reduce to a minimum the defects which would necessitate selling the article at a reduced price, though the cost of production remains the same.

UNDERWEAR.

The bill places a flat rate of 30 per cent on underwear (par. 266); my duties are graded according to value and are lower than the rates of the pending bill on cheap goods and higher on expensive goods (par. 21).

On underwear valued at not more than \$1.50 per dozen garments, a rate of 20 per cent as proposed in my substitute is adequate. Thirty per cent in the pending bill is excessive on this cheap product, but not sufficient on garments valued at more than \$3 per dozen. My substitute here proposes duties of 40 and 45 per cent, according to the value.

KNITTED OR WOVEN GLOVES.

The Senate bill raised the duty on these goods from the House rate of 35 per cent to 45 per cent (par. 265); this is not far from correct, although the 50 per cent in my substitute is fairer (par. 22).

WEARING APPAREL.

The rate of duty on wearing apparel of cotton is 30 per cent in both the substitute which I offer (par. 26) and the pending bill (par. 261).

One of the amendments accompanying my substitute, however, changes the duties on shirts and collars, composed of linen, in Schedule J.

LACE WINDOW CURTAINS, ETC.

I have adopted without change paragraph 270 of the pending bill and incorporated it as paragraph 27 of my substitute.

SUMMARY OF OBJECTIONS TO THE COTTON SCHEDULE OF THE PENDING BILL.

First. It imposes ad valorem instead of specific duties upon yarns.

This suggestion is not intended to raise the much-controverted issue between specific and ad valorem duties generally. But as applied to cotton yarns, where the classification has been so perfected and so absolutely standardized, and where the expense of making the yarns sustains a very constant ratio to the fineness of the yarn, the specific rate is not only much fairer than the ad valorem and much more certain to maintain a competitive level of duty, but is much more easily administered than the ad valorem.

Second. The cloth paragraphs impose duties which in administration, I believe, will prove very difficult of execution.

Third. The rate fixed on carded yarn cloth is as high as the rate on combed yarn cloth. This is manifestly wrong upon any theory.

Fourth. Yarn dyed cloths are cloths in which the color has not been added as a part of the finishing after the weaving, but is attained by the dyeing of the yarns before weaving. This is a separate process, attended with a degree of expense which should be recognized in the duty levied. The labor cost in these yarn dyed cloths is nearly twice as great as in the plain cloths. In the pending bill they are given the same rate as plain cloths. The rates should recognize the difference.

The courts have held that the phrase "bleached, dyed, colored, stained, painted," and so forth, refers to the coloring of cloths after weaving, and not to the process of weaving the color into the cloth by the use of yarns which have been previously dyed by a separate process.

Fifth. The duty upon the machine-made hosiery in the pending bill, I believe to be adequate; but upon full-fashioned hosiery it is below a competitive rate when compared with the cost of production in Germany, as shown by the Tariff Board report.

Sixth. The duties on cheap grades of underwear in the pending bill are too high; and too low on the more expensive grades.

Mr. President, if the substitute which I offer for this schedule is not adopted I venture to hope that the conferees may find time for some consideration of the comment which I have submitted upon this schedule.

I think it is upon the cloth paragraphs of the cotton schedule of the pending bill that the severest criticism can be made. I am hopeful that further consideration will lead to an abandonment of the method of classifying cloths which was proposed first in the House bill and which was reported unchanged by the Finance Committee into the Senate, but which was practically abandoned in the Committee of the Whole. I trust that it may be abandoned altogether, and I beg of the committee in charge of this schedule to scrutinize the system of imposing the duties upon cloths contained in the amendment which I have proposed.

Now, Mr. President, a word in conclusion.

On yarns, the rates in the pending schedule and in my substitute are about the same; on plain carded yarn cloths of the automatic-loom production, my rates are 5 per cent lower than the rates presented in the bill by the committee; on plain combed yarns my rates are about 2½ per cent higher.

Mr. WILLIAMS. Mr. President, I did not quite catch what the Senator said were the rates that were 15 per cent lower in his amendment.

Mr. LA FOLLETTE. On plain carded yarn cloths of automatic-loom production. Those I am confident would stand a reduction of 5 per cent and still leave a protective rate amounting to the difference in the cost of production here and abroad.

On plain combed yarn cloth as distinguished from carded yarn cloth, which is woven on automatic looms, the rates that I suggest for the consideration of the committee are 2½ per cent higher. The weaving of these cloths requires very intelligent supervision and mechanical skill of a high order.

On plain carded yarn cloths that are bleached, colored, printed, stained, mercerized, and so forth, the rates which I have suggested are 2½ per cent lower. We perform all of those operations in this country just as cheaply as they are performed abroad.

On fancy woven cloths the rates are substantially the same. On yarn dyed cloths, containing less than 5 square yards per pound, the rates in the amendment which I have proposed are

from 5 to 10 per cent lower than the rates in the committee bill.

On yarn dyed cloth, containing 5 or more square yards per pound, the rates in the schedule which I submit are 2½ per cent higher, but on the others they are from 5 to 10 per cent lower. That adjustment will maintain the industry in this country, and will subject the manufacturers to such competition as will restrain them from exorbitant charges to the consumer.

On Jacquard figured cloth the rates which I have suggested in the amendment submitted are about 5 per cent higher. On terry cloth, and so forth, including everything embraced in that paragraph, they are 5 per cent lower.

On plushes and velvets the duty is the same. On Jacquard figured tapestry, for reasons which I assigned a moment ago, they are 5 per cent higher. On the cheap machine-made hosiery the duties are the same. On full-fashioned hosiery, which requires the very highest skill in the operation of the machines, they are about 10 per cent higher.

On underwear valued at not more than \$1.50 a dozen the rates proposed are 10 per cent lower than the rates proposed in this pending schedule. On underwear valued at more than \$3 per dozen the rates are about 10 per cent higher. On cotton clothing the duties are the same.

It may be said in a general way that the level of rates in the pending bill and in my substitute are on the average the same. The average ad valorem rate would probably not vary more than a very small per cent.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Wisconsin. [Putting the question.] The yeas seem to have it. The yeas have it, and the amendment is rejected.

Mr. LA FOLLETTE. Mr. President, I can not hope in the brief time which I feel privileged to take to even approach a full presentation of the schedules upon which I had made preparation to be heard. I think perhaps the best I can do—for I appreciate the desires of other Senators—is to confine myself to a discussion of the iron and steel schedule.

I have assembled information upon the cost of production of steel products, not only in this country, but in Germany and in England, from official or semiofficial sources; and I ask leave to incorporate as a part of my remarks in connection with this schedule certain tables, with descriptive comment.

The VICE PRESIDENT. Is there any objection? The Chair hears none, and permission is granted.

Mr. LA FOLLETTE. Unprejudiced specific information relating to the cost of production of a majority of the products covered by Schedule C is not available.

Important information, however, is available on pig iron, ingots, steel rails, and similar heavy products. This data is so complete as to amount to a demonstration that upon these commodities, the basis of the metal schedule, the proof is complete that we can produce them in the United States more cheaply than they can be produced abroad. They should therefore be placed on the free list. The Senate bill properly transfers these products to the free list.

The authority upon which I rely for the production cost of pig iron, ingots, steel rails, and similar heavy products in the United States, is the report of the Commissioner of Corporations on the Steel Industry, issued May 6, 1913. This is by far the most comprehensive and thoroughly scientific study of production cost dealing with a great industry ever made in this or any other country. The investigation covered a period of nearly two years. It embraced from 70 to 90 per cent or more of the total production of the respective articles discussed. It included nearly all of the manufacturing concerns making steel products, large and small. Small companies were included for two reasons—first, because their conditions of production were different, and it was important to have such data for purposes of comparison; and, second, because in the manufacture of certain products there were only a limited number of large manufacturers engaged, and hence it was desirable to have a number of the small manufacturers in addition thereto to make the averages more representative.

The report states:

The costs of production for the United States Steel Corporation were included for every article for which cost statement is made in this report. On account of the predominant position of this company in many lines of manufacture, the original costs presented in this report are necessarily very near the average costs of the Steel Corporation, since for most of the products its proportions of production were so large that its costs have a controlling influence upon the averages.

There were also a number of very large independent manufacturing companies whose aggregate production for most of the commodities here considered form a very important part of the total tonnage, namely, Jones & Laughlin Steel Co., Lackawanna Steel Co., Republic Iron & Steel Co., Cambria Steel Co., Penn-

sylvania Steel Co., Tennessee Coal, Iron & Railroad Co. (acquired by Steel Corporation in 1907), and the Colorado Fuel & Iron Co.

Also included in these cost averages are the products of a group of wholly or partly ungraded concerns of less importance, namely, La Belle Iron Works, Wisconsin Steel Co., Inland Steel Co., Youngstown Sheet & Tube Co., Pittsburgh Steel Co., Wheeling Steel & Iron Co., Sloss-Sheffield Steel & Iron Co., and the Shenango Furnace Co.

Besides these companies, 14 smaller iron and steel producing concerns furnished cost data. While these companies were all relatively small, they included some very well managed and profitable enterprises.

Nothing short of a careful study of this report can convey an adequate idea of its scope and thoroughness in every detail. As an example of its character, I quote one paragraph:

The meaning of the item of labor as forming a part of the mere costs of the several products needs brief explanation. The labor costs, as shown, represent in every instance the wages paid for all forms of producing labor for that particular product at that particular department of the works, including labor in repairs and maintenance. There are, in addition, other small expenditures for labor not classified as such by most steel companies. The labor in connection with the operation of steam plants, which is included under the item of steam, is practically the only labor cost not so classified, and this amounts to only a very few cents per ton for most products.

FIG IRON COSTS IN GREAT BRITAIN.

J. Stephen Jeans is a recognized English authority on iron, steel, and allied industries. He has been for many years secretary of the British Iron Trade Association. He was formerly secretary to the Iron and Steel Institute, and managing editor of the Iron and Coal Trades Review. He is the author of the "Iron trade of Great Britain"; also author of "Steel, its manufacture and uses"; also editor of the "Reports of the commissioners appointed by the British Iron Trade Association to inquire into iron and steel and allied industries of the United States."

In his report to the tariff commission of England, Mr. Jeans said:

All other things being approximately equal, the country that produces the cheapest pig iron should in the long run be master of the iron-trade situation.

I believe that authoritative data are now at hand to prove that the United States is that country. The most reliable costs of producing pig iron in England are those submitted by Mr. Jeans to the British tariff commission. The costs reported by Mr. Jeans are for 1903 and 1904.

The cost of producing pig iron in Great Britain, according to this authority, is as follows:

Item of cost.	Cost of Cleveland pig iron ¹ (Great Britain).	Cost of Bessemer pig iron (West Coast).
	Per ton.	Per ton.
Iron ore.....	\$3.89	\$6.20
Coke.....	3.89	5.11
Limestone.....	.36	.32
Wages at furnace.....	.91	.97
Stores, loose plant, etc.....	.16	.14
Bricks, clay, and boiler coal.....	.16	.16
Fixed charges, including relining and repairs.....	.55	.57
Total.....	9.92	13.47

¹ The pig iron produced in this district is foundry, basic, and Bessemer. Of this the foundry pig predominates in quantity, the basic is next most important in quantity, and the Bessemer the least important in quantity.

FIG IRON COSTS IN GERMANY.

While there are a number of countries that promise to be large producers of pig iron, the real competition at the present time is between Great Britain, Germany, and the United States. The cost of pig iron in Germany is given by Charles M. Pepper, a special agent of the Department of Commerce and Labor, in his report on the German iron and steel industry, 1909. His costs are not itemized, and it is not possible to analyze them. He states that the cost of producing pig iron in 1908 was—

Dortmund (district and city), basic pig..... \$13.57 to \$14.28
Luxemburg, basic pig..... 11.42 to 12.61

FIG IRON COSTS IN THE UNITED STATES.

The report of the Bureau of Corporations on the cost of production in the steel industry, issued May 6, 1913, furnishes conclusive information relating to the cost of producing pig iron in the United States.

The various kinds of pig iron produced are defined in the report substantially as follows:

Bessemer iron: This is the most important kind of pig iron produced in the United States. It is a quality of pig iron

which is suitable for the production of steel by the original Bessemer process. It must not contain more than 1 per cent of phosphorus and at least 1 per cent of silicon. Phosphorus in excess of 1 per cent does not make Bessemer steel of suitable quality. Bessemer ores are more expensive than non-Bessemer ores, and for that reason the cost of Bessemer pig is usually higher than for other grades which do not require Bessemer ore. Of the total production of Bessemer iron the cost data presented in the report covers 93.1 per cent.

Basic iron is second in importance to Bessemer iron. It is the iron in which the phosphorus exceeds 1 per cent, and it is made from non-Bessemer ores. It is called basic because it is suitable for the manufacture of steel by the basic process. In the United States the only basic steel-making process in present use is the basic open-hearth process.

The cost of basic iron is less than Bessemer, but its value is less. Its production has increased more rapidly than Bessemer in recent years.

Of the total production of basic pig iron, the cost statements presented in this report cover 61 per cent.

Foundry iron: This grade of iron includes a wide variety of pig irons which are suitable for casting. Foundry irons vary considerably in cost value. Generally speaking, the cost is lower than for Bessemer iron, because the ores ordinarily used are cheaper.

The greater part of the southern pig iron covered by the cost statements presented in this report is of the foundry grade. Of the total production of southern pig iron the cost data presented covers 53 per cent.

Forge iron: This kind of pig iron is fourth in rank in respect to the tonnage produced. It is a grade suitable for making wrought iron in the puddling furnace, and so of much greater relative importance in former times than at present. The grades of forge iron are different and consequently they have different costs and values. As foundry and forge irons are not used in making steel products, comparatively little information was obtained except for southern foundry. For northern foundry and for forge iron the information was insufficient to make it practicable to give the results in detail.

From the tables presented in the report, I am able to submit the average costs in detail of Bessemer pig iron, of basic pig iron, and of southern pig iron—mainly foundry grade—produced in the United States.

From the costs reported by Mr. Jeans to the British tariff commission, I am able to submit the average cost in detail of Cleveland-Bessemer, basic, and foundry-pig irons, and the cost of hematite Bessemer—West Coast—produced in Great Britain.

From the report of Charles M. Pepper, special agent of the Department of Commerce and Labor, on the German iron and steel industry, I am able to submit the costs, not itemized, of producing pig iron in Germany.

All of these costs in tabular form are presented as follows, which I will insert in the RECORD without reading:

Comparison of the costs of producing pig iron in the United States, Great Britain, and Germany.

Item.	United States.			Great Britain, 1903-4.	
	Cost of Bessemer pig iron, 1902-1906.	Cost of basic pig iron, 1902-1906.	Steel Corporation cost of southern pig iron, 1910. ¹	Cost of pig iron in Cleveland district. ²	Cost of Bessemer pig iron, west coast. ³
Iron ore, etc.	\$6.10	\$6.69	\$2.88	\$3.89	\$6.20
Coke	3.28	2.79	3.80	3.89	5.11
Limestone	.43	.47	.19	.36	.32
Labor	.73	.60	.75	.91	.97
Steam	.10	.10	.12		
Materials for repair and maintenance	.13	.11	.19		
Supplies and tools	.12	.10			
Miscellaneous works, expense	.24	.24		.87	.87
Relining and renewals	.18	.18	.20		
Contingent fund	.03	.02	.15		
General expense and depreciation	.76	.52	.50		
Total	12.10	11.82	9.07	9.92	13.47

¹ Mainly foundry pig.

² Mainly foundry, considerable quantity basic, also some Bessemer.

³ Bessemer pig iron.

Germany, 1908: Dortmund, cost of basic pig iron, \$13.57 to \$14.28; Luxemburg, cost of basic pig iron, \$11.42 to \$12.61. That is an average for the Dortmund district of \$14.04, an average for the Luxemburg district of \$12.01, or a total average cost of basic pig iron for both districts of \$13.03.

It will be seen from the foregoing table that in the United States we produce—

	Per ton.
Bessemer pig iron at an average cost of	\$12.10
Basic pig iron at an average cost of	11.82
Foundry pig iron; that is, southern pig iron which is mainly foundry, at an average cost of	9.07

That in Great Britain they produce—

	Per ton.
Bessemer pig iron, West Coast, at an average cost of	\$13.47
Foundry pig iron, basic pig iron, and Bessemer pig iron, Cleveland, at an average cost of	9.92

That in Germany they produce—

	Per ton.
Basic pig iron, Dortmund district and city, at an average cost of	\$13.92
Basic pig iron, Luxemburg district, at an average cost of	12.01

An average for both districts of

	12.96
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The largest proportion of the production in the Cleveland district is foundry; basic is second; Bessemer third. The cost of basic iron is less than Bessemer, and the cost of foundry iron less than basic. The large production of foundry and basic in the Cleveland district accounts for the low average cost. This production cost, therefore, should be compared with the United States cost of southern pig iron, which is also largely foundry grade.

In other words, the average cost of producing Bessemer pig iron in this country is \$1.37 per ton less than in Great Britain.

The average cost of producing basic pig iron in this country is \$1.14 lower than the average cost of producing basic pig iron in the Dortmund and Luxemburg districts of Germany.

I have been unable to obtain the average cost of producing basic pig iron in Great Britain, separated from other grades of pig iron.

The average cost of producing foundry pig iron in the United States is 85 cents per ton cheaper than the average cost of producing foundry pig iron in Great Britain.

The average cost of United States Bessemer and United States basic, which I have given, are the averages stated in the steel report and include the small as well as the large companies.

The average cost of producing Bessemer pig iron, based on the investigation of the small companies alone, is higher, amounting to \$14.21 per ton as against an average of \$12.10 per ton when all companies are included, and an average of \$9.23 per ton when only the large companies are considered.

The average cost of basic pig iron produced in the United States by the small companies is shown to be \$13.90 per ton as against \$11.82 per ton when all companies are included in the average, and as against \$11.65 per ton, the average cost of basic pig iron when only the large companies are considered.

If, now, we contrast the average cost of producing Bessemer and basic pig iron by the small companies of this country with the average cost of Great Britain and Germany, we find that the small manufacturers of the United States produce Bessemer pig iron at an average cost of \$14.21 per ton; the average cost for Great Britain being \$13.47, which is 74 cents cheaper than the average cost of the small companies in this country.

The small manufacturers of the United States produce basic pig iron at an average cost of \$13.90 per ton; the average cost for Germany being \$12.96, which is 94 cents per ton cheaper than the average cost of the small companies of this country.

The Steel Corporation cost of southern or foundry pig iron, heretofore given at \$9.07 per ton, represents the lowest cost of producing southern or foundry pig iron.

But the average cost of the production of this class of pig iron in the southern district was higher when carried on by companies which were much less efficient on the whole than the Steel Corporation and was also higher than that of the companies in the North. This is especially true from the point of view of capital, the plant equipment, and the labor cost. The labor conditions in the South were particularly unfavorable for economical production. The cost of a ton of this grade of pig iron as produced by the Steel Corporation was, as before stated, \$9.07. The average cost of a ton of this same grade of southern pig iron produced by the various southern companies investigated was \$9.65, a difference of exactly 58 cents per ton.

The average cost of a ton of pig iron most nearly corresponding to this grade produced in Great Britain, as before stated, was \$9.92. That is to say, even in the poorer equipped mills in the southern district we produce this grade of pig iron 27 cents per ton cheaper than does Great Britain.

It is interesting to note that the labor cost in a ton of pig iron is very much higher in the southern district, where the rates of wages are low, as compared with other districts. This is due to the fact that in the southern district, relatively speaking, there is an absence of modern labor-saving devices for

handling material, and the further and very important fact that labor is less efficient. The labor cost of producing a ton of Bessemer pig, the same being the average for all companies, is but 73 cents per ton; the labor cost of producing a ton of basic pig iron, including all the companies investigated, is 60 cents per ton, while the labor cost in the southern district averaged \$1.23 per ton.

This statement in itself is important. It has always been deemed a final argument to cite the difference in wages paid. It has always been regarded decisive of the whole question. It proves nothing to say that wages are higher in this country than in competing countries; that is to say, high wages rarely, if ever, prove high labor cost. The lowest wages, as a rule, represent the highest labor cost, because low wages almost invariably mean inefficient labor and excessive labor cost. And contra, high wages, as a rule, mean high efficiency and low labor cost.

In conclusion, therefore, taking into account all of the companies in the United States, both large and small, and taking the best information obtainable as to foreign costs, we produce Bessemer pig iron \$1.37 per ton cheaper than our foreign competitors, basic pig iron \$1.14 per ton cheaper than our foreign competitors, and foundry pig iron 85 cents per ton cheaper than our foreign competitors.

Leaving out of the calculation the larger companies in the United States and comparing the cost of production exclusively between the smaller companies of this country and our foreign competitors, it costs us 74 cents per ton more than our foreign competitors to produce Bessemer pig iron, 94 cents per ton more than our foreign competitors to produce basic pig iron, and 27 cents per ton less than our foreign competitors to produce foundry or southern pig iron.

We are therefore at a disadvantage in only two classes of pig-iron production, namely, 74 cents per ton on Bessemer pig iron and 94 cents per ton on basic pig iron, and that, too, only in the case of the production cost of the smaller and most poorly equipped companies, where the wages are low and the labor relatively inefficient.

And this brings me to present for the consideration of the Senate the protection offered the producers of this country by the transportation charge which the foreign competitor must bear in order to reach our market with his product.

I have procured, through the kindly offices of the Interstate Commerce Commission, the rates on pig iron by the Red Star Line from Antwerp and other continental points, including the Netherlands, to New York, Baltimore, and Philadelphia. The established rate from continental points to New York, Baltimore, and Philadelphia is 8.85 cents per 100 pounds. That amounts to \$1.80 per short ton, or about \$2 per long ton.

The proof is conclusive, therefore, that on the great bulk of our production of pig iron we produce more cheaply than our foreign competitor. On two grades of pig iron produced by our smaller and poorer equipped companies—companies operating under the disadvantage of low wages and inefficient labor—our production cost is in the case of Bessemer pig iron 74 cents per ton higher and in the case of basic pig iron 94 cents per ton higher than our foreign competitor. Against the foreign competitor, however, we have the protection of a transportation charge of \$2 per ton, which he must pay before he can land his pig iron in the American port.

The committee is therefore fully warranted in placing pig iron, as they have, on the free list.

INGOTS.

The ingot is the second advanced form in the manufacture of steel. An ingot is usually about 6 feet long, 2 feet wide, and 1½ feet thick. It weighs about 4 gross tons.

Steel ingots under the Payne-Aldrich law carry 14 different rates of duty, ranging from 19.15 to 31.23 per cent. The Underwood-Simmons bill proposes to place ingots on the free list.

Is any duty required in this case; and if so, how much? To determine that question I think the Senate should be advised, in so far as possible, as to all the facts bearing upon production in this and the competing countries.

The cost of Bessemer ingots in Great Britain, according to the report of J. Stephen Jeans to the British tariff commission, is \$17.88 per ton, the labor cost being 69 cents.

Again the best authority at hand as to German costs is the report of Charles M. Pepper, special agent of the Department of Commerce and Labor. He gives the cost of steel making, 1908, in the Dortmund district, from \$16.90 to \$18.09 per ton, the labor cost being from 84 to 93 cents. In the Luxemburg district, 1908, the cost is given as \$17.13 to \$18.56 per ton, the labor cost being from 60 to 72 cents.

From the tables presented in the report of the Commissioner of Corporations on the steel industry I am able to give United

States costs. The cost of producing Bessemer billet ingots, 1902 to 1906, was \$15.47 per ton, the labor cost being 57 cents. The cost of producing Bessemer rail ingots, 1902 to 1906, was \$15.75 per ton, the labor cost being 55 cents. The Steel Corporation cost of producing Bessemer rail ingots, 1910, was \$12.77, the labor being 52 cents.

I submit, without reading, the various items of cost in detailed tabular form, as follows:

Comparison of the costs of producing ingots in the United States, Great Britain, and Germany.

Item.	United States.			Germany.	
	Cost of Bessemer billet ingots, 1902-1906.	Cost of Bessemer rail ingots, 1902-1906.	Steel Corporation cost of Bessemer rail ingots, 1910.	Cost of Bessemer ingots, 1903-1904, in Great Britain.	Cost of steel making in Dortmund district, 1908.
Pig iron, etc.	\$12.84	\$12.70	\$10.24	\$13.52	\$13.57-\$14.28
Labor	.57	.55	.52	.69	.84-.96
Manganese	.28	.73	.78		.60-.72
Limestone	.02	.01			
Fuel	.22	.13	.09		
Steam	.15	.11	.13		
Molds and stools	.15	.11	.07		
Materials in repairs and maintenance	.09	.10	.06	3.67	2.49-2.85
Supplies and tools	.10	.12			5.11-5.23
Miscellaneous works expense	.13	.14	.28		
General expense and depreciation	.92	1.05	.60		
Total cost	\$15.47	\$15.75	\$12.77	17.88	16.90-18.09

¹ If the so-called "book costs" of the Bureau of Corporations had been used, these figures would have been \$17.56, \$17.59, and \$17.45, respectively. Perhaps it is fairer to use these costs.

It will be observed as to labor that the highest American cost is lower than the lowest foreign cost.

Taking the several German costs given we find the average to be \$17.67 per ton.

Taking the average of Great Britain with the German average we find the general European average to be \$17.77.

The average book cost of ingots in the United States is \$17.53 per ton. This is 24 cents per ton less than the average European cost.

As in the case of pig iron, these ingot figures show that for years we have been producing these products of iron ore more cheaply than our foreign competitors.

Indeed, we have become an exporter even of these crude products. Our export to Europe last year of products of this class amounted to more than \$5,000,000, and in tonnage was more than eight times the amount imported.

Besides being able to produce more cheaply than they produce in Europe, we have had in addition to the Payne-Aldrich prohibitory duties, the additional protection of an ocean freight rate of from \$2.42 to as high as \$3.41 per ton (Liverpool to New York) depending upon the size and weight of the ingots.

BESSEMER STEEL RAILS.

The third stage of iron and steel manufacture is the rolling of ingots into different forms, such as billets, rails, bars, wire rods, sheets, and so forth.

The cost of producing Bessemer steel rails in Great Britain is given by J. Stephen Jeans as \$22.63. Of this cost the charge for labor is \$1.66.

The report of Special Agent Pepper, of the Department of Commerce and Labor, on the German iron and steel industry does not enter into the cost of steel-rail production.

The report of the Commissioner of Corporations on the steel industry gives the American cost of producing heavy Bessemer rails \$18.80, the labor cost being \$1.16. It gives the Steel Corporation cost of producing heavy standard Bessemer rails as \$16.67, the labor cost being \$1.14. It gives the Steel Corporation cost of heavy standard open-hearth rails (southern) as \$20.89 per ton, the labor cost being \$1.72.

Taking the book costs, which includes miscellaneous expenses, depreciation, and intercompany profits, the report gives us for the heavy Bessemer rails a cost of \$21.27, instead of \$18.80, and for the Steel Corporation cost of heavy standard Bessemer rails \$21.53, instead of \$16.67.

If we add to the cost of the open-hearth rails an allowance for general expenses, depreciation, and intercompany profits, it would increase the cost of these rails to \$22.54 per ton.

As in the case of ingots, I submit in detailed tabular form a comparison of the cost of production of steel rails in the United States and Great Britain, as follows:

Comparison of the cost of production of steel rails in the United States and Great Britain.

Item.	United States.			Great Britain—Cost of Bessemer rails, 1903-4.
	Cost of heavy Bessemer rails, 1902-1906.	Steel Corporation cost of heavy standard Bessemer rails, 1910.	Steel Corporation cost of heavy standard open-hearth rails (southern), 1910.	
Ingots.....	\$15.05	\$13.03	\$14.86	\$17.88
Labor.....	1.16	1.14	1.72	1.66
Fuel.....	.13	.16	.18	
Steam.....	.41	.36	.73	
Rolls.....	.15	.12	.46	
Materials in repair and maintenance.....	.21	.17	.44	3.09
Supplies and tools.....	.08	.39	.85	
Miscellaneous works expense.....	.32			
General expense and depreciation.....	1.29	1.30	1.65	
Total.....	\$18.80	\$21.67	\$20.89	\$22.63

¹ Book cost, \$21.27.

² Book cost, \$21.53.

It will be noted that the labor cost in the case of heavy Bessemer rails is 50 cents less per ton in the United States than in Great Britain, and in the case of heavy standard Bessemer rails (Steel Corporation) it is 52 cents less. In the production of heavy standard open-hearth rails the Steel Corporation labor cost in the United States is slightly in excess of the British labor cost.

Neither in the report of Mr. Jeans, the report of Mr. Pepper, nor from any other source, have we data on the foreign costs of production of steel products more advanced than steel rails. I am therefore unable to extend the comparison of cost production further. But the report of the Bureau of Corporations covers a number of articles of steel manufacture of higher finish, and an examination of these figures, and especially the labor cost of each, will be found helpful in considering the rates of duty applied in the pending bill.

LARGE BESSEMER BILLETS.

The detailed figures for the rolled products given in the Report of the Commissioner of Corporations on the Steel Industry show that for the years 1902-1906 the average book cost for all companies producing large Bessemer billets per ton was \$20.18; the labor cost was 55 cents.

The Steel Corporation's mill cost per gross ton of large Bessemer billets, as shown by the records of the corporation for 1910, approximate intercompany profits included therein, and integration mill cost, was \$17.97; the labor cost was 40 cents.

LARGE BASIC OPEN-HEARTH BILLETS.

For the years 1902-1906 the average book cost for all companies producing large basic open-hearth billets per ton was \$20.87; the labor cost was 55 cents.

The Steel Corporation's mill cost per gross ton of large basic open-hearth billets, as shown by the records of the corporation for 1910, approximate intercompany profits included therein and integration mill cost, was \$19.37, the labor cost being 59 cents.

SMALL BESSEMER BILLETS.

For the years 1902-1906 the average book cost for all companies producing small Bessemer billets per ton was \$19.68, the labor cost being 66 cents.

The Steel Corporation's mill cost per gross ton of small Bessemer billets, as shown by the records of the corporation for 1910, approximate intercompany profits included therein, and integration mill cost, was:

(1) From ingots.....	\$18.23
The labor cost being.....	.61
(2) From blooms.....	18.46
The labor cost being.....	.46
(3) From large billets.....	18.03
The labor cost being.....	.19

In this connection the following observation of the Bureau of Corporations is important:

The cost records as kept by the different plants producing these small Bessemer billets were found not to be on a comparable basis. For instance, at one mill small Bessemer billets were rolled directly from ingots, while at other mills they were rolled from blooms, and at still other mills large billets were rolled down to small billets. It is evident, therefore, that since the raw material differed with the different stages of rolling, which would necessarily affect both the cost of material and the cost above material, a statement giving the cost in detail of the total production of small Bessemer billets would not be at all repre-

sentative. Therefore the separate costs of rolling small Bessemer billets from (1) Bessemer billet ingots, (2) Bessemer blooms, and (3) large Bessemer billets as shown by the books of the producing companies are given. (Steel report, p. 454.)

SMALL BASIC OPEN-HEARTH BILLETS.

For the years 1902-1906 the average book cost for all companies of small basic open-hearth billets per ton was \$19.67, the labor cost being 74 cents.

The Steel Corporation's mill cost per gross ton of small basic open-hearth billets, as shown by the records of the corporation for 1910, approximate intercompany profits included therein, and integration mill cost, was:

(1) From blooms.....	\$20.18
The labor cost being.....	.32
(2) From large billets.....	20.32
The labor cost being.....	.30

Upon this point the Bureau of Corporations observes:

It is not practical to give the cost in detail for this total production, as a part was rolled from blooms and a part from large billets. Therefore * * * there are shown separately * * * the costs of rolling small basic open-hearth billets from blooms and from large billets. (Steel report, p. 457.)

SHEARED PLATES.

For the years 1902-1906 the average book cost for all companies of sheared plates from slabs per ton was \$27.49, the labor cost being \$2.36.

The Steel Corporation's mill cost per gross ton of basic open-hearth sheared plates, as shown by the records of the corporation for 1910, approximate intercompany profits included therein, and integration mill cost, was \$25.01, the labor cost being \$1.91.

UNIVERSAL PLATES.

For the years 1902-1906 the average book cost for all companies of universal plates per ton was:

(1) From slabs.....	\$26.40
The labor cost being.....	1.83
(2) From ingots.....	21.82
The labor cost being.....	1.24

The Steel Corporation's mill cost per gross ton of universal plates, as shown by the records of the corporation for 1910, approximate intercompany profits included therein, and integration mill cost, was:

(1) From basic open-hearth ingots.....	\$22.79
The labor cost being.....	1.24
(2) From basic open-hearth slabs.....	23.74
The labor cost being.....	1.47
(3) From mixed Bessemer and basic open-hearth slabs.....	25.97
The labor cost being.....	2.21

The following observation from the report of the Bureau of Corporations is relevant here:

The Steel Corporation's production of universal plates in 1910, as shown by the cost records of the producing companies, was rolled from both ingots and slabs. As the costs of the material and costs above material would not be on the same basis, because slabs have gone through one stage of rolling, it is necessary to show separately the costs of universal plates rolled from ingots and of those rolled from slabs. Furthermore, the plates rolled directly from ingots ordinarily comprised plates of greater average thickness of gauge which could be produced at less cost than lighter gauges. There are given, therefore, the Steel Corporation's average mill cost of universal plates in 1910 rolled from (1) basic open-hearth ingots, (2) basic open-hearth slabs, and (3) mixed Bessemer and basic open-hearth slabs, as shown by the books of the producing companies. (Steel report, pp. 471-472.)

STRUCTURAL SHAPES.

For the years 1902-1906 the average book cost for all companies of structural shapes per ton was: (1) From ingots, \$26.52, the labor cost being \$2.15; (2) from large billets, \$27.76, the labor cost being \$2.54.

The Steel Corporation's mill cost per gross ton of heavy structural shapes, as shown by the records of the corporation for 1910, approximate intercompany profits included therein, and integration mill cost, was \$24.57, the labor cost being \$1.77.

Following is a list of the average book costs for all companies per ton and the labor cost of certain rolled products for the years 1902-1906. The report of the Commissioner of Corporations on the steel industry does not appear to give the Steel Corporation cost of these products:

Product.	Book cost per ton.	Labor.
Bessemer sheet bars.....	\$18.98	\$0.57
Open-hearth sheet bars.....	24.58	.88
Heavy rails.....	22.23	1.25
Light rails.....	24.24	2.32
Merchant steel bars:		
(1) From large billets.....	28.12	3.06
(2) From small billets.....	26.73	2.87
Hoops and light bands.....	31.67	5.04
Cotton ties.....	30.57	4.22
Wire rods.....	27.21	1.53
Bright coarse wire.....	29.12	1.62
Black sheets.....	39.37	10.39
Black plate for tinning.....	48.99	12.73
Tin plate (box of 100 pounds).....	3.18	.19
Tin plate (ton of 2,240 pounds).....	71.23	4.25

We have, therefore, Mr. President, reliable information on both the domestic and foreign cost of producing pig iron, ingots, and steel rails, and it can be accepted as an established fact that we produce these products at less cost than our foreign competitors. It is therefore certain that there is no warrant for imposing any duties whatever upon pig iron, ingots, or rails.

While we have no accurate and impartial evidence as to the foreign cost of producing steel articles more advanced in manufacture than pig iron, ingots, and rails we are, fortunately, supplied in the report of the Bureau of Corporations on the steel industry, with detailed figures on the cost of a number of these more advanced products.

From this report I have shown that the cost of producing large Bessemer billets is \$20.18 per ton. The labor cost is 55 cents. The pending bill fixes the rate of duty on billets at 10 per cent. A ton of billets, calculated on the American cost, would pay a duty of \$2.01 at the customhouse in New York. This duty is therefore nearly four times the total labor cost of producing a ton of billets in this country.

The steel report, as I have already stated, gives the cost of a ton of sheared plates at \$27.49. The labor cost is given as \$2.36. The pending bill imposes a duty of 10 per cent on pressed, sheared, or stamped shapes. The duty upon a ton of sheared plates calculated upon the American cost would be \$2.74. The total labor cost in a ton of this product is \$2.36. The duty therefore would be more than the total labor cost in this product.

The Bureau of Corporations, as I have shown, reports the cost of producing a ton of structural shapes from large billets as \$27.76. The labor cost in a ton of structural shapes is \$2.54. The pending bill imposes a duty of 10 per cent on this product. The duty upon a ton of structural shapes, calculated upon the American cost, is \$2.77. The total labor cost in a ton of this product is \$2.54. The duty therefore more than covers the total labor cost, besides the ocean freight rate on all construction iron and steel, ranges from \$3.55 to \$7.66 per ton, furnishing that much additional protection.

Open-hearth sheet bars are reported by the Bureau of Corporations as costing in this country \$24.58 a ton. Under the pending bill they are assessed a duty of 10 per cent. The labor cost in a ton of open-hearth bars is 88 cents. Calculated upon the American cost, a ton of this product would be required to pay a duty of \$2.45 at the customhouse. This amounts to nearly three times the total labor cost in a ton of this product.

The steel report gives the average cost of a ton of merchant steel bars as \$23.12. The Senate committee reduced the duty on these bars to 5 per cent. Calculated upon the American cost, a ton of merchant bar would be assessed a duty of \$1.40 at the customhouse. The steel report gives the labor cost in a ton of merchant bar at \$3.06. Even if the labor cost in this country were double the foreign cost, the tariff would practically cover the difference in labor cost.

The ocean freight on a ton of iron and steel bar, loose or in bundles, from Liverpool to New York, is \$3.41. The freight rate would therefore, by itself, furnish a protection more than equivalent to the total labor cost of producing a ton of merchant bar in the United States.

The Bureau of Corporations reports the average cost of a ton of black plate for tinning in this country at \$48.99. The Senate bill places a duty of 15 per cent on this product. Calculated upon the American cost, a ton of black plate would be assessed at the New York customhouse a duty of \$7.34. The Bureau of Corporations reports the labor cost in a ton of black plate for tinning at \$12.73. It is usually claimed that the wages paid in this country are double the wages paid in Great Britain. Accepting this as true and assuming that the rate of wages may be taken as a criterion of labor cost and that the labor cost in a ton of black plate in this country is double that of Great Britain, even then the duty of \$7.34 would more than measure the difference in labor cost.

The report of the Bureau of Corporations gives the American cost of producing a box of 100 pounds of tin plate at \$3.18. The pending bill imposes a duty of 15 per cent on tin plate. Computed upon the American cost, a hundred-pound box of tin plate would be assessed a duty of 46 cents. The Bureau of Corporations reports the labor cost in a hundred-pound box of tin plate at 19 cents. The duty fixed by this bill would therefore amount to two and one-half times the total labor cost.

FINER ARTICLES OF HIGHER FINISH.

In many industries in this country we know that wages are nearly double the wages paid in Great Britain. And in all industries we know that the wages of England are much lower than for the corresponding industries of this country.

But it should be constantly borne in mind that low wages do not mean low labor cost. Indeed, I think it may be stated as the unvarying rule that low wages mean high labor cost. It will be remembered that for pig iron the labor cost in Great Britain is 91 cents per ton; in Germany, 97 cents per ton. In the United States the highest labor cost is 75 cents per ton. And it is likewise true that the labor cost on ingots and Bessemer steel rails is higher in the competing foreign country than in the United States.

In making any tariff bill, certain information is essential. The cost of production is important; the imports and exports; the ratio of imports to the total domestic production; the prices, domestic and foreign, of all material. Each is entitled to be given due weight and consideration. The element of prices is entitled to less consideration than would be true if both foreign and domestic prices were not, as we know they are, subject more or less to artificial control. It is to be regretted that we have no accurate detailed cost data, either domestic or foreign, for the articles of finer manufacture. Among these products are wire, tubes, firearms, cutlery, watches, machinery, wares made wholly or in part of copper, aluminum, brass, nickel, platinum, gold and silver, and many other articles, any one of which represents a large industry.

Upon most of these products the pending bill makes marked reductions in duties. In many of the more highly finished articles, though we have no disinterested report upon it, we know that the labor cost represents a very large proportion of the total cost of the product. Under the existing law the duties on these articles range from 10 to 98 per cent. In the pending bill the rates upon these products range from 15 to 55 per cent ad valorem. To present this more specifically:

The rates on wire under the existing law are from 37 to 74 per cent. These duties are reduced in the pending bill to from 15 to 25 per cent. The rates on wire would stand a very considerable reduction, as indicated from the fact that we imported but a little more than \$2,000,000 worth and exported four times that amount. And we produced more than fifty times as much as we imported.

The rates on tubes, pipes, flues, cylindrical or tubular tanks, and welded cylindrical furnaces are from 30 to 50 per cent under the existing law. In the pending bill these rates are fixed at from 20 to 30 per cent. We imported almost none of these products. The total value of all kinds imported in 1912 was \$634,941. The value of the production of these manufactures in this country amounted to \$97,259,000.

Under the existing law the rate on muskets and muzzle-loading firearms is 25 per cent. The pending bill reduces the duty to 15 per cent. The rates on breech-loading rifles, shotguns, pistols, and parts thereof under the existing law is 46 per cent. The pending bill reduces this duty to 35 per cent. The imports of these products was a negligible quantity, indicating that the existing duty is practically prohibitory.

But on cutlery there is reason to apprehend that the duties have been reduced below the difference in the cost of production, or, in other words, below the competitive rate.

In the manufacture of cutlery the material is but a small part of the cost of the finished product. The forging, grinding, polishing, and etching of a razor blade, for example, is largely hand labor, and constitutes by far the major portion of the total cost.

The existing law fixes the duty upon penknives and pocket-knives at 77 per cent. The pending bill reduces this duty to 40 per cent.

The existing law places a duty on razors of 72 per cent. The pending bill reduces that duty to 50 per cent.

The existing law places a duty on scissors of 53 per cent. The pending law reduces that duty to 30 per cent.

The existing law fixes the duty on table cutlery at 42 per cent. The pending bill reduces that duty to 27 per cent.

There is absolutely no data outside of the imports of these highly finished products upon which one can rest with confidence as to what measure of duty is necessary to maintain these industries in this country. As suggested, the element of labor is a very important one in these products. It is claimed by manufacturers that the labor cost is 70 to 80 per cent of the total cost of many of these articles. This statement comes from interested parties, and it is no disparagement to the gentlemen who make it to say that it must be received with that fact in mind. In the absence of data from unbiased sources, the legislator is impressed with the value of such reports as that made by the Bureau of Corporations on the heavier steel products and by the Tariff Board in the reports which it submitted to the Sixty-second Congress on cottons, woolsens, pulp wood, and print paper.

The imports of the four classes of cutlery named aggregated \$2,022,321 for 1912.

I was somewhat surprised to find that our exports on cutlery for the year 1912 amounted to \$1,162,203. And of this amount we exported cutlery to Great Britain to the value of \$258,122; to Germany, cutlery valued at \$33,806.

It is contended by the manufacturers that the wages in the United States in these industries are twice as high as in England and three times as high as in Germany. This in itself furnishes but little guidance in fixing a fair rate of duty. Nothing appears as to the efficiency of the foreign as compared with the American labor. If the labor were equally well organized, superintended, supplied with like tools, and equally skillful and efficient, then the statement as to wages would furnish some criterion for fixing rates.

If 75 per cent of the value of a product is labor and the labor were equally productive, a 40 per cent duty would a little more than measure the difference in labor cost in competition with Great Britain and a little less than measure the difference in the labor cost in competition with Germany.

We are likewise without the necessary information to determine the proper duties on watches, watch movements, clocks, and clock movements, and parts of the same. The existing law fixes the duties from 40 to 98 per cent. The pending bill reduces these duties to 30 per cent.

The imports of the articles covered by these duties constitute but a small percentage of the amount produced in this country. The total value of our manufacture was \$35,571,000. The value of the imports was but \$1,537,144.

That the committee was warranted in making marked reductions in the duties on all of these more advanced products there can be no doubt. Whether the cut is deeper than the industries can stand without harm to the labor employed can not, so far as I am aware, be determined to a certainty by any known facts.

Upon machinery, engines, printing presses, and machine tools the existing law imposes a duty of 30 to 45 per cent. The pending bill fixes these duties from 15 to 25 per cent. The imports are small, indicating that the Payne-Aldrich duties are higher than necessary. The reduction of the duties will be of advantage to manufacturers in equipping plants with machines of foreign make, some of which are not produced at all in this country. And this again will open the way for further reduction of the duties on products manufactured with the machinery thus cheapened.

Wares made in whole or in part of copper, aluminum, brass, nickel, platinum, gold, and silver are dutiable under existing law at 45 per cent. The pending bill reduces these duties to 20 per cent, excepting as to articles made in whole or in part of platinum, gold, and silver, which it increases to 50 per cent.

The imports of these articles under the present duties are a negligible quantity, and the duties fixed by the pending bill may prove to be reasonably fair and just to the American manufacturers.

Recurring, Mr. President, to the heavier metal products, we produce pig-iron billets, in fact all of the heavy steel products, not only as cheaply, but cheaper than they are produced abroad. Besides, we have the further protection of the ocean freight rate.

I have gathered, after diligent inquiry prosecuted through the Department of Commerce, the transportation rate on substantially everything of importance imported into this country, and I ask leave to incorporate those tables, with the matter explanatory thereof, as an appendix to my remarks.

The VICE PRESIDENT. Is there any objection? The Chair hears none, and permission is granted.

Mr. LA FOLLETTE. In conclusion, Mr. President, I repeat, I am apprehensive that upon some of the finer products of the steel schedule the rates fixed in this bill are too low. As to that, it is not possible, I believe, for anybody to be absolutely certain, for I can not find that data from official sources, or from sources that are reliable and unprejudiced, as to the cost of producing in this country and in competing countries pocket cutlery, table cutlery, razors, scissors, and the like.

Manufacturers who have appeared before various congressional committees have made the general statement that the labor cost in these more highly finished products represents 70 to 80 per cent of their value. They do not give us any information whatever as to the efficiency of that labor. They do not give us the information that is required to fix the duty upon any basis, either competitive or protective. And, then, they are interested witnesses.

I do not believe that the difference in the cost of production, if it could be ascertained to the very last cent, is the only guide to follow in fixing tariff rates. I know that the selling price is not the absolute standard. Prices in this country are artificially controlled. To some extent they are artificially con-

trolled abroad. There are many important things to be taken into consideration in fixing a tariff. And this is true, I repeat, whether you are framing a protective tariff or a tariff for revenue with incidental protection.

That is why, Mr. President, we require constantly the services of a scientific board or commission, a scientific board composed of able, disinterested men, who, in the spirit of truth seekers, shall exhaust every possible line of inquiry that bears upon or has any relevancy to this great subject of the tariff. However, I would not clothe such a board with power to fix tariff rates.

I think I voted for an amendment with such a feature during the pendency of this bill. I hurried to the Chamber to vote, from my committee room where I was at work, and being informed that the amendment under consideration provided for a tariff commission, I voted for it without fully understanding the details. I would not support a bill clothing a commission with power to fix rates.

Furthermore, Mr. President, I should like to see imposed upon every product that comes into this country a small tax—say a fraction of 1 per cent—that would not affect the cost to the consumer, but would create a fund which would pay for gathering statistical data on all of the imports that come to us. This material, properly classified, would be of the greatest value to Congress in tariff legislation.

And now I must yield the floor. I have an understanding with other Senators who desire to be heard that I would do so at this time.

Mr. THORNTON. Mr. President—

Mr. LA FOLLETTE. Just one further word, if the Senator will permit me. It has been a matter of common understanding here for several weeks that there was no possibility of securing the adoption of any amendments of a sweeping character to the pending bill. So I have not felt pressed to offer the results of my study of this schedule at an earlier time. I do hope, however, that what I have presented will receive some consideration from the committee in the calmness and deliberation of the conference room.

APPENDIX.

Freight rates, Liverpool, England, to New York.

Iron ore:	Per long ton.
Packed.....	\$3.04
In bulk.....	2.68
Pig iron.....	2.43
Ferromanganese.....	2.43
Billets, ingots, blooms:	
Loose, weighing up to 1 ton per piece.....	2.43
Loose, weighing up to 5 tons per piece.....	3.16
Over 3 tons per piece.....	3.41
Iron and steel:	
Bar and hoop, loose or in bundles.....	3.41
Construction iron and steel:	
(A.) Angles, channels, plates, tees, ties, rods, zeds, and joists, up to 15 inches in depth. No piece over 2 tons (see note 1 below).....	
Up to and not exceeding 30 feet in length.....	3.35
Up to and not exceeding 36 feet in length.....	3.65
Up to and not exceeding 40 feet in length.....	3.93
Up to and not exceeding 45 feet in length.....	4.26
Up to and not exceeding 50 feet in length.....	4.87
Up to and not exceeding 55 feet in length.....	5.47
Exceeding 55 feet in length.....	6.08
(B.) Rolled and built beams, joists over 15 inches in depth, and girders not bent or flanged. No piece over 2 tons in weight (see note 1 below).....	
Up to and not exceeding 30 feet in length.....	3.65
Up to and not exceeding 36 feet in length.....	3.95
Up to and not exceeding 40 feet in length.....	4.26
Up to and not exceeding 45 feet in length.....	4.56
Up to and not exceeding 50 feet in length.....	6.03
Up to and not exceeding 55 feet in length.....	6.68
Exceeding 55 feet in length.....	7.66
(C.) Girders, wrought, set up, not over 40 hundredweight or 30 feet in length.....	3.95
Girders, extra lengths or weights (as beams).	
NOTE 1.—Pieces over 2 tons and not exceeding 3 tons, \$1.22 per ton extra; pieces over 3 tons and not exceeding 4 tons, \$2.43 per ton extra; pieces over 4 tons and not exceeding 5 tons, \$3.60 per ton extra; pieces over 5 tons, as per agreement, with minimum rate of \$17.03.	
NOTE 2.—Plates, angles, channels, girders, beams, columns and castings, lattice girders, etc., with finished material or if bent or flanged, to pay \$1.22 per ton over the ordinary rates.	
Copper ingots:	Per long ton.
Packed.....	\$5.48
Loose.....	6.69
Cutlery: (Same as dry goods—see dry goods.)	
Chains:	
Packed or coiled up to 1 ton.....	3.65
Packed or coiled up to 2 tons.....	4.26
Packed or coiled up to 3 tons.....	4.87
Loose.....	4.28
Machinery appurtenances.....	5.48
Machinery up to 1 ton per piece or package.....	4.26
Machinery up to 2 tons per piece or package.....	4.87
Machinery up to 3 tons per piece or package.....	6.08
Machinery up to 4 tons per piece or package.....	7.30
Machinery up to 5 tons per piece or package.....	9.73
Over 5 tons, as per special agreement, with minimum rate of \$9.73.	

INTERSTATE COMMERCE COMMISSION,
OFFICE OF THE SECRETARY,
Washington, August 11, 1913.

Hon. ROBERT M. LA FOLLETTE,
United States Senate, Washington, D. C.

DEAR SIR: There is inclosed herewith a statement prepared by our Division of Tariffs, which was prepared at your request, showing a comparison of domestic and import rates on all articles now given specific import commodity rates from New York to Chicago via all rail.

Respectfully,

G. B. MCGINTY, Secretary.

Statement showing comparison of domestic and import rates on all articles now given specific import commodity rates, from New York, N. Y., to Chicago, Ill., via all rail.

Articles.	Rates, in cents, per 100 pounds, unless otherwise noted.	
	Domestic.	Import.
Bagging, burlap.....C. L.	30	20
Burlaps.....C. L.	135	20
Carbon slack.....C. L.	125	17
China, German, Austrian, and Japanese, released to (L. C. L. valuation of \$12 per 100 pounds.....C. L.	165	43
Clay.....C. L.	20	16
Crockery, in crates or slatted boxes.....L. C. L.	140	31
Earth, fuller's.....C. L.	22	20
Earthenware, in crates or slatted boxes.....L. C. L.	140	31
Ferromanganese.....C. L.	500	2400
Glycerine, crude.....C. L.	130	29
Ixite.....C. L.	130	24
Ixite.....C. L.	130	24
Logs, wood, all kinds.....C. L.	25	23
Magnesite.....C. L.	22	17
Ore, chrome in bulk.....C. L.	425	380
Ore, iron, crude, in bags or bulk.....C. L.	1200	380
Ore, magnesite.....C. L.	125	17
Ore, manganese, in bulk.....C. L.	425	380
Pyrites, iron.....C. L.	1200	380
Rags, waste paper, jute waste, hemp waste, flax-rove waste, scrap jute bagging, pressed in bales, and old rope, in straight or mixed carloads, minimum weight 30,000 pounds.....C. L.	125	21
Rice, brewers'.....C. L.	125	21
Sisal.....C. L.	130	24
Soda, nitrate of.....C. L.	130	20
Sweepings, cotton factory, minimum weight 30,000 pounds, C. L.	130	25
Sweepings, tea, in bales or bags, minimum weight 30,000 pounds.....C. L.	No rate.	22
Tallow, vegetable.....C. L.	130	25
Waste, cotton thread, minimum weight 30,000 pounds.....C. L.	130	20
Wood pulp, minimum weight 36,000 pounds.....C. L.	22	25

¹ Class rates. No commodity rates in effect.

² Per 2,340 pounds.

Tariff references: N. Y. C. & H. R. R. R., I. C. C. Nos. B-15594, 18282, 18428, and 18971.

Statement showing comparison of domestic and import rates on various articles now moving under import commodity rates from Boston, Mass., to Chicago, Ill., via all rail.

Articles.	Rates, in cents, per 100 pounds, unless otherwise noted.	
	Domestic.	Import.
Bleach.....C. L.	22	20
Brimstone, crude, in bulk.....C. L.	16	14
Burlaps and burlap bagging.....C. L.	130	18
China, Austrian, German, and Japanese, released to (L. C. L. valuation of \$12 per 100 pounds.....C. L.	165	41
Clay.....C. L.	20	14
Crockery and earthenware in crates or slatted boxes.....L. C. L.	140	29
Earth, fuller's.....C. L.	22	18
Ferromanganese.....C. L.	500	2400
Ferrosilicon, in pigs only.....C. L.	475	2435
Flint.....C. L.	22	20
Flint pebbles.....C. L.	22	20
Glycerin, crude.....C. L.	130	27
Gum, Pontianac, in packages, minimum weight 40,000 pounds, C. L.	30	28
Hart salts (Hartsalz), minimum weight 40,000 pounds.....C. L.	25	20
Iron, band.....C. L.	35	26
Iron, pig.....C. L.	30	21
Ixite and ixite.....C. L.	475	2435
Kainit.....C. L.	130	22
Kaolin.....C. L.	22	20
Licorice mass.....C. L.	20	18
Licorice root, in bales.....C. L.	30	28
Lithopane.....C. L.	30	28
Logs, wood, all kinds.....C. L.	20	18
Lumber, mahogany.....C. L.	25	21
Magnesite and magnesite ore or carbon slack.....C. L.	425	23
Oil, coconut, copra, palm, and palm kernel, in tank cars, minimum weight capacity of tank, in wood or in iron drums, or barrels, 30,000 pounds.....C. L.	25	23

¹ On burlap bagging only.

² Class rates. No commodity rates in effect.

³ Per 2,240 pounds.

⁴ On mahogany logs only.

Statement showing comparison of domestic and import rates on various articles now moving under import commodity rates, etc.—Continued.

Articles.	Rates, in cents, per 100 pounds, unless otherwise noted.	
	Domestic.	Import.
Oil, creosote, in tank cars.....C. L.	22	26
Ore, chrome and manganese, in bulk.....C. L.	1425	1340
Ore, iron, crude, in bulk.....C. L.	1,500	1340
Paper, building.....C. L.	20	18
Paper, roofing.....C. L.	20	18
Potash, muriate and sulphate.....C. L.	22	20
Pulp, wood, minimum weight 36,000 pounds.....C. L.	22	18
Pyrites, iron.....C. L.	1350	1340
Rags: Waste, paper; waste, jute; waste, hemp; waste flax rove; bagging, scrap jute, pressed in bales; and old rope; minimum weight, 30,000 pounds.....C. L.	25	19
Rice, brewers'.....C. L.	25	19
Rods, wire, iron or steel, in coils (not in straight lengths), unfinished, not drawn through a die, not lighter than No. 8 gauge or greater than 1½ inches in diameter, which can be transported in open cars without damage from exposure to weather.....L. C. L.	235	24
Rope, wire, iron or steel, on reels or in coils.....C. L.	1500	380
Salt; minimum weight, 40,000 pounds.....C. L.	20	18
Salts, double manure; minimum weight, 40,000 pounds.....C. L.	No rate.	20
Salts, Epsom and Glauber.....C. L.	22	20
Salts, manure; minimum weight, 40,000 pounds.....C. L.	No rate.	20
Sisal.....C. L.	230	22
Soda, ash, sulphate of lime, and triphosphate of sodium.....C. L.	22	20
Soda, bicarbonate of, bisulphate of caustic, crystals; hyposulphite of, phosphate of (sodium); sal; silicate of; sulphate of and sulphide of.....C. L.	22	20
Soda, bichromate of.....C. L.	22	20
Soda, nitrate of.....C. L.	230	18
Spiegel iron.....C. L.	1500	1460
Spiegel iron.....C. L.	1500	1460
Sulphur, crude, in bulk.....C. L.	16	14
Sweepings, cotton-factory, minimum weight 30,000 pounds.....C. L.	230	23
Sylvanite, minimum weight 40,000 pounds.....C. L.	No rate.	20
Talc, minimum weight 40,000 pounds.....C. L.	20	18
Tallow, vegetable.....C. L.	230	23
Tin, pig (released to valuation of \$100 per net ton).....C. L.	24	22
Waste, cotton thread, minimum weight 30,000 pounds.....C. L.	230	23
Whiting, minimum weight 40,000 pounds.....C. L.	20	18
Wire, iron or steel, in boxes, bundles, or casks.....L. C. L.	235	24
Wire, iron or steel, in boxes, bundles, or casks.....C. L.	230	19

¹ Per 2,240 pounds.

² Class rates. No commodity rates in effect.

Tariff references: B. & M. R. R. I. C. C. No. A-140; F. S. Davis's I. C. C. Nos. 1, 4, and 12.

Mr. THORNTON. Mr. President, it is hard that I should feel compelled to vote against a bill made a party measure by the Democratic Party—the party to which I have given my allegiance since I cast my first vote 45 years ago. It is harder still that I should be compelled to do so on account of the fact that the Democratic Party, to which my State of Louisiana has also given a steadfast allegiance during the past 36 years in which her white people have controlled her affairs, seeks now, by a provision of this bill, to strike a mortal blow at one of her great agricultural interests in violation of its settled tariff policy and of the pledges of its last national platform.

Because as an ambassador here from the State of Louisiana I am charged with the duty of defending her vital interests against injurious assault, and recognizing that I owe a higher degree of duty to my State than I owe to the Democratic Party, and because, further, I recognize the binding obligation resting on me to redeem the solemn pledges I made to her people concerning this very question, and because, further, the Democratic Party in the State of Louisiana, in convention assembled in June, 1912, denounced this very provision of this bill as a "heavy and cruel blow against Louisiana"—for each and for all of these reasons I can not vote for a bill which will needlessly destroy one of the great agricultural industries of my State, and of many other States of this Union as well, and deliver the people of this country into the power of the rapacious and infamous Sugar Trust composed of the group of eastern seaboard refiners.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Nebraska [Mr. NORRIS], on which the yeas and nays have been ordered. The Secretary will call the roll.

The Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I have a pair with the junior Senator from Michigan [Mr. TOWNSEND] and therefore withhold my vote. If at liberty to vote, I should vote "nay."

Mr. SHEPPARD (when Mr. CULBERSON's name was called). My colleague [Mr. CULBERSON], who is necessarily absent, is paired with the Senator from Delaware [Mr. DU PONT].

Mr. LEA (when his name was called). I announce my pair with the senior Senator from South Dakota [Mr. CRAWFORD]. If at liberty to vote, I would vote "nay."

Mr. LEWIS (when his name was called). I announce my pair with the junior Senator from North Dakota [Mr. GRONNA]. If I were at liberty to vote, I would vote "nay."

Mr. REED (when his name was called). I am paired with the Senator from Michigan [Mr. SMITH] and, being unable to secure a transfer, I withhold my vote. I would vote "nay" if at liberty to vote.

Mr. THOMAS (when his name was called). I make the same transfer as announced heretofore and vote "nay."

The roll call was concluded.

Mr. REED. I transfer my pair to the Senator from Ohio [Mr. POMERENE] and vote "nay."

Mr. GALLINGER. I will announce the unavoidable absence of the junior Senator from Maine [Mr. BURLEIGH] on account of illness. I will likewise announce a pair between the Senator from West Virginia [Mr. GOFF] and the Senator from Alabama [Mr. BANKHEAD].

Mr. SMOOT. I desire to announce the absence from the city on account of illness of the senior Senator from Delaware [Mr. DU PONT]. If he were here, he would vote "yea."

Mr. REED (after having voted in the negative). The Senator from Ohio [Mr. POMERENE] having come into the Chamber since I transferred my pair, I withdraw my vote in order that he may vote in his own right.

Mr. POMERENE. I vote "nay."

Mr. STERLING. I desire to announce that my colleague [Mr. CRAWFORD], who is necessarily absent, would if present vote "yea." He is paired with the Senator from Tennessee [Mr. LEA], as has been announced.

The result was announced—yeas 30, nays 48, as follows:

YEAS—30.

Borah	Cummins	Lodge	Stephenson
Bradley	Dillingham	McCumber	Sterling
Brady	Fall	Nelson	Sutherland
Brandeggee	Jackson	Norris	Warren
Bristow	Jones	Perkins	Weeks
Catron	Kenyon	Poindexter	Works
Clapp	La Follette	Sherman	
Colt	Lippitt	Smoot	

NAYS—48.

Ashurst	James	Pittman	Smith, Ga.
Bacon	Johnson	Pomerene	Smith, Md.
Chamberlain	Kern	Ransdell	Smith, S. C.
Chilton	Lane	Robinson	Stone
Clark, Wyo.	Martin, Va.	Root	Swanson
Clarke, Ark.	Martine, N. J.	Saulsbury	Thomas
Fletcher	Myers	Shaftroth	Thompson
Gallinger	O'Gorman	Sheppard	Thornton
Gore	Oliver	Shields	Tillman
Hatchcock	Overman	Shively	Vardaman
Hollis	Owen	Simmons	Walsh
Hughes	Penrose	Smith, Ariz.	Williams

NOT VOTING—17.

Bankhead	Culberson	Lewis	Smith, Mich.
Bryan	du Pont	McLean	Townsend
Burleigh	Goff	Newlands	
Burton	Gronna	Page	
Crawford	Lea	Reed	

So Mr. NORRIS's amendment was rejected.

Mr. SMOOT. Mr. President, I expected to submit a substitute for Schedule K and to speak upon it to-day, but conditions arose which prevented it. I now offer the substitute and ask unanimous consent that it be printed in the RECORD without reading. I make the request that the reading be omitted to save time.

The VICE PRESIDENT. Is there objection? The Chair hears none.

The amendment proposed by Mr. SMOOT was, on page 87, after line 15, to insert the following:

SCHEDULE K—WOOL AND MANUFACTURES OF.

1. All wools, hair of the camel, goat, alpaca, and other like animals shall be divided for the purpose of fixing the duties to be charged thereon into the three following classes:

2. Class 1, that is to say, merino, mestiza, metz, or metis wools or other wools of merino blood immediate or remote, down clothing wools, and combing wools of like character with any of the preceding, including Adrianople skin wool or butcher's wool, and such as have been heretofore usually imported into the United States from Buenos Aires, New Zealand, Egypt, Australia, Cape of Good Hope, Russia, Great Britain, Canada, Morocco, and elsewhere, and down combing wools, Canada long wools, or other like wools of pure English blood, and usually known by the terms herein used, and all wools not hereinafter provided for in class 3.

3. Class 2, that is to say, all hair of the camel, goat, alpaca, or other like animal and Leicester, Cotswold, Lincolnshire, and similar long-combing wools of pure English blood not hereinafter provided for in class 3.

4. Class 3, that is to say, Donskoi, native South American, Cordova, Valparaiso, native Smyrna, Russian camel's hair, Bagdad wool, China

lamb's wool, Castel Branco, and all such wools of like character as have been heretofore usually imported into the United States from Turkey, Greece, Syria, and elsewhere, excepting improved wools hereinafter provided for.

5. The standard samples of all wools or hair which are now or may be hereafter deposited in the principal customhouses of the United States, under the authority of the Secretary of the Treasury, shall be the standards for the classification of wools and hair under this act, and the Secretary of the Treasury is authorized to renew these standards and to make such additions to them from time to time as may be required, and he shall cause to be deposited like standards in other customhouses of the United States when they may be needed.

6. Whenever wools of class 3 shall have been improved by the admixture of merino, or English blood, from their present character, as represented by the standard samples, now or hereafter to be deposited in the principal customhouses of the United States, such improved wools shall be classified for duty as class 1.

7. If any bale or package of wool or hair specified in this act shall be entered as class 3, and shall contain a greater percentage of class 1 wool or class 2 hair than does the proper standard sample thereof, then the whole bale or package shall be subject to the rate of duty chargeable on wool of class 1, or hair of class 2, as the case may be; and if any bale or package shall be entered by the importer, or anyone duly authorized to make entry thereof, as shoddy, mungo, docks, wool, hair, or other material of any class specified in this act, and such bale or package shall contain any admixture of any one or more of the foregoing, or of any other material subject to a higher rate of duty, the whole bale or package shall be dutiable at the highest rate imposed by this act upon any article or material in said bale or package.

8. The duty on all wools of class 1 shall be, if scoured, 16 cents per pound; if in the grease, 15 cents per pound on the clean wool contained therein which shall be ascertained by scouring tests made in accordance with regulations prescribed by the Secretary of the Treasury.

9. The duty on all hair and wool of class 2 shall be, if scoured, 14 cents per pound; if in the grease, 13 cents per pound on the clean hair or wool contained therein which shall be ascertained by scouring tests made in accordance with regulations prescribed by the Secretary of the Treasury.

10. The duty on wools and camel's hair of class 3, imported in their natural condition, shall be 7 cents per pound; if scoured, 14 cents per pound: *Provided*, That on imported wools and camel's hair of class 3, upon which duty shall have been paid, used in the United States in the manufacture of carpets, druggets, bookings, mats, rugs for floors, screens, covers, hassocks, bed sides, art squares, and portions of carpets or carpeting, there shall be allowed to the manufacturer or producer under regulations prescribed by the Secretary of the Treasury a drawback equal to 99 per cent of the duty paid on such wool or hair of class 3 used in the manufacture of any of the foregoing articles.

11. The duty on wools or hair on the skin shall be 1 cent less per pound than is imposed upon the clean content as hereinbefore provided for such wools or hair of class 1, 2, or 3, as the case may be, imported in their natural condition not on the skin; the quantity and value to be ascertained under such rules as the Secretary of the Treasury may prescribe.

12. Top waste and slubbing waste, 18 cents per pound.

13. Roving waste, ring waste, and garnetted waste, 14 cents per pound.

14. Nolls, carbonized, 10 cents per pound; not carbonized, 8 cents per pound.

15. Thread waste, yarn waste, and all other wool waste, not specially provided for, $7\frac{1}{2}$ cents per pound.

16. Shoddy and wool extract, $7\frac{1}{2}$ cents per pound.

17. Woolen rags, flocks, and mungo, 5 cents per pound.

18. Combed wool or tops, made wholly or in part of wool, or camel's hair, 10 per cent ad valorem, and, in addition thereto, 18 cents per pound on the wool or hair contained therein.

19. Wool and hair which have been advanced in any manner, or by any process of manufacture, beyond the washed or scoured condition, but less advanced than yarn, not specially provided for in this act, 23 $\frac{1}{2}$ cents per pound on the wool contained therein.

20. On yarns made wholly or in part of wool, 30 per cent ad valorem and in addition thereto 19 $\frac{1}{2}$ cents per pound on the wool contained therein.

21. On women's and children's dress goods, coat linings, Italian cloths, buntings and goods of similar description and character, composed wholly or in part of wool, 50 per cent ad valorem, and in addition thereto 23 $\frac{1}{2}$ cents per pound on the wool contained therein: *Provided*, That on all of the foregoing weighing over 4 ounces per square yard the duty shall be the same as imposed by this schedule on cloths.

22. On cloths, knit fabrics, flannels, felts, and all other fabrics of every description, made wholly or in part of wool, not specially provided for in this act, valued at not more than 30 cents per pound, the duty shall be 35 per cent ad valorem, and in addition thereto, 12 cents per pound on the wool contained therein; valued at more than 30 cents and not more than 40 cents per pound, 35 per cent ad valorem, and in addition thereto, 16 cents per pound on the wool contained therein; valued at more than 40 cents and not more than 60 cents per pound, 35 per cent ad valorem, and in addition thereto, 23 $\frac{1}{2}$ cents per pound on the wool contained therein; valued at more than 60 cents and not more than 80 cents per pound, 40 per cent ad valorem, and in addition thereto, 23 $\frac{1}{2}$ cents per pound on the wool contained therein; valued at more than 80 cents and not more than \$1 per pound, 45 per cent ad valorem, and in addition thereto, 23 $\frac{1}{2}$ cents per pound on the wool contained therein; valued at more than \$1 and not more than \$1.25 per pound, 50 per cent ad valorem, and in addition thereto 23 $\frac{1}{2}$ cents per pound on the wool contained therein; valued at more than \$1.25 per pound, 55 per cent ad valorem, and in addition thereto, 30 cents per pound on the wool contained therein: *Provided*, That in no case shall the duty on any of the foregoing articles or materials be less than that imposed by the respective paragraphs of the existing law on manufactures, of the component material of chief value, of which the goods, wares, and merchandise provided for in this paragraph are composed.

23. Blankets not exceeding 3 yards in length, and ready-made clothing, and articles of wearing apparel of every description (except such as are knitted), manufactured wholly or in part, including such as are composed in chief value of silk, cotton, or other vegetable fiber, or of fur, all of the foregoing composed wholly or in part of wool, and all manufactures not knitted, and not specially provided for, composed of

not less than 10 per cent in value of wool, 60 per cent ad valorem: *Provided*, That on blankets composed wholly or in part of wool, exceeding 3 yards in length, the same duty shall be paid as on cloth made wholly or in part of wool.

24. On knitted wearing apparel of every description, and all knitted articles and manufactures thereof, valued at 80 cents per pound or more, composed wholly or in chief value of wool, 23 cents per pound, and in addition thereto 45 per cent ad valorem; if valued at less than 80 cents per pound, 20 cents per pound and in addition thereto 35 per cent ad valorem; on all the foregoing composed in part of wool, but in chief value of any other material, 60 per cent ad valorem.

25. On hand-made anubusson, Axminster, oriental, and similar carpets, rugs, or other coverings for floors, made wholly or in part of wool, 40 per cent ad valorem; all other carpets of every description, druggets, bookings, mats, screens, hassocks, bedsides, art squares, and portions of carpets, or carpeting, and all other coverings for floors, composed wholly or in part of wool, 25 per cent ad valorem.

26. Whenever in any paragraph of this act or any schedule of the existing law the word "wool" is used in connection with a material or manufactured article of which it is a component material, it shall be held to include wool or hair of the sheep, camel, goat, alpaca, or other like animal, whether manufactured by the woolen, worsted, felt or any other process.

27. In no case shall any of the wools or wastes enumerated in sections 8, 9, 10, 11, 12, 13, 14, and 15 in this schedule pay a duty more than is equivalent to an ad valorem duty of 40 per cent.

28. The rates of duty provided in the paragraphs of this act for all wools and hair shall not take effect until the 1st day of November, 1913, and upon all manufactures of wools and hair on the 1st day of February, 1914.

The VICE PRESIDENT. The question is on agreeing to the amendment submitted by the Senator from Utah [Mr. Smoot].

Mr. SMOOT. I am not going to ask for the yeas and nays, because I think it would be improper for me to ask the Senate to vote for this substitute without a chance of explaining the same. I shall simply ask for a viva voce vote upon the substitute.

The amendment was rejected.

Mr. GALLINGER. Mr. President, some time ago I gave notice that I would offer an amendment in the nature of a substitute for the entire bill. I now send that amendment to the desk and ask that it may be read.

The VICE PRESIDENT. The Chair will state to the Senator from New Hampshire that the bill is not yet perfected. There are several amendments yet to be disposed of.

Mr. GALLINGER. Very well.

Mr. JAMES. On behalf of the Committee on Finance I move an amendment on page 208, line 25—

The VICE PRESIDENT. The Senator from Kentucky moves that the vote whereby the amendment was concurred in may be reconsidered.

Mr. SIMMONS. I was going to suggest that that is one of the reserved amendments. I do not think it will have to be reconsidered.

Mr. BRISTOW. I desire to say that that amendment was reserved by myself.

Mr. JAMES. The amendment was reserved last night.

The VICE PRESIDENT. The amendment proposed by the Senator from Kentucky on behalf of the committee will be stated.

The SECRETARY. Strike out all after the word "collectors" and the comma in line 25, page 208, down to the word "and" in line 6, page 209, and insert:

Inspectors and other employees authorized by this section of this act shall be appointed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury under such rules and regulations as may be fixed by the Secretary of the Treasury to insure faithful and competent service.

The VICE PRESIDENT. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The amendment as amended was concurred in.

Mr. JOHNSON. On page 126, paragraph 369, line 12, I move to amend by striking out the semicolon after the word "skins" and inserting in place thereof a comma.

Mr. LODGE. Is the reference to the new print or the old?

Mr. JOHNSON. The new print.

The VICE PRESIDENT. The clerks at the desk are following the old print.

Mr. JAMES. The amendment I offered, which had just been acted upon favorably, was to the old print.

Mr. JOHNSON. In the old print the page to which I refer is page 115, line 21.

The VICE PRESIDENT. The amendment to the amendment will be stated.

The SECRETARY. On page 115, in the committee amendment, line 21, after the word "skins," strike out the semicolon which was inserted at that point and in lieu thereof insert a comma.

The amendment to the amendment was agreed to.

Mr. JOHNSON. Also in line 23, upon the same page, after the word "leather" and the comma, for the committee I move to insert the words "all the foregoing."

The amendment to the amendment was agreed to.

The amendment as amended was concurred in.

Mr. HUGHES. By direction of the Finance Committee I desire to submit an amendment. On page 121, paragraph 390, line 20, after the word "foot" at the end of the paragraph—

The VICE PRESIDENT. Has paragraph 390 been reserved?

Mr. HUGHES. This is a new provision in the bill.

The VICE PRESIDENT. Yes; but was the paragraph reserved?

Mr. HUGHES. The paragraph was not reserved.

The VICE PRESIDENT. If not, the Chair will entertain a motion to reconsider.

Mr. HUGHES. Then, I move to reconsider the vote by which paragraph 390 was concurred in.

The motion to reconsider was agreed to.

Mr. HUGHES. I offer the amendment which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 121, line 20, at the end of paragraph insert the following proviso:

Provided, however, That all photographic films imported under this section shall be subject to such censorship as may be imposed by the Secretary of the Treasury.

The amendment to the amendment was agreed to.

The amendment as amended was concurred in.

Mr. SMOOT. I move to strike out the words "calcium carbide and," on page 133, line 12. It would remove from the free list calcium carbide.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In paragraph 449, page 133, line 12, strike out the words "calcium carbide and."

Mr. SMOOT. I will simply say to the Senator having the paragraph in charge that this will throw the item into conference and give, I think, a little longer time for consideration. I sincerely trust that the Senator from Maine can see his way clear to accept the amendment.

Mr. JOHNSON. I will say to the Senator from Utah that the subcommittee having these schedules in charge gave this matter a great deal of study and consideration, and there are many reasons why at this time we should not accept the amendment.

Mr. LODGE. Mr. President, I rise to a question of order. Under the unanimous-consent agreement nothing is in order except five-minute explanation from a Senator proposing an amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Utah [Mr. Smoot].

The amendment was rejected.

Mr. CATRON. I have a short amendment proposing a new paragraph which I ask to have read.

The VICE PRESIDENT. It will be read.

The SECRETARY. On page 87, after line 14, insert a new paragraph, to be numbered 294½, as follows:

294½. On wool of the sheep, hair of the camel, goat, alpaca, and other like animals, all wools and hair on the skin of such animals, noils, top waste, card waste, slubbing waste, roving waste, ring waste, yarn waste, bur waste, thread waste, garnetted waste, shoddies, mungo, flocks, wool extract, carbonized wool, carbonized noils, all other wastes, and on woolen rags composed wholly of wool or of which wool is the component material of chief value, and not specially provided for in this section, 20 per cent ad valorem.

Mr. CATRON. Mr. President, the paragraph which I submit proposes to impose a duty which is not adequate for wool, but if it should be adopted it would be better than nothing. It covers what are now on the free list, according to the bill which is about to be enacted, but it is exactly what our friends on the other side of the Chamber a year ago, I understand, unanimously agreed to enact into a law. It is what the House of Representatives passed prior to the bill coming here at the last Congress—

Mr. REED. Mr. President, I rise to a question of order.

Mr. CATRON. I am through. It will not be necessary for the Senator to call me to order.

Mr. LODGE and others. The Senator from New Mexico is in order.

Mr. REED. I rose to a question of order, and I would like to state the question of order.

The VICE PRESIDENT. The Senator from Missouri will state it.

Mr. REED. The unanimous-consent agreement was to the effect that there should be no speaking whatever, except that a Senator offering an amendment might explain the purpose and

purport of his amendment. There was no right given for a five-minute speech when a Senator is not explaining the purport of his amendment. The Senator is not doing that, but is talking about something that happened at a prior session of Congress.

Mr. CATRON. I insist that that is just what I was doing. I was explaining my amendment.

The VICE PRESIDENT. The Chair rules that if the Senator from New Mexico thinks he is making an explanation of his amendment he has a right to proceed, but he will be judge of that.

Mr. CATRON. As I was saying, this is the rate of duty which was fixed by the House of Representatives at the last Congress on the very articles that are mentioned in this paragraph, and the Democratic part of the Senate adopted that rate and voted for it. I can not suppose that they will now be unwilling to accept what they were willing to accept at that time. For that reason I submit the amendment, and I call for the yeas and nays on agreeing to it.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I again announce my pair with the Senator from Michigan [Mr. TOWNSEND] and withhold my vote.

Mr. KERN (when his name was called). On account of my pair with the Senator from Kentucky [Mr. BRADLEY], who is absent from the Chamber, I withhold my vote. If at liberty to vote, I would vote "nay."

Mr. LEA (when his name was called). I again announce my pair with the senior Senator from South Dakota [Mr. CRAWFORD]. If I were at liberty to vote, I would vote "nay."

Mr. LEWIS (when his name was called). I again announce my pair with the junior Senator from North Dakota [Mr. GRONNA].

Mr. REED (when his name was called). I announce my pair with the Senator from Michigan [Mr. SMITH], and therefore withhold my vote. If permitted to vote, I would vote "nay."

Mr. THOMAS (when his name was called). I announce the same pair and transfer as heretofore and vote "nay."

The roll call was concluded.

Mr. LEA. I desire to transfer my pair with the Senator from South Dakota [Mr. CRAWFORD] to the senior Senator from South Carolina [Mr. TILLMAN] and vote. I vote "nay."

The result was announced—yeas 35, nays 42, as follows:

YEAS—35.

Borah	Dillingham	McCumber	Sherman
Brady	Fall	McLean	Smoot
Brandege	Gallinger	Nelson	Stephenson
Bristow	Jackson	Norris	Sterling
Catron	Jones	Oliver	Sutherland
Clapp	Kenyon	Penrose	Warren
Clark, Wyo.	La Follette	Perkins	Weeks
Colt	Lippitt	Polndexter	Works
Cummins	Lodge	Root	

NAYS—42.

Ashurst	Johnson	Ransdell	Smith, S. C.
Bacon	Lane	Robinson	Stone
Chamberlain	Lea	Saulsbury	Swanson
Chilton	Martin, Va.	Shafroth	Thomas
Clarke, Ark.	Martine, N. J.	Sheppard	Thompson
Fletcher	Myers	Shields	Thornton
Gore	O'Gorman	Shively	Vardaman
Hitchcock	Overman	Simmons	Walsh
Hollis	Owen	Smith, Ariz.	Williams
Hughes	Pittman	Smith, Ga.	
James	Pomerene	Smith, Md.	

NOT VOTING—18.

Bankhead	Crawford	Kern	Smith, Mich.
Bradley	Culberson	Lewis	Tillman
Bryan	du Pont	Newlands	Townsend
Burleigh	Goff	Page	
Burton	Gronna	Reed	

So Mr. CATRON's amendment was rejected.

Mr. McCUMBER. I offer an amendment, to come in on page 56, line 1.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 56 it is proposed to strike out paragraph 192 and to insert in lieu thereof the following:

192. Barley, 20 cents per bushel of 48 pounds; oats, 15 cents per bushel of 32 pounds; wheat, 20 cents per bushel of 60 pounds; flaxseed, 25 cents per bushel of 56 pounds.

Mr. McCUMBER. Mr. President—

Mr. WILLIAMS. Mr. President, I desire to ask the Senator has he not already had a vote upon each one of those propositions?

Mr. McCUMBER. No; Mr. President, I could not do so on account of a lack of reservation; but I think this debate is out of order, and I wish to make a very short explanation.

Mr. WILLIAMS. I ask merely for information as to whether the Senator has not already had a yea-and-nay vote on each one of these propositions?

Mr. McCUMBER. I will say that I have not.

Mr. President, the present tariff on barley is 30 cents per bushel; under the pending bill it would be reduced to 15 cents. The present duty on oats is 15 cents a bushel; under the pending bill it will be reduced to 6 cents a bushel. The present duty on wheat is 25 cents a bushel; under the present bill it will be free. The present duty on flax is 25 cents a bushel, and under the present bill the duty is 15 cents. This amendment makes the duty on barley 20 cents; the duty on oats 15 cents; on wheat 20 cents; and on flax 25 cents.

I only wish to say a word in reference to wheat—and I say it from an accurate knowledge of the effect of the tariff on the price of all these cereals along the Canadian border—and that is, under normal conditions, that we only get about one-half of the real tariff benefit upon wheat. On the others we get the full benefit. Therefore, if the duty on wheat is placed at 20 cents per bushel, it would not make a difference in the price of more than 10 cents a bushel.

As this is most important to my State I will ask for the yeas and nays on the amendment, and it is the only amendment on which I will ask the yeas and nays.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from North Dakota, on which he demands the yeas and nays.

The yeas and nays were ordered.

The Secretary proceeded to call the roll, and Mr. ASHURST answered to his name.

Mr. LA FOLLETTE. Mr. President—

The VICE PRESIDENT. The roll call having begun—

Mr. LA FOLLETTE. I think it had not begun when I addressed the Chair.

Mr. PENROSE. No debate is in order.

Mr. LA FOLLETTE. I will propose an amendment to the amendment, which is in order.

The VICE PRESIDENT. The Chair will have to hold that the roll call has begun.

Mr. LA FOLLETTE. If the Chair rules that the roll call has begun, I will not proceed.

The Secretary resumed the calling of the roll.

Mr. BRYAN (when his name was called). I again announce my pair, and therefore withhold my vote.

Mr. KERN (when his name was called). I withhold my vote because I am paired with the senior Senator from Kentucky [Mr. BRADLEY].

Mr. REED (when his name was called). I transfer my pair with the Senator from Michigan [Mr. SMITH] to the Senator from South Carolina [Mr. TILLMAN] and vote "nay."

Mr. THOMAS (when his name was called). I make the same announcement of my pair and its transfer as heretofore and vote "nay."

The roll call was concluded.

Mr. LEA. I again announce my pair with the Senator from South Dakota [Mr. CRAWFORD]. If I were at liberty to vote, I should vote "nay."

Mr. LEWIS. I announce my pair with the junior Senator from North Dakota [Mr. GRONNA] upon this amendment.

The result was announced—yeas 25, nays 49, as follows:

YEAS—25.

Borah	Gallinger	Oliver	Stephenson
Brady	Jackson	Penrose	Sutherland
Brandege	Lippitt	Perkins	Warren
Catron	Lodge	Polndexter	Weeks
Clark, Wyo.	McCumber	Root	
Colt	Nelson	Sherman	
Dillingham	Norris	Smoot	

NAYS—49.

Ashurst	James	Pomerene	Smith, S. C.
Bacon	Johnson	Ransdell	Stone
Bristow	Jones	Reed	Swanson
Chamberlain	Kenyon	Robinson	Thomas
Chilton	La Follette	Saulsbury	Thompson
Clarke, Ark.	Lane	Shafroth	Thornton
Cummins	Martin, Va.	Sheppard	Vardaman
Fall	Martine, N. J.	Shields	Walsh
Fletcher	Myers	Shively	Williams
Gore	O'Gorman	Simmons	Works
Hitchcock	Overman	Smith, Ariz.	
Hollis	Owen	Smith, Ga.	
Hughes	Pittman	Smith, Md.	

NOT VOTING—21.

Bankhead	Crawford	Lea	Sterling
Bradley	Culberson	Lewis	Tillman
Bryan	du Pont	McLean	Townsend
Burleigh	Goff	Newlands	
Burton	Gronna	Page	
Clapp	Kern	Smith, Mich.	

So Mr. McCUMBER's amendment was rejected.

Mr. LA FOLLETTE. I voted this morning, Mr. President, against the amendment presented by the Senator from North Dakota [Mr. McCUMBER] which would impose a duty upon wheat in excess of the difference in the cost of production at home and abroad. During the pendency of this bill I have submitted data, derived from all known sources of information, which established beyond any possibility of contradiction that the difference between the cost of producing wheat in the competing sections of this country and Canada—the only country which offers any present competition—is about 6 cents a bushel.

Mr. President, I do not believe in a lopsided system of protection. I believe that the difference in the cost of production between this and competing countries should be regarded as the measure of protection on all products. The phrase "difference in the cost of production" should not be narrowly interpreted. As I have suggested repeatedly in the course of this debate, there are other vital elements to be weighed. But this is the simple way of characterizing the measure of tariff rates contended for according to the modified protective policy.

It has been a disappointment to me to see some of my associates, who subscribe to that doctrine and proclaim it vigorously whenever a tariff bill is under consideration, vote to impose a duty upon farm products, two, three, four, or five times that difference. The American farmer does not ask anything more than adequate protection, Mr. President, and those who are ready to go on record as favoring excessive duties on agricultural products, in the belief that by such course they will gain popularity with him, underestimate his intelligence and understanding.

Mr. President, I propose to amend paragraph 198, page 56, of the old print of the bill, by inserting as line 18 the following:

198. Wheat, 6 cents per bushel.

I have data showing the cost of producing wheat in the United States in the sections in competition with Nova Scotia, and also in the sections that are in competition with western Canada, as well as the general cost of producing wheat in the whole of the United States, as compared with the cost of producing wheat in Canada. This data is based on an analysis of all the available information in Canada and in this country upon that subject. The cost of production generally in the two countries is on a level. But there is a difference at two points, namely, in the States that come in direct competition with Nova Scotia and the States that come in direct competition with Manitoba, of about 6 cents a bushel.

The sections relating to wheat and flour in the Payne-Aldrich Act are:

Sec. 242. Wheat, 25 cents per bushel.

Sec. 243. Wheat, flour, and semolina, 25 per cent ad valorem.

Sec. 237. Macaroni, vermicelli, and all similar preparations, 1½ cents per pound.

The pending bill puts wheat, flour, and so forth, on the free list with a countervailing duty, as follows:

646. Wheat, wheat flour, semolina, and other wheat products: *Provided*, That wheat shall be subject to a duty of 10 cents per bushel; that wheat flour shall be subject to a duty of 45 cents per barrel of 196 pounds; and semolina and other products of wheat, 10 per cent ad valorem when imported directly or indirectly from a country, dependency, or other subdivision of government which imposes a duty on wheat or wheat flour or semolina or any other product of wheat imported from the United States.

The provision for macaroni, and so forth, is as follows:

195. Macaroni, vermicelli, and all similar preparations, 1 cent per pound.

FACTORS IN THE PROBLEM.

Up to less than a decade ago the duty on cereals was of no benefit to the American farmer, since his prices were fixed in foreign markets, to which he shipped his surplus. Duties were placed on his products in order to conserve the system of protection in the interests of the manufacturing classes who needed the support of the farmer to maintain the protective system. And it was the plain understanding that the protection of agricultural products would be continued whenever the American farmer should be menaced with foreign competition. The farmer through all of that period bought his manufactured goods in a protected market and sold his products in a free market.

He has, therefore, derived on the great bulk of all he produces but little direct benefit from the protective system. The duties

on wool and beet sugar have been a material aid to the limited number of farmers growing wool and sugar beets. The duty on wheat, barley, flax, poultry, and vegetables has yielded some protection to the farmers in the States contiguous to the Canadian border. The same is true to a limited extent as to meats and animals from which they are derived.

But as to all these products, excepting wool and beet sugar, the advantage has been comparatively small and severely limited in the territory so located as to be brought into competition with imported products. For the millions of farmers distributed throughout the country the only benefit of the protective system has been that which came to them through the upbuilding of diversified industries and the near-by markets which the employees of these industries created to be supplied by products of the American farm.

This home market has been the basis of effective appeal to the farmers to support high protective duties on manufactured products since the days of Horace Greeley.

As a member of the Ways and Means Committee that framed the McKinley bill in 1890, speaking of the great advantage to the farmers which would flow from its enactment, I said:

The bill seeks to give the farmers of this country a much larger body of consumers for their products right here at home by multiplying factories, adding to the millions engaged in mining and manufacturing pursuits.

More than that, we encouraged the farmer to believe that this home market, with its millions of industrial workers, employed at wages so high that they would afford him the highest priced market in the world in which to sell his products, was his market.

The theory was sound; the argument logical; the belief in it sincere. And, sir, it was effective. For years and years the farmers of this country, particularly of the Northern States, have stood solidly for the protective principle. They have gone to the polls, election after election, and returned to power the party pledged to this doctrine. They have had small part in the writing of the tariff schedules. It was not directly for their advantage that the tariff wall was raised higher and higher. But in the belief that they were ultimately to come into their own through the upbuilding of this great home market, for many years they consented to the maintenance of these high duties.

They were not unmindful of the fact that they were thereby compelled to pay more for the manufactured products which they purchased than would otherwise be the case if those products came to them untaxed. But strong in the faith that they would be rewarded in the prices paid for their products in the American market, they were content to go on paying more to the manufacturers who made their cloth, their machinery, manufactured their lumber, furniture, and all supplies which they were obliged to purchase. They believed that by fostering our manufacturing industries the general prosperity of the Nation would be enhanced—that a great and well-paid manufacturing population was the best guaranty of a great and well-patronized farming population.

Thus the farmer was persuaded to support the protective system. With patience and good cheer he gave long years of toil and hardship in opening up new lands and creating new agricultural empires to offer a wider and firmer foundation for the Nation's prosperity.

What was his reward?

The home market was created, but it was not just the home market which had been his dream and for which he had sacrificed so much. Behind the protective wall which he had helped to rear, the industries of the country, sheltered from foreign competition, had grown rich and powerful. They had become allied with other great and powerful interests engaged in transportation, and these in turn had formed monster organizations for the control of stockyards, packing houses, and grain elevators. These interests owned and controlled his home market. They fixed his prices arbitrarily. They took the profit of his toil. Added to this, protected against foreign competition, the manufacturers suppressed home competition and compelled the farmer and other consumers to pay higher and higher prices for manufactured products.

The result of these conditions may be said to be somewhat reflected in the recent census report which shows a steady increase in the proportion of farms mortgaged to those which are free from incumbrance. In 1890 the number was 28.2 per cent; in 1900 it was 31.1 per cent; in 1910 it had increased to 33.6 per cent.

With the market in which he must buy all his manufactured products controlled largely, if not wholly, by combination, which has steadily increased the price of everything he buys,

and with the market in which he must sell everything he produces controlled by combinations which arbitrarily fix the price that he receives, the farmer's support of the protective system will be a constantly diminishing factor as long as these unfair conditions are maintained.

A change has come over our economic life. The situation of a decade and more ago is being reversed. The manufacturers of many goods, having supplied the American market, are looking abroad for fields in which to expand. To them the tariff is becoming less and less a necessity. On the contrary, the producer of agricultural products is beginning to feel for the first time the effect of foreign competition. The tariff duties on many of his products are to be removed or reduced just at the time when he is feeling the need of such duties.

The farmer has, in some measure, been prepared for this change. He discovered in 1910 that the manufacturers could not be relied upon to keep faith with him in protecting the products of the farm. Under the protection afforded them the manufacturers had secured control of the American market for their products and grown so strong that they were ready to invade the markets of foreign countries. In order to smooth the way for the introduction of their manufactured products abroad, in 1910 they turned their backs upon the American farmer, who had been the most loyal supporter of their system, and through their powerful influence with the Taft administration secured an agreement with Canada, by the terms of which Canadian duties were to be lowered on products of American manufacture to their great benefit, in exchange for the entire removal of the duties upon agricultural products, to the great detriment of the American farmer on the Canadian border. In other words, they were ready to join hands with the South in betraying the agricultural interests, in order to extend the market for their manufactured products abroad.

Hence, the American farmer may take the practical view that the protective system, in so far as his products are concerned, has little chance to survive at the hands of either party, and that if it is to go he will fare better if it goes with a system of reduced duties on manufactured products rather than as a part of a system which maintains high duties on manufactured products and uses the farm products as a pawn in the reciprocity game to secure enlarged foreign markets for the benefit of the manufacturer.

Speaking for myself, I believe neither in the policy of buying foreign markets for one branch of American producers at the expense of another branch of American producers, as attempted under the Taft administration, nor in the policy of maintaining protective duties upon manufactured products and exposing the farmer to free competition from Canada or any other foreign country. I believe that a just and wise policy should give to the product of American toil, whether of the farm or factory, the same measure of protective duty. In no case should the tariff rate exceed the difference in the cost of production at home and abroad. And for this reason, as before stated, I voted against the amendment proposed by the Senator from North Dakota and have offered instead an amendment which does measure the true difference in cost.

There are two factors affecting American grain production: The United States, in the first place, is rapidly ceasing to be a grain-exporting Nation. Ten years ago the price of American wheat was fixed in Liverpool; to-day this is not true. Foreign demand, of course, has still an effect on the price of American wheat, but the domestic demand is now an important factor also. The time is not far distant when the American consumer will absorb all the surplus American production, and we will be forced to import wheat. If it be a good policy to tax breadstuffs, now is the time the producer of these products needs protection. The decline in the exports of American wheat and flour is shown in the following table:

TABLE 1.—Exports of American wheat and flour, 1900–1912.

Year.	Wheat.	Flour.
	Bushels.	Barrels.
1902.....	154,836,102	17,759,203
1903.....	114,181,420	19,716,484
1904.....	44,230,169	16,999,432
1905.....	4,394,402	8,826,335
1906.....	34,973,291	13,919,048
1907.....	76,509,423	15,584,667
1908.....	100,371,057	13,927,247
1909.....	66,923,244	10,521,161
1910.....	46,679,876	9,040,987
1911.....	23,729,302	10,129,435
1912.....	30,100,212	11,006,487

ARGENTINA COMPETITION.

In the second place, the American agriculturist has a potential competitor in Argentina as well as a present and con-

stantly increasing competition from Canada which he did not have a decade or more ago. In the United States new lands are practically exhausted; agriculture will tend to become more intensive and therefore more expensive. In Argentina and Canada there is still a moving frontier; there are vast areas of new land awaiting the exploitation of extensive cultivation. The increasing production of these countries, however beneficial to the consumer, means lower prices to the unprotected producer in the United States.

Argentina is laboring under many disadvantages, such as lack of adequate transportation and an unsatisfactory system of land tenure. But her wheat-production possibilities are very great. The following table shows the area under cultivation and the production in Argentina:

TABLE 2.—Area planted and production of wheat in Argentina, 1907–1911.

Year.	Area growing wheat.	Production.
	Acres.	Bushels.
1907.....	14,065,600	155,991,000
1908.....	14,232,900	192,487,000
1909.....	14,981,900	156,182,000
1910.....	14,422,100	131,010,000
1911.....	15,451,600	145,981,000

Figures from Yearbook of United States Department of Agriculture.

EXPANSION OF CANADIAN FIELDS.

In the eleventh edition of the Encyclopædia Britannica (vol. 5, p. 153) the following comment on the importance and extent of Canadian wheat production appears:

Canada is clearly destined to rank as one of the most important grain-producing countries of the world. The northern limits of the wheat-growing areas have not been definitely ascertained, but samples of good wheat were grown in 1907 at Fort Vermilion, on the Peace River, nearly 600 miles north of Winnipeg, in latitude 58.34, and at Fort Simpson, on the Mackenzie River, in latitude 61.52, more than 800 miles north of Winnipeg and about 1,000 miles north of the United States boundary.

The expansion of wheat growing in Canada is shown in the following table:

TABLE 3.—Area planted and production of wheat in Canada 1907–1911.

Year.	Area growing wheat.	Production.
	Acres.	Bushels.
1907.....	6,050,400	92,691,000
1908.....	6,610,300	112,434,000
1909.....	7,750,400	106,744,000
1910.....	9,294,800	149,990,000
1911.....	10,374,000	215,851,000

Figures from Yearbook of United States Department of Agriculture.

COST OF PRODUCTION IN THE UNITED STATES.

The table I now present contains a summary of the cost of production of wheat in the United States as found by the United States Department of Agriculture. The following table is taken from the Crop Reporter of the United States Department of Agriculture of May, 1911:

Cost of producing wheat in the United States in 1909, by geographical divisions.

Item.	United States.	North Atlantic States.	South Atlantic States.	South Central States.	North Central States.	North Central States—Mississippi River.	North Central States—Mississippi River.	Far Western States.
Cost of—								
Commercial fertilizer.....dollars...	0.58	2.81	2.59	0.57	1.00	0.12	0.17	
Preparation of land.....do.....	2.11	3.86	2.47	1.89	2.58	1.79	2.39	
Seed.....do.....	1.42	2.01	1.52	1.22	1.60	1.36	1.32	
Planting.....do.....	0.46	0.60	0.62	0.46	0.41	0.42	0.53	
Harvesting.....do.....	1.33	1.82	1.33	1.25	1.25	1.28	1.03	
Preparing for market.....do.....	1.48	1.69	1.26	1.48	1.49	1.42	1.89	
Miscellaneous.....do.....	0.48	0.63	0.47	0.42	0.44	0.44	0.75	
Land rental or interest.....do.....	3.30	3.63	2.85	3.06	4.63	2.93	3.97	
Total, excluding rent, dollars.....	7.85	13.42	10.25	7.29	8.78	6.82	8.27	
Total, including rent, dollars.....	11.15	17.05	13.10	10.35	13.41	9.74	12.69	
Yield per acre.....bushels.....	17.2	20.7	15.7	14.4	18.7	15.8	24.3	
Cost, excluding rent, per bushel, cents.....	46	65	66	51	47	44	36	
Cost, including rent, per bushel, cents.....	65	82	85	72	72	62	53	
Value per bushel.....cents.....	96	103	109	98	98	95	90	
Value per acre.....dollars.....	16.48	21.18	16.83	14.05	18.31	14.96	22.01	

Cost of producing wheat in the United States in 1909, etc.—Continued.

Item.	United States.	North Atlantic States.	South Atlantic States.	South Central States.	North Central States.	North Central States.	North Central States.	Far Western States.
Difference between value and cost per acre:								
Excluding rent.....dollars..	8.75	7.76	6.58	6.77	9.82	8.34	13.29	
Including rent.....do.....	5.44	4.13	3.73	3.71	4.90	5.42	9.32	
Difference between value and cost per bushel:								
Excluding rent.....cents..	50	37	43	47	51	51	54	
Including rent.....do.....	31	20	24	26	26	33	38	
Per cent of value above cost:								
Excluding rent.....per cent..	116	58	64	95	112	123	155	
Including rent.....do.....	50	24	28	37	37	55	75	
Value of by-products per acre, dollars.	0.82	4.03	1.77	0.64	1.30	0.35	0.88	
Average size of wheat fields, acres.	59.6	10.2	12.8	32.0	17.8	74.6	105.3	
Average value of wheat lands per acre.....dollars..	54.59	63.18	36.66	36.60	55.65	50.24	58.81	
Per cent which rental or interest is of land value.....	6.3	5.7	8.1	8.5	5.5	6.0	6.8	
Number of reports tabulated.....	5,338	355	792	573	1,317	1,932	369	

COMPARATIVE COST OF WHEAT PRODUCTION.

From the nature of the business, the ascertainment of the costs of producing agricultural products is more difficult to obtain, and these costs must be used with more care than costs of producing manufactured products. The reasons for this are: First, the lack of business methods on our farms and the almost complete absence of cost accounting, so that costs are generally mere estimates; second, the great influence of natural conditions and resources in determining cost. The costs used in the tables which I shall present, except in the case of Minnesota, are estimates made by agents or correspondents and are not the result of scientific investigation. They have, however, the stamp of official approval and are the best obtainable.

The following table presents the cost of production of wheat in the United States, Canada, and Argentina. The authorities for the figures are given in the footnotes.

TABLE 4.—Cost of production of wheat per acre and per bushel in the United States, Canada, and Argentina.

Item.	United States.				Canada, 1911.				Argentina, 1902-3. ⁴
	Whole country, 1909. ¹	North Atlantic States, 1909. ¹	North Central States, 1909. ¹	South Central States, 1909. ¹	Whole country, 1911. ²	Nova Scotia, 1911. ²	Manitoba, 1911. ²	Ontario, 1911. ²	
Commercial fertilizer.....	\$2.81	\$2.81	\$1.79	\$1.313	\$3.93	\$3.85	\$2.16	\$1.80	
Preparation of land.....	1.42	2.01	1.36	1.040	1.62	2.78	1.43		
Seed.....	.46	.60	.42	.236	1.00	1.11	.80		
Cultivation.....	1.33	1.82	1.26	1.271	1.72	3.16	1.26	2.12	
Harvesting.....	1.48	1.69	1.42	.971	2.09	2.05	2.38	2.20	
Threshing.....				.558	.39	.40	.44	.89	
Wear and tear of implements.....	.48	.63	.44					.57	
Miscellaneous.....	3.30	3.63	2.93	3.000	2.82	2.34	3.00	.71	
Land rental or interest.....									
Total cost per acre.....	10.57	17.05	9.62	8.389	13.57	21.31	11.47	8.29	
Average yield of wheat, bushels.....	17.2	20.7	15.8	12.59	22	21	21	15.98	
Cost per bushel.....	\$0.615	\$0.824	\$0.608	\$0.666	\$0.617	\$1.010	\$0.546	\$0.519	

¹ Crop Reporter of United States Department of Agriculture, May, 1911, pp. 36-37.
² Cost of Producing Minnesota Farm Products, 1902-1907, United States Department of Agriculture Bulletin 73, p. 50.
³ Census and Statistics Monthly, Ottawa, Canada, March, 1912, pp. 51-57.
⁴ Wheat Production in Argentina, United States Department of Agriculture Bulletin 27, p. 56.

The cost of production of \$0.615 per bushel for the whole of the United States is almost identical with the cost of production for the whole of Canada, which is \$0.617. The cost in the North Atlantic States should be compared with costs in Nova Scotia, since in both sections commercial fertilizer was used. Conditions in the North Central States west of the Mississippi River are similar to those in Manitoba, so that the costs in columns 3 and 4 of the table may properly be compared with those in column 7. In comparing the Argentine cost with those in the United States allowance should be made for the freight rate to New York.

Just what conclusion each Senator may draw from the costs in this table will depend somewhat on his attitude toward a tariff on agricultural products. I am inclined to give the farmer the benefit of the doubt and to see in the table a justification

of a duty of 6 cents a bushel on wheat. The real competition is between wheat produced in the Dakotas, Wisconsin, and the other North Central States on the one hand and in Manitoba and Alberta on the other. The table shows that wheat can be produced a little less than 6 cents per bushel cheaper in Manitoba than in the North Central States.

COUNTERVAILING DUTIES.

The pending bill provides for countervailing duties on wheat, flour, and other wheat products. As long as foreign countries maintain duties on these products when imported from the United States the domestic producer will be adequately protected. In this connection it is important to take into consideration a provision in the Canadian law which provides that by an order in council any article may be put on the free list for any period of time. The rates on wheat and flour might be removed when convenient to Canada and then restored when such free entry was not beneficial to her industry.

The Canadian law reads as follows (R. S., 1906, ch. 48):

286. The governor in council may from time to time and in the manner hereinafter provided, in addition to the other purposes and matters in this act mentioned, make regulations for or relating to the following purposes and matters.

"(k) Transferring to the list of goods which may be imported into Canada free of duty, any or all articles, whether natural products or products of manufacture, used as materials in Canadian manufactures; any such materials transferred to the free list by such order in council, to be free of duty of customs for the time therein appointed for that purpose.

"(m) Reducing the duty on any or all articles, whether natural products or products of manufactures, used as materials in Canadian manufactures; any such materials specified in such regulation to be subject to such reduced duty of customs and no other, for the time and under the conditions therein provided."

302. All general regulations made by the governor in council under this act shall have effect from and after the duty on which the same are published in the Canada Gazette or from and after such later day as is appointed for the purpose in such regulations; and during such time as is therein expressed for that purpose, then until the same are revoked or altered.

MANUFACTURES OF WHEAT.

Little need be said about the duty on wheat flour. All that the millers themselves ask in the briefs is a compensatory duty. If flour is free, they ask for free wheat. If there is a duty on wheat, they ask for a duty on a barrel of flour equal to the wheat duty times the number of bushels of wheat required to make a barrel of flour.

PRODUCTION COST OF OATS.

Mr. President, while on my feet, and in order that it may be preserved in the Record, I also present data with reference to the difference in the cost of producing oats in this country and in competing countries and in the cost of producing barley in this country and in competing countries. It will show that the rates fixed in this bill on oats are adequate to measure the difference in the cost of production and that the rates fixed in this bill on barley are in excess of the difference in the cost of production.

The rates of duty on oats and oat products in the Payne-Aldrich law are:

238. Oats, 15 cents per bushel.
 239. Oatmeal and rolled oats, 1 cent per pound; oat hulls, 10 cents per hundred pounds.

The Senate bill proposes the following rates:

196. Oats, 6 cents per bushel of 32 pounds, and 33 cents per hundredweight on oatmeal and rolled oats, and 9 cents per hundredweight on oat feed.

The cost of production of oats per acre and per bushel in the United States and Canada are presented in the following table:

TABLE 5.—Cost of production of oats per acre and per bushel in the United States and Canada.

Item.	United States, 1909.			Canada, 1911.		
	Whole country. ¹	North Atlantic States. ¹	North Central States, west of Mississippi River. ¹	Whole country. ²	Nova Scotia. ²	Manitoba. ²
Commercial fertilizer.....		\$1.94	\$1.46	\$5.10		
Preparation of land.....	\$1.88	3.52	\$1.46	\$3.03	4.27	\$2.10
Seed.....	1.12	1.48	1.06	1.27	2.20	.93
Seeding or planting.....	.44	.68	.39	.91	1.25	.79
Cultivation.....	1.34	1.99	1.27	1.58	2.31	1.28
Harvesting.....	1.61	1.80	1.46	2.68	2.23	2.85
Threshing.....				.45	.42	.39
Wear and tear of implements.....	.44	.58	.44			
Miscellaneous.....	3.78	3.28	3.44	2.69	2.27	2.88
Land rental or interest.....						
Total cost per acre.....	10.51	15.27	9.52	12.61	20.05	11.22
Average yield per acre.....bushels..	35.2	37.3	33.5	41	35	47
Cost per bushel.....	\$0.299	\$0.409	\$0.284	\$0.307	\$0.573	\$0.239

¹ Crop Reporter of United States Department of Agriculture, June 1911, p. 47.

² Census and Statistics Monthly, Ottawa, Canada, March, 1912, pp. 51-57.

The table shows that the cost of production of oats for the whole of the United States is \$0.209 per bushel and is substantially the same as the cost for the whole of Canada, which is \$0.307 per bushel. Comparing, however, the costs in the North Central States with those in Manitoba, the Canadian costs are about 4.5 cents lower than the costs in the United States. The duty of 6 cents a bushel in the Senate bill is probably not far from correct.

OAT PRODUCTS.

It seems to be agreed that it requires 10 bushels of oats to make a barrel of 180 pounds of rolled oats or oatmeal. The duty of 33 cents per 100 pounds on oatmeal carried in the Senate bill is ample compensation, based on this fact.

BARLEY.

The following table taken from the Crop Reporter of the United States Department of Agriculture for October, 1911, gives the production cost of barley in the United States in 1909: Cost of producing barley in important barley States of the United States.

Item.	United States.	New York.	Wisconsin.	Minnesota.	Iowa.	North Dakota.	South Dakota.	Nebraska.	California.
Cost per acre for—									
Preparing ground for seed.....dollars..	1.84	3.71	2.22	1.83	1.25	1.83	1.61	0.97	1.77
Seed.....do.....	1.14	1.96	1.38	1.21	1.22	.97	1.02	.89	.95
Sowing.....do.....	.46	.65	.09	.42	.36	.46	.37	.48	.44
Harvesting.....do.....	1.28	2.00	1.58	1.22	1.37	.99	1.15	.93	1.42
Preparing for market, dollars.....	1.50	2.58	1.60	1.38	1.25	1.09	1.26	1.04	1.75
Rental value of land, dollars.....	3.17	2.87	4.16	2.67	4.80	2.36	2.73	2.43	3.20
Other items of cost, dollars.....	.66	.72	.73	.62	.39	.9	.49	.29	.93
Total cost per acre—									
Including item of rental.....dollars..	10.05	16.28	12.49	9.43	10.64	8.59	8.71	7.24	10.46
Excluding item of rental.....dollars..	6.88	13.41	8.33	6.76	5.84	6.23	5.98	4.81	7.26
Yield per acre.....bush..	27.6	41.0	30.0	25.0	28.9	25.0	24.0	23.0	33.0
Cost per bushel—									
Including rental, cents.....	36.4	39.7	41.6	37.7	38.0	34.4	36.3	31.5	31.7
Excluding rental, cents.....	24.9	32.7	27.8	27.0	20.9	24.9	24.9	20.9	22.0
Value of grain—									
Per bushel.....cents..	52.1	67.0	60.0	51.0	54.0	47.0	51.0	45.0	50.0
Per acre.....dollars..	14.38	27.47	18.00	12.75	15.12	11.75	12.24	10.35	16.50
Average size of fields, acres.....	44	10	12	28	19	50	44	42	112
Value of land per acre, dollars.....	65.47	45.83	77.43	51.00	106.36	33.96	52.08	40.00	62.06

The cost of production of barley per acre and per bushel in the United States is compared in the following table with the cost of production in Canada:

TABLE 7.—Cost of production of barley per acre and per bushel in the United States and Canada.

	United States, 1909.				Canada, 1911.		
	Whole country. ¹	New York. ¹	Wisconsin. ¹	Nebraska. ¹	Whole country. ²	Nova Scotia. ²	Manitoba. ²
Commercial fertilizer.....		\$3.71				\$5.14	
Preparing ground for seed.....	\$1.84		\$2.22	\$0.97	\$2.97	4.18	\$2.09
Seed.....	1.14	1.96	1.38	.89	1.34	1.92	1.05
Sowing.....	.46	.65	.09	.48	1.00	1.16	.78
Cultivation.....							
Harvesting.....	1.28	2.00	1.58	.93	1.54	2.07	1.26
Preparing for market.....	1.50	2.58	1.60	1.04	2.25	2.13	2.49
Rental value of land.....	3.17	2.87	4.16	2.43	2.67	2.31	2.97
Other items of cost.....	.66	.72	.73	.29	.42	.38	.38
Total cost per acre.....	10.05	16.28	12.49	7.24	12.19	19.29	11.02
Average yield per acre, bushels.....	27.6	41	30	23	31	26	34
Cost per bushel.....	\$0.364	\$0.396	\$0.416	\$0.315	\$0.393	\$0.742	\$0.324

¹ Crop Reporter of the United States Department of Agriculture, October, 1911 p. 80.

² Census and Statistics Monthly, Ottawa, Canada, March, 1912, pp. 51-57.

The production cost of barley, as shown by this table, varies widely and makes it difficult to draw accurate conclusions. It is fair to say, however, that the 15 cents per bushel duty allowed in the Senate bill is ample protection.

FLAXSEED.

The Senate bill proposes the following duties on flax products:

- Section 217, flaxseed, 15 cents per bushel of 56 pounds.
- Section 46, flaxseed oil, 10 cents per gallon of 7½ pounds.
- Section 492, flax straw, free.
- Section 492, flax, hatched, free.
- Section 492, flax, not hatched, free.
- Section 492, tow of flax, free.

The information on the cost of production of flaxseed is limited, but from the most reliable data available I have prepared the following table:

TABLE 6.—Cost of production of flaxseed per acre and per bushel in the United States and Canada.

	Minnesota, 1902-1907.			Canada, 1911.	
	North-field, Rice County. ¹	Halstad, Norman County. ¹	Large farms in north-west of State. ¹	Whole country. ²	Manitoba. ²
Preparation of ground.....	\$1.786	\$1.487	\$1.211	\$3.08	\$2.31
Seed.....	1.105	.797	.757	1.51	1.30
Seeding.....	.264	.273	.197	.88	.71
Cultivation.....		.235			
Harvesting.....	.509	.301	.323	1.28	1.03
Thrashing.....	2.391	1.708	1.720	2.60	2.42
Other costs.....	.517	.371	.276	.42	.39
Land rental.....	3.500	2.100	1.800	2.75	3.33
Total cost per acre.....	10.072	7.272	6.283	12.52	11.49
Average per acre, bushels.....	12.07	9.19	6.31	12	13
Cost per bushel.....	\$0.834	\$0.791	\$0.995	\$1.043	\$0.884

¹ Cost of Producing Minnesota Farm Products, 1902-1907, U. S. Department of Agriculture Bulletin 73.

² Census and Statistics Monthly, Ottawa, Canada, March, 1912, pp. 51-57.

RYE AND BUCKWHEAT.

The rates of duty on rye and buckwheat in the Payne-Aldrich Act are as follows:

234. Buckwheat, 15 cents per bushel of 48 pounds; buckwheat flour, 25 per cent ad valorem.

241. Rye, 10 cents per bushel; rye flour, one-half of 1 cent per pound.

The Senate bill puts all these products on the free list and does not provide even countervailing duties.

Specific information on the production of these grains is not available. There would seem to be no reason, however, why these products should be free, oats protected, and a countervailing duty placed on wheat. All these cereals should be treated alike, at least in a general way. The position of the buckwheat and rye interests is so well stated in the following letter that I think it desirable to present it in full. It will appear from a perusal of this letter that it was written under a misapprehension. Mr. Blodgett assumed that, as a member of the Finance Committee, I was permitted to have some voice in the preparation of the tariff bill. He did not understand that the Republican members of the committee were excluded by their Democratic colleagues from taking part in the work of the Finance Committee.

JANESVILLE, WIS., July 1, 1913.

HON. ROBERT M. LA FOLLETTE,
United States Senate, Washington, D. C.

SIR: It is with considerable hesitancy that we again address you in reference to the pending tariff bill, but in view of the inconsistent treatment accorded to cereals and cereal products by the provisions of the agricultural schedule, we feel that we should at least again direct your attention to the matter.

The agricultural schedule now provides:

"Unrestricted free entry of rye, buckwheat, and the products thereof. "Wheat and its products ostensibly free, but really protected by the countervailing duty of 10 cents per bushel on the grain and 45 cents per barrel on the flour."

"Oats, 6 cents per bushel, with 33 cents per hundredweight, or 66 cents per barrel duty on the product."

If it is your purpose to consider the consumer alone, unrestricted free entry should be accorded all cereals and cereal products.

Of the three cereal "breadstuffs"—wheat, rye, and buckwheat—the consumer uses 99 per cent wheat products and 1 per cent of rye and buckwheat products.

Therefore if it was your purpose to consider the consumer alone when you made rye, buckwheat, and their products free, you should also have made wheat and its products free.

But even on the 1 per cent of rye and buckwheat products which the consumer uses he receives but slight benefit from the free, unrestricted entry of these products. For four-fifths of the rye flour reaches the actual consumer in the shape of rye bread baked at the bakery, not at his home.

Half of the buckwheat flour goes from the mill to the manufacturer of "self-rising buckwheat," and reaches the actual consumer blended with wheat and corn flour.

Placing rye and buckwheat upon the free list benefits almost wholly the baker and the blender, the actual consumer receiving the benefit on only one-fifth of the rye flour produced and only one-half of the buckwheat flour produced; whereas the greater part of the wheat flour manufactured reaches the consumer in the original mill package, and he would directly benefit by a cheapening of the price through placing wheat and its products on the free list.

We have referred in the above particular to a comparison of wheat products with rye and buckwheat products because we have the actual figures on the comparative consumption of all three products.

In the matter of oats, oatmeal, and oat feed, you are protecting the farmer who produces oats and the miller who manufactures oatmeal at the expense of the consumer. The duty of 6 cents per bushel on oats protects the farmer to that extent. The duty of 33 cents per hundredweight on oatmeal protects the miller of oatmeal, because the duty on the product is in excess of the duty on the grain, for it does not require 5½ bushels (160 pounds) of oats to make 100 pounds of oatmeal.

Your treatment of wheat and oat products should be wholly satisfactory to the farmer and the miller, because you protect them both

against foreign importations, except where a reciprocal advantage is given of free entry of our wheat and wheat flour to foreign countries.

In short, your treatment of these four cereals—wheat, oats, rye, and buckwheat—is highly inconsistent.

If free entry is desirable for rye, buckwheat, and the products thereof, it is far more desirable for wheat, oats, and the products thereof.

If wheat and its products are to enter free only from such countries as permit free entry of our wheat and its products, why should not like treatment be accorded to rye, buckwheat, oats, and their products?

If, however, protection is to be afforded to the farmers who grow oats and the millers who grind them, why should not that principle also be applied to wheat, rye, buckwheat, and their products?

Any one of these three principles—free trade, reciprocal treatment, or protection—if applied alike to all cereals would, to say the least, be consistent. But to apply free trade to rye, buckwheat, and the products thereof, reciprocal treatment to wheat and its products, while protecting oats and its products is highly inconsistent.

The only branch of the milling business that has ever been attacked by the Government as constituting a trust in restraint of trade is the milling of oats. And yet of all the cereals the only one that is fully protected by your tariff is oats.

Of all four cereals mentioned the millers of rye and buckwheat have not been personally represented at Washington, for the reason that they have no organization and are dependent upon their own individual efforts to secure fair treatment in Congress, and no individual miller of rye and buckwheat could afford to come to Washington and stay indefinitely while this bill was under consideration.

We have endeavored in the brief that we presented and in the letters that we have written to you to present the situation fairly as regards rye, buckwheat, and the products thereof. All that we have asked is that these cereals and their products be given exactly the same treatment as wheat and its product. But up to the present time our success has not been flattering, for the only breadstuff cereals to which the principle of free trade is applied by your committee are rye and buckwheat.

During the past year rye grain has ruled at two-thirds the value of wheat; buckwheat in the New York market at 70 cents per bushel against 90 cents to \$1 per bushel in the same market for wheat. The effect of the present provisions of this bill will be to still further cheapen these two cereals—rye and buckwheat—that are already cheap, leaving the higher-priced cereals unchanged; to cheapen the little-used cereal products and to leave unchanged the universal breadstuff.

The result of the provisions of the tariff bill in its present form as applied to rye and buckwheat will be absolute demoralization of the milling of those two cereals. It will result in making their production unremunerative to the farmers, who have heretofore produced them, and with only the slightest benefit to the consumer.

Are we requesting anything that is not fair and equitable when we ask your committee to so amend this bill as to give like treatment to wheat, rye, buckwheat, and the products thereof?

We trust that a reconsideration of this matter may result in complying with our request.

Yours, respectfully,

THE BLODGETT MILLING CO.,
FRANK H. BLODGETT, President.

The VICE PRESIDENT. The paragraph has heretofore been agreed to; it was not reserved.

Mr. LA FOLLETTE. I think perhaps I ought to precede my request by a motion to reconsider the vote by which the committee amendment was agreed to, unless I can have it reconsidered by unanimous consent. I ask unanimous consent that the vote may be reconsidered, and that I may have a direct vote on my amendment.

The VICE PRESIDENT. Is there objection? The Chair hears none.

Mr. LA FOLLETTE. Now I ask for a direct vote on the amendment which I have offered.

The VICE PRESIDENT. The amendment proposed by the Senator from Wisconsin will be stated.

The SECRETARY. In paragraph 198, page 56, line 18, before the word "cents," it is proposed to strike out "10" and insert "6," so as to read:

198. WHEAT, 6 cents per bushel.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Wisconsin to the amendment of the committee.

The amendment to the amendment was rejected.

The VICE PRESIDENT. The question recurs upon the committee amendment.

The amendment was concurred in.

The SECRETARY. On page 155, paragraph 646, relating to wheat flour and semolina, was reserved by Mr. McCUMBER.

Mr. McCUMBER. I think, Mr. President, we have had a record vote on those matters, and I shall not ask for another.

The VICE PRESIDENT. Without objection, then, the committee amendments to the paragraph are concurred in in the Senate.

The SECRETARY. On page 158, paragraph 652, relating to wool of the sheep, hair of the camel, etc., was reserved.

Mr. BRISTOW. We have just had a vote on an amendment proposing to put wool on the dutiable list; so I shall not ask for an amendment to this paragraph. It would be useless, as it would be in substance just what has been voted down.

The VICE PRESIDENT. Without objection, then, the amendments made to the paragraph as in Committee of the Whole are concurred in in the Senate, and the paragraph as amended is adopted.

The SECRETARY. On page 165, subdivisions 1 and 2 of section 2, relative to the income tax, were reserved by Mr. BRISTOW, Mr. SIMMONS, Mr. LA FOLLETTE, and Mr. STERLING.

Mr. BRISTOW. Mr. President, I offer the amendment which I send to the desk to subdivision 2 of section 2, and I will ask the Secretary to read it as marked in the copy of the Record which I send to the desk.

The VICE PRESIDENT. The Secretary will read as requested.

The SECRETARY. On page 165, line 19, it is proposed to strike out "\$20,000" and insert in lieu thereof "\$10,000"; in line 20 strike out "\$50,000" and insert in lieu thereof "\$20,000"; on page 166, in line 1, strike out "\$50,000" and insert in lieu thereof "\$20,000," and strike out "\$100,000" and insert in lieu thereof "\$30,000"; in line 3 strike out "\$100,000" and the period and insert in lieu thereof "\$30,000 and does not exceed \$40,000, and 4 per cent per annum upon the amount by which the total net income exceeds \$40,000 and does not exceed \$50,000, and 5 per cent per annum upon the amount by which the total net income exceeds \$50,000 and does not exceed \$60,000, and 6 per cent per annum upon the amount by which the total net income exceeds \$60,000 and does not exceed \$70,000, and 7 per cent per annum upon the amount by which the total net income exceeds \$70,000 and does not exceed \$80,000, and 8 per cent per annum upon the amount by which the total net income exceeds \$80,000 and does not exceed \$90,000, and 9 per cent per annum upon the amount by which the total net income exceeds \$90,000 and does not exceed \$100,000, and 10 per cent per annum upon the amount by which the total net income exceeds \$100,000."

Mr. BRISTOW. The amendment is the same as that I offered in Committee of the Whole. Since that amendment was adopted the Committee on Finance has reported to amend the bill as the bill was reported to the Senate by increasing the tax on incomes between \$75,000 and \$100,000 per annum from 3 to 4 per cent and increasing the tax on incomes from \$100,000 to \$250,000 to 5 per cent—1 per cent additional—and on incomes from \$250,000 to \$500,000 6 per cent, or 2 per cent additional, over the bill as reported to the Senate. While that is an improvement over the bill as reported, I do not think it is as good as the amendment which I offer; and upon that amendment I ask for the yeas and nays.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I again announce my pair with the junior Senator from Michigan [Mr. TOWNSEND] and withhold my vote.

Mr. LEA (when his name was called). I transfer my pair with the senior Senator from South Dakota [Mr. CRAWFORD] to the senior Senator from South Carolina [Mr. TILLMAN] and will vote. I vote "nay."

Mr. REED (when his name was called). I again announce my pair with the senior Senator from Michigan [Mr. SMITH] and withhold my vote.

Mr. THOMAS (when his name was called). I make the same transfer as heretofore and will vote. I vote "nay."

The roll call was concluded.

The result was announced—yeas 18, nays 61, as follows:

YEAS—18.

Borah	Gallinger	Nelson	Stephenson
Brady	Jones	Norris	Sterling
Bristow	Kenyon	Penrose	Works
Clapp	La Follette	Polindexter	
Cummins	McCumber	Sherman	

NAYS—61.

Ashurst	Hughes	Owen	Smith, S. C.
Bacon	Jackson	Perkins	Smoot
Bradley	James	Pittman	Stone
Brandeggee	Johnson	Pomerene	Sutherland
Catron	Kern	Ransdell	Swanson
Chamberlain	Lane	Robinson	Thomas
Chilton	Lea	Root	Thompson
Clark, Wyo.	Lippitt	Saulsbury	Thornton
Clarke, Ark.	Lodge	Shafroth	Vardaman
Coit	McLean	Sheppard	Walsh
Dillingham	Martin, Va.	Shields	Warren
Fall	Martine, N. J.	Shively	Weeks
Fletcher	Myers	Simmons	Williams
Gore	O'Gorman	Smith, Ariz.	
Hitchcock	Oliver	Smith, Ga.	
Hollis	Overman	Smith, Md.	

NOT VOTING—16.

Bankhead	Crawford	Gronna	Reed
Bryan	Culbertson	Lewis	Smith, Mich.
Burleigh	du Pont	Newlands	Tillman
Burton	Goff	Page	Townsend

So Mr. BRISTOW's amendment was rejected.

Mr. BRISTOW. I offer the amendment which I send to the desk, and desire to say that upon this I shall not call for the

yeas and nays, because it would be uselessly taking up the time of the Senate. The amendment is the same as the one I offered before, advancing one-half per cent for each additional \$10,000 until \$100,000 is reached, and then advancing 1 per cent for each \$250,000, making the rate on incomes of \$1,000,000 8 per cent per annum, which is more than the present bill proposes. In my opinion, however, it is a very much better division of the rate than that incorporated in the pending bill as amended.

The amendment submitted by Mr. BRISTOW is as follows:

On page 165, in line 6, before the figure "1," insert " $\frac{1}{2}$ of," and in line 18, before the figure "1," insert " $\frac{1}{2}$ of"; in line 19 strike out "\$20,000" and insert in lieu thereof "\$10,000"; in line 20 strike out "\$50,000" and insert in lieu thereof "\$20,000," and strike out the figure "2" and insert in lieu thereof the figure "1."

On page 166, in line 1, strike out "\$50,000" and insert in lieu thereof "\$20,000," strike out "\$100,000" and insert in lieu thereof "\$30,000," and strike out the figure "3" and insert in lieu thereof " $\frac{1}{2}$ "; in line 3 strike out "\$100,000" and the period and insert in lieu thereof "\$30,000 and does not exceed \$40,000, and 2 per cent per annum upon the amount by which the total net income exceeds \$40,000 and does not exceed \$50,000, and $2\frac{1}{2}$ per cent per annum upon the amount by which the total net income exceeds \$50,000 and does not exceed \$60,000, and 3 per cent per annum upon the amount by which the total net income exceeds \$60,000 and does not exceed \$70,000, and $3\frac{1}{2}$ per cent per annum upon the amount by which the total net income exceeds \$70,000 and does not exceed \$80,000, and 4 per cent per annum upon the amount by which the total net income exceeds \$80,000 and does not exceed \$90,000, and $4\frac{1}{2}$ per cent per annum upon the amount by which the total net income exceeds \$90,000 and does not exceed \$100,000, and 5 per cent per annum upon the amount by which the total net income exceeds \$100,000 and does not exceed \$250,000, and 6 per cent per annum upon the amount by which the total net income exceeds \$250,000 and does not exceed \$500,000, and 7 per cent per annum upon the amount by which the total net income exceeds \$500,000 and does not exceed \$1,000,000, and on incomes over \$1,000,000 8 per cent per annum.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Kansas [Mr. BRISTOW].

The amendment was rejected.

Mr. WILLIAMS. Mr. President, the Senator from Wisconsin [Mr. LA FOLLETTE] offered an amendment in Committee of the Whole, and I do not remember whether or not he reserved the right to offer it in the Senate.

Mr. LA FOLLETTE. Mr. President, if the Senator will yield to me, I did, through the kindness of the Senator from Nebraska [Mr. NORRIS], reserve the right to offer it here. I had just sent for it, and was prepared to offer it.

Mr. WILLIAMS. That is the Senator's amendment upon the income tax?

Mr. LA FOLLETTE. Yes; upon the income tax.

Mr. WILLIAMS. I should like to have it voted upon in the Senate. It was voted upon in Committee of the Whole.

Mr. LA FOLLETTE. Let me inquire whether the Senator from Kansas requested a yeas-and-nays vote upon the amendment he has just offered.

Mr. BRISTOW. No; not on the last amendment. I did on the one that preceded it.

Mr. LA FOLLETTE. I do not wish to interfere with the Senator from Kansas. I will inquire if he has another amendment to offer upon this subject. If he has I will not take the floor.

Mr. BRISTOW. No; I am through.

Mr. LA FOLLETTE. Then I present the amendment which I send to the Secretary's desk, and ask to have it read.

The VICE PRESIDENT. The Secretary will read the amendment.

The SECRETARY. It is proposed to strike out all after the word "exceeds," in line 19, page 165; all of lines 20 and 21, on page 165, down to and including "\$100,000," in line 3, page 166, and to substitute in lieu thereof the following:

\$10,000 and does not exceed \$20,000, and $1\frac{1}{2}$ per cent per annum upon the amount by which the total net income exceeds \$20,000 and does not exceed \$30,000, and 2 per cent per annum upon the amount by which the total net income exceeds \$30,000 and does not exceed \$40,000, and $2\frac{1}{2}$ per cent per annum upon the amount by which the total net income exceeds \$40,000 and does not exceed \$50,000, and 3 per cent per annum upon the amount by which the total net income exceeds \$50,000 and does not exceed \$60,000, and 4 per cent per annum upon the amount by which the total net income exceeds \$60,000 and does not exceed \$70,000, and 5 per cent per annum upon the amount by which the total net income exceeds \$70,000 and does not exceed \$80,000, and 6 per cent per annum upon the amount by which the total net income exceeds \$80,000 and does not exceed \$90,000, and 7 per cent per annum upon the amount by which the total net income exceeds \$90,000 but does not exceed \$100,000, and 10 per cent per annum upon the amount by which the total net income exceeds \$100,000.

Mr. LA FOLLETTE. Mr. President, I wish to have printed in the Record in connection with the amendment I have offered a table of computations upon the collection of taxes on incomes which would be made under its provisions. This estimate is made by taking the average in each class and applying the rates of the amendment to that income, then multiplying by the number

of incomes in each class. The number of incomes in each class is taken from an estimate furnished by the Commissioner of Internal Revenue to members of the Ways and Means Committee in 1912. According to this estimate the amount of revenue collected would be \$68,976,000.

The VICE PRESIDENT. Without objection, the table will be printed in the Record.

The matter referred to is as follows:

Table showing number of persons, average of incomes, amount of tax per individual, and total tax based on estimates of Internal Revenue Office as found in House Document No. 416, Sixty-second Congress.

Income of—	Number of persons.	Average of incomes.	Amount of tax for each individual.	Total tax.
\$4,000 to \$10,000.....	250,000	\$6,000	\$60	\$15,000,000
\$10,000 to \$20,000.....	60,000	14,000	180	10,800,000
\$20,000 to \$30,000.....	15,000	24,000	400	6,000,000
\$30,000 to \$40,000.....	5,000	34,000	670	3,350,000
\$40,000 to \$50,000.....	3,000	44,000	990	2,970,000
\$50,000 to \$60,000.....	900	54,000	1,360	1,224,000
\$60,000 to \$70,000.....	500	64,000	1,300	900,000
\$70,000 to \$80,000.....	300	74,000	2,340	702,000
\$80,000 to \$90,000.....	200	84,000	2,980	596,000
\$90,000 to \$100,000.....	100	94,000	3,720	372,000
\$100,000 to \$200,000.....	250	140,000	8,600	2,150,000
\$200,000 to \$500,000.....	200	300,000	26,200	5,240,000
\$500,000 to \$1,000,000.....	75	650,000	64,700	4,952,500
\$1,000,000 to \$10,000,000.....	15	4,000,000	433,200	6,492,000
In excess of \$10,000,000.....	5	15,000,000	1,643,200	8,227,500
Total.....				68,976,000

Mr. LA FOLLETTE. Under the indirect system of taxation the tariff, in so far as it affects the cost of food and clothing and the necessities of life, bears much more heavily upon the poor than upon the rich. Moreover, in the collection of taxes assessed against real estate and personal property the poor for years have been carrying much heavier burdens relatively than the rich.

There is little danger of overtaxing great wealth. We are coming to recognize more and more forcibly the menace of the swollen fortune. And it is when these great fortunes are being amassed and when they are still in the hands of those who have acquired them with little regard for the rights of others that there is most likelihood of their being used to grind labor and oppress mankind. Instead of waiting, therefore, to reach this concentrated wealth after the death of men like Morgan and Rockefeller through an inheritance tax, the fortunes from which such incomes are derived should be held in check and compelled to pay an equitable and proportionate share of the expenses of government through an income tax that is constitutional, legitimate, and proper.

But I shall not take the time of the Senate to add to the argument I made in offering this amendment in Committee of the Whole, but will ask for the yeas and nays upon it.

The VICE PRESIDENT. The question is upon the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE], upon which the yeas and nays have been demanded.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I make the same announcement about my pair as on preceding roll calls.

Mr. LEA (when his name was called). I again announce my pair with the senior Senator from South Dakota [Mr. CRAWFORD]. If at liberty to vote, I should vote "nay."

Mr. LEWIS (when his name was called). I again announce my pair with the junior Senator from North Dakota [Mr. GRONNA] and withhold my vote.

Mr. REED (when his name was called). I transfer my pair with the senior Senator from Michigan [Mr. SMITH] to the senior Senator from South Carolina [Mr. TILMAN] and will vote. I vote "nay."

Mr. THOMAS (when his name was called). I announce the same transfer as heretofore and will vote. I vote "nay."

The result was announced—yeas 16, nays 62, as follows:

YEAS—16.

Borah	Cummins	McCumber	Poinexter
Brady	Jones	McLean	Sherman
Bristow	Kenyon	Nelson	Sterling
Clapp	La Follette	Norris	Works

NAYS—62.

Ashurst	Clark, Wyo.	Gallinger	James
Bacon	Clarke, Ark.	Gore	Johnson
Brandegee	Colt	Hitchcock	Kern
Catron	Dillingham	Hollis	Lane
Chamberlain	Fall	Hughes	Lippitt
Chilton	Fletcher	Jackson	Lodge

Martin, Va.	Pomerene	Simmons	Thomas
Ransdell	Reed	Smith, Ariz.	Thompson
Myers	Robinson	Smith, Ga.	Thornton
O'Gorman	Root	Smith, Md.	Vardaman
Oliver	Saulsbury	Smith, S. C.	Walsh
Overman	Shafroth	Smoot	Warren
Owen	Sheppard	Stephenson	Weeks
Penrose	Shields	Stone	Williams
Perkins	Shively	Sutherland	
Pittman		Swanson	

NOT VOTING—17.

Bankhead	Crawford	Lea	Tillman
Bradley	Culberson	Lewis	Townsend
Bryan	du Pont	Newlands	
Burleigh	Goff	Page	
Burton	Gronna	Smith, Mich.	

So Mr. LA FOLLETTE's amendment was rejected.

Mr. POINDEXTER. Mr. President, I offer an amendment, and ask that it be inserted after the numerals "\$500,000," in line 16, page 178, of the new print.

The VICE PRESIDENT. The Secretary will state the amendment as it would appear in the old print.

Mr. POINDEXTER. It would come in right after the income-tax amendment of the committee.

The SECRETARY. At the end of the amendment offered by the committee on page 166, which ends with the numerals "\$500,000," it is proposed to insert:

And does not exceed \$1,000,000, and 8 per cent per annum upon the amount by which the total net income exceeds \$1,000,000.

Mr. POINDEXTER. I will say, in explanation of this amendment, that it overcomes an objection which, I think, well lies to the amendment made in Committee of the Whole and to the amendment which I have voted for to-day, in that it levies an increased income tax upon incomes over \$1,000,000, of which there are a great many in the country. I will say, in further explanation of it, that I do not think it is open to the objection that I understand was urged in the Senate a few days ago, that such an income tax is "the pillage of a class." It is not the pillage of a class any more than any enlightened system of taxation is the pillage of a class. It is laid upon the theory that luxuries should be taxed more heavily than necessities; that superfluity should bear a heavier portion of the burdens of the Government than mere sufficiency.

I ask for a yea-and-nay vote upon the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I again announce my pair with the Senator from Michigan [Mr. TOWNSEND].

Mr. LEA (when his name was called). I transfer my pair with the senior Senator from South Dakota [Mr. CRAWFORD] to the senior Senator from South Carolina [Mr. TILLMAN] and vote "nay."

Mr. REED (when his name was called). I again announce my pair with the Senator from Michigan [Mr. SMITH] and withhold my vote.

Mr. THOMAS (when his name was called). I make the same transfer as heretofore announced, and vote "nay."

The roll call having been concluded, the result was announced—yeas 15, nays 63, as follows:

YEAS—15.

Brady	Jackson	McLean	Sherman
Bristow	Jones	Nelson	Sterling
Clapp	Kenyon	Norris	Works
Cummins	La Follette	POINDEXTER	

NAYS—63.

Ashurst	Hollis	Owen	Smith, Md.
Bacon	Hughes	Penrose	Smith, S. C.
Bradley	James	Perkins	Smoot
Brandeggee	Johnson	Pittman	Stephenson
Catron	Kern	Pomerene	Stone
Chamberlain	Lane	Ransdell	Sutherland
Chilton	Lea	Robinson	Swanson
Clark, Wyo.	Lippitt	Root	Thomas
Clarke, Ark.	Lodge	Saulsbury	Thompson
Colt	McCumber	Shafroth	Thornton
Dillingham	Martin, Va.	Sheppard	Vardaman
Fall	Martine, N. J.	Shields	Walsh
Fletcher	Myers	Shively	Warren
Gallinger	O'Gorman	Simmons	Weeks
Gore	Oliver	Smith, Ariz.	Williams
Hitchcock	Overman	Smith, Ga.	

NOT VOTING—17.

Bankhead	Crawford	Lewis	Tillman
Borah	Culberson	Newlands	Townsend
Bryan	du Pont	Page	
Burleigh	Goff	Reed	
Burton	Gronna	Smith, Mich.	

So Mr. POINDEXTER's amendment was rejected.

Mr. STERLING. I offer the amendment which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. The Senator from South Dakota [Mr. STERLING] reserved the amendment to subsection B of the income-tax provision, page 169. He now proposes the following amendment: On page 169, line 15, insert the word "lawful" after the word "in" and before the word "trade," so as to read:

Incurred in lawful trade or arising from fires, storms, or shipwreck, etc.

Mr. STERLING. Mr. President, I simply wish to say that this amendment is in form somewhat different to the one I offered in Committee of the Whole. That amendment referred to losses that might be sustained in legitimate or ordinary trade. I hardly think those were the apt and exact words to be used in this connection, but the word "lawful" is better. It is the purpose of the amendment simply to prevent a claim for losses or a deduction of losses arising out of a trade or a business carried on in violation of law.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from South Dakota [Mr. STERLING].

The amendment to the amendment was rejected.

The VICE PRESIDENT. Has any Senator any further amendment to offer to subsections I and II of the income-tax provision? If not, the amendments made as in Committee of the Whole will be concurred in in the Senate. They are concurred in.

The SECRETARY. The only other reservation undisposed of is by the Senator from New York [Mr. FOOT], on page 172, where he reserved subdivision D.

Mr. ROOT. Mr. President, I offered an amendment to that amendment as in Committee of the Whole, but as the committee and the caucus have determined against it I do not care to take up the time of the Senate by offering it again.

The VICE PRESIDENT. The question is on concurring in the amendment made as in Committee of the Whole.

The amendment was concurred in.

The VICE PRESIDENT. The paragraph is adopted. The bill is still in the Senate and open to amendment.

Mr. GALLINGER. Are all the amendments disposed of?

The VICE PRESIDENT. All the amendments are disposed of.

Mr. GALLINGER. I offer an amendment in the nature of a substitute.

The VICE PRESIDENT. The amendment will be read.

The SECRETARY. Strike out all of the bill, including the title and enacting clause, and insert:

Whereas the Democratic Party is in control of the National Government; and

Whereas a tariff bill (H. R. 3321) is under consideration by the United States Senate; and

Whereas any tariff bill affects every citizen of the United States either favorably or adversely; and

Whereas the Democratic Party has repeatedly declared its adherence to the policy of referring national matters to the electorate; and

Whereas in several States represented in whole or in part by Democratic Senators there is strong disapproval of some of the provisions in the pending bill; therefore be it

Resolved, That further consideration of the bill be postponed until the first Monday in December, 1914, in order that the legal voters of the United States at the State and congressional elections to be held during that year may have the opportunity of expressing their approval or disapproval of said bill.

Mr. GALLINGER. Mr. President, I regret that my amendment could not have been offered earlier in the day, so that it might have been debated.

During the progress of the debate on the pending bill I have taken occasion several times to declare that in my opinion it is inevitable that the proposed legislation will result in much disturbance of business and industrial disaster to a greater or less extent. I still entertain that view, and for that reason believe it would be wise for the Senate to postpone the enactment of this bill until after the voters of the country have had an opportunity to express their opinion of it in the elections one year hence. Why should that not be done?

The country is now reasonably prosperous, and will continue so if given an opportunity. There are already indications that the people are getting ready to repudiate the bill now under consideration. If postponed until December, 1914, the voice of the people will have been heard, and then if necessary the bill can be modified and changed to correspond to the popular sentiment.

Doubtless it will be said, Mr. President, that I am a late convert to the referendum doctrine. My answer to that is that the overwhelming importance of the subject is an adequate reason for my attitude. It will also doubtless be further said

that there is no machinery provided for taking the sense of the voters on the tariff question. The electorate of the third congressional district of Maine found no difficulty in giving expression to their views on yesterday, and in the coming congressional elections the voters throughout the country will have the same opportunity.

It is a matter of regret to me, Mr. President, that several Senators, who seem to agree with the general proposition, have declared their purpose to vote against the amendment because of the referendum provision it contains, but, notwithstanding that, it gives me pleasure to vote for it without reference to what other Senators may do. The importance of the subject is a controlling factor, so far as I am concerned.

Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I again announce my pair with the Senator from Michigan [Mr. TOWNSEND].

Mr. THOMAS (when his name was called). I announce the same transfer as heretofore, and vote "nay."

The roll call was concluded.

Mr. REED. I again announce my pair with the Senator from Michigan [Mr. SMITH] and withhold my vote.

Mr. LEA. I again announce my pair with the senior Senator from South Dakota [Mr. CRAWFORD]. If at liberty to vote, I would vote "nay."

The result was announced—yeas 16, nays 63, as follows:

YEAS—16.

Brady	Gallinger	McCumber	Ransdell
Bristow	Jackson	McLean	Sherman
Cañon	La Follette	Oliver	Thornton
Clapp	Lippitt	Penrose	Warren

NAYS—63.

Ashurst	Hollis	Owen	Smith, S. C.
Bacon	Hughes	Perkins	Smoot
Borah	James	Pittman	Stephenson
Bradley	Johnson	Polindexter	Sterling
Brandeggee	Jones	Pomerene	Stone
Chamberlain	Kenyon	Robinson	Sutherland
Chilton	Kern	Root	Swanson
Clark, Wyo.	Lane	Saulsbury	Thomas
Clarke, Ark.	Lodge	Shafroth	Thompson
Colt	Martin, Va.	Sheppard	Tillman
Cummins	Martine, N. J.	Shields	Vardaman
Dillingham	Myers	Shively	Walsh
Fall	Nelson	Simmons	Weeks
Fletcher	Norris	Smith, Ariz.	Williams
Gore	O'Gorman	Smith, Ga.	Works
Hitchcock	Overman	Smith, Md.	

NOT VOTING—16.

Bankhead	Crawford	Gronna	Page
Bryan	Culberson	Lea	Reed
Burleigh	du Pont	Lewis	Smith, Mich.
Burton	Goff	Newlands	Townsend

So Mr. GALLINGER's amendment was rejected.

The VICE PRESIDENT. The bill is still in the Senate and open to amendment. If there be no further amendments—

Mr. LA FOLLETTE. Mr. President, on page 55, line 2, I move to strike out the word "sixteen" and to insert in lieu thereof the word "seventeen." It is in paragraph 179, relating to sugar. It relates to the time when the free-sugar provision shall go into effect.

Mr. CLARK of Wyoming. The Senator has the wrong print.

Mr. LA FOLLETTE. I have the new print.

Mr. CHILTON. It is on page 53 of the old print.

Mr. LA FOLLETTE. I do not know what the new print was intended for if it was not for the use of the Senate.

The VICE PRESIDENT. Does the Senator from Wisconsin move to reconsider the vote whereby the amendments in the paragraph were concurred in?

Mr. LA FOLLETTE. I will make that as my first motion.

The motion to reconsider was agreed to.

Mr. LA FOLLETTE. Now, Mr. President, I renew the motion on my amendment.

The VICE PRESIDENT. The amendment proposed by the Senator from Wisconsin will be stated.

The SECRETARY. In paragraph 179, page 53, line 11, strike out "sixteen" and insert "seventeen," so as to read:

Provided further, That on and after the 1st day of May, 1917, the articles hereinbefore enumerated in this paragraph shall be admitted free of duty.

Mr. LA FOLLETTE. Mr. President, I offer this amendment knowing full well that it will be rejected, but tender it for the purpose of submitting brief observations upon the sugar schedule and, connected therewith, some data upon the sugar industry which should be preserved as a part of the record of this debate.

I have some tables and some matter here explanatory of those tables, which I ask to have printed in the Record.

The VICE PRESIDENT. Is there objection? The Chair hears none, and permission is granted.

Mr. LA FOLLETTE. Mr. President, the Tariff Board began an investigation of the cost of sugar production. Before it had completed its work the existence of the board was terminated by the failure of Congress to make an appropriation for its continuance. But the work which had been inaugurated by the board was transferred to the Bureau of Foreign and Domestic Commerce and completed by that bureau. The results of that investigation are of importance, and I desire to refer briefly to them and to the general sugar situation and its relation to the tariff.

Hawaiian sugar is free. It sells in the American market at the same price as other imported sugar which pays a duty. This means that the Hawaiian sugar producer receives a bounty equivalent to the duty.

Porto Rican sugar comes in free. It sells at the same price here as if it paid the duty. This amounts to the same thing as a bounty to the Porto Rican producer equivalent to the amount of the duty.

Sugar from the Philippine Islands is admitted free of duty, except sugar in excess of 300,000 gross tons. As our present importation is only slightly in excess of one-half of that amount all sugar imported at the present time from the Philippines comes in free. As Philippine sugar brings, in the American market, the same price as though it paid the duty, the remission of the duty is equivalent to a bounty to the Philippine producer equaling the amount of the duty.

In production where mechanical skill is an important factor the wage scale is far from being a determining factor in the cost of production. But in the planting, weeding, pulling, topping, loading, and hauling of sugar beets to the factory the labor is unskilled manual labor, and the rate of wages is important. And it is subjecting the American sugar-beet farmer to more unjust and destructive competition than that which opens his markets to the labor of Germany and France.

WHERE COMPETITION CENTERS.

The quantity and principal sources of the American sugar supply are shown in the following table:

	Pounds.
Continental United States:	
Cane sugar	724,000,000
Beet sugar	1,199,000,000
Noncontiguous territory of the United States:	
Porto Rico	734,000,000
Hawaii	1,205,000,000
Philippines	438,000,000
Cuba	3,187,000,000

The only sugar in the above table that pays duty is Cuban sugar, and it is admitted under the reciprocity treaty at a reduction of 20 per cent on the rates in the act of August 5, 1909. The amount of sugar imported from foreign countries and paying the full duty is so small that the duty paid by Cuban sugar measures the protection given to the producers of sugar in the United States and our insular possessions.

The real struggle for the American market to-day is between the beet-sugar production on the one hand and Cuban production on the other. In studying the difference in the cost of production it is more important to know the cost of producing cane sugar in Cuba than beet sugar in Germany. Cuba has practically unlimited possibilities for growth in sugar culture. The Philippines will soon be another factor to be reckoned with in the competition for the American market. Since 300,000 tons of Philippine sugar were admitted free to the United States (1909) the imports have almost doubled each year. At the present time, however, a comparison of Cuban costs with costs in the United States gives a fair view of the situation and determines the protection required.

The only Government report that we have upon this subject is the work of the Tariff Board on costs in Louisiana. When the board was discontinued, the results of their partial investigation were left in its files, but in January, 1913, they were transferred to the Bureau of Foreign and Domestic Commerce, completed, and published. (The Sugar Industry, mis. series No. 9.) Costs for Cuba and the American beet-sugar industry used subsequently have been taken from unofficial reports.

COSTS IN LOUISIANA.

Table 1 is a summary of the costs of producing raw sugar in Louisiana in 1909, 1910, and 1911, showing the various items of cost and the total factory cost per pound. These costs do not include the cost of refining, which is not done in the Louisiana factories, and therefore can not be compared without an allowance with the costs of American beet-sugar factories.

TABLE 1.—Cost of production of cane sugar in Louisiana in the years 1911, 1910, and 1909.

	1911		1910		1909	
	Cost per pound of sugar.	Percentage of cost.	Cost per pound of sugar.	Percentage of cost.	Cost per pound of sugar.	Percentage of cost.
Cost of cane delivered at factory.....	\$0.0340	77.50	\$0.0277	74.40	\$0.0267	73.90
Manufacturing labor.....	.0025	5.82	.0022	5.90	.0021	5.90
Supplies and operating expenses:						
Fuel.....	.0015	3.48	.0013	3.71	.0015	4.17
Reagents—lime, sulphur, etc.....	.0002	.52	.0002	.67	.0002	.68
Cooperage—sugar bags, barrels, etc.....	.0005	1.19	.0006	1.72	.0006	1.85
Salaries—superintendents, clerks.....	.0003	1.26	.0005	1.43	.0005	1.26
Taxes and insurance.....	.0003	1.50	.0005	1.47	.0005	1.60
Other operating expenses.....	.0012	2.87	.0013	3.67	.0014	3.76
Total operating expenses.....	.0049	10.84	.0048	12.96	.0052	14.30
Repairs and maintenance.....	.0025	5.84	.0025	6.74	.0022	5.90
Total factory cost.....	.0439	100.00	.0372	100.00	.0362	100.00

The foregoing table shows very clearly what causes the high costs in Louisiana. Approximately 75 per cent of the cost is for cane. The problem, then, is really an agricultural one and presents the question whether or not cane growing is economically adapted to the climate of Louisiana. Cane requires a long season for maturing. In tropical countries it is common to allow it to grow for 14 or 18 months before grinding. At best Louisiana cane must be cut in November, and then chances of a frost are taken. It never reaches maturity, and consequently its sugar content is much lower than that found in tropical cane. Furthermore, in countries like Cuba the cane grows year after year from the old stubble, and the planters get from four to eight so-called ratoon crops; in Louisiana there is never more than one ratoon crop. Other economic difficulties confronting the Louisiana cane-sugar industry might be enumerated, but enough has been said to indicate a conclusion. The high costs found by the Tariff Board rather than being an argument for protection are an argument against it. If the Louisiana industry were the only one concerned, public policy would seem to require free sugar. At least the question is raised whether or not the Louisiana industry is not preserved at too great a cost to the consuming public.

BEET-SUGAR COSTS.

The most scientific study of the beet-sugar industry is the recent—1912—work of Prof. Roy G. Blakey, The United States Beet-Sugar Industry and the Tariff. In chapter 4 of his book he analyses all the available material relating to the cost of manufacturing beet sugar in the United States. He sums up his findings as follows:

It seems probable from the figures given above and other facts disclosed in making this study that the average total cost to the American manufacturer of producing granulated beet sugar at the factory is between \$3 and \$3.50 per 100 pounds, being a combination of about \$2.20 for the sugar in the beets and near \$1 for manufacturing the same. In localities where the sugar in the beets costs \$2.75 to \$3 and the manufacturing \$1.25 to \$2, the finished product costs \$4 to \$5, and doubtless there are some factories thus near the margin. In more favorable localities and under more economical manufacturing conditions where the sugar in the beets can be obtained for \$1.75 to \$2 and the manufacturing can be done at a cost of 60 cents to \$1, the total cost is \$2.35 to \$3, and it is probable that a number of factories come within these figures, though very few have published such results.

The manufacturing cost in the above statement, as distinguished from the cost of sugar in the beets, includes the cost of refining. Still the cost of beets is relatively high. It is frequently said that the conversion costs in the United States are as low as in Germany, Cuba, or any other country, due to the American skill in the application of machinery and industrial organization. The chief disadvantage is in the cost of growing the beets. As to the agricultural cost of growing beets in the United States, Blakey says in the book cited above (pp. 129-131):

It is impossible to determine with any degree of certainty the average cost for the United States or for any single State, but the writer's judgment is that in the humid States most of the actual normal costs range near \$30 to \$35 per acre and in the irrigated States \$5 to \$10 higher, not including rent for the land or interest on capital invested in the same.

According to data already given, the experience of the writer has been that over two-fifths of the cost of producing beets has been hand labor working without a team, and nearly another fifth hand labor aided by a team, and over another fifth the labor of the team; that is, on an average, 64.39 per cent of the costs of raising beets was wages, and

the combined cost of laborers and teams was 84.68 per cent. This indicates the importance of the rate of wages and efficiency of labor in the cost of producing beets.

COSTS IN CUBA.

There are many statements about the cost of producing sugar in Cuba in public documents and hearings. Some of them are worthy of consideration, others are obviously colored by the political or industrial interest of the informant. I will give a few of the best authorities. Dr. H. Paasche, the great German sugar authority, in his work, *Die Zuckerproduktion der Welt*, estimates the Cuban cost at \$1.73 to \$1.94 per 100 pounds. In 1905 the United States Department of Commerce and Labor made the following statement:

The cost of raising a pound of sugar in Cuba may be said to be, speaking roughly, 1 cent, and the cost of manufacturing and transporting it to the seaboard under present conditions 1 cent more, so that the total cost of production of sugar in Cuba, from the planting to the shipment at Habana, is about 2 cents a pound—not less than that and perhaps, on the average, a little more.

In 1902, in the Cuban reciprocity hearings, Col. Bliss, collector of the port of Habana, gave the costs which I present in a table. They are for 96° sugar produced on a plantation 60 kilometers from Cienfuegos.

TABLE 2.—Cost of producing 100 pounds of sugar in Cuba.

	Cost per 100 pounds.
Cost of cultivating cane.....	\$0.328
Cutting, piling, and hauling to railroad.....	.520
Hauling by railroad to mill.....	.048
Cost at mill.....	.896
Cost of manufacture.....	.888
Cost per 100 pounds at mill.....	1.784
Freight to port.....	.123
Cost per 100 pounds at port.....	1.907
Cost at port, adding for upkeep (40 cents per 2,500 pounds of cane).....	2.068
Shipping charges.....	.230
Bags.....	.0676
Cost per 100 pounds f. o. b.:	
Spanish gold.....	2.3656
American currency.....	2.25

Willett & Gray, well known as authorities on sugar, have this to say on Cuban costs:

While large and small estates in Cuba vary in cost of production, the same as with beet factories, yet the lowest cost of the large estates is understood to be 1½ cents per pound up to 2 cents per pound for others. The average cost of production may fairly be estimated at 1.85 cents per pound, f. o. b. Cuba; or say 1.95 cents, cost and freight, New York.

Mr. Blakey, to whose book I am indebted for most of the information on Cuban production, thinks that it costs nearly 2 cents f. o. b. at the Cuban port to produce sugar in Cuba, and that the cost is lower on the better-managed plantations.

COMPARISON OF COSTS.

The table which I now present shows a comparison of the most reliable costs discussed above. This is useful as indicating the relative strength of the competing interests.

TABLE 3.—Comparison of the costs of producing 100 pounds of sugar in Louisiana, the American beet-sugar States, and Cuba.

	Louisiana costs for 1909 as reported by Tariff Board, unrefined sugar.	Blakey's conclusion as to beet-sugar costs in the United States, refined sugar.	Col. Bliss's estimates of cost of sugar in Cuba in 1902, unrefined sugar.
Cost of either cane or beets delivered at factory.....	\$2.67	\$2.30	\$0.896
Conversion cost.....	.95	1.00	.888

For obvious reasons caution must be used in drawing conclusions from this table. The costs are for different years. The Cuban costs are for 1902. Cuban costs now are, if anything, lower than at that time. The Louisiana costs are the lowest reported by the Tariff Board. The conversion cost of beet sugar is higher than the others, which was to be expected, since it includes the additional cost for refining. If the refining cost could be deducted in order to put it on a parity with the Cuban and Louisiana conversion costs, it is evident that these costs would all be remarkably close to each other. The great divergence in costs is in the cost of cane or beets, and these figures show where competition centers; they show that the sugar problem is not a manufacturing, but an agricultural problem.

DIFFERENCE IN COST.

The average cost of Cuban sugar f. o. b. at the Cuban port is, according to the best authorities, \$2 per 100 pounds. In a number of cases, however, it falls as low as \$1.50 per 100 pounds.

The best estimates of the cost of American beet sugar are that it varies from \$3 to \$3.50 per 100 pounds.

These figures are not exactly comparable since one is for raw sugar, the other for refined, but the refining cost is very small and a mental allowance for it will be sufficient.

Taking the two high costs, \$2 for Cuba and \$3.50 for beet sugar, there is a difference in cost of \$1.50 per 100 pounds. At the present time the greater part of Cuban sugar imported pays a duty of \$1.65, less the 20 per cent differential, or \$1.32 per 100 pounds. Under the pending bill it would pay \$1.23 less the 20 per cent differential, or \$0.984. The results would be the same if the two low costs are compared. From this comparison the pending rates would seem to be too low, although not so low that the industry could not adjust itself to them.

POTENTIAL COMPETITION IN TROPICAL COUNTRIES.

There are several facts which stand out clearly in a broad survey of the sugar situation:

First. The possibilities of the production of sugar in tropical countries have hardly been realized, and where realized only beginnings have been made in the exploitation of those possibilities. Cuba and the Philippines alone can supply the American market.

Second. Sugar beets can never be grown as cheaply in the United States as cane can be grown in the Tropics. Both natural advantages and labor cost are against the American producer.

Third. If the tariff is removed, production will be stimulated in Cuba and the Philippines, and as the production in these countries increases the production of beet sugar will tend to decline.

Fourth. Foreign tropical sugar is the raw material of the refineries. In so far as free sugar weakens or destroys the American beet-sugar industry, it will to that extent turn over the control of the American market to the refineries.

SUGAR AND THE RACE PROBLEM IN HAWAII.

Efforts have been made by the government of Hawaii to increase the Caucasian element in the population of the island. Considerably over one-half of the population, as is known, is made up of Japanese and Chinese. Active measures have been taken by the government to encourage Caucasian emigration into the islands. Between 1906 and 1912, 12,306 men, women, and children of Portuguese, Spanish, and Russian nationality were brought to the islands, at a total cost of \$893,118.82. This work has been under the supervision of the territorial department of immigration, labor, and statistics.

In the past the sugar planters have introduced oriental labor into the islands; now their efforts to secure Asiatics are confined to Filipinos. The Hawaiian Sugar Planters' Association introduced, in 1910, 2,721 Filipinos; in 1911, 2,209; in 1912, 3,043.

The laborers, by races, on the sugar plantations of Hawaii for 1900, 1905, 1910, 1911, and 1912 are shown in the following table. The increase in the non-Asiatic element is to be noted especially.

	1900	1905	1910	1911	1912
Asiatic races.....	31,623	37,490	32,619	32,111	32,535
Non-Asiatic races.....	4,427	7,753	11,298	12,937	14,810
Per cent non-Asiatic.....	12.30	17.13	25.72	28.71	31.28

The increase in the Caucasian element in the population has brought with it (1) higher wages, which means, on the assumption that the Caucasian labor is not more efficient, a higher cost of production to the sugar planter; (2) improved labor conditions. On the labor conditions in the island Gov. Frear says in his annual report to the Secretary of the Interior for 1912:

The character and condition of the laborers on the sugar plantations are constantly improving. During the last few years nearly all of the sugar plantations have substituted new laborers' cottages with good sanitary arrangements for old tenement houses and increased the garden space around them. Wages have gradually increased, one of the most important changes in this respect having occurred during the last year. At the time of annexation the minimum wages of unskilled laborers were \$12.50 a month. It had increased several years ago to \$18 a month. Year before last a bonus of \$2 a month was added in the case of those who worked an average of 20 days a month throughout the year. On the 1st of January, 1912, the minimum wage was increased to \$20 a month plus a sliding-scale bonus based on the price of sugar; that is to say, all laborers who received \$24 a month or less were to receive a bonus at the rate of 1 per cent of their year's earnings for every dollar per ton over \$70 per ton in the average New York price of 96° sugar for the year. Thus if the average price should be 4 cents a pound, or \$80 per ton, the laborer would receive a bonus of 10 per cent of his year's earnings. The average price of sugar for the 10 years 1902-1911 was 3.9677, or nearly 4 cents. A month is considered as consisting of 26 working days. Some of the plantations have extended this bonus system to all laborers who receive wages up to \$50 a month; others have extended it to all employees, irrespective of the amount of their pay, while still others have adopted a profit-sharing system for employees who receive \$50 or more a month and applied the sliding-scale bonus to those who receive less than that amount. In addition there are furnished free of charge house, water, fuel, and medical at-

tendance, estimated to equal \$5 a month additional, and personal taxes, \$5 a year, are paid for the first three years. Most of the laborers, however, receive much more than the minimum wages, partly because they are worth more or perform higher grades of work, but largely because of the extension of the planting agreement and piecework systems. Statistics seem to show that the average wages of unskilled laborers on the plantations exceed those of unskilled agricultural laborers in many, and perhaps most, of the States on the mainland.

It is said free sugar, which will put Hawaiian sugar interests on a free-trade basis, will arrest the effort to increase the Caucasian element in the population and tend to orientalize the islands. In competition with Cuban sugar the planters will be forced to seek a cheaper labor supply and the oriental races are waiting at the gates. Here is an argument for a duty on sugar that is not economic, but social, and it deserves more attention than it has received.

I believe, Mr. President, that that is all I desire to offer at this time; and, as I offered the amendment only pro forma for the purpose of submitting these observations and presenting this that it might be preserved in the Record, I will now withdraw it, if I may be permitted to do so.

The VICE PRESIDENT. Then the question recurs upon concurring in the amendments to the paragraph made as in Committee of the Whole.

Mr. LA FOLLETTE. Perhaps it would be just as well to have the amendment I have offered voted upon and disposed of.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 53, line 12, it is proposed to strike out "sixteen" and insert "seventeen," so as to read "nineteen hundred and seventeen."

The VICE PRESIDENT. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was rejected.

Mr. BRISTOW. I move to strike out the word "March," in line 10, page 53, and insert "August." The purpose of this amendment is to extend the time when the provisions of the law affecting the duties on sugar shall go into effect from March to August, because there will be a very large part of the beet-sugar crop of this year that will not be marketed at that time, and the reduction will come in the midst of the marketing of the crop. It virtually destroys the value of the extension to the beet-sugar industry for this year. I am not going to ask for a roll call, but I should like to urge the members of the Committee on Finance to take this matter into consideration when the bill is in conference. I hope they will do so, because it is very important to the beet-sugar crop of this year.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Kansas to the amendment made as in Committee of the Whole.

The amendment to the amendment was rejected.

Mr. GALLINGER. On page 53, lines 17, 18, and 19, I move to strike out the proviso. I will say that I will not ask for the yeas and nays. The amendment is to the text of the bill.

The VICE PRESIDENT. Will the Senator from New Hampshire permit the original amendment to be concurred in?

Mr. GALLINGER. Certainly.

The VICE PRESIDENT. The question is on concurring in the amendment of the committee on page 53, beginning in line 9. The amendment was concurred in.

The VICE PRESIDENT. The amendment proposed by the Senator from New Hampshire will be stated.

The SECRETARY. On page 53, it is proposed to strike out the proviso in lines 17, 18, and 19, as follows:

Provided, That on and after the 1st day of May, 1916, the articles hereinbefore enumerated in this paragraph shall be admitted free of duty.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from New Hampshire.

The amendment was rejected.

Mr. GALLINGER. In the same paragraph, line 14, I move to strike out the numeral "3" and insert the numeral "5"; in line 15 to strike out "1½" and to insert "1½"; and in line 16 to strike out "15" and insert "20."

Mr. President, this amendment is proposed to increase the rates of duty to a moderate extent on a product that ought to be protected by the American Congress—maple sugar and maple sirup. As I have grave apprehensions that a yeas-and-nays vote would be adverse to my amendment, I am ready to have the question put without demanding the yeas and nays.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from New Hampshire.

The amendment was rejected.

Mr. PENROSE. Mr. President, I have here an amendment to page 251, line 8, restoring to the bill the provisions of the present law regarding the importations of tobacco and manufactures of tobacco from the Philippines. I ask to have the amendment read, and then I will ask for a roll call.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 251, line 8, after the word "duty" and before the colon, insert:

Except, in any fiscal year, wrapper tobacco and filler tobacco when mixed or packed with more than 15 per cent of wrapper tobacco in excess of 300,000 pounds, filler tobacco in excess of 1,000,000 pounds, and cigars in excess of 150,000,000 cigars, which quantities shall be ascertained by the Secretary of the Treasury under such rules and regulations as he shall prescribe.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Pennsylvania.

Mr. PENROSE. I ask for the yeas and nays.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BRYAN (when his name was called). I again announce my pair and withhold my vote.

Mr. REED (when his name was called). I again announce my pair. If at liberty to vote, I should vote "nay."

Mr. THOMAS (when his name was called). I make the same transfer as heretofore announced and vote "nay."

The roll call was concluded.

Mr. LEA. I again announce my pair. If at liberty to vote, I should vote "nay."

The result was announced—yeas 36, nays 43, as follows:

YEAS—36.

Borah	Cummins	Root
Bradley	Dillingham	Sherman
Brady	Fall	Smoot
Brandeggee	Gallinger	Stephenson
Bristow	Jackson	Sterling
Catron	Jones	Sutherland
Clapp	Kenyon	Warren
Clark, Wyo.	La Follette	Weeks
Colt	Lippitt	Works

NAYS—43.

Ashurst	Johnson	Ransdell	Smith, S. C.
Bacon	Kern	Robinson	Stone
Chamberlain	Lane	Saulsbury	Swanson
Chilton	Martin, Va.	Shafroth	Thomas
Clarke, Ark.	Martine, N. J.	Sheppard	Thompson
Fletcher	Myers	Shields	Thornion
Gore	O'Gorman	Shively	Tillman
Hitchcock	Owen	Simmons	Vardaman
Hollis	Pittman	Smith, Ariz.	Walsh
Hughes	Pomerene	Smith, Ga.	Williams
James		Smith, Md.	

NOT VOTING—16.

Bankhead	Crawford	Gronna	Page
Bryan	Culberson	Lea	Reed
Burleigh	du Pont	Lewis	Smith, Mich.
Burton	Goff	Newlands	Townsend

So Mr. PENROSE's amendment was rejected.

The VICE PRESIDENT. The bill is still in the Senate and open to amendment. If there be no further amendments, the question is, Shall the amendments be engrossed and the bill be read the third time?

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

The VICE PRESIDENT. The question is, Shall the bill pass?

Mr. GALLINGER. Mr. President, I ask for the yeas and nays on the passage of the bill.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. BANKHEAD (when his name was called). I have a pair with the junior Senator from West Virginia [Mr. GOFF]. If he were present, I should vote "yea."

Mr. BRYAN (when his name was called). I have a pair with the junior Senator from Michigan [Mr. TOWNSEND]. In his absence I withhold my vote. If I were at liberty to vote, I should vote "yea."

Mr. SHEPPARD (when Mr. CULBERSON's name was called). I again announce the unavoidable absence of my colleague, the senior Senator from Texas [Mr. CULBERSON], and that he is paired with the Senator from Delaware [Mr. DU PONT].

Mr. LEA (when his name was called). I have a pair with the senior Senator from South Dakota [Mr. CRAWFORD]. In his absence I am not at liberty to vote. If I were at liberty to vote, I should vote "yea."

Mr. LEWIS (when his name was called). I had an arrangement of pair with the junior Senator from North Dakota [Mr. GRONNA] as to all matters transpiring as in Committee of the Whole, with the understanding that I should have the privilege of voting upon the passage of the bill. I announce that if present the Senator from North Dakota would vote against the bill, and in pursuance of my understanding with him I will vote. I vote "yea."

Mr. NEWLANDS (when his name was called). By arrangement with the Senator from Colorado [Mr. THOMAS], I have been paired on amendments to the pending bill with the Senator from Ohio [Mr. BURTON]. On the final vote on the bill I vote "yea."

Mr. REED (when his name was called). I have a pair with the senior Senator from Michigan [Mr. SMITH]. In his absence I withhold my vote. If I were at liberty to vote, I should vote "yea."

Mr. THOMAS (when his name was called). I have a general pair with the senior Senator from Ohio [Mr. BURTON]. I therefore withhold my vote. If I were at liberty to vote, I should vote "yea."

Mr. JONES (when Mr. TOWNSEND's name was called). I desire to announce that the junior Senator from Michigan [Mr. TOWNSEND] is necessarily absent. He is paired with the Senator from Florida [Mr. BRYAN]. If the Senator from Michigan were present, he would vote "nay."

The roll call was concluded.

Mr. STERLING. I again announce the unavoidable absence of my colleague [Mr. CRAWFORD] and the fact that he is paired with the Senator from Tennessee [Mr. LEA]. If present and at liberty to vote, my colleague would vote "nay."

The result was announced—yeas 44, nays 37, as follows:

YEAS—44.

Ashurst	Johnson	Owen	Smith, Ariz.
Bacon	Kern	Pittman	Smith, Ga.
Chamberlain	La Follette	Polindexter	Smith, Md.
Chilton	Lane	Pomerene	Smith, S. C.
Clarke, Ark.	Lewis	Robinson	Stone
Fletcher	Martin, Va.	Saulsbury	Swanson
Gore	Martine, N. J.	Shafroth	Thompson
Hitchcock	Myers	Sheppard	Tillman
Hollis	Newlands	Shields	Vardaman
Hughes	O'Gorman	Shively	Walsh
James	Overman	Simmons	Williams

NAYS—37.

Borah	Dillingham	Nelson	Stephenson
Bradley	Fall	Norris	Sterling
Brady	Gallinger	Oliver	Sutherland
Brandeggee	Jackson	Page	Thornion
Bristow	Jones	Penrose	Warren
Catron	Kenyon	Perkins	Weeks
Clapp	Lippitt	Ransdell	Works
Clark, Wyo.	Lodge	Root	
Colt	McCumber	Sherman	
Cummins	McLean	Smoot	

NOT VOTING—14.

Bankhead	Crawford	Gronna	Thomas
Bryan	Culberson	Lea	Townsend
Burleigh	du Pont	Reed	
Burton	Goff	Smith, Mich.	

So the bill was passed.

Mr. GALLINGER. Mr. President, it is a privilege and a pleasure to me to avail myself of this opportunity to give expression to my personal appreciation of the courteous, kindly, and considerate manner in which the senior Senator from North Carolina [Mr. SIMMONS], chairman of the Committee on Finance, has conducted the debate on the bill just agreed to.

It has been my privilege to participate in the consideration of several tariff bills, and I recall no instance in which a bill has been managed on the floor with greater consideration for the minority and with so little asperity and ill feeling between the contending sides of the Chamber, credit for which is largely due the Senator from North Carolina. [Applause.]

The bill itself is bad, but its management has been in every way creditable to the majority and eminently fair to the minority. [Applause.]

Mr. SIMMONS. Mr. President, I desire to express personally to the Senator from New Hampshire my deep sense of appreciation of the kindly and complimentary terms in which he has referred to my services as the chairman of the Finance Committee in connection with the tariff bill just passed by the Senate. I am deeply grateful for his gracious terms of commendation and approval.

I wish to say, on my part, that throughout the prolonged struggle over the bill every Senator on the other side, especially the Senator from New Hampshire as leader of that side, has been uniformly courteous and considerate of me, and I wish now to make to him and them my sincere acknowledgments. Responding to these kindly sentiments I have sought in every way possible to be fair and considerate of the views and the feelings of my colleagues of the other side of the Chamber as well as on this side.

I want now to say there is nothing in connection with the final conclusion of this forensic and legislative struggle, outside of its success, that gives me so much pleasure as the fact that our deliberations and discussions of this bill have been marked, as the Senator has truthfully said, by less of personal friction, of asperity of feeling, and bitterness in debate than in the consideration of any similar measure during the twelve years I have had the honor of being a member of this body.

Mr. President, I wish to assure my friend from New Hampshire that I shall ever remember with keen appreciation the gracious terms in which he, speaking for himself and his colleagues of the other side of the Chamber, has referred to me

personally and to the part I have played as chairman of the Finance Committee in connection with the great legislative measure upon which we have just voted.

Mr. President, I move that the Senate request a conference with the House of Representatives upon the amendments of the Senate, and that the Chair appoint seven managers of the conference on the part of the Senate.

The motion was agreed to; and the Vice President appointed as managers at the conference on the part of the Senate Mr. SIMMONS, Mr. STONE, Mr. WILLIAMS, Mr. JOHNSON, Mr. PENROSE, Mr. LODGE, and Mr. LA FOLLETTE.

Mr. STONE. Mr. President, I appreciate the compliment of being appointed one of the conferees on the part of the Senate to confer with a like committee on the part of the House to discuss and determine any differences that may exist between the two Houses with respect to this bill. Circumstances of a personal nature, however, of commanding moment to me will make it impossible for me to serve. Although I greatly esteem the honor and regret my inability to take part in this important work, I feel obliged to ask the Chair and the Senate to excuse me from this honorable service.

The VICE PRESIDENT. The Chair regrets the inability of the Senator from Missouri to serve as one of the conferees on the part of the Senate, and appoints in his stead the Senator from Indiana, Mr. SHIVELY.

HOOR OF MEETING TO-MORROW.

Mr. KERN. Mr. President, I move that when the Senate adjourns to-day it adjourn to meet to-morrow at 2 o'clock p. m. The motion was agreed to.

EXECUTIVE SESSION.

Mr. BACON. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After 20 minutes spent in executive session the doors were reopened, and (at 6 o'clock and 10 minutes p. m.) the Senate adjourned until to-morrow, Wednesday, September 10, 1913, at 2 o'clock p. m.

NOMINATIONS.

Executive nominations received by the Senate September 9, 1913.

SECRETARY OF LEGATION.

Jefferson Caffery, of Louisiana, to be secretary of the legation of the United States of America at Stockholm, Sweden, vice Jordan Herbert Stabler, assigned to duty in the Department of State.

ASSISTANT TREASURER OF THE UNITED STATES.

Irving Shuman, of Illinois, to be Assistant Treasurer of the United States at Chicago, Ill., in place of Len Small, resigned.

REGISTER OF THE LAND OFFICE.

F. F. Fritz, of Towner, N. Dak., to be register of the land office at Minot, N. Dak., vice Thomas E. Olsgard, whose term expired July 23, 1913.

PROMOTIONS IN THE ARMY.

CAVALRY ARM.

Second Lieut. Murray B. Rush, Fourteenth Cavalry, to be first lieutenant from September 5, 1913, vice First Lieut. Moss L. Love, Eleventh Cavalry, killed in aeroplane accident September 4, 1913.

INFANTRY ARM.

Lieut. Col. Charles W. Penrose, Infantry, unassigned, to be colonel from September 5, 1913, vice Col. Cornelius Gardener, unassigned, retired September 4, 1913.

Maj. Tredwell W. Moore, Seventh Infantry, to be lieutenant colonel from September 5, 1913, vice Lieut. Col. Charles W. Penrose, unassigned, promoted.

Capt. Edward Sigerfoos, Fifth Infantry, to be major from September 5, 1913, vice Maj. Tredwell W. Moore, Seventh Infantry, promoted.

First Lieut. William S. Neely, Infantry, unassigned, to be captain from September 5, 1913, vice Capt. Edward Sigerfoos, Fifth Infantry, promoted.

Second Lieut. Stanley L. James, Twenty-eighth Infantry, to be first lieutenant from September 5, 1913, vice First Lieut. William S. Neely, unassigned, promoted.

APPOINTMENTS IN THE ARMY.

TO BE SECOND LIEUTENANTS FROM AUGUST 30, 1913

Cavalry Arm.

Corpl. Ray Wehnes Barker, Quartermaster Corps.
Corpl. Henry Abby, jr., Troop C, Eleventh Cavalry.
Corpl. Earl Howard Coyle, Company B, Sixteenth Infantry.
Pvt. Mack Garr, Company I, Fifteenth Infantry.

Corpl. Stanley Carl Drake, Troop M, Thirteenth Cavalry.
Pvt. Maxwell Kirby, Company B, First Battalion of Engineers.

Sergt. Edmund Peyton Duval, Troop G, Eleventh Cavalry.
Corpl. Robert E. Carmody, Company M, Seventh Infantry.

Field Artillery Arm.

Corpl. Ernst Sedlacek, Third Company, Coast Artillery Corps.
Infantry Arm.

Corpl. Frank Bonne Jordan, Company F, Third Infantry.
Sergt. Alfred Eugene Sawkins, Quartermaster Corps.

PROMOTIONS IN THE NAVY.

Lieut. Commander Ridley McLean to be a commander in the Navy from the 1st day of July, 1913.

Lieut. Commander Stephen V. Graham to be a commander in the Navy from the 1st day of July, 1913.

Lieut. Louis J. Connelly to be a lieutenant commander in the Navy from the 1st day of July, 1913.

Lieut. Thomas R. Kurtz to be a lieutenant commander in the Navy from the 1st day of July, 1913.

Lieut. Harold E. Cook to be a lieutenant commander in the Navy from the 1st day of July, 1913.

Lieut. (Junior Grade) John B. Rhodes to be a lieutenant in the Navy from the 1st day of July, 1913.

CONFIRMATIONS.

Executive nominations confirmed by the Senate September 9, 1913.

UNITED STATES MARSHAL.

F. R. Brenneman to be United States marshal for the District of Alaska, division No. 3.

POSTMASTERS.

ILLINOIS.

Joseph F. Traband, Lebanon.

MASSACHUSETTS.

Martin B. Crane, Merrimac.

Michael T. Kane, Ludlow.

Martin H. Ryan, Northboro.

NEW YORK.

E. A. Arnold, Katonah.

William Y. McIntosh, Pleasantville (late Pleasantville Station).

OKLAHOMA.

J. M. Crutchfield, Tulsa.

M. C. Falkenbury, Miami.

Walter T. Fears, Eufaula.

S. R. Hawks, jr., Clinton.

W. T. Kniseley, Glencoe.

PENNSYLVANIA.

S. O. Bender, Trafford.

Daniel Clarey, Sayre.

Albert K. Kneule, Norristown.

HOUSE OF REPRESENTATIVES.

Tuesday, September 9, 1913.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Infinite and eternal Source of Life and all its attendant blessings, we approach Thee with unfeigned love and gratitude that we exist, that all our wants are anticipated and bountifully provided; and we most devoutly pray that we may respond more readily to the voices which are ever calling to us out of the depths of our being, that we may make dominant in our lives all that is purest, noblest, best; and so enter into the joys of the faithful. Amen.

The Journal of the proceedings of yesterday was read and approved.

NATIONAL CONSERVATION EXPOSITION.

The SPEAKER laid before the House the following communication:

THE NATIONAL CONSERVATION EXPOSITION,
Knoxville, Tenn., August 25, 1913.

Hon. CHAMP CLARK,

Speaker of House of Representatives, Washington, D. C.

DEAR SIR: The president and board of directors of the National Conservation Exposition take pleasure in announcing to the House of Representatives of the United States that they will, on September 1, 1913, at Knoxville, Tenn., open the National Conservation Exposition, which is the first exposition ever held for the purpose of giving accent and emphasis to the necessity for conservation of the natural resources of the country and for the teaching by concrete example of the best means and methods for such conservation.

Said exposition will be open until October 31, and we request the honor of the presence of the Members of the House of Representatives of the United States at some time during said exposition to be designated by the House of Representatives.

T. A. WRIGHT, *President*.
W. M. GOODMAN, *Secretary*.

Mr. PEPPER. Mr. Speaker, I ask unanimous consent for the present consideration of the following resolution.

The SPEAKER. The gentleman from Iowa [Mr. PEPPER] asks unanimous consent for the present consideration of a resolution which the Clerk will report.

The Clerk read as follows:

House resolution 247.

Resolved, That the invitation of the National Conservation Exposition, of Knoxville, to the House of Representatives to attend the exposition at Knoxville at some date to be set by the Speaker is accepted.

That a committee consisting of the Speaker and 14 Members of the House to be designated by him be appointed to attend said exposition on behalf of the House of Representatives, and that the expenses of said committee be paid out of the contingent fund of the House of Representatives upon vouchers to be approved by the Speaker and audited by the Committee on Accounts.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. HUMPHREY of Washington. Mr. Speaker, I reserve the right to object. I want to ask the gentleman a question: Is this conservation meeting a part of the old conservation movement that has had to do with the so-called conservation of our forests?

Mr. PEPPER. I am not able to say whether it is a part of any other movement or not. It is a movement originating in the South, immediately fostered by the people of Knoxville to further the conservation idea, and especially the conservation of the soil of the South. I understand it is backed by a number of men who have been identified with the conservation movement, but the exposition itself is for the purpose of calling attention to many of the problems of the Southern States, particularly in the way of conservation.

Mr. HUMPHREY of Washington. What I was trying to ascertain was whether or not the same men who started this general conservation proposition that resulted in placing most of the timber of the Western States in forest reserves and in giving the Santa Fe Railroad a million and a quarter acres of land practically for nothing, and in giving the Northern Pacific 450,000 acres of land—valuable land—for barren mountain tops, in the name of conservation—whether the same set of men are now back of this movement.

Mr. PEPPER. I do not think any of the gentlemen who are backing this exposition or who have been instrumental in bringing it about have had anything to do with the things mentioned by the gentleman from Washington. It may be that some of the men to whom he refers are interested in this proposition, but only in an advisory way, or as a part of the general movement; and, in my judgment, this exposition is a very worthy proposition. It has been financed by the citizens of that country entirely up to the present time, and I may say that most of the Southern States have become interested in the exhibits that have been placed there and in the work that is being fostered by this exposition. The meeting itself is the third annual exposition, and the idea of sending a committee down there is for the purpose of encouraging the work that is being done by these men. As to their connection with any other conservation proposition, I know nothing about that.

Mr. HUMPHREY of Washington. I think, from what the gentleman has said, that I have no objection to this resolution. When it was first mentioned I thought perhaps it was a part of the same old publicity propaganda that was carried on here for years, largely at the expense of the Government, when Mr. Pinchot was at the head of the Forest Service, when they had an army of publicity agents paid out of the Treasury of the United States to propagate doctrines which, in my judgment, were absolutely wrong and which resulted in tying up the resources of the country, absolutely taking millions of acres of timber off the market and letting it rot in the forests, for the advantage of Weyerhaeuser and the other great timber barons of this country. I wanted to find out about it for that reason, because if it was a part of that same old propaganda, certainly it would not go through here by unanimous consent.

Mr. PEPPER. I do not think you will find there is anything objectionable in this.

Mr. HUMPHREY of Washington. I have no objection.

The SPEAKER. Is there objection?

Mr. HUMPHREY of Washington. I have no objection.

Mr. FOSTER. Mr. Speaker, reserving the right to object, I would like to ask the gentleman from Iowa [Mr. PEPPER] if this exposition is to take in the general scope of conservation; that is, in reference to water-power sites and matters of that kind?

Mr. PEPPER. Mr. Speaker, I do not believe they have any exhibit of water-power sites down there.

Mr. FOSTER. I understand that they would not have, but whether the general policy of the Government in reference to these matters is to be taken up at this exposition.

Mr. PEPPER. I am not able to say whether they are going to have any lectures or discussions upon that subject or not. I may say that the exhibits embrace, for instance, a building for the work of the Children's Bureau, and they also have exhibits of the various appliances used under the direction of the Bureau of Mines, in which the gentleman is particularly interested. They have other exhibits that embrace the conservation of the soil, especially of the Southern States, and, as I understand the exposition, its purpose is to cover all phases of conservation. Whether or not they have anything pertaining to water power I am not able to say.

Mr. COX. That is in the bill, is it not?

Mr. PEPPER. There is nothing like that in the bill.

Mr. FOSTER. I take it that this conservation exposition would cover the whole scope of conservation of the natural resources of the country.

Mr. PEPPER. If they are able to do it. They no doubt will attempt to.

Mr. FOSTER. I do not know about whether they are able to do it, but that is the intention of it.

Mr. PEPPER. I think the intention is just as broad as the word "conservation."

Mr. FOSTER. So that that would take in all of these matters?

Mr. PEPPER. If they are able to present an exhibit that would cover the subject of water power, and that was a matter of interest to that section of the country, I have no doubt they will do so.

Mr. FOSTER. I hope that is the case, because a discussion of these matters will be of some advantage to Congress and to the country generally, and I commend my good friend from Tennessee [Mr. AUSTIN] to this, and hope that he will be able to learn something during this exposition in reference to these matters, and I know that that will be of advantage to the country.

Mr. TOWNER. Mr. Speaker, will the gentleman yield?

Mr. PEPPER. Yes.

Mr. TOWNER. Mr. Speaker, reserving the right to object, I would like to ask the gentleman if it is not the fact that this exposition originated especially with the movement in the South toward soil conservation?

Mr. PEPPER. That is true.

Mr. TOWNER. And is it not primarily, perhaps, intended to demonstrate the necessity and the advantages, and especially be a practical ocular demonstration of the methods by which the soils of the South can be preserved and benefited thereby?

Mr. PEPPER. I would say yes; that I think perhaps that was in the minds of the men who originated the exposition, but I think it was there because that is the big problem in the South. I think, however, that the exposition itself is expected to grow in value, so as to embrace the entire problem of conservation; but the problem to which the gentleman refers is the big problem in the South, and they have given more attention to it than to anything else.

Mr. TOWNER. At least it can be said that this is not devoted to any theoretical ideas of conservation, but especially to the practical things that will be found in the conservation of the soil and its assistance in the agricultural development of the South and the country generally.

Mr. PEPPER. Yes.

Mr. MADDEN. Mr. Speaker, will the gentleman yield?

Mr. PEPPER. Yes.

Mr. MADDEN. How much is this going to cost the Government of the United States?

Mr. PEPPER. The estimate is \$612.50.

Mr. MADDEN. That is all?

Mr. PEPPER. That is all of the estimate.

Mr. MADDEN. What are we proposing to do?

Mr. PEPPER. The resolution calls for the appointment of a committee of 15, including the Speaker, to accept an invitation of the people of Knoxville and attend the exposition and view the exhibits, and, of course, make such report or convey such information as they see fit to Congress.

Mr. MADDEN. The gentleman means that 15 men are to go?

Mr. PEPPER. Yes.

Mr. MADDEN. And their expenses are to be paid?

Mr. PEPPER. Yes; the expenses of these 15 men will amount to only \$612.50.

Mr. MADDEN. And of what does that consist?

Mr. PEPPER. Railroad fare, Pullman, meals, hotels.

Mr. MADDEN. Are these men supposed to go on exhibition or to make speeches?

Mr. PEPPER. I do not know. The resolution does not call for any particular exhibit by the committee, but I have no doubt that if the Speaker selects such gentlemen as the gentleman from Illinois [Mr. MADDEN] they will be quite an attraction.

Mr. MADDEN. I just want to suggest that he ought to select men who are known to be conservationists and who are also the handsomest men of the House.

The SPEAKER. Is there objection?

Mr. DONOVAN. Mr. Speaker, reserving the right to object, there was a little colloquy down front that none of us heard, and I want to inquire if there are any public lands in Tennessee? I understand that this is where this exposition takes place.

Mr. PEPPER. I do not know just what is the extent of the public lands in Tennessee.

Mr. BYRNS of Tennessee. Oh, yes; there are thousands of acres.

Mr. DONOVAN. Is there any public land down there?

Mr. AUSTIN. I will say to the gentleman from Connecticut that the Government already has purchased about 200,000 acres which is within the Appalachian Forest Reserve that is located within twenty-odd miles of this exposition.

Mr. DONOVAN. Now, this carries an appropriation.

Mr. PEPPER. Which amounts to the sum of \$612.50.

Mr. DONOVAN. Where do you get the money—out of the contingent fund?

Mr. PEPPER. The contingent fund of the House.

Mr. DONOVAN. Well, the gentleman is a Democrat, I take it?

Mr. PEPPER. Yes; I admit it.

Mr. DONOVAN. Was the gentleman present and heard the criticism of Democrats yesterday for their spending money and taking so much out of the contingent fund, amounting to about \$100,000 a year more than Republicans? Was the gentleman present?

Mr. PEPPER. I did not hear that part of it.

Mr. DONOVAN. Is the gentleman in favor of depleting the Treasury, of keeping that up, and allowing Republicans to accuse us of extravagance and waste of the public funds?

Mr. PEPPER. I will say to the gentleman that, so far as the conduct of the Democratic Party is concerned in this sort of matter, I am not so particularly fearful of our Republican brethren; and I take it there are just two propositions involved in this—

Mr. DONOVAN. I simply wanted an answer; I do not want the gentleman to use my time.

Mr. PEPPER. The gentleman has not any time; I am just simply answering him in my time.

Mr. DONOVAN. Mr. Speaker, I decline to yield further. [Laughter and applause.] Now, Mr. Speaker, we were told by the chairman of the Committee on Appropriations yesterday, I believe, and the Record will bear me out, that toward \$100,000 was in excess of what the Republicans had spent in the way of a contingent fund. Now, gentlemen, what does my Democratic friend from Illinois—

Mr. PEPPER. No; Iowa.

Mr. DONOVAN. He proposes to help out the Republicans by keeping up this waste and expenditure of money. I have no particular objection to what goes on in Tennessee, and if 14 Members of this House can have their expenses paid—Pullman fare, imported cigars, the proverbial small bird and cold bottle—I will be satisfied with the noise I have already made.

Mr. PEPPER. Mr. Speaker, I think it is only fair to say that this matter, in view of the remarks of the gentleman from Connecticut, ought to be judged by two standards. The first test ought to be this: Is the object of this exposition worthy to be recognized by this Congress? In other words, is the conservation idea as it will be exemplified by this exposition worthy of our consideration and attention? If it is, gentlemen should be in favor of the resolution. And the second test is, will there be any public use or any public service rendered in sending a committee of Congress down there? If there is no public need of it, if there will be no benefit coming from it, the committee ought not to go at all. If there is some public benefit the committee ought to be allowed its necessary expenses. That is all there is to it as far as I am concerned. I am not particularly interested in the resolution. The Committee on Industrial Arts and Expositions have instructed me to ask unanimous consent for its consideration, and I now ask the Speaker to put the question.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none. The question is on agreeing to the resolution.

The question was taken, and the resolution was agreed to.

URGENT DEFICIENCY BILL.

The SPEAKER. The unfinished business to-day is the Bartlett amendment to the urgent deficiency bill (H. R. 7898).

The question was taken, and the Speaker announced the ayes seemed to have it.

Mr. MANN. Mr. Speaker, I should call for the yeas and nays, but I think it would be more convenient for Members in voting to make the point of no quorum, and therefore I make the point of no quorum present.

The SPEAKER. The gentleman from Illinois makes the point of no quorum present. The Chair will count. [After counting.] Two hundred and five gentlemen are present—not a quorum. The Doorkeeper will close the doors, the Sergeant at Arms will notify absentees, and the Clerk will call the roll.

The question was taken; and there were—yeas 180, nays 78, answered "present" 7, not voting 164, as follows:

YEAS—180.

Abercrombie	Dixon	Konop	Rubey
Adair	Donovan	Korbly	Rupley
Adamson	Doolittle	Lee, Ga.	Russell
Alexander	Doremus	Lee, Pa.	Seldomridge
Allen	Doughton	Lewis, Pa.	Shackelford
Baker	Edwards	Lieb	Sharp
Barkley	Evans	Lindbergh	Sinnott
Barnhart	Faison	Linthicum	Sisson
Bartlett	Falconer	Lloyd	Smith, J. M. C.
Bathrick	FitzHenry	Lobeck	Smith, Md.
Beakes	Flood, Va.	Logue	Smith, Tex.
Blackmon	Floyd, Ark.	Loneragan	Sparkman
Booher	Foster	McDermott	Stedman
Borchers	Garner	McKellar	Stephens, Cal.
Borland	Garrett, Tenn.	Maguire, Nebr.	Stephens, Miss.
Bowdle	George	Manahan	Stephens, Nebr.
Brockson	Godwin, N. C.	Metz	Stephens, Tex.
Brodbeck	Goodwin, Ark.	Mitchell	Stevens, N. H.
Bruckner	Gorman	Moon	Stone
Buchanan, Ill.	Gray	Morrison	Stringer
Buchanan, Tex.	Hardwick	Moss, Ind.	Sumners
Burgess	Hardy	Murdock	Taggart
Burke, Wis.	Harrison	Murray, Okla.	Tavener
Burnett	Hay	Neeley	Taylor, Ark.
Byrns, Tenn.	Heflin	Nelson	Taylor, Colo.
Callaway	Helm	Norton	Ten Eyck
Caraway	Helvering	O'Brien	Thomas
Carr	Henry	Oldfield	Thompson, Okla.
Carter	Hensley	Page	Thomson, Ill.
Casey	Hill	Pepper	Tribble
Clark, Fla.	Houston	Peters	Tuttle
Claypool	Howard	Peterson	Underwood
Clayton	Hughes, Ga.	Post	Vaughan
Cline	Hullings	Pou	Walker
Collier	Hull	Quin	Watkins
Connelly, Kans.	Humphreys, Miss.	Ragsdale	Watson
Connelly, Iowa	Jacoway	Rainey	Weaver
Cooper	Johnson, Ky.	Raker	Webb
Cox	Johnson, S. C.	Rauch	Whitacre
Davenport	Jones	Rayburn	Williams
Decker	Kelly, Pa.	Reed	Wilson, Fla.
Deitrick	Kettner	Reilly, Wis.	Wingo
Dent	Key, Ohio	Riordan	Witherspoon
Dickinson	Kirkpatrick	Rothermel	Young, N. Dak.
Dies	Kitchin	Rouse	Young, Tex.

NAYS—78.

Anderson	Frear	Lazaro	Sells
Aswell	French	Lindquist	Slomp
Austin	Gallagher	McKenzie	Sloan
Avis	Green, Iowa	McLaughlin	Smith, Saml. W.
Barton	Greene, Mass.	Madden	Stafford
Britten	Greene, Vt.	Mann	Steenerson
Broussard	Hayes	Mapes	Sutherland
Buikley	Helgesen	Mondell	Switzer
Campbell	Holland	Montague	Talcott, N. Y.
Chandler, N. Y.	Howell	Moore	Temple
Cullop	Humphrey, Wash.	Morgan, Okla.	Townsend
Curry	Igoe	Moss, W. Va.	Vare
Davis	Johnson, Utah	Oglesby	Volestead
Dillon	Johnson, Wash.	Padgett	Wallin
Dupré	Kelster	Payne	Whaley
Dyer	Kelley, Mich.	Platt	Willis
Edmonds	Kennedy, Iowa	Plumley	Woods
Elder	Kinkaid, Nebr.	Powers	
Esch	Kreider	Rogers	
Fess	Langley	Scott	

ANSWERED "PRESENT"—7.

Bell, Ga.	Crisp	Guernsey	Talbot, Md.
Browning	Glass	McGuire, Okla.	

NOT VOTING—164.

Aiken	Butler	Diffenderfer	Gardner
Alney	Byrnes, S. C.	Donohoe	Garrett, Tex.
Ansberry	Calder	Dooling	Gerry
Anthony	Candler, Miss.	Driscoll	Gillett
Ashbrook	Cantrill	Dunn	Gillmore
Bailey	Carew	Eagan	Gittins
Baltz	Carlin	Eagle	Goeke
Barchfield	Cary	Estopinal	Goldfogle
Bartholdt	Church	Fairchild	Good
Beall, Tex.	Clancy	Farr	Gordon
Bell, Cal.	Conry	Fergusson	Goulden
Bremner	Copley	Ferris	Graham, Ill.
Brown, N. Y.	Covington	Fields	Graham, Pa.
Brown, W. Va.	Cramton	Finley	Gregg
Browne, Wis.	Crosser	Fitzgerald	Griest
Brumbaugh	Curley	Fordney	Griffin
Bryan	Dale	Fowler	Gudger
Burke, Pa.	Danforth	Francis	Hamill
Burke, S. Dak.	Dershem	Gard	Hamilton, Mich.

Hamilton, N. Y.	La Follette	Nolan, J. I.	Shreve
Hamlin	Langham	O'Hair	Sims
Hammond	L'Engle	O'Leary	Slayden
Hart	Lenroot	O'Shaunessy	Small
Haugen	Leshner	Palmer	Smith, Idaho
Hawley	Lever	Parker	Smith, Minn.
Hayden	Levy	Patten, N. Y.	Smith, N. Y.
Hinds	Lewis, Md.	Patton, Pa.	Stanley
Hinebaugh	MacDonald	Phelan	Stevens, Minn.
Hobson	McAndrews	Porter	Stout
Hoxworth	McClellan	Prouty	Taylor, Ala.
Hughes, W. Va.	McCoy	Reilly, Conn.	Taylor, N. Y.
Kahn	McGillucuddy	Richardson	Thacher
Keating	Mahan	Roberts, Mass.	Treadway
Kennedy, Conn.	Maher	Roberts, Nev.	Underhill
Kennedy, R. I.	Martin	Roddenberry	Walsh
Kent	Merritt	Rucker	Walters
Kiess, Pa.	Miller	Sabath	White
Kindel	Morgan, La.	Saunders	Wilder
Kinkead, N. J.	Morin	Scully	Wilson, N. Y.
Knowland, J. R.	Mott	Sherley	Winslow
Lafferty	Murray, Mass.	Sherwood	Woodruff

So the amendment was adopted.

The Clerk announced the following pairs:

For the session:

Mr. SLAYDEN with Mr. BARTHOLOTT.

Mr. SCULLY with Mr. BROWNING.

Mr. HOBSON with Mr. FAIRCHILD.

On the vote:

Mr. SIMS with Mr. PROUTY.

Mr. DONOHUE (for) with Mr. FITZGERALD (against).

Until further notice:

Mr. HART with Mr. CRAMTON.

Mr. MCCOY with Mr. STEVENS of Minnesota.

Mr. FOWLER with Mr. MILLER.

Mr. TALBOTT of Maryland with Mr. MERRITT.

Mr. CRISP with Mr. HINDS.

Mr. SHERLEY with Mr. GILLET.

Mr. MCGILLICUDDY with Mr. GUERNSEY.

Mr. MCCLELLAN with Mr. J. R. KNOWLAND.

Mr. BYRNES of South Carolina with Mr. BARCHFIELD.

Mr. BELL of Georgia with Mr. BURKE of South Dakota.

Mr. ASHBROOK with Mr. AINEY.

Mr. BEALL of Texas with Mr. ANTHONY.

Mr. BROWN of West Virginia with Mr. CALDER.

Mr. CANTRILL with Mr. BROWNE of Wisconsin.

Mr. CARLIN with Mr. CARY.

Mr. DALE with Mr. BRYAN.

Mr. CHURCH with Mr. BURKE of Pennsylvania.

Mr. CONRY with Mr. COPELY.

Mr. COVINGTON with Mr. BUTLER.

Mr. CURLEY with Mr. DANFORTH.

Mr. DIFENDERFER with Mr. FARR.

Mr. DRISCOLL with Mr. GOOD.

Mr. ESTOPINAL with Mr. DUNN.

Mr. FINLEY with Mr. GRAHAM of Pennsylvania.

Mr. FRANCIS with Mr. GRIEST.

Mr. GARRETT of Texas with Mr. HAMILTON of New York.

Mr. GITTINS with Mr. HAMILTON of Michigan.

Mr. GOEKE with Mr. HAUGEN.

Mr. GOLDFOGLE with Mr. HINEBAUGH.

Mr. GRAHAM of Illinois with Mr. FORDNEY.

Mr. GREGG with Mr. HUGHES of West Virginia.

Mr. HAMLIN with Mr. KAHN.

Mr. GRIFFIN with Mr. KENNEDY of Rhode Island.

Mr. HAYDEN with Mr. KIESS of Pennsylvania.

Mr. KEATING with Mr. LA FOLLETTE.

Mr. LEVER with Mr. LANGHAM.

Mr. LEVY with Mr. LAFFERTY.

Mr. MCANDREWS with Mr. LENROOT.

Mr. MORGAN of Louisiana with Mr. MCGUIRE of Oklahoma.

Mr. MURRAY of Massachusetts with Mr. MORIN.

Mr. O'HARE with Mr. MOTT.

Mr. O'SHAUNESSY with Mr. PARKER.

Mr. PALMER with Mr. PATTON of Pennsylvania.

Mr. PATTEN of New York with Mr. ROBERTS of Nevada.

Mr. REILLY of Connecticut with Mr. ROBERTS of Massachusetts.

Mr. RICHARDSON with Mr. PORTER.

Mr. RUCKER with Mr. SHEREVE.

Mr. SABATH with Mr. SMITH of Idaho.

Mr. SAUNDERS with Mr. TREADWAY.

Mr. SMALL with Mr. SMITH of Minnesota.

Mr. SMITH of New York with Mr. WALTERS.

Mr. STANLEY with Mr. WILDER.

Mr. TAYLOR of Alabama with Mr. WOODRUFF.

Mr. THACHER with Mr. WINSLOW.

Mr. UNDERHILL with Mr. MARTIN.

Mr. WHITE with Mr. J. I. NOLAN.

Mr. FIELDS with Mr. McDONALD.

Mr. AIKEN with Mr. BELL of California.

Mr. BRUCKNER with Mr. HAWLEY.

Mr. CRISP. Mr. Speaker, I voted "yea," but the Clerk announced that I am paired with the gentleman from Maine, Mr. HINDS, so I desire to withdraw my vote and to answer "present."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was accordingly read the third time.

Mr. MONDELL. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman rise?

Mr. MONDELL. To offer a motion to recommit with instructions.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. MONDELL. I am opposed to the bill as it now stands.

The SPEAKER. Is there any gentleman in the House who is opposed to the bill without qualification who wishes to offer a motion to recommit with instructions? If so, the Chair will recognize him.

Mr. BARTLETT. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. BARTLETT. Did I understand the gentleman from Wyoming to state that he was opposed to the bill?

The SPEAKER. He said he was opposed to it as it stood, and the Chair announced that if there was any gentleman in the House who was opposed to it without any limitations or qualifications he would recognize him.

Mr. MANN. How is that a limitation or qualification? He could not be opposed to it in any other way.

The SPEAKER. He may be opposed to it entirely.

Mr. MANN. That is, as it stands.

The SPEAKER. Suppose one man says he is opposed to a bill and another man says that unless he gets an amendment placed in the bill he will oppose it.

Mr. MANN. The gentleman from Wyoming says he is opposed to it as it stands. That is, the engrossed copy of the bill.

Mr. MONDELL. Mr. Speaker, I shall vote against the bill unless it is amended as I suggest.

The SPEAKER. The Clerk will report the motion of the gentleman from Wyoming.

The Clerk read as follows:

Mr. MONDELL moves to recommit the bill H. R. 7898, entitled "A bill making appropriations to supply urgent deficiencies in appropriations for the fiscal year 1913, and for other purposes," to the Committee on Appropriations, with directions to that committee to report the bill back to the House forthwith with the following amendments:

"In paragraph commencing with line 24, on page 28, and reading as follows: 'Investigating cost of production: For salaries and all other actual necessary expenses, including field investigations at home and abroad, compensation of special agents, clerk hire, and rental of quarters in Washington, D. C., purchase of books of reference and manuscripts, to enable the Bureau of Foreign and Domestic Commerce of the Department of Commerce to ascertain at as early a date as possible, and whenever industrial changes shall make it essential, the cost of producing articles at the time dutiable in the United States, in leading countries where such articles are produced, by fully specified units of production, and under a classification showing the different elements of cost of such articles of production, including the wages paid in such industries per day, week, month, or year, or by the piece; and hours employed per day; and the profits of manufacturers and producers of such articles; and the comparative cost of living, and the kind of living; what articles are controlled by trusts or other combinations of capital, business operations, or labor, and what effect said trusts or other combinations of capital, business operations, or labor have on production and prices, fiscal year 1914, \$50,000,' strike out \$50,000 and insert \$100,000 in lieu thereof.

"In the paragraph on page 35 reading as follows: 'Commissioners of conciliation: To pay the expenses of commissioners of conciliation in labor disputes, whenever appointed in pursuance to section 8 of the act creating the Department of Labor, \$5,000, or so much thereof as may be necessary,' strike out \$5,000 and insert \$25,000 in place thereof."

Mr. BARTLETT. Mr. Speaker, I did not catch the reading of the amendment. As I understood it, it simply changes the amount.

Mr. MANN. Simply the amount.

Mr. BARTLETT. Is that all?

Mr. MANN. That is all?

Mr. BARTLETT. I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit. Mr. MANN. On that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 79, nays 170, answered "present" 4, not voting 170, as follows.

YEAS—79.

Anderson	Campbell	Dillon	Fess
Austin	Chandler, N. Y.	Dyer	Frear
Avis	Cooper	Edmonds	French
Barton	Curry	Esch	Garner
Britten	Davis	Falconer	Green, Iowa

Greene, Mass.	Lewis, Pa.	Payne	Steenerson
Greene, Vt.	Lindbergh	Platt	Stephens, Cal.
Hayes	McKenzie	Plumley	Stone
Helgesen	McLaughlin	Powers	Sutherland
Howell	Madden	Prouty	Switzer
Hulings	Mann	Rogers	Temple
Humphrey, Wash.	Mapes	Rupley	Thomson, Ill.
Johnson, Utah	Mondell	Scott	Townner
Johnson, Wash.	Moore	Sells	Vare
Kelster	Morgan, Okla.	Slemp	Volstead
Kelly, Mich.	Moss, W. Va.	Sloan	Wallin
Kelly, Pa.	Murdock	Smith, Idaho	Willis
Kennedy, Iowa	Nelson	Smith, J. M. C.	Woods
Kreider	Norton	Smith, Saml. W.	Young, N. Dak.
Langley		Stafford	

NAYS—176.

Abercromble	Dixon	Key, Ohio	Rube
Adair	Donovan	Kirkpatrick	Rucker
Adamson	Doolittle	Kitchin	Russell
Alexander	Doughton	Konop	Seldomridge
Allen	Edwards	Korbly	Shackelford
Aswell	Elder	Lazaro	Sharp
Baker	Evans	Lee, Ga.	Sims
Baltz	Faison	Lee, Pa.	Sisson
Barkley	Fergusson	Lieb	Smith, Md.
Barnhart	Ferris	Linthicum	Smith, Tex.
Bartlett	FitzHenry	Lloyd	Sparkman
Bathrick	Flood, Va.	Lobeck	Stanley
Beakes	Floyd, Ark.	Logue	Stedman
Blackmon	Foster	Loneragan	Stephens, Miss.
Booher	Gallagher	McDermott	Stephens, Nebr.
Borchers	Garrett, Tenn.	McKellar	Stephens, Tex.
Borland	George	Maguire, Nebr.	Stevens, N. H.
Bowdle	Glass	Metz	Stout
Brockson	Godwin, N. C.	Mitchell	Stringer
Brodebeck	Goodwin, Ark.	Montague	Summers
Buchanan, Ill.	Gorman	Moon	Taggart
Buchanan, Tex.	Gray	Morrison	Talcott, N. Y.
Bulkley	Hamill	Moss, Ind.	Tavener
Burke, Wis.	Hardwick	Murray, Okla.	Taylor, Ark.
Burnett	Hardy	Neeley	Ten Eyck
Byrns, Tenn.	Harrison	O'Brien	Thomas
Callaway	Hay	Oglesby	Thompson, Okla.
Caraway	Hayden	Oldfield	Thompson
Carr	Heflin	Padgett	Tribble
Casey	Helm	Page	Tuttle
Church	Helvering	Pepper	Underwood
Claypool	Henry	Peters	Vaughan
Clayton	Hensley	Peterson	Walker
Cline	Hill	Post	Watkins
Collier	Holland	Pou	Watson
Connelly, Kans.	Houston	Quin	Weaver
Connolly, Iowa	Howard	Ragsdale	Webb
Cox	Hughes, Ga.	Rainey	Whaley
Davenport	Igoe	Raker	Whitacre
Decker	Jacoway	Reed	Williams
Deitrick	Johnson, Ky.	Reilly, Wis.	Wilson, Fla.
Dent	Johnson, S. C.	Riordan	Wingo
Dickinson	Jones	Rothermel	Witherspoon
Dies	Kettner	Rouse	Young, Tex.

ANSWERED "PRESENT"—4.

Bell, Ga.	Browning	Crisp	Talbot, Md.
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NOT VOTING—170.

Aiken	Donohoe	Hinds	O'Hair
Ainey	Dooling	Hinebaugh	O'Leary
Ansberry	Doremus	Hobson	O'Shaunessy
Anthony	Driscoll	Hoxworth	Palmer
Ashbrook	Dunn	Hughes, W. Va.	Parker
Balley	Dupré	Hull	Patten, N. Y.
Barchfeld	Eagan	Humphreys, Miss.	Patton, Pa.
Bartholdt	Eagle	Kahn	Phelan
Beall, Tex.	Estopinal	Keating	Porter
Bell, Cal.	Fairchild	Kennedy, Conn.	Rauch
Bremner	Farr	Kennedy, R. I.	Rayburn
Broussard	Fields	Kent	Reilly, Conn.
Brown, N. Y.	Finley	Kless, Pa.	Richardson
Brown, W. Va.	Fitzgerald	Kindel	Roberts, Mass.
Browne, Wis.	Fordney	Kinkaid, Nebr.	Roberts, Nev.
Bruckner	Fowler	Kinkead, N. J.	Roddenbery
Brumbaugh	Francis	Knowland, J. R.	Sabath
Bryan	Gard	Lafferty	Saunders
Burgess	Gardner	La Follette	Scully
Burke, Pa.	Garrett, Tex.	Langham	Sherley
Burke, S. Dak.	Gerry	L'Engle	Sherwood
Butler	Gillett	Lenroot	Shreve
Byrnes, S. C.	Gilmore	Leshner	Sinnott
Calder	Gittins	Lever	Slayden
Candler, Miss.	Goeke	Levy	Small
Cantrill	Goldfogle	Lewis, Md.	Smith, Minn.
Carew	Good	McAndrews	Smith, N. Y.
Carlin	Gordon	McClellan	Stevens, Minn.
Carter	Goulden	McCoy	Taylor, Ala.
Cary	Graham, Ill.	McGillcuddy	Taylor, Colo.
Clancy	Graham, Pa.	McGuire, Okla.	Taylor, N. Y.
Clark, Fla.	Gregg	MacDonald	Thacher
Conry	Griest	Mahan	Treadway
Copley	Griffin	Maher	Underhill
Covington	Gudger	Manahan	Walsh
Cramton	Guernsey	Martin	Walters
Crosser	Hamilton, Mich.	Merritt	White
Cullop	Hamilton, N. Y.	Miller	Wilder
Curley	Hamlin	Morgan, La.	Wilson, N. Y.
Dale	Hammond	Morin	Winslow
Danforth	Hart	Mott	Woodruff
Dershem	Haugen	Murray, Mass.	
Diefenderfer	Hawley	Nolan, J. I.	

So the motion to recommit was lost.

The following additional pairs were announced:

Until further notice:

Mr. CANTRILL with Mr. CAMPBELL.

Mr. CARTER with Mr. McGUIRE of Oklahoma.

Mr. FITZGERALD with Mr. CALDER.
 Mr. MORGAN of Louisiana with Mr. BURKE of Pennsylvania.
 Mr. DONOHUE with Mr. KINKAID of Nebraska.
 Mr. BURGESS with Mr. MANAHAN.
 Mr. CANDLER of Mississippi with Mr. SINNOTT.
 Mr. CLARK of Florida with Mr. WILDER.
 Mr. CULLOP with Mr. J. I. NOLAN.
 Mr. DOREMUS with Mr. PORTER.
 Mr. DUPRE with Mr. HAMILTON of New York.
 Mr. GILMORE with Mr. LAFFERTY.
 Mr. HULL with Mr. GOOD.
 Mr. HUMPHREYS of Mississippi with Mr. KEISS of Pennsylvania.

Mr. KINKEAD of New Jersey with Mr. COPLEY.
 Mr. BELL of Georgia. Mr. Speaker, did the gentleman from South Dakota, Mr. BURKE, vote?

The SPEAKER. He did not.
 Mr. BELL of Georgia. I am paired with the gentleman. I voted "no" and I wish to withdraw that and vote "present."

The result of the vote was then announced as above recorded.
 The SPEAKER. The question now is on the passage of the bill.

The question was taken, and the bill was passed.
 On motion of Mr. BARTLETT, a motion to reconsider the vote whereby the bill was passed was laid on the table.

COMMITTEE TO ATTEND THE KNOXVILLE EXPOSITION.

The SPEAKER. The Chair lays before the House the names of the committee to visit the Knoxville exposition.
 The Clerk read as follows:

The SPEAKER, Mr. UNDERHILL, Mr. CANTRILL, Mr. JONES, Mr. HAMILIN, Mr. GOULDEN, Mr. PEPPER, Mr. KONOP, Mr. FRANCIS, Mr. MOON, Mr. WOODS, Mr. KAHN, Mr. KENT, Mr. SMITH of Idaho, and Mr. AUSTIN.

The SPEAKER. If any of the gentlemen named can not go, the Chair will be obliged to him if he will give notice as soon as he can.

THE CURRENCY BILL.

Mr. UNDERWOOD. Mr. Speaker, I understand the gentleman from Virginia [Mr. GLASS] this morning reported back to the House H. R. 7837, the currency bill. I would like to inquire if we can make some arrangement as to the time to take up the bill and the length of general debate.

Mr. HAYES. Mr. Speaker, I am ready to make any arrangement that can be made.

Mr. UNDERWOOD. I understand that the gentleman from California [Mr. HAYES] and the gentleman from Virginia [Mr. GLASS] have had some discussion of the matter, and that it would be agreeable to take up the bill to-morrow at 11 o'clock, have daily sessions every morning from 11 o'clock until Saturday, and night sessions when anyone desires to speak, and to close general debate when the House adjourns on Saturday night.

Mr. HAYES. Mr. Speaker, I have a large number of requests for time, but we do not desire to extend general debate unreasonably. I think we will try our best to close Saturday night.

Mr. UNDERWOOD. I will say to the gentleman that I thought debate ought to close on Friday night, and I proposed to insist on it until I understood that gentlemen wanted the additional day.

Mr. MURDOCK. Will the gentleman yield?

Mr. UNDERWOOD. Yes.

Mr. MURDOCK. How many hours would that give for general debate in the four days?

Mr. UNDERWOOD. In the meantime, there will be a rule to send the tariff bill to conference, but I do not think that will take over three hours.

Mr. MURDOCK. How many will that leave, taking out the three hours?

Mr. UNDERWOOD. I assume that Calendar Wednesday will by agreement be included.

Mr. MANN. That will be included by agreement.

Mr. UNDERWOOD. We can not agree to set aside Calendar Wednesday until we get there, but we will have that understanding in the House.

Mr. MURDOCK. Has the gentleman made a computation of the number of hours?

Mr. HAYES. If the gentleman will permit me, I will say that if three hours are taken out in sending the tariff bill to conference it will leave 38 hours.

Mr. MANN. That is assuming that we have night sessions until 10 o'clock?

Mr. MURDOCK. My experience has been that night sessions do not hold out.

Mr. MANN. They do not hold out.

Mr. MURDOCK. I would like to say to the gentleman that I would like to have some time.

Mr. UNDERWOOD. I understand the gentleman from California will make an equitable division of the time.

Mr. HAYES. I understand that the gentleman from Minnesota [Mr. LINDBERGH] is to have four hours yielded to him.

Mr. MURDOCK. But that is hardly an equitable division out of 38 hours.

Mr. HAYES. But I have only half of that.

Mr. MURDOCK. The gentleman has 19 hours.

Mr. HAYES. If the gentleman from Kansas wants more we will be able to accommodate him.

Mr. MURDOCK. I have a demand for more than four hours. Probably the pressure is not so great on the gentleman from Virginia.

Mr. UNDERWOOD. I think it will be necessary for the gentleman from Virginia to use his time.

Mr. MANN. It depends on whether gentlemen will be willing to address the House in the evening if the House is willing to remain in session. I take it if the unanimous consent is given the House will have evening sessions.

Then if gentlemen are not ready for any reason to address the House in the evening, it would be their own fault and not the fault of the House.

Mr. MURDOCK. Mr. Speaker, I wish that the gentleman would make his request so that the gentleman from Minnesota [Mr. LINDBERGH] can have that time to distribute for us.

Mr. HAYES. The gentleman from Minnesota and I have that arrangement. It is all understood.

Mr. MURDOCK. The gentleman from Minnesota is to yield us our time?

Mr. HAYES. Yes.

Mr. MURDOCK. I want to say in explanation of that that in the division of time of general debate on the tariff bill there was some embarrassment by reason of the fact that the gentleman from New York [Mr. PAYNE] thought that we were trying to get in at advantageous times. There was no such attempt, and in the distribution of this time for the minority all of the men upon our side ought not to be put in on the night sessions. There ought to be an equitable distribution, so far as the time is concerned, as between afternoon and night.

Mr. MANN. And they ought not to ask to be exempt from night sessions, as they did in the tariff debate.

Mr. UNDERWOOD. I understand there is a satisfactory arrangement made between the gentleman from Minnesota and the gentleman from California.

Mr. HAYES. Yes.

Mr. MURDOCK. If we find we can not get all of the time that we need upon our side, is there any objection to the gentleman from Virginia [Mr. GLASS] giving us some of his time?

Mr. UNDERWOOD. If the gentleman from Virginia has any extra time, I have no doubt that he would be willing to give it; but the gentleman from Virginia controls only one-half of the time, with more than two-thirds of the House on his side, and he has heavier demands upon him than either the gentleman from California or the gentleman from Minnesota.

Mr. MURDOCK. From the fact that the gentleman limited the debate to four days I thought probably there was no great demand.

Mr. LINDBERGH. Mr. Speaker, I understood that the 4 hours would come out of 32 or 33 hours. Of course, if we could get a little more time out of 38 hours, we would like it very much.

Mr. MURDOCK. Can not the gentleman give us four and a half hours?

Mr. HAYES. I am able to do more than that, perhaps.

Mr. MANN. Let him have four and a half hours.

Mr. HAYES. I have no objection to that.

Mr. HULINGS. Mr. Speaker, what is the difficulty about adding one or two or three or four additional days to this time for debate? We have been hanging around here now all summer, doing nothing, waiting for this bill to come in. It is a very important measure. Very few of the Members of the House have seen the bill as yet. I believe the last print of it coming from the committee is not yet at the disposition of the House, and very many of the Members of the House are unfamiliar with its terms. What is the difficulty about extending the debate of this highly important measure until the middle of next week, if so much time should be required by Members who wish to discuss it? Time does not seem to have been of such enormous value here up to this moment. Why close the debate on Saturday if Members here want a longer time to debate the measure? Why fix now a limit of debate when the House does not even know what the bill is to be?

Mr. UNDERWOOD. Mr. Speaker, I will say to the gentleman that I think the time we are arranging for will allow ample time for all who really want to talk. The object of trying to make the agreement is that I think that within two weeks the tariff bill will probably go to the President, and I think if we can get this bill out of the House by that time and into the Senate there is a possibility of our making an arrangement between the two sides of the House which will let the Members go home and take a rest for a while. [Applause.]

Mr. MURDOCK. Is it just a possibility?

Mr. MONDELL. Mr. Speaker, will the gentleman yield?

The SPEAKER. The gentleman from Alabama asks unanimous consent that for the next four days—Wednesday, Thursday, Friday, and Saturday—the House meet at 11 o'clock a. m., and at 6 o'clock take a recess until 8 o'clock—

Mr. MANN. That was not in the agreement.

Mr. HULINGS. Well, put it in.

Mr. UNDERWOOD. I think we better leave that in the control of the House.

The SPEAKER. That for the next ensuing four days the House meet at 11 o'clock instead of 12, and that the general debate on the currency bill run during those four days.

Mr. UNDERWOOD. One-half of the time to be within the control of the gentleman from Virginia [Mr. GLASS] and one-half to be controlled by the gentleman from California [Mr. HAYES], and that when the House adjourns on Saturday night the general debate on the bill shall be closed.

The SPEAKER. One-half of the time to be controlled by the gentleman from Virginia [Mr. GLASS], one-half by the gentleman from California [Mr. HAYES], and four and a half hours by the gentleman from Minnesota [Mr. LINDBERGH], and that when the House adjourn on Saturday general debate shall be closed.

Mr. MONDELL. Mr. Speaker, reserving the right to object, I am not informed as to the number of gentlemen who desire to speak, and it occurs to me that the time proposed is very brief. The gentleman knows that there is not a Member of the House who desires to address the House at a night session, and the gentleman knows that Members will not listen to speeches at night sessions.

Mr. UNDERWOOD. I think the gentleman is entirely mistaken about that. My experience has been—

Mr. MANN. The best speeches I have ever heard in the House were at night sessions.

Mr. UNDERWOOD. With a baseball game running in the afternoon, my experience is there is a much better attendance at night than then.

Mr. MONDELL. I have not had the pleasure of hearing the splendid speeches my friend has heard at night, but the fact is that what the gentleman suggests is at most 21 hours' debate on the currency bill. It was before the Democratic caucus two weeks.

Mr. UNDERWOOD. That is the time estimated by the other gentlemen; I have not made the estimate myself.

Mr. MONDELL. It is true there may be additional time at night when Members will not be here and when gentlemen do not desire to speak, and it seems to me that there ought not to be any such rush so that we can not have a reasonable time for a discussion of this bill.

Mr. UNDERWOOD. I think the time agreed upon will be reasonable discussion to take care of all who want to speak, and I think those who will speak at night will have a better audience than those who speak in the day.

Mr. LANGLEY. That has been my observation, too, especially during the baseball season.

Mr. MONDELL. In the galleries.

Mr. UNDERWOOD. No.

Mr. MURDOCK. The gentleman from Alabama will remember there is a pretty good audience at night, but there is an interim between 6 and 8 o'clock in which it requires a powerful lot of nerve for a man to stand up and address what audience he has.

Mr. CALLAWAY. I want to say to the gentleman that I will want an hour.

Mr. GLASS. The gentleman will have no difficulty.

Mr. UNDERWOOD. Mr. Speaker, I ask that the request be put.

The SPEAKER. The gentleman from Alabama asks unanimous consent—

Mr. BARTON. Mr. Speaker, reserving the right to object, I think whereas the other side of the House has had sufficient time to study this currency question and to give consideration as to its effect upon the country, I know that the minority side has had no time at all for its consideration, and as one of the Representatives in this body I will object to the time allowed.

Mr. UNDERWOOD. Mr. Speaker, I will give the gentleman notice that to-morrow, when the bill is taken up, I shall offer a motion to limit the time of debate.

Mr. BARTON. I will reserve the right to object.

Mr. UNDERWOOD. I give notice—does the gentleman withdraw his objection?

The SPEAKER. Does the gentleman from Nebraska [Mr. BARTON] object?

Mr. BARTON. I withdraw.

The SPEAKER. The gentleman from Alabama asks unanimous consent—

Mr. MOSS of West Virginia. Mr. Speaker, I desire to object. I do not think that the Members of this House—

Mr. FOSTER. Regular order!

The SPEAKER. The regular order is to put this request. The gentleman from Alabama asks unanimous consent that for the next four days the House shall meet at 11 o'clock instead of 12, and that general debate on this bill shall close on the adjournment of the House on Saturday. Is there objection? [After a pause.] The Chair hears none, and it is so ordered. The time is to be divided, one half to be controlled by the gentleman from Virginia [Mr. GLASS] and the other half by the gentleman from California [Mr. HAYES], with four and a half hours to be controlled by the gentleman from Minnesota [Mr. LINDBERGH].

Mr. MOSS of West Virginia. Mr. Speaker, I offered an objection and I would like to know if it was considered.

The SPEAKER. Does the gentleman object or not?

Mr. MOSS of West Virginia. I certainly objected and never withdrew it.

Mr. MURDOCK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MURDOCK. If the objection is good, what arrangement is there for a division of the debate?

The SPEAKER. No arrangement at all.

Mr. MANN. I hope the gentleman from Alabama [Mr. UNDERWOOD] will now make the request that the House meet at 11 o'clock each morning until further ordered. I think we can make the other arrangement in regard to the division of time when we get through.

ADJOURNMENT UNTIL 11 O'CLOCK A. M. ON WEDNESDAY.

Mr. UNDERWOOD. I will ask unanimous consent, Mr. Speaker, that when the House adjourns to-day it adjourn to meet at 11 o'clock to-morrow morning.

The SPEAKER. The gentleman from Alabama [Mr. UNDERWOOD] asks unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock to-morrow morning. Is there objection? [After a pause.] The Chair hears none, and it is so ordered.

Mr. UNDERWOOD. Mr. Speaker, I would like to give notice that we shall want a quorum here to-morrow when the House meets at 11 o'clock.

The SPEAKER. The gentleman from Alabama [Mr. UNDERWOOD] gives notice that we shall want a quorum here to-morrow when the House meets at 11 o'clock. The debate will begin as soon as an arrangement can be made about the division of time, and so forth.

THE CURRENCY BILL.

Mr. UNDERWOOD. I ask unanimous consent, Mr. Speaker, that 5,000 copies of the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes, and 5,000 copies of the report (H. Rept. 69) thereon be printed and placed in the document room for the use of Members.

The SPEAKER. The gentleman from Alabama asks unanimous consent that 5,000 copies of the bill H. R. 7837 and the committee reports thereon be printed and placed in the document room for the use of Members. Is there objection?

Mr. MANN. Reserving the right to object, Mr. Speaker, of course that includes the minority views?

Mr. UNDERWOOD. Yes; they will be printed with the other reports.

Mr. MANN. I make that reservation. I wish to ask the gentleman from Alabama, further, for the information of the House, a question in reference to the tariff bill. It is currently reported that the tariff bill will be acted upon finally in the Senate to-day. Assuming that it passes to-day and that it should get over to the House the day after to-morrow, does the gentleman expect to get it into conference immediately?

Mr. UNDERWOOD. I think the House is entitled to know what motion I shall make. I shall ask unanimous consent to

send the bill immediately to conference. If that is objected to, I shall introduce a rule and ask the House to adopt the rule.

Mr. MANN. I shall object in advance to the unanimous-consent request. I thought that the gentleman would not want to proceed further with the consideration of the tariff bill in view of the news in this morning's papers from the State of Maine. [Applause and laughter on the Republican side.]

Mr. LANGLEY. And the currency bill—why not abandon that, too?

Mr. FOSTER. That has reference to sardines. [Laughter.]

Mr. MANN. No; I am not talking personally about that side of the House. [Laughter on the Republican side.]

Mr. ADAMSON. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. ADAMSON. Is there anything surprising for the Dutch to capture Holland? [Laughter.]

The SPEAKER. Not that the Chair ever heard of.

Mr. LANGLEY. A good many of you can not hide your surprise and chagrin nevertheless. [Laughter.]

The SPEAKER. The gentleman from Alabama [Mr. UNDERWOOD] asks unanimous consent that 5,000 copies of the currency bill, together with 5,000 copies of the three reports thereon, be printed and placed in the document room for the use of Members. Is there objection?

Mr. BARNHART. Mr. Speaker, reserving the right to object, I would like to make a statement for the information of the gentleman from Alabama [Mr. UNDERWOOD]. When the currency bill was reported before, the copies were placed in the document room, and a good many complaints came to the Committee on Printing to the effect that the supply was exhausted before certain Members got what might be considered as their quota. I was going to suggest to the gentleman from Alabama that I believe it would be better if he would place 2,500 or 3,000 copies of this document in the folding room, and say 2,500 or 2,000 in the document room, or say 3,000 copies in the document room and 2,000 copies in the folding room.

Mr. UNDERWOOD. I will say to my friend from Indiana that experience has shown that these temporary bills when they go to the folding room accumulate there, and some Members do not send them out at all or use them. This bill has been reported back with some amendments, and it is only a temporary bill at this time. On the other hand, if the printed copies go to the document room, the Members that want them can readily get them, and if the supply is exhausted we can ask for another reprint.

Mr. MANN. If the gentleman from Alabama will permit, the first print of the Glass bill was printed and sent to the folding room. My information is that there are 2,000 copies of that bill still in the folding room. Of course they are valuable only as waste paper, if they are valuable for that. The last bill was sent to the document room, and all of those copies were used. If Members want more copies, I do not think that anybody will object to giving them such copies as they need. Is it not better to print such copies as will be used than to fill up the folding room, where they will occupy valuable space for the next 10 years?

The SPEAKER. The gentleman from Alabama [Mr. UNDERWOOD] asks unanimous consent that 5,000 copies of the currency bill, together with 5,000 copies of the committee reports thereon, be printed and placed in the document room for the use of Members. Is there objection? [After a pause.] The Chair hears none, and it is so ordered.

PANAMA-PACIFIC INTERNATIONAL EXPOSITION.

Mr. UNDERWOOD. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 7595; and, pending that, I ask unanimous consent that the bill may be considered in the House as in the Committee of the Whole. It is a privileged bill. It is a bill providing for free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition, and for the protection of foreign exhibitors. In other words, it is the usual bill that is passed to allow exhibits to come into these national expositions.

The SPEAKER. The gentleman from Alabama [Mr. UNDERWOOD] moves that the House resolve itself into Committee of the Whole House on the state of the Union to consider the bill H. R. 7595; and, pending that, he asks that the bill be considered in the House as in Committee of the Whole House on the state of the Union. The question is on agreeing to the motion.

Mr. UNDERWOOD. Mr. Speaker, I ask unanimous consent that the bill be considered in the House as in Committee of the Whole.

The SPEAKER. The gentleman from Alabama asks unanimous consent that the bill be considered in the House as in Committee of the Whole. Is there objection? [After a pause.] The Chair hears none, and it is so ordered.

Mr. UNDERWOOD. Mr. Speaker, I will ask that the report be read. It explains the bill as well as I could state it.

The SPEAKER. The Clerk will read the report.

The report (by Mr. UNDERWOOD) was read as follows:

The Committee on Ways and Means, to whom was referred the bills (H. R. 7595) providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition and for the protection of foreign exhibitors, having had the same under consideration, report it back to the House without amendment, and recommend that it do pass.

On February 2, 1912, in conformity with the joint resolution of Congress approved February 15, 1911, the President of the United States issued a proclamation extending to the nations of the world an invitation to participate in the Panama-Pacific International Exposition to be held in San Francisco in 1916, to celebrate the construction of the Panama Canal.

The President in his message to Congress of January 3, 1913, says: "I recommend also such legislation as will facilitate the entry of material intended for exhibition and to protect foreign exhibitors against infringement of patents and the unauthorized copying of patents and designs."

This bill is framed with this intent and has the approval of the Secretary of the Treasury, the Secretary of the Interior, and the Librarian of Congress.

Section 1 provides for the free importation, for the purpose of exhibition, of articles and materials imported solely for use in constructing, installing, and maintaining foreign buildings and exhibits at the exposition, and for the withdrawal of the articles imported for the purpose of the exhibition and the payment of duty on such as are not duly exported.

Section 2 authorizes and directs the Librarian of Congress and the Commissioner of Patents to establish a branch office at the exposition not later than July 1, 1914, which is to be maintained until the close of the exposition. This office has authority to grant certificates to all proprietors of certificates of registration, copyrights, trade-marks, or patents issued by any foreign Government, protecting any pattern, model, design, copyright, trade-mark, or manufactured article imported for exhibition at the exposition.

Section 3 makes it unlawful for any person, without authority of the proprietor, to copy, imitate, reproduce, or republish any pattern, model, design, trade-mark, copyright, or manufactured article protected by the law of any foreign country imported for exhibition at the exposition. This section makes any person infringing these rights liable—

- (a) To an injunction restraining such infringement.
- (b) To pay damages and profits during the period of infringement and places the burden of proof upon the defendant to prove every element of cost which he claims, the plaintiff only having to prove sales.
- (c) To deliver up on oath all articles alleged to be infringed, to be impounded during the pendency of the action.
- (d) To deliver up on oath for destruction all the infringing articles and all means and devices for making the same.

Section 4 fixes the penalty for infringement under this act to imprisonment not exceeding one year or by fine of not less than \$100 or more than \$1,000, or both, in the discretion of the court.

Section 5 makes the sections applicable to civil action brought under the copyright act of March 4, 1909, applicable to civil actions authorized to be brought under the provisions of this act.

Section 6 provides that the rights protected by this act shall begin on the date of arrival within the exposition grounds of the pattern, model, design, copyrighted article, trade-mark, or manufactured article, and that these rights shall extend for a period of three years from the date of the closing of the exposition.

On August 2, 1913, a similar bill (S. 2433) passed the Senate. This bill differs only from H. R. 7595 in certain amendments which were suggested by the Secretary of the Treasury and the Commissioner of Patents. Copies of the letters making these suggestions are hereto attached and made a part of this report:

DEPARTMENT OF THE INTERIOR,
UNITED STATES PATENT OFFICE,
Washington, D. C., August 7, 1913.

Hon. JULIUS KAHN,
House of Representatives, Washington, D. C.

MY DEAR MR. KAHN: In accordance with your oral request I have indicated certain changes in the bill (H. R. 5844) providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition, and for the protection of foreign exhibitors, which it seems to me to be desirable, namely:

(1) The omission of the words "or otherwise infringe" in line 11, page 3, of the bill, on the ground that they are indefinite and might lead to controversy as to their meaning, and since the preceding words "copy, imitate, reproduce, or republish" appear to be quite sufficient.

(2) The omission of the word "patent" in line 12, page 3 of the bill, so as to make the wording correspond with that in line 25, page 2 of the bill, and since it is the manufactured article which is protected with a patent rather than the patent, that is protected by the laws of the foreign country, also since it is the manufactured article protected by the patent, rather than the patent, that will be imported and exhibited at the Panama-Pacific International Exposition.

The bill should contain a provision limiting the time of protection afforded thereby. The laws of all countries provide that the monopoly enjoyed under a regularly issued patent shall be for a limited time, and certainly the protection it is proposed to confer by the bill should be temporary in character. The protection afforded to exhibitors of foreign literary, artistic, or musical works at the Louisiana Purchase Exposition, under section 5 of the act of January 7, 1904 (33 Stats. L., p. 4), was limited to two years. From certain correspondence between the Interior Department and the Department of State it appears that the French ambassador has indicated that in his opinion protection limited to two years, which was the term of the protection afforded in connection with the Louisiana Purchase Exposition, as noted above, is not sufficient, and that temporary protection should be afforded for a period of five years.

I have indicated as a desirable addition to the bill section 6, providing that the protection afforded by the bill should be limited to three years. It is believed that a temporary protection for this period should be sufficient and that to extend the protection to five years might prove

an undue hardship upon American manufacturers, especially where the patents of the foreign exhibitors had expired in the meantime.

In view of the fact that a large portion of the matter covered by the bill, namely, patents including patents for designs, trade-marks, and copyrights covering labels, are under the jurisdiction of the Commissioner of Patents, and that many questions will doubtless arise relating to these subjects, it seems desirable that the Patent Office should be joined with the copyright division of the Library of Congress in the establishment and direction of the branch office which it is proposed to establish by the bill. I would therefore suggest that the words "and the Commissioner of Patents" be inserted after "Librarian of Congress" in line 15, and after "Register of Copyrights" in line 17, page 2 of the bill; also that the word "copyright" be omitted before the word "office" in line 16, page 2, and lines 4 and 6, page 3, of the bill.

Respectfully,

EDWARD B. MOORE,
Commissioner.

TREASURY DEPARTMENT,
Washington, D. C., August 8, 1913.

The CHAIRMAN COMMITTEE ON WAYS AND MEANS,
House of Representatives.

SIR: The department refers to a letter from the clerk of the Ways and Means Committee, dated the 1st instant, stating that the committee had referred some time since to the department H. R. 5844, providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition and for the protection of foreign exhibitors, and requesting that a report be made thereon. In this connection I have the honor to state that the records of the department do not show the receipt of the committee's letter referred to.

The department has carefully considered the bill in question, and it is noted that while prior enactments of this character provided for the free entry of articles imported solely for exhibition at certain expositions, the present bill grants free entry to articles imported for the sole purpose of constructing, installing, and maintaining foreign buildings and exhibits at the said exposition. In order that no question may arise as to the free entry of articles imported for exhibition purposes thereunder, it is suggested that this provision of the bill (lines 3 to 9, page 1) be amended to read as follows:

"That all articles that shall be imported from foreign countries for the purpose of exhibition and articles and material imported solely for use in constructing, installing, and maintaining foreign buildings and exhibits at the Panama-Pacific International Exposition upon which there shall be a tariff or customs duty shall be admitted free of the payment of duty, customs fees, or charges, under such regulations as the Secretary of the Treasury shall prescribe."

The remaining provision of section 1 of the bill appears to duly provide for the withdrawal of the articles imported for the purpose of exhibition and the payment of duty on such as are not duly exported.

In the opinion of the department the customs features of the bill do not present any administrative difficulties.

Respectfully,

W. G. MCADOO, Secretary.

APPENDIX.

[H. R. 7595, Sixty-third Congress, first session.]

A bill to provide for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition and for the protection of foreign exhibitors.

Be it enacted, etc., That all articles that shall be imported from foreign countries for the purpose of exhibition, and articles and material imported solely for use in constructing, installing, and maintaining foreign buildings and exhibits at the Panama-Pacific International Exposition upon which there shall be a tariff or customs duty, shall be admitted free of the payment of duty, customs fees, or charges, under such regulations as the Secretary of the Treasury shall prescribe; but it shall be lawful at any time during the exposition to sell for delivery, at the discretion of the exposition company, any goods or property imported for and actually on exhibition in the exposition buildings or grounds, subject to such regulations for the security of the revenue and for the collection of import duties as the Secretary of the Treasury may prescribe: *Provided*, That all such articles when sold or withdrawn for consumption or use in the United States shall be subject to the duty, if any, imposed upon such articles by the revenue laws in force at the date of withdrawal; and on such articles as shall have suffered diminution or deterioration from incidental handling and necessary exposure the duty, if paid, shall be assessed according to the appraised value at the time of withdrawal for consumption or use, and the penalties prescribed by law shall be enforced against any person guilty of illegal sale, use, or withdrawal.

Sec. 2. That the Librarian of Congress and the Commissioner of Patents are hereby authorized and directed to establish a branch office under the direction of the Register of Copyrights and the Commissioner of Patents at the Panama-Pacific International Exposition, in suitable quarters to be furnished free of charge by the Panama-Pacific International Exposition Company, said office to be established not later than July 1, 1914, and maintained until the close of said exposition; and the proprietor of any certificate of registration, copyright, trade-mark, or patent issued by any foreign Government protecting any pattern, model, design, copyright, trade-mark, or manufactured article imported for exhibition and exhibited at said Panama-Pacific International Exposition may, upon presentation of satisfactory proof of such proprietorship, obtain without charge a certificate from said branch office, which shall be legal evidence of such proprietorship; and said branch office shall keep a register of all certificates of registration, trade-mark, or patent, and a register of all certificates of copyright issued, which shall be open to public inspection.

At the close of said Panama-Pacific International Exposition the register of certificates of registration, trade-mark, or patent shall be deposited in the United States Patent Office at Washington, D. C., and the register of certificates of copyright shall be deposited in the Copyright Office of the Library of Congress at Washington, D. C.

Sec. 3. That it shall be unlawful for any person without authority of the proprietor thereof to copy, imitate, reproduce, or republish any pattern, model, design, trade-mark, copyright, or manufactured article protected by the laws of any foreign country by registration, copyright, patent, or otherwise, which shall be imported for exhibition at the Panama-Pacific International Exposition, and there exhibited; and any person who shall infringe the rights protected under this act shall be liable—

- (a) To an injunction restraining such infringement.

(b) To pay to the proprietor such damages as the proprietor may have suffered due to the infringement, as well as all the profits which the infringer may have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only and the defendant shall be required to prove every element of cost which he claims, or in lieu of actual damages and profits such damages as to the court shall appear to be just.

(c) To deliver up on oath, to be impounded during the pendency of the action, upon such terms and conditions as the court may prescribe, all articles alleged to infringe the rights herein protected.

(d) To deliver up on oath for destruction all the infringing articles, as well as all means and devices for making such infringing articles.

SEC. 4. That any person who willfully and for profit shall infringe any right protected under this act, or who shall knowingly and willfully aid or abet such infringement, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment for not exceeding one year or by a fine of not less than \$100 nor more than \$1,000, or both, in the discretion of the court.

SEC. 5. That sections 25, 26, 27, 34, 35, 36, 37, 38, 39, and 40 of the copyright act approved March 4, 1909, are hereby made applicable to civil actions authorized to be brought under the provisions of this act.

SEC. 6. That the rights protected under the provisions of this act shall begin on the date of the arrival of the pattern, model, design, copyrighted article, trade-mark, or manufactured article so imported for exhibition within the grounds of the Panama-Pacific International Exposition at San Francisco, and shall continue for a period of three years from the date of the closing of said exposition.

Mr. UNDERWOOD. Mr. Speaker, the report explains the bill. It is merely the usual form of a bill granting the right of free entry, under proper protection, for goods coming in to be exhibited at the San Francisco exhibition. The only additions to it are some provisions about copyrighted articles, and these provisions have been passed on by the experts under the Librarian of Congress. I am not sufficiently versed in the law of copyrights to be able to pass judgment on it myself, but I referred the bill to the Librarian of Congress, and as it is now presented to the House it has his approval, and he makes the statement that the laws of the United States will be properly protected.

Mr. MOORE. Will the gentleman yield?

Mr. UNDERWOOD. I yield to the gentleman.

Mr. MOORE. The report has the unanimous indorsement of the Committee on Ways and Means, has it?

Mr. UNDERWOOD. It has the unanimous indorsement of the Committee on Ways and Means.

Mr. MONDELL. Is the gentleman quite confident that there is nothing in section 6 of the bill which will have the effect of extending a patent? He says that the whole matter has been referred to patent experts, and they are satisfied with the provisions of the bill.

Mr. UNDERWOOD. They are. I candidly admit to the gentleman from Wyoming that I am not a patent lawyer or a copyright lawyer, and that I am not advised about the technicalities of those matters; but I referred this bill to the Treasury Department, to the Commissioner of Patents, and to the Librarian of Congress, who has charge of copyrights, and they suggested certain amendments, which the gentleman from California [Mr. KAHN] incorporated in his bill, which he then reintroduced; and the bill as reintroduced meets with the approval of these various departments. Outside of the copyright provisions it is the usual bill that has passed, under these circumstances.

Mr. BATHRICK. Will the gentleman yield?

Mr. UNDERWOOD. I will.

Mr. BATHRICK. If I understand this proposition rightly, I notice that any article, pattern, or design exhibited at the exposition is protected from being copied or reproduced under more drastic laws than we have at the present time.

Mr. UNDERWOOD. I do not think they are more drastic laws than we have at the present time; but of course it prohibits copying or reproduction, because it gives the people who bring goods here to be exhibited the same protection when they come into our country under our invitation to exhibit that would be given to our own people.

Mr. BATHRICK. I agree with the gentleman that that ought to be done; but under our international copyright law, if an article manufactured in England and patented there is not patented in the United States, have we not the right to patent it here and produce it?

Mr. UNDERWOOD. I will say to the gentleman that I am not a patent lawyer, and I am not on that committee, and I am not able to answer his question. I will admit that candidly.

Mr. BATHRICK. I will say to the gentleman that while I am not a patent lawyer, I have had some experience in the matter, and it is my impression that if an Englishman manufacturing some new article has not taken out a patent in the United States, if he desires to protect the article without taking out a patent here, he can obtain protection under a more drastic law than we have in this country merely by exhibiting the article at the San Francisco Exposition.

Mr. UNDERWOOD. No; because the rights he acquires under this law only run for three years and then they expire.

If he wanted to protect himself by a patent he would take out a patent which would run for 17 years.

Mr. RAKER. As I understand the gentleman from Alabama, this is practically the same as bills that have passed heretofore for other expositions?

Mr. UNDERWOOD. In all respects except in reference to the copyright law.

Mr. RAKER. And that is additional?

Mr. UNDERWOOD. Yes.

Mr. RAKER. And that is for the purpose of permitting foreign exhibitors to exhibit here, so that their copyrights will not be infringed upon.

Mr. UNDERWOOD. I understand there have been complaints heretofore that they were not protected under our laws.

Mr. RAKER. And this is for the purpose of protecting them?

Mr. UNDERWOOD. This is for the purpose of protecting them, so they will bring their articles here and exhibit them.

Mr. RAKER. I hope the bill will pass in its present form.

Mr. UNDERWOOD. Mr. Speaker, unless there is some one who desires to speak, I ask for a vote.

The SPEAKER. The Clerk will read the bill.

The Clerk read as follows:

Be it enacted, etc., That all articles that shall be imported from foreign countries for the purpose of exhibition, and articles and material imported solely for use in constructing, installing, and maintaining foreign buildings and exhibits at the Panama-Pacific International Exposition upon which there shall be a tariff or customs duty shall be admitted free of the payment of duty, customs fees, or charges, under such regulations as the Secretary of the Treasury shall prescribe; but it shall be lawful at any time during the exposition to sell for delivery at the discretion of the exposition company any goods or property imported for and actually on exhibition in the exposition buildings or grounds, subject to such regulations for the security of the revenue and for the collection of import duties as the Secretary of the Treasury may prescribe; *Provided*, That all such articles when sold or withdrawn for consumption or use in the United States shall be subject to the duty, if any, imposed upon such articles by the revenue laws in force at the date of withdrawal; and on such articles as shall have suffered diminution or deterioration from incidental handling and necessary exposure the duty, if paid, shall be assessed according to the appraised value at the time of withdrawal for consumption or use, and the penalties prescribed by law shall be enforced against any person guilty of illegal sale, use, or withdrawal.

SEC. 2. That the Librarian of Congress and the Commissioner of Patents are hereby authorized and directed to establish a branch office under the direction of the Register of Copyrights and the Commissioner of Patents at the Panama-Pacific International Exposition, in suitable quarters to be furnished free of charge by the Panama-Pacific International Exposition Co., said office to be established not later than July 1, 1914, and maintained until the close of said exposition; and the proprietor of any certificate of registration, copyright, trade-mark, or patent issued by any foreign Government protecting any pattern, model, design, copyright, trade-mark, or manufactured article imported for exhibition and exhibited at said Panama-Pacific International Exposition may, upon presentation of satisfactory proof of such proprietorship, obtain without charge a certificate from said branch office, which shall be legal evidence of such proprietorship; and said branch office shall keep a register of all certificates of registration, trade-mark, or patent, and a register of all certificates of copyright issued, which shall be open to public inspection.

At the close of said Panama-Pacific International Exposition the register of certificates of registration, trade-mark, or patent shall be deposited in the United States Patent Office at Washington, D. C., and the register of certificates of copyright shall be deposited in the Copyright Office of the Library of Congress at Washington, D. C.

SEC. 3. That it shall be unlawful for any person without authority of the proprietor thereof to copy, imitate, reproduce, or republish any pattern, model, design, trade-mark, copyright, or manufactured article protected by the laws of any foreign country by registration, copyright, patent, or otherwise, which shall be imported for exhibition at the Panama-Pacific International Exposition, and there exhibited; and any person who shall infringe the rights protected under this act shall be liable—

(a) To an injunction restraining such infringement;

(b) To pay to the proprietor such damages as the proprietor may have suffered due to the infringement, as well as all the profits which the infringer may have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only and the defendant shall be required to prove every element of cost which he claims, or in lieu of actual damages and profits such damages as to the court shall appear to be just;

(c) To deliver up on oath, to be impounded during the pendency of the action, upon such terms and conditions as the court may prescribe, all articles alleged to infringe the rights herein protected;

(d) To deliver up on oath for destruction all the infringing articles, as well as all means and devices for making such infringing articles.

SEC. 4. That any person who willfully and for profit shall infringe any right protected under this act, or who shall knowingly and willfully aid or abet such infringement, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment for not exceeding one year or by a fine of not less than \$100 nor more than \$1,000, or both, in the discretion of the court.

SEC. 5. That sections 25, 26, 27, 34, 35, 36, 37, 38, 39, and 40 of the copyright act approved March 4, 1909, are hereby made applicable to civil actions authorized to be brought under the provisions of this act.

SEC. 6. That the rights protected under the provisions of this act shall begin on the date of the arrival of the pattern, model, design, copyrighted article, trade-mark, or manufactured article so imported for exhibition within the grounds of the Panama-Pacific International Exposition at San Francisco, and shall continue for a period of three years from the date of the closing of said exposition.

Mr. MONDELL. Mr. Speaker, I move to strike out the last word. I understand that there is no opposition to the passage of this legislation. It is an act to aid in making the Panama-

Pacific Exposition a greater success, and we are all anxious to contribute to the success of that great exposition.

We approved a resolution earlier in the day providing for the acceptance of an invitation extended to Congress by the management of the Conservation Exposition at Knoxville, Tenn. I think it is very proper to do that, and I trust that the gentlemen appointed will all attend and that they will bring back good reports of what is accomplished there in the matter of furthering the work of practical conservation.

In this connection I desire to call attention to the fact that perhaps the most important conservation meeting this year is to be held at Tulsa, Okla., in the latter part of October. This particular conservation meeting is known as the Dry Farming Congress. There is present in the city to-day the very efficient and hustling secretary of the Dry Farming Congress to interest Members of Congress in that coming meeting. I presume that Oklahoma is so far away from us that it will be held to be impracticable to appoint Members as a body representing the House to attend that meeting. I wish it were practicable to do that. This year of all others in our history is the one that ought to attract people to the work which is being undertaken and carried on by the Dry Farming Congress. The very extensive and far-reaching drought in the Southwest has had the effect of very greatly reducing the crop production of a number of Western and Southwestern States.

This organization that meets at Tulsa preaches the gospel of successful agriculture carried on under conditions of limited moisture; preaches the gospel of moisture conservation, preaches the gospel of good farming; it is a gospel not only useful and helpful to the western territory, where droughts are perhaps more frequent than in some other parts of the country, but it is a gospel that would be very helpful indeed in Virginia, Maryland, up in New York, and in New England.

As I have motored over the adjacent States somewhat this year I have noticed many farms suffering greatly from drought, and I have noticed conditions which might be very greatly improved by the application of the principles known as dry farming, deep plowing, and thorough surface tilling in order that the moisture which the soil receives shall all be utilized by the growing plant and shall not by capillary attraction, through the numberless capillary tubes that form on the surface of untilled soil, be carried into the air and wasted.

I say I regret that hustling, growing Tulsa is so far away that perhaps it will be difficult, possibly not practicable, to appoint a committee to attend the Dry Farming Congress. But if that could be done I am sure that the addresses made there, the doctrines promulgated there, the exhibits made would be found very helpful and useful to widely scattered and separate portions of this country.

This year particularly impresses the necessity of thorough cultivation in that particular territory. But every year, in the small aggregate of our production, compared with our acreage, emphasizes the necessity of better farming all over the Union, emphasizes the necessity of intensified cultivation, of improved methods tending to make crops more abundant and certain. All these things are taught by the Dry Farming Congress, and are parts of the plan that is proposed and is being urged upon the farmers of the country by those who have been for years engaged in the dry-farming movement. I should like to see the Dry Farming Congress brought farther east this year.

Mr. COX. Why not bring it to Washington?

Mr. MONDELL. Not to Washington, but I think it would be a good thing if we could have it in the rich and fertile district represented by the gentleman from Indiana.

Mr. MOORE. Will the gentleman yield?

Mr. MONDELL. Yes.

Mr. MOORE. Where does this Dry Farming Congress meet?

Mr. MONDELL. In Tulsa, Okla.

Mr. MOORE. Will they give consideration to the development of waterways and canals that will open up some parts of the country?

Mr. MONDELL. It is not the province of the Dry Farming Congress to study the problems of irrigation, for they have rather a larger field—a field covering that great proportion of the country which can not be irrigated. The proposition of irrigation and waterways, with regard to which my friend from Pennsylvania, [Mr. MOORE] is an expert, is an important one. This is an equally important one.

Mr. MOORE. Why can not we get together—the dry farmers and the wet farmers—and discuss these matters at Tulsa?

Mr. MONDELL. I think it is always well to cooperate in any work.

Mr. MOORE. But the gentleman referred to lands in Maryland and in Pennsylvania, over which he has traversed recently

in his automobile, which he said were badly in need of water. Could we not by conferring with each other at Tulsa, the beauties of which as a convention city the gentleman has described, undertake in some way to get together, in order that by cooperation we might influence Congress in a proper way to irrigate the various portions of the land that need water and navigation. I do not want to break into the gentleman's argument.

Mr. MONDELL. Oh, the gentleman has not broken into my argument at all. I thank him for his suggestion. Cooperation is always a good thing, and the dry farmers, I am sure, will welcome the aid and assistance of so enthusiastic and forceful a gentleman as my friend from Pennsylvania. I think he can do as much, if he takes hold of the matter, to further the interest of conservation of moisture as he has to further the interest of the extension of waterways, and I am with him heart and soul in all of the propositions for which he stands and for which he has labored. I hope he will take an interest in this great work, which will be helpful to certain abandoned farms in New England and certain worn-out lands elsewhere in the country, just as helpful as to the great Southwest, where nature is a little niggardly in the matter of supplying sufficient moisture; and that it will be found practicable to appoint a committee of Congress to visit Tulsa, but if it shall not, then that we as individuals will visit Tulsa and become interested in the Dry Farming Congress and the work it stands for.

Mr. UNDERWOOD. Mr. Speaker, I move that all debate on the paragraph close in two minutes.

The motion was agreed to.

Mr. WEAVER. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record.

The SPEAKER. Is there objection?

There was no objection.

Mr. RAKER. Mr. Speaker, I rise to oppose the amendment of the gentleman from Wyoming. There seems to be no doubt that this bill will pass. It will add much to the success of the Panama-Pacific International Exposition. The foreign nations and foreign exhibitors will feel protected with this law on the statute books. I have given it consideration before the committee and feel much interest in its passage. It seems to me the gentleman from Wyoming takes a wrong view when he says that this is because Oklahoma is farther away than Knoxville, Tenn., and that, therefore, the people there should not be given consideration. That is one of the troubles that we have to contend with. The mere fact of 2,000 or 3,000 miles should not make any difference to this Government in the matter of sending committees to visit these places. They ought to be sent with as much readiness and as much cheerfulness as though the place were quite near, so that the people might know what is being done. We trust that Congress will send not a committee of 14 but a committee of 48 to California to the exposition, so that they may see and know and observe for themselves what is being done at San Francisco in 1915, and the invitation is extended now to all of the Members of Congress to attend that exposition.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. UNDERWOOD, a motion to reconsider the vote by which the bill was passed was laid on the table.

STATION GROUNDS IN COLVILLE INDIAN RESERVATION, WASH.

Mr. STEPHENS of Texas. Mr. Speaker, I call up the bill (S. 2711) to provide for the acquiring of station grounds by the Great Northern Railway Co. in the Colville Indian Reservation, in the State of Washington, and ask unanimous consent that it be considered in the House as in Committee of the Whole. It is a short bill and will not take very much time.

The SPEAKER. The gentleman from Texas calls up a bill and asks unanimous consent that it be considered in the House as in Committee of the Whole. Is there objection?

There was no objection.

The SPEAKER. The Clerk will report the bill.

The Clerk read as follows:

An act (S. 2711) to provide for the acquiring of station grounds by the Great Northern Railway Co. in the Colville Indian Reservation in the State of Washington.

Be it enacted, etc., That there be, and hereby is, granted to the Great Northern Railway Co., a corporation organized under the laws of the State of Minnesota, subject to and upon compliance by the company with all the provisions of the act of March 2, 1899, entitled "An act to provide for the acquiring of rights of way by railroad companies through Indian reservations, Indian lands, Indian allotments, and for other purposes," and the acts amendatory thereto of June 21, 1906 (34 Stats. L., 330), and June 25, 1910 (36 Stats. L., 859), and the regulations issued by the Secretary of the Interior thereunder, additional station grounds adjoining the right of way of the said railway com-

pany in the Colville Indian Reservation in the State of Washington, adjacent to the village of Okanogan, in the county of Okanogan, in the said State, and at the said railway company's station known as Chilliwist, located in lots 4 and 6, section 1, township 32 north, range 25 east, Willamette meridian, in the Colville Indian Reservation, in the State of Washington, to the extent of not to exceed 200 feet in width by a length of 3,000 feet for each of said station grounds: *Provided*, That if any of the lands to be acquired by the railway company under the provisions of this act shall have been tentatively selected by Indians as a part of their allotments they shall be entitled to receive upon the approval of their allotments the compensation for damages to said lands and improvements thereon paid by the said railway company: *And provided further*, That such station grounds are granted subject to the right of the United States to cross the same and the works constructed thereon with canals of water conduits of any kind, or with roadways, or with transmission lines for telephone, telegraph, or electric power, or with any other public improvements which may now or in the future be built by or under authority of the United States across such grounds; and the said company shall build and maintain at its own expense all structures that may be required at such crossing, and in accepting this grant shall release the United States from all damages which may result from the construction and use of such crossings, canals, conduits, transmission lines, and other improvements.

Mr. MOORE. Mr. Speaker, it was not my pleasure to have been in the House yesterday when the gentleman from Georgia [Mr. ADAMSON], who is of a poetic turn of mind, gave great praise to the gentleman from Wisconsin [Mr. Esch] for his just tribute to the island of Navassa, which stands up like a gaunt specter in the Caribbean Seas. The gentleman from Georgia is a poet by nature, having in his soul much of that divine afflatus which is characteristic of great men. But there is some poetry which has not yet appealed to him. For instance, there is a timely tribute, not written by the gentleman from Georgia, in no way pertaining to the island of Navassa, that does not refer to the gentleman from Wisconsin [Mr. Esch], but it is nevertheless extremely pertinent at this time. It is an improvisation from a celebrated versification, which was heralded broadcast over the country years ago, and which gave hope and inspiration to a party destined to control the affairs of this Nation, and that did so virtually until by an unfortunate incident of dissension there came a change last year. The versification which I now present to the House and the country affects two of the great men of the Nation, one of whom is specially dear to us on either side of the House. With one mind and accord and at great personal sacrifice they enlisted in a recent campaign in the far North, with a view of electing a Democratic Congressman and holding down certain recalcitrant Republicans who were gradually coming back home. The query indicates that they were not successful:

Oh, have you heard the news from Maine?
How it voted safe and sane;
How with CLARK and Bryan stumping,
Democrats still got their thumping,
And the State is right again?

[Applause on the Republican side.]

Mr. ADAMSON. Mr. Speaker, I hope the gentleman will not withdraw his amendment or his point of order or whatever he has offered until I reply to him.

The SPEAKER. The gentleman has five minutes.

Mr. ADAMSON. Mr. Speaker, I have often heard the gentleman from Pennsylvania accused of being a poet, I have heard him accused of sentiment—and from personal acquaintance know both to be true. I know he is active and practical and always sticking in his oar and grabbing all that is coming to his part of the country. I am glad if anything I said about the performance of the gentleman from Wisconsin could have informed or entertained him either as a piece of poetry or sentiment, and I am sorry that he took the back track and retreated into the old mire of shouting for the stand-pat Republicans. The news from Maine has not been given correctly in the papers. If it were possible for a Republican paper or politician to tell the whole truth when asked about the news from Maine, they would compare the congressional election of yesterday with the congressional election of last November instead of comparing the congressional election of yesterday with the presidential vote of last November. If they will make that latter comparison they will find a Republican was elected in November last and there was a Republican Congressman who died and left a vacancy which was filled by a Republican yesterday. If they will publish the papers and figures to show the congressional vote last November they will find it very different from those published about the President and that the Democrats have lost no ground. If they want to try it over about the Presidency in Maine, I dare them to put up Taft again and let Roosevelt nominate himself again and let Wilson try it over again, and we will thrash them again, and in Maine. I dare them to try it. [Applause on the Democratic side.]

The SPEAKER. The gentleman from Wyoming withdraws his pro forma amendment.

Mr. MONDELL. Mr. Speaker, I should like to have an explanation of the bill. It seems to be a grant, but it is a grant in

conformity with a certain act of Congress, with the provisions of which I am not familiar, I regret to say. That act, I assume, provides for the payment of a fair value for the land taken. Is that true?

Mr. STEPHENS of Texas. That is correct. The land to be granted by this bill for two new stations on this line of railway is a right of way 100 feet on each side of the center of the track of the railroad company instead of 50 feet on each side, and this new or additional grant extends a length of 3,000 feet along the track at each station.

Mr. MONDELL. It seems to be approved by the Commissioner of Indian Affairs.

Mr. STEPHENS of Texas. Yes; and by the Secretary of the Interior—

Mr. MONDELL. Who suggested certain amendments which were adopted?

Mr. STEPHENS of Texas. That is true.

Mr. MONDELL. The act of Congress provides for compensation.

Mr. STEPHENS of Texas. The amount of compensation under existing laws is to be agreed upon between the Commissioner of Indian Affairs and the railway company.

Mr. MONDELL. That is simply a widening of the right of way to give greater facilities for transportation?

Mr. STEPHENS of Texas. Yes; it gives 100 feet in the right of way, instead of 50 feet, for 3,000 feet in length for each of the station grounds and sidings.

Mr. MONDELL. They are necessary facilities?

Mr. STEPHENS of Texas. Yes.

Mr. MURRAY of Oklahoma. I will say to the gentleman that under the law they had a station every 10 miles, and this is to grant additional facilities between them.

Mr. MONDELL. Where they are necessary?

Mr. MURRAY of Oklahoma. Yes; where they are necessary.

Mr. STEPHENS of Texas. The town of Okanogan is on the southwest side of the river, and the Indian agency is on the other side of the river, directly opposite the town.

The people of the town have to go 4 miles one way and 6 miles the other way to get to a station. It is a new but quite an important town.

It is for the benefit of the town as well as for the benefit of the Indians that this station should be built at this point. There is a large Indian school on this reservation near this railroad, and the pupils have to go 6 miles one way or 4 miles the other way to get to their nearest railroad station, 10 miles being the distance between the present railway stations. One of the stations will be known as Chilliwist and the other as Okanogan.

I find in the new western country that the more stations and sidetracks we have along the line of railroad, the better it is for the Indians—and for the white people as well—who own the lands through which the railroads run, because they afford better shipping facilities. The railroads do not like to build additional stations if they can get travel and traffic without them.

Mr. MONDELL. Has the gentleman's attention been called to the language on page 2, line 24?

Mr. STEPHENS of Texas. Yes. I will state to the gentleman that this bill was drafted by the department. It is not the bill introduced formerly by Representative LA FOLLETTE.

Mr. MONDELL. It says:

And provided further, That such station grounds are granted subject to the right of the United States to cross the same and the works constructed thereon with canals of water conduits of any kind.

I assume the word "or" is intended there instead of "of," between the words "canals" and "water."

Mr. STEPHENS of Texas. Possibly so. I will examine and see if that is a misprint; and if it is, it will be corrected.

Mr. MONDELL. On line 24 there is clearly a misprint. What is sought to be accomplished is to reserve a right of way for canals or water conduits across the right of way.

Mr. STEPHENS of Texas. Yes; for irrigation purposes. That is correct. This is in an irrigation country.

Mr. MONDELL. Mr. Speaker, I move to amend by striking out the word "of" on line 24, page 2, and inserting the word "or."

The SPEAKER. There is a misprint in the copy which the gentleman has, but the original bill is correct.

Mr. MONDELL. The word which I propose to strike out is the fourth word from the end of the line.

Mr. STEPHENS of Texas. There are two "of's" in that line.

The SPEAKER. In the engrossed copy of the bill it is right.

Mr. STEPHENS of Texas. Then the amendment is unnecessary.

Mr. MONDELL. Very well.

The SPEAKER. The gentleman withdraws his amendment. Mr. CAMPBELL. Has the gentleman from Texas examined the engrossed copy of the bill?

The SPEAKER. It is at the desk here, and it is correct.

Mr. STEPHENS of Texas. It is correct.

The SPEAKER. The question is on the third reading of the Senate bill.

The bill was ordered to a third reading, and was accordingly read the third time and passed.

On motion of Mr. STEPHENS of Texas, a motion to reconsider the last vote was laid on the table.

IMMEDIATE TRANSPORTATION, DALLAS, TEX.

Mr. SUMNERS. Mr. Speaker, I ask unanimous consent for the present consideration of House bill 4937 in the House as in Committee of the Whole.

The SPEAKER. The gentleman from Texas asks unanimous consent for the present consideration of House bill 4937 in the House as in Committee of the Whole. Is there objection?

Mr. HARDWICK. Reserving the right to object, I should like to have the bill read so that we may see what it is.

The SPEAKER. The Clerk will report the bill.

The Clerk read the bill (H. R. 4937) extending to the port of Dallas, Tex., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement, as follows:

Be it enacted, etc., That the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement be, and the same are hereby, extended to the port of Dallas, in the State of Texas.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The question is on the engrossment and third reading of the bill.

Mr. MONDELL. Mr. Speaker, I think we should have some explanation of the bill, because there are undoubtedly Members who do not understand what the privileges under section 7 of the act approved June 10, 1880, are. I confess that I for one am not familiar with the character of those privileges.

Mr. SUMNERS. That act provided for the immediate transportation of imported merchandise to certain interior ports. When the service was reorganized Dallas was designated as one of these ports, but it has been found necessary to pass a bill of this sort in order to permit immediate transportation. If the gentleman will read the last two paragraphs of the report of the Treasury Department, contained in the report of the committee on this bill, they will give the information which the gentleman wants.

Mr. MONDELL. Do I understand that the privilege granted is the privilege to have merchandise shipped from the port of entry to another port for appraisement?

Mr. SUMNERS. Yes; it is shipped in bonded cars to a bonded warehouse.

Mr. COX. It is what is called inland transportation.

Mr. SUMNERS. Yes; they have to build a warehouse and bond it, and then goods coming to the port of New York are shipped from New York to Dallas in bonded cars.

Mr. COX. Without being opened up until they get to Dallas?

Mr. SUMNERS. Yes.

Mr. MONDELL. The bill that passed originally contained the names of the ports to which that privilege was extended. did it?

Mr. SUMNERS. At that time.

Mr. MONDELL. So it is necessary to extend the privilege to other ports by act of Congress?

Mr. SUMNERS. Yes.

Mr. MONDELL. There is no way by which it can be done as a matter of administration?

Mr. SUMNERS. No. Has the gentleman the report of the committee?

Mr. MONDELL. Yes.

Mr. SUMNERS. Then I will ask the gentleman to read the last two paragraphs of the report of the Treasury Department, by which he will see that the passage of this bill is recommended as being for the benefit of the service, and it is also stated that it is an urgent measure.

Mr. MONDELL. It is expected that there will be considerable importation at this port in the near future?

Mr. SUMNERS. Yes.

Mr. MONDELL. We hope that will be true, although some of us on this side have fears that that will be true to a very dangerous extent with regard to a great many of the ports of the United States. We shall be glad to see Dallas grow as a port of entry, but at the same time we trust that the imports of the country, taken altogether, will not grow too rapidly as a result of your recent tariff legislation.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was accordingly read the third time and passed.

On motion of Mr. SUMNERS, a motion to reconsider the last vote was laid on the table.

The SPEAKER. The gentleman from Pennsylvania is recognized.

IMMEDIATE TRANSPORTATION, PERTH AMBOY.

Mr. MOORE. Mr. Speaker, I move to consider in the House as in Committee of the Whole the bill H. R. 7377, extending to the port of Perth Amboy, N. J., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement.

The SPEAKER. The gentleman from Pennsylvania asks unanimous consent to consider in the House as in the Committee of the Whole the bill H. R. 7377. Is there objection?

There was no objection.

The SPEAKER. The Clerk will report the bill.

The Clerk read as follows:

Be it enacted, etc., That the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement, be, and the same are hereby, extended to the port of Perth Amboy, N. J.

The SPEAKER. The question is on the engrossment and third reading of the bill.

Mr. MONDELL. Mr. Speaker, I understand that the conditions necessitating this legislation are similar to those referred to in connection with the bill just passed with reference to Dallas.

Mr. MOORE. They are just the same.

The bill was ordered to be engrossed and read a third time, and was read the third time, and passed.

On motion of Mr. MOORE, a motion to reconsider the vote whereby the bill was passed was laid on the table.

PAYMENT OF INDEMNITY—ANGELO ALBANO.

Mr. FLOOD of Virginia. Mr. Speaker, I ask unanimous consent to take up the bill H. R. 7384, to authorize the payment of an indemnity to the Italian Government for the killing of Angelo Albano, an Italian subject, and consider the same in the House as in Committee of the Whole.

The Clerk read the bill, as follows:

A bill (H. R. 7384) to authorize the payment of an indemnity to the Italian Government for the killing of Angelo Albano, an Italian subject.

Be it enacted, etc., That there is hereby authorized to be paid, out of any money in the Treasury not otherwise appropriated, out of humane consideration and without reference to the question of liability therefor, to the Italian Government as full indemnity to the heirs of Angelo Albano, an Italian subject who was killed by an armed mob at Tampa, Fla., on the 20th day of September, 1910, the sum of \$6,000.

The SPEAKER. The gentleman from Virginia asks unanimous consent to take up the bill 7384 and consider the same in the House as in Committee of the Whole. Is there objection?

Mr. MONDELL. Mr. Speaker, reserving the right to object, I trust the gentleman from Virginia will give us a brief statement of it.

Mr. FLOOD of Virginia. Mr. Speaker, the party who was killed was an Italian subject. The evidence on that point in the message submitted to Congress by the President is clear. He was born in Italy, and while a youth he came with his father to this country, but his father had never declared his intention to become an American citizen; in fact, he declared that he never would, and so had this young man. So his citizenship is clearly established; there is no question that he was an Italian subject at the time he was lynched by a mob in Tampa.

He was accused of having been implicated in the murder of a clerk in a tobacco store there, and was arrested in West Tampa, taken from there to the courthouse in Tampa. While in the custody of two deputy sheriffs he was set upon by a mob, taken from them, and hung, I think; at any rate, he was killed.

Mr. MONDELL. Are there any precedents for legislation of this character?

Mr. FLOOD of Virginia. Oh, yes; we have had five or six such cases within the last few years—one in Colorado, one in Mississippi, and a number in Louisiana.

Mr. MONDELL. In these cases legislation was enacted providing for the payment of an indemnity?

Mr. FLOOD of Virginia. In every one of the cases. The case in Colorado which I cited the other day in the discussion of a point of order, the case in Mississippi, and three cases in Louisiana.

Mr. MONDELL. In this particular case the President has considered it of sufficient importance to call it to the attention of Congress by special message?

Mr. FLOOD of Virginia. On the 26th of June the President recommended that, as an act of grace and without reference to the question of liability of the United States, Congress take action and make appropriation in accordance with the suggestion of the Italian Government. Six thousand dollars was the indemnity suggested by that Government, the amount carried in this bill.

Mr. CAMPBELL. Mr. Speaker, I would like to ask the gentleman from Virginia if the committee took into account the extraordinary attitude occupied by the father of this alien and by the alien himself, declaring their intention of not becoming citizens of this country?

Mr. FLOOD of Virginia. That is a fact. The evidence shows it.

Mr. CAMPBELL. What length of time had the father of this alien been in the country?

Mr. FLOOD of Virginia. A number of years. He worked in the West awhile and then went to Florida; he had certainly been in this country seven or eight years.

Mr. CAMPBELL. Does the gentleman know exactly or approximately how long he has been here?

Mr. FLOOD of Virginia. No; the record does not show exactly how long, but it does show that he has been here quite a number of years. One of these affidavits tells about his working at several places in this country, certainly six or seven years.

Mr. CAMPBELL. The situation that presents itself to me is this: Here is an alien who came to our country, willing to partake of all of the benefits that our opportunities for employment afford, willing to partake of the benefit of our high wages, but unwilling to assume the responsibility of citizenship, and yet occupying the advantageous position, in case of injury by our citizens, of having an advantage that a citizen of the Republic itself does not have.

Mr. FLOOD of Virginia. Well, not very much of an advantage. The Italian Government is simply asking that we accord the citizens of their country the best and not the worst treatment that we would give to a citizen of our own country. Our own citizens ought to be and are protected from mob law.

Mr. CAMPBELL. But in this case we are giving indemnity to the heirs of an alien who was in our country merely for the purpose of taking advantage of the benefits that arise because of his being here.

Mr. SHARP. Mr. Speaker, will the gentleman yield?

Mr. FLOOD of Virginia. Certainly.

Mr. SHARP. It seems to me that the logic of the gentleman would lead us to take the position that when foreigners who come to our land became American citizens they would forfeit all rights that foreign subjects enjoy upon our soil. It does not seem to me we ought to go to that length.

Mr. CAMPBELL. I would not care to go to that length.

Mr. FLOOD of Virginia. And the gentleman will recall that other Italian citizens had had experience in this country that might have justified the position of this one. There had been seven of them killed in Colorado and a number of them in Louisiana and some in Mississippi; and with these acts in the knowledge of this man, he said it would do him no good to become an American citizen, because some of those killed in Colorado had declared their intentions to become American citizens.

Mr. CAMPBELL. Mr. Speaker, while I shall not object to the consideration of this bill at this time, I do say that if there is not a precedent on all fours we are establishing a somewhat dangerous precedent by giving an indemnity to an alien who had declared his intention of not becoming a citizen of our country and yet remaining here and taking advantage of every opportunity that our country affords, but who is unwilling to assume any of the responsibilities of citizenship.

I think our precedents should be along this line, that when an alien is traveling through our country we should give him every protection to which he is entitled, but if a man should come here, and within a reasonable time declare his intention to become a citizen, then he should be entitled to every protection an alien should have.

Mr. SHARP. Applying that argument to the situation as it involves our relations with Mexico at this time, would the gentleman claim that as to the thousands of American citizens who are in Mexico to-day, and who have very properly, I think, refused to cast off allegiance to America; the Mexican Government owes them no protection down there?

Mr. CAMPBELL. I do not care to be drawn into that phase of the Mexican question, but I will say this: I have not that warm sympathy for American citizens who think that the Mexican Government affords them better opportunities for living and for getting returns on their capital than the Government of the United States.

Mr. SHARP. That does not answer the question.

Mr. COX. Mr. Speaker, will the gentleman yield?

Mr. FLOOD of Virginia. Certainly.

Mr. COX. I presume there must be some treaty obligation between this country and Italy on which the gentleman bases his bill? What does the treaty provide on this point?

Mr. FLOOD of Virginia. The bill is not based on any treaty obligations.

Mr. COX. What is it based upon?

Mr. FLOOD of Virginia. On the sense of justice and equity of this Government, as an act of grace and without reference to the question of liability.

Mr. COX. Then there is nothing in any treaty between this country and Italy that binds us to pay these terms?

Mr. FLOOD of Virginia. I think the treaty would bind us to make a proper indemnity, but the Executive does not put it upon the grounds of treaty rights. It is on the rights and propriety of the situation. Here is an Italian citizen in this country—

Mr. COX. No doubt the gentleman has read the treaty obligations on this point, if any exist between this country and Italy, and if they do, if the gentleman can inform the House, I would like to hear him.

Mr. FLOOD of Virginia. To this extent, that we guarantee the safety of citizens of Italy just as we do our own citizens. We guarantee them against mob violence, against clandestine murder, just as we do our own citizens.

Mr. CULLOP. Is it not the duty of this Government to protect these men against unlawful violence? Our obligation to the Government of Italy was to protect any of its citizens against unlawful violence. This man was taken out of the custody of the officers by a mob, as I understand.

Mr. FLOOD of Virginia. That is a fact.

Mr. CULLOP. Then it becomes our duty, under international obligations, to protect the citizens of Italy and to respond in damages if we do not do that, and that is the basis for this bill, is it not?

Mr. FLOOD of Virginia. That is the basis. The first steps taken were by the authorities of Hillsboro County, Fla., to try to ascertain the perpetrators of this crime and bring them to justice. That they were unable to do, and as a consequence the Italian Embassy, in the name of the Government of Italy, appealed to the sense of equity and justice of this Government for some settlement of this case, and requested that an indemnity of \$6,000 be granted to that end.

Mr. COX. What heirs did he leave?

Mr. FLOOD of Virginia. He certainly left a mother.

Mr. COX. Have you a record?

Mr. FLOOD of Virginia. Yes; we have the evidence here of his mother.

Mr. COX. As I understand now, it is not primarily based upon the treaty obligation but more upon the obligation of humanity that one Government owes to another.

Mr. FLOOD of Virginia. A sense of equity and justice that this Nation owes to a citizen of another nation who happens to be in this country on a legitimate and proper business.

Mr. COX. Does the gentleman now recall any case where any American citizen has been mobbed in a foreign country and recompense made to his heirs in this country?

Mr. FLOOD of Virginia. No; but the Italian Government only recently paid \$25,000 to this Government to reimburse the Archaeological Institute of America. This organization was, at the time of the outbreak of war between Italy and Turkey, engaged in making excavations at the ancient city of Cyrene in northern Africa.

As one of the results of that war the Cyrenaica came into the possession of Italy, and the concession was relinquished to the Italian Government upon the payment by that Government of \$25,000 in compensation to the institute and the interests represented by it for losses incurred, including actual expenditures, the property necessarily abandoned by the individual members of the expeditions, and the sacrifice of the further rights in the scientific exploration of the concession at Cyrene.

Mr. COX. Then I have nothing else to say.

Mr. KINDEL. Mr. Speaker, I desire to ask the gentleman what has been the habit of foreign countries paying Americans for loss of life?

Mr. FLOOD of Virginia. America has been in the habit of insisting upon indemnities.

Mr. KINDEL. How much?

Mr. FLOOD of Virginia. That would depend upon the circumstances of each particular case.

Mr. KINDEL. How do you happen to fix upon the amount of \$6,000?

Mr. FLOOD of Virginia. The Italian Government suggested it to the State Department and Secretary Bryan recommended to Congress that an appropriation of \$6,000 be made. It is a matter of agreement between the Italian ambassador and our Government, through the State Department.

Mr. KINDEL. How much did they pay for the lives lost in Colorado?

Mr. FLOOD of Virginia. I think they are about \$2,000 apiece. There was, however, some question whether the Italians were all then American citizens or citizens of Italy.

Mr. KINDEL. It is a matter of compromise; that is, this \$6,000?

Mr. FLOOD of Virginia. Yes; of agreement.

Mr. KINDEL. It is not based on the value of the youth or the quality of the man or anything of that sort?

Mr. FLOOD of Virginia. It is a matter simply of agreement between the representatives of the two Governments.

The SPEAKER. Is there objection?

Mr. MONDELL. Mr. Speaker, reserving the right to object, I shall not object, and I shall not object largely because the President of the United States, having taken this matter up with the Italian Government and having considered it, I assume, in view of our obligations under our treaty and in view of past precedents, has recommended that the sum be paid.

Except for the recommendation of the President, I should be rather inclined to take the view that has been suggested by my friend from Kansas, that as to the case of this Italian coming here and living here for many years without any effort to take upon himself the responsibilities of citizenship, possibly we have no such obligation as would necessitate or make proper the payment of indemnity. But the President has evidently gone into the matter carefully. The President has considered this in connection with our treaty obligations and in connection with other matters of similar character, and I am very much inclined to favor the enactment of the bill, and shall not object, very largely because of the President's recommendation.

The SPEAKER. The time of the gentleman has expired.

Mr. HARDWICK. Mr. Speaker, will the gentleman yield for a question?

The SPEAKER. Does the gentleman yield?

Mr. FLOOD of Virginia. Yes.

Mr. HARDWICK. I just want to know this, for my own information, as well as for the information of the House: Have we not got any recourse on the local authorities for carelessness and neglect? The fault is not in the United States Government, but in those local authorities down there in Tampa, Fla., according to the case that is made out. Is there no way by which we can make them responsible down there? Are there no precedents along that line?

Mr. FLOOD of Virginia. There is no way that I know of. This Government has always paid indemnity of this character.

Mr. CLARK of Florida. I call for the regular order, Mr. Speaker.

The SPEAKER. The gentleman from Florida [Mr. CLARK] calls for the regular order. The regular order is to put the question for unanimous consent. Is there objection?

There was no objection.

Mr. AUSTIN rose.

The SPEAKER. For what purpose does the gentleman rise?

Mr. AUSTIN. I want to say a few words on this bill before final action is had.

The SPEAKER. The Clerk will report the bill.

The Clerk read as follows:

A bill (H. R. 7384) to authorize the payment of an indemnity to the Italian Government for the killing of Angelo Albano, an Italian subject.

Be it enacted, etc., That there is hereby authorized to be paid, out of any money in the Treasury not otherwise appropriated, out of humane consideration and without reference to the question of liability therefor, to the Italian Government as full indemnity to the heirs of Angelo Albano, an Italian subject who was killed by an armed mob at Tampa, Fla., on the 20th day of September, 1910, the sum of \$6,000.

The SPEAKER. The gentleman from Tennessee [Mr. AUSTIN] is recognized.

Mr. AUSTIN. Mr. Speaker, I am going to vote for this proposition, especially since the President of the United States has recommended it and the Committee on Foreign Affairs, having investigated it, has submitted a favorable report thereon, and inasmuch as the Senate of the United States has passed it without opposition.

But I wish to take this occasion to remind the membership of this House that by the enactment of this bill they place a value of \$6,000 upon the life of an Italian subject. In the Sixty-first Congress and in the Sixtieth Congress, against my protest, the House of Representatives fixed a value on the life of an Ameri-

can citizen at as low as \$500, and in any number of instances at \$1,000 and \$1,500, in the cases of men who had lost their lives in the employ of the United States Government without any fault on their own part. The Committee on Claims of this House in the Sixtieth Congress and in the Sixty-first Congress, in an omnibus claims bill, reported here, recommended appropriations varying from \$1,000 to \$2,000 to compensate a widow and a number of children for the loss of the husband and father; and yet no appeals would reach the hearts of the Members of this House and those bills were passed through here and were sent to the Senate of the United States.

I hope that every man who votes for this bill, carrying an indemnity of \$6,000, as they say, for humanitarian purposes to a foreign subject, will not forget an American citizen when that question comes up for consideration again. [Applause.]

Mr. HARDWICK. Mr. Speaker, will the gentleman yield?

The SPEAKER. Does the gentleman yield?

Mr. AUSTIN. Yes.

Mr. HARDWICK. Mr. Speaker, I would like to ask one question. I quite agree with what the gentleman is saying; but does it not look to the gentleman as though, when the Government of the United States incurs obligations to foreign Governments on account of such transactions as this, there ought to be some way to make these local authorities who are careless reimburse the Federal Government?

Mr. AUSTIN. Yes; there ought to be some authority to compel the local authorities to pay the damages.

Mr. CULLOP. Mr. Speaker, I move to strike out the last word.

The SPEAKER. The gentleman from Indiana [Mr. CULLOP] moves to strike out the last word.

Mr. CULLOP. There is a power already existing under the law to make the local authorities responsible.

Mr. HARDWICK. Mr. Speaker, will the gentleman yield?

The SPEAKER. Does the gentleman yield?

Mr. CULLOP. Yes.

Mr. HARDWICK. Will the gentleman tell me where and how he will proceed to do it? Where is that authority?

Mr. CULLOP. In the law of the land.

Mr. HARDWICK. What part of the law of the land?

Mr. CULLOP. The law for a tort. These people have a recourse, and the Government has recourse. A man charged with the responsibility of executing the law is liable if he does not fulfill his obligations and the promises he has made to his Government. From this obligation he can not escape.

Mr. HARDWICK. If that might be true—and it is true, so far as any liability to a person injured as the result of carelessness is concerned—it would not be true in a case like this, in the absence of legislation, if the Government of the United States, in discharging its obligations to a foreign power, should make an appropriation of this character and seek to get reimbursement. What I have suggested is that we ought to have some sort of legislation by which, when we pay these indemnities that result from the carelessness or inefficiency of local authorities, we could make the local authorities responsible to us and reimburse us in the amount we have paid out.

Mr. CULLOP. I fully agree with the gentleman upon that proposition, but the right already exists to make the negligent or careless party, in this or any other case like it, responsible to the injured party.

Mr. HARDWICK. Yes; I agree with the gentleman about that.

Mr. CULLOP. That right already exists. Now, as to whether the Government should be subrogated to the rights of the parties or not is another question, and one that it might perhaps require legislation to enforce.

Now, Mr. Speaker, some gentlemen on the other side of the aisle of this House have seen proper in the exuberance of their appreciation of small favors to allude to the election in the third congressional district of Maine held on yesterday. They have with much apparent delight referred to it as an indorsement of Republican policies. Such an indorsement as it affords, I take it, can be of but little comfort, and the more they investigate the result and the result of former elections in that district the less comforting it will be. Their joy doubtless is found in the fact that their vote was larger than the vote of the Progressive Party. The Republican and Progressive Parties just exchanged places. Last fall in the election in that district the Republican Party was third in the race and now the Progressive Party is third. Some have gone so far in their enthusiasm over the result as to declare it is a repudiation of Democratic policies and the Wilson administration. This conclusion is far from the fact and the reverse is nearer true.

Last year the Republican candidate for Congress in that district beat the Democratic candidate by about 800 majority. In yesterday's election the Republican was elected over the Democrat by about 500 plurality. If there is comfort in this result for our Republican friends, they are welcome to it; but, for one, I fail to see where it is or why they should rejoice over it. Instead of being a repudiation of the Wilson administration it was an indorsement of the same. It was made the issue and the Democratic candidate received over 150 votes more on yesterday than was cast at the November election last year for President Wilson. The tariff was an issue, the leading one, and the Democratic candidate, Mr. Pattingall, indorsed it, and yet he was only defeated by a small plurality in that rock-ribbed Republican district. The truth is the Republican candidate and those who spoke for him did not dare come out in the open and defend the Payne-Aldrich tariff law; did not dare announce their tariff position. If they had indorsed the Republican tariff law they would have been overwhelmingly defeated. It was repudiated last year in that district and would have been at the election this year if the Republican Party had announced it stood for it.

The result shows it was not the repudiation of the Underwood bill nor the Wilson administration; but, on the other hand, both were indorsed by a larger vote than was cast for the Democratic ticket last fall. This fact refutes their claim and clearly supports the contention that high protection is doomed even in this heretofore stronghold of high protection.

Mr. STEENERSON. I desire to ask the gentleman in charge of the bill if he knows how much is paid for death by wrongful act, under the laws of Florida?

Mr. FLOOD of Virginia. I do not think there is any limitation. I will ask the gentleman from Florida [Mr. CLARK].

Mr. STEENERSON. My recollection is that it is \$5,000.

Mr. FLOOD of Virginia. I do not suppose it is as small as that. I do not know of any State where it is less than \$10,000. I do not think there is any limit in Florida.

Mr. STEENERSON. Oh, yes; it is \$5,000 in several of the States.

Mr. FLOOD of Virginia. I will ask the gentleman from Florida [Mr. CLARK] to state.

Mr. CLARK of Florida. There is absolutely no limit. It is a question entirely for the court and jury. Of course, the supreme court of the State has frequently set aside verdicts as being excessive, but there is absolutely no statute fixing any limit of recovery.

Mr. MOORE. Does the gentleman know the rule that holds in the Department of Commerce or in the War Department with regard to the amount of damages to be paid to an alien who may be employed in the service of the Government?

Mr. FLOOD of Virginia. It is one year's salary, I understand.

Mr. MOORE. That is the rule; so that if Angelo Albano had been employed on river and harbor work, and had been killed in the course of his employment and his yearly wage amounted to \$850, his heirs would have been paid \$850 by this Government?

Mr. FLOOD of Virginia. Yes; I so understand.

Mr. MOORE. Presuming he had been in the employ of the Government and had been rendering it a service, that is the limit, is it not?

Mr. FLOOD of Virginia. That is as I understand it.

Mr. MOORE. But in this instance the sum of \$6,000 has been fixed to pay the heirs of one who was accused of crime, who happened to be an alien, and who therefore came to the notice of the President in view of our international relations. And we are paying what appears to be an excessive sum not because of any service rendered to the Government or any obligation to the heirs of Albano, but because of international relations.

Mr. FLOOD of Virginia. Because this Government failed to protect this man from a mob that murdered him.

Mr. MOORE. Will the gentleman yield for one further question? Could the State of Florida be held in any way responsible for the act of its agents who may have caused the death of Albano?

Mr. FLOOD of Virginia. I do not see any way in which you can hold the State of Florida responsible.

Mr. MOORE. Could the United States recover in any way, or could any arrangement be made with the State of Florida by which this sum might be reimbursed to the United States?

Mr. FLOOD of Virginia. I do not know what arrangement might be made with the State of Florida. I do not know of any way by which the United States could recover from the State of Florida. I do not believe it could.

Mr. STEENERSON. Is there any evidence anywhere as to what was the earning capacity of this man?

Mr. FLOOD of Virginia. Not the slightest. The message of the President puts this claim upon the principles of justice and equity.

Mr. STEENERSON. But the President fails to state whether the man was earning \$100 a year or \$1,000 a year.

Mr. FLOOD of Virginia. I suppose the man was earning more than the interest on \$8,000.

Mr. STEENERSON. It does not appear, nor does it appear anywhere, that he was earning anything.

Mr. FLOOD of Virginia. You might assume that much.

Mr. STEENERSON. It seems to me it was the duty of the State Department to give to Congress the information upon which they arrived at this sum of \$6,000.

Mr. FLOOD of Virginia. We know that he was an Italian subject. Nobody questions that. We know that he was in the custody of the officers of the law, and we know that a mob set upon him, took him from the officers, and murdered him, and under these circumstances it does not seem to me that \$6,000 is excessive.

Mr. STEENERSON. We also know that it was not the United States Government that had him in charge. The State of Florida had him in charge.

Mr. FLOOD of Virginia. The United States Government has assumed responsibility in this case, as it has in all similar cases.

Mr. STEENERSON. It has not done it always.

Mr. FLOOD of Virginia. It has done it wherever it was brought to the attention of the Government and the facts were similar to this case.

Mr. STEENERSON. I think the first instance was the Louisiana case, where Mr. Blaine recognized it as a matter of generosity, not as a matter of right. He expressly stipulated that it was not a matter of right.

Mr. FLOOD of Virginia. The majority of those people had become American citizens. The mistake Mr. Blaine made, and for which he was criticized, was in assuming the responsibility of this Government to pay for American citizens under the circumstances.

Mr. STEENERSON. They were not all American citizens.

Mr. FLOOD of Virginia. Most of them were.

Mr. STEENERSON. It was expressly reserved and stipulated that that should not be considered a precedent.

Mr. FLOOD of Virginia. It has not been urged as a precedent in this case. There have been a half a dozen cases since then which are precedents for the pending bill.

Mr. STEENERSON. I fail to recognize any precedent for this. They are asking \$6,000, and you do not know whether the man was worth \$5,000 or \$6,000. It appears he was charged with homicide, and presumably he was not a very valuable citizen. He probably did not earn very much. It seems to me the State Department ought to inform Congress what kind of a man he was and why we should be appropriating \$6,000.

Mr. MONDELL. Will the gentleman yield?

Mr. STEENERSON. Yes.

Mr. MONDELL. No doubt the gentleman from Minnesota has read the President's recommendation. The recommendation is that this be done as a matter of grace. I am inclined to think the President had good reason for making the recommendation.

Mr. STEENERSON. I will say to the gentleman from Wyoming that I will be equally generous with the President, and concede that he does this as a matter of grace. For that reason I shall not press any further objection, although I think if another case like this comes up there will be more objection to passing the bill than there is at this time. I want to give the President and the State Department fair warning that no case will pass in this House with my consent unless we are shown more facts that will entitle them to the appropriation.

Mr. FLOOD of Virginia. I hope the bill will pass. Italy has simply suggested that when one of her citizens goes abroad in the peaceful pursuit of his own affairs the nationality which he carries shall protect him from clandestine murder by foreign mobs; that under the principles of international law, the comity of nations, and our treaties with her, her citizens who happen within our jurisdiction are entitled to the best, not the worst, treatment which we give our own people.

Less than this we would not accept ourselves, and less than this we are too generous to offer another.

The SPEAKER. The gentleman from Indiana withdraws his pro forma amendment. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. Flood of Virginia, a motion to reconsider the vote whereby the bill was passed was laid on the table.

ADJOURNMENT.

Mr. UNDERWOOD. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock and 15 minutes p. m.) the House, under its previous order, adjourned until to-morrow, Wednesday, September 10, 1913, at 11 o'clock a. m.

EXECUTIVE COMMUNICATION.

Under clause 2 of Rule XXIV, a letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, reports on examination and survey of Menominee Harbor and River, Mich. and Wis., with a view to securing increased depth and width of channel and to extending the improvements as far as practicable above the Ogden Street bridge (H. Doc. No. 228), was taken from the Speaker's table, referred to the Committee on Rivers and Harbors, and ordered to be printed with illustrations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. GLASS, from the Committee on Banking and Currency, to which was referred the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes, reported the same with amendments, accompanied by a report (No. 69), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. POWERS: A bill (H. R. 8007) for the enrollment of certain Choctaw Indians heretofore unidentified and for the settlement of their claims, and for other purposes; to the Committee on Indian Affairs.

By Mr. CLARK of Florida (by request): A bill (H. R. 8008) to authorize the construction of a system of large-diameter underground pneumatic tubes to connect the public buildings in Washington, D. C.; to the Committee on Public Buildings and Grounds.

By Mr. BYRNES of South Carolina: A bill (H. R. 8009) to provide for an experiment in the improvement of post roads by the Secretary of Agriculture in cooperation with the Postmaster General, and for other purposes; to the Committee on Appropriations.

Also, a bill (H. R. 8010) to confer jurisdiction upon the Court of Claims to hear and determine the claims of churches, lodges, and educational or eleemosynary institutions arising from the late Civil War; to the Committee on War Claims.

By Mr. CARAWAY: A bill (H. R. 8011) to amend the practice and procedure in Federal courts; to the Committee on the Judiciary.

By Mr. BARTLETT: Resolution (H. Res. 246) directing the Committee on Expenditures in the Department of Commerce to examine and investigate expenditures in the Bureau of Light-houses; to the Committee on Rules.

By Mr. BYRNES of South Carolina: Joint resolution (H. J. Res. 128) directing the Secretary of Agriculture to cause a survey and investigation to be made of the swamp and tidal lands of the second congressional district of South Carolina, to determine the feasibility and cost of leveeing and draining said lands, and the benefits to agriculture and the public health which would result therefrom; to the Committee on Agriculture.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BARCHFELD: A bill (H. R. 8012) granting a pension to Mary Beherz; to the Committee on Invalid Pensions.

By Mr. BORLAND: A bill (H. R. 8013) for the relief of the heirs of Thomas Rogers, deceased; to the Committee on the Post Office and Post Roads.

By Mr. BYRNES of South Carolina: A bill (H. R. 8014) for the relief of the heirs of Dr. John W. Kirk, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8015) for the relief of the heirs of Joseph G. Thorpe, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8016) for the relief of the legal representatives of Reuben R. Turner; to the Committee on War Claims.

Also, a bill (H. R. 8017) for the relief of Bethesda Baptist Church, of Bamberg County, S. C.; to the Committee on War Claims.

Also, a bill (H. R. 8018) for the relief of Beech Branch Baptist Church, of Hampton County, S. C.; to the Committee on War Claims.

By Mr. FOSTER: A bill (H. R. 8019) granting a pension to Hector C. Fairfowl; to the Committee on Pensions.

Also, a bill (H. R. 8020) granting a pension to Garet Williamson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8021) granting a pension to Norman K. Bedell; to the Committee on Pensions.

Also, a bill (H. R. 8022) granting a pension to Nancy Lee-right; to the Committee on Pensions.

Also, a bill (H. R. 8023) granting a pension to George W. Irvin; to the Committee on Pensions.

Also, a bill (H. R. 8024) granting an increase of pension to D. H. Green; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8025) granting an increase of pension to Rufus M. Patterson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8026) granting an increase of pension to William Snider; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8027) granting an increase of pension to Ella A. Walker; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8028) granting an increase of pension to Joseph Thompson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8029) granting an increase of pension to Charles W. Zahnow; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8030) to remove the charge of desertion from the record of Herman Kneofler; to the Committee on War Claims.

By Mr. LANGLEY: A bill (H. R. 8031) granting a pension to John M. Clark; to the Committee on Pensions.

Also, a bill (H. R. 8032) granting an increase of pension to Mary Pauley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8033) granting an increase of pension to Malinda Pauley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8034) granting an increase of pension to Nancy Moore; to the Committee on Invalid Pensions.

By Mr. LINTHICUM: A bill (H. R. 8035) waiving the age limit for admission to the Pay Corps of the United States Navy in the case of Charles W. Stevenson; to the Committee on Naval Affairs.

By Mr. MOSS of West Virginia: A bill (H. R. 8036) granting a pension to Caroline Parks; to the Committee on Invalid Pensions.

By Mr. SMITH of New York: A bill (H. R. 8037) granting an increase of pension to William H. Chapman; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8038) granting an increase of pension to Michael Minehan; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8039) granting an increase of pension to Thomas H. Caley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8040) granting a pension to William C. Roderick; to the Committee on Pensions.

Also, a bill (H. R. 8041) granting restoration of pension to Eliza Steele, now Riehl; to the Committee on Invalid Pensions.

By Mr. SUTHERLAND: A bill (H. R. 8042) granting a pension to Charles B. Cundiff; to the Committee on Invalid Pensions.

By Mr. TAGGART: A bill (H. R. 8043) granting a pension to Edward H. Lewis; to the Committee on Pensions.

Also, a bill (H. R. 8044) granting a pension to Eva Gerber; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8045) to correct the military record of Samuel D. Jarman; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of Rule XXII, papers were laid on the Clerk's desk and referred as follows:

By Mr. BARCHFELD: Papers to accompany bill granting a pension to Mary Beherz; to the Committee on Invalid Pensions.

SENATE.

WEDNESDAY, September 10, 1913.

The Senate met at 2 o'clock p. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

The Secretary proceeded to read the Journal of yesterday's proceedings, when, on request of Mr. CHAMBERLAIN and by unanimous consent, the further reading was dispensed with and the Journal was approved.

POLICEMEN'S AND FIREMEN'S PENSION ROLLS (S. DOC. NO. 183).

The VICE PRESIDENT laid before the Senate a communication from the Commissioners of the District of Columbia, transmitting in response to a resolution of April 9, 1913, lists showing the names, rate of pensions, employment, and compensations therefor of persons borne on the policemen's and firemen's pension rolls of the District of Columbia, etc., which, with the accompanying paper, was referred to the Committee on the District of Columbia and ordered to be printed.

ESTIMATE OF APPROPRIATION (S. DOC. NO. 182).

The VICE PRESIDENT laid before the Senate a communication from the Secretary of the Treasury, transmitting a letter from the Commissioner of Internal Revenue submitting for inclusion in the deficiency appropriation bill an estimate of deficiency in the sum of \$10,000 in the appropriation for salaries and expenses of agents and subordinate officers of Internal Revenue for the fiscal year ended June 30, 1913, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by D. K. Hempstead, its enrolling clerk, announced that the House had passed the following bill and joint resolution:

S. 2711. An act to provide for the acquiring of station grounds by the Great Northern Railway Co. in the Colville Indian Reservation, in the State of Washington; and

S. J. Res. 68. Joint resolution authorizing the Secretary of the Senate and the Clerk of the House of Representatives to advance to the chairman of the commission appointed under the act approved June 30, 1913, such sums of money as may be necessary for the carrying on of the commission, etc.

The message also announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H. R. 4937. An act extending to the port of Dallas, Tex., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement;

H. R. 7377. An act extending to the port of Perth Amboy, N. J., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement;

H. R. 7384. An act to authorize the payment of an indemnity to the Italian Government for the killing of Angelo Albano, an Italian subject;

H. R. 7595. An act providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition and for the protection of foreign exhibitors; and

H. R. 7898. An act making appropriations to supply urgent deficiencies in appropriations for the fiscal year 1913, and for other purposes.

PETITION.

Mr. OLIVER presented a petition of the Central Labor Union of Scranton, Pa., praying for the adoption of an amendment to the Constitution granting the right of suffrage to women, which was ordered to lie on the table.

HENRY B. FREEMAN.

Mr. CHAMBERLAIN, from the Committee on Military Affairs, to which was referred the bill (S. 2585) for the relief of Henry B. Freeman, asked to be discharged from its further consideration and that it be referred to the Committee on Claims; which was agreed to.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SHAFROTH:

A bill (S. 3101) to authorize the Court of Claims to hear and determine the claims against the United States of the heirs of Andrew D. Huff, deceased; to the Committee on Claims.

By Mr. LANE:

A bill (S. 3102) granting a pension to William W. Oglesby; to the Committee on Pensions.

By Mr. THOMPSON:

A bill (S. 3103) granting a pension to Lucinda Randall (with accompanying papers); to the Committee on Pensions.

By Mr. CATRON:

A bill (S. 3104) for the relief of Fernando Baca; to the Committee on Claims.

A bill (S. 3105) for the construction of a public highway through the Pecos National Forest; to the Committee on Agriculture and Forestry.

By Mr. BRADY:

A bill (S. 3106) to provide for the erection of a public building at Blackfoot, Idaho; to the Committee on Public Buildings and Grounds.

By Mr. DILLINGHAM:

A bill (S. 3107) for the relief of John E. Johnson; to the Committee on Military Affairs.

By Mr. JOHNSON:

A bill (S. 3108) to remove the charge of desertion from the record of Thomas J. Woodworth (with accompanying papers); to the Committee on Military Affairs.

By Mr. JONES:

A bill (S. 3109) for the relief of William H. Hare; and

A bill (S. 3110) for the relief of Ira M. Krutz; to the Committee on Claims.

A bill (S. 3111) granting an increase of pension to Rachel C. Smith; to the Committee on Pensions.

AMENDMENTS TO DEFICIENCY APPROPRIATION BILL.

Mr. PERKINS submitted an amendment providing that the balance remaining upon the books of the Treasury on July 30, 1913, of the appropriation of \$15,000 for improvements at Fort Bidwell School, in California, be reappropriated and made available for the fiscal year ending June 30, 1914, etc., intended to be proposed by him to the urgent deficiency appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

Mr. KERN submitted an amendment authorizing the Secretary of the Treasury to consider, adjudicate, and pay, under the act of Congress approved July 27, 1912, the claim of any trust company for the refund of taxes erroneously assessed or illegally collected under the war-revenue act of July 13, 1898, on its capital, etc., intended to be proposed by him to the urgent deficiency appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

CONSTITUTION OF THE CONFEDERATE STATES (S. DOC. NO. 181).

Mr. JONES. Mr. President, I ask unanimous consent to have printed as a document a paper, being quotations from the statutes at large of the Confederate States of America, edited by James M. Matthews, attorney at law and law clerk to the Department of Justice.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it will be printed as a public document.

SABINE RIVER BRIDGE, TEX.

Mr. SHEPPARD. I ask that the Committee on Commerce be discharged from the further consideration of the bill (H. R. 3406) to authorize the construction of a bridge across the Sabine River at Orange, Tex. I send the bill to the desk, and when the committee has been discharged I shall ask for its present consideration.

The VICE PRESIDENT. Does the Senator from Texas report the bill from the Committee on Commerce?

Mr. SHEPPARD. I am not authorized to make a report of the bill. The committee has held no meeting, but this is mere routine business to which, I believe, there will be no objection.

Mr. GALLINGER. Do I understand correctly that the bill is in the hands of the committee?

The VICE PRESIDENT. The bill was referred on the 20th of August to the Committee on Commerce. The Senator from Texas asks, as the committee have had no meeting, that the committee be discharged from the further consideration of the bill with a view to its passage.

Mr. SHEPPARD. I will state to the Senator from New Hampshire that the parties who want to have the bridge constructed are ready to go to work on it. There was a unanimous report by the House committee on the bill. It is an ordinary bridge bill.

Mr. GALLINGER. I notice that the chairman of the Committee on Commerce is present, and I have no suggestion to make about it.

Mr. CLARKE of Arkansas. Mr. President, the procedure adopted by the Senator from Texas is an erroneous one. Such bills are generally referred to a subcommittee of the Committee on Commerce, and when they are merely formal the subcommittee is authorized to report them to the Senate as the action

of the full committee. There is no reason why that course should not be adopted on the present occasion.

The presentation of the bill at this time may be treated as a report from the Committee on Commerce under that rule. I take the responsibility as chairman and as the organ of the committee to make that announcement. There is no occasion for the discharge of the committee from the further consideration of the bill, because the full committee is never called upon to consider bills of this character, unless there be some objection to the measure.

Mr. WARREN. It is now reported by the subcommittee?

Mr. CLARKE of Arkansas. It is now reported by the subcommittee.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

Mr. OLIVER. I will ask the Senator from Texas whether this matter has been referred to the department?

Mr. SHEPPARD. I have the report from the War Department recommending it.

Mr. OLIVER. It is all right, then.

There being no objection, the bill was considered as in Committee of the Whole.

The bill was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

Mr. SHEPPARD. If there is no objection, I will have the report of the House committee on the bill inserted in the Record at this point.

The VICE PRESIDENT. That may be done.

The report referred to is as follows:

[House Report No. 48, Sixty-third Congress, first session.]

BRIDGE ACROSS THE SABINE RIVER, ORANGE, TEX.

Mr. Rayburn, from the Committee on Interstate and Foreign Commerce, submitted the following report, to accompany H. R. 3406:

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H. R. 3406) to authorize the construction of a bridge across the Sabine River at Orange, Tex., having considered the same, report thereon with a recommendation that it pass.

The bill has the approval of the War Department, as will appear by the letter attached and which is made a part of this report.

[Second indorsement.]

WAR DEPARTMENT,
Washington, July 14, 1913.

Respectfully returned to the chairman Committee on Interstate and Foreign Commerce, United States House of Representatives.

The Chief of Engineers reports that House bill 3406, Sixty-third Congress, first session, to authorize the construction of a bridge across Sabine River at Orange, Tex., makes ample provision for the protection of navigation interests, and I know of no objection to its favorable consideration by Congress, so far as those interests are concerned.

HENRY BRECKINRIDGE,
Assistant Secretary of War.

GARDEN CITY (KANS.) WATER USERS' ASSOCIATION.

Mr. THOMPSON. I ask unanimous consent to call up the bill (S. 221) for the relief of the Garden City (Kans.) Water Users' Association, and for other purposes. The bill has been favorably reported from the Committee on Irrigation and Reclamation of Arid Lands, and it is also recommended by the department.

The VICE PRESIDENT. The Senator from Kansas asks unanimous consent for the present consideration of the bill he has indicated.

Mr. LODGE. Let the bill be read for information.

The VICE PRESIDENT. The Secretary will read the bill.

The Secretary read the bill, as follows:

Be it enacted, etc., That the Secretary of the Interior be, and he is hereby, authorized to have appraised and dispose of at not less than the appraised value, at public or private sale, by sealed bids or otherwise, under such terms as may be approved by him, the irrigation plant built under the terms of the reclamation act of June 17, 1902 (32 Stat. L., p. 388), located in Finney County, Kans., together with the machinery, wells, pumps, transmission lines, and all other appurtenances, and the lands of the United States on which they are located, either as a whole or separately, in his discretion. The Secretary of the Interior is hereby authorized to execute appropriate conveyances for the real property sold hereunder.

SEC. 2. That the contracts heretofore entered into between the Finney County Water Users' Association, of Finney County, Kans., or with individual landowners, and the Secretary of the Interior, for the supply and use of water from the irrigation plant of the United States be, and the same are hereby, canceled and relieved and the liens upon the lands in said county created by such contracts are hereby released and discharged.

SEC. 3. That the Secretary of the Interior shall make to Congress a statement of the expenditure connected with this reclamation project and the amount received from its sale.

Mr. BORAH. I wish to ask the Senator from Kansas a question. The bill, I am aware, was reported from the committee of which I am a member. I understand it is confined to one project, the Garden City project.

Mr. THOMPSON. Yes, sir.

Mr. BORAH. The bill does not affect the reclamation law in any other respect?

Mr. THOMPSON. No, sir. The bill was originally drawn for the purpose of relieving the farmers from the contracts—

Mr. BORAH. I understand the purport of the bill, but I was not sure that it was limited in its operation to this one project.

Mr. THOMPSON. It is.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered as in Committee of the Whole.

The bill was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

HOUSE BILLS REFERRED.

The following bills were severally read twice by their titles and referred to the Committee on Commerce:

H. R. 4937. An act extending to the port of Dallas, Tex., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisal; and

H. R. 7377. An act extending to the port of Perth Amboy, N. J., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisal.

H. R. 7334. An act to authorize the payment of an indemnity to the Italian Government for the killing of Angelo Albano, an Italian subject, was read twice by its title and referred to the Committee on Foreign Relations.

H. R. 7505. An act providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition and for the protection of foreign exhibitors was read twice by its title.

Mr. ASHURST. Mr. President, if I may be indulged to make an observation at this time, I should like to ask the chairman of the Finance Committee if that committee will not examine House bill 7595 to-day and report it favorably?

The VICE PRESIDENT. The bill will be referred to the Committee on Finance.

An act (H. R. 7308) making appropriations to supply urgent deficiencies in appropriations for the fiscal year 1913, and for other purposes, was read twice by its title and referred to the Committee on Appropriations.

EXECUTIVE SESSION.

Mr. BACON. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After 6 hours and 25 minutes spent in executive session the doors were reopened, and (at 8 o'clock and 45 minutes p. m.) the Senate adjourned until tomorrow, Thursday, September 11, 1913, at 12 o'clock m.

NOMINATIONS.

Executive nominations received by the Senate September 10, 1913.

CONSULS GENERAL.

Leo Allen Bergholz, of New York, now consul at Kingston, Jamaica, to be consul general of the United States of America at Dresden, Germany, vice T. St. John Gaffney, nominated to be consul general at Munich.

Joseph I. Brittain, of Ohio, now consul at Prague, to be consul general of the United States of America at Coburg, Germany, vice Frank Dillingham, nominated to be consul general at Winnipeg.

William Coffin, of Kentucky, now consul at Jerusalem, to be consul general of the United States of America at Budapest, Hungary, vice Paul Nash, deceased.

Frank Dillingham, of California, now consul general at Coburg, to be consul general of the United States of America at Winnipeg, Manitoba, Canada, vice John Edward Jones, nominated to be consul general at Genoa.

T. St. John Gaffney, of New York, now consul general at Dresden, to be consul general of the United States of America at Munich, Bavaria, vice Thomas Willing Peters, nominated to be consul at Kingston, Jamaica.

Frederic W. Goding, of Illinois, now consul at Montevideo, to be consul general of the United States of America at Guayaquil, Ecuador, vice Herman R. Dietrich, resigned.

John Edward Jones, of the District of Columbia, now consul general at Winnipeg, to be consul general of the United States of America at Genoa, Italy, vice James A. Smith, nominated to be consul general at Calcutta.

Robert E. Mansfield, of Indiana, now consul general at Zurich, to be consul general of the United States of America at Vancouver, British Columbia, Canada, vice David F. Wilber, nominated to be consul general at Zurich.

James A. Smith, of Vermont, now consul general at Genoa, to be consul general of the United States of America at Calcutta, India, vice William H. Michael, resigned.

Alexander M. Thackara, of Pennsylvania, now consul general at Berlin, to be consul general of the United States of America at Paris, France, vice Frank H. Mason, resigned.

David F. Wilber, of New York, now consul general at Vancouver, to be consul general of the United States of America at Zurich, Switzerland, vice Robert E. Mansfield, nominated to be consul general at Vancouver.

CONSULS.

Homer Brett, of Mississippi, now consul at Maskat, to be consul of the United States of America at Teneriffe, Canary Islands, vice William W. Kitchen, deceased.

Ralph O. Busser, of Pennsylvania, now consul at Erfurt, to be consul of the United States of America at Trieste, Austria, vice Ralph J. Totten, nominated to be consul at Montevideo.

Homer M. Byington, of Connecticut, now consul at Bristol, to be consul of the United States of America at Leeds, England, vice Benjamin F. Chase, nominated to be consul at Leghorn.

Benjamin F. Chase, of Pennsylvania, now consul at Leeds, to be consul of the United States of America at Leghorn, Italy, vice Frank Deedmeyer, nominated to be consul at Prague.

Frank Deedmeyer, of Alabama, now consul at Leghorn, to be consul of the United States of America at Prague, Austria, vice Joseph I. Brittain.

Stuart J. Fuller, of Wisconsin, now consul at Iquitos, to be consul of the United States of America at Durban, Natal, vice Nathaniel B. Stewart, appointed consul at Milan.

James H. Goodier, of New York, to be consul of the United States of America at Tahiti, Society Islands, vice North Winship, appointed consul at Owen Sound.

Graham H. Kemper, of Kentucky, now consul at Cartagena, to be consul of the United States of America at Erfurt, Germany, vice Ralph O. Busser.

Andrew J. McConico, of Mississippi, now consul at St. Johns, Quebec, to be consul of the United States of America at Trinidad, West Indies, vice P. Emerson Taylor, deceased.

Lucien Memminger, of South Carolina, now a consular assistant, to be consul of the United States of America at Rouen, France, vice Charles A. Holder, appointed consul general at Christiania.

Edwin L. Neville, of Ohio, now interpreter at Seoul, to be consul of the United States of America at Antung, China, vice Adolph A. Williamson, nominated to be consul at Tansui.

Samuel C. Reat, of Illinois, now consul at Tansui, to be consul of the United States of America at Calgary, Alberta, Canada, vice E. Scott Hotchkiss.

Thomas Willing Peters, of the District of Columbia, now consul general at Munich, to be consul of the United States of America at Kingston, Jamaica, vice Leo Allen Bergholz.

Walter H. Schulz, of Oklahoma, now consul at Aden, to be consul of the United States of America at Nantes, France, vice Louis Goldschmidt.

Felix Willoughby Smith, of New York, to be consul of the United States of America at Aden, Arabia, vice Walter H. Schulz, nominated to be consul at Nantes.

Henry P. Starrett, of Florida, to be consul of the United States of America at Cartagena, Colombia, vice Graham H. Kemper, nominated to be consul at Erfurt.

Ralph J. Totten, of Tennessee, now consul at Trieste, to be consul of the United States of America at Montevideo, Uruguay, vice Frederic W. Goding, nominated to be consul general at Guayaquil.

Adolph A. Williamson, of the District of Columbia, now consul at Antung, to be consul of the United States of America at Tansui, Taiwan, vice Samuel C. Reat, nominated to be consul at Calgary.

Roger Culver Tredwell, of Indiana, now a consular assistant, to be consul of the United States of America at Bristol, England, vice Homer M. Byington, nominated to be consul at Leeds.

PROMOTION IN THE REVENUE-CUTTER SERVICE.

First Lieut. Harry Gabriel Hamlet to be captain in the Revenue-Cutter Service of the United States, to rank as such from July 19, 1913, in place of Capt. George Metcalf Daniels, retired.

PROMOTIONS IN THE ARMY.

CORPS OF ENGINEERS.

Capt. Gilbert A. Youngberg, Corps of Engineers, to be major from September 3, 1913, vice Maj. Hubert L. Wigmore, who died September 2, 1913.

First Lieut. Frederick B. Downing, Corps of Engineers, to be captain from September 3, 1913, vice Capt. Gilbert A. Youngberg, promoted.

COLLECTOR OF CUSTOMS.

John B. Elliott, of California, to be collector of customs for the southern district of California, in place of Cornelius W. Pendleton, removed.

POSTMASTERS.

ALABAMA.

Edgar Collins to be postmaster at Warrior, Ala., in place of Carter R. Bibb, resigned.

J. A. Wilson to be postmaster at Russellville, Ala., in place of W. L. Chenault, resigned.

ARKANSAS.

John W. Davis to be postmaster at Arkansas City, Ark., in place of E. A. Williams, resigned.

John L. McCain to be postmaster at Crossett, Ark., in place of Edgar H. Finch, resigned.

CALIFORNIA.

C. H. Bronaugh to be postmaster at Ceres, Cal., in place of Myron Warner, resigned.

CONNECTICUT.

James T. Murray to be postmaster at Thompsonville, Conn., in place of Tudor Gowdy. Incumbent's commission expired January 20, 1913.

GEORGIA.

G. L. Carson, sr., to be postmaster at Commerce, Ga., in place of C. C. Alexander. Incumbent's commission expired April 13, 1912.

Marion Lucas to be postmaster at Savannah, Ga., in place of M. S. Baker, jr., resigned.

L. M. Peacock, jr., to be postmaster at Eastman, Ga., in place of Henry C. Newman. Incumbent's commission expired January 30, 1911.

ILLINOIS.

Leslie G. Horrie to be postmaster at Gardner, Ill., in place of Thomas S. Green, resigned.

Henry C. Johnson to be postmaster at Lawrenceville, Ill., in place of John B. Stout, removed.

C. E. Moffitt to be postmaster at Monticello, Ill., in place of H. P. Harris, resigned.

M. F. O'Connor to be postmaster at Harvard, Ill., in place of Michael F. Walsh, resigned.

Alexander Perkins to be postmaster at Cerro Gordo, Ill., in place of A. C. Doyle. Incumbent's commission expired May 12, 1913.

Clyde W. Schoener to be postmaster at Cicero, Ill., in place of Peter McDonald, resigned.

Charles J. Swisher to be postmaster at Sullivan, Ill., in place of Perry J. Harsh, removed.

Patrick H. Tiernan to be postmaster at Macomb, Ill., in place of W. H. Hainline, removed.

IOWA.

Wallace M. Higbee to be postmaster at Fairbank, Iowa, in place of M. J. Collins, removed.

LOUISIANA.

Louis Hebert to be postmaster at White Castle, La., in place of P. P. Blanchard. Incumbent's commission expired January 20, 1913.

MASSACHUSETTS.

John D. Leonard to be postmaster at Whitinsville, Mass., in place of H. W. Dolliver. Incumbent's commission expired February 9, 1913.

MINNESOTA.

W. W. Belden to be postmaster at Caledonia, Minn., in place of E. C. Hellickson, removed.

MISSISSIPPI.

Solomon Seelbinder to be postmaster at Cleveland, Miss., in place of Daniel E. Rosser, resigned.

MISSOURI.

E. H. Smith to be postmaster at Charleston, Mo., in place of George N. Stille, removed.

NEBRASKA.

R. E. Harmon to be postmaster at Auburn, Nebr., in place of W. P. Freeman, resigned.

NORTH CAROLINA.

A. C. Hughes to be postmaster at Apex, N. C., in place of S. V. Hudson. Incumbent's commission expired August 4, 1913.

OHIO.

T. H. Finefrock to be postmaster at Prospect, Ohio, in place of John J. Roberts, removed.

OKLAHOMA.

J. N. Kimberlin to be postmaster at Altus, Okla., in place of J. E. Van Mater. Incumbent's commission expired January 14, 1913.

PENNSYLVANIA.

James W. Hatch to be postmaster at North Girard, Pa., in place of Rush B. Miller, declined.

TEXAS.

T. E. Durham to be postmaster at Longview, Tex., in place of Thomas M. Welch. Incumbent's commission expired July 30, 1913.

S. R. Heard to be postmaster at Rosenberg, Tex., in place of Lee H. Meyer. Incumbent's commission expired July 23, 1913.

June Hickman to be postmaster at Livingston, Tex., in place of James S. Evans. Incumbent's commission expired December 16, 1911.

M. D. Parnell to be postmaster at Chico, Tex., in place of A. L. Williams, removed.

C. H. Sewell to be postmaster at Overton, Tex., in place of R. A. Motley, resigned.

Peter Tighe to be postmaster at Sourlake, Tex., in place of A. McCullough. Incumbent's commission expired August 4, 1913.

WASHINGTON.

H. A. Knapp to be postmaster at Camas, Wash., in place of John W. Conn. Incumbent's commission expired December 16, 1912.

WEST VIRGINIA.

Simms Powell to be postmaster at Parkersburg, W. Va., in place of Frank S. Smith, removed.

WISCONSIN.

J. M. Melchior to be postmaster at Gillett, Wis., in place of Lewis P. Perry. Incumbent's commission expired February 13, 1912.

P. F. Melchior to be postmaster at Wausaukee, Wis., in place of George E. Bograd. Incumbent's commission expired May 16, 1912.

CONFIRMATIONS.

Executive nominations confirmed by the Senate September 10, 1913.

AMBASSADOR.

Joseph E. Willard to be ambassador extraordinary and plenipotentiary to Spain.

MINISTERS.

Thomas H. Birch to be envoy extraordinary and minister plenipotentiary to Portugal.

John Ewing to be envoy extraordinary and minister plenipotentiary to Honduras.

MINISTER RESIDENT AND CONSUL GENERAL.

George W. Buckner to be minister resident and consul general to Liberia.

PROMOTIONS AND APPOINTMENTS IN THE NAVY.

Lieut. Commander Frank Lyon to be a commander.

Lieut. Commander John McC. Luby to be a commander.

Lieut. Frederick L. Oliver to be a lieutenant commander.

Lieut. (Junior Grade) Arthur A. Garcelon, jr., to be a lieutenant.

Passed Asst. Surg. Charles C. Grieve to be a surgeon.

Carpenter Joel A. Davis to be a chief carpenter.

The following-named citizens to be assistant surgeons in the Medical Reserve Corps:

Guthrie McConnell.

Howard A. Tribou.

Stanley E. Crawford.

UNITED STATES ATTORNEYS.

John H. Gleason to be United States attorney for the northern district of New York.

Edwin Lowry Humes to be United States attorney for the western district of Pennsylvania.

Francis Fisher Kane to be United States attorney, eastern district of Pennsylvania.

COMMISSION ON INDUSTRIAL RELATIONS.

The following-named persons to be members of the Commission on Industrial Relations:

Frank P. Walsh.

John R. Commons.

Mrs. J. Borden Harriman.

Frederic A. Delano.

Harris Weinstock.

S. Thruston Ballard.

John B. Lennon.
James O'Connell.
Austin B. Garretson.

POSTMASTERS.

CALIFORNIA.

Thomas Fox, Sacramento.

CONNECTICUT.

J. Edward Elliott, Central Village.

IOWA.

Charles Daniel Huston, Cedar Rapids.

MINNESOTA.

Milton L. Fredine, Maynard.

W. L. McGonagle, Royalton.

OKLAHOMA.

W. H. Davis, Stilwell.

WASHINGTON.

Edgar Battle, Seattle.

WISCONSIN.

Gustave Keller, Appleton.

HOUSE OF REPRESENTATIVES.

WEDNESDAY, September 10, 1913.

The House met at 11 o'clock a. m.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Incline Thine ear, O God our heavenly Father, and hear our petition. As the manna fell from heaven upon the children of Israel, to feed and strengthen them, so let Thy blessing descend upon all the Members of this House, to feed and strengthen them in the work they have been called to do; especially be very near to the Members who are confined to their homes on beds of sickness with Thy healing touch, that they may be restored to health and be permitted again to come and go among us; and everlasting praise be Thine, in the name of the Christ. Amen.

The Journal of the proceedings of yesterday was read and approved.

SPECIAL INVESTIGATING COMMISSION.

Mr. STEPHENS of Texas. Mr. Speaker, I desire to ask unanimous consent to discharge the Committee on Indian Affairs from the further consideration of Senate joint resolution 68 and to consider the same at the present time. I will state this is a resolution from the Senate providing for the payment of the joint expenses of the investigation commission authorized by this House at this session of Congress to be sent to the States of Washington and New Mexico to make report, and this authorizes the chairman of that commission to draw upon the contingent funds of the House and Senate.

The SPEAKER. What committee is it in now?

Mr. STEPHENS of Texas. It is in the Committee on Indian Affairs, and I ask that that committee be discharged.

The SPEAKER. The gentleman from Texas asks unanimous consent that the Committee on Indian Affairs be discharged from the further consideration of the joint resolution which the Clerk will report, and that it may be now considered.

The Clerk read as follows:

Joint resolution (S. J. Res. 68) authorizing the Secretary of the Senate and the Clerk of the House of Representatives to advance to the chairman of the commission appointed under the act approved June 30, 1913, such sums of money as may be necessary for the carrying on of the commission, etc.

Resolved, etc., That to enable the commission appointed under section 23 of the act "Making appropriations for the current and contingent expenses of the Bureau of Indian Affairs, for the fiscal year ending June 30, 1914," approved June 30, 1913, to make the investigation ordered in said section, in the States of Washington and New Mexico; that the Secretary of the Senate and the Clerk of the House of Representatives be, and they are hereby, authorized to advance to the chairman of said commission such sums as may be necessary to pay witnesses, stenographers at not exceeding \$1 per printed page, and for clerical assistance, and the traveling expenses of the commission incident to said investigation from the contingent fund of the Senate and House of Representatives in equal parts; itemized vouchers for all such expenditures on the part of the Senate to be approved by the Committee to Audit and Control the Contingent Expenses of the Senate, and those on the part of the House of Representatives, by the Committee on Accounts of the House of Representatives.

Mr. COX. Mr. Speaker, reserving the right to object, I think the House ought to have some information in regard to this resolution.

Mr. STEPHENS of Texas. For the information of the House I will read the act authorizing the appointment of this com-

mission. This is an act approved very recently, and is part of the last Indian appropriation bill, and reads as follows:

A commission consisting of two members of the Senate Committee on Indian Affairs, to be appointed by the chairman of said committee, and two Members of the House of Representatives to be appointed by the Speaker, is hereby created for the purpose of investigating the necessity and feasibility of establishing, equipping, and maintaining a tuberculosis sanitarium in New Mexico for the treatment of tuberculous Indians, and to also investigate the necessity and feasibility of procuring impounded waters for the Yakima Indian Reservation, or the construction of an irrigation system upon said reservation, to impound the waters of the Yakima River, Wash., for the reclamation of the lands on said reservation, and for the use and benefit of the Indians of said reservation. That said commission shall have full power to make the investigations herein provided for, and shall have authority to subpoena and compel the attendance of witnesses, administer oaths, take testimony, incur expenses, employ clerical help, and do and perform all acts necessary to make a thorough and complete investigation of the subjects herein mentioned, and that said commission shall report to Congress on or before January 1, 1914: *Provided*, That one-half of all necessary expenses incident to and in connection with the making of the investigation herein provided for, including traveling expenses of the members of the commission, shall be paid from the contingent fund of the House of Representatives and one-half from the contingent fund of the Senate on vouchers therefor signed by the chairman of the said commission, who shall be designated by the members of the said commission.

I will state to the gentleman from Indiana that this commission is already organized. We have elected Senator ROBINSON as chairman of this commission. We have ascertained from the wording of this statute that it is impossible to get money advanced to pay railroad tickets, transportation, and so forth, to make this investigation which has to be concluded on the 1st of January next.

Mr. COX. Now, has the gentleman any idea or data which he can give the House as to what this is going to cost?

Mr. STEPHENS of Texas. I have not; but this commission is authorized by the law which I have just read to the gentleman.

Mr. COX. I understand the force of that law, but has the gentleman any data or any information at all which will give us an idea as to what the cost will be?

Mr. STEPHENS of Texas. There are four members of this commission. I presume the railroad tickets will possibly be \$150 each, and we will have a secretary, and possibly we will have to have other employees when we get to the reservations to be investigated.

Mr. COX. How many employees, in addition to the four members, will be taken from the city of Washington to the various places where you are to have hearings?

Mr. STEPHENS of Texas. I understand only one employee will attend the commission from Washington. We will get such other clerical help as we will want in Washington and New Mexico. We simply want to obviate having to advance the money ourselves and to have it advanced from the contingent funds of the two Houses.

The SPEAKER. Is there objection to the present consideration of this joint resolution? [After a pause.] The Chair hears none.

The joint resolution was ordered to be read a third time, was read the third time, and passed.

On motion of Mr. STEPHENS of Texas, a motion to reconsider the vote by which the joint resolution was passed was laid on the table.

INVITATION TO ATTEND GRAND PATRIOTIC MASS MEETING, CHESAPEAKE BEACH, MD.

The SPEAKER. The Chair lays before the House the following communication.

The Clerk read as follows:

138 KENTUCKY AVENUE SE.,
Washington, D. C., September 9, 1913.

UNITED STATES HOUSE OF REPRESENTATIVES,
House Chamber, Washington, D. C.

GENTLEMEN: On behalf of the Federated Patriotic Orders of Washington, D. C., I beg to extend to your honorable body a cordial invitation to attend a grand patriotic mass meeting to be held at Chesapeake Beach, Md., to-morrow (Wednesday, September 10).

Yours, very truly,

JNO. A. MCKNIGHT, Secretary.

CURRENCY.

Mr. UNDERWOOD. Mr. Speaker, I desire to ask unanimous consent that the House may at once take up for consideration the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, and that it shall be in order for the House to resolve itself into Committee of the Whole House on the state of the Union for the consideration of that bill, and that general debate thereon shall be concluded when the House adjourns on Saturday next; that the House in the meantime shall meet at

11 o'clock—that is, on Thursday, Friday, and Saturday—and that one-half of the time shall be controlled by the gentleman from Virginia [Mr. GLASS] and one-half of the time be controlled by the gentleman from California [Mr. HAYES].

Mr. HARDWICK. Mr. Speaker, reserving the right to object, I shall want one hour of the time myself, and I want to know first whether I can get that before I agree.

Mr. UNDERWOOD. That will be in the control of the gentleman from Virginia [Mr. GLASS], and I have no doubt the gentleman can make the arrangement.

Mr. HARDWICK. I would like to know from the gentleman. I am willing to agree to the request, but I want an hour of time.

Mr. GLASS. I can not promise any gentleman one hour's time.

Mr. HARDWICK. Then, Mr. Speaker, I shall have to object.

Mr. MOSS of West Virginia. And I object, Mr. Speaker.

Mr. GLASS. I would say to the gentleman from Georgia [Mr. HARDWICK] that we will do the best we can.

Mr. UNDERWOOD. Mr. Speaker, I demand the regular order.

The SPEAKER. The regular order is that the gentleman from Alabama [Mr. UNDERWOOD] asks unanimous consent—

Mr. UNDERWOOD. I understood the gentleman from Georgia [Mr. HARDWICK] objected.

Mr. HARDWICK. Unless there can be some understanding about the disposition of the time, I shall have to object. I will have an hour the other way, and this way I can not get it.

Mr. GLASS. That may be true; the gentleman may not get it. But I shall do the best I can for him and other Members, but not any more for one Member than for another. [Applause.]

The SPEAKER. The Clerk will call the committees.

Mr. MANN. Mr. Speaker, I suggest to the gentleman from Alabama [Mr. UNDERWOOD] that he ask unanimous consent that this bill be given the status of bills reported from committees having the right to report at any time, so as to make it privileged during the debate on the bill from the first.

Mr. UNDERWOOD. My intention, I will say to the gentleman from Illinois, was, when we reached the bill on the call of committees, to move to go into Committee of the Whole and when we came out to limit debate on Saturday next. No one else will interfere on this side, and those on this side are the only gentlemen who are entitled to call up the bill.

Mr. MANN. I understand; but that would not give the bill a privileged status to-morrow morning, and the committees would have to be called twice every day. I think no one would object to giving the bill a privileged status.

Mr. UNDERWOOD. Then, Mr. Speaker, I ask unanimous consent that the bill H. R. 7837 may have the status of a privileged bill and that the House may at any time resolve itself into Committee of the Whole House on the state of the Union for its consideration.

The SPEAKER. The gentleman from Alabama [Mr. UNDERWOOD] asks unanimous consent that House bill 7837—that is, the currency bill—be given the status of a privileged bill. Is there objection?

Mr. MOORE. Mr. Speaker, reserving the right to object, this bill is brought in this morning as the result of caucus action on the Democratic side without any hearings—public hearings—having been had by the committee in charge and a report is presented which is obtainable by Members for the first time only this morning, which contains 166 printed pages. It is now proposed by unanimous consent to begin immediate debate upon this bill, this side of the House having had no opportunity to hear witnesses or to obtain the benefit of their evidence and the House itself not having had an opportunity to get the benefit of any hearings on the part of those directly interested.

I do not propose to object to the request made by the gentleman from Alabama [Mr. UNDERWOOD], which will enable the majority to work out its will, but as one Representative from a large State whose interests are vitally and prejudicially affected by this bill I desire at this time to register a protest against the secrecy with which the deliberations upon this bill have thus far been conducted by one side of the House only and against the method by which it is proposed to force this legislation through the House.

Mr. MOSS of West Virginia. Mr. Speaker, reserving the right to object, I desire to state that I have not yet had the opportunity to investigate the bill just reported. I may vote for the bill. I intend to vote for it if I conclude that it is for the best interests of the country. I am not taking this position on any partisan ground; but I do believe that a bill which is as important as any that can pass this House ought to receive con-

sideration of more than four days in debate by the Members of this House.

A great many of us think we know something about the tariff bill. Almost everybody has an opinion on the tariff; but there are comparatively few men who have any knowledge of this banking subject; and I want to say in all frankness that my sole desire is simply to understand the provisions of this bill. I do not believe that the Members of the House can get a comprehensive grasp of the bill in four days, but I have no objection to its immediate consideration, as proposed by the gentleman from Alabama [Mr. UNDERWOOD].

The SPEAKER. Is there objection?

Mr. MURDOCK. I should like to ask the gentleman from Alabama whether it is the intention to let these sessions of the House run on into the night?

Mr. UNDERWOOD. That will be entirely in the control of the gentleman from Virginia [Mr. GLASS]; but I understand it is his intention to have night sessions when there is anybody here to speak.

Mr. MURDOCK. I should like to ask the gentleman from Virginia [Mr. GLASS] about that—whether it is his intention to have night sessions?

Mr. GLASS. It is.

Mr. MURDOCK. As long as men offer themselves to speak?

Mr. GLASS. Yes.

The SPEAKER. Is there objection to the request of the gentleman from Alabama for unanimous consent to give this bill the status of a privileged bill? The Chair hears none, and it is so ordered.

Mr. UNDERWOOD. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of House bill 7837.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes, with Mr. GARNER in the chair.

Mr. GARNER took the chair amid general applause.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the purpose of considering House bill 7837, which the Clerk will report.

The Clerk read the title of the bill.

Mr. UNDERWOOD. Mr. Speaker, I ask unanimous consent to dispense with the first reading of the bill.

The CHAIRMAN. The gentleman from Alabama asks unanimous consent to dispense with the first reading of the bill. Is there objection?

There was no objection.

Mr. UNDERWOOD. Mr. Chairman, this is a very important bill, one that I think should be acted on as speedily as possible, allowing due latitude for debate.

My purpose in making this statement is to start the debate, so that in accordance with the rule the committee may rise and go back into the House and fix a time for closing general debate. Therefore, having now made this statement in debate, I move that the committee do now rise and report the bill back to the House.

Mr. MANN. Mr. Chairman, there is some doubt as to whether that is a beginning of debate on the bill. I suggest that the gentleman prefer a request for unanimous consent in the committee.

Mr. UNDERWOOD. I do not think the committee has the authority, but I will prefer the request in the House.

Mr. MANN. Oh, the committee has the authority. Of course, it could not do it by a vote, but it has the authority by unanimous consent.

Mr. UNDERWOOD. I do not think the committee has authority to close general debate in the committee; but I will renew the request.

Mr. MANN. That is frequently done, I will say to the gentleman.

Mr. UNDERWOOD. I will renew the request when we get back into the House, before making the motion. I move that the committee do now rise.

The motion was agreed to.

The committee accordingly rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision

of banking in the United States, and for other purposes, and had come to no resolution thereon.

Mr. UNDERWOOD. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of H. R. 7837; and pending that motion I ask unanimous consent that all general debate on the bill be concluded when the House adjourns on Saturday next. If that request is granted, I shall move that the House meet each morning at 11 o'clock.

Mr. HARDWICK. You make no request about the control of the time?

Mr. UNDERWOOD. I have not included that. I understood the gentleman from Georgia intended to object.

Mr. HARDWICK. No; I do not know that I shall object, provided I can get an answer to one question from the gentleman from Virginia. I will ask the gentleman, Are the demands on his time so great that it will preclude him from letting me have an hour in which to speak on the bill?

Mr. GLASS. Frankly, I can not say. I have many applications for time. I think it likely I shall be unable to give any gentleman who is not a member of the committee an hour's time.

Mr. HARDWICK. The reason I ask, still reserving the right to object, is this: While I do not want to be captious about making an agreement, I think I can get the time I wish for under the rules of the House if we make no agreement. At any rate, I think I will have a better chance than under the proposed agreement. If the gentleman has ample time, he can give it to me. I know what my rights are, and I think I can protect them.

Mr. GLASS. I want to say to my friend in all kindness that I do not intend to give him any advantage over other Members.

Mr. HARDWICK. I do not want any advantage over other gentlemen, but the gentleman can not deprive me of my rights.

Mr. GLASS. I have no disposition to interfere with the gentleman's rights.

Mr. HARDWICK. Unless there is some reasonable prospect that I may get the time, I shall have to object. What time is the gentleman going to give the others?

Mr. GLASS. I have already said that I will put my friend from Georgia on a plane of equality with all the other Members and give him as much time as I possibly can.

Mr. HARDWICK. That is the point. How many applications has the gentleman—enough to take up all the time?

Mr. GLASS. So far I have 28 applications.

Mr. HARDWICK. Has the gentleman figured out how much time we will have for debate?

Mr. GLASS. Eighteen hours on this side.

Mr. HARDWICK. Will the gentleman assure me that he can give me 30 minutes?

Mr. GLASS. I think so.

Mr. HARDWICK. Well, then, I will not object, if I can get my fair share of the time, as the gentleman from Virginia [Mr. GLASS] assures me.

Mr. CALLAWAY. Mr. Speaker, I am not a member of the committee. I want to discuss this bill, but I know and every Member of this House knows that no Member can discuss the bill in 30 minutes. He can not start it in 30 minutes. I do not think we are so pressed on this important question that men should be cut down to 30 minutes because they are not members of the committee. This is a matter of vital importance to the people of the country. We have been sitting here all summer through the heat, most of the time doing practically nothing, and now we have got the bill before the House and they want to cut us down to four days. No man can discuss this bill in 30 minutes and do it justice.

The SPEAKER. Is there objection?

Mr. CALLAWAY. Mr. Speaker, if I can not get some assurance of enough time to discuss the bill, I shall have to object.

Mr. UNDERWOOD. I have no doubt the gentleman from Virginia will yield as much time to the gentleman from Texas as he can.

Mr. CALLAWAY. We can extend this time so as to give a man who really wants to discuss the matter time to discuss it.

Mr. UNDERWOOD. I will say that it is important that we shall get an early vote on this bill, and I think four days' discussion is a liberal debate.

Mr. CALLAWAY. It is evidently not liberal if it does not give all men who want to discuss it time to discuss it.

Mr. UNDERWOOD. I think the gentleman from Virginia will arrange to give the gentleman a reasonable time.

Mr. MURDOCK. If the gentleman from Texas is in need of more time for discussion, what does he think of Members on this side that have not had the benefit of the Democratic caucus?

Mr. UNDERWOOD. They have had the benefit of the bill.

The SPEAKER. The Chair wishes to say that the Chair forgot to announce this morning that this is Calendar Wednesday. I think everyone else forgot it.

Mr. UNDERWOOD. Mr. Speaker, I move that proceedings under Calendar Wednesday be dispensed with.

The SPEAKER. The gentleman from Alabama moves that the proceedings under Calendar Wednesday be dispensed with.

The question was taken; and two-thirds having voted in favor thereof, the motion was agreed to.

The SPEAKER. The gentleman from Alabama asks unanimous consent that general debate on the currency bill (H. R. 7837) shall end when the House adjourns next Saturday night. Is there objection?

Mr. MONDELL. Mr. Speaker, reserving the right to object, the gentleman from Alabama must appreciate that this is the most important legislation, with the exception possibly of the tariff legislation that is about to be disposed of finally, that has been before Congress for a great many years; that it is a great nonpartisan question, and that it is a question about which there is a great difference of opinion in the country.

Mr. RAKER. Mr. Speaker, I call for the regular order.

The SPEAKER. The regular order is demanded, and the regular order is—

Mr. MOSS of West Virginia. Mr. Speaker, I rise to a point of order.

The SPEAKER. The gentleman will state it.

Mr. MOSS of West Virginia. I submit it is not proper, when a gentleman has been recognized by the Speaker and is speaking, to call for the regular order.

The SPEAKER. The gentleman had not the floor except for the purpose of reserving the right to object. If he had had the floor in his own right to make a speech in debate, that is another thing.

Mr. MURDOCK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MURDOCK. If a man calls for the regular order, should he not rise to his feet?

Mr. RAKER. Mr. Speaker, I called for the regular order, and I am on my feet and I call for it now.

Mr. MURDOCK. But the gentleman was not on his feet when he first called for the regular order.

The SPEAKER. The point of order raised by the gentleman from Kansas is absolutely correct. When gentlemen desire to address the House or the Chair for any purpose whatever they must rise, otherwise they are not entitled to be heard at all. The gentleman from California is on his feet and demands the regular order.

Mr. MADDEN. Mr. Speaker, some time ago I rose, was recognized by the Chair, and demanded the regular order.

The SPEAKER. That is true, and the Chair started to put it and then some other gentleman intervened.

Mr. MADDEN. It was my good nature—

Mr. MOSS of West Virginia. Mr. Speaker, I object to the unanimous consent asked for.

The SPEAKER. The gentleman from West Virginia [Mr. Moss] objects.

Mr. UNDERWOOD. Mr. Speaker, pending the motion to go into the Committee of the Whole House on the state of the Union I move that all general debate on this bill be closed when the House adjourns on Saturday next.

The SPEAKER. The gentleman from Alabama moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of H. R. 7837, generally known as the currency bill, and pending that motion he moves that all general debate on the bill close when the House adjourns on next Saturday.

Mr. BATHRICK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. BATHRICK. I have been very anxious to get some time on this subject, as all the rest of the gentlemen here, and I want to know if this motion of the gentleman from Alabama for the previous question prevails what rights have I?

The SPEAKER. The gentleman has not any at all [laughter], except the gentleman can get some time from the gentleman from Virginia [Mr. GLASS] or some from the gentleman from California [Mr. HAYES].

Mr. HARDWICK. Oh, Mr. Speaker, that is not included in this request.

The SPEAKER. That is true. The request has not been made.

Mr. MURDOCK. Mr. Speaker, who will have control of the time?

The SPEAKER. The Chairman of the Committee of the Whole House on the state of the Union will have control of the time, and the Chair takes it for granted he will proceed as

the practices of the House have been and will recognize the gentleman from Virginia for an hour, and then he will recognize, unless his time is continued by unanimous consent, the gentleman from California [Mr. HAYES] for an hour, and alternate that way until he gets through with the committee, and then the first Member who could get up—if that did not take all the time—who got recognition, would get an hour, and so on ad infinitum.

Mr. MURDOCK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MURDOCK. The preference of recognition in the Committee of the Whole will go to members of the Banking Committee?

The SPEAKER. Why, of course.

Mr. MURDOCK. That would exclude all the rest of the House.

The SPEAKER. That is the practice of the House. Of course the Speaker can not tell what the Chairman of the Committee of the Whole will do. That is what the Speaker would do if he were Chairman.

Mr. BATHRICK. On that ruling there will be 21 members of the committee, will there not?

Mr. MANN. Mr. Speaker, I call for the regular order.

The SPEAKER. The regular order is the motion of the gentleman from Alabama that the House resolve itself into the Committee of the Whole House on the state of the Union to consider this currency bill, and supplementing that is the motion that general debate on the currency bill close when the House adjourns next Saturday. The Chair will put the last motion first.

Mr. MOSS of West Virginia. Mr. Speaker, I raise the point of no quorum—Mr. Speaker, I withdraw it for the present.

Mr. HULINGS. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman rise?

Mr. HULINGS. Mr. Speaker, I got up for the purpose of suggesting again to the gentleman—

Mr. MANN. Mr. Speaker, I ask for the regular order.

The SPEAKER. The regular order has been demanded—

Mr. HULINGS. I move to amend the motion.

The SPEAKER. The gentleman has a right to amend it.

Mr. UNDERWOOD. Mr. Speaker, I desire to make the point of order that a quorum has been demanded.

The SPEAKER. The gentleman from West Virginia [Mr. Moss] withdrew that point.

Mr. UNDERWOOD. Then, Mr. Speaker, I move the previous question on the two motions.

The SPEAKER. The gentleman from Alabama [Mr. UNDERWOOD] moves the previous question on both of these motions. The question is on ordering the previous question.

The previous question was ordered.

The SPEAKER. The question is, whether general debate shall close when the House adjourns next Saturday night.

The question was taken, and the Speaker announced that the "ayes" seemed to have it.

Mr. MANN. I object to the vote, Mr. Speaker, and make the point that there is no quorum present, so that Members may be inconvenienced in the roll call.

The SPEAKER. The Chair will count. [After counting.] One hundred and ninety-three gentlemen are present, not a quorum. The Doorkeeper will lock the doors, the Sergeant at Arms will notify the absentees, and the Clerk will call the roll. Those in favor of limiting general debate until the adjournment next Saturday night will, when their names are called, answer "yea"; those opposed will answer "nay."

The question was taken; and there were—yeas 188, nays 80, answered "present" 6, not voting 155, as follows:

YEAS—188.

Abercrombie	Burke, Wis.	Difenderfer	Graham, Ill.
Adair	Burnett	Dixon	Gray
Adamson	Byrns, Tenn.	Donovan	Green, Iowa
Alexander	Candler, Miss.	Doolittle	Gregg
Allen	Caraway	Doremus	Hardwick
Aswell	Carr	Dupré	Hardy
Baltz	Casey	Edwards	Harrison
Barkley	Chandler, N. Y.	Evans	Hart
Barnhart	Church	Falcon	Hay
Bartlett	Clark, Fla.	Ferguson	Hayden
Bathrick	Claypool	Ferris	Heflin
Beakes	Clayton	FitzHenry	Helm
Blackmon	Cline	Flood, Va.	Helvering
Booher	Collier	Floyd, Ark.	Henry
Borchers	Connolly, Kans.	Foster	Hensley
Borland	Covington	Gallagher	Hill
Bowdler	Cox	Garner	Houston
Brockson	Cullop	Garrett, Tenn.	Howard
Brodbeck	Davenport	George	Hughes, Ga.
Brumbaugh	Decker	Gittins	Hull
Buchanan, Ill.	Deitrick	Glass	Humphreys, Miss.
Buchanan, Tex.	Dent	Godwin, N. C.	Igoe
Buikley	Dickinson	Goodwin, Ark.	Jacoway
Burgess	Dies	Gorman	Johnson, Ky.

Johnson, S. C.	Montague	Reilly, Wis.	Tavener
Jones	Moon	Riordan	Taylor, Ala.
Kennedy, Conn.	Morrison	Rothermel	Taylor, Ark.
Kettner	Moss, Ind.	Rouse	Taylor, Colo.
Kirkpatrick	Murray, Okla.	Rube	Ten Eyck
Kitchin	Neeley	Russell	Thomas
Konop	O'Brien	Seldomridge	Thompson, Okla.
Korby	Oglesby	Shackelford	Townsend
Lazaro	Oldfield	Sims	Tribble
Lee, Ga.	Padgett	Smith, N. Y.	Tuttle
Lee, Pa.	Page	Smith, Tex.	Underwood
Lever	Peters	Stanley	Vaughan
Lieb	Peterson	Stedman	Walker
Linthicum	Phelan	Stephens, Miss.	Watkins
Lloyd	Post	Stephens, Nebr.	Watson
Logue	Pou	Stephens, Tex.	Weaver
Loneragan	Quin	Stevens, N. H.	Webb
McDermott	Ragsdale	Stone	Whitacre
McKellar	Rainey	Stout	Williams
McKenzie	Raker	Stringer	Wilson, Fla.
Magnire, Nebr.	Rauch	Summers	Wingo
Metz	Rayburn	Taggart	Witherspoon
Mitchell	Reed	Talcott, N. Y.	Young, Tex.

NAYS—80.

Anderson	Greene, Vt.	MacDonald	Sinnott
Austin	Hayes	Madden	Slomp
Avis	Hinebaugh	Manahan	Sloan
Baker	Howell	Mann	Smith, Idaho
Barton	Hulings	Mapes	Smith, J. M. C.
Britten	Humphrey, Wash.	Mondell	Smith, Minn.
Burke, Pa.	Johnson, Utah	Moore	Smith, Saml. W.
Callaway	Johnson, Wash.	Morgan, Okla.	Staford
Campbell	Keister	Moss, W. Va.	Steenerson
Cooper	Kelley, Mich.	Murdock	Stevens, Cal.
Curry	Kelly, Pa.	Nelson	Switzer
Dillon	Kennedy, Iowa	Norton	Temple
Doughton	Kinkaid, Nebr.	Payne	Thomson, Ill.
Dyer	Kreider	Platt	Towner
Edmonds	Lafferty	Plumley	Vare
Esch	Langley	Powers	Volstead
Falconer	Lewis, Pa.	Rogers	Wallin
Fess	Lindbergh	Rupley	Willis
Fordney	Lindquist	Scott	Woodruff
Frear	McLaughlin	Sells	Young, N. Dak.

ANSWERED "PRESENT"—6.

Browning	Crisp	McGuire, Okla.	Talbott, Md.
Carter	Guernsey		

NOT VOTING—155.

Alken	Driscoll	Hobson	Parker
Alney	Dunn	Holland	Patten, N. Y.
Ansberry	Eagan	Hoxworth	Patton, Pa.
Anthony	Eagle	Hughes, W. Va.	Pepper
Ashbrook	Elder	Kahn	Porter
Bailey	Estopinal	Keating	Prouty
Barchfeld	Fairchild	Kennedy, R. I.	Reilly, Conn.
Bartholdt	Farr	Kent	Richardson
Beall, Tex.	Fields	Key, Ohio	Roberts, Mass.
Bell, Cal.	Finley	Kiess, Pa.	Roberts, Nev.
Bell, Ga.	Fitzgerald	Kindel	Roddenbery
Bremner	Fowler	Kinkead, N. J.	Rucker
Broussard	Francis	Knowland, J. R.	Sabath
Brown, N. Y.	French	La Follette	Saunders
Brown, W. Va.	Gard	Langham	Scully
Browne, Wis.	Gardner	L'Engle	Sharp
Bruckner	Garrett, Tex.	Lenroot	Sherley
Bryan	Gerry	Leshor	Sherwood
Burke, S. Dak.	Gillett	Levy	Shreve
Butler	Gilmore	Lewis, Md.	Sisson
Byrnes, S. C.	Goeke	Lobeck	Slayden
Calder	Goldfogle	McAndrews	Small
Carew	Good	McClellan	Smith, Md.
Carlin	Gordon	McCoy	Sparkman
Cary	Goulden	McGillicuddy	Stevens, Minn.
Clancy	Graham, Pa.	Mahan	Sutherland
Connolly, Iowa	Greene, Mass.	Maher	Taylor, N. Y.
Conry	Griest	Martin	Thacher
Copley	Griffin	Merritt	Treadway
Cramton	Gudger	Miller	Underhill
Crosser	Hamill	Morgan, La.	Walsh
Curley	Hamilton, Mich.	Morin	Walters
Dale	Hamilton, N. Y.	Mott	Whaley
Danforth	Hamilu	Murray, Mass.	White
Davis	Hammond	Nolan, J. I.	Wilder
Dershem	Haugen	O'Hair	Wilson, N. Y.
Donohoe	Hawley	O'Leary	Winslow
Doolling	Helgesen	O'Shaunessy	Woods
	Hinds	Palmer	

So the motion to limit debate was agreed to.
The Clerk announced the following pairs:

For the session:

Mr. SLAYDEN with Mr. BARTHOLDT.

Mr. SCULLY with Mr. BROWNING.

Mr. HOBSON with Mr. FAIRCHILD.

Until further notice:

Mr. THACHER with Mr. WINSLOW.

Mr. SPARKMAN with Mr. J. I. NOLAN.

Mr. SMALL with Mr. MORIN.

Mr. SHARP with Mr. LENROOT.

Mr. SABATH with Mr. WOODS.

Mr. RUCKER with Mr. SUTHERLAND.

Mr. REILLY of Connecticut with Mr. WILDER.

Mr. PEPPER with Mr. WALTERS.

Mr. PATTEN of New York with Mr. TREADWAY.

Mr. O'HAIR with Mr. SHREVE.

Mr. MORGAN of Louisiana with Mr. MARTIN.

Mr. MURRAY of Massachusetts with Mr. ROBERTS of Massachusetts.

Mr. MCANDREWS with Mr. ROBERTS of Nevada.

Mr. LOBECK with Mr. LANGHAM.

Mr. LEVY with Mr. MOTT.

Mr. KINKEAD of New Jersey with Mr. KIESS of Pennsylvania.

Mr. KEATING with Mr. LA FOLLETTE.

Mr. HOLLAND with Mr. KENNEDY of Rhode Island.

Mr. HAMMOND with Mr. KAHN.

Mr. HAMLIN with Mr. HELGESEN.

Mr. GRIFFIN with Mr. HAUGEN.

Mr. GORDON with Mr. GRIEST.

Mr. GOLDFOGLE with Mr. HAMILTON of New York.

Mr. GOEKE with Mr. HAMILTON of Michigan.

Mr. GILMORE with Mr. GREENE of Massachusetts.

Mr. FRANCIS with Mr. GRAHAM of Pennsylvania.

Mr. FINLEY with Mr. FRENCH.

Mr. FIELDS with Mr. GOOD.

Mr. ESTOPINAL with Mr. FARR.

Mr. ELDER with Mr. DUNN.

Mr. DRISCOLL with Mr. COPLEY.

Mr. DALE with Mr. CARY.

Mr. CURLEY with Mr. CRAMTON.

Mr. CONRY with Mr. BRYAN.

Mr. CARLIN with Mr. BUTLER.

Mr. CANTRILL with Mr. BROWNE of Wisconsin.

Mr. BROWN of West Virginia with Mr. ANTHONY.

Mr. BEALL of Texas with Mr. DANFORTH.

Mr. O'LEARY with Mr. AINEY.

Mr. ASHBROOK with Mr. BELL of California.

Mr. MCCOY with Mr. STEVENS of Minnesota.

Mr. TALBOTT of Maryland with Mr. MERRITT.

Mr. SHERLEY with Mr. GILLETT.

Mr. FITZGERALD with Mr. CALDER.

Mr. CARTER with Mr. MCGUIRE of Oklahoma.

Mr. FOWLER with Mr. MILLER.

Mr. BRUCKNER with Mr. HAWLEY.

Mr. RICHARDSON with Mr. PORTER.

Mr. PALMER with Mr. PATTON of Pennsylvania.

Mr. O'SHAUNESSY with Mr. PARKER.

Mr. BELL of Georgia with Mr. BURKE of South Dakota.

Mr. BYRNES of South Carolina with Mr. BARCHFELD.

Mr. MCCLELLAN with Mr. J. R. KNOWLAND.

Mr. MCGILICUDDY with Mr. GUERNSEY.

Mr. CRISP with Mr. HINDS.

On this vote:

Mr. SISSON with Mr. PROUTY.

Mr. GUERNSEY. Mr. Speaker, I voted no. I wish to withdraw my vote and answer present.

The result of the vote was announced as above recorded.

The SPEAKER. A quorum is present. The doorkeeper will unlock the doors. Those in favor of resolving—

Mr. UNDERWOOD. Mr. Speaker, pending the motion to go into the Committee of the Whole House on the state of the Union, I desire to request that on Thursday, Friday, and Saturday the House meet at 11 o'clock.

The SPEAKER. The gentleman from Alabama moves that the House resolve itself into the Committee of the Whole House on the state of the Union to consider the currency bill—H. R. 7837—and pending that he asks unanimous consent that on Thursday, Friday, and Saturday the House meet at 11 o'clock a. m. instead of 12 noon. Is there objection to the request?

Mr. DYER. Mr. Speaker, reserving the right to object, will not the gentleman say 10 o'clock and give us a little more time?

Mr. UNDERWOOD. I think it will be difficult to get anybody here at 10 o'clock. I have no objection myself, but I think 11 o'clock is early enough.

Mr. DYER. I have no objection.

The SPEAKER. Is there objection to the request of the gentleman fixing the time of the meeting for the rest of the week at 11 o'clock instead of 12?

There was no objection.

Mr. UNDERWOOD. Now, Mr. Speaker, pending the motion to go into the Committee of the Whole House on the state of the Union, I ask unanimous consent that all Members of the House may have leave to print on this bill up to and including five legislative days after the final vote on the bill, and I also include in the request that the time for general debate may be equally divided between the two sides of the House, the gentleman from Virginia [Mr. GLASS] to control one half and the gentleman from California [Mr. HAYES] to control the other half in general debate.

The SPEAKER. Pending the motion to go into Committee of the Whole, the gentleman from Alabama asks unanimous consent that all gentlemen have five legislative days after this bill is disposed of by the House to print remarks in the Record, and also that the time be controlled one half by the gentleman from Virginia [Mr. GLASS] and the other half by the gentleman from California [Mr. HAYES]. Is there objection?

Mr. UNDERWOOD. Mr. Speaker, I desire it understood that my request is that gentlemen have either leave to print or to extend remarks.

The SPEAKER. Either leave to print or to extend. Is there objection?

There was no objection.

The SPEAKER. The question is on the motion that the House resolve itself into the Committee of the Whole House on the state of the Union to consider the currency bill—H. R. 7837.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the currency bill—H. R. 7837—with Mr. GARNER in the chair.

Mr. GLASS. Mr. Chairman, I desire to present to the House, as in Committee of the Whole, a brief explanation of H. R. 7837, reported from the Banking and Currency Committee, with immaterial amendments, and to give the reasons which actuated the committee in its construction and consideration of this measure. I would ask the kind indulgence of my colleagues as I make this presentation of the bill, and would especially request that the continuity of my speech be not interrupted, as the topic is technical and as I am unused to addressing the House. When we come to consider the bill paragraph by paragraph under the five-minute rule the chairman of the committee and other members who have collaborated with him will be glad to answer all questions, if they can.

I think it is pretty generally agreed that there is a pressing necessity for currency legislation in this country. The country itself thinks so if any significance may be attached to the thousands of letters received by the Banking and Currency Committee of the House within the last six months or to the resolutions passed by hundreds of commercial bodies throughout the United States calling for immediate consideration and action by Congress. From every quarter and from all classes of citizens the demand has proceeded; and, in the judgment of the Banking and Currency Committee, Congress should no longer evade an imperative duty.

"A BARBAROUS SYSTEM."

For more than a quarter of a century there have been strong symptoms of an intense dissatisfaction with the prevailing national banking and currency system; and this spirit of discontent has been accentuated as, from time to time, the utter inadequacy of the system has been made manifest in periods of financial peril. While the existing system has operated satisfactorily under ordinary business conditions, and while the administration of the system for the 50 years of its history furnishes a high tribute to the integrity and efficiency of those concerned in its operation and oversight, its very best friend is bound to admit that in time of stress and storm it has broken down utterly. This has occurred so often and the ensuing disaster has been so dreadful as to cause the banking experts of other nations and practical financiers everywhere to marvel at our continued failure either to adopt a better system or correct the evils of the one we have. Financial textbook writers of Europe have characterized our American system as "barbarous," and eminent bankers of this country who, from time to time, have appeared before the Banking and Currency Committee of the House, have not hesitated to confess that this bitter criticism is merited. While we may boast that no note holder has ever lost a dollar, and that the losses of depositors constitute an inconsiderable percentage of the total liabilities of the banks, nevertheless the failure of the system in acute exigencies has caused widespread business demoralization and almost universal distress. Five times within the last 30 years financial catastrophe has overtaken the country under this system; and it would be difficult to compute the enormous losses sustained by all classes of society—by the banks immediately involved; by the merchants whose credits were curtailed; by the industries whose shops were closed; by the railroads whose cars were stopped; by the farmers whose crops rotted in the fields; by the laborer who was deprived of his wage. The system literally has no reserve force. The currency based upon the Nation's debt is absolutely unresponsive to the Nation's business needs. The lack of cooperation and coordination among the more than 7,300 national banks produces a curtailment of facilities at all periods

of exceptional demand for credit. This peculiar defect renders disaster inevitable.

EFFORTS AT REFORM.

For years the business and banking community has been casting about for a remedy. In 1898 the Indianapolis Monetary Commission met and offered suggestions which were ignored. Later the American Bankers' Association at Atlantic City drafted an emergency currency bill which was introduced by Mr. Fowler, referred to the Banking and Currency Committee, but never reported or enacted into law. Several years thereafter we had the Lovering bill, and next the Fowler bill, consideration of which latter measure was rudely interrupted by the action of the Republican congressional caucus in May, 1908. Ignoring the Banking and Currency Committee, the party caucus agreed upon the Vreeland bill for an emergency currency and caused the discharge of the House Banking and Currency Committee from further consideration of currency matters at that session of Congress. Meanwhile, Mr. Aldrich had introduced a bill in the Senate and, by an act of legislative miscegenation, the two became one, and in hyphenated form we have the Vreeland-Aldrich law, which soon will expire by limitation. Not one dollar of currency has ever been issued under its provisions, thus literally confirming the prediction made at the time by those who opposed the measure. However, the commission for which the bill provided was duly appointed and for three years, at a cost of nearly \$300,000 to the Government, prosecuted the work of investigation, making its report and recommendations to the Sixty-second Congress.

THE ALDRICH SCHEME.

I do not desire at this time to make any comments upon the work of the Monetary Commission. It is treated in some detail in the report of the Banking and Currency Committee which accompanies the bill now under consideration. It is sufficient to say that those members of the Banking and Currency Committee peculiarly charged with the responsibility of recommending legislation felt precluded from considering the so-called Aldrich bill by reason of the fact that the platform of the Democratic Party adopted at Baltimore explicitly denounced that proposed legislation. It is interesting to note also that the platform of the Progressive Party likewise denounced the plan of the Monetary Commission, while the platform of the Republican Party was silent on the subject. The wisdom of these platform declarations has since been justified by the fact that thousands of bankers have abandoned the Aldrich bill and even some of those whom it was most intended to benefit have publicly confessed that the measure contains some exceedingly dangerous provisions.

The proponents of the bill now under consideration did not hesitate to appropriate any suggestion of a meritorious nature made by the Monetary Commission, just as the so-called Aldrich scheme embodied many of the provisions of the Fowler bill and the Muhleman central-bank plan. We also made a careful study of the branch banking system of Canada and while we found that it had admirably served its purpose in that country we came to the conclusion that it would not be possible to apply it to the American system without vital alterations which would run athwart the banking principles and the business habits to which the American people have been so long accustomed. Hence, after exhaustive investigation and hearings, extending over a period of many months, the pending bill was drafted and, after full consideration as to every detail, is reported to the House with the recommendation that it be passed. Thus, Mr. Chairman, the Banking and Currency Committee feels that it has fully discharged its own duty and that further responsibility is with this body.

TIME TO ACT.

I venture to express the sincere hope that the House will not delay the enactment of this bill. The chief and everlasting curse of attempted banking and currency legislation in this country has been the proneness of public men to procrastinate. When the Vreeland-Aldrich makeshift was adopted ex-Secretary Lyman J. Gage warned the committee and Congress that the bill was "merely a dangerous narcotic to lull the Nation to sleep, from which slumber it would some day awaken in agony." Remembering that financial panics in the United States are decennial, and that we are fast approaching the time-limit from 1907 to 1917, it seems to me that the obligation to legislate is immediate. We should no longer, from habit or timidity, gravely shake our heads and insist that we "will not be hurried in this matter"; that we want further time for consideration; that we must have other hearings and additional information. Sometimes I am brought to wonder, Mr. Chairman, what sort of information is wanted by the public men who eternally plead for delay. There is no theme on earth upon which information may more readily be obtained than upon the

currency question. There is no topic upon which we have more authoritative expert expression and there are few subjects upon the general principles of which expert opinions are in greater accord. If it did no other good, the Monetary Commission, at a cost of approximately \$150,000, assembled a great library on the subject of banking and currency reform, which for two years has been accessible to every Member of Congress. Less than six months ago the Banking and Currency Committee of the House closed exhaustive hearings on the subject, at which the best selected representatives of every known national group testified—big bankers and little bankers, merchants and farmers, credit men and manufacturers, currency experts, laboring men and textbook writers. And there is scarcely a provision of this pending currency bill which may not be related to these hearings. They took the widest range and reflected every conceivable variety of opinion; and there is absolutely no excuse for further delay.

THE PLEDGE OF PARTIES.

All parties are committed to the solution of this problem. When the Vreeland-Aldrich bill was passed five years ago the Republican Party in Congress solemnly pledged itself to speedily replace that temporary expedient with a permanent and comprehensive statute, while one of the latest public expressions of the last Republican President was upon the necessity of banking and currency reform. Mr. Taft declared that—

It is more important than the tariff, more important than conservation, more important than the question of trusts and more important than any political legislation that has been presented.

The last national platform of the Democratic Party committed us to "a systematic revision of the banking laws of the country," and the Democratic President of the United States who was elected on that platform appeared at the Speaker's desk of this House more than two months ago and urged Congress not to wait until "the demands of the country shall have become reproaches." The President recommended the lines upon which we should proceed, saying:

We must have a currency, not rigid as now, but readily, elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings. Our banking laws must mobilize reserves; must not permit the concentration anywhere in a few hands of the monetary resources of the country or their use for speculative purposes in such volume as to hinder or impede or stand in the way of other more legitimate, more fruitful uses. And the control of the system of banking and of issue which our new laws are to set up must be public, not private, must be vested in the Government itself, so that the banks may be the instruments, not the masters, of business and of individual enterprise and initiative.

REGIONAL RESERVE BANKS.

Upon these precise lines this bill is cast. Guided by the lamp of experience, taking note of the fact that, in time of emergency, clearing-house associations in the great money centers, and even in smaller communities, repeatedly succeeded in arresting financial disaster, the House Banking and Currency Committee conceived the idea that regional organizations of individual banks throughout the country might effectually prevent disaster. Hence, the fundamental idea of the bill now presented is the creation of a new class of banks to be known as Federal reserve banks. The country is to be divided into twelve parts, having reference to capital and the existing course of business; and in each of these regions is to be organized a Federal reserve bank. The minimum capital is to be \$5,000,000 and the bank is to be owned and operated by the stockholding banks of the district, both National and State. The capitalization of the reserve bank is to be 20 per centum of the capital of the stockholding banks, one-half paid in and one-half subject to call. The business of the reserve bank will be the rediscounting of paper presented by member banks growing out of commercial, industrial, and agricultural transactions, with a maturity in some cases of not more than 90 and in others of not more than 120 days. These banks may also buy and sell Government securities, gold and silver bullion, foreign coin, foreign exchange, and open-market bills of given maturity. They are also to conduct, without charge, the fiscal operations of the United States Government.

Under this bill there is vastly less interference with the existing independent banking system than was provided by the Aldrich scheme. Each member bank is to deal directly with its regional reserve bank in securing rediscounts, and in no case is its paper to be guaranteed by other banks. While subject to limited control by the Federal reserve board, the regional reserve bank is given an independent status as well as exceedingly important functions. It has the initiative in fixing rates of discount within its territory and the exclusive determination of the amount of paper to be rediscounted for member banks. It is operated by a board of nine directors, two-thirds of whom

are selected directly by the member banks and one-third by the Federal reserve board. Three of the nine directors must fairly represent the commercial, industrial, or agricultural interests of the community.

SMALL BANKS PROTECTED.

In order to provide against control by the larger banks of a given district, the member banks of each region are divided into three groups equal, as nearly as may be, in number and of similar capitalization. Each bank, regardless of its size, is given one vote in the selection of directors. Notwithstanding the care which has been exercised to protect the rights of the small banks in the selection of directors, fears continue to be expressed that the larger banks of the district may control the system. By reference to the last annual report of the Comptroller of the Currency anybody who entertains a doubt on this point may readily have his apprehension quieted. I shall embody the table taken from the comptroller's report in my remarks:

Number of national banks, classified by capital (paid in), on Sept. 4, 1912.

Class.	Number.	Per cent.	Amount.	Per cent.
\$25,000.....	2,004	27.09	\$50,069,730	4.79
Over \$25,000 and less than \$50,000.....	381	5.15	12,849,335	1.23
\$50,000 and less than \$100,000.....	2,321	31.38	124,452,200	11.90
\$100,000 and less than \$250,000.....	2,006	27.12	254,053,385	24.29
\$250,000 and less than \$1,000,000.....	498	6.73	195,282,230	18.67
\$1,000,000 and less than \$5,000,000.....	169	2.29	234,305,700	22.40
\$5,000,000 and over.....	18	.24	175,000,000	16.72
Grand total.....	7,397	100.00	1,046,012,580	100.00

It will be noted that of the 7,397 national banks 2,004 have not more than \$25,000 capital; 2,321 have less than \$100,000; 2,006 have less than \$250,000, while only 685 banks exceed a capitalization of \$250,000. Thus of the 7,397 national banks in the system 6,712 may be classified as small banks, making it next to impossible for the larger banks to control.

NUMBER AND RESOURCES.

The question has repeatedly been asked as to why the number of Federal reserve banks is fixed at 12, to which I reply that the number adopted is a compromise between the extreme suggestion of 50 on one hand and 3 on the other. The great central reserve city bankers advocate but 3 regional reserve banks, to be located, of course, in their central reserve cities, while a distinguished member of the other branch of Congress advocates 1 for each of the 48 States. The committee in fixing the number at 12 gave consideration to the amount of available capital of all the national banks, which aggregates \$1,046,012,580. Three competent actuaries have made suggestive divisions of the country into 12 regions, and there can be no possible doubt, if all the national banks go into the system, that the minimum capital can be secured in the weakest of the 12 districts. The New York bank will have approximately \$20,000,000 capital; the Boston bank more than \$10,000,000; the Chicago bank nearly \$11,000,000; the St. Louis bank \$9,000,000; the Cincinnati bank \$10,000,000; the Pennsylvania bank \$12,000,000; the Washington bank \$8,000,000, and, as previously stated, the smallest, "not weakest" bank in the system, located experimentally at New Orleans \$5,500,000. This, of course, is merely a suggestive division of the country; the actual division is to be made by the Federal reserve board after painstaking investigation.

The resources of the Federal reserve banks can only be approximated. Basing the calculation on the aggregate capital of the national banks, the Federal reserve banks will have a capital of \$104,000,000; about \$400,000,000 in reserve funds and, perhaps, \$200,000,000 of Government deposits, making a total of \$704,000,000, giving them an aggregate credit-extending capacity of great proportions. That such additional facilities are needed for the development of the country can not seriously be questioned. In this connection I shall ask leave to insert in my remarks at this point an Associated Press dispatch from Sackett's Harbor, N. Y., under date of September 5, 1913, containing the testimony of Frank A. Vanderlip, president of the National City Bank of New York City, who asserts that \$2,000,000,000 can be profitably invested within the next five years in developing the electrical industry of this country alone. There is room for unlimited investment of savings.

COULD USE BILLIONS.

SACKETT'S HARBOR, N. Y., September 5.

Eight million dollars a week for five years—\$2,000,000,000 in all—can profitably be invested in developing the electrical industry in this country, in the opinion of Frank A. Vanderlip, president of the National City Bank, of New York. Mr. Vanderlip so declared to-night in address—

ing representatives of the electrical industry in the United States, meeting at Association Island. He said in part:

"In making such an estimate one does not need to draw on one's imagination. Little more is needed than a grasp of present-day statistics, compared with those of 5 or 10 years ago, to give the basis for such an estimate."

LARGER USE OF ELECTRICAL POWER.

"When we think what is certain to be done in the way of electrification of steam railroad terminals and heavy mountain grades; when we reflect on the larger use of electrical energy for industrial power, in agricultural uses, and in continued growth of necessary interurban lines, we do not need to look further into the possible development of the industry to see a requirement for \$400,000,000 a year of new capital."

"That means an \$8,000,000 new capital investment every week for the next five years. It is such a capital requirement that you gentlemen are facing, and which must be successfully met if your energies are to have an adequate field of display. Can you get it?"

OTHER DEMANDS FOR CAPITAL.

"To get a full appreciation of the difficulties, you may well glance outside of your own field, however, and note that there will mature within that five-year period well over \$1,000,000,000 of steam railroad securities. The railroads in five years will need, say, \$4,000,000,000 for refunding and fresh capital. States and municipalities will absorb in the neighborhood of \$1,500,000,000 more, so with the \$2,000,000,000 your industry will need there should be provided between now and the end of 1918 between \$7,000,000,000 and \$8,000,000,000 for these three purposes alone, to say nothing of general industrial and other needs."

"These are bewildering figures. They sound more like astronomical mathematics than totals of round, hard-earned dollars. The raising of these sums, however, is the practical problem that financiers have directly in front of them."

FEDERAL RESERVE BOARD.

I do not desire to weary the House, Mr. Chairman, with too detailed a description of the provisions of this bill; therefore in the balance of my time I shall deal only with its several vital features. Overseeing the whole new system of Federal reserve banks, as a capstone of the scheme, is created a Federal reserve board, consisting of seven members. Three of them, the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, are members ex officio, and the other four members are to be appointed by the President of the United States for a term of eight years each. As set out in the report of the committee, the reasons for the selection of the two Treasury officials is self-evident. The Treasury Department not only is, but will continue to be, a fundamentally important factor in the financial organization of the country, while the Comptroller of the Currency, in charge of the national banking system, will be a necessary adjunct in the management of the reserve bank system proposed in this bill. The Secretary of Agriculture has been added because of the belief that conditions in the producing regions of the country would deserve special consideration at the hands of the Federal reserve board, and that the Secretary of Agriculture is the natural representative of these interests. It is further thought that the presence of this official on the reserve board will give its deliberations a broader character than if it were composed altogether of members primarily equipped for the technical details of banking. The bill provides that not more than two of the presidential appointees shall belong to the same political party, thus emphasizing the view of the committee that the board should be a nonpartisan institution.

NO CENTRAL BANK.

By not a few persons of intelligent observation and long experience the confident belief is entertained that no necessity exists for any central body of control. They contend that we might safely limit the operations of the new system to a given number of regional reserve banks with the function of divisional clearing-house associations and distinctively independent of one another. But the best expert and practical banking opinion insists that the first essential of banking and currency reform is a correlation of all the national banks at least, so as to render possible a quick mobilization of reserves at any threatened point in time of emergency. On this latter theory was based in large degree several currency plans considered by the Banking and Currency Committee of the House prior to the adoption by Congress of the Vreeland-Aldrich Act; and altogether based on this theory was the proposal of the Monetary Commission to establish a single reserve association, which in reality would have provided a central bank of banks. Indeed, in its final analysis this scheme of the Monetary Commission, more familiarly known as the Aldrich bill, falls short of being a central bank in the broad sense of the term only because it contains no provision which would authorize the transaction of business with the public. There was method in this omission, it being part of the general contrivance to avoid every semblance of competition with the great banks of the country.

I have observed, Mr. Chairman, that certain eminent bankers, appearing recently before a legislative committee of the other branch of Congress, have spoken consistently and vehemently in favor of a central bank; but if you will carefully examine the hearings had by the Banking and Currency Committee of this

House last winter you can not avoid the conclusion that these gentlemen do not mean exactly what they say. They do not want a real central bank. They simply want to establish a central banking institution which they may control and use for their own convenience, but to which the American people may not resort for any business purpose whatsoever. These gentlemen, when appearing before the Banking and Currency Committee of the House, were distinctly asked if they should be understood as advocating a national central bank with branches throughout the country, doing business with individuals, firms, and corporations, as well as with individual banks, whereupon they very promptly replied that they were simply advocating a central bank of banks. A central bank such as I have described, Mr. Chairman, or a central bank such as Andrew Jackson destroyed, is the very last thing that the great banks of this country would desire to see, for the reason that such an institution would necessarily import for them competition of the very sharp description. Hence, in the construction of the bill of the Monetary Commission, great pains were observed and much ingenuity exercised to avoid anything of this kind.

VICES AND DANGERS AVOIDED.

In the report of the Banking and Currency Committee of the House now before the Members we have in some detail set forth the objections of the committee to this Aldrich scheme, and in the construction of the bill now under consideration the committee very anxiously and carefully sought to avoid the vices and the dangers which are now generally recognized in the Aldrich plan. In that plan there was absolute lack of adequate governmental control; and while there was great pretense of protecting the interests of small banks, the very genius of the scheme and the involved nature of its mechanism made it certain that the practical operation of the system would inure to the advantage of the large financial institutions of the country. Moreover, the possibilities of inflation under this Aldrich scheme were so startling that the banking community of the country itself became alarmed; and the distinguished publicist whose name and fame were chiefly associated with the measure was practically driven from the public platform by the terrific exposure of this defect in the bill by a prominent banker of the West, addressing a society of political economists and showing that it involved expansion to the amount of six thousand millions before the regulating tax applied. Even James B. Forgan, of Chicago, and John Perrine, of California, strong advocates of the scheme, admitted that it provided "such vast credit-extending power as to be almost beyond belief and certainly far beyond requirements in any panic." Aside from its clumsy mechanism, its dangers of inflation, its peril to the independent banking system which the spirit of this Republic and the business habits of the American people have for 50 years sustained, the whole thing was literally saturated with monopolistic tendencies.

In the Federal reserve board, which the bill reported by your committee provides, there will not be discovered any of the defects which were essential features of the Aldrich bill. No capital stock is provided; no semblance of acquisitiveness prompts its operations; no banking incentive is behind, and no financial interest can pervert or control. It is an altruistic institution, a part of the Government itself, representing the American people, with powers such as no man would dare misuse. I do not ignore the fact that the batteries of the big bankers have been directed against this board or that the sharpest criticisms of this bill relate to the powers with which this Federal reserve board is vested; and yet, Mr. Chairman, there is scarcely a power enumerated in section 12 of this bill which has not been exercised by the Government for 50 years or, indeed, which has not been confided to one or two public functionaries.

NO EXTRAORDINARY POWERS.

Nearly every power conferred by this bill on the Federal reserve board, composed of seven members, has been for half a century vested by the national-bank act in the Secretary of the Treasury and the Comptroller of the Currency, to be exercised in the conduct and control of the national banking system. It does not seem necessary here and now to enumerate these powers; they relate to examination, regulation, publication, and control. Strictly speaking, the Federal reserve board performs no banking function; the banking business of the system is within the exclusive jurisdiction of the regional reserve banks, owned and operated by an aggregation of individual member banks. But two of the powers conferred by this bill upon the Federal reserve board have been brought in serious question or subjected to pungent criticism. One of these powers is the right of the board to "require, in time of emergency, Federal reserve banks to rediscount the discounted prime paper of other Federal

reserve banks." And it is a singular fact that the raging controversy which this provision has aroused was initiated by bankers who contributed thousands of dollars to fasten upon this country the wretched Aldrich scheme, which would have impounded the surplus funds of the entire banking community of America in the vaults of a single central bank, to be by it transferred at any time to any point for any purpose that might appeal to the sweet will or whim of the governing board of that institution. Here we provide, under the severest restrictions, a mobilization of banking strength "in time of emergency," by requiring a strong regional reserve bank to go to the temporary relief of another regional reserve bank in a plain business transaction, without risk, but actually with greater profit to the succoring bank than it might command under ordinary circumstances.

MOBILIZING RESERVES.

This power literally correlates the regional reserve bank system; it is a part of the process of mobilizing reserves. And yet gentlemen of the banking fraternity who have for five years persistently rolled this phrase on their tongues make this provision of the committee's bill an object of bitter attack. They were perfectly willing, under the Aldrich scheme, to confide this power to bankers, operating for gain, but are unwilling to lodge it with the Government of the United States to be used for patriotic purposes under a system devised for the good of the country, including the solvency of the banks themselves. As a matter of fact, Mr. Chairman, strictly safeguarded as we have it here, this power is neither dangerous nor extraordinary. It is essential to the system proposed and somewhat analogous to the power exercised for years by the Secretary of the Treasury alone, when, in time of emergency, he has withdrawn Government deposits at will from banks in one part of the country and transferred them to banks in another part of the country in an effort to cure a desperate situation, the difference being that, whereas the transfers have heretofore been made to the great money centers for the purpose of arresting stock-gambling panics, the transfers under this bill, if ever required at all, will be made to promote legitimate commercial transactions. Such transfers, you will note, are only required by this bill to be made in time of exigency. We believe that the power will not be invoked once in half a century, for the reason that if this bill should be enacted into law it will so withdraw the reserve funds of the country from stock speculative uses and apply them to commercial, industrial, and agricultural transactions, that we shall rarely ever again have bank panics in the United States.

SUSPENDING RESERVES.

The other power conferred by this bill upon the Federal reserve board which has been moderately criticized is the right given said board to suspend the reserve requirements against deposit liabilities. Yet, Mr. Chairman, a power akin to this has been exercised by the Comptroller of the Currency with respect to national banks for nearly 50 years. Under section 5191 of the national-bank act, the Comptroller is implicitly authorized to tolerate for a period of 30 days a violation of the reserve requirements of the act without applying any penalty. By this officer the power has sometimes been abused and violations have been tolerated for several years instead of for a single month. The penalty prescribed by the national-bank act for the offense indicated is so radical that it has not been applied in the whole history of the national banking system. But here we have committed the power to a board of seven men charged with the duty of prescribing and enforcing a reasonable penalty for violation of the law. Like the power of enforced rediscounts, this function will rarely, if ever, be exercised by the Federal reserve board. It is, however, important that the Federal reserve board should have this power. It was suggested by the fact that three times within 60 years the British Parliament found it necessary to sanction by law the action of the Bank of England in suspending specie payments in order to arrest panics in Great Britain.

"POLITICAL CONTROL."

But, Mr. Chairman, bitter as has been the criticism leveled at the powers of the Federal reserve board provided by this bill, they have not been comparable to the denunciation by big banking interests of what is termed the "political structure" of this board. It is contended that the banks should have at least a minority representation upon the Federal reserve board; and I frankly admit that the claim upon its face seems both reasonable and expedient. Indeed, the first tentative draft of this bill contained such a provision; but, after thorough consideration and full discussion, a different conclusion was reached. This Federal reserve board is distinctly a Government institution, and eminent bankers who were here in Washington last winter and spring contending for representation were met

with the challenge to cite one instance where private interests were represented on any Government board in this or any other civilized country. They could not answer.

As already pointed out, the associated banks will own and operate the regional reserve banks provided by this bill, which are made after a period of years the exclusive mediums of Government issues and subject to no severer examination nor greater control than national banks of the existing system in their relations to the Government. If it may be said that they have important responsibilities, it may likewise be said that they are given great privileges, holding the reserve funds of the country and the deposits of the Government, amounting in the aggregate to nearly \$600,000,000. The Federal reserve board, technically speaking, has no banking function. It is strictly a board of control, properly constituted of high Government officials, doing justice to the banks, but fairly and courageously representing the interests of the people. The danger which the banking community professes to see is not the real danger which I apprehend. The bankers seem to fear that men of their craft will be excluded; but the real peril of the provision is the possibility of too many bankers being included. Observe what I mean: The Secretary of the Treasury will be a member of this board, and nine times out of ten that functionary is a practical banker. The Comptroller of the Currency will be a member of this board, and nearly always that official is a practical banker. In addition to this, the bill requires that one of the four presidential appointees shall be a person of banking experience; so that we shall undoubtedly have ample banking representation on the board, and the talk of political control, in the last analysis, is the expression of a groundless conjecture.

A FUTILE OUTCRY.

No great reformation in any existing institution was ever accomplished except in the face of severe contention. The clatter which we have heard in certain quarters about the "unconstitutionality" of this proposed system and the "confiscatory" nature of the power conferred upon the Federal reserve board is merely part of a cunningly devised propaganda to force concessions in another direction and to coerce Congress into yielding on certain other points which vitally affect certain big banks with extensive stock-exchange connections. We have taken every reasonable precaution against asserting any power here that may be regarded as unconstitutional. We are not proposing to disturb any vested interest. There is nothing of a confiscatory nature in any of the powers to be exercised by the Federal reserve board. This talk takes us back to the predictions of disaster when the Interstate Commerce Commission was established. Then there was an outcry that Congress was about to "disturb the business interests" of the country; then we encountered the frantic contention that the Government was about to "seize private property."

Senator Hoar, of Massachusetts, said:

Here is a proposition which would be destructive to great business interests of the country, especially to the export business of the principal city of the State which I represent. I hope the public interest affected will have a full opportunity to be heard.

Senator Nelson W. Aldrich, of Rhode Island, said:

In order to cure evils which are apparent to the farmers of Illinois or Michigan, you propose to demoralize the whole commerce of the country; you propose to establish an arbitrary, unjust, unreasonable, impracticable rule.

Senator Orville H. Platt, of Connecticut, predicted that the passage of the Interstate Commerce bill—

would result in an immediate rate war by all the railroads of the United States, the evil consequences of which would be greater than any evil now existing under pooling contracts. It would ruthlessly demoralize business and be far-reaching in its injurious results.

Senator Leland Stanford, of California, declared:

If this bill shall become a law its consequences will be most disastrous to the various business interests of the country.

Senator Joseph E. Brown, of Georgia, said:

The fact that a few bad men have controlled great lines of railroads is no reason why Congress should seriously cripple the great railroad interests of the country and destroy the property invested in by hundreds of thousands of people. This bill will prevent the rapid and cheap transportation of commodities, retard the growth of our cities, and do immeasurable damages to our productive resources.

Gen. Charles H. Grosvenor, of Ohio, predicted that:

It will unsettle rates, disorganize the industries of the country, and thus force a reconstruction of systems of production. Meantime labor will suffer, farm products will lack a remunerative market, and uncertainty will discourage industry. It is a dangerous stride toward centralization of power in the hands of the few to the hindrance, vexation, and permanent injury of the many.

William C. Oates, of Alabama, said:

In Holland it is a capital felony to kill a stork, because the stork destroys the eels which bore through the dikes and inundate the country. To my mind this bill is a knot of eels which may bore through the dikes of safety and flood this country with trouble. I view it with grave apprehension.

Charles H. Allen, of Massachusetts, declared:

To pass this bill would be to put us at very great disadvantage, and while I am not prepared to go so far as some and see in imagination the yawning walls marking in desolate ruin the spot where once stood thriving and populous factories, yet I must say * * * that the result of any shrinking of values is quite likely to show itself first upon the poor people. * * * I must protest against the passage of this measure, destined as it is to work an injury against New England and New England interests.

Lewis Hanback, of Kansas, said:

My judgment * * * leads me to believe that the legislation proposed by the bill in question will be fatal to the best interests of my State, as well as to the whole country. I think it is safe to say * * * that these great lines of industry, the product of capital and the employers of labor, ought not to be interfered with, as they will be by the provisions of this bill.

I. Newton Evans, of Pennsylvania, said:

It is also of the utmost importance that we legislate so that the millions and millions of dollars invested and otherwise employed in the internal commerce of this vast country shall not be so deranged as to bring about a crisis in our financial affairs, which not only bankrupt many railroads, but, like the pebble on the smooth waters, its influence would be felt far and wide. Agriculture, commerce, manufactures, and, most of all, labor would suffer greatly by such a result.

The National Republican (Republican), of Washington, commented:

It is fair to suppose that Congress did not intend to wreck railways, to ruin communities, to destroy private property, to impoverish whole sections of the country, to break down manufacturing interests, to give foreign traders the advantage over home ones, to discriminate over one port in favor of another, to advance the interests of the Canadian railways, or to reenact the civil rights bill, yet it did all these things when it passed the bill entitled "A bill to regulate commerce."

The Chicago Journal (Republican) reflected newspaper opinion largely when it said:

The President should be urged to call Congress together at once that it may rescue the commercial interests of the country from impending disaster. Let the power that enacted the offending statute be given an opportunity to right the great wrong it has done—and the sooner the better.

THE CRITICS CRITICIZED.

And now, Mr. Chairman, in connection with this bill, we have the same outcry from interested quarters and through inspired newspaper comment. The critics, whether of one political party or another, accentuate objection to Government control and affect to stand aghast at the tremendous power confided to a political board. This criticism emanates at times from men who should be ashamed to project it; from gentlemen who stood upon this floor and upon the floor of another chamber five years ago and vehemently supported the Vreeland-Aldrich Act. Those who now affect consternation at the powers with which we propose to vest this Federal reserve board should look to their own records in currency legislation. When they complain that we give this Government board of seven public officials the arbitrary right of note issue, for very consistency's sake they should recollect that under the Vreeland-Aldrich Act they voted to confide this power in even more arbitrary degree to the Secretary of the Treasury alone, thus conferring upon a single political appointee of the President the tremendous responsibility, as well as the great power, of dispensing \$500,000,000 of currency and, within his sole discretion, determining the validity and sufficiency of \$650,000,000 of commercial paper and other securities.

Among other things, the Vreeland-Aldrich bill, section 2, dealing with the application of banks for currency, provides that:

The Comptroller of the Currency shall immediately transmit such application to the Secretary of the Treasury with such recommendation as he thinks proper, and if, in the judgment of the Secretary of the Treasury, business conditions in the locality demand additional circulation, and if he is satisfied that a lien in favor of the United States on the securities so deposited and on the assets of the banks composing the association will be amply sufficient for the protection of the United States, he shall direct an issue of additional circulating notes to the association on behalf of such bank, etc.

I beg these critics to note the language of the statute:

If in the judgment of the Secretary of the Treasury business conditions demand additional circulation:

And again:

If the Secretary of the Treasury be satisfied that the securities deposited are amply sufficient for the protection of the United States. Could anybody conceive of power more arbitrary or of centralization more complete? There is nothing comparable to it in this bill, for here we commit the power to a board of seven, having a trained and trusted representative at every point of origin, applying every precaution and going through every detail known to prudent banking processes.

When this extraordinary power was conferred by this House five years ago on a single official of the Government and objection was made by Mr. JAMES, now a Senator from Kentucky, the leading Republican member of the Banking and Currency Com-

mittee, Mr. BURTON, now a Senator from Ohio, exclaimed with much feeling and effect:

I say that for one I favor lodging authority with the Secretary of the Treasury and allowing him, under the great responsibilities of his position, to determine the amount of issues rather than to leave the decisions to the banks.

With how much more reason, Mr. Chairman, may we who stand for this currency bill insist now that this power shall be lodged with a Government board, composed of high and experienced men, four of them with long tenure of office and all of them, let us hope, keenly appreciating their great responsibilities and courageously determined to do their duty as representatives of the American people. There is no politics in this matter; there can be none. It is my earnest conviction, based upon long and serious reflection, that no man can conceive, as none has yet pointed out, how any part of this system can be perverted to political uses. In my judgment if the United States has ever had a President ingenious enough to do this evil thing, it has never had one desperate enough, and never will have one shameless enough, to thus betray the confidence of the Nation. I happened to be present when an eminent banker suggested such a possibility to the present occupant of the executive chair, and heard this banker vainly challenged to show how it might be done. I shall not soon forget the emphasis with which the President of the United States declared that no man would ever be found who would be willing to imperil his reputation or tarnish his fame by so flagrant a prostitution of his high office! It brought to mind the splendid declaration made on this floor by Congressman BURTON, of Ohio, five years ago in discussing this very topic, when he compacted the whole thing in a single sentence, exclaiming:

There are executive acts which are theoretically possible, but which the incumbents, with their weighty responsibilities, would never dare perform, because they would know that if their course was marked by favoritism or injustice they would be discredited while living and dishonored when dead.

The X ray of publicity is turned full upon the operations of this Federal reserve board. There can be nothing sinister about its transactions. Meeting with it at least four times a year, and perhaps oftener, will be a bankers' advisory council representing every regional reserve district in the system. This council will have access to the records of the board and is authorized to give advice and offer suggestions concerning its general policy. How could we have exercised greater caution in safeguarding the public interest?

BANKING REFORM AND THE FARMER.

For a brief period and in certain quarters this bill was assailed by those who professed to believe that it was written in the interest of the creditor class. I suspect, Mr. Chairman, that there are some folks who are incapable of accurately discriminating the real "creditor class" when it comes to the banking business. As a matter of fact, in the great volume of business transactions the "creditor class" is the people who loan money to banks. In this sense the banks themselves are distinctly debtors to their depositors notwithstanding the latter are many times borrowers of money and credit. But, for populist purposes, the "debtor class" has been craftily turned to mean everybody who borrows or desires to borrow money; and the attempt is made to have it appear that under this bill greater difficulty will be experienced by "the plain people" in negotiating loans than under the existing system.

A persistent and pernicious effort has been made to create the impression that this bill, in some unexplained way, discriminates against the American farmer. To cure these imaginary discriminations there have been suggested financial nostrums that would cause the judicious to grieve and which, if accepted, would involve the whole country in ruin. Presented in the interest of the farmer and in the name of Democracy, they would impoverish the former and eternally discredit the latter. Some of these suggestions have been prompted by an exuberant but utterly misdirected zeal; others by a pitiful ignorance of the subject, and others still have their inspiration in the perennial and ubiquitous demagoguery of a certain class of politicians. It would have been sheer foolishness, Mr. Chairman, for the proponents of this bill to have undertaken any discrimination against the American farmer, to whose favor a vast majority of Members here owe their political existence and whose interests they were commissioned to represent. And, sir, it would have been cowardly in the Banking and Currency Committee of the House had it sought to please the agricultural interests by partial legislation, hurtful to the banking and commercial interests of the United States. We have done neither of these things. We have sought to do exact justice to all classes; and any public man who would have us do otherwise affronts the

intelligence and disparages the patriotism of the American farmer no less than he outrages the sense of justice of the American merchant and banker. It is gratifying to report to the House that while in some directions there have been manifestations of selfishness and in others amusing rhetorical exhibitions in behalf of the people, the committee has had a clear perception of its duty and has yielded neither to greed nor to declamation. It has steered a straight course, right between Scylla and Charybdis.

The requirements of the American farmer for bank credit are not different from the needs of other members of the community. The farmer requires loanable capital to enable him to extend his agricultural operations as far as there is profit in them, and to take advantage of market conditions which call for the application of more wealth than he actually possesses. However, while thus essentially on the same basis as others in respect to loanable funds and his need of credit, the farmer is peculiar in the respect that he ordinarily requires a longer term of credit than do some other members of the community, and in most countries requires currency in the transaction of his business rather than book credit with the bank.

FARM LOANS.

The present bill is intended to render capital available to banks through the rediscount operation, and at this point I desire briefly to call attention to those phases of the bill which bear upon the farmer and his welfare and in regard to which it is probable that the agriculturist will be directly helped.

In section 14 of the bill we have provided for the rediscounting of paper possessing a maturity of not more than 90 days in one case and in another case paper possessing a maturity of not more than 120 days. In the same section we have provided for the making of acceptances by national banks and the rediscounting of those acceptances by Federal reserve banks.

There has been a great deal of misapprehension in many quarters with reference to the meaning of the 90-day provision in this paragraph. The claim has constantly been made that this 90-day provision would be of no service whatever to the farmer, because the farmer never bothers with so short a loan as 90 days. This, of course, is an entire misapprehension of the whole situation. The terms of the bill do not provide that the paper shall not be discounted if it runs more than 90 days, but merely that it shall not be discounted until it is within 90 days of maturity. In other words, the bill enables the banker who holds the farmer's paper to shorten the life of the farmer's paper by 90 days and to that extent get new funds with which to aid the farmer. Now, just what does this mean? Suppose that the loans of a farming community made by national banks will average 90 days, with a renewal for 90 days, or six months in all. It is evident that a bank which had loaned, let us say \$25,000, for four months would be able to present this paper at the end of the first 30 days of the life of the loan and to get a rediscount for the remaining 90 days. That is to say, it would be able to draw back the amount of the farmer's credit at the end of the first 30 days and to relend that sum to other people. When the time came for renewal the bank would, of course, have to be in position to pay its loan or rediscount to the Federal reserve bank if it extended the farmer's accommodation for another 90 days out of new funds that have come in meanwhile; but it could again rediscount at the end of another 30-day period. In other words, if the community were doing its banking upon a four months' period of credit the bank would be able to shorten this in practice to a 30-day period of credit. It is entirely conceivable that by this process it should practically treble the amount of banking capital which it could, if necessary, place at the disposal of the community.

Now, let us suppose that the country bank, as is no doubt frequently the case, does not have a steady run of loans such as would justify the use of the method just described. Let us suppose instead of that that the demand for loans is likely to be "bunched" in the late spring and then to slacken so that the funds of the banks are tied up on, let us say, six months' paper. Under the 120-day provision of this bill such banks would be able to take six months' paper as soon as it was two months old to a Federal reserve bank and rediscount it. In other words, funds that would ordinarily have been tied up for four months longer will now be actually available to meet such additional demands as may come to the bank in the course of the summer and early autumn. Here, again, it is evident that the loan period being practically cut down by two-thirds the loaning power of the bank is trebled, assuming that it is able to obtain from the Federal reserve bank the rediscounts for which it has the basis in the shape of paper growing out of agricultural transactions.

HANDLING FARM CROPS.

I have been constantly hearing that the proposed bill afforded no basis for accommodating the farmer who had raised his crops and who desired to get means that would enable him to carry them along pending improvement of prices. Nothing could be more unjust or further from the facts of the case than this. As a matter of fact, the bill makes ample provision for the handling of the great export crops of the country, such as cotton, wheat, corn, and the like. Not only does it provide for loans of the kind already referred to, but in the paragraph relating to acceptances it makes ample provision for enabling the owner or raiser of crops to retain the title to them while they are being disposed of abroad. Let us see how this works. If a cotton grower in the South, for example, needs funds, he may arrange with a bank near his home to grant him a specified credit of, say, \$50,000. In this event he would draw a bill of exchange or draft on the bank in question for, say, six months and would attach to it the documents showing shipment. The bank would accept this paper and he would then be in position to sell the bill practically anywhere. The credit would be based on an actual ownership of cotton protecting the actual amount of the bill and investors practically everywhere would feel entirely at liberty to purchase this paper freely because it had been guaranteed by the bank which accepted it. Everywhere in the country where there were idle funds there would be a demand for these bills. Not only Federal reserve banks, but other banks would constitute a market for such bills. When rediscounted there they would constitute a virtual extension of credit to these banks, enabling them to increase their loaning power tremendously and thereby to give to their customers accommodation which the latter could not otherwise have expected.

LOWER INTEREST TO THE FARMER.

The unquestionable effect of this new system would be to draw funds now idle in various parts of the country to those regions where they could be used to best advantage, and as a result to diminish the rate of interest prevailing in the communities which thus receive the additional capital through the use of the acceptance method. There is no reason why at the present time there should be variations in rates of interest from 3 per cent in New York City to 12 or 15 per cent in small towns in the cotton-growing regions. If a standard kind of paper were provided it should command exactly the same confidence and bear exactly the same rate of interest in one part of the country as in another. This would mean that acceptances based upon goods—protected by cotton in this instance—would constitute a standard kind of paper which would be available for rediscount at any Federal reserve bank, as well as purchasable by investors and banks everywhere throughout the country. The consequence would be, as already stated, a very great reduction in the rate of interest to the grower or factor who had produced cotton and merely required loanable funds as a basis for business.

It is true that the use of the acceptance principle is limited in this bill to those commodities and operations that are connected with exportation and importation. This limitation has been complained of by many of those who believe that its extension to domestic operations would be highly advantageous to industry and would be free from the dangers which others have predicted. Whatever opinion may be entertained on this head, however, it is certain that the cotton grower or the wheat shipper can not share it in any such proportion as can other commercial factors. The fact that so much of our cotton goes abroad and that we still ship grain in enormous quantities means that those who are concerned in the exportation of these items have been exceptionally favored through the restriction of the acceptance business to them so that whatever funds are ready to be employed in that line of paper will go directly and without interference into the channels afforded to them by the trade in these commodities.

I want to add an emphatic word upon the other phase of the subject to which I have already referred—the farmer's interest in getting not only accommodation under the terms of this bill, but his interest in getting it in the cheapest possible way. I have already indicated the reasons for thinking that the working of the discount portions of the bill will greatly reduce the farmer's interest burden and supply him with means for marketing his crops to advantage. From the standpoint of the mechanism employed by the farmer there is, however, much to be said in addition to what I have already pointed out. Today the farmer in many parts of the country wants his accommodation in the form of currency. This he can not get under the existing conditions without involving the bank in heavy expense and consequently necessitating the payment of a mate-

rially higher rate of interest by himself. The reason for the conditions to which I have thus referred is this:

Under the national-banking act the bank which wants \$100 in notes must buy \$100 in bonds and deposit them with the Treasury. Assuming that these bonds were bought at par, it cost \$100 in cash to get \$100 in notes, and the bank must furthermore place with the Treasury a 5 per cent redemption fund for the purpose of bearing the redemption of the notes when they are brought to the Treasury. I will not go into the details of the cost of issuing notes further at this point than barely to refer to these matters and to the additional outlay involved in getting the plates and paying the charge for transportation of paper necessitated by the present note system. The bank gets 2 per cent interest upon its bonds and whatever interest it can secure from the community by lending the notes. When allowance has been made for the expenses already mentioned and for the due share of administrative outlay involved in the process of conducting the bank, and presumably assigned to the loans made by the issue of notes, in proportion to their amount, as compared with the total loans of the bank, it is clear that the percentage of profit is very small where anything like a reasonable rate of interest to the borrower is charged. The borrower must, therefore, and is in practice required to pay a very high rate of interest to any bank which habitually makes its loans by issuing its own notes. Obviously, therefore, anything that will reduce the cost of this necessary instrument will reduce the charge for loans to the farmer.

Under the proposed bill it is clear that banks may obtain a supply of notes for customers who want their loans in this form by paying to the Federal reserve bank of the district in which they are situated such rate of rediscount as may be necessary to get the reserve bank to take their paper. As the reserve bank can then get the notes by segregating the borrower's paper to protect the accommodation thus secured, it is evident that there is no reason why the notes should cost the farmer anything more than the rate of rediscount fixed by the Federal reserve bank plus such commission as the local bank may charge for indorsing the borrower's paper and passing it on to the reserve bank. This change alone ought to reduce the cost of getting notes for bank loans by a very material proportion of its present amount. While no one can calculate the exact saving which will thus be made with precision, I should be inclined to estimate that through the elimination of bond security and the substitution of the new plan of issue there should be no good reason why the note loans made by banks in agricultural regions should run to a higher figure than perhaps 6 or 7 per cent as against the charge of 12 to 15 per cent that may now be found in many of the small towns of the West and South during the height of the season.

As previously stated, Mr. Chairman, we have not sought in this bill to help the farmer because he is a farmer, but to help the community which resorts to the banks for loans and to help the farmer as a necessary and important figure in that community. We have helped him as we have helped the merchant and manufacturer and other members of the body politic, by enabling him to secure, as we think, better and more abundant bank accommodation. But, in addition to this, we have removed the exceptional burdens which rest upon the rural borrower under the system of national bank-note issue which now prevails, and we have thereby placed him upon a footing of greater equality and of equity of treatment by making his credit instruments as reasonable in their expense to him as are those employed by the merchant and manufacturer. We have not attempted to exalt him and his interests above those of other elements in the community, but we have sought to give him what we believe he wanted—an open and fair share upon equal terms in the commercial credit of the country.

Exactly the same advantage, and in like degree, that will be afforded the farmers of the country under the rediscount provision of this bill will extend to every description of legitimate business and industry; hence I will not further consider this section of the measure.

BANK RESERVES.

Section 20 of the pending bill, Mr. Chairman, constitutes one of its vital features. It is the real point of attack by the big bankers of the central reserve cities. Recently at their Chicago conference and now before a standing committee at the other end of the Capitol these gentlemen enumerate various alterations which they would have made in this bill. But in real truth their fundamental and insuperable objection is to the reserve requirement. All other faultfinding is simply strategic. This is no conjecture of my own; I assert it as a fact which has been borne in upon me time and time again since the first print of this bill came from the press. I assert it as a fact and have conclusive proof of its verity. Not one of the bankers

who have recently testified before the Senate committee can controvert the statement.

The whole fight of the great bankers is to drive us from our firm resolve to break down the artificial connection between the banking business of this country and the stock speculative operations at the money centers. The Monetary Commission, with more discretion than courage, absolutely evaded the problem; but the Banking and Currency Committee of the House has gone to the very root of this gigantic evil and in this bill proposes to cut the cancer out. Under existing law we have permitted banks to pyramid credit upon credit and to call these credits reserves. It is a misnomer; they are not reserves. And when financial troubles come and the country banks call for their money with which to pay their creditors they find it all invested in stock-gambling operations. There is suspension of payment and the whole system breaks down under the strain, causing widespread confusion and almost inconceivable damage.

THE REAL FIGHT.

The avowed purpose of this bill is to cure this evil; to withdraw the reserve funds of the country from the congested money centers and to make them readily available for business uses in the various sections of the country to which they belong. This we propose to do cautiously, without any shock to the existing arrangement, graduating the operation to prevalent conditions and extending it over a period of 36 months. This affords ample time to the reserve and central reserve city banks to adjust themselves to the reserve requirements of the new system. Out of abundant precaution we have actually given them a longer time than the best practical bankers of the country have said was needed. But, Mr. Chairman, the plaint of these gentlemen is not as to time, but as to fact. They do not want existing arrangements disturbed; they desire to perpetuate a fictitious, unscientific system, sanctioned by law, but condemned by experience and bitterly offensive to the American people—a system which everybody knows encourages and promotes the worst description of stock gambling. The real opposition to this bill is not as to Government control, upon which we shall never yield; it is not as to the capital subscription required, which is precisely that of the Aldrich scheme unanimously indorsed by the American Bankers' Association; it is not as to the 5 per cent dividend allowed member banks, the exact limit prescribed in the Aldrich bill; it is not as to compulsory membership, which was provided in another way in the Aldrich scheme; it is not as to the bond-refunding proposition, infinitely simpler and less expensive than the Aldrich device. It is none of these things, Mr. Chairman, that vexes the big bankers. It is a loss of profits derived from a system which makes them the legal custodians of all the reserve funds of the country, \$240,000,000 of which funds on the 24th day of November, 1912, they had put into the maelstrom of Wall Street stock operations.

DISAGREEING CRITICS.

I distinctly am not appealing to the prejudice against great bankers. No man worthy to be a representative of the American people ought to deal with a problem of such magnitude without feeling profoundly the obligation to be fair and just to every interest involved. But so should the big bankers deal with us. They have assured us that the bill is workable; yet in another place they say it is not. The critics are not agreed among themselves even as to what the bill provides or as to what it means. Mr. James B. Forgan, the Nestor of American bankers, testified before the Senate committee last Friday that this measure would contract credits to the extent of \$1,800,000,000, whereas Mr. Chas. G. Dawes, an ex-Comptroller of the Currency, now president of a large bank in Mr. Forgan's own city, publicly asserted a week ago that the bill involves an enormous inflation. So in the East recently an eminent banker of New York City declared that under this bill there would be a frightful contraction of credit, whereas in the same city the foreign-exchange expert of one of the biggest banks there figured out for the president of the institution that possible expansion under the bill would reach the aggregate amount of nearly \$2,000,000,000.

And thus the conflict of opinion runs. As a matter of fact, Mr. Chairman, neither of these postulates is true. Certainly it is impossible that both of them can be true. It may be confidently asserted that there will not be one dollar of harmful contraction under this bill; and those who undertake to figure otherwise conveniently ignore the fact that we have released a considerable portion of existing bank reserve. Frankly, there can be expansion under the bill; and, according to Mr. Frank Vanderlip, of the National City Bank of New York, the country just now greatly needs credit expansion. He figures that \$2,000,000,000 can be used within the next five years in developing a single industry in America. But the committee has carefully provided against dangerous or undue expansion. If the

banks of the country will not exercise common prudence in the matter, it is within the power of the Federal reserve board to compel them to do so by laying a firm hand upon the rate of discount. Moreover, the gold-reserve requirement and the redemption facilities afforded by the bill will have a powerful tendency toward checking expansion. But I will not longer claim the attention of the House upon this particular phase of the subject. I desire briefly to demonstrate the entire feasibility of the scheme provided by this bill for shifting the reserves without contracting credit. The matter has been figured out by the best experts in the country. It has been gone over with extreme care and we confidently challenge criticism of the facts and figures presented.

PRESENT RESERVE REQUIREMENTS.

Section 22 of the bill provides for a revision of the existing reserves of national banking associations, which, under the present reserve system, are divided into three classes, (a) country banks, (b) reserve city banks, (c) central reserve city banks. Country banks are required to hold 6 per cent of their deposit liabilities in lawful money and 9 per cent in balances with other banks; reserve city banks are required to hold 12½ per cent of their deposits in lawful money and 12½ per cent in balances with other banks in central reserve cities; central reserve city banks are required to hold 25 per cent of their deposits (including those of other banks with them) in lawful money in their own vaults.

The aim of this measure is to transfer these reserves away from banks other than those to which they belong, so that ultimately bank reserves will be held partly in the vaults of the banks to which they belong, and partly in the regional reserve banks, the reserve banks taking the place of existing reserve city and central reserve city banks in their relation to member banks.

PROPOSED RESERVE REQUIREMENTS.

Carrying out this plan, it is provided (a) that 5 per cent of the outstanding deposits of all banks shall be carried in the new reserve banks; (b) 5 per cent of the deposits of present country banks to be carried in cash in their own vaults; (c) 2 per cent of the deposits of present country banks to be carried either in cash in their own vaults or as a balance with new reserve banks; (d) 9 per cent of the deposits of present reserve city and central reserve city banks to be carried in cash in their own vaults; (e) 4 per cent of the deposits of present reserve city and central reserve city banks to be carried either in cash in their own vaults or as balances with the new reserve banks.

It may be here explained that the "balances" spoken of can be obtained by rediscounting paper with the new reserve banks.

THE DEMONSTRATION.

From the foregoing it is clear that as some discretion is left to the banks about their reserves the exact position of those reserves at any given time can not be predicted. Maximum and minimum limits can, however, be fixed. This is done as follows:

At the date of June 4, 1913 (comptroller's last report), the present bank reserve in central reserve cities was \$409,601,424 held in cash.

At the same date, the reserve which would have been required under this bill would have been 9 per cent of net deposits then subject to reserve requirements in cash, and 9 per cent in balances with the new reserve banks, as follows:

To be held in cash	\$141,127,835
To be held as balances	141,127,835
Total	282,255,670

From this it is clear that if the balances under the new plan were established by taking actual money and putting it in the reserve banks the actual release of cash as compared with the present plan would be the difference between the total new reserve and the present reserve, while if the reserve balances were created by rediscounting the cash released under the new plan would be the difference between the cash required to be held under the new plan and the cash now actually held. That would signify:

Maximum release of cash	\$268,473,589
Minimum release of cash	127,345,754

At the same date mentioned above the banking reserve in reserve cities as held by the banks was:

Held in cash	\$250,383,926
Held in balances	232,799,679
Total	483,183,605

Under this bill these banks would have to hold in cash 9 per cent of their net deposits subject to reserve requirements and a

like amount in balances which would be for the reserve cities as a group:

Held in cash	\$175,128,701
Held in balances	175,128,701
Total	350,257,402

Comparing these figures with the present requirements as already given it is seen that the new plan might mean either a—

Maximum release of cash	\$75,255,225
Or a maximum contraction of cash	99,873,476

At the same date mentioned above the banking reserve in country banks was held as follows:

Held in cash	\$280,392,177
Held in balances	310,689,129
Total	600,081,306

Under this bill the cash required would be 5 per cent of their net deposits subject to reserve requirements and 7 per cent in balances (2 of this at the bank's discretion). This would mean:

To be held in cash	\$180,533,642
To be held in balances	252,747,100
Total	433,280,742

On the same principle as before this would mean a maximum release or contraction as follows:

Maximum release	\$108,858,535
Maximum contraction	143,888,563

Thus it appears that there would be a possible maximum contraction as follows:

Reserve city banks	\$99,973,476
Country banks	143,888,563
Total	243,862,041

Deduct central reserve city release	127,345,754
Net contraction	116,516,287

It is also evident that the result might work out as follows:

Released by central reserve city banks	\$268,473,589
Released by reserve city banks	75,255,225
Released by country banks	108,858,535
Total	452,587,349

It might reasonably be asked, Which of these results would probably be reached? Assume that the first (contraction) was the net result owing to banks fulfilling their reserve requirements by depositing cash in every instance. The Government balances which are now to be poured into trade channels through the new reserve banks will run from \$200,000,000 to \$250,000,000. Bearing in mind the fact that the capital of the new banks has to be raised in cash, it will be seen that independent of this capital the monetary situation would be left about the same as it is to-day, except that the new reserve banks would be in position to add their loaning power to that of the older banks. If we now assume that the transfer of reserves resulted in the extreme limit of expansion already referred to, it would be noted that the cash is released only on the assumption that the reserve requirements are met by rediscounting. If, however, the new reserve banks have to hold one-third in lawful money in order to make these discounts, it is clear that only two-thirds of \$452,587,349, or about \$300,000,000, will be released. Of this sum a certain part would be needed in bringing the reserves of State banks which may become members of the new associations up to the level which is required of them. How much this would be can not be positively asserted.

If it be asserted that this process will lead to inflation the answer to be made is that whether it will or not is a matter in the hands of the reserve banks, which have it in their power, by fixing their rate of discount suitably, to prevent the banks from creating reserve balances in excess of the required 5 per cent. If the reserve banks should do this, it would be found that the required 5 per cent referred to would be about \$356,000,000, while the amount which the banks at their option might or might not obtain in this way would be about \$213,000,000, the actual cash required to be held by them under the new plan being as follows:

Central reserve city banks	\$141,127,835
Reserve city banks	175,128,701
Country banks	180,533,642
Total	496,790,178

Add to this the amount which the reserve banks can at their option make it worth while for the other banks to hold in cash, or to deposit with them in cash, and we have a total of about \$710,000,000. The actual cash held to-day by the banks at home and in the redemption fund is about \$950,000,000. Something like \$240,000,000 would thus be released under the probable working out of the system, and this would be drawn upon for the other purposes already referred to.

COUNTRY BANKS UNDER THE BILL.

There has been a strenuous effort to prejudice the country banks against the bill, inspired, as I believe and have reason to assert, by banking institutions with close and extensive Wall Street affiliations. The propaganda was not prompted by any special solicitude for the country banks, but by chagrin over the prospect of being deprived by this bill of the reserve funds of the country banks. Mr. OWEN, the Senator from Oklahoma, in a letter which has since been made a Senate document, sharply pointed out the fallacy of the contention that country banks are offered no inducements to come into this system; so it would seem superfluous for me to present this aspect of the case here. However, I shall do so very briefly.

Let it be assumed that a bank of \$100,000 capital (no surplus) is the owner of \$75,000 in United States 2 per cent bonds and has outstanding \$75,000 of circulation. Let it also be assumed that this bank has total outstanding deposits of \$400,000. The bank is a country bank.

How will the new plan affect this institution? In the first place, the bank in question, if it has \$400,000 of deposits, must have on hand in its own vaults 6 per cent of that amount in cash, or \$24,000, and must have 9 per cent of that amount, or \$36,000, as a balance with the reserve city bank.

Under this bill this bank must have a reserve of 12 per cent instead of 15, of which 5 per cent, or \$20,000, must be in cash in the vaults, while \$20,000 must ultimately be placed with the reserve bank and \$8,000 may be kept either in the one place or in the other, when the whole measure has become operative at the end of three years.

As the bank has \$24,000 cash when it enters the system, it is \$4,000 ahead of the amount required to be held in its own vaults. It can draw for the remaining \$28,000 required of it upon its present reserve city correspondent, with which it holds \$36,000, sending the \$28,000 check to the new Federal reserve bank. After the transaction is over its reserves will be complete, and it will have \$4,000 in cash and \$8,000 in balances over and above what it needs to meet its reserve requirements.

The bank, however, must contribute \$10,000 to the capital stock of the Federal reserve bank which it has joined. If it pays this amount out of the \$12,000 surplus it will become the owner of \$10,000 stock in the new reserve bank and will still have \$2,000 surplus out of its former balances.

This bank was receiving probably 2 per cent upon the \$36,000 balances it carried, making in all \$720 a year. Assuming that the stock in the new reserve bank pays 5 per cent, it will yield an income of \$500 a year. The bank, moreover, has \$2,000 of free cash still remaining which it can loan after withdrawing it from its present correspondents—say, at 5 per cent, bringing in \$100 annually. Or if it were to use this \$2,000 as a reserve upon which to build up new loans it could lend about \$16,000 thereon, which at 5 per cent would yield it \$800. On this basis the changed situation of the bank might result in a loss of about \$120 a year or in a gain of \$580 or in anything between those two sums. The reasonable expectation would be that the bank would get a material increase in its revenue. Just how much would depend upon the extent of the loans it could make in response to demand in the community.

The bank would be able to exchange each year 5 per cent of its present \$75,000 of 2 per cent bonds, or \$3,750. If we assume that the bank sells the 3 per cent bonds it receives through this exchange at par, and with the proceeds pays off the notes now outstanding against them, the effect is simply to reduce its assets and liabilities by equal amounts, at the same time releasing it from the necessity of retaining the 5 per cent redemption fund in Washington which at once becomes available as a basis for reserve loans at home. This 5 per cent redemption fund would be on \$3,750 equivalent to about \$185. If this were loaned directly at 5 per cent it would yield an income of \$9.25. If the \$185 were used as a 12 per cent reserve against loans, about \$1,500 of loans could be made which at 5 per cent would yield \$75. This if taken in connection with the showing made above would reduce the loss to \$45 a year or would increase the gain to \$655, with corresponding changes in intermediate points between these two extremes. If the banks had no notes outstanding against the bonds which it converted and sold, it would get fluid funds equal to the amount of the bonds thus sold which could be loaned at 5 per cent instead of the 2 per cent now paid by the bonds. This would be a difference of 3 per cent per year in favor of the new plan on a principal of \$3,750. On the other hand, if the bank simply paid off its outstanding notes out of nonreserve money on hand (as in many cases it might) and held the new 3 per cent bonds as an investment it would profit to the extent of 1 per cent over the existing situation on a principal of \$3,750 a year or \$37.50 the first year, \$75 the second year, and so on. At the end of 20

years it would be 1 per cent ahead on its whole \$75,000 bonds, or \$750 annually. In this event it is clear that within three years the increased revenue from its bonds would offset any possible loss due to the sacrifice on the 2 per cent interest on reserves. Against this might fairly be set off the income, if any, that it might have made by loaning the cash used to cancel its outstanding bank notes.

Summarizing, it is safe to say that upon the narrowest possible basis likely to present itself in the case of this bank the institution would, if it paid up its whole reserves under the new plan in cash, fully clear itself and make an additional revenue of from \$200 to \$500. If instead of paying up its reserves in cash it got the reserve credit by rediscounting, it might profit to a very much greater degree; how much greater can not be estimated without knowing the rate of interest in the community and the extent to which it could obtain paper eligible for rediscount.

REFUNDING BONDS.

Retirement of the national-bank circulation, frequently redundant and never elastic, is regarded as one of the essentials of currency reform. During the 12 years that I have served as a member of the Banking and Currency Committee the universal testimony of banker and business man, text writer and political economist has favored this alteration in the existing system. All political parties are pledged to this reform, notably the Democratic Party, which has repeatedly declared for it. In its platform of 1896 it declared:

Congress alone has the power to coin and issue money, and President Jackson declared that this power could not be delegated to corporations or individuals. We therefore denounce the issuance of notes intended to circulate as money by national banks as in derogation of the Constitution, and we demand that all paper which is made a legal tender for public and private debts, or which is receivable for dues to the United States, shall be issued by the Government of the United States and shall be redeemable in coin.

Again, in 1900, the Democratic platform on the same subject declared that—

A permanent national-bank currency, secured by Government bonds, must have a permanent debt to rest upon, and if the bank currency is to increase the debt must also increase. The Republican currency scheme is therefore a scheme for fastening upon the taxpayers a perpetual and growing debt. We are opposed to this private corporation paper circulated as money but without legal-tender qualities and demand the retirement of the national-bank notes as fast as Government paper or silver certificates can be substituted for them.

This measure provides for the gradual retirement of national-bank circulation over a period of 20 years and the reversion of the right of note issue to the Government of the United States. Such an alteration in the existing system necessitates the refunding of United States 2 per cent bonds, which afford the basis of bank-note circulation. To my mind it needs no argument to determine that both the honor and the credit of the Government are involved in the proposition that whenever the Government withdraws the circulation privilege from its 2 per cent bonds it should reimburse the holders of its securities for the inevitable depreciation which will ensue. The refunding scheme which we have here provided contemplates this; and while it involves the assumption by the Government of a slightly increased interest charge, it is perfectly manifest that the Government has long ago received its compensation in the abnormally low rate at which it has been enabled for years to float its indebtedness under the existing system.

But aside from this, Mr. Chairman, the bill provides other compensations. It enables the Government to resume and exercise a function which for 50 years has been confided to private corporations, the value of which has been variously computed to be between 1½ and 2½ per centum on the amount of circulation outstanding. In addition to this the Government shares in the excess earnings of the regional reserve banks; and finally, but most important of all, this new system will provide a rediscount scheme so much less expensive than the existing bond-secured currency plan as to make certain a reduction in the interest charge upon commercial transactions with the banks; so that, from every practical point of view, as well as upon considerations of public honor, the 2 per cent Government bonds should be refunded into 3 per cents or paid by the Government at par with accrued interest. I am well aware that there are critics of this plan who are not mere cavilers; but we do not fear to subject our attitude on this question to the dispassionate judgment of the American people.

DIVISION OF EARNINGS.

The division of earnings provided by this bill for the Federal reserve banks will stand the test of fair disputation, albeit many of the bankers are insisting that the cumulative dividend provided should be increased from 5 to 6 per cent. The rate fixed by this bill is exactly the rate fixed by the Aldrich bill, which the bankers unanimously indorsed. But the contention is that the Aldrich bill did not shift reserves and thus deprive

the country banks of the 2 per cent interest which they have received upon their balances with correspondent banks. That is true. Neither did the Aldrich bill reduce country reserves from 15 to 12 per cent and other reserves from 25 to 18 per cent, nor did the Aldrich bill provide, in addition to a cumulative dividend, that the stockholding banks might receive 40 per cent of the excess earnings of the system. I have already pointed out that the interest to be derived by country banks from credit extensions based on the reserve-release clause of this bill will greatly more than compensate them for the loss of interest on their balances, to say nothing of the vastly superior advantages of a banking system which will never break down over a banking system which has repeatedly involved all the banks and the whole country in disaster.

NOTE ISSUES.

In this country there is sharp division of opinion upon the question of note issues, one school of thought contending that it is strictly a banking function and another that it is an essential function of government. In this bill we have provided that the Government shall issue the notes, but only upon application by the banks and through the banks. The controversy over this provision is entirely sentimental. The section as it stands constitutes a compromise; but there is not a single element of unsoundness in the provision. Behind the notes is a gold reserve of 33½ per cent, commercial security amounting to dollar for dollar, a first and paramount lien on all the assets of the reserve banks and, superimposed, the obligation of the United States. To those who advocate Government issue, it may be said that they have it here in terms, with discretion in the Federal reserve board to issue upon application or to withhold. To those who contend for bank issues, we may say that, in the practical operation of the system, you have it here; because only upon application of the bank can the Government issue. To those who affect, or sincerely entertain, solicitude for the Government's credit, it may be pointed out, as a practical fact, that the security behind the notes here provided is many times more than sufficient to protect the Government before the note holder would reach the Treasury counter. Whatever other objections may be urged to the system, not a critic of this bill—banker, business man, or specialist—has ever suggested that the note here provided is not as sound as gold itself. [Applause.]

CONCLUSION.

I will not, Mr. Chairman, weary Members with an explanation now of the minor details of this measure; these are fully set out in the printed report which accompanies the bill. We have made provision for foreign banking, designed to extend our foreign trade by furnishing quicker exchanges and affording infinitely better banking facilities in that field of enterprise. We have incorporated in the bill a savings-department clause, which will enable the national banks of the country to do business of this nature under authority of the statute rather than in disregard of the law. We have provided a more effective and less expensive method of domestic exchange and collection and also a system of examination and publicity which better safeguards the banking operations of the country.

The work of the Banking and Currency Committee has been tedious and laborious, dealing with a subject exceedingly complex and upon the details of which, if not upon the general principles involved, there are wide divergencies of opinion and varying degrees of antagonism. We have done the best we could. Without practical banking experience, disclaiming expert knowledge of the subject, I have tried as chairman of the committee to reconcile conflicting views, to compose all friction from whatever source arising, to embody in the bill the technical knowledge of the banker, the wisdom of the philosophers, and the rights of the people. We have not desired to approach or consider the question from the standpoint of party politics. It is too universal a problem for that. It is not a matter for party advantage. I have kept in constant contact and pleasant intercourse with the ranking minority member of the committee, giving him every successive reprint of the bill, affording all the information that he might desire, and inviting in good faith such suggestions as he might care to make. And now, Mr. Chairman, sure of our ground, yet conscious of human limitations, we submit this bill to the judgment of the House, challenging a fair consideration of its provisions and devoutly invoking the patriotic cooperation of our colleagues in what should be a great service to the country and a memorable achievement of the Sixty-third Congress. [Loud applause.]

Mr. HAYES. Mr. Chairman, within the limit of the time that I have allotted to myself and in justice to my colleagues who desire to speak on this subject it will be impossible for me to discuss this great, complex, and technical question as exhaustively as I would like.

I approach the discussion of this measure in no partisan spirit. I deeply regret the manner in which the majority of this House have seen fit to prepare this bill for our consideration. The manner of its preparation, first in secret conferences of the majority members of the Committee on Banking and Currency and then in a secret party caucus of the majority, tends to give to the measure a partisan aspect. I regard this as very unfortunate. This question is too big, too vastly important to all the people to become the football of politics. A banking and currency system is a great, complex, scientific, and business proposition. It has nothing whatever to do with politics and partisan politics should have nothing whatever to do with it. It would certainly be a great national calamity if legislation affecting this great subject is to be dictated not by experience and well-grounded principles but by the passions and excitement attending a national party convention, the effect of which would be that there would be a change in banking and currency laws and our fiscal policy generally whenever there should come a change of party administration.

In order that I may not contribute, even in a small degree, to that undesirable result I shall refuse to regard the bill under consideration as in any sense a partisan measure. I believe that the bill would be a better bill had it been prepared in a nonpartisan way by the Committee on Banking and Currency in the manner usual with most bills in this House; but that should not and will not influence my judgment upon one item of the measure. I propose to consider it strictly upon its merits.

And, Mr. Chairman, in order that my words may not be misinterpreted, I desire to say—and I say this on behalf of members of the minority of the committee—that we have received every courtesy at the hands of the chairman of the Committee on Banking and Currency, as well as from all other members. The chairman, at considerable trouble to himself, saw that we received the confidential reprints which were made from time to time in the consideration of the bill by the majority. I wish to say, too, that suggestions were invited from us before the bill went into the caucus of the majority. We made some suggestions, and it is only just to say that quite a number of those suggestions, or the substance of them, are incorporated in this bill.

Until very recently, with few exceptions, only two classes of people in this country have studied, publicly discussed, and proposed changes in our banking and currency system. The first and largest class has been made up of cranks and impractical inexperienced men who narrowly look upon all bankers as bogey men who thrive upon the commercial vitals of the public, whose activities are wholly inimical to the interests of the people, and upon all banks, and especially all banks of issue, as usurpers of the monetary and financial functions of the Government and instrumentalities by means of which the Shylocks of the land exact their tribute from those in financial need and distress and generally rob and oppress the people. Of this type the Greenbacker of a few years ago is a pronounced example. Quite common 25 years ago, these discoverers of the panacea for all our financial ills are not so numerous as they once were, though one provision of this bill is proof that there are still a large number of these erudite gentlemen left among us. In these later years they have been reinforced by a number of other impractical dreamers who want to make currency out of cotton, corn, cucumbers, watermelons, and other agricultural products and saddle upon the Government the burden of keeping this kind of primitive currency on a par with gold. It is well for this bill and the country that the majority of the Banking and Currency Committee turned their backs upon this proposition.

The second class of people, who in the past have discussed the banking and currency question with great assurance, was composed of men who had a book knowledge of the subject more or less superficial, not supplemented by any practical business or banking experience. These men generally became enamored of some foreign system and became advocates of the German, French, Canadian, or some other system for this country, or of one or more features of some of them, the effect of which would if adopted here be wholly revolutionary in character, and the principal effect of its adoption would probably be to demonstrate that the feature recommended was not at all adapted to our conditions.

Only recently have the large body of intelligent, practical, and experienced men of the country been giving careful thought and study to the solution of the great banking and currency problems which are calling for solution.

Any person studying this most important and complex subject should bear constantly in mind one fundamental and controlling fact, namely, every banking and currency system worthy the name is an evolution brought about by the efforts of the bank-

ers, legislators, and business men of the different countries to meet the commercial needs of the people. Unlike Minerva, who sprang miraculously and instantly perfect from the brain of Jove, no one of these systems came complete from the brain of any one man or set of men. All these systems of the world have gradually grown up from more imperfect beginnings to their present state of perfection and usefulness. Some of this growth has come through legislation in the first instance, but most of it has developed wholly independent of law. No one of these systems is in its important features a copy of another. The English system is very different from the German and the French quite different in most respects from either, while the Canadian system is radically different from all those above mentioned. Each of them, however, is adapted to the conditions, habits, traditions, sentiments, and business needs of the people whom it serves.

The great central banks of Europe as they exist to-day are likewise an evolution. The Bank of France, for example, was brought into being to assist the Government in its financial operations, chiefly by finding a market for its bonds or securities. From this beginning it has developed until its original function is comparatively unimportant, and it has gradually become the great conservator of the gold supply of France, the balance wheel of its financial machinery, and probably the soundest if not the largest financial institution in the world.

Let me, therefore, admonish all banking and currency reformers that we can not perfect our system by any radical revolutionary methods. We can not ruthlessly tear down and uproot everything we have in this country in the way of a banking and currency system and proceed to build a new structure from the foundation. Such a thing is impracticable; it is absolutely impossible, even if desirable, which, in my judgment, it certainly is not. We must recognize that we have evolved a long way from the financial chaos and weakness of 75 years ago. In most respects our national banking system is sound, financially and scientifically. The weak places need to be discovered and strengthened, those things that are unsound should be removed, and the system made as strong and perfect as possible. In order to do this it is not necessary to adopt bodily any part of any foreign system. In fact, I think it would be a great mistake to do this. The problem is to perfect our present system, not to make a new one; and in order to do this we do not necessarily need a central bank formulated on the plan of the German Reichsbank, the Bank of France, or the Bank of England, or, indeed, any other central bank. Neither is it necessary to insist upon the branch-bank system of Canada. We may, however, safely take the well-established underlying principles of any of these systems and adapt them so far as possible to our own conditions.

With these preliminary considerations in view, let us see what are the glaring defects in our system. I believe the principal ones to be these:

DEFECTS OF OUR SYSTEM.

First. The lack of elasticity in our currency and the rigidity of our laws in regard to reserves.

Second. Our system of independent banks with no control or reserve power anywhere and no union among the banks generally to enable them and each of them to get support and to replenish their cash and reserves in times of financial stress.

Third. The failure of the bankers and especially of the law-making powers of the several States, to properly distinguish between commercial banks and banking and investment banks and banking, is a source of great weakness and the cause of many of our troubles and disasters in the past. These two kinds of banking are very different in character and the laws controlling them should be different.

Fourth. Our foolish, slipshod, and ineffective inspection of banks under our national system, and the still more foolish and superficial inspection provided by most of the States, should at once be abolished and real business inspection for all banks provided.

These four weaknesses removed, and I am sure all who have given the subject any deep consideration will agree that at least our system would be much more nearly perfect than it is. In the course of my remarks I shall briefly discuss the subjects suggested by the headings above named, and especially with reference to the bill now before us, which undertakes to correct all these weaknesses.

OUR INELASTIC CURRENCY.

First, as to our inelastic currency system. The principal elements of our currency are four:

1. Gold, generally represented by gold certificates.
2. Silver, generally represented by silver certificates.
3. The Treasury notes or greenbacks.
4. The national-bank currency.

There can be no elasticity in gold or silver nor in the Treasury notes. Of necessity these elements in the currency can not be expanded nor contracted so as to respond to the varying needs of trade and commerce. And the same statement applies with equal force to the gold and silver certificates which only represent the coin deposited in the Treasury.

The only element in the currency that might be made elastic is the national-bank notes. But under existing law they are as rigid and fixed in amount as gold or silver, and they will always remain so as long as they are tied to United States bonds or any other fixed security. Instead of responding to the demands of commerce—increasing in volume when the demand for currency is greatest and diminishing almost to the vanishing point, as they should, when the demand is least—these bank notes actually increase when the demand is least, as a rule, and decrease when the demand for currency is greater. In the fall, which is the time for our great currency demand, the amount of bank notes in circulation generally decreases several million dollars each year, and in the spring, when there is no demand for money, the circulation has many times increased, sometimes as much as \$20,000,000 over the circulation in the fall. This is, of course, very unnatural and the results can but be evil, accentuating the shortage of currency in the fall and stimulating speculation in the spring.

THE PROPOSED REMEDY FOR INELASTICITY.

This bill undertakes to remove the present rigidity from our currency system by permitting the regional reserve banks provided for in the bill to issue currency based upon a gold reserve and the commercial assets of the country instead of upon bonds. The experience of other countries has demonstrated that such a currency is easily responsive to the varying commercial demands of the business community. This feature of the bill is largely an adaptation of the principles underlying the German currency system, the most important departure therefrom being the substitution of the 12 regional reserve banks for one central bank.

I am aware that the German system has been violently criticized in many quarters as unsound and something to be avoided. One high authority has charged it with carrying financial dynamite, feared by all Europe. Although there may be some foundation for these criticisms, they are not wholly justified by the facts. Since the adoption of her present currency system Germany has passed through one of the greatest periods of financial and industrial developments known to history, second only to the development along similar lines that during the same time has taken place in this country. As a result Germany's banks and financial institutions have been almost constantly taxed to their limit. Had not the present system permitted the largest use of credit in financing her great industrial and commercial undertakings many of them must have languished or have halted until more actual money could have been accumulated or otherwise provided. There is not a doubt that the German banking and currency system has played a very large and important part in her recent industrial and commercial progress.

I admit that it is yet to be absolutely proved that any part of such a system will work successfully here. It may turn out not to fit the commercial instincts and habits of our people. It has even been charged that there is little or no commercial paper in this country of the character which is described in the bill and therefore it can not be used as a basis for currency issues. Even if this be so, commercial paper of a character to satisfy the law can easily be created, and will be created if it is to the interest of the commercial and financial classes to use it as a basis for currency.

In spite of all these criticisms, I am firmly of the opinion that if the principles above referred to can be put into active operation they will work a vast improvement in our system. Personally I believe that it would be safer to make efforts at the reform of our system more strictly along the lines of our own financial evolution than by borrowing from some foreign system. I would prefer to see us legalize and enlarge the present clearing-house associations under proper governmental regulation so as to embrace all the banks, and intrust to such associations the duty of supplying to the people and the business interests the elastic currency which is needed, something after the manner of the Fowler bill, reported to this House some four or five years ago. I think reform along these lines would be more in harmony with the feelings, traditions, and habits of our people. The experience of 1907 makes me know that such a system properly created and regulated would work successfully. In this feeling of preference I am probably not sustained by the weight of financial authority in this country. And, anyhow, progress along this line being at this time impossible, I shall

support anything which promises to be an improvement on our present system, which in some respects is unscientific and thoroughly unsatisfactory.

AID OF NATIONAL BANKS NECESSARY TO SUCCESS OF NEW SYSTEM.

But the most perfect banking and currency system in the world is useless if you can not put it into operation. The system created by this bill, or by any bill, can not be put into operation in this country unless a large majority of national banks at least go into it. On its face it appears to be compulsory upon all national banks; but, of course, in the last analysis this is not so. The time has gone by when the Government can confiscate a man's property or compel him to employ his capital and talents in any business that he does not think for his interest to engage in, even if he is a banker. Gentlemen are very much mistaken if they think that many men will engage in the banking business for the compensation of 5 per cent on their capital. Good, absolutely safe bonds can be had that will yield 5 per cent, and all the holder need do is to cut off his coupons at the proper time and present them for collection.

It is likely, too, that the profits of the regional reserve banks proposed by this bill will for some time be prospective only. Many country banks, in the West at least, can loan their money at 7 and 8 per cent. Since they have little or no commercial paper of the kind designated in the bill, what incentive is offered in this bill for these country banks to put their money into the stock of the regional reserve banks at 5 per cent? Judging by the letters I have received, many of them will decline to do it, and will either surrender their national charters and reorganize under the State laws or go into liquidation.

Can the system be successfully inaugurated without these small national banks, or indeed without the cooperation of practically all the national banks? I doubt it. The failure of any large proportion of the national banks to go into the new system would weaken the proposed reserve banks to such an extent as to make them ineffective, and whether such banks reorganized under State laws or went into liquidation, they would in either case retire their circulation, thus producing an arbitrary and sudden contraction of the currency, which might prove to be disastrous. It is of the first importance, therefore, that the bill be made sufficiently liberal to induce the banks generally to come under its provisions. I fear the gentlemen of the majority have not given sufficient weight, in framing the bill, to this consideration. A country bank, for example, is to be allowed only 5 per cent on its money invested in the stock of the reserve bank, when it could loan it to its customers at 6 to 8 per cent. It is to be allowed no interest on a large percentage of its reserve which it must deposit in the reserve bank, while now it gets not less than 2 per cent on a much larger proportion of its reserve now carried in a reserve or central reserve city. I see nothing in the bill that, in my judgment, compensates these country banks for these two losses to their present business. I think, therefore, that the per cent of income allowed the holders of the stock should at least be increased to 6 per cent, and the proportion of profits to be allowed the banks, fixed by the bill at 40 per cent, should be materially increased. The banks in the reserve and central reserve cities will make larger use of the facilities provided by this bill than the country banks, and thus may make good any loss that they may sustain. They will therefore be more likely to come into the new system than the country banks. The latter, however, represent practically one-half of the national-bank stock of the country, and if they should generally refuse to come into the new system it would be greatly crippled, if its usefulness was not wholly destroyed.

It ought to be stated, as the chairman of the committee stated in his speech, that this proportion of interest, this rate of interest is the same as that proposed in the Aldrich bill, but in that case the banks were to be given many other advantages which this bill does not give to them.

FEDERAL RESERVE NOTES.

While I approve as sound in principle and fully justified by experience the secondary basis upon which it is proposed to rest the currency provided for in this bill, to wit, gold coin and the finest commercial assets of the country, I want to lose no time in condemning in the strongest terms one other feature of this proposed currency. And in what I wish to say upon this point I shall necessarily be obliged to discuss fundamentals—elementary principles—as understood by students of this subject.

This bill makes the Government of the United States primarily liable on the notes authorized by it. They are not to be the notes of the banks in any sense, but the notes—the obligations—of the Government. It is true that the bill provides for securing the Government against loss by taking good security for lending its credit to the banks, but that in no way

changes the fundamental character of the notes. They are still the notes of the Government and not of the banks. The transaction between the Government and the banks contemplated by the currency features of this bill is in no respect different from that which takes place when the Government takes security from the banks for the money which is now often deposited with them except in this: In the one case the Government takes security from the banks for lending its credit to them in the form of its notes, while in the other it takes security for money loaned to them. In neither case does the security change the fundamental character of the transaction.

And to whom, in the first instance, will the holders of these proposed notes look for payment? To the Government, of course, and not to the bank whose letter and serial number are found upon it as provided in the bill, and which, by the way, will mean nothing whatever to the ordinary holder. To illustrate, if, as an accommodation to you, I give you my note and you indorse it and discount it with some bank and get the money on it, when it is due, to whom will the bank present it for payment? To me, as the maker of the note, of course. If I do not pay, you may become secondarily liable by the protest of the note.

The fact that you may have secured me against loss in no way changes the relation of the several parties to the transaction. It is my note, and if I wish to protect my credit I must pay it when due or when it is presented to me for payment. That subsequently I may realize what I pay out of the security that you have given me in no way affects my liability to the holder of my note. Neither does the security provided for in this bill affect the liability of the Government on its notes.

But this bill specifically provides that these Government notes shall be redeemed by the Treasury of the United States, as well as through the several reserve banks. Until last year I had long supposed that greenbackism was dead and buried forever in this country. Although by the introduction of the reserve banks into the transaction there is in this bill a very ingenious attempt to cover up the nature of this feature and to minimize or remove its dangers, any careful analysis of the note feature of the bill will disclose the fact that this Government note provision in principle is a revival of greenbackism pure and simple. The bill provides for a possible issue of hundreds of millions of dollars of Government notes payable on demand, different in no respect in their fundamental character from the Treasury notes which were presented day after day at the Treasury up into the hundreds of millions, and gold demanded for them during the Cleveland administration. That these notes could be conveniently used for this purpose there is not a particle of doubt. With the memory of Cleveland's "round robin" experience only a few years behind us, I am greatly surprised that a majority of the Democrats of this House could be induced to consent to put the credit of the Government in such possible peril.

Mr. KORBLY. Will the gentleman yield?

Mr. HAYES. I do.

Mr. KORBLY. I believe the gentleman from California will not deliberately take the position that there is no distinction between greenbacks and these notes because the greenbacks flow according to the Government's needs, and these will come into existence according to the needs of commerce.

Mr. HAYES. My thought is this. That in this case the notes are not issued for the needs of the Government. They are issued for the accommodation of the banks, pure and simple. But that does not change the fundamental principle.

Mr. KORBLY. Is it not true they are issued so the banks may accommodate the people?

Mr. HAYES. Exactly; I admit that.

But, gentlemen say, the conditions are such now that nothing like this can happen. Such assurance, in view of the lessons of history, is wholly unwarranted, even foolish. Only six years ago, during the panic of 1907, all the banks in the country practically suspended payment. Why? Because they had no money to pay with. Under such conditions, how is the Government to realize on its security taken from the banks to get the gold to meet the demands made upon it? Or suppose the country suddenly plunged into war—and I am not optimistically foolish enough to suppose that war will not some time come. The cash and resources of the Government would necessarily be heavily taxed to finance a war; why saddle the Government with the wholly unnecessary burden of redeeming in gold notes which it has issued for the accommodation of the banks, when by every principle of sound finance the banks should issue the notes themselves, should be forced to keep themselves in a position to redeem them in gold, and not only relieve the Government of this unnecessary burden, but also from the mere danger of such a burden?

And even if there is no immediate danger that the Government credit may be impaired or menaced, the thing is wholly wrong in principle. A government is not like a bank. It has no quick assets; it is not in business; it has no way to get money except by taxation or the sale of its bonds. No government in the history of the world ever went extensively into the business of issuing its demand notes that it did not ultimately run up against trouble. Do gentlemen upon the other side of the aisle suppose that there is a commercial nation in the world except this that in a time of peace and great prosperity would think for a moment of issuing Government notes or promises to pay money on demand? Of course there is not.

And what is the necessity at this time for this remarkable performance? For 50 years the notes of the national banks of this country have been in circulation among the people. At present these notes aggregate nearly three-quarters of a billion dollars in amount. During the whole 50 years of their existence every one of these notes has been redeemed on demand. Why, then, this sudden distrust of bank-note currency? Because this bill proposes a different security behind the notes, but equally good—at least in the opinion of the makers of this measure good enough to secure the Government—why proceed to displace our bank-note circulation which, except for its lack of elasticity, has proved so thoroughly satisfactory? When this bill is to make the conditions surrounding this currency in every way safer and more satisfactory, what is the reason for this unexpected revolution? There is no reason except the necessity for satisfying and harmonizing the greenback contingent of the Democratic Party. But for this political necessity this greenback provision would never have found its way into the bill. I sympathize with my Democratic brethren, but my sympathy can not control my judgment. This provision should be so changed that the banks, not the Government, should be primarily liable on the notes.

For the consolation of the friends of this bill, I think it may be stated, and safely stated, that the note provision of this bill will not, for a long time at least, be invoked. The bill provides such rules in regard to the reserves that after it goes into effect there will be opportunity, as the chairman has stated, for quite an extension of credit, and I doubt if the note provision will be demanded at all, except in cases of great emergency. There is another reason why I believe this, and that is that the notes are to be taxed or an interest charge is to be levied upon the regional reserve banks whenever they are issued, whereas the member banks can make a checking deposit in the regional reserve banks upon which no interest charge will be made, and, as we all know, a checking account for most purposes is just as good as currency.

Mr. MOORE. Is not the Government to issue these notes to the banks on collateral, dollar for dollar?

Mr. HAYES. That is correct. I would not say that; it does not specifically, as I remember the bill, provide that in those words, but I think the bill provides ample security.

Mr. MOORE. The regional reserve bank may present to the Government certain commercial paper upon which the Government will issue its note, the note valued at par equally with the commercial paper. Does the gentleman consider that in the interest of the plain people or the interest of the banks?

Mr. HAYES. I consider any facility that permits an extension of credit to those in need of it to be not only of advantage to the banks but also to all the people. [Applause.]

Mr. KORBLY. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from California yield to the gentleman from Indiana?

Mr. HAYES. I do.

Mr. KORBLY. I would like to direct the attention of the gentleman to one fact, and that is that the gentleman spoke a while ago about the ability of these Federal reserve banks, under the terms of the bill, creating a deposit credit with the bank, and in view of the fact that a tax might be levied, and will be levied, of not less than one-half of 1 per cent on every note that is used, the banks would very much prefer to create the deposit credit?

Mr. HAYES. Yes.

Mr. KORBLY. Does not the gentleman believe that on the other side of the question something may be said, due to the fact that when a note is once uttered by one of these banks it will stay out a considerable time over and above the mere lifetime of a simple deposit account; that a deposit account comes for collection more quickly than a note will, and that so long as a note is out, the holder of it is practically lending to the bank so much money without interest?

Mr. HAYES. The gentleman must bear in mind that the notes are not the notes of the bank, but that they are the notes

of the Government, and the bank itself that gets the accommodation must pay the interest.

Mr. KORBLY. Does the gentleman really seriously contend that they are not the notes of the bank also?

Mr. HAYES. I think they are secured by the bank, but they are not its notes.

Mr. KORBLY. Are they not the notes of the bank, secured by the Government?

Mr. HAYES. No; they are Government notes secured by the bank, which is an entirely different proposition.

Mr. KORBLY. But the notes have no vitality until they are uttered by the bank?

Mr. HAYES. The notes have no vitality until they are delivered by the United States to the Federal reserve agent, who is the chairman of the board of the bank.

Mr. KORBLY. They have no vitality as an instrument of commerce until they are uttered by the Federal reserve bank.

Mr. HAYES. That is true, but the foundation, the credit in the first place, is the credit of the Government, and not that of the bank.

Mr. KORBLY. The credit is the faith that is given to the character of the security, the property, the wealth that is behind it.

Mr. HAYES. Does the gentleman think that any man who receives one of these notes proposed by this bill will ever for a moment think of looking at the security that the bank has given for it? Of course not. He sees that it is a note of the Government of the United States, and if he wants to redeem it or get the gold or lawful money on it he can go to the Treasury and get it.

Mr. KORBLY. Perhaps the man who gives credit to the bank by leaving a deposit with it does not look to the character of the security that the bank has for the return of his deposit, but nevertheless he leaves it on the faith and credit that he has in that bank.

Mr. HAYES. Surely; but that does not affect the character of the transaction at all.

Mr. McKELLAR. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from California yield to the gentleman from Tennessee?

Mr. HAYES. I do.

Mr. McKELLAR. Is not the condition which the gentleman complains of in reference to these notes precisely the condition that exists in regard to national-bank currency to-day? Is not that redeemable by the Government, too?

Mr. HAYES. It may be. The Government has a 5 per cent deposit for that purpose, and if this bill had provided that this currency should be issued by the bank, that 5 per cent redemption fund should not only be continued, but I would increase it, or rather I would add to it a general fund, applicable to all these notes, whether put up by one bank or another. It should be raised by a tax on the notes and accumulated until it becomes adequate to insure the payment of every note on demand.

Mr. MADDEN. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. HAYES. Certainly.

Mr. MADDEN. Of course, the Federal bank has no power to issue currency, has it? It can only apply to the Government of the United States for the issuance of that currency to the Federal reserve bank?

Mr. HAYES. Certainly.

Mr. MADDEN. Of course, the currency does not go into circulation until it is handed over to the Federal reserve bank and handed out to the people. But as a matter of fact it is the note of the United States Government?

Mr. HAYES. It is. There is no question about it. I do not see how there is any chance for any quibble on that subject.

BANK OR GOVERNMENT NOTES NOT MONEY.

But the proponents of the bill say in justification that the Government should issue all the "money" of the country. So it should. But whenever an individual or a government gives a promise to pay money that is proof positive that there is lacking money to pay obligations. Had there been and was there now no Government debt there would be no Treasury notes in existence to-day. If it was supposed that the Government would have the money necessary to loan these reserve banks whenever they wanted cash, do you suppose there would be a provision in the bill that the Government should lend the banks its credit in the shape of promises to pay money? Any school-boy ought to know that a thing can not be both conclusive evidence of the lack of money and money at the same time. Because a note or promise to pay money is sometimes made to serve one of the purposes of money, to wit, a medium of exchange, does not make it money any more than performing the

same function makes checks, drafts, and bills of exchange money. Money is something more than a medium of exchange. It must have not only intrinsic value, but it is, of course, that which measures the value of all other things.

I am speaking, of course, technically and scientifically. The law can make tobacco "lawful" money. It can make cucumbers "lawful" money. It can make a piece of paper "lawful" money; that is, make it a legal tender, but the statute never can on this or any other subject destroy the laws of nature; and no money statute can ever destroy the natural laws of trade and commerce any more than it can destroy the laws of nature, including human nature, and an attempt to do it will certainly bring bad results.

All students of currency and finance know that a bank note, so far from being money, is an evidence of debt—an instrument of credit absolutely no different in principle from a check or a certificate of deposit on a bank. A recognition of this undeniable fact will save gentlemen from any fallacies.

BANK RESERVES.

As to our reserve laws. In all other countries reserves are accumulated in times of easy money chiefly for use in times of stress, and in such times they are used very largely by the banks of other countries to meet the unusual demands of their customers. Not so here. They are accumulated to look at, perchance, to appear in the statement perhaps, to avoid impending bankruptcy of the bank itself perhaps, but never to be used for meeting new demands of customers.

Mr. J. M. C. SMITH. Will the gentleman yield?

Mr. HAYES. Yes.

Mr. J. M. C. SMITH. Will the gentleman be kind enough to explain what is the difference between a bank note and money?

Mr. HAYES. I have just explained that. Money has value. It has measuring power.

Mr. J. M. C. SMITH. Does it have intrinsic value?

Mr. HAYES. It has. Nothing can be money without it.

Mr. J. M. C. SMITH. What intrinsic value has a Treasury note?

Mr. HAYES. It has none. I made that distinction.

Mr. J. M. C. SMITH. Is not that money?

Mr. HAYES. That is made a legal tender and is legally money, but not scientifically, and I will tell the gentleman why. I will give him a concrete illustration, if he will pardon me. When I went to California for the first time, some 40 years ago, in 1872, those notes of the Government were at a 15 per cent discount. Why? Simply because the Government was unable to redeem them in gold. There was no other reason. When I went to California with my greenbacks I had to go to the banks and pay 15 per cent premium to get the gold that was the currency of that State. Why? Because the Government could not give me the gold for them. And let me tell you that when the Government of the United States passed the resumption act, which took effect in 1879, at the time that the bill first began to be considered by Congress there was a discount of about 8 or 10 per cent on greenbacks. Does the gentleman remember that that discount constantly got less and less as the time for resumption approached? And when the day came near, the rate of discount got to be three-fourths of 1 per cent, one-half, three-eighths, one-eighth; and when resumption day itself came, greenbacks were at par with gold. Why? Because the Government of the United States was then in a position where it could pay its notes in gold. That is what made them at par.

Five or six years ago when I was in Mexico you could take an American silver dollar and buy 2 pesos' worth of any kind of goods. The Government of Mexico put more silver into the Mexican dollar than the American Government put into the silver dollar of the United States. Why, then, will an American dollar buy twice as much goods in Mexico as the silver dollar of the Mexicans? Simply because the Government of the United States stands ready and is able to redeem that silver dollar in gold. That is what makes the difference.

Mr. J. M. C. SMITH. And is that intrinsic value?

Mr. HAYES. It certainly is. Gold in all the civilized countries of the world is the standard of intrinsic value.

Mr. J. M. C. SMITH. Is the silver in a silver dollar worth a dollar intrinsically?

Mr. HAYES. It is not; but the fact that the Government of the United States is able to redeem it and will redeem it on presentation and will exchange it for a dollar in gold makes it worth a dollar.

Mr. J. M. C. SMITH. And the gentleman calls that intrinsic value?

Mr. HAYES. I call that intrinsic value.

Mr. BARTLETT. Does the gentleman mean to say that the Government of the United States redeems silver dollars in gold?

Mr. HAYES. I do. That is the law at present. It is the

duty of the Secretary of the Treasury to maintain at a parity all forms of our currency.

Mr. BARTLETT. Oh!

Mr. HAYES. How is he to do it? He can do it in only one way, and that is to give a man who has a Government obligation any kind of currency in payment of it he wants.

Mr. PAYNE. I want to ask the gentleman, after the bill was passed in 1900, establishing the gold standard and requiring the Secretary of the Treasury to make all the money of the Government equal to a gold dollar, did not the Secretary of the Treasury issue an order, which exists to-day, that all forms of money coming into the Treasury shall be redeemed or exchanged for gold?

Mr. HAYES. Certainly. There is no question about it. That has been the uniform practice of the Treasury ever since. As I stated, the reason that every form of money in the Nation is as good as gold is because you can get gold for it. That makes it in a sense intrinsically valuable. If there is doubt about my note, as to whether I can pay it on demand, it will be subject to discount, but my ability to redeem it when it becomes due will make it valuable and as good as gold.

Mr. WINGO. Will the gentleman yield?

Mr. HAYES. Yes.

Mr. WINGO. I would be glad to have the gentleman define lawful money.

Mr. HAYES. The gentleman was probably not in the House when I did that a little while ago. I stated that lawful money was whatever was made legal tender by the law; but that does not affect the scientific discussion of this question.

Mr. SAMUEL W. SMITH. Mr. Chairman, will the gentleman yield?

Mr. HAYES. Certainly.

Mr. SAMUEL W. SMITH. I do not know as it fits in here; but is there any provision in this bill for protecting depositors?

Mr. HAYES. No.

Mr. SAMUEL W. SMITH. It is quite the custom throughout the country for banks to borrow money from the State or county treasurer, or school-district treasurer, and secure them. If it is proper and right to do that, why should there not be some provision in the bill to protect the ordinary depositor?

Mr. HAYES. The gentleman is not familiar evidently with recent history in one of the States, which is an answer to his question. The biggest bank in the State which guaranteed deposits has gone to the wall. The reason is that deposits when there is adequate guaranty of payment outside the bank itself will go to the bank that pays the highest rate of interest without reference to the banking methods it employs. It stimulates wildcat banking, and of course the result must be disastrous.

Mr. SAMUEL W. SMITH. Is it the judgment of the gentleman that there can be no provision whereby the ordinary depositor can be protected?

Mr. HAYES. I know of none; I should be glad if there could be.

I was stating, Mr. Chairman, when I was interrupted that in all countries excepting this reserves are used by the banks to meet unusual demands of their customers. In this country the law does not permit this. As soon as the reserve point is reached the law is that the banks can not use reserves for any new loans, but only to meet existing obligations.

This may be necessary under our system of independent banks, which, unlike those of England, for example, can not depend upon the Bank of England or any similar institution to replenish their reserves by rediscounting their paper or taking their securities and generally coming to their relief in times of stress.

That this bill, if the system it proposes can once be put into operation, will go very far to correct this weakness in our system, I have heard no one deny. In some quarters, however, the bill is severely criticized because it substitutes 12 regional reserve banks for the central bank with branches proposed by the late National Monetary Commission.

I am satisfied that our people have set their faces like steel against a central bank or any similar institution. They fear the danger of its falling into the hands of selfish and unscrupulous men, who will use the power thus acquired to their own enrichment and the oppression and impoverishment of the people. For the present, at least, we may therefore as well dismiss the thought of a central bank, by whatever name it may be designated, as a means for improving and strengthening our system. The people will not have it. For one, I am not sure but they are right. I very much doubt whether the central-bank idea as carried out in foreign countries is adapted to our conditions. France and Germany are countries but little larger than the State of California, from which I come, while England is but little more than one-third the size of California. A sys-

tem which works admirably in these little countries might be most unsatisfactory, if not a total failure, when applied to our vast extent of territory.

I believe that the people of the Pacific coast are almost a unit in desiring a system which will give us at least one reserve bank of our own, officered by men familiar with our section, and free to discharge its obligations to its member banks and take care of the business and commercial interests of our section, divorced, so far as government of the bank is concerned, from Wall Street influence or domination. They do not want to be absolutely dependent in times of financial distress upon the wisdom or generosity of the governor or directors of an eastern bank, central or otherwise. I know that other sections of the country feel the same way about it. This feeling may be all wrong and have no sound basis in fact, but in the interior and the West it is very general and strong, and must be reckoned with and considered in the framing of a currency bill.

FUNCTIONS PERFORMED BY CENTRAL BANKS.

And, after all, what functions do central banks perform? Principally the following:

1. They conserve and hold the metal supply of the country, so that its instruments of credit—its deposits and bank notes—may always have a substantial metallic basis to rest upon and so that this reserve may be readily drawn upon in times of need.
2. They create a place where other banks may rediscount their paper and so replenish their cash and reserves.
3. They act as fiscal agents of the Government.
4. They are made by law and custom the head of the commercial and banking system of the country, and so are able by reason of this position to be the controllers in large measure of its exchanges and commerce, dictating when necessary the rate of foreign exchange, and to some extent domestic exchange or rates of interest, and thus preventing the excessive export of gold.
5. They are generally given the exclusive right to issue notes or paper currency.
6. By their very bigness and the fact that they are supposed to be backed by the power of the Government they have a very powerful psychological influence upon the people, tending to quiet their fears in times of financial storm and thus prevent currency panics.

All these functions either are now performed by other instrumentalities in this country or can be performed by the regional reserve banks provided for in this bill.

The Federal Treasury is now holding and thus conserving the metal stocks of the country and issuing certificates upon them, exactly as the Bank of England issues its notes upon the gold in its vaults. The Treasury is supplemented in this activity by the banks. The greatest stock of gold in the world is held in our Federal Treasury—over \$1,250,000,000. No other country ever has much more than half this amount held in reserve. That the regional reserve banks can be made to perform admirably the other functions of a central bank no one will probably deny, unless possibly that of controlling the shipments of gold from and to foreign countries.

This may be a little more difficult to handle through several banks than it would be through one central bank. Still I conceive that the 12 banks provided by this bill under a central control will be able to handle the matter satisfactorily and possibly more in the public interest than a central bank operated wholly by private interests and free from Government control or supervision.

There is issued about \$90,000,000 of uncovered notes by the Bank of England, which is the amount of its stock in the form of a debt which the Government owes to it. In consideration of its not being obliged to pay that debt, the Government permits the bank to issue £18,500,000 of Bank of England notes without putting anything behind them. But aside from that the functions of the Bank of England are precisely those of our Government in issuing gold certificates.

I want to say, in this connection, that I approve the statement made by the chairman of the committee that this bill is an improvement on the bill suggested by the National Monetary Commission in this respect, that it does not give the control of the regional reserve banks to the banks who are to be its stockholders and patrons. [Applause.] No country in the world which has a great central bank gives the control of that central bank to the banks that patronize it. The Bank of England has no men upon its board of governors, as I understand, who are connected with any of the joint-stock banks in the Kingdom, and the laws of Germany give absolute control of the Reichsbank to the Government, but, like this bill, provide for an advisory board, and I have seen no trouble flowing from that

control. Hence that does not form, to my mind, any objection to this bill, but is, on the contrary, one of its merits.

The psychological effect upon the public on account of bigness in the case of the central institution will certainly not be greater than it will be in the case of 12 banks when the people understand that the 12 banks are so united in management and interest that for purposes of safety and soundness they are practically one institution.

For the reasons stated I believe that the 12 regional reserve banks will be more acceptable to the people whom I represent, and more satisfactory when in operation, than one central bank with branches.

DISTINCTION BETWEEN COMMERCIAL AND INVESTMENT BANKS.

To return now to the third weakness in our system—the failure of most of the State laws and of many of our bankers to recognize the difference between commercial banks and banking and investment banks and banking.

I think most bankers will agree that any bank the large proportion of whose deposits are payable on demand must keep the bulk of its assets in a liquid or easily convertible form, and to fail to do this is to court disaster. Most of our financial troubles in the recent past have been started by banks which did not observe this fundamental rule.

After many years' study of this subject and much reflection I am thoroughly convinced that we never can have a thoroughly satisfactory, strong, and safe banking and currency system in this country until the State laws recognize the fundamental difference between commercial banking and investment banking [applause] or until the bankers controlling the State banks recognize this difference and conduct their business in such a way that their demand or commercial deposits will not be loaned out on long time or invested in nonliquid loans or securities.

The statesmen who framed the law establishing the national banking system understood this distinction and its importance, and hence provided for strictly commercial banks, and prohibited such banks dealing in real estate mortgages or other nonliquid securities or loans. No commercial bank with deposits payable on demand, whether such bank be national or State, should be allowed to loan any large percentage of its money on real estate mortgages or on local industrial or other stocks and bonds not easily salable, and so convertible into cash. Any commercial bank having its deposits payable on demand, which has any large amount of these deposits invested in such loans, is a candidate for trouble, and trouble is pretty sure to overtake it when the first pinch comes. If it is a large bank, it becomes a financial menace in any community; the larger its deposits the larger the menace. There should, of course, be banks—investment banks—which can make loans on real estate and other more or less nonliquid though perfectly sound securities, but they should be conducted on something of the plan of the savings banks of California, whose deposits are divided into "time" and "ordinary" deposits. The time deposits need no legal attention; they take care of themselves; but as to ordinary deposits the bank may by resolution of its board at any time require a notice of not exceeding 60 days of intention of any depositor to withdraw the whole or any part of his "ordinary" deposit. In this way such a bank may legally protect itself in times of financial storm.

Yet, in spite of these elementary banking principles, from many sections and many elements of our population an insistent demand is made that we so modify the national banking law that national banks can lawfully loan their money on real estate and especially on farm mortgages.

If national banks are to loan on farm mortgages, then they must be allowed to conduct a savings-bank department and be permitted by the law to protect themselves like savings banks, when necessity demands it, by requiring sufficient notice of intention to withdraw such deposits. Only so can our national banks be kept safe and sound.

SAVINGS DEPARTMENTS.

For some years many national banks have received savings deposits, until now the number has reached nearly thirty-five hundred and the deposits aggregate nearly a billion dollars. This savings business is done entirely without authorization of law, and is permitted by the Comptroller of the Currency under indefinite limitations. The national banks also have complained because they were not allowed to engage freely in the savings-bank business. For that reason, they say, it has been hard for them to compete with the State banks and trust companies, who are allowed to do commercial, savings, and trust business all under the same organization. Section 27 of this bill is designed to remove this handicap as well as to afford enlarged facilities to the borrowing public in the rural sections. This section of

the bill permits loans of the savings department provided for therein on real estate and farm mortgages. It will be a great boon to the country districts and meets my hearty approval. At least one amendment, however, should be incorporated in the section. It is not made sufficiently clear that a bank which organizes a savings department must keep separate and distinct in each department the cash, securities, investments, and property belonging thereto. Unless the law is made clear and explicit in this regard such a savings department as is proposed by this bill might prove to be a menace to the national bank conducting it. This section should be amended by adding a paragraph like the following:

"It shall be the duty of every national bank having a savings department to maintain separate books of account for each of its departments and to segregate and keep separate and distinct in each such department the cash, securities, investments, and property thereto belonging; and each such department shall in the transaction of its business and the making of its investments be exclusively governed and controlled by the provisions of law and the regulations of the Federal reserve board or of the Comptroller of the Currency specifically made and provided with reference thereto."

With the addition of some such paragraph, I regard the section as one making a necessary and most valuable addition to the national banking system.

Mr. MOORE. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. HAYES. I do.

Mr. MOORE. This saving-bank feature is not compulsory upon the national banks? They may organize such a department?

Mr. HAYES. Yes; they may organize such a department.

Mr. MOORE. The gentleman approves of this feature of the bill?

Mr. HAYES. I do, heartily.

Mr. MOORE. The section provides for the complete separation of the commercial department of the bank from the savings-fund department?

Mr. HAYES. It does.

Mr. MOORE. In the event of the failure of the bank, what would be the effect on the savings funds?

Mr. HAYES. There would be no effect at all. The investments belonging to the savings department would be held in the first instance to meet the demands of the savings depositors.

Mr. MOORE. The savings deposits would not be mingled with the other funds?

Mr. HAYES. No; although I have suggested that that feature is not made sufficiently clear by the bill.

Mr. MOORE. In the event of a receivership, the funds in the savings bank would be treated in the same manner as those in the commercial branch of the bank?

Mr. HAYES. That is, they would be held to meet the demands of the depositors of that department of the bank.

Mr. MOORE. They would have no preference over the commercial side of the business?

Mr. HAYES. If there should be a surplus after the savings department is closed, of course that surplus, before it could be distributed to the stockholders, must be used to liquidate any deficiency that might exist in the commercial department, and the same would be true of any surplus of the commercial department if there should be a deficit in the savings department.

Mr. MOORE. Such by-laws as might be decided upon to regulate the savings institution would be arranged by the bank itself?

Mr. HAYES. Oh, no. The by-laws would have to be in conformity to the law and the regulations of the department.

Mr. MOORE. They would be subject, of course, to the approval of the comptroller?

Mr. HAYES. Yes; and the Federal reserve board.

Mr. HAUGEN. Will the gentleman yield?

Mr. HAYES. Yes.

Mr. HAUGEN. I wish to call the attention of the gentleman to the fact that his suggestion would incur an additional expense in bookkeeping, which might prove a hardship to the banks in the smaller towns. As the gentleman is aware, we have a number of national banks with small capital in the smaller towns, and it is necessary for them not to restrict their operations to commercial transactions, but they must necessarily do the business of the community where they are located.

Mr. HAYES. I think the gentleman has unnecessarily exaggerated the importance of that proposition. The expense will not be great, if anything.

Mr. HAUGEN. I think the gentleman is familiar with bookkeeping and banking.

Mr. HAYES. Yes; and the expense will not be great. If there is any expense, the advantage to the bank and to the community will be an ample reward for any extra labor or expense there may be.

Mr. HAUGEN. Many of the smaller banks are struggling hard to declare dividends of 8 or 10 per cent, and the burden of providing for an additional bookkeeper would be severely felt.

Mr. HAYES. I could read to the gentleman letters which I have received since this bill was printed—and I sent it out to all the banks in my district. If I had thought to bring them, I could read to him long letters praising this section in the most extravagant terms as the thing that the country banks have been long waiting for.

Mr. HAUGEN. Does the gentleman have reference to the privilege to loan money on real estate?

Mr. HAYES. I have reference to the savings-bank provision, section 27 of this bill. The permission in section 26 of the bill to loan on real estate is not so very important.

Mr. HAUGEN. That would be an advantage to some of the banks but not to the smaller banks.

Mr. HAYES. I must disagree with the gentleman.

Mr. CARTER. As I was passing through the Chamber a short time ago I heard the gentleman from California make a statement about some bank in a western State having failed and not having been able to pay its depositors. Was that the statement the gentleman made?

Mr. HAYES. I do not know that I made that statement. If I did I should correct it and say that I have understood from gentlemen from that State that the failure was a very bad one. Whether the bank paid its depositors or not I do not know.

Mr. CARTER. I presume the gentleman means the Columbia City Bank, in Oklahoma City?

Mr. HAYES. I think that is the name of the bank.

Mr. CARTER. I should like to put in the Record a statement of just what the condition of that bank was.

Mr. HAYES. The gentleman can put in the Record anything he desires to, but I do not care to yield to him at this time to make a speech.

Mr. WEAVER. Will the gentleman yield to me as a member of the committee?

Mr. HAYES. I certainly will.

Mr. BURKE of Pennsylvania. Mr. Chairman, I hope that the gentleman will speak loudly enough so that we can hear. I object to these whispered conversations.

Mr. WEAVER. Every dollar that the depositors had in that bank was immediately paid by the State, under its State banking law.

Mr. HAYES. I understand that.

Mr. CARTER. The deposits in that bank amounted to \$1,603,062.98, all of which were repaid.

Mr. HAYES. By the State?

Mr. CARTER. Out of the guaranty fund.

Mr. HAYES. Yes.

Mr. CARTER. On January 11, 1911, about \$1,000,000 of that amount had been refunded to the guaranty fund, and I think it has all been refunded since then.

Mr. HAYES. The gentleman will hardly contend, I think, that the system as it has worked out in his State has been such as to recommend it to the other States of the Union.

Mr. CARTER. There has been no loss to the depositors.

Mr. HAYES. Something like \$600,000, not to the depositors, but it came out of the guaranty fund.

Mr. CARTER. I say that much had been paid on January 30, 1911. My understanding is that since that it has all been refunded.

Mr. HAYES. The point is that the system stimulates unsafe banking and makes it the interest of the depositor to put his money in the bank that pays the highest rate of interest.

Mr. CARTER. That might be cured by not paying interest on deposits.

Mr. HAYES. This question is not involved in this discussion.

Mr. J. M. C. SMITH. I would like to ask the gentleman a question.

Mr. HAYES. I will yield to the gentleman.

Mr. J. M. C. SMITH. Is it not true that since the failure of the Columbia Bank of Oklahoma, Kansas, Nebraska, Texas, one of the Dakotas, Minnesota, and several other States have not enacted or passed a law for the guaranty of bank deposits?

Mr. HAYES. I think it is true.

Mr. KINKAID of Nebraska. Will the gentleman yield?

Mr. HAYES. Yes.

Mr. KINKAID of Nebraska. I want to say that Nebraska has a guaranty law, and it has been upheld by the Supreme Court.

Mr. STEENERSON. Does the gentleman from California intend to assert that Minnesota has such a law?

Mr. HAYES. I did not so understand it; no.

Mr. QUIN. Will the gentleman yield?

Mr. HAYES. Yes.

Mr. QUIN. The gentleman's suggestion is that it makes the three department chiefs mere figureheads.

Mr. HAYES. I will come to that in a moment. They should not be on the board at all, because they will be figureheads.

FEDERAL RESERVE BOARD.

Much criticism has been leveled at this bill because of the political character of the Federal reserve board, who are given by it almost absolute control of the Federal reserve banks and the currency proposed to be issued through them. An effort has been made to make this board nonpartisan by the provision in section 11 of the bill reading as follows:

Of the members thus appointed by the President not more than two shall be of the same political party.

While I regard this provision as most commendable and desirable, I think the character of the board could be vastly improved and the possibility of its becoming a political machine much lessened by striking from the bill the provision making the Secretary of Agriculture and the Comptroller of the Currency ex officio members. The reasons for this change are, briefly, as follows:

1. Both these officers are the political appointees of the President and hold their positions during his pleasure. They are therefore easily and naturally subject to political influence exerted by the administration of the party in power. The Secretary of the Treasury, who since he is the head of our financial system should probably be on the board, is in the same position with reference to possible political influence as the Secretary of Agriculture and the Comptroller of the Currency. Any President would always have as his appointee at least one of the appointed members of the board. The four members I have named would, under the provisions of the bill, be able absolutely to control the action of the board. Even if this was never done, the fact that it could easily be done would cause it to be generally charged by the enemies of the then existing administration that the board was being used for political purposes. The possibility of doing this, or the temptation to do it, should be as far as possible removed.

2. This reserve board are given most important, complex, and responsible duties to perform. In order to properly perform these duties the members should devote all their time to the work. But the Secretary of Agriculture has his hands full in managing one of the largest and most important executive departments of the Government. He should devote all his time and energies to his department. It seems plain that he could not be Secretary of Agriculture and at the same time a satisfactory member of the reserve board. The same is true of the Comptroller of the Currency, who is charged with the supervision of the whole national-banking system and who does have and should have his time fully occupied with those duties.

3. It follows from the above that neither the Secretary of Agriculture nor the Comptroller of the Currency could become thoroughly familiar at first hand with their duties as members of the board and would of necessity be unfamiliar with much of the detail of matters with which the board would have to deal. It seems likely that these two would seldom be active on the board except when questions relating to the policy of the administration in power were under consideration or matters more or less political were involved.

4. If this provision of the bill remains the President, in appointing a Secretary of Agriculture, would at least be obliged to consider his qualifications both as a member of this board and as the head of the Agricultural Department. Very few if any men would be found to possess the essential qualifications for both these positions. It might even be that his duties as member of the Federal reserve board would be regarded as more important than those pertaining to the position of Secretary of Agriculture, and so a man would be selected primarily not because he was a great agriculturist, but because he was a banker or a business man of large experience.

For these reasons it seems clear to me that neither the Secretary of Agriculture nor the Comptroller of the Currency should be on this board. I am aware that in this the majority members of the committee followed the precedents set by the Fowler bill of 1908, and the bill proposed by the more recent National Monetary Commission. In my judgment, even under the two plans proposed by these bills, these two officers should not have been made ex officio members of the national board in control of the banking and currency system, though in the two former bills there was a reason for this that does not exist under this bill. By the terms of both the former bills

the members of the national board were elected by the banks, and these three ex officio members were the only representatives the Government had on the board, while under the present bill all members of the board are appointed by the President and are Government officials, so that no ex officio representatives of the Government are needed.

If the gentlemen of the majority want to give the farmers representation on the Federal reserve board, let them not make to the farmers "a promise to the ear and break it to the hope" by putting an officer who is a representative of the agricultural interests on this board but who can not spend all his time in representing them; let the bill provide that one of the four men appointed on the board by the President shall be representative of the agriculturists of the country. Then the farmers would be getting something substantial and worth while. Under the bill as now drawn they are getting only the shadow, not the substance.

Mr. Chairman, there are many other provisions in this bill that I should be glad to discuss, and several other changes that I would like to suggest, but I have already occupied too much time. I trust that many, if not all, the changes that I have suggested, and others that will improve the bill, may be incorporated before it reaches its final stage and passes into a law. It is perhaps too much to expect that the bill can be so improved as to finally receive the support of all parties in this House, but I certainly hope that it may be so amended that, when it does finally receive the approval of this House, the vote by which that approval is recorded will not be along party lines. [Loud applause.]

Mr. UNDERWOOD. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee determined to rise; and the Speaker having resumed the chair, Mr. GOODWIN of Arkansas, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 7837, the currency bill, and had come to no resolution thereon.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Baker, its Secretary, accompanied by the Sergeant at Arms of the Senate, Mr. Higgins, announced that the Senate had passed with amendments the bill (H. R. 3321) to reduce tariff duties and provide revenue for the Government, and for other purposes, had asked a conference with the House of Representatives on the bill and amendments, and had appointed Mr. SIMMONS, Mr. SHIVELY, Mr. WILLIAMS, Mr. JOHNSON, Mr. PENROSE, Mr. LODGE, and Mr. LA FOLLETTE as the conferees on the part of the Senate.

Mr. UNDERWOOD. Mr. Speaker, I desire to ask unanimous consent that it shall be in order to move to nonconcur in gross in the Senate amendments to the bill H. R. 3321, the tariff bill, agree to the committee of conference asked for by the Senate on the disagreeing votes of the two Houses, and that the House shall, without further delay, proceed to vote on the motion, and if the motion shall prevail the committee of conference shall be appointed without instructions, and said committee shall have authority to join with the Senate committee in renumbering the paragraphs of the sections of said bill when finally agreed upon.

The SPEAKER. The gentleman from Alabama asks unanimous consent that it shall be in order to move to nonconcur in gross in the Senate amendments to H. R. 3321, the tariff bill, agree to a committee of conference asked for by the Senate on the disagreeing votes of the two Houses; that the House shall without further delay proceed to vote on the motion, and if the motion shall prevail the committee of conference shall be appointed without instructions, and that it shall have authority to renumber the paragraphs and the sections of the bill when agreed upon. Is there objection?

Mr. MANN. Mr. Speaker, reserving the right to object, may I ask the gentleman from Alabama if he knows how many Senate amendments there are?

Mr. UNDERWOOD. There are several hundred.

Mr. MANN. I hold them in my hand and there are 676. That is a considerable number of amendments to disagree to in one bunch. Would not the gentleman be willing to let the House vote on some of the amendments which might be indicated on this or that side of the House?

Mr. UNDERWOOD. I will say candidly to the gentleman that what I have asked for is, as the gentleman recognizes, the language that was adopted in the rule by the House when the Payne tariff bill went to conference. So that we are following in the path of that side of the House.

Mr. MANN. The gentleman from Alabama has frequently said that the action of the Republican Congress on the Payne

bill has been repudiated by the people. It was denounced by that side of the House. Has the gentleman changed his views?

Mr. UNDERWOOD. Not at all, except this: That the people of the country did not want the Payne bill and were not in a hurry for it. The people of the country want this bill and are in a hurry for it.

Mr. MANN. Not up in Maine; the indications in Maine do not look that way. I shall have to object to a request to disagree to 676 Senate amendments without a chance of anybody in the House moving to agree to some amendments which ought to go in.

The SPEAKER. The gentleman from Illinois [Mr. MANN] objects.

Mr. UNDERWOOD. Mr. Speaker, I desire to give notice that I will introduce a rule to send the bill to conference, and hope it will be reported to the House at 11 o'clock to-morrow morning, and that we may have a vote on it and have a quorum present. Now, I ask unanimous consent that the Clerk may number the Senate amendments—

Mr. MANN. The Senate amendments are numbered.

Mr. UNDERWOOD. I think that was done by the clerks preparatory—

Mr. MANN. It is in the resolution which comes from the Senate. The Senate amendments are numbered, and it does not require any action.

Mr. UNDERWOOD. I did not know they had—

Mr. MANN. I wish the gentleman would ask unanimous consent to have the bill printed with Senate amendments. I think it could not be done without that, being on the Speaker's table.

Mr. UNDERWOOD. The engrossed copy is numbered. I am inclined to think it was numbered without the consent of the Senate—

Mr. MANN. Oh, no.

Mr. UNDERWOOD. The Clerk called my attention to it and asked me—

Mr. PAYNE. Mr. Speaker, do I understand the gentleman from Illinois that the Senate bill is printed with amendments in their proper place and numbered?

Mr. MANN. No.

Mr. PAYNE. I think that should be done. The bill ought to be printed with the amendments indicated in the text of the bill and numbered consecutively.

Mr. MANN. This is the resolution passed by the Senate:

Resolved, That the bill from the House of Representatives (H. R. 3321) entitled, etc., do pass with the following amendments.

And they are numbered. This is a communication which has just come from the Senate, not very fully stated by the clerk who brought it over.

Mr. PAYNE. I think the gentleman from Alabama ought to get consent to print the bill with the amendments in their order and numbered in their order.

Mr. UNDERWOOD. Mr. Speaker, I ask unanimous consent that 5,000 copies of the bill may be printed, with Senate amendments numbered in their proper order, and placed in the document room for use of the Members of the House.

Mr. MANN. That is the bill with Senate amendments?

Mr. UNDERWOOD. Yes.

The SPEAKER. The gentleman from Alabama asks unanimous consent that 5,000 copies of the tariff bill with Senate amendments be printed and placed in the document room and that the Clerk shall be authorized to number the Senate amendments consecutively in their proper place. Is there objection? [After a pause.] The Chair hears none.

The gentleman from Alabama announced that he expected to have a rule ready to send this bill to conference in the morning at 11 o'clock, and requested all gentlemen to be present.

Mr. STEENERSON. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. STEENERSON. Will there be any opportunity to present a motion to concur in Senate amendments before that?

The SPEAKER. The Chair can not tell what will be in the rule, but if the Chair should guess the Chair would guess there would not be.

Mr. STEENERSON. Mr. Speaker, I move to agree to Senate amendment, paragraph 4964, putting furs on the free list. I believe that is a preferential motion and I do not want to be cut off.

Mr. UNDERWOOD. Mr. Speaker, I make the point of order that the gentleman's motion is not in order at this time, as the bill is not before the House.

LEAVE OF ABSENCE.

By unanimous consent, Mr. SMITH of Maryland, was granted leave of absence for two days, on account of important business.

CURRENCY.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the currency bill.

The SPEAKER. The gentleman from Virginia [Mr. GLASS] moves that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, the currency bill. The question is on agreeing to that motion.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, the currency bill, with Mr. GARNER in the chair.

Mr. GLASS. Mr. Chairman, I yield 45 minutes to the gentleman from Indiana [Mr. KORBLY].

Mr. MURDOCK. Mr. Chairman, just one minute before the gentleman from Virginia yields. There has been one speech by a Democrat and one by a Republican, and does not the gentleman think that the Progressives ought to get in one speech on this proposition?

Mr. GLASS. I suppose the gentleman from Kansas can follow the gentleman from Indiana.

Mr. KORBLY. The suggestion of the gentleman from Kansas would come with more grace if he were a member of the committee.

Mr. MURDOCK. I realize that the gentleman from Indiana has the preference.

Mr. KORBLY. Mr. Chairman and gentlemen, the exhaustive and learned speech by the chairman of the committee [Mr. GLASS] makes it unnecessary that I should go into a detailed discussion of this bill and makes it unnecessary that anyone else should undertake to do so. I listened to the speech with great pleasure and profit, as I listened to the speech of my colleague from California [Mr. HAYES], who is a very learned man on this subject. I think the highest compliment that could be paid to the bill over and above the fact that he, as a member of the committee, did not vote against reporting the bill, and the fact that he expects to support it in the House, is the fact that with all his learning he can not point out other than a few unimportant defects in the bill.

If this bill be a partisan bill, it is none the less a good bill. I venture to say that if human ingenuity had set out deliberately to make banking laws bad, it could not have accomplished the work more fully and completely than it has been accomplished by the legislation of the Republican Party since the Civil War. There were some great blunders written into the national-bank act and they partook of the halo of the Civil War. It was often said, even in my time, that you must not say anything against the greenback, you must not say anything against the national-bank note, because they are an arm of the Government and helped to carry on the war. It might not be strange that people in the North would give reverence to such things, but what do you think of southern gentlemen who are now found making their obeisance in that direction?

The duty that confronts Congress at this time is to remove the legislative obstacles to good banking that have accumulated during 50 years. There is nothing for Congress to do but take away these obstacles to good banking, and these obstacles are the result of legislation at the hands of the Republican Party.

In order to find out what is wrong in our banking laws we must know what is right in banking.

There are certain defects in our banking laws and they may be classified as defects of control and defects of banking machinery.

You may have a very good automobile, a splendid machine, ready for use in the work it is intended to do, but put it in the hands of a chauffeur who does not know how to operate the machine, and what difficulties will arise on account of that fact the good Lord alone knows. Now, I say again, there are certain defects of machinery we have to meet and correct, and then there are certain defects concerning the control of this machine that go to the judgment and discretion of men who manage it.

The defect of machinery consists I think largely in the fact that we have an inelastic currency. Our currency is redundant at certain times of the year and at certain other times of the year it is very apt to be very scarce. Elasticity of currency means that there may be expansion of currency and contraction of currency. This we have not. Now it has been pointed out time and time again that there are about thirty-three hundred million dollars in currency provided for the people, and it has been pointed out that about fifteen hundred millions of this is im-

pounded in the bank vaults of the United States, where it is used as reserves, and the balance of it, whatever that may be—some say about one thousand eight hundred millions—is in the pockets of the people, in the money tills, in the Treasury of the United States, and in other places. When the people want currency in an unusual amount, as when they need it in the moving of the crops, they have no place now to get it except to go to the banks, and the banks have no place except to take it out of the bank reserve, and just as soon as the banks undertake to supply the needs of the people for currency that moment they begin to diminish their reserve below the legal requirement, and, as Mr. HAYES very clearly pointed out, they are then reduced to the necessity of violating the reserve laws of the United States or else refusing to extend credit to the merchants, farmers, or manufacturers who are entitled to credit and need it badly. It was some such defect of machinery as this in my opinion that brought on us the trouble in 1907. That year there was an abundant crop and that very abundance of crop got us into trouble because of our foolish reserve and currency laws.

The United States is the only civilized country on earth that has a fixed reserve. We have fixed the reserve in such a peculiar way as causes the reserve to pile up in the great money centers like New York City, and then when the reserves are wanted, not because the people want lawful money but because they want currency, the banks out West seek to get that currency which has been sent to New York, but they can not get it because it is held in New York as a reserve against discounts and loans to carry enormous trading and holding transactions on the New York Stock Exchange. I would like for Mr. HAYES and others to bear in mind this important distinction, that "money" that is lost on the New York Stock Exchange upon gambling transactions is not lost to the Nation. It involves merely a change of ownership from one person to another. It is not the destruction of wealth that causes evil to the whole people, such as flows from unwise loans.

We are prone to blame the bankers of New York for the very things that our foolish laws have put upon them and put upon the country. Not only this, but the bankers have been deprived of one of the most important instruments with which to serve the people by reason of the fact that they have not been clothed by law, or rather they have been by law deprived of the right to issue notes.

I do not overstate the case. Inelastic currency and fixed or rigid reserve requirements are the twin evils or defects of our banking machinery. For bear in mind that the right to issue a note by a man, by an individual, is an inherent right, a common-law right, and while corporations do not possess natural rights it is not difficult to see the need of this right for corporations engaged in banking.

Mr. CALLAWAY. Mr. Chairman, will the gentleman yield?

The CHAIRMAN (Mr. CULLOR). Does the gentleman from Indiana yield to the gentleman from Texas?

Mr. KORBLY. Yes.

Mr. CALLAWAY. The gentleman says the banks of New York ought to have the right to issue notes?

Mr. KORBLY. I did not say the banks of New York.

Mr. CALLAWAY. The gentleman says we have deprived them of that right.

Mr. KORBLY. No. We have deprived the banks of the United States of the right to do it.

Mr. CALLAWAY. The gentleman thinks that they ought to be relieved of that restriction?

Mr. KORBLY. There ought to be an elastic currency, and if there were an elastic currency the people of the United States would not be dependent upon getting lawful money back from New York or any other place in order to meet their needs for currency.

Mr. CALLAWAY. Would bank issues give it to them?

Mr. KORBLY. Certainly.

In 1907 there was need of currency in the land for moving the crops, and the people had no way of getting it except from the banks and the banks had no way of supplying it except out of their reserves. The country banks had sent a large part of their reserves to New York, under our foolish banking laws, and then asked to have it returned to them.

It must be remembered that all money is currency, but all currency is not money. Under our laws to-day we practically are compelled to use reserve money for currency.

I say again, the people did not want lawful money for lawful money's sake. They wanted mere currency, and the New York banks had it invested in stock gambling transactions on the New York Stock Exchange and could not send it back as fast as needed in the West. That was nothing in the world but a currency stringency—a famine of currency. I say it

with some emphasis, if you please—it was a currency famine and not a credit famine.

What was the result? The result was a paralysis of the mechanism of exchange in the United States. Twenty-five thousand banks entered an immediate scramble for currency. An agony of fear seized the country and the foundations of credit were tested.

Confidence in banking is a double-edged sword. A depositor who gives the banker power to lend must have confidence that his funds are safe, and the banker who lends the funds of his depositor must have confidence that these funds are safe and will be wisely used and returned at the appointed time.

The result, if you please, was the same as was caused by the great railroad strike in Chicago in 1894, which I remember.

You not only have to exchange the ownership of the products of labor through the instrumentality of banking, but you have to move the products from one part of the earth's surface to another, from California to Maine, from Washington to Chicago, from Indianapolis to Boston. Every day, every hour, there is a movement of the products of labor, and when the great mechanism of transportation was paralyzed by that strike commerce was paralyzed, and when as a result of this great famine of currency the bankers took alarm—and they had a terrible alarm, a perfect spasm among themselves—the result was that 25,000 separate banks in the United States began to reach out for currency, always for currency. This very anxiety for currency engendered a fear that all was not well, and the banks suspended payments, not, however, without entering into an agreement to do so, for not one of them would have suspended without the moral support of the others in so doing.

Mr. HAYES. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. KORBLY. Yes.

Mr. HAYES. The gentleman speaks about the people wanting currency. I want to ask him if he does not think a good and sufficient deposit in the banks would answer every purpose just as well as currency?

Mr. KORBLY. The gentleman is in full agreement with me that we need an elastic currency. I recognize that the more highly organized our credit system is the less gold and currency is needed. I do not think that suffering when "money is scarce" has to do with the lack of gold or the lack of bank notes.

Mr. HAYES. Is it not true that in this country we have vastly more of the circulating medium than in any other country in the world?

Mr. KORBLY. Yes.

Mr. HAYES. So that primarily it is not elasticity of currency that we need, but elasticity of credit?

Mr. KORBLY. There is no such thing as "elasticity of credit."

Mr. HAYES. The reserve provision of this bill would at least afford extension of credit?

Mr. KORBLY. Yes. I will come to that presently, if I do not overstep my time. The reserve section of the bill diminishes an old legislative obstacle to liquid commercial banking.

The result of this famine of currency in 1907 was simply to precipitate a testing of the foundations of credit; and I say to the gentlemen of the House that an unnecessary testing of the foundations of credit is a dreadful thing and has dreadful consequences. I have believed continuously since that time that there was then no great abuse of credit. There was no destruction of wealth. The bankers had not loaned unwisely to such a great extent as to injure the people of the United States by the destruction of wealth. Nevertheless the result of that famine of currency precipitated a testing of the foundations of bank credit and brought on a paralysis of the mechanism of exchange—the machinery of commerce—and the consequences were lamentable, and the country has not yet fully recovered therefrom.

The gentleman from California [Mr. HAYES] speaks about the elasticity of credit. Let us consider for a few minutes the question as to whether there is any such thing as elasticity of credit.

The commercial bankers of the country can not lend anything that the depositors have not put in the banks. All of the deposits in the banks consist of the proceeds of the sale of products, the proceeds of the sale of commodities, the proceeds of the sale of wealth. A cotton grower of the South may sell several bales of cotton and draw upon the man to whom he sells and discount his drafts with his banker. The banker gives him credit for that amount. He has no immediate use for the whole of the proceeds of his sale, so he leaves it with the banker, and the banker is enabled to lend part of the proceeds of that sale to some merchant who may have to buy merchandise, but the banker can not lend anything to anybody unless somebody has

deposited with him the means to lend—and it is not money that is lent.

To say that the commercial banks can not lend anything that depositors have not placed in their keeping for that purpose is just another way of saying that the only limit to a commercial bank's ability to discount is the limit to good commercial paper that offers for discount. This is true for the reason that such paper springs from self-clearing transactions.

The banker deals in purchasing power lodged in his hands by one principal and borrowed by another, for a banker is a broker between two principals.

The great events of banking, the abundance or scarcity of its resources, its ability to assist trade, low or high rates of discount, panics and crises, are to be found not in banks and bankers, but in the state of the wealth of the country and in the effects which this wealth produces on the two principals whom the banker has brought together.

Mr. HAYES. Will the gentleman permit a question?

Mr. KORBLY. Yes.

Mr. HAYES. I should like to ask the gentleman if it is not true in the case he puts that the condition of the bank's reserve might be such, under the present law, that it would be impossible for the banker to give his customer credit.

Mr. KORBLY. Yes. I thoroughly agree with the gentleman on that.

Mr. HAYES. And is it not also true that in the panic of 1907 the primary cause was not the lack of currency? There was plenty of currency in the country, but the primary cause was the failure of the banks to give credit which otherwise their customers would have been entitled to.

Mr. KORBLY. There was, perhaps, plenty of currency in the country, but it was not in the right place. There is a great measure of truth in what the gentleman says. It is the duty of the banker to discount freely for his customer in a crisis or panic. The only limit to the ability of a banker to discount is the limit to good liquid commercial paper.

Mr. LINDBERGH. Is it not frequently the fact that, instead of depositing checks or money, parties give their notes and credit is given on the notes?

Mr. KORBLY. It is the same thing. There is no deposit in a commercial bank unless somebody has sold something, and the bank is not called on to pay any checks unless somebody has bought something. The resources of the bank are always the receipts from sales made by somebody, and its liabilities are always its necessity to pay bills for goods that somebody has bought.

No one borrows from a bank but to buy goods and no one deposits in a bank but in consequence of his having more goods than he can use and of having sold the surplus.

The possession of reserves in greater or less amount does not in the slightest degree increase the ability of the bank to lend, and that is the fundamental principle that is involved. Ah, my friends, the thing that is involved in the safety of banks is not large reserves but the state of the wealth of the country—that, and nothing else in the world than that.

It is what is happening to goods and merchandise and not what is happening to gold or lawful money and bank notes that causes high discounts. Diminishing reserves do not cause high discount rates.

Mr. WINGO. Will the gentleman yield for a question?

Mr. KORBLY. Yes.

Mr. WINGO. In that connection I should like to know if the gentleman thinks you can add to wealth by legislation?

Mr. KORBLY. Certainly not. You might just as well undertake to increase the population of a town by building more houses, or to increase the food in the land by increasing the number of meal tickets, or to increase the foreign trade by building more ships, as our ship-subsidy advocates would have us do. You can not make wealth by legislation.

Primarily what we need to import into America to-day is more wealth and not more gold to be used in transferring wealth from one ownership to another.

Mr. WINGO. In that connection does the gentleman intend to be understood as saying that the only trouble is a lack of wealth? Because if that is the trouble, we can not remedy it by legislation.

Mr. KORBLY. That is an important question. Verily, you can not regulate it by legislation.

Mr. ALEXANDER. Will the gentleman yield?

Mr. KORBLY. Yes; but I should like to answer this question before I get to others. The question which the gentleman has asked raises a most important question in banking, in my opinion.

The stock of gold the world over remains the same whether the Nation is bulging with prosperity or shrinking under the blight of poverty.

A scarcity of currency or a currency famine may exist under our national-bank laws at a time when wealth is very abundant; witness 1907.

A scarcity of wealth may exist under any banking law when currency is abundant.

The multiplication of bank notes or Government notes or the importation of gold will not avail the people if wealth is scarce.

The causes which act on banks relate to capital exclusively—to the influences of increasing or diminishing wealth. Banking is an agency between lenders and borrowers of wealth.

I said a while ago that the banker has to perform an important function for society, and the gentleman from California [Mr. HAYES] knows it better than anybody else, so far as we know from what has been said on the floor. The banker has to guarantee the depositor that the funds which he leaves with the banker will be wisely loaned and used so that when the payment time comes the man who borrowed the funds will be there with payment.

The depositor has no security for the safety of his debt but the solvency of the banker.

What wildcat schemes may not a banker have supported?

The banker is uneasy for the reason that his commercial paper may be worthless because the makers are insolvent.

A bank is strong or weak according as its banking is good or bad, according as its resources derived from the sale of goods are large or small, and according as those to whom it has lent have preserved or destroyed the commodities which they purchased with the bank's loans.

It is not enough to say that the banker must have a good security. If the banker lends the funds, his control of property goes to the man who borrows, who buys goods or merchandise. If the borrower buys automobiles and wine and has a good time, he will not have the wherewith to pay when the day of payment comes. If he borrows to make a crop, if he borrows to pay labor, so that there may be an abundant harvest as the result, he will most likely have the wherewithal to pay, and it is because the banker has the wisdom and the courage to know to whom to lend and for what purpose that we are to avoid disasters. This bill fully recognizes that fact and gives the remedy.

In the past one of the greatest troubles has been the failure of the banks to discriminate between savings-bank and commercial-bank functions, and one of the purposes of this bill is to segregate and divorce those two banking offices and to hold the commercial bank solely as a servitor of commerce and segregate the savings banks. The committee fully comprehends that savings are simply the surplus of product over and above what mankind needs for daily consumption and that the funds in commerce are those which he has for consumption to-day in order that he may produce additional wealth to take care of his wants to-morrow.

Mr. PLATT. I think the gentleman said the banks can not loan money until somebody had deposited money.

Mr. KORBLY. Certainly not.

Mr. PLATT. Suppose I go to a bank to borrow \$10,000, and I am credited in the bank. Do the deposits go to make up that \$10,000?

Mr. KORBLY. Yes.

Mr. PLATT. Are not the bankers loaning that \$10,000 without anything deposited?

Mr. KORBLY. No; you deposit your note. That, however, is not commercial paper and is not the kind of a loan that is contemplated in this bill. As I tried to make perfectly clear, this bill proposes that, so far as the commercial bank is concerned, it shall be permitted to serve commerce, and the kind of transaction the gentleman has just suggested is not included in strictly commercial banking.

Mr. PLATT. Is it not a fact that deposits in the bank are 90 per cent credit, and not actually put in the bank?

Mr. KORBLY. The banker deals not in money. The banker no more deals in money because he handles money than grocers or druggists deal in money because they handle money. The merchant has to have a little money in his till for change, and so does the banker. I lay down the principle that a bank's ability to discount for one of its customers is not related in any manner whatever to the reserve. There is no civilized country on earth that has a fixed reserve but the United States, and Mr. HAYES has made clear the fact that this defect in our banking machinery has contributed much if not more than anything else to our disasters in the past.

A bank deals in debts. It buys notes and bills of exchange, which are the instruments of commerce.

To understand the banker's profession we must know about bills and checks. We must know what they are and where they get them, and when they are abundant and when they are

scarce, and what makes them abundant and what makes them scarce. Checks and bills of exchange may do the same work that money does, and so will parole or verbal agreements do the same work; but oral agreements are less efficacious than bills and checks, because bills and checks are claim tickets or title deeds to money, or money's worth of wealth.

How do checks and bills come into existence? They are the offspring of sales. Every man who gives a check to a bank for deposit has previously sold something for which he received the check in payment. This check he takes to his banker to collect it for him, which the banker does, and credits him on the bank books with the proceeds. Now, when this man buys something, he draws a check, commanding the banker to pay his debt out of the proceeds of the check which the bank collected for him.

The banker's most characteristic quality is that he is only an intermediate agent. His sole action is to place the ownership of property in different hands.

Mr. MADDEN. Do I understand the gentleman to say in reply to the question of the gentleman from New York [Mr. PLATT] that this bill was intended to prevent the kind of transaction he suggested?

Mr. KORBLY. Yes; certainly. Only paper growing out of commercial transactions will be subject to rediscount under this bill.

Mr. MADDEN. Do I understand the gentleman to say that if I want to borrow \$1,000 or \$10,000 that under this bill I could not go to a bank and get it?

Mr. KORBLY. Could not go to what bank?

Mr. MADDEN. Could not go to a bank and borrow that?

Mr. KORBLY. This bill has for its purpose the control, the moral control, over banks that become members of the system. We have no system now and we propose to create a system, and we propose this system shall be under the control of these 12 banks which are under Government control and that there shall be an influence on the character of paper which member banks may discount. Member banks will not discount the kind of paper that is not rediscountable under the terms of this bill.

Mr. MADDEN. Does the gentleman wish the House to understand—

Mr. KORBLY. I wish the House to understand every proper inference that may be drawn from my statement.

Mr. MADDEN. The gentleman wishes the House to understand that if a man in business went to his bank in which he was a depositor and wanted \$10,000 to use in his business that under this bill he would not be able to get it?

Mr. KORBLY. Oh, no; the House does not so understand me. The gentleman may hug that delusion, but the House does not so understand me.

Mr. PLATT. Mr. Chairman—

The CHAIRMAN. Does the gentleman from Indiana yield?

Mr. KORBLY. I am consuming a great deal of my time in answering questions and not in making my argument; but I will yield with pleasure.

Mr. PLATT. Is it not a fact in the issuing of statements of the banks loans and deposits go up at the same time; that deposits are nearly all loans; that they fluctuate together always, and there is not any room for the latitude—

Mr. KORBLY. There is no truth in banking that is more important or more clear than the fact that what the bank has to loan is what the depositors leave with the banker. It is not money, it is not bank notes, but it is simply the purchasing power, the proceeds of sales.

Mr. PLATT. It is simply the right to draw out of the bank.

Mr. KORBLY. Let me read a paragraph from Adam Smith, the greatest of political economists:

If gold and silver should at any time fall short in a country which has wherewithal to purchase them, there are more expedients for supplying their place than of almost any other commodity. If the materials of manufacture are wanted, industry must stop. If provisions are wanted, the people must starve. But if money is wanted, barter will supply its place, though with a good deal of inconvenience. Buying and selling upon credit, and the different dealers compensating their credits with one another, once a month or once a year will supply it with less inconvenience. A well-regulated paper money will supply it not only without inconvenience, but in some cases with some advantages. Upon every account, therefore, the attention of government was never so unnecessarily employed as when directed to watch over the preservation or increase of money in any country.

The people of the United States are busy producing wealth, and by "wealth" I mean food, clothing, building material, and fuel, broadly defining it. And they are not only engaged in producing it, but they are also engaged in transporting it and exchanging it with each other; and the instruments of exchange are money and banking.

Money does two parts out of every hundred dollars of it, and banking does the balance of it without the use of money, except in so far as the things exchanged are valued in money. It is a

question of bookkeeping, a question of checks, a question of clearing houses; and I say that it is not for sensible men to argue that the people are unable to exchange their products because, forsooth, there is a little more or less gold in somebody's cellar.

A bank can not lend more to its customers because more gold or lawful money has been put in the bank's vault. Gold or lawful money is not lent. Gold or lawful money or bank notes are used in only two or three out of each one hundred dollars worth of business done.

Gold may be dug out of one hole and put into another; it may be moved from one place to another place, but will some philosopher tell a waiting and an anxious world how gold in one place instead of another will give the people of the Nation the food to satisfy their hunger or the clothing to protect them from the cold?

What do you think of the proposition, my friends, that when the people are hungry and want food we shall import gold instead of food? When the people are hungry and want food, if we have gold, we will export gold in order that we may bring food to our shores in its place. If the people are naked and want to be clothed against the elements, and we have gold and not clothing, we will export the gold in order to get the clothing. The last thing in the world they want when they are suffering is gold. What they want is food, clothing, building material, and fuel, the four great things that go to make up material civilization; and banking is nothing but the instrument of commerce by which these things are exchanged.

There is no relation whatever between the bank's reserves and the discount rate.

There is no relation whatever between the bank's reserves and its ability to discount.

This bill gets my support because it seeks to separate savings banking from commercial banking, and will exercise a controlling influence in holding commercial banks as the real servitors of commerce, to the end that the machinery of exchange will always do the work which it is intended to do.

My friend the chairman of the committee [Mr. GLASS] spoke about the 10-year period of recurring panics. There is no inherent necessity for these recurring panics. These recurring panics can not be stopped by legislation, because legislation will not save a people from the consequences of their own folly. [Applause.]

Panics spring from moral forces, and by moral forces they may be prevented. Bankers must themselves learn the lessons which they teach; they must consider the nature of the enterprises which they support, not their soundness only, for it must be admitted that as a whole they do not support unsound projects.

The entire history of the national banks is a flattering tribute to the character of the national bankers, in that they have not in any but a negligible way invested their bank funds in unsound paper—that is to say, in paper that was not certain to be paid ultimately. The percentage of losses to depositors in national banks growing out of the failure of national banks is surprisingly small.

The distinction, however, between losses to depositors due to the failure of banks and losses of the whole people due to the breaking down of the mechanism of exchange, as in 1907, must be borne in mind. The losses in the United States due to the collapse of the banking system is incalculably large.

The capacity of the capital in the Nation to execute or work out the projects supported by bankers within the time fixed therefor—that is to say, the turn-over period—and without temporary disaster is the all-important thing of which the commercial banker must assure himself.

Bankers ought to study political economy and learn the meaning of the word "savings." When they shall have come to a full knowledge of the fact that savings are the excess products over and above daily consumption, and that it is this excess alone which can be applied to new undertakings without pauperizing the money market, we shall have taken our longest and most important step to prevent panics. For upon the perception of this great natural law and rigorous obedience to its prescription depend the prevention of panics and crises, and there is no other remedy.

I believe that the rediscounting provisions of the present bill will impress this truth upon such of our bankers as need the lesson and will to this extent educate them in a fundamental principle of sound banking; nay, more, I believe these provisions of the bill will exert a restraining influence upon the bankers who realize this great truth yet are moved by the alluring promise of large profits to disregard its plain warning; for, once a banker comes to know that the rediscounting privilege is to be refused to paper of unliquid character, he will

naturally be anxious to confine his investments to paper which he will have no difficulty in rediscounting in time of trouble.

The legislature can prescribe certain rules and regulations, and that is the proper function of legislation. And in this bill we have prescribed those rules and regulations and created certain boards which are designed to exercise a controlling influence in the enforcement of those prescriptions.

We have created these 12 banks, partly in control of bankers, in conjunction with Government officers, and then we have practically put these 12 banks under the control of the Federal reserve board, which is altogether a Government office, and we propose that this board shall see to it that the prescriptions of Congress shall be obeyed.

We propose that commercial banks shall invest in commercial paper; and what is commercial paper but the instruments of commerce? Can the gentleman from California or the gentleman from Illinois conceive any piece of paper that may be rediscounted under the provisions of this bill by any one of these Federal reserve banks that does not involve the sale of goods, or of a loan which may come under the influence and control of the Federal reserve bank that does not involve a loan from the bank for the purpose of buying goods, and buying goods for a dynamic purpose, for making the crop, for manufacturing raw material, or for commerce, dealing in food and clothing and building material? If the bill fails to give this great psychological control, then I have made a mistake in giving it my support. We have a control now, and it is a psychological control. We have a control by New York banks and New York banking. We propose to break this. We not only propose to break it, but we propose to decentralize it. We propose to scatter it into 12 different sections of the United States. Then it will be a control within that particular section, subject always to the power of the Government. I do not for a minute contend, my friends, that there are any substitutes for honesty and courage and wisdom. If for any reason—and God grant it may never be so—these boards of control should lack the wisdom and the courage to do their duty, you would still be subject to all the disasters that now befall us, because of the fact that the control is not wisely exercised.

Mr. CALLAWAY. Will the gentleman yield?

Mr. KORBLY. In just a moment I will yield to the gentleman. I said a while ago that the banker must be wise and courageous and honest. He must know when to say no. He must know whether or not the loan shall be granted, and whether it is granted or not must depend upon the purpose for which it is to be used. What a disaster would befall mankind if it should turn out that the Panama Canal was uselessly dug. If the commercial banker, confusing the savings bank with the commercial bank, is tempted by the promises of great reward to take long chances and to sink a shaft in order to dig gold or coal out of the bowels of the earth, and he gets coal or gold in abundance—and better coal than gold because it is more useful—it will be well with him, because he will make big profits; but if the shaft is sunk and no coal is there, then all the food and all the clothing and all the property that have been worn out and the tools that have been destroyed in digging that hole are lost, and there will be nothing to replace them.

Confidence is easily shaken when once depositors begin to doubt whether the banker may not have intrusted his funds to people who have lost them.

When the winds and the rain and the storms and the flood and drought come along and destroy your crops you have a destruction of property. That sort of destruction of property is destruction by the elements due to natural causes and natural forces, and it is a great blow to society; but society sees it and is prepared for it and meets it with calmness and courage. And although the people who have sown do not reap, having once paid for their food by their labor, nevertheless they will use that which they have produced and saved in days gone by to get food from foreign countries. But when the banker loans unwisely and by reason of his lack of wisdom property is destroyed, then it is that the storm breaks, and then it is that a panic is upon us.

The failure of a few merchants or brokers or banks is enough to throw the financial world into a spasm. Then it is that men find out that there are too many meal tickets out for the number of meals in existence. There is a great hurry and a fear to find out who it is that is going to hold the bag. The foundations of credit are tested—payment is demanded all along the line. Credit is refused and agony rules the hour. Paralysis of commerce results, and when it is finally discovered who it is that has lost, the people go ahead by painful processes and try to make a reparation of the damage that has been done. They find that they have been living, not on income, but on principal.

Mr. KORBLY. Yes.

Mr. BURKE of Pennsylvania. The gentleman believes that a banker should have the right to lend an equal amount of money to two men having equal assets as long as the assets are good and will be legitimately acquired?

Mr. KORBLY. I will answer that yes; but it is pretty hard to say what I believe the bankers' rights are.

Mr. BURKE of Pennsylvania. Will the gentleman indicate why a man owning unencumbered real estate in one section of the country should not be entitled to the same privileges at the bank as a man owning real estate in another section of the country?

Mr. KORBLY. Oh, I am indifferent about that. The gentleman ought not to pursue that; I do not want to be impolite.

Mr. BURKE of Pennsylvania. I will put the question in another form.

Mr. KORBLY. That has nothing to do with the great thought that I am trying to develop.

Mr. BURKE of Pennsylvania. The gentleman is talking about the rights of the bankers to extend credits.

Mr. KORBLY. No; I am talking about the duty of Congress to make proper prescription so that we may have proper banking.

Mr. BURKE of Pennsylvania. To enlarge the credits of the country.

Mr. KORBLY. No; it is not to enlarge the credits; it is to control the lending or the investments of the country. It is a question of what to do with the wealth of the country to prevent its destruction in the building of unnecessary railroads that will not yield a return speedily. Not only must investment made through the bankers be safe, but it must be liquid; it must come back within a certain period; it should come back in the turn-over period, as, for instance, the crop-making period.

Mr. BURKE of Pennsylvania. But did not the gentleman contend for an enlarged volume of the currency and the availability of credits?

Mr. KORBLY. Not at all. I stated as clearly and as forcibly as I knew how that the banks would only lend that which the depositor leaves with them. If the storms and cyclones destroy crops, if earthquakes destroy cities, bankers will be less able to lend, no matter how much gold they have. They do not lend gold. They do not lend money. They lend purchasing power. Everyone who borrows from a commercial bank buys something with his borrowed fund. That which he buys is what he borrows from the bank.

Mr. BURKE of Pennsylvania. Why should a banker be allowed to lend thousands of dollars on real estate in the city—

Mr. KORBLY. I do not care to talk about that. If the gentleman wants to make that point against the bill, he can do so, but that has nothing to do with my subject, and I beg the gentleman to let me alone on that. I do not care to talk about it. It has nothing to do with what I am trying to bring before the House.

Mr. CALLAWAY. Will the gentleman yield?

Mr. KORBLY. I will yield to the gentleman from Texas.

Mr. CALLAWAY. The gentleman stated awhile ago that they had provided in this bill for a board of control, and he realized that we could not substitute for honor and that we could not substitute for wisdom, and that if the board failed to be wise and honest the whole superstructure would fall. I want to ask the gentleman if, in his judgment, provision has been made to secure the things he stated about commercial banking and the demands on commerce without that central board?

Mr. KORBLY. The lack of coordination is unquestionably a thing that has given us trouble. We have no system now. You can not have coordination, which means cooperation, without having some centralized authority. I for one distinctly am in favor of centralization with regard to some banking functions and decentralization with regard to every other function. In New York in 1829 the banks were coordinated through the medium of a safety fund for notes, and in that day discounting was done for notes only and not for deposit credits.

In 1834 Indiana went a step further than that and made the banks in the system mutually responsible for each other's debts, obligations, and undertakings, and coupled this with the power of mutual inspection through a board of control. The Federal reserve board in this bill we are discussing is somewhat modeled after the Indiana board. There was mutual inspection as well as mutual responsibility. That was the guaranty of deposits as well as the guaranty of notes. A banker now is apt to say, "I am wise and good enough to know when I have gone too far along these dangerous lines. I know when to stop, and you can trust me; but you can not trust CALLAWAY." CALLAWAY will say, "I am wise and good enough, and you can trust me; but

you can not trust HARDY." But as soon as CALLAWAY is made responsible for Mr. HARDY's conduct and Mr. HARDY is made responsible for Mr. CALLAWAY's, CALLAWAY will see that HARDY does not transgress the rules of sound banking and HARDY will see that CALLAWAY does not transgress. That is the way they worked it out in Indiana.

We propose to coordinate banks under this bill through the medium of the joint and several ownership of bank reserves—making these reserves available to each bank by processes of rediscount—and by giving the bankers as an association a voice and an influence in this rediscounting process, and by giving them a part in the inspection of each other's banks.

Mr. CALLAWAY. This is the question I want to ask: The gentleman is working for elasticity of currency to answer the demands of commerce.

Mr. KORBLY. Yes.

Mr. CALLAWAY. Could not this be accomplished without this central bureau? But I desire to find out whether this is real elasticity. I may say my suspenders are elastic, but are they elastic if I have to slip a buckle every time I want to have them a little longer or a little shorter? They have got to respond when the strain comes if they are really elastic. [Laughter.]

Mr. KORBLY. I will say to the gentleman he is an expert on galluses; I am not; but it would seem that if the galluses are equipped with buckles they are not elastic. I want to say to the gentleman I am of that school that believes we should not refuse to do anything because we can not do everything. These notes may not be all that you and I would like to have them, but they are so much better than anything we have had for 50 years that I welcome them with open arms.

Mr. CALLAWAY. They are better than we have had, but they are not what we ought to have.

Mr. KORBLY. You and I will help to make them better in time to come. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. HAYES. Mr. Chairman, I yield 45 minutes to the gentleman from Kansas [Mr. MURDOCK].

Mr. MURDOCK. Mr. Chairman, as an attempt to relieve the pressing and legitimate needs of business the pending measure has my approval. [Applause on the Democratic side.] It offers more than the present Republican leadership has offered or ever will, in my opinion. I recognize that in its initial stages as a law it may cause an embarrassing contraction. But this will come, not because the bill is radical, but because the changes it proposes are intricate, involved, and cumbersome; for the bill is not progressive, save in contrast to the reactionary proposals of the Republican Party leaders which have recently preceded it. It is not radical, and as a constructive measure for the correction of the most sinister of all the Nation's perils—the monopolistic control of credit—it is pathetically weak. Its deficiencies, as a measure, are not what it does, but what it refrains from doing; its faults are not in what it includes, but what it shamelessly excludes.

It is halting, halfway, timid, compromising. It essays to be remedial, and it is not. [Applause on the Republican side.] To a nation crying for relief it offers not a remedy but a palliative; it prescribes cocaine, not a cure. It is the shadow of a great national necessity, not the substance. It has changed some of the banking formulas by which the predatory powers prey upon the people; it has not challenged directly the malignant methods which put these powers beyond the reach of all feeble legislation.

In several of its features and as a well-intentioned effort to bring elasticity to the currency it invites indorsement. The measure seeks to give mobility to the reserves by concentrating them. This plan originated with the bankers, was adopted by the Republican Aldrich commission, has been taken over by the Democratic doctors of economy, and is believed generally to offer improvement. The measure places the central conventional control of reserve banks in the hands of the Government, a proposition which the bankers themselves very strenuously opposed until a guardian advisory committee of bankers was added to the central governmental board.

This addition weakened the original proposition, but as the amended governmental control stands, even though it prove feebly formal, it carries the promise of the ultimate actual control by the Government, and this promise alone warrants a supporting vote of the whole measure. Similarly the inclusion of citizens other than bankers in the management of the several reserve banks is meritorious. As a pure banking proposition those features of the measure which give to the national banks, through making them interdependent, an added degree of safety, while making more imperative rigid governmental control, seem

sound. A curious admixture of antagonistic money theories is found in that provision of the bill which creates currency. It is a device by which the citizen borrows currency of his Government, with the banker as a profit-taking intermediary, a device which will not allay but will further provoke that economic school which, in the matter of the currency, is in revolt against special privileges to the bankers. For those who protested against the rights of the banker to acquire loanable funds based on rigid, inflexible, low-interest Government bonds are not likely to remain quiescent under a plan which enables the banker to acquire the same loanable funds from the Government on flexible high-interest-bearing commercial paper of his own manufacture.

That battle will be fought out in the future. The school which holds that bank notes based on bank assets should be issued and redeemed by the bankers, as well as the school which protests against the Government issue and redemption of money with profit to the banker, a private and privileged profit for the performance of a public function, will see that that agitation will not die out, gentlemen may be certain.

For this measure will not quiet currency agitation; it will arouse it. As in the case of the successive railroad rate measures we have passed, as in the case of constructive legislation of many kinds, this halfway, compromising law in its turn will call for another law and later for another law amending it. This is, as other pretended remedial laws have been, the proverbial "step in the right direction," in the old hesitant, reluctant party legislative journey which has never had and never will have a destination. The truth is that the doctors of economy, the high priests of the Democratic and Republican Parties, are lost in a fog of special privilege. Seeing they see not, bearing they hear not, neither do they understand. Saturated through and through with the economic formulas used by special privilege, lost in the terms employed by special privilege, entangled in theories which grew out of the war necessities of the past and which are not competent to meet the needs of the present, they make the genius of democracy void because of their traditions.

The Republican leaders when last in power, maintaining political conditions which made all class advantage seem to them natural and normal, offered the country the Aldrich bill, which turned the money system of the country over to the big bankers under a 50-year franchise.

The Democratic leadership, given power, borrowed the bankers' plan which the Republican leadership adopted, but tempered it by lodging a conventional control of the money system in the Government.

With the real source of the Nation's trouble, the actual concentrated control of credit in New York City, the Republican leadership had then and has now no quarrel.

The Democratic leadership, long ostensibly at war with Wall Street, with the report of the bald, bare, damning facts of its own investigating committee before it, with the gigantic evil of the Money Trust identified, analyzed, and with specific and concrete remedy prescribed, the Democratic leadership now weakly avoids the real issue, side-steps the real evil, hesitates, backs and fills, and refuses battle with the greatest enemy of the Republic and its greatest menace.

But the great issue remains. And the great issue is this: Shall the country surrender to the Wall Street swindle? I tore the sheet of tabulations which I hold before the House from the report of the Money Trust investigation, made February 28 last. This sheet, designated as "Exhibit 134 B," shows the enormous concentration of money control in the United States through interlocking directorates. The table is not difficult to understand. In one column are printed the names of 100 men who serve as directors in five financial institutions of New York City. In another column are printed the names of 125 corporations with which these 100 directors are affiliated. The interrelation is thorough, the interdependence complete. The five institutions are (1) the house of J. P. Morgan & Co.; (2) the Guaranty Trust Co.; (3) Bankers' Trust Co.; (4) First National Bank; (5) National City Bank. These five concerns—two of which, the trust companies, are absolutely controlled by Morgan & Co.—have directors in five different interests, as follows:

In 34 banks and trust companies with resources of \$2,679,000,000.

In 10 insurance companies with assets of \$2,293,000,000.

In 32 transportation systems with capital stock and funded debt of \$11,784,000,000.

In 24 producing and trading companies with capital stock and funded debt of \$3,339,000,000.

In 12 public utilities companies with capital stock and funded debt of \$2,150,000,000.

That is, these five concerns are represented by directors in concerns which aggregate in value \$22,245,000,000—probably one-sixth of the wealth of the Nation.

These three banking concerns, the Morgan house, the First National, the City National, the two controlled trust companies, with Lee Higginson & Co., Kidder, Peabody & Co., and Kuhn, Loeb & Co., are the power in the United States. This is the invisible government. This is the plutocracy. This is the seat of privilege. This is the control of credit. This is the cancer on the body of the democracy.

The table of names and figures which make up Exhibit 134B is not a fanciful invention. It is a cold compilation of data. The demonstration that three concerns have in their hands the controlling wires which reach into most of the major concerns of the land is not a clever political argument. It is a carefully prepared public document. Gentlemen can not put this aside as merely some man's theory. Gentlemen must face this exhibit as a fact. Indeed it is the most alarming fact before the world to-day. The hope of humanity is in this Republic and in the processes through which this Republic is to develop and perfect the precious heritage of liberty. That portion of humanity the world around which never has had privileges, which has always been bent under the toll of ages, which has always had to earn its bread in the sweat of its brow never with a fair share of the wealth it has created, turns always with hope to America. The lure of freedom draws a million annually to our shores, and millions more would come who can not. For everywhere men who labor resent class and caste and privilege and selfish governmental control and inequality before the law.

America has set the ideal of freedom before the world, and America's duty to the world is to maintain it; not a hollow counterfeit, not a miserable sham image of it, but the ideal of freedom itself, to which the whole Nation, in full faith, may continue to aspire. Across the radiant world-wide hope in America has fallen the shadow of the money power. Prophets have warned of it for years; economists have analyzed it; the lawmakers now and again have feebly grappled with it; but it has never ceased to grow; it has never ceased to close its fingers tighter and tighter around the neck of the industrial life of the Nation. It has never ceased to take toll of everything and everybody, remorselessly levying most heavily upon the substance and vitality of the men and women and the children who toil. It has saturated the country with privilege till its poison is creeping everywhere, so that many men hopelessly think and speak in terms of privilege, and no inconsiderable number of people have come to believe in their hearts in the permanency of a benevolent money despotism.

Here on this sheet is the benevolent money despotism, not in fancy but in facts and figures, in names and places. We are face to face with it, not as a childish terror but as a sinister monster. If it were a painted devil merely, we could afford to palter, delay, dillydally, and compromise with it. But it is no figment of the imagination; it is real; and it and its problems and its menace must be faced. It is not faced in the Glass bill. It is evaded.

There was a day when it was a question which would survive—the democracy or the Biddle Bank. The day is here when it is a question of survival again; this time between the democracy and this confederation of financial freebooters.

These men have always been above and beyond the law. How long are they so to continue? No event in my time has been as illuminating as the panic of 1907. Times were prosperous. The railroads had offered them more than they could haul. Factories were working to the limit. Merchants reported increasing trade. The number of unemployed was at a minimum. Crops were abundant and realty values ascending. In domestic and foreign commerce we had reached the high point. In the months of October, November, and December of that year the excess of exports over imports ran over \$250,000,000. In the closing quarter of the year the crash came. Overnight the money barons of New York broke down the banking system and the next morning at his doorstep every American citizen found it there crumpled up like a broken toy balloon.

What followed proved to be one of the greatest tributes to the popular good sense that has come in this generation. It had been a period when the captains of industry had been much vaunted, when the financiers, big and little, had been credited with possessing extraordinary gifts of business clairvoyance. We had heard much mouthing by experts about credit being founded only in confidence, much wise homily about panics being born only of popular fear. Here was no lack of confidence. Here was no popular fear. But here was insolvency. If there was panic, it was among the bankers. It was not

among the people. And the situation was saved by no captain of industry and by no banker. It was saved by the people who, with the doors closed between themselves and their money, kept their heads. And the people knew who had wrecked the system. It was not difficult in those days for any doctor of economy to put his hand upon the sore spot. There had been talk of the need of an elastic currency before the trouble, and there has been talk of the need of elasticity since. But in the hard, cold day of accounting in October, 1907, there was precious little patience with banking theories. There was direct, clean-cut diagnosis of the case. The Nation knew the blame was on New York and the trouble concentration of money control and gambling. For a few hours at least the public man who spoke of the evils of concentrated control of credit and the menace of Wall Street and the money power was not known as a demagogue.

When the Knickerbocker Trust Co. closed its doors in 1907, the gambling saturnalia in New York was at its height. There was plenty of money in New York, apparently, for a high old time speculatively. The national banks of the town held in August, 1907, \$213,000,000 of the reserves of other banks and \$251,000,000 of their demand loans was on stocks and bonds. In the preceding January, business in the stock exchange had started briskly. In the first month 2,200,000 shares of common stock of the United States Steel had been sold, of which about one-fourth—551,000 shares—had actually changed hands. In March 3,500,000 shares of the same stock had been sold—one-fourth of it actually—the remainder gambled in. There was some talk of undigested securities. But that disturbed no one. The bankers of the country kept on pouring their money into New York and the money was tangled up in the game. When pay day came, and pay day always comes, even to gamblers, New York could not pay. The interior bankers cooled their heels at the door of the great bankers of New York and the country waited the pleasure of the Money Trust. And while the country was waiting it had for a few moments its first real view of the Money Trust and its first real look into the actual situation in Wall Street.

Mr. VAUGHAN. Mr. Chairman, I desire to ask the gentleman if he will yield to a question?

Mr. MURDOCK. I beg the gentleman's pardon, but I prefer not to yield. I have a three-hour speech to deliver in 45 minutes.

Mr. VAUGHAN. I desire to ask the gentleman if that was not during the reign of Theodore I?

Mr. MURDOCK. Oh, yes; and the Civil War took place during the administration of Abraham Lincoln, but I decline to yield. [Laughter.]

The two Morgan banks and the two Standard Oil banks, carrying large Government deposits, rushed to the rescue. The culminating scene was a well-known one in 1907 while the people were waiting for New York to let go of the country's impounded money. Now, so many have forgotten it that it will be well to recall it. It occurred around the loan stand, the only open market for the lending of money in the United States, in what Gov. Hughes's commission in 1909 referred to as "to-day probably the most important financial institution in the world"—the stock exchange. Here, at 2.20 p. m. on October 25, 1907, appeared Vernon Mann and Messrs. Rogers and Atterbury. They had commissions to loan twenty millions of Morgan money. They were the center of a struggling mob. The money was first offered in \$100,000 lots, and it was all taken up in 5 minutes, a loan every 15 seconds. Few brokers, in their madness to secure loans, stopped to consider money rates, which ran from 10 to 50 per cent. Vernon Mann placed \$3,000,000 at 50 per cent. By this addition and others the gamblers were set upon their feet again, Wall Street became solvent once more, and the country banks were paid.

The scene has passed from the memory of most men. The lesson it ought to have taught was not long regarded. A fairly quick recovery of good times sent most of us to sleep again. But the situation I have described and the scene which was its culmination was a stench in the nostrils of decent citizenship, a disgusting spectacle of debauch, differing only in degree from the "rough-house" of the frontier den. Legitimate business, production, labor, transportation, and all the factors of our marvelous industrial organization halted while an infamous group of chaffering gamblers withheld the money of the Nation in order to settle their differences, save the rake-off, and preserve the game.

The people knew in that hour that at the bottom of our troubles stood Wall Street and its practices. With the legitimate market for securities and honest registration of current values the Nation has no quarrel, but with the stock exchange as it is conducted the people are at war, for a considerable portion

of the people know that whatever Congress may do in the way of currency enactments, and however efficacious this law or that may be in theory, so long as the New York Stock Exchange goes on its nefarious way unchallenged there will come no permanent and effectual relief or actual remedy. The stock exchange "by out" is not a complex one. First of all, as an unincorporated association, a private club, it seeks and obtains immunity from law. The right to send out its quotations is sold to a single company. The right to use the telephone from the exchange, even by members, may be prohibited. If a member is insolvent his obligations to other members take precedence over the claims of a defrauded customer. Stocks not engraved at the shops of companies approved by the governing committee are not listed. Nothing in the form of profit escapes the stock exchange, however small. No competition is permitted in commissions between members. The uniform commission is one-eighth of 1 per cent for each \$100 of par value. He who charges more or less can be suspended, and upon a second offense is expelled. Stocks may be removed from the list, and have been to manipulate their value. The Wall Street gambling mechanism is simple, so is that of the roulette wheel.

Let us see the way of the gamblers. Customers of the exchange are not required to pay more than 10 per cent of the purchase price of securities. About 90 per cent of the trading is done on that basis. Take some of the well-known securities and compare actual trading with speculation in them. The Pujo committee, investigating the Money Trust, found that there has not been a year since January 1, 1906, that Reading's entire common stock was not sold at least twenty times over. One year it was sold forty-three times over. In one month six times over.

During the period investigated the number of shares transferred on the company's books (evidence of actual sale) averaged a little over 8 per cent of the total shares supposed to have been sold. In United States Steel for a similar period the number of shares transferred on the books was 25 per cent of shares sold; in Union Pacific Railway Co., 16 per cent; Amalgamated Copper Co., 20 per cent; Rock Island Co., 27 per cent; Erie Railroad, 30 per cent. Into this maelstrom of fictitious barter, where quotations are manipulated and actual values disappear, the money of the country in moments of redundancy is drawn, and then held often against the demands and needs of legitimate commerce. On November 1, 1912, 32 of the banks and trust companies of New York, members of the Clearing House Association, had for themselves and for their out-of-town correspondents outstanding loans on stock-exchange collateral amounting to \$766,795,000. This represents in part the sum required to carry stocks bought on margin on the New York Stock Exchange. But it is only in part. The calculation includes less than one-third the total number of banks and trust companies in New York City, although it takes in the important ones. Of this amount—that is, \$766,795,000—the sum of \$240,480,000 was loaned directly for the account of out-of-town banks. This on November 1, during the crop-moving period. Around this game of chance, presided over by the Money Trust, the gambling element in America has gathered. Into it they draw at times legitimate enterprises, and entangled with it and its devices are the great financial institutions of New York City, of which the clearing house is a composite, and masters of it are the great interdependent, interlocking interests which have consolidated banks, or the control of them, and which have subordinated to their will the management of insurance companies, railroads, and industrial and public-utility organizations.

The testimony before the Pujo committee demonstrated beyond any doubt the enormous concentration of money and credit. It was acknowledged by the men who have been foremost in effecting it. Members of the committee, Republicans and Democrats, with a single exception, pronounced it a menace. The Republicans made no recommendations of remedial legislation.

The Democrats did make such recommendations specifically and in terms. Why should these recommendations now be disregarded?

The committee located the evil and identified it. The committee laid the sore open to public view and pointed out the remedies. Why have these remedies been excluded from this bill?

The Democratic members of the committee made recommendations for three kinds of remedies—those applying to clearing houses, those applying to the stock exchange, and those applying to community of interests among financial institutions and certain practices of national banks.

The Democratic members of the committee recommended that national banks should not be permitted to be members of clear-

ing-house associations which are not bodies corporate of the States in which they are located.

There is no such provision in the Glass currency bill.

The committee recommended that smaller banks should not be excluded from membership in clearing houses.

There is no such provision in the Glass bill.

The committee also recommended the prohibition of periodical examinations by clearing-house committees of member banks, a device which makes it possible for the few members who constitute the governing committee to gain intimate knowledge of the private affairs and business of competing banks and the business community generally.

There is no such provision in the Glass bill.

The committee also recommended that clearing houses be prohibited from prescribing rates of interest or discount, rates of interest allowed on deposits, and rates of exchange.

There is no such provision in the Glass bill.

The foregoing provisions were designed to curb the control of the money barons as it is exercised over banks through the clearing house, which has in New York City enormous power and can use it, as it has used it, ruthlessly.

As to the stock exchange, the Pujo committee, pointing out that of the \$15,500,000,000 annual sale of stocks the greater part represents speculation more hurtful than gambling at the race track or the roulette table, and asserting that the facilities of the New York Stock Exchange are employed largely for transactions producing moral and economic waste and corruption, cited Congress to its power unconditionally to prohibit the mails, the interstate telegraph and telephone, the national banks, and all other instrumentalities under its control from being used in executing, negotiating, promoting, increasing, or otherwise aiding transactions on stock exchanges.

There are no such provisions in the Glass bill.

The Pujo committee did not propose to abolish the stock exchange, but it did determine to compel it to clean up its evil practices—first, to force it to incorporate and become responsible to the law; second, to compel the filing of statements of assets and liabilities by listed companies for public inspection; third, to compel the increase of marginal payment for stocks; fourth, to compel a prohibition of the execution of manipulated simultaneous orders to buy and sell the same security, orders proceeding from the same person for the purpose of creating an appearance of activity in the security; fifth, to compel prohibition of member's hypothecation of securities purchased and carried for the account of a customer for an amount greater than the unpaid portion of the purchase price; sixth, to compel prohibition of one member lending to another securities carried by the former for customers; seventh, to compel provision in charters of stock exchanges for the right of companies to list their securities and appeal to judicial review in case listing is refused; eighth, to compel the keeping of books of account by members showing actual transactions subject to governmental inspection.

The Democratic Members of the committee said: "Your committee therefore recommends that the use of the instrumentalities under the control of the Federal Government in aid of transactions on stock exchanges be prohibited by act of Congress only where such exchanges refuse to comply with the foregoing conditions."

With the exception of the elimination of "wash sales," now prohibited by State law, the stock exchange has not changed its methods. But the Glass bill takes no cognizance whatever of the stock exchange's delinquencies.

In the matter of the control of credit through defects in the banking system, the Democratic members of the Pujo committee made many recommendations, but their chief recommendation was that prohibiting interlocking directorates. Among other recommendations they insisted that two or more banks should not be permitted to consolidate without the approval of the Comptroller of the Currency.

There is no such provision in the Glass bill.

They also recommended that the transfer of any stock of a national bank to trustees for voting purposes, a device known as a "voting trust," be prohibited. It is one of the most common means of intercontrol in the system of the money barons.

There is no such provision in the Glass bill.

Another recommendation of the committee was that the stockholders of a national bank should be expressly prohibited from becoming associated as stockholders in any other corporation under agreement that the stock of such other corporation shall be always owned by the same persons who own the stock of the bank.

You will search the Glass bill in vain for such a prohibition.

Recommendation was also made that interstate corporations be prohibited from constituting any bank the sole fiscal agent to dispose of their security issues and also prohibited from depositing their funds with unsupervised, unregulated private bankers; that the Interstate Commerce Commission should be given supervision of the plans of railway reorganizations and of issues of railroad securities; that competitive bidding for railroad securities be invited; that a new method of reorganizing insolvent railroads be adopted. These are only indirectly banking problems, but the committee made other and specific banking-reform recommendations, among them one providing publicity of bank stockholders, another one insisting that national banks should be prohibited from directly or indirectly engaging in any promotion, guaranty, or underwriting involving the purchase, sale, public offering, or issue or other disposition of the securities of any corporation. This is one of the chief activities of those in the inner circle of the Money Trust.

There is no prohibition of this kind in the pending bill.

But it was in the matter of interlocking directorates that the Pujo committee gave greatest emphasis to its recommendations. Herein is the main secret of narrowing control. Here the personal equation in the community of interests becomes large and potential. The committee cited other countries and their customs. In Russia, no person is allowed to be a member of the board of management of more than one bank. In the National Bank of Belgium the governors and director can not be on the board of any other bank. In the Bank of England bankers, brokers, or directors of other banks operating in England are excluded as directors.

But the Glass bill contains no provision against interlocking directorates. And when such a provision was offered in the Democratic caucus it was voted out of the bill and referred to the Judiciary Committee for consideration as a matter not particularly relating to banking but to the trust question. Heaven save the mark!

The Money Trust exists. It controls credit. It has a strange hold on banking, insurance, transportation, investment. It can grant financial salvation to one and refuse it to the other. It can enrich one group at its whim and at its fancy impoverish another. It is the Nation's chief menace, the one great enemy of the democracy, the head and front of special privilege in the land. It is deep-rooted, defiant, malignant. No bread pill will cure it. No application of court-plaster will stay its blighting progress, its cancerous, noisome growth.

And yet the Democrats voted the prohibition of interlocking directorates out of the Glass bill and referred it to the Judiciary Committee for "careful consideration."

Mr. GLASS. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Kansas yield to the gentleman from Virginia?

Mr. MURDOCK. Yes.

Mr. GLASS. The gentleman is mistaken.

Mr. MURDOCK. I understand the caucus did that very thing.

Mr. GLASS. It never was in the bill.

Mr. MURDOCK. It was never permitted to get in the bill.

Mr. GLASS. I think it should not have been in.

Mr. MURDOCK. I think it should have been, according to the recommendation of the Pujo report.

To those Democrats who think that the redistribution of reserves provided in the Glass bill will lessen the grasp of the Money Trust, who are innocent enough to believe that with the bulk of the business in this country in State and private institutions money will not accumulate in New York, I recommend this paragraph from the Democratic members' report on the Money Trust:

We are of the opinion that the existing law as to reserves and the alleged defects in our currency system—as to which we express no opinion at this time—have no appreciable effect on the concentration of control of banking resources here under discussion. These funds would in any event probably come to New York when they could be employed there to better advantage than in their respective localities.

The Pujo committee pointed out just how widespread is the custom of sending money to New York, not as deposits, not as reserves, but for loaning purposes on the Wall Street gamble, in these words:

It appears that on November 1, 1912, 32 of the New York banks had \$240,480,000 outstanding in stock-exchange loans that were placed there directly for their correspondents independently of the deposits of these correspondents. It does not appear what proportion of the \$483,373,000 of deposits of out-of-town banks that were then in those 32 New York banks were kept there on account of the 2 per cent interest that is allowed on them. They are attracted there because, as stated, New York City is the only public money market and because they can be utilized in stock-exchange speculation.

The Glass bill proposes to withdraw the out-of-town reserves from New York City. Its defenders declare that this will draw

the country's money away from the New York gamblers. The Pujo committee, which went to the bottom of this gambling curse, said it would not. The Pujo committee was right. The Glass bill in its present form, without the inclusion of the particular drastic corrective measures recommended in the Pujo report, will not cure the disease. For the disease is financial piracy, gambling, the seizure of wealth without making adequate return, accumulation of property without earning it. That has been immoral from the beginning of the world.

It is immoral still; and no local poultice providing elasticity in the currency will remove the cancer; no halfway measure can. In the recommendations of the Pujo committee the Democratic Party had declared war—war to the knife and knife to the hilt—on privilege. In the Glass bill the native hue of resolution is sicklied o'er, and before the first shot in the battle has been fired the Democratic Party is out in front under a white flag, with the enemy, arranging a compromise, cowering before the biggest single swindle under the sun.

As a currency bill seeking elasticity I wish the pending measure well, but I can not blind myself to its limitations. I believe that even its strongest feature—central Government control—will fall far short of its purpose. Two or three years will show, in all probability, that the governmental control is nominal and not real; that the personal equation as it is found in the bankers' advisory council will prove the dominating factor of the central board. And I believe that in the course of time the personal equation will also become dominant in the Federal reserve banks. I hope with all my heart that the Federal reserve banks created by this measure will bring facility and accommodation to the borrowers in the various districts. I hope the system devised will survive the perversion which private ambition and organized avarice will attempt upon it. But who can say that the 12 reserve bank boards will not eventually develop into as many iron-handed, arbitrary credit oligarchies, exercising their power of discount with favor and prejudice, helping friend, injuring foe, and responsive not to public weal or commercial necessity, but influenced by the dominant group in New York, still isolated, immune, irresponsible, uncontrolled, and above and beyond the law?

On the issue of money, under the provisions of the bill, violation is done to the tenets of each of the prominent schools on currency. Since the impeachment of our present bond-secured currency as being inelastic and unscientific became general, there has been a persistent propaganda for a pure asset currency—the issue of a bank note by a bank, the note to be redeemed by the bank and safety of issue to be obtained by provision for a heavy gold reserve. The pending bill halts midway between this school and another industrious group which contends that money should not be issued save by the Government and should not be extended to bankers to be employed for private profit.

The Glass currency bill provides that credit currency shall be issued on assets of the banks, but it provides that the currency shall be issued by the Government and shall not be issued by the banks, and that it shall be redeemed by the Government. This Glass adoption of half of the plan from one system of credit currency and half from another has some very striking results. In the Glass plan, the banker stands between the note-issuing Government and the note-borrowing citizen and takes his profit, and there is nothing in the Glass bill which restricts the profit of the member bank or the interest it may charge. In this transaction the banker steps in between the citizen who has credit to exchange for currency and the Government which has currency to exchange for credit, and conducts the trade, not only receiving a profit therefor, but supplying himself with new funds for further trades. This device is well known, and that it has been profitable for the banks needs no proof. The average annual dividend of national banks in the country is 11 per cent, the surplus and undivided profits are large, and bank stock is high. I append recent quotations of two Chicago banks as an illustration:

	Bid and asked, 1913.	Dividend, 1913.	Book value, 1913.
		Per cent.	
First National.....	425-428	17	308
Corn Exchange.....	410-415	16	314

If the present national banking act has been profitable to the banks, it is not difficult to see where the present measure will be equally so. At present the untaxed bank trades for currency small interest-bearing bonds, comparatively inflexible and fixed in value. The profit the bank makes is the interest

on the bonds and the interest on the currency it loans out after receiving it from the Government. Under the new plan the bank, still exempt from tax, will trade for currency high interest bearing commercial paper, the making of which is entirely within the bankers' hands. The profit the bank makes will be the interest on the commercial paper and on the currency received by the bank from the Government, upon which the bank will probably pay a very small interest, and this Government interest charge will be passed on to the citizen borrower. It will not appreciably reduce the profits of the banker.

The chief features of the new currency are these:

1. The issue, set in the first drafts of the bill at \$500,000,000, is unlimited.
2. The primary issue is to be increased as the present national bank notes are retired, at the annual rate of 5 per cent of the amount of present national bank notes outstanding.
3. The new notes are receivable for taxes, customs, and other public dues, purport to be obligations of the United States, and are redeemable in gold on demand by the United States.
4. They are issued by the central Federal reserve board to the Federal reserve banks in exchange for notes and bills which the banks have rediscounted of an amount equal to the sum of the notes applied for.
5. When the notes are out, the central Federal reserve board may call on the Federal reserve banks for additional security. The board may also require the Federal reserve banks to maintain a 5 per cent redemption fund against these notes, and this 5 per cent shall be included as part of the 33 1/4 per cent reserve which the Federal reserve banks are required to hold against notes paid out by them. The Federal reserve board will also establish the rate of interest to be charged to the Federal reserve banks for these notes.

The trying period of the new plan of money issue will be in the first few years after its inauguration. Its admixture of two systems, the exchange from the old bond-secured currency to the new, the complicated and cumbersome methods of issue, the retirement of old notes, and the attitude of the trading world to money that is strange, however good, may bring on conditions of serious contraction, little as the sponsors of the bill believe it. In the end, however, the greatest danger, as the business world becomes wonted to the system, will be the danger of inflation. But on the whole, and however halting the inauguration of the plan, it will prove a highly profitable one to the banks.

But aside from the banking profits made possible by the provisions of the measure, there is a matter of far greater import involved in the change of securities to serve as a basis of Government money. Is the enormous quantity of watered stock which has become an integral part of the business and investment and banking of the Nation to be covered into our money system? Is the fraud and deception and overcapitalization which has characterized so many of the great concerns to be hereafter the basis of money with the Government behind it?

In other words, is the tremendously powerful credit of the Government to be put to the task of adding value to properties that have not full value? With our intricate money system, our gold basis, our supply of silver maintained at a level far above its value, our greenbacks, the ever-present menace of the gambling game on Wall Street, and a tendency to inflation that is always with us, the proposition to put upon the credit of the Nation the burden of financial villainies which have marked the career of most of our larger concerns must make every thoughtful man pause.

It is true that the bill prohibits the loaning of money for speculation in securities, but that does not reach the case in point. These securities are in the credit world, whether advanced as collateral or not, and the man who owns them and is considered good at the bank can, does, and will borrow money, and his note will become the basis of Federal currency—as good as gold and redeemable in it.

It is a matter of regret that a rural credit system was not included in the measure. The opportunity for its adoption was excellent. Certainly delay is not defensible on the ground that the farmer has no need of it. The farmer has paid high prices for his money. He has offered the best security. During a half century or more his needs have been curiously ignored. Certainly he is as much entitled to governmental attention and service as the commercial world. This was the time to adopt the rural credit, not next year.

This measure is the product of the Democratic caucus. It was framed in secret, formed behind closed doors. The element which is most potent and most necessary in this Republic, pitiless publicity, was excluded from its making. Under constitutional guaranties the consideration of the measure should be here in the House of Representatives. But its consideration

was not here and will not be here. Behind the closed door of the Democratic caucus, with the people and their vigilance shut out and the representatives of the people shut in, the votes which made this measure what it was were cast. There the measure may have had or it may not have had real consideration. The public, which has a right to know and which can not know unless it knows first hand, will never know. But whatever its consideration in the caucus, its consideration here will be empty and perfunctory. Men will be bound by the caucus and the measure the caucus hands to the House will be the measure, line upon line, precept upon precept, the House will hand to the Senate. It will not be changed. In that stage of the bill's history the public was excluded. In this stage the public is admitted. In the hour when, in the bill's formative period, public opinion might have had its effect the doors were shut in the face of the people. Now, when the formative period has passed and the majority Members are gagged and bound head, hand, and foot by caucus rule, the doors are thrown open to the people.

But some of the Democrats say: "Our caucus is not secret, because we have a roll call if it is demanded, and the roll can be had by the public if it desires." But that does not admit the public. That does not open the doors. And roll calls are rarely demanded, for the caucus is made up of men all of one party, and when roll calls are demanded they are rarely, if ever, published. And, besides, there is one place for recorded votes here. It is not in the newspapers. It is not in the minutes of the caucus. The place for recorded votes here is in the Journals and CONGRESSIONAL RECORD. That is the only place for them. The Constitution provides for recorded votes. The public expects to find them in the journals and records of Congress, and the public has a right to demand that the recorded votes be placed there.

Mr. CRISP. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. MURDOCK. Yes.

Mr. CRISP. If we had an open caucus and the public were invited, would not the roll call then appear in the journal of the caucus and not in the CONGRESSIONAL RECORD?

Mr. MURDOCK. Yes; but it would be accessible to everyone; it would not be difficult of access.

Mr. GLASS. Just one moment. I know that the gentleman wants to be fair. I want to ask the gentleman if he does not know that it is a fact that there was not a single, solitary provision in the bill that did not appear in the newspapers, and not even a change in the matter of phraseology that was not reported in the papers?

Mr. MURDOCK. I will say to the gentleman that I have not read the newspapers with that care and do not know. But this bill should be considered here and not in secret caucus. The very essence of the Democracy is light. The greatest enemy the Democracy has is special privilege, and the readiest refuge special privilege has is secrecy.

This is a representative government. The very essence of representation is individual accountability. The representative is responsive and responsible to his people or he is not representative at all. He can not be servant to any other force save his people and remain, in his ability to serve his people, his own master.

The spirit of the democracy, the genius of the Republic, on this score, must, to survive, be a jealous spirit.

No man can serve two masters. No man can serve his people and the caucus. He will serve either the one or the other. He can not serve both. The secret caucus has no place in this Government. It is most intolerable when it is thrust between the people and their House of Representatives. It is utterly wrong. It is not good practice; it is not good legislation; it is not good government; and the day is coming when, before a storm of indignant public opinion, it is not going to be good politics. [Applause on the Republican side.]

I realize that there is a considerable group of men in the Democratic Party who are fighting to open up the Democratic caucus to the public. They have my heartiest commendation for their efforts. I congratulate them. The vote they cast in the Democratic caucus on April 8, 1913, is one of the most important votes of the present session. Fortunately, and unlike most of the votes in the caucus, it was a recorded vote and, under the rules of the caucus, is available to the public. The proceeding in the caucus was as follows when the question of open caucus came up April 8, 1913. The following resolution in caucus was offered by Mr. SHACKLEFORD:

Resolved, That this caucus shall be open to the press, to the President, to the Senators, and to the Cabinet officers, and that the President, the Senators, and the Cabinet officers may occupy seats upon the floor.

The following substitute resolution was offered by Mr. CARLIN:

Resolved, That hereafter all Democratic caucuses or conferences, when called either by the membership or by the chairman of the caucus, shall be open to the public.

Mr. HAY moved that both resolution and substitute be referred to a committee of three, to be appointed by the Chair, this committee to report later.

Mr. THOMAS moved that both resolution and substitute be tabled, which motion carried by a vote of 167 to 84.

Those who voted "nay"—that is, those who voted for the open caucus—were:

Abercrombie, Allen, Aswell, Bailey, Bathrick, Borchers, Bowdler, Brockson, Broussard, Brown of New York, Brumbaugh, Buchanan of Illinois, Bulkeley, Candler of Mississippi, Carlin, Casey, Collier, Connolly of Iowa, Cox, Crosser, Cuiop, Deltrick, Dershem, Dickinson, Donohoe, Doolittle, Dupré, Elder, FitzHenry, Floyd of Arkansas, Foster, Garrett of Texas, Gordon, Hammond, Hardy, Harrison of Mississippi, Harrison of New York, Hayden, Helvering, Henry, Hobson, Hoxworth, Keating, Kindel, Kinkead of New Jersey, Lazaro, Lee of Pennsylvania, L'Engle, Linthicum, Maguire of Nebraska, Morgan of Louisiana, Murray of Massachusetts, Murray of Oklahoma, Oldfield, Palmer, Pepper, Phelan, Quin, Rainey, Raker, Reilly of Connecticut, Roddenberry, Rubey, Rucker—

Mr. GLASS. Mr. Chairman, I would suggest to the gentleman that we would like to hear those names.

Mr. MURDOCK. I am hastening to get through, I will say to the gentleman. I continue reading the list:

Scully, Seldomridge, Shackelford, Sharp, Sims, Sisson, Smith of New York, Smith of Texas, Stephens of Mississippi, Stone, Stout, Stringer, Talcott of New York, Tavenner, Taylor of Arkansas, Taylor of Colorado, Thompson of Oklahoma, Walsh, White, and Wingo.

If the attendance were larger to-day, Mr. Chairman, I would ask unanimous consent to print without reading the names of the 167 Democrats who voted to table the resolution.

Mr. STEVENS of New Hampshire. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. MURDOCK. No; I regret I can not yield. I want to get these names in.

Mr. STEVENS of New Hampshire. I want to get my name in. I would be glad to have it in. [Laughter and applause.]

Mr. MURDOCK. That is a demonstration that a caucus ought not to be secret.

Mr. STEVENS of New Hampshire. I happened to become a Member of the House on April 8. At the last caucus on this currency bill I voted for open meetings.

Mr. MURDOCK. I congratulate the gentleman for taking that view as a member of the Democratic Party, and I hope he will keep it up. [Applause.]

Now, I was saying that if the attendance were larger to-day I would ask unanimous consent to print without reading the names of the 167 Democrats who voted to table the proposition for open caucuses. It will take too much time to read the names one by one. But I will read the names of those not voting in the caucus. The names of those not found in the vote against the Thomas motion, or in the list of those not voting, are the names of the 167 Democrats who voted for the Thomas motion to table the resolution and substitute.

I will read the names of those not voting. I would rather give the names, name by name, because this is unusual, and I will ask the gentleman from California [Mr. HAYES] to allow me seven minutes more.

Mr. HAYES. Mr. Chairman, I yield to the gentleman from Kansas seven minutes.

Mr. MURDOCK. I thank the gentleman. Now, Mr. Chairman, these are the gentlemen not voting:

Ansberry, Baltz, Barnhart, Booher, Bruckner, Burgess, Clayton, Covington, Dale, Doremus, Eagle, George, Godwin of North Carolina, Goodwin of Arkansas, Gray, Gregg, Griffin, Hamlin, Jacoway, Johnson of Kentucky, Konig, Lewis, McClellan, Mitchell, Morrison, Patten of New York, Peters, Pou, Richardson, Stanley, Stedman, Stephens of Nebraska, Stevens of New Hampshire, Sullivan, Sumners, Talbott of Maryland, and Taylor of New York.

Mr. BOOHER. Will the gentleman permit me to say that if I had been present I would have voted for a closed caucus?

Mr. MURDOCK. I regret to hear the gentleman say that, because I understood he was for an open caucus.

Mr. BOOHER. No.

Mr. MURDOCK. It grieves me to hear the gentleman take that position.

It ought to be a matter of nation-wide regret that more men did not on this occasion vote nay and for the open caucus.

Mr. CLARK of Florida. May I ask the gentleman one question?

Mr. MURDOCK. Certainly.

Mr. CLARK of Florida. Is it the purpose of the gentleman to publish in the Record the names of those who voted for a closed caucus?

Mr. MURDOCK. I did not feel free to publish the names of the gentlemen who voted for a closed caucus without reading them in the presence of the gentlemen themselves. I have not the time to read the list name by name.

Mr. CLARK of Florida. I hope the gentleman will print that list, because I am in favor of a secret caucus, and I want it so to appear.

Mr. MURDOCK. If the gentleman insists, I will print those names. Does the gentleman, who is a leader of the Democratic Party, insist that I place in the Record the names of those who voted in favor of a secret caucus?

Mr. CLARK of Florida. I am not a leader of the party.

Mr. MURDOCK. I had so supposed.

Mr. CLARK of Florida. I am in favor of a secret caucus, and I should like to have that fact appear in the Record.

Mr. GRAY. Will the gentleman yield?

Mr. MURDOCK. Yes.

Mr. GRAY. I should like to inquire if my name appears on the list of those who voted for an open caucus. I do not believe that it appears in the list. I voted for an open caucus twice before that time, and I have voted for an open caucus since that meeting, the last time being during the consideration of the pending currency bill by the caucus. At the time of the caucus alluded to by the gentleman from Kansas [Mr. MURDOCK] I was on my way from my home in Indiana to Washington to vote for an open caucus, and was resisting both fire and water to get here. I was able to overcome fire, but was delayed by water, which had flooded that section of the country, suspending all railway travel.

Mr. MURDOCK. I have the list before me, and I assure the gentleman that his name appears among those who voted for the open caucus. I am glad to see it there, and I hope he will bow his back and continue to make a fight for the open caucus; because if that little band of brave Democrats in that caucus will fight for the proposition, they will open up that caucus, and it will be a good thing for the country and a good thing for the Democratic Party.

Mr. BOOHER. If the gentleman from Kansas will permit me, I would advise him to speak for the public rather than the Democratic Party, because we will take care of ourselves.

Mr. MURDOCK. I suppose that is gratuitous. This is in the interest of good government, and I advise the gentleman to join the progressives in the Democratic Party to vote for the open caucus.

Mr. BOOHER. I have always been there. I do not have to join.

Mr. MURDOCK. In this matter of the caucus, and in other major questions, the Progressive Party stands opposed to the leadership and policies of the two old parties. The Progressives demand that the people, and the people alone, shall rule.

In the Republican Party the leadership believes in the system of the boss and the machine and the control of the many by the few. The alliance of that leadership with special privilege is not only natural, it is inevitable.

In the Democratic Party the leadership believes in the system which places the sovereignty of the state before the rights and needs of the people of the Nation, though the benefit to special privilege and the defeat of popular will through adherence to that doctrine is undeniable.

The Progressive Party believes in the direct rule of the people in State and Nation. It puts the public welfare in first place. It places national need before sectional advantage. In the problems of money, tariff, labor, judicial reform, conservation, the recall, industrial regulation, and legislative control the Progressive Party believes that wherever the law makes a favorite somewhere it makes also a victim.

Under this flag it joins battle with the two old parties all along the line.

THE RECALL.

The Progressive Party believes that the people should have the right to remove from office before the expiration of his term any public official who is corrupt or unfaithful.

The Republicans and the Democrats are opposed to this, as they are to the complete initiative and referendum, which the Progressives favor.

PRESIDENTIAL PRIMARIES.

The Progressive Party champions a governmentally controlled national primary for the nomination of presidential candidates. The Republican leadership of the Nation has violently and with sinister and indefensible tactics opposed this reform at every step, its culminating act—the theft of the Chicago convention of 1912—being characteristic of its inherent distrust of the rule of a popular majority. The Democratic Party, in full control of all branches of the Government, offers in this line nothing.

THE JUDICIARY.

The Progressive Party stands for judicial reform—it would give the people of the States the right of review of judicial opinion on constitutional questions. The Republicans and the Democrats are opposed to this.

SECRET CAUCUS AND COMMITTEE.

The Progressives are opposed to secret caucuses and are for open legislative committee meetings. They held the first open caucus ever held in Washington. The Republicans in the House, after the Progressives had paved the way, provisionally declared for the open caucus, but only after they had held a secret caucus in which they continued the Cannon system by empowering their leader, Mr. MANN, to name the committees. The Progressives named their committees in open caucus and by a committee. The Democrats maintain and defend the secret caucus and the closed committee.

CONSTITUTION.

The Progressives believe that constitutions, Congresses, and courts were made for the people, not the people for these. They believe therefore in the adoption of an easier method of changing the National Constitution to conform to the new conditions confronting the Nation, and have introduced in Congress a resolution which designs to accomplish this. This resolution, which provides among other things for a national constitutional convention once every 30 years, is now before the Judiciary Committee of the House. The Republicans are against it. So are the Democrats.

INDUSTRIAL COMMISSION.

The Progressives stand for the creation of a national commission which will have the power to curb extortionate practices of great industrial organizations to the end that evil aggregations shall not be permitted to prey upon the people and that honest business shall have a fair field for legitimate endeavor. The Republicans oppose this, as do the Democrats.

CONSERVATION.

The Progressives are for preserving to the people, against monopolistic manipulation for private profit, the natural resources of the country. Under recent Republican leadership concentration of these resources into the hands of a few was alarmingly threatened. Nearly half the standing timber of the country is to-day in the hands of 195 holders. Our coal lands are owned by comparatively few. Our phosphate deposits are trust owned. Our water-power sites are being absorbed by the system. Our mineral deposits are in the hands of gigantic combinations. Our railroads and telegraphs and telephones are consolidating. Over it all and through it all is an enormous waste—a waste that is sapping at the vitality of the Nation. Over it all and through it all is the device of an irresponsible few taking toll from the unprotected many. The Progressives would stop this. The Republican leaders are not concerned. The Democrats would leave the problem to the States.

LABOR.

The Progressives stand for advanced labor legislation that shall have all the power of the National Government behind it. The Progressive Party would bar from interstate commerce the products of child labor; it is for a minimum wage for women; for fully adequate workmen's compensation acts; for industrial insurance; and for all those industrial measures which will give the man who earns his bread in the sweat of his brow a just share of the wealth he creates. In their long lease of power, the Republican leaders, far from offering relief to labor, were notoriously arrogant in denying it by packing congressional committees against it. That leadership has not changed its attitude; nor will it change its attitude. The Democratic Party, enmeshed in the traditional doctrine of State rights, leaves the remedy to the States, which is equivalent to no remedy at all.

TARIFF.

The Progressive Party is not for a prohibitive protective tariff, but is for a protective tariff which will equalize conditions of competition at home and abroad for the manufacturer, for labor, and for the farmer, to the end that domestic industry shall not be weakened but strengthened for conquest of foreign markets, such tariff to be based on facts adduced by a scientific tariff commission and the tariff rates to be considered in Congress one schedule at a time. The Republican leaders are for a high protective tariff of the nature of the present Payne-Aldrich tariff law, as evidenced by the character of Republican amendments offered in the House to the Underwood bill, amendments seeking in nearly every instance to maintain the high Payne-Aldrich rates. The Republican leaders in a motion to recommit offered a weak tariff-commission proposition, which everybody present knew would go out on a point of order, as it did go out. No vote was taken upon it. The Progressives offered at the same time a tariff-commission plan in their motion to recommit

the bill, which was not subject to a point of order. A vote was taken upon it. No Republican in the House voted with the Progressives for it. On the tariff the Democrats are for a theoretical tariff-for-revenue bill. Their omnibus bill, framed in secret caucus, is now pending.

MONEY.

The Pujo committee proved that the control of credit in this country has been concentrated into six houses: Morgan & Co., the City National Bank, the First National Bank of New York, Kidder Peabody & Co., Lee Higginson & Co., and Kuhn, Loeb & Co. Three of these houses, through interlocking directorates and other devices of control, are affiliated with concerns which aggregate \$22,000,000,000, one-sixth the wealth of the whole Nation. The Democratic members of the Pujo committee offered concrete remedies for the abolition of this gigantic confederation of financial barons. The Glass currency bill adopts none of these proposals. It adopts a portion of the Aldrich plan and proposes merely to give the Nation a more elastic currency. It offers a shadow when the Nation is crying aloud for substance. The Democratic Party is taking the proverbial "step in the right direction."

The Republican leaders, with full knowledge of the concentration of credit control, when in power side-stepped the real problem and offered the Aldrich bill, which handed the credit system of the Nation over to the big bankers under a 50-year franchise. If restored to power, the Republican leaders will enact into law the Aldrich bill or something like it. The Progressive Party is for an elastic currency, but it believes in the rights of the many against the special advantages of the few, and it stands first for wiping out directly and without delay the gambling practices of Wall Street, which have vitiated the legitimate banking business of the country and have constituted one of the chief means by which credit has been controlled, special privilege enthroned, and equal opportunity denied.

These differences between the Progressive Party and its opponents, the Republican and Democratic Parties, are not fanciful. They are real. Through them all runs the demand by the Progressives for direct popular government and its denial by the old parties.

Mr. GLASS. If the gentleman will allow me, I should judge from the news from Maine that the Progressive Party is chiefly in favor of contraction. [Laughter.]

Mr. MURDOCK. I will say to the gentleman from Virginia that the Progressive Party has just got down to fighting weight. [Applause.]

Mr. HAYES. Mr. Chairman—

The CHAIRMAN. Does the gentleman from Kansas yield to the gentleman from California?

Mr. MURDOCK. I want to finish this up. The Progressive Party believes that the hour is here when this Nation must brutalize a predatory individualism which has overrun the democracy and outraged the spirit of equal opportunity. The Progressive Party puts the public welfare above public place or party success; it makes public service paramount; it proposes accomplishment, not promise; it seeks results; it has vision; it has faith in the people; and it has determined to open up in this country the door of equal opportunity which special privilege is closing—to open it to everyone and for all time to come. [Applause.]

I append the list of concerns which are controlled by the interlocking directorates of five banking houses, as shown in Exhibit 134B from the report on the Money Trust.

Concerns controlled by interlocking directorates of 5 banking houses.

BANKS AND TRUST COMPANIES.

Name.	Number of directors.	Resources.	Deposits.
New York City:			
American Exchange National Bank.....	14	\$63,000,000	\$36,000,000
Astor Trust Co.....	29	27,000,000	23,000,000
Bank of Manhattan Co.....	12	70,000,000	35,000,000
Central Trust Co.....	16	118,000,000	98,000,000
Chase National Bank.....	9	125,000,000	91,000,000
Chemical National Bank.....	8	40,000,000	25,000,000
Corn Exchange Bank.....	15	78,000,000	55,000,000
Equitable Trust Co.....	27	102,000,000	84,000,000
Farmers Loan & Trust Co.....	27	135,000,000	127,000,000
Fourth National Bank.....	14	51,000,000	29,000,000
Hanover National Bank.....	21	126,000,000	78,000,000
Liberty National Bank.....	24	29,000,000	22,000,000
Mechanics & Metals National Bank.....	38	87,000,000	48,000,000
National Bank of Commerce.....	38	190,000,000	102,000,000
National Park Bank.....	17	123,000,000	82,000,000
New York Trust Co.....	30	63,000,000	37,000,000
Union Trust Co.....	21	74,000,000	65,000,000
United States Mortgage & Trust Co.....	23	75,000,000	58,000,000
United States Trust Co.....	22	77,000,000	60,000,000
Washington:			
American Security Trust Co.....	26	15,000,000	9,000,000
Riggs National Bank.....	16	14,000,000	9,000,000

Concerns controlled by interlocking directorates, etc.—Continued.

Name.	Number of directors.	Resources.	Deposits.
Pittsburgh, Pa.: Mellon National Bank.....	22	\$55,000,000	\$40,000,000
Union Trust Co.....	20	69,000,000	36,000,000
Philadelphia, Pa.: Fourth Street National Bank.....	18	57,000,000	45,000,000
Franklin National Bank.....	21	39,000,000	35,000,000
Girard Trust Co.....	21	47,000,000	39,000,000
Philadelphia National Bank.....	16	54,000,000	47,000,000
Chicago: Central Trust Co.....	25	50,000,000	43,000,000
Continental & Commercial National Bank.....	44	226,000,000	186,000,000
Continental & Commercial Trust & Savings Bank.....	17	27,000,000	25,000,000
First National Bank.....	25	137,000,000	110,000,000
First Trust & Savings Bank.....	24	64,000,000	56,000,000
Illinois Trust & Savings Bank.....	9	107,000,000	92,000,000
Merchants Loan & Trust Co.....	17	65,000,000	56,000,000
34 banks and trust companies.....		2,679,000,000	1,983,000,000

INSURANCE COMPANIES.

Name.	Number of directors.	Assets.	Deposits.
American Surety Co.....	54	\$8,000,000	.....
Continental Insurance Co.....	17	27,000,000	.....
Equitable Life Assurance Society.....	62	504,000,000	.....
Fidelity & Casualty Co.....	14	10,000,000	.....
German American Insurance Co.....	16	21,000,000	.....
Home Insurance Co.....	14	26,000,000	.....
Mutual Life Insurance Co.....	36	587,000,000	.....
New York Life Insurance Co.....	25	693,000,000	.....
Northwestern Mutual Life.....	35	290,000,000	.....
Penn Mutual Life Insurance Co.....	27	127,000,000	.....
10 insurance companies.....		2,293,000,000	.....

TRANSPORTATION SYSTEMS.

RAILROADS.	Number of directors.	Capital stock and funded debt.	Mileage.
Atchison, Topeka & Santa Fe.....	15	\$627,000,000	11,000
Baltimore & Ohio.....	12	647,000,000	4,000
Chesapeake & Ohio.....	11	285,000,000	2,000
Chicago, Burlington & Quincy.....	13	292,000,000	9,000
Chicago Great Western.....	9	128,000,000	1,000
Chicago, Milwaukee & St. Paul.....	13	486,000,000	10,000
Chicago & Northwestern.....	17	334,000,000	8,000
C. & N. W. & P. Ry. Co. & R. I.....	13	463,000,000	8,000
Delaware & Hudson.....	13	101,000,000	800
Delaware, Lackawanna & Western.....	15	31,000,000	400
Denver & Rio Grande.....	11	209,000,000	2,000
Frie R. R.....	15	418,000,000	2,000
Great Northern.....	9	385,000,000	7,000
Illinois Central.....	13	305,000,000	5,000
Lehigh Valley.....	13	130,000,000	1,000
Missouri, Kansas & Texas.....	16	208,000,000	3,000
Missouri Pacific.....	13	381,000,000	7,000
New York Central & Hudson River.....	13	1,150,000,000	13,000
New York, New Haven & Hartford.....	27	385,000,000	2,000
Norfolk & Western.....	11	217,000,000	2,000
Northern Pacific.....	15	439,000,000	7,000
Pennsylvania R. R.....	16	1,210,000,000	11,000
Pere Marquette.....	15	65,000,000	2,000
Reading Co.....	9	366,000,000	2,000
Seaboard Air Line.....	26	164,000,000	3,000
Southern Pacific.....	15	894,000,000	10,000
Southern Ry.....	12	420,000,000	7,000
Union Pacific.....	15	660,000,000	7,000
Wabash.....	13	209,000,000	3,000

EXPRESS COMPANIES.

Name.	Number of directors.	Capital stock and funded debt.	Gross annual income.
Adams Express Co.....	7	\$48,000,000	\$33,000,000
Wells, Fargo & Co.....	13	24,000,000	25,000,000

STEAMSHIP COMPANIES.

Name.	Number of directors.	Capital stock and funded debt.	Gross annual income.
International Mercantile Marine.....	13	173,000,000	39,000,000
32 transportation systems.....		11,784,000,000	.....

Concerns controlled by interlocking directorates, etc.—Continued.
INDUSTRIALS, MISCELLANEOUS, ETC.

	Number of directors.	Capital stock and funded debt.	Gross annual income.
PRODUCING AND TRADING COMPANIES.			
Amalgamated Copper Co.....	7	\$198,000,000	\$39,000,000
American Agricultural Chemical Co.....	21	56,000,000	.....
American Beet Sugar Co.....	11	20,000,000	9,000,000
American Can Co.....	15	82,000,000	.....
American Car & Foundry Co.....	16	60,000,000	.....
American Locomotive Co.....	11	61,000,000	30,000,000
American Smelting & Refining Co.....	25	162,000,000	.....
American Sugar Refining Co.....	11	90,000,000	.....
Armour & Co.....	11	50,000,000	.....
Baldwin Locomotive Works.....	12	54,000,000	29,000,000
Central Leather Co.....	14	112,000,000	.....
Colorado Fuel & Iron Co.....	13	77,000,000	24,000,000
General Electric Co.....	15	113,000,000	73,000,000
Intercontinental Rubber Co.....	14	30,000,000	.....
International Agricultural Corporation.....	10	34,000,000	.....
International Harvester Co.....	18	160,000,000	108,000,000
International Nickel Co.....	12	47,000,000	.....
International Paper Co.....	13	57,000,000	23,000,000
Lackawanna Steel Co.....	21	77,000,000	21,000,000
National Biscuit Co.....	15	54,000,000	45,000,000
Pullman Co.....	10	120,000,000	40,000,000
United States Rubber Co.....	20	117,000,000	55,000,000
United States Steel Corporation.....	23	1,440,000,000	615,000,000
Westinghouse Electric & Manufacturing Co.....	16	68,000,000	34,000,000
24 producing and trading companies.....		3,339,000,000	.....
PUBLIC UTILITIES COMPANIES.			
American Light & Traction Co.....	20	55,000,000	.....
American Telephone & Telegraph Co.....	24	621,000,000	179,000,000
Chicago Elevated Railways.....	3	101,000,000	8,000,000
Commonwealth Edison Co.....	9	70,000,000	13,000,000
Consolidated Gas Co.....	13	200,000,000	50,000,000
Interborough Metropolitan (Interborough Transportation).....	19	364,000,000	33,000,000
International Traction Co. (Buffalo).....	9	47,000,000	6,000,000
New York Railways Co.....	9	93,000,000	14,000,000
Philadelphia Co. (Pittsburgh).....	12	151,000,000	20,000,000
Philadelphia Rapid Transit Co.....	11	134,000,000	23,000,000
Public Service Corporation of New Jersey.....	19	258,000,000	32,000,000
United Gas Improvement Co. (Philadelphia).....	7	56,000,000	.....
12 public utilities companies.....		2,150,000,000	.....
Total.....		22,245,000,000	.....

Recapitulation.

	Resources.
34 banks and trust companies.....	\$2,679,000,000
10 insurance companies.....	2,293,000,000
32 transportation systems.....	11,784,000,000
24 producing and trading companies.....	3,339,000,000
12 public utilities companies.....	2,150,000,000
Total.....	22,245,000,000

MESSAGE FROM THE SENATE.

The committee informally rose; and Mr. CULLOP having taken the chair as Speaker pro tempore, a message from the Senate, by Mr. CROCKETT, announced that the Senate had passed without amendment the bill (H. R. 3406) to authorize the construction of a bridge across the Sabine River at Orange, Tex.

The message also announced that the President of the United States had approved and signed bill and joint resolution of the following titles on September 4, 1913:

S. 2319. An act authorizing the appointment of an ambassador to Spain; and

S. J. Res. 52. Joint resolution to authorize the appointment of Thomas Green Peyton as a cadet in the United States Military Academy.

CURRENCY.

The committee resumed its session.

Mr. GLASS. I yield 45 minutes to my colleague, the gentleman from Massachusetts [Mr. PHELAN].

Mr. PHELAN. Mr. Chairman, within seven months from the day on which President Wilson was inaugurated the Democratic Party in the House of Representatives will have fulfilled two pledges made in the Baltimore platform. This House has already passed a tariff bill. In the course of a few days it will have passed a banking and currency bill.

With almost three months yet remaining before the date set for a regular session of Congress the majority party in the House of Representatives will have kept its promises for tariff reform and for banking and currency legislation.

There was assurance from the day when it was first announced that there was to be a special session of Congress that a tariff bill would have a speedy passage through this House.

There was no such assurance with reference to a banking and currency bill. Indeed, it was freely predicted that it was hope-

less to attempt to pass such a bill even through the House. It was pointed out that the Republican Party, although recognizing for a quarter of a century that our banking and currency system was dangerously defective, was unable with all the force and power of its wonderful discipline and organization to enact into law any comprehensive plan for a sound and adequate system of banking and currency. How, then, could the Democratic Party, but just come into power, a party against whom the charge has been constantly and repeatedly made by its opponents that it is not a party of construction, hope to succeed where the Republican Party had failed; to accomplish a great constructive work which it had been beyond the power of the Republican Party to accomplish?

If the leaders of the party in power had to consider only the difficulties and the dangers in the way of successful legislation, they might with reason be excused from hesitation to attempt legislation of this kind; but there were two reasons which made it imperative for them to act: First, their party had made a solemn pledge in the Baltimore platform to enact banking and currency legislation, and, second, there was pressing necessity and urgent demand for such legislation arising out of the needs of our people. The Democratic Party had a responsibility to assume and assumed the responsibility without hesitation and without trepidation.

The subcommittee of the Banking and Currency Committee of the last Congress, through its hearings and inquiries and investigations, had done the preliminary work necessary for consideration of legislation at this special session and had paved the way for the drafting of a banking and currency bill. A bill was drafted and introduced into the House in June by the chairman of the Banking and Currency Committee and was referred to the Committee on Banking and Currency. The majority members of that committee have, since its reference, given it their concentrated and undivided study and consideration. As changed and amended by them it has received the enthusiastic support of a Democratic caucus and has been reported by the committee to this House.

From the moment that it was announced that a bill was being drafted down to the present moment reports have been constantly spread abroad of the most discouraging nature. Friction and almost hopeless lack of harmony have been attributed to those engaged in the formulation of the bill. But the bill was drafted and presented to the House.

During the progress of the bill through the committee the impression was created from the news articles, with their glaring headlines, that there was irreconcilable disagreement among the majority members. But by a vote of 11 to 3 the bill was reported favorably to a Democratic caucus.

While the bill was in caucus the newspapers contained accounts of violent attacks on the bill. Stories of widespread "insurgency" were spread broadcast. But the caucus passed the bill with only 9 dissenting votes.

I am not taking issue with any of the newspaper accounts. Indeed an admission as to the correctness and accuracy of all their accounts simply makes the point I have in mind more forcible. In spite of disagreement, of difference of opinion, and of opposition the bill has marched steadily onward. The more it has been studied, the more it has been explained, and the better it has been understood the weaker the opposition has become and the stronger and more numerous and more enthusiastic have become the forces behind it. In the caucus there was hardly a line in the bill but what occasioned some questioning, but the more thorough the scrutiny the better satisfied did those present at the caucus become that the bill was fundamentally sound and practicable. Even in the consideration of the bill in the full committee members of the opposition parties, with a single exception, refrained from voting against it. I submit that the latter action was taken because whatever responsibility the Democratic Party assumed in framing this bill—and it assumed responsibility because it was its plain duty to do so—the bill is not a partisan bill. Even those who have made the charge of partisanship against the bill have confined their charges to the manner in which the bill has been brought into this House and not to the substance of the bill. In its substance it is acknowledged that there is nothing of a partisan nature and that it appeals to men who seek to enact sound legislation irrespective of party.

Republican and Progressive Members of this body have frankly stated that they agree that the fundamentals of this bill are sound. Republicans and Progressives have indicated their intention to vote for the bill. It is only natural that they may be opposed to certain features. It is impossible to frame any bill which will satisfy everybody, and in the past it has been impossible to frame a banking and currency bill which would satisfy even a majority of the committee. Those who have had to do with the construction of this bill know too well

the difficulties of this complex, scientific problem to hope that this measure is by any means perfect.

They do maintain, however, that it is the result of careful study and painstaking investigation into the defects of our present national banking system and of a thorough consideration of the needs of the country in the establishment of a new system, and they contend that this bill, if enacted into law, will establish a banking structure founded on correct scientific and economic principles and adapted to the business, commercial, and agricultural interests of this Nation.

PRESENT NATIONAL BANKING SYSTEM.

In spite of the fact that our national banking system has had a longer term of active existence than any previous national or any State system in this country, it has long been recognized that it has serious defects.

Indeed, it is not surprising that the present national banking system has defects and has proved inadequate to supply the needs of the country when we consider the events leading up to the adoption of our present system and the purpose of the laws establishing this system.

Prof. Charles Franklin Dunbar, late professor of political economy in Harvard University, in an essay on "Economic science in America," written as long ago as 1876, says:

The General Government in 1846 made specie its only currency, and left the paper, the currency of the people in three-quarters of the States, to take care of itself. That this measure for the protection of the Treasury was judicious, supposing it to be settled that the paper was to remain free from all control, few are now disposed to deny; but it involved an abdication of power over the part of the circulation which was of immediate importance to the mass of the community and a confession of the insolubility of a great public question which hardly has its parallel.

The effect produced on our statesmen by thus drawing a line which left this whole subject in the exclusive province of State legislation was disastrous. From 1846 to 1862 the study or discussion of currency and finance formed no part of the training of men for national politics. In the legislatures of the States questions of this class were dealt with by men of inferior order, or by those who were only anxious to make their mark and go up into a broader field; but they had ceased to be national questions which could repay the political aspirants to national office for any considerable expenditure of time or thought. Congress had nothing to do with the currency, except to settle the weight and fineness of the coin, and Government finance resolved itself into paying all demands in gold from a Treasury which generally overflowed and borrowing upon easy credit in an exceptional case of difficulty. It is not surprising that when the War for the Union compelled the Government to deal comprehensively and at short notice with questions of finance and currency in their most threatening form and on a gigantic scale we had no leading man in public life who could speak upon them authoritatively or command general attention.

While Prof. Dunbar refers more particularly to legislation other than that upon which our present national banking system has been constructed, he does point out clearly, if severely, the unpreparedness of our legislators of those days to deal with these complex economic questions, and we all must agree that in the absence of consideration by our national legislators of such questions for so many years they could not be expected to establish a banking and currency system which should endure for 60 years without serious defects in that system. Moreover, it would task the capacity and wisdom of the ablest statesmen to perform this task under such conditions as existed during the Civil War. Indeed, it was the Civil War itself which made necessary the legislation which has given us our present banking system. This legislation did not have for its primary purpose the establishment of an enduring banking system. The framers of the bank acts of 1863 and 1864 had for their first object the provision of a paper currency of a uniform value throughout the United States, which should become the sole paper currency of the future, and the establishment of banks which would absorb by permanent investment a certain amount of United States bonds. The title of each act, "An act to provide a national currency secured by the pledge of United States stocks (or bonds) and to provide for the circulation and redemption thereof," clearly indicates the point of view from which these measures were enacted. What interested Congress and the public at the time was the issue of notes upon a secure basis and a market for United States bonds.

Whatever, also, may be said of the acts of 1863 and 1864 and the amendments thereof, it is a fact that they did establish a market for United States bonds and that during a most critical period in our history, and even up to the present date, they have given us a bank note with such security behind it that its soundness has never been questioned. These acts, furthermore, have rendered great service to the country "in the establishment of a class of remarkably sound banking institutions, giving to the community many of the benefits of free banking with the minimum of its risks."

For over a quarter of a century there has been more or less agitation of the defects in the national banking system, and there have been desultory attempts to obtain needed reform through legislation.

ESSENTIAL OBJECTS OF LEGISLATION.

It is not, however, until very recent years that any attempt has been made to give a thorough and comprehensive study to the question of banking and currency. The panic of 1907 did at last awaken our people to the inadequacy of our present laws and to the positive danger of our antiquated banking system and methods. The creation of a National Monetary Commission and its investigation and studies and reports are of such recent date that they need no comment. The work of this commission and the universal study and discussion of banking and currency for the past five years have brought us to a point where we have a well-defined knowledge of the defects of our present banking laws and of the true objects to be sought in legislation upon this subject.

Out of all the discussion and criticism and suggestions that have been made there is general agreement that our present banking system is inadequate and obsolete, and that there is pressing demand for legislation. It is, moreover, generally agreed that the patent defects in the system are, first, that our system of reserves is unscientific and not based upon sound banking principles, and, second, that our currency in the form of national bank notes is inelastic—that is, not responsive to present increase or diminution of demand—and, third, that there is no means for effective cooperation among the banks to protect their own or the public interests in times of stress and crisis. While these are not the only important defects, they are the defects which have received most popular attention. Any new system of banking must correct these defects; but if it is to supply the banking needs of a great agricultural, industrial, and commercial country like the United States, it must accomplish a great deal more.

In the report accompanying the bill submitted by your Committee on Banking and Currency we find stated on page 16 of that report the fundamental elements which the committee considers indispensable in any measure likely to prove satisfactory to the country.

1. Creation of a joint mechanism for the extension of credit to banks which possess sound assets and which desire to liquidate them for the purpose of meeting legitimate commercial, agricultural, and industrial demands on the part of their clientele.

2. Ultimate retirement of the present bond-secured currency, with suitable provision for the fulfillment of Government obligations to bondholders, coupled with the creation of a satisfactory flexible currency to take its place.

3. Provision for better extension of American banking facilities in foreign countries, to the end that our trade abroad may be enlarged and that American business men in foreign countries may obtain the accommodations they require in the conduct of their operations.

I believe it will make the subject easier of treatment if the objects sought to be secured through the proposed legislation be stated more in detail, as follows:

1. To establish some means for an effective cooperation among our banks for the protection of their own and the public interests, especially in times of stress and crisis.

2. To replace our present unsound rigid and dangerous system of reserves with a system more flexible and yet safe and secure.

3. To provide an elastic currency, responsive to present increase or diminution of demand.

4. To lay the foundation for a broad discount market similar to the discount markets abroad.

5. To permit and encourage the establishment of American banking institutions in foreign countries.

6. To put into circulation and to make available for use the large sums of money now locked up in the vaults of the Government.

GLASS BILL.

(1) UNIFICATION OF BANKS OF THE COUNTRY.

In order to lay the foundation for any adequate system of banking in this country it is necessary to provide an organization whereby the thousands of banks, National and State, can cooperate and coordinate. The bill before the House, accordingly, provides for a unification of our whole banking system.

The banks of the country are all grouped into 12 great divisions. State banks as well as national banks, by conforming to the regulations, may become members of the organization. In each district a Federal reserve bank is organized. The capital for this bank is supplied by the contributions of banks becoming members. Each member bank subscribes in cash an amount equal to 10 per cent of its own capital stock and is liable to an assessment equal to another 10 per cent. This liability for an amount equal to the amount actually paid in is a similar requirement to that of double liability upon stockholders in national banks under our present laws. It is altogether un-

likely that member banks will ever be called upon to subscribe in cash more than the original 10 per cent.

In addition to these 12 Federal reserve banks there is a Federal reserve board consisting of seven members—the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, ex officio members, and four other members to be named by the President of the United States, subject to confirmation by the Senate.

These four members are to be selected so that the four general geographical divisions of the country shall be represented upon the board. At least two of these four shall be of a different political party than the other members of the board. Thus country-wide representation on this board is secured and exclusive representation by one political party is prevented.

I can not in the brief time allowed me explain in detail all the various provisions respecting this organization. I shall, however, make a few observations upon matters upon which there has not in some quarters been a clear understanding.

The national banks remain independent and competitive banks. They continue to do business as they do to-day, without undue interference. They continue to do business with such customers as they desire. They make their own discount rates. If their discount rate is lowered in some places and on some occasions, it will be because the member (National or State) banks are aided in serving their patrons by the Federal reserve banks. Neither the Federal reserve banks nor the Federal reserve board interferes with their choice of their own directors. Indeed, they continue to do business very much as they do to-day, except that they and their customers receive the benefits which will be derived from this legislation.

The Federal reserve banks in general are not competitors of the National and State banks. The loans they make are made by a process of rediscounting to member banks. (By member banks is meant National or State banks holding stock in Federal reserve banks.) They make no loans and receive no deposits from individuals. The sole depositors, except in foreign countries, are the United States Government and the member banks. Each Federal reserve bank makes its own rate of discount, subject to review by the Federal reserve board. This power to review enables the Federal reserve board to establish a uniform rate of discount throughout the country if at any time advisable to prevent the outflow of gold from the United States or to secure an inflow of gold; it also enables the board to prevent abuse by too high a rate of discount, and also to prevent imprudent or dangerous expansion by too low a rate, although it is doubtful if either contingency often arises.

This provision as to the discount rate is infinitely superior to that contained in the Aldrich plan. Under the Aldrich plan the rate of discount was to be uniform throughout the country. Although to-day the rate of interest in different parts of the country differs because of locality, population, security, and a variety of economic reasons, the Aldrich plan would make the rate of discount of reserve banks uniform. As a result, if the rate were high enough in one section, it would inevitably be too high in another section; vice versa, if it were low enough to suit the needs of one section, it would be so low that it would enable banks in some sections to receive a splendid and undeserved profit by the rediscount of paper. Under the present bill the board can make the rate uniform if ever necessary or advisable, but there is no rigid requirement that it must be uniform.

Of the directorate of the reserve banks, the member banks select six out of the nine members; the other three are appointed by the Federal reserve board.

The Federal reserve board is a Government board, having a general supervision and control over the whole system. The board is not a bank. It does not do a banking business with anyone. It is a supervisory board.

Accordingly, we find that the banking business is done by those having familiarity with the technique, customs, and practices of banking. The national banks do their own business with substantial freedom. The reserve banks have a directorate, of which six members out of nine are chosen by the member banks.

The Federal reserve board is not controlled by the banks, and ought not to be. Its purpose is to serve the public and not the banks, and accordingly its members are appointed by the President of the United States, who represents the public interests of the whole Nation.

The foundation of the whole system rests upon sound principle. There is a unification of the banks of the country. The system provides that the bankers shall manage and conduct the banking business—that is, the business of deposits and loans—and in some measure have to do with the issue of notes, although the latter is a Government issue. The supreme over-

sight and control of the whole system, however, is vested in a board representing the public. Thus the bill renders unto the bankers what is the bankers', but positively and definitely secures to the public what belongs to the public.

The organization thus established unifies and coordinates the banks of the country in such a way that not only are present evils eradicated, but the whole banking system is broadened and liberalized and made adequate to supply the banking needs of this great agricultural, industrial, and commercial Nation.

(2) BANK RESERVES.

One of the most important reforms contained in the bill is that with reference to bank reserves. The present system of reserves is rigid, unsound, and dangerous.

The rigidity of our reserves has been a serious cause of trouble. In the United States the law requires a certain fixed reserve to be kept against deposits. Out of every \$100 of deposits the law requires country banks to keep a reserve of \$15—that is, 15 per cent; reserve city and central reserve city banks, \$25, or 25 per cent.

The law, moreover, forbids banks to make further loans while their reserves are below the legal requirements. Accordingly, when a bank's reserves are at the legal requirement or below the bank refuses to make further loans. When reserves become low in banks, the banks, because of legal requirements, contract their loans. Thus manufacturers or merchants or other borrowers, at the time they need loans from the banks, are unable to get these loans because of the existing laws which require a fixed reserve. Their failure to obtain loans immediately stops the progress of their business. In many instances it means business failure to solvent concerns. At just the time loans from banks are most needed the law prevents such loans from being made.

The danger of requiring a bank to keep a fixed reserve below which it shall not fall has been recognized in the great commercial nations of Europe, and in those countries, except in the case of bank notes, the law does not fix a reserve requirement. Reserves are maintained, but the amount of reserve is left to the discretion of the banks. It is hardly advisable, however, in this country, with its long-established fixed legal reserve, to do away entirely with these legal provisions. It is safe, and it is necessary, on the other hand, to loosen up in the rigidity of our reserve requirements. Depression and panic might often have been averted if it had not been for the rigidity of our reserves.

The bill does, therefore, relieve the rigidity of the present legal reserve requirements. In addition to lowering the reserve requirements—in country banks from 15 per cent to 12 per cent, and in reserve city and central reserve city banks from 25 per cent to 18 per cent—it has given the power, in section 12, subsection C, to the Federal reserve board to suspend temporarily reserve requirements with the proviso for a graduated tax upon the amounts by which reserves fall below the levels established in the bill. Thus a method is prescribed whereby banks may extend loans even when their reserves fall below the set limits and in this way give accommodation to borrowers in time of real need. Relief from our present rigidity is thus afforded under proper and necessary safeguards and a means furnished to prevent panic when a liberal extension of loans will prevent panic.

Another much-needed reform with reference to reserves is made by the bill. By allowing country banks to count deposit balances in reserve city banks and central reserve city banks as reserves, and by permitting reserve city banks to count as reserves deposit balances in central reserve cities, what has been termed pyramiding of reserves has been permitted. We are all more or less familiar with the meaning of the expression "pyramiding of reserves." While the law seems to require a reserve of 15 per cent for country banks, for example, the reserves actually held in cash may be by a process of deposit and redeposit amount to only 7.40+ per cent. In practice, banks have habitually counted as reserves deposit balances in correspondent banks. There has been a strong inducement for banks to carry reserves in reserve city and central reserve city banks, because these latter banks pay interest on such deposits at the rate of 2 per cent per annum, whereas if banks kept all their reserves in their own vaults the cash would lie idle and bring in no income. As a result the reserve and central reserve city banks have been carrying enormous deposits which have been counted as reserves by depositing banks. The concentration of reserves in New York City has been tremendous.

This practice of pyramiding reserves and the resultant concentration of reserve money in the central reserve cities, and in New York in particular, has brought about an evil in two important respects. First, this money has been largely loaned out on the stock exchange and has been thus diverted from the chan-

nels of trade, its proper place, to be used for speculative purposes. Second, in times of unusual demand or in times of distrust outside banks have drawn heavily on their deposits in New York. To meet the demand and to keep within the legal reserve requirements the New York banks have been obliged to contract loans or to call in loans. At times they have also been unable to supply the demands of the banks carrying deposits with them when these banks sought to draw upon these deposits. Without going into detail, the contraction of loans has frequently brought on serious business depression. Too often the limit went beyond business depression and the country has suffered from disastrous panics.

The trouble has been that under the law reserves have been diluted and reserves have been concentrated in New York City banks. The New York banks have received these reserves on deposit, not as trustees for the public to conserve reserves, but in order to obtain deposits from which to make loans for profit. Indeed, they have invited deposits from correspondent banks by paying 2 per cent interest on such deposits. Plainly they would not pay 2 per cent unless they intended to use the deposits thus received to make profits for themselves.

In the bill submitted by the committee all reserves are held either in a bank's own vaults or in its Federal reserve bank. Balances with reserve city and central reserve city banks can not be counted as reserves. In spite of the urgent, persistent, and violent demands of the big bankers, the committee has resolutely refused to yield on this vital principle. The committee is unalterably opposed to a continuation of the evil of allowing banks to count as reserves balances kept with other banks.

By allowing deposits in Federal reserve banks to be reckoned as reserves, there is no withdrawal of money from circulation. A portion of reserves is still available for use without the dangers of the present system.

The first duty of the Federal reserve banks is to protect reserves. The reserve banks must always operate on the safe side, so managing their business that depositing banks will have a reservoir from which to draw in order to make good depletion of their own reserves. As these Federal reserve banks are quasi public institutions, one of whose first duties to the public is the protection of reserves, and as they are under no such inducement to make profit as private banks are, they are compelled to assume an official responsibility such as private banks using reserve deposits to make loans for profit could not be asked or expected to assume. Apart then from other provisions tending to make reserves in Federal reserve banks safe, although still available for use, the very semipublic nature of the reserve banks gives security to bank reserves under the operation of this bill.

ELASTIC NOTE ISSUE.

Reserves are made more secure not only by the reserve sections of the proposed law, but also by other sections of the bill. The provisions for an issue of Federal reserve notes supply an additional amount of currency at such times and in such amounts as business requires. This additional amount of currency will relieve the pressure upon reserve money. Where now cash is demanded beyond the supply of bank notes, money available for reserves is necessarily used (unless banks suspend payments, as has happened) and reserves thus depleted. Under the operation of this bill, currency in the form of Federal reserve notes may be used and gold and other lawful money retained as reserves.

These notes not only serve to relieve the pressure upon reserves, but also supply a long-felt want by providing a currency as plentiful as the demand requires, and only as plentiful as the demand requires. For over a quarter of a century the need of a more elastic currency has been felt. To quote again from Prof. Dunbar, he says in his essay on *The National Banking System*:

The further objection that the system is not so constituted as to supply an elastic currency points to a defect in the working of the banking circulation in every section. This objection is indisputable if we give the word "elasticity" the meaning usually given it in banking discussions. If by elasticity we are to understand nothing more than mere capacity for growth under favoring conditions or variability, no doubt the bank circulation has varied and has had its periods of growth. It rose in its earlier period when the investments in bonds yielded a higher return; it ran down for a long series of years as the return upon bonds declined, and it rose again after the revulsion of 1893, when with the decline of bonds the return upon them advanced. But the elasticity of a currency is understood to mean something quite different from this tendency to vary over long periods. It means responsiveness to present increase or diminution of demand—the power of adaptation to the needs of the month, the week, or the day, whether rising or falling. A glance at the figures for any series of years, or for any period of marked changes in affairs, shows that the national bank circulation has never had this quality. How should it be elastic? Elasticity implies the operation of counter forces in currency as well as in a steel spring. That a currency may be responsive to demand it is necessary that the forces, tending respectively to expand or to restrict, should be forces at work in the daily business of the bank where it is brought into contact with the community by the stream of

loans, deposits, and payments. But under the national system at present the motives for extending issues are completely separated from real banking considerations, and such tendencies for the return of notes as exist are equally foreign to the relations between the issuing bank and the portion of the public which it serves.

It is plain that we can not obtain the responsiveness to demand mentioned by Prof. Dunbar under a system of issuing bank notes based upon United States bonds. Indeed, such a system has no economic basis. The amount of notes in existence depends upon the amount of Government indebtedness, since no more notes can be issued than there are bonds to secure these notes. The amount of currency in the form of notes necessary for use by the public has no relation at all to Government indebtedness, but does depend on the business and commercial needs of the country. As a result of our bank-note system at times we have had too great a supply of notes and at times we have had too small a supply.

The objection to the system, it is agreed by students of the subject, is that our bank-note issue has not been elastic; that is, "responsive to present increase or diminution of demand—the power of adaptation to the needs of the month, the week, or the day, whether rising or falling."

The Glass bill provides for an elastic currency in its provisions for Federal reserve notes and the ultimate retirement of our bond-secured bank notes. The Federal reserve notes are issued to Federal reserve banks by the Federal reserve board. They are Government notes, but have the essential advantages of bank notes. They are issued by the reserve board to the Federal reserve banks upon the deposit with the board of commercial paper to an amount at least equal in value to the value of the Federal reserve notes issued. The Federal reserve banks are furthermore required to keep a reserve against these notes of 33½ per cent in gold or lawful money.

As these notes are issued only upon the demand of the Federal reserve banks, the Federal reserve board can not of its own motion issue them to excess, assuming it should be so imprudent as to desire to do so. Since the Federal reserve banks can receive no profit on these notes except where there is public need of notes, and since the paper to secure these notes is based upon the activities of agriculture, industry, and commerce, the Federal reserve banks can hardly request an issue of notes beyond the demands of trade for this form of currency. The amount of issue is, therefore, determined by the needs of the country as expressed through the natural medium—the banks—but is subject to the regulation and control of the Government through the Federal reserve board.

Based upon commercial paper as security, these notes increase and decrease with the demands of commerce. As more currency is needed the want is supplied by the deposit of more commercial paper as security and the issuance of more notes. As all this paper is of short maturity, other commercial paper must in a short time be deposited as security in the place of the paper which matures. As business slackens the amount of commercial paper diminishes and Federal reserve banks will return Federal reserve notes to be destroyed instead of putting up new commercial paper as security.

There is, moreover, an important provision which will automatically redeem Federal reserve notes. Each note bears a distinctive letter and number indicating the reserve bank to which the note is issued. When these notes come into any other Federal reserve bank that bank shall not pay them out except under a penalty of 10 per cent per annum upon the face value of such notes. Accordingly, as fast as notes issued through one Federal reserve bank come into the possession of another reserve bank, the latter, since it can not use them, will redeem them and they must be paid by the reserve bank through which they were issued.

Thus there will be not only a constant issue of notes as needed, but also a constant redemption of them, which will contract the volume when a contraction is consistent with commercial demands.

Although these notes furnish a supply of currency in addition to the present volume of national-bank notes, the bill, by providing in section 19 for the redemption of United States 2 per cent bonds, contemplates the gradual reduction of national-bank notes outstanding, with the ultimate elimination of national-bank notes in 20 years.

REDISCOUNTS.

The commercial paper which is placed on deposit as security for Federal reserve notes by the Federal reserve banks is obtained by the reserve banks from member banks by a process of rediscounting.

A member bank which desires to increase its reserves or to obtain currency to supply its customers is enabled under section 14 of the bill, upon its indorsement, to rediscount bills and notes with the Federal reserve bank of which it is a member. There

are restrictions upon the kind of paper thus eligible for rediscount. The paper must be short-time paper. It must be sound and secure. In a general way it must be paper arising out of the activities of commerce.

As there has been some misapprehension by some who have read section 14 carelessly, with reference to the maturity of the paper eligible for rediscount, I desire to point out the meaning of the words "must have a maturity of not more than 90 days." This means that a note or bill to be eligible for rediscount can have no more than 90 days remaining to its maturity. The note when discounted by the member bank may have been a note with a maturity of six or nine months or even a greater period of time. When, however, the member bank takes this note to the reserve bank for rediscount there must be 90 days or less remaining to maturity.

The purpose of limitation on time is to have the commercial paper in the reserve bank maturing in a short time in order to keep the reserve bank's assets liquid. If the reserve bank loaned on a long-time paper, its assets would be tied up. If occasion arose for cash, the reserve bank could not get cash, as obligations would not be due. It is intended that the funds of reserve banks will be loaned; that cash will come back in a short time and be reloaned. Thus there will be a constant and a speedy turnover. The reserve bank will thereby always have cash or will be in a position where it will speedily get cash and will therefore be ready to meet sudden calls for cash by its members, for whom it is calculated to be a source of relief when they need relief.

The commercial paper, then, on which reserve banks loan, shall be short-time paper.

The paper is moreover gilt-edge paper, entirely safe. It first passes the scrutiny of the member bank making the original loan. It then passes the scrutiny of the reserve bank rediscounting. In addition it must have the indorsement of the member bank obtaining the rediscount.

The paper, bills or notes, is therefore excellent security.

This paper must therefore be commercial paper. Just what constitutes commercial paper it is impossible to define closely or strictly. The whole spirit of the bill and of this section is, however, that the funds of the reserve banks shall be applied to the activities of business; first, because the funds of the reserve banks consist in large part of public money and of reserves; and, second, because the funds of commercial banks, both from a scientific banking and a practical standpoint, should be applied to commercial purposes. The whole spirit of the bill is that the funds of the reserve banks should be applied to the activities of business, commerce, and agriculture. It is impossible to define in a specific way just what notes and bills shall be eligible for rediscount. It is clearly defied in the bill, however, that the funds of reserve banks shall not be diverted from the channels of production and distribution. In order that there might be a broad and adaptable construction put upon the terms contained in section 14, discretion as to their interpretation, in accordance with the spirit of the bill, is given the Federal reserve board. It is reasonable to believe that this board will exercise its discretion with wisdom and prudence.

It will be noticed that the paper subject to rediscount is the kind of paper which arises out of the needs of the farmer, the manufacturer, the merchant, and others engaged in agricultural, manufacturing, and commercial pursuits.

The sound and nonrigid system of reserves, the elastic note issue responsive to business demands, and the provisions whereby banks may rediscount their bills, notes, and other commercial paper, all contained in this bill, combine to eradicate most of the serious defects of our present system and, together with the organization operating to unify the banks of the country, establish in the United States the foundation for sound commercial banking.

DISCOUNT MARKET.

The discussion with reference to rediscounts naturally brings to mind the opportunity afforded through the bill for the establishment of a discount market in this country similar to the discount markets in modern European countries. Under subsection B of section 12 the Federal reserve banks are permitted to rediscount for one another. Herein is provided a means whereby funds in one part of the country for which there is no demand may be applied to that part of our country which is in need. A Federal reserve bank in the Southwest, for example, has a demand for the rediscounting of paper beyond its power of supply. At the same time a reserve bank in the East may have funds for which there is no immediate demand. Under such conditions the Federal reserve bank in the East may rediscount paper for the reserve bank in the Southwest. In this way the reserve bank in the East finds employment for its idle funds and the reserve bank in the Southwest is enabled to supply the demands of the people in that section of the

country. Furthermore section 15 permits Federal reserve banks to purchase and sell in the open market "prime bankers' bills and bills of exchange." Thus opportunity is given to a Federal reserve bank to dispose of commercial paper which it has rediscounted for a member bank to firms or individuals who may desire to invest money in commercial paper of the very best security. Such firms and individuals will in this way be enabled to get gilt-edge commercial paper, because such paper will have not only the signature of the original maker, but also the indorsements of the member bank and the Federal reserve bank through which the paper has passed.

Paper of such security from any and all parts of the country is not available to-day to the investor, and it is in some degrees because he can not get paper of such security that he confines his investment in commercial paper to that arising in the locality in which he lives, where he may know something of the character and standing of the individual borrower. I am but barely suggesting the possibilities for building up a broad discount market, but a careful study of sections 14 and 15, in connection with subsection B of section 12 and other parts of the bill, will demonstrate the splendid opportunity for the development of such a market in this country. Before leaving the subject, however, I must point out the importance of the additional privilege given to national banks under that paragraph of section 14 which permits national banks to accept drafts or bills of exchange involving the importation or exportation of goods when taken in connection with the paragraph which allows such acceptances to be rediscounted by Federal reserve banks. Under our national banking laws national banks are not permitted to accept drafts or bills of exchange. The failure of our present laws to permit such acceptances is not only a disadvantage to the banks, but, what is of much more importance, involves the country in a distinct economic loss. I shall only suggest the vast importance of this whole question of acceptances by quoting from the admirable treatise on "Bank acceptances" by Prof. Lawrence Merton Jacobs:

The weakness of our banking system as compared with the system of Europe may very certainly be attributed in part to the omission of the bank act to permit bank acceptances. It is a weakness, furthermore, which involves the country in serious economic loss. Without a national discount market, the great majority of our merchants and manufacturers are compelled to confine their borrowings to American capital, either through the discounting of their paper with their local banks or through its sale to note brokers. All but the strongest and largest are practically excluded from the benefits of foreign competition for their paper. Aside from the great concerns with international ramifications, which are able to arrange their own credits abroad, our merchants and manufacturers are not benefited by low foreign discount rates, except in so far as note brokers, who make it a practice to borrow in Europe with commercial paper as collateral, are better able to finance their purchases. What is more, they receive relatively little advantage from an accumulation of funds in New York banks. Low call-loan rates have an indirect rather than a direct effect on the rate which the mercantile community has to pay for money. Low call rates, in other words, are an indication more especially of stagnation in the stock market than of a lack of demand for accommodation from merchants and manufacturers. Such rates do not act as a stimulus to trade in a general way any more than high call rates act as an immediate check to overexpansion.

It is not only in our domestic trade that the country suffers through the want of a discount market. Without bank acceptances we are at a distinct disadvantage in connection with our foreign trade. Our importers, unable to open credit with their banks, as is done abroad, are not in a position to finance their purchases upon as favorable a basis as the importers in other countries, as English cotton spinners, for example. The English spinner about to purchase cotton in America arranges for his bank to accept 60 or 90 days' sight bills drawn on it by the American shipper. The latter draws his bills on the English bank and attaches the documents covering the shipment, such as the bills of lading, insurance certificates, invoices, etc. He then sells them to a New York bank, thereby receiving immediate payment for his cotton. The New York bank forwards the bills to its London correspondent, which presents them for acceptance to the bank upon which they were drawn. Upon the acceptance of the bills the documents are delivered to the accepting bank, which then turns them over to the spinner upon whatever arrangement has previously been made. The accepted bills are discounted by the New York bank in London and the proceeds placed to its credit there. The New York bank can afford to pay a high rate for such bills, as they are drawn on prime bankers, rendering certain their ultimate payment. The purchase of the bills does not, moreover, necessitate any outlay of money, as against the credit to be received through the discount of the bills the New York bank can immediately sell its checks on London. * * * As a result of the inability of our banks to finance imports through the acceptance of time bills American importers are then, made dependent to a large extent upon London and are required to pay London a considerable annual tribute in the way of acceptance commissions. This practice not only adds to the importance of London and militates against the development of New York as a financial center, but it at the same time works serious injury to our export trade.

It would require the quotation of the entire treatise of Prof. Jacobs to get an adequate conception of the advantages supplied by the sections referred to not only to the importer and exporter, but to the producer in this country as well. I hope, however, I have given some suggestions of the great benefit which will be derived from the operation of the paragraphs in the bill to which I have referred.

FOREIGN BRANCHES FOR NATIONAL BANKS.

The bill, furthermore, seeks to develop our foreign trade by its provisions contained in section 28 and in subsection E of

section 15. To-day there is not a single United States national bank in a foreign country. Our present banking laws do not permit either the establishment of national banks or branches of such banks in foreign countries. Section 28 provides for the establishment of branches of national banks possessing the required capital. Supplementary to this provision subsection E of section 15 permits Federal reserve banks to open and maintain banking accounts and to establish agencies for certain purposes in foreign countries. This great step forward in our national banking system in its relation to the development of our foreign trade is too evident to require explanation. I am, moreover, too much limited in time to attempt to elaborate on this subject.

PUBLIC FUNDS PUT INTO CIRCULATION.

In accordance with the spirit of the bill in affording all reasonable aid to the development of the production and commerce of the country the funds of the Government are put into circulation and into use. At the present time there is something like \$150,000,000 in the Public Treasury. This amount often rises above \$250,000,000. All these funds when locked up in our Treasury vaults are kept out of circulation. When this proposed legislation is enacted into law all these vast sums will be deposited in the various Federal reserve banks, and hence be available for use.

I have endeavored to state only in the most general way the conditions which have given rise to the need for banking and currency legislation, the defects of our present laws, the essential objects which new laws ought to attempt to obtain, and explain the structure by which and the manner in which the bill now before the House proposes to eradicate present defects and to secure the desired objects.

CRITICISM OF GLASS BILL.

It is admitted that the majority of the Members of this House are satisfied that the purpose of the bill is a good one; that it will accomplish its purpose; and that it is based on sound economic principle. It has the support not only of the Democratic Party, but also of many of the Republican Party and many of the Progressive Party, who have avowed their purpose of voting for it. There is, however, sufficient adverse criticism so that it ought not be passed over without comment, nor ought the suggestions accompanying much of this criticism be rejected without consideration. The committee has carefully and fully considered every objection and every suggestion which has come to its attention. I shall not attempt to discuss all these objections and suggestions made with reference to the bill, but I do desire to comment on a few of them.

OBJECTION TO GOVERNMENTAL CONTROL.

The point of attack of the opponents of the bill for a long time has been the principle of Government control embodied in the bill. The so-called big bankers of the country, few in number but great in power and influence, strenuously and vigorously opposed governmental control. They maintained that it was the bankers' money which was involved, their money which was invested, and that, therefore, the control of the banking organization from top to bottom should be with the bankers. That they were especially insistent and persistent in their demands was likely due to the fact that the so-called Aldrich plan gave them the control they sought.

If the bankers had considered the proposition from an unprejudiced point of view they would have remembered that the deposits of the people of this country far exceed the money invested by the bankers in the capital of banks. The total investment in capital stock of all the 7,473 national banks in the country amounted to \$1,056,919,792 on June 4, 1913. The total amount of deposits on the same date was approximately \$6,000,000,000. Thus for every dollar invested in capital there were \$4 of deposits. Furthermore, as against the \$105,000,000 which the national banks of the country would invest, under the Glass bill, in capital stock of the Federal reserve banks, the Government would put on deposit in these same banks some \$200,000,000 or \$300,000,000. I shall not confuse this proposition by going into the question as to the amount of reserve money—kept in reserve for the purpose of protecting the public—which will be deposited in the Federal reserve banks. From the figures already given it is clearly evident that the people of the United States have a far greater financial investment in the national banks than the stockholders of those banks, and that the Government alone will put more money into the Federal reserve banks than will the national banks combined. Not alone have the depositors a deep concern in the management of the banking system of the country, but, also, the borrowers have a vital concern in the administration of the business of banking. The whole agricultural, industrial, and commercial organization of the country is dependent upon the banks. The entire business of the country is conducted in a large measure upon loans

obtained at the banks. Control of the banking of the country means the control of the business of the country. If there is to be a unification of the banks of the United States, control of any central bank or of any commission or board by means of which this unification is secured can not from any point of view be safely intrusted to a small class of men having a selfish purpose to serve. The Aldrich plan did give such control to the bankers of the country, and, while it was represented that this control was distributed so that it would not be concentrated in the hands of a few, the inevitable result would have been that the few most powerful and influential bankers of the country would have controlled the entire banking organization of the country, and, through this organization, the business of the country. Even without a central organization their control over the business of this country is to-day so extensive and so vast that it is a constant source of alarm and danger.

National banks exist because the National Government has given them a charter to exist. The Government permits them to exist in order that they may serve the public. Under no condition should such power be vested in the banks that the public may be made to serve them. If the banks are to serve the public they must be under public control. The safety and well-being of every individual in the United States demands that the control of the Federal reserve board should be governmental control.

OBJECTIONS TO RESERVE PROVISIONS.

If there is any provision of the bill to which the bankers more vigorously protest than against that of governmental control it is the provision with reference to reserves. The big bankers are especially antagonistic to the reserve provisions of the bill.

Such country bankers as oppose the reserve sections base their objections upon the loss of interest on such portions of their reserves as consist in balances due from reserve or central reserve city banks. Such objections find their source in the selfish interest of the banker. He objects because, as he asserts, he will lose interest on deposits. Since the present pyramiding of reserves—that is, allowing reserves to consist of balances in other banks—is a recognized evil, the banker's selfish interest ought not to be allowed and has not been allowed by the committee in the framing of this bill to prevent the eradication of this evil. Indeed, I am confident that the country banker, upon reflection, would be sufficiently public spirited to subordinate his selfish interests to the public welfare.

The bill eradicates the evil by permitting only reserves actually held in the vaults of national banks or balances in the quasi public reserve bank to be counted as reserves. The country banker, moreover, has no good cause for complaint. Under the Glass bill the law would require a reserve in the case of country banks of only 12 per cent. Since the requirement would permit the bank to loan \$88 out of every \$100 deposited with it, is it unfair to the banker or unreasonable to insist that he must keep \$12 out of the \$100 for the protection of the man doing business with him, even though he can not earn anything on that \$12?

The Glass bill, however, does not prevent the country banker from getting a return on part of that \$12, for in section 7 of the bill the earnings of the Federal reserve banks, after the payment of dividends on stock and a deduction for a surplus fund, are divided in such a way that 40 per cent of these earnings is divided proportionately among depositing banks. Thus the country banks will still receive earnings on the portions of their reserves carried as deposit balances.

The reduction of reserve requirements in the case of country banks from 15 per cent to 12 per cent, moreover, gives the country banks 3 per cent more funds with which to make loans, and thus profits. The release of this 3 per cent, now required to be kept as a reserve, will more than compensate the banker for the loss of interest on his deposit balances, which he now counts as reserve. Take, for example, the case of a bank with \$1,000,000 deposits. At present the country bank must keep a reserve against this deposit of \$150,000, of which \$90,000 may consist of balances due from other banks. The payment of 2 per cent interest on this \$90,000 would amount to \$1,800 per annum. Under the Glass bill, with \$150,000 as a reserve fund, the same bank could carry deposits of \$1,250,000, since \$150,000 is 12 per cent of \$1,250,000. Inasmuch as deposits and loans go hand in hand, and one is largely created by the other, the bank's loaning power is thus increased by \$250,000. The interest charge upon this additional \$250,000 loaned out by the bank would bring in a profit greatly in excess of the \$1,800 which the bank under present law receives as interest on deposits.

In addition to the advantages accruing to the country banker above mentioned, he is the recipient of the many other benefits

to be derived from membership in this system, which I shall not undertake to demonstrate now.

It is the big banker, however, who seriously objects to the reserve provisions of this bill. Indeed, I believe that outside of governmental control, this is the one section of the bill to which the big bankers are most antagonistic. The reserve provisions of the Glass bill will result in the withdrawal of some hundreds of millions of dollars of reserves from the central reserve cities and a subsequent loss of deposits from which the central reserve banks are making profit, unless outside banks for one reason or another continue to carry large balances with central reserve cities.

I desire to point out, in passing, that this withdrawal of reserves is not sudden or violent, as the whole process is extended over a period of three years. The big bankers in the central reserve cities are desperately fighting to retain these tremendous deposits, and are exerting all their power and influence as well as their ingenuity to change the bill in order to enable them to retain these deposits.

They should not prevail. Their profit, their selfish interests, must be subordinated to the general well-being of the people of the country. As I have pointed out, the practice of pyramiding reserves, while it has been a source of profit to the big bankers, has been the cancer in our banking system, and the cancer should be cut out, and all cut out. To accede to the demands of the big bankers that a portion of the reserves of other banks be left with them is to compromise on a vital point.

The point raised that there would be a hardship on outside banks in not being permitted to count deposit balances with other banks as reserves, for the reason that outside banks would be obliged to keep such balances in the big cities of the country for exchange purposes, has no basis because under the bill in the last paragraph of section 17 it is arranged that the Federal reserve banks shall take care of all exchanges among member banks, and shall do it without charge.

REFUNDING OF BONDS.

The committee recognized that the big bankers in New York, Chicago, and St. Louis would fight, and fight desperately, on this question of reserves. They appreciated fully the tremendous power that bankers can exert to influence public opinion. They foresaw that the adroit and skillful tactics of endeavoring to cast discredit on the bill by attacking other parts of the bill might be resorted to in order to secure some concessions to the bankers on reserves. But the committee steadfastly refused to yield on this vital point, and the evil entire has been eradicated.

That the bankers would attempt to discredit the bill by attacking other portions of it has been well evidenced by their attack on the section relating to the refunding of bonds. Even after this section in its present form was printed and reported in the newspapers the big bankers vigorously attacked it.

The price of United States 2 per cent bonds fell below par. When it was charged that this was the result of a preconceived plan of the bankers they vehemently and indignantly denied the charge. They published interviews in the newspapers condemning the committee for its proposed method of refunding these bonds. They claimed the section involved a breach of good faith and a repudiation of the solemn promises of the United States Government. The refunding section did nothing of the sort. The Government in these bonds promised to pay these bonds on or after a certain date, to pay 2 per cent interest upon them while outstanding, and to permit the circulation of bank notes by the banks upon these bonds as security. The refunding provisions of the bill did not repudiate a single promise in the bonds contained, including the promise as to circulation. They even gave something additional, as they set a date upon which the bonds should be paid. In spite of the patent facts, the bankers for weeks continued their publicity campaign of opposition to these refunding provisions.

And yet in Chicago, at the recent meeting of the American Bankers' Association, this association, in its resolutions and in its numerous suggestions for changes in the bill now before this House, did not suggest a change in a single line of the refunding section of the bill. Why not? If it were open to attack in a single word, the bankers' association would have suggested a change. The only fair inference to be drawn is that, from the point of view of the banker at least, this section is not open to attack.

Why, then, a few weeks ago, was there such violent objection to this refunding section, accompanied by such dire predictions as to the serious depression in the price of 2 per cent bonds and the consequent danger of loss of public confidence in national bank notes unless there was a purpose to frighten the people of the country and arouse their opposition to the bill?

I can refer only briefly to other objections raised to this bill.

AMOUNT OF STOCK SUBSCRIPTION.

The bankers are now urging that the subscriptions of banks coming into the system be reduced; that instead of a 20 per cent subscription, of which 10 per cent shall be paid in, the subscription be made 10 per cent, of which 5 per cent shall be paid in. The Aldrich bill had exactly the same requirements as to a 20 per cent subscription, of which 10 per cent should be paid in, as this bill has and the bankers were in hearty accord with the Aldrich bill. Many of them advocated just these subscriptions on the ground that the central bank provided for under the Aldrich plan should have a large capital. Yet these same bankers would cut the proposed subscription in halves, although this bill provides for 12 banks instead of 1. To be consistent the bankers ought to be more insistent that the subscription of member banks should be 10 per cent actually paid in under a plan providing for 12 banks than under a plan providing for a single bank. When the bankers make suggestions based on such inexplicable inconsistency, how can anyone know when to put faith in their suggestions?

QUESTION AS TO BANKS COMING INTO SYSTEM.

It has been threatened so often by opponents of this bill that scarcely any of the banks of the country will come into this proposed organization that, without going into the merits of the question as to whether or not the banks ought to come into the system, I desire to point out one fact which must have escaped the notice of those who are with such assurance predicting what the banks are going to do. These opponents assert that the banks never will contribute an amount of subscription equal to 10 per cent of their own capital stock. If all the national banks of the country come into the system, their total stock subscriptions actually paid in will amount to \$105,000,000. If all the national banks stay out of the system, they will lose the circulation privilege attaching to their bonds. As there are approximately \$700,000,000 of 2 per cent bonds outstanding, and as these bonds without the circulation privilege would be worth less than \$75 on the \$100, the national banks would lose by the operation over \$225,000,000. And yet there are men who pretend to understand this subject who still assert that the banks will prefer to lose \$225,000,000 through the depreciation of their bonds, and stay out of the system, than to join in the system and invest \$105,000,000 at 5 per cent.

BENEFITS TO BANKS.

In considering suggestions and recommendations which have been offered the committee has acted upon these without prejudice. Its sole desire has been to make the bill as good as it possibly could be made. If it has rejected recommendations made by the bankers, it has done so through no desire to deal unfairly with the banks of the country. While the object of the bill is to promote the development of the business of the country rather than to serve the banks, yet the banks will receive many advantages tending to their development under the provisions of the bill.

In discussing the opposition which some bankers have shown to the reserve section of the bill, I pointed out that the legal reserves had been reduced in the case of reserve city and central reserve city banks from 25 per cent to 18 per cent, and in the case of country banks from 15 per cent to 12 per cent. I further explained how this reduction in the legal reserves afforded the country banks an opportunity to expand their loans with an equal amount of reserves to have a greater loaning power and to profit by this opportunity for expansion. A similar opportunity is offered the reserve city and central reserve city banks by the reduction in their reserves.

The larger banks of the country are, furthermore, given the right, which up to the present time has been denied them, of establishing branches in foreign countries. This country has an enormous foreign trade, and through this authority to establish foreign branches banks with a capitalization of a million dollars or more have opened up to them a field for development the possibilities of which, I believe, they do not yet realize.

The permission given by the bill to the banks to accept bills of exchange based on the import and export of goods is another great advantage to the banks. Taken in connection with the permission to establish foreign branches it means that our importers and our exporters shall no longer be dependent upon London, and that they shall be freed from the annual tribute which they have been required to pay London bankers. It will greatly aid our financial centers and will remove the most serious obstacle in the way of the proper development of New York City as a world-wide financial center.

Another additional privilege which has been given the banks is that which enables them to do a savings-bank business and to make loans on real-estate mortgages. The further permission to loan out of the funds of the commercial department of na-

tional banks on improved farm land furnishes another means to the banks of supplying the demands for mortgage loans in agricultural districts and thereby an extension of the bank's business.

Banks big and little will appreciate the advantage which is provided by the bill to rediscount their commercial paper. At the present time many banks, no matter how hard pressed they may be for cash, are very much averse to seeking relief by rediscounting their paper with other banks. Such rediscounting has been looked upon as a sign of weakness, and the banks very properly have felt that the confidence of the public has been an asset of first importance which they would not lose by any such sign of apparent weakness. With the enactment of this bill into law rediscounting will be regarded, as it should be, as an ordinary and proper part of a bank's business. The Federal reserve banks, since their business will be a business of rediscounting, will furnish the banks a place where this rediscounting may be done. In times of stress, when a bank needs cash, it can obtain it by a simple process of rediscounting its paper with the Federal reserve banks. Many a bank will thus be enabled to get relief in time of serious need. Moreover, if a bank desires to expand its business, it may do so far beyond its present capacity by this rediscounting process. Suppose, for instance, a bank has \$1,000,000 in deposits and \$120,000 in reserves. Under such conditions the bank can not further extend its loans because of the legal-reserve requirements. Under such circumstances, by taking \$12,000 of its paper to the Federal reserve banks and rediscounting it, it can increase its reserves by \$12,000. An increase in its reserves of \$12,000 increases its loaning power by \$100,000. By this very simple process the bank is enabled to increase its loans and extend its accommodations to its patrons.

The establishment of this new system will bring about stability in the business of the country and in the banking of the country as well. We need no longer stand in the dread of an approaching panic. Indeed, it is not too much to hope that we shall avoid many a serious business depression which would occur with a continuance of our present banking system. The distinct aid which will be given business and commerce by this legislation and the healthy development of the business and commerce of the Nation resulting will inure to the benefit of the banks, for the banks prosper with the general prosperity of the country.

In spite, then, of the objections which some bankers—and the big bankers in particular—urge against this bill, the bill will directly benefit the banks of the country; and, once the system is established, I am confident that the banks will heartily cooperate in its successful administration.

BENEFITS TO THE FARMER.

Since it is the primary purpose of this proposed legislation to serve the agricultural, industrial, and commercial needs of the country, I should like, before concluding, to point out briefly what this legislation will mean to the farmer, the manufacturer, the merchant, and others engaged in the field of production and distribution.

If there is any one class of our citizens which lacks proper banking facilities it is that class engaged in agricultural pursuits. More than half of our people live in the rural districts. There is more capital invested in agriculture than is invested either in the manufacturing business or in the railroad business. There is, therefore, no class in the country to which it is more important to direct our attention in this kind of legislation than to the farmer. It is particularly unfortunate, therefore, that under our present banking system there has been such a woeful lack of banking facilities afforded the farmer.

There has been a scarcity of banks in the rural districts; there has been a scarcity of money and currency in the rural districts. When the farmer in the spring has sought to borrow money he has been obliged to pay a high rate of interest. When he has desired to obtain a loan on mortgage he has likewise found money scarce and has been obliged to pay a high rate for his loan. In the fall, in the crop-moving season, the rural districts have all been at a distinct disadvantage because of the scarcity of currency. At such times they have been dependent upon the financial centers for the means with which to move the crops. The need of the rural districts in crop-moving season illustrates fully the need of an elastic currency. At this particular time currency is needed and it is needed in abundance. When the season of crop moving is ended the need for currency ceases. What is needed is a means of exchange for a short period, and when the period ends the need for the medium of exchange ends. The rural districts can not avail themselves of that form of currency which so largely supplies the needs of thickly settled communities—namely, bank checks—but must

have what is commonly called money. This bill provides for just the kind of currency needed. The banks can obtain an abundant supply of Federal reserve notes by a simple process of rediscounting their commercial paper which the Federal reserve bank deposits with the Federal reserve board to obtain Federal reserve notes. These Federal reserve notes are circulated to serve the purpose of a medium of exchange while the crops are being moved. When the crops are moved and exchanges cease there is no longer need for the extra amount of notes, and they are redeemed and go out of existence. Thus the need of the farmer is supplied by the elastic currency provided for in this bill.

The power given to national banks to loan out of their commercial departments on improved farm lands, and the further power given the national banks to establish savings departments and make loans on real-estate mortgages for long periods of time will benefit the farmer, because it furnishes him an additional place to go to borrow money upon mortgages and ought to enable him to borrow money at better rates than at present. The savings departments of these banks, too, will furnish a depository for his savings and will encourage the saving of small amounts of money, thus promoting thrift in the rural districts.

As a producer, whose products are exported in such enormous quantities, the farmer will receive direct benefits from the opportunities afforded by the bill for the development of our foreign trade through the permission given our national banks to deal in acceptances and to establish foreign branches.

The development of a market whereby bills and notes from all parts of the country will be available to the investors in the financial districts, a subject which I have touched upon in discussing rediscounts, will furnish much needed funds for the agricultural communities and will tend to equalize interest rates throughout the country and ought to lower the rate of interest which the farmer is obliged to pay for what he borrows.

I have not attempted to discuss with any elaboration all the benefits which will accrue to the farmer from this legislation, but a careful study of the bill will demonstrate the great service which the enactment of this bill into law will render the great agricultural communities.

BENEFITS TO THE BUSINESS MAN.

The enactment of this bill will likewise prove of great benefit to the manufacturer, the merchant, and the wage earner. Since business is in a large measure done on credit obtained at the banks, the manufacturer and the merchant are vitally concerned in the facilities and the accommodations furnished by the banks. Our present banking system has been defective in not providing these facilities and accommodations satisfactorily, especially in times of stress and trouble. Whenever there has been any unusual demand upon the banks they have been obliged to contract their loans. When reserves become low they refuse to lend, as the law forbids them to extend loans when their reserves fall below the legal requirement. A contraction of loans strikes the manufacturer and the merchant hard. A continuation of credit is necessary for a continuation of business. An inability to obtain loans means a cessation of business. In many cases a failure to obtain credit means business failure. Often prosperous and solvent business men have failed because of a sudden contraction of loans. Not only business depression but panics have been brought on through the inability of the banks to extend credit.

The defects of our present system, which are responsible for depressions and panics, have been pointed out again and again. I have already endeavored to explain how these defects will be eradicated by this legislation. When bank reserves are low the Federal reserve banks furnish a reservoir upon which banks can draw to build up their reserves and thus extend their loans and serve the needs of their customers. The system of note issue will supply a currency promptly and amply in time of need. Other provisions of the bill, as I have already explained, combine to establish a system whereby the banks can at all times supply the needed accommodation to business. The manufacturer and merchant will no longer depend for the continuance of their business upon the condition of bank reserves in New York City. They may be reasonably secure that they are free from the disastrous consequences of panic. A stability in business will be established such as is not possible under our present laws.

The manufacturer and the merchant, too, will benefit by the permission given our national banks to accept bills and drafts, and through the development of our foreign trade by establishment of branch banks in foreign countries. In South America, in particular the deficiency, which has most of all handicapped

us in our competition with the European, will be supplied by the establishment in that continent of American banks.

BENEFIT TO THE WAGE EARNER.

Of all classes in the community none is so seriously affected by the defects in our banking laws as the wage earner. The national banking system, as we have seen, has been not only inadequate to supply the needs of business and commercial expansion, but also responsible for depression and panic. Business depression and panic have meant for the wage earner loss of work and the consequent inability to purchase the ordinary necessities of life. Indeed, in the panic of 1907 in some cases, even though he worked, he could not get cash for his labor. Following the suspension of cash payments in 1907 there were instances where employers who had ample deposits in the banks could not draw cash with which to pay their employees.

Any interference with the processes of production causes more distress to the wage earner than to anybody else. The average wage earner has no opportunity to provide against loss of employment. His weekly wages are consumed each week in supplying food, clothing, and shelter for his family. If so fortunate as to receive good wages, he employs any balance beyond the demands for actual necessities to give his family some of the comforts or perhaps his children additional educational advantages. He has not had the opportunity to put by funds for future needs. His wants must be supplied by cash, and to get cash he must have employment. Loss of employment for him means distress and hardship.

The establishment of an adequate system of banking, such as is provided for in this bill, giving stability to business, diminishing the frequency of business depression, and preventing panic, means steadier work and better wages.

The enactment into law of this bill, I confidently hope, will mark an epoch in the financial history of this Nation. It will certainly evidence a recognition on the part of our legislators that we can no longer ignore sound economic principle and continue to prosper. Repeatedly in our currency legislation alone we have defied the fundamental principles of political economy, and still we have prospered. We have prospered because we have had almost boundless natural resources.

In our youth, because of these vast natural resources, our economic errors have not stopped our progress. But now that we are older and find our resources, though abundant, less adequate to supply our needs, we are becoming aware that our mistakes are costly and that if we are to develop and prosper we must investigate and apply to our legislation the laws of economic science.

This bill represents a conscientious effort to apply these laws to banking and currency legislation. Its endeavor is an endeavor to establish our banking and currency upon a sound basis and to provide a banking and currency system which will contribute its share in the economic use and development of the natural resources with which this Nation has been so bountifully blessed.

Mr. HAYES. Mr. Chairman, I yield 30 minutes to the gentleman from Missouri [Mr. DYER].

Mr. DYER. Mr. Chairman, since I have been a Member of Congress there has been no legislation considered that has been of such vital interest to the people I represent as is this currency bill. The tariff bill which was passed by the House in the early part of this session is, of course, of great consequence to a great manufacturing district such as I represent, but at the foundation of manufacturing business of all kinds is finances. No business of any great consequence can prosper unless there be a sound, stable, and elastic currency. The people of my district have given to the banking and currency bill more consideration, perhaps, than they have to any legislation for many years. On July 26 last, after many conferences, discussions, and considerations, representatives of all of the National and State banks and trust companies in my city and district united in voicing their opposition to certain portions of this bill. Their views as expressed were presented in writing to the Committee on Banking and Currency of both the House and the Senate. Since their views were presented to the said committees some changes, in line with their suggestions, have been made, but some of the most important recommendations that they made to the committees have not received favorable consideration by either of the committees or by the Democratic caucus of the House. It is along the lines of the suggestions and recommendations of the bankers and financial institutions of my district, and which meet with my approval, that I desire to invite your attention. Before doing so, however, I want to voice my disapproval of the methods by which this bill was prepared. In the first place it was considered for weeks by the Democratic members of the Banking and Currency Committee of

this House in secret and without even the minority members being admitted. Then the Democratic caucus, in secret also, considered this bill for some two weeks. It would appear to the business men and bankers of our country that this question ought not to be a partisan one, but that the best thought and all the help possible should be brought to its intelligent consideration. The Democratic Members of this House, however, seemed to be of the opinion that all the wisdom and intelligence necessary for the enactment of a proper law on this subject rested within them. In view of the way that this bill has been written and agreed to, binding the majority Members substantially to vote for it, I realize the improbability of the minority securing the adoption of any important amendments to it. However, Mr. Chairman, I can not satisfy myself by merely voting in opposition to certain provisions of this bill. I feel that I ought to, nevertheless, present to this House my views in opposition to it.

There are located in my district 16 National and State banks and 8 trust companies, with a combined capital stock of \$39,500,000. This bank stock has a value of \$97,559,238.03. The last report of these banks and trust companies showed total deposits of \$289,982,552.92. Their combined total resources amounts to the sum of \$366,652,995.56. This vast amount of money is under the control, direction, and management of as splendid and patriotic a class of men as can be found engaged in the banking business in any place in the world. These banks and trust companies have prospered and grown under their management, and that of their predecessors. There is no place in the country that can point with greater pride to its splendid financial institutions than we, nor can any point to greater progress in that direction.

St. Louis was not brought into the Union until 1803, did not fairly commence to grow till 1818, and it was nothing more than a frontier trading post and garrison town when it was incorporated as a city in 1822. It was nearly two centuries and a quarter after the brilliant but ill-fated expedition of De Soto before any systematic effort was made for the settlement of the valley of the upper Mississippi. It was more than 80 years after the explorations of La Salle that made known the wondrous wealth of the Mississippi Valley before the first trading post at St. Louis was founded.

When the present site of the city of St. Louis was first occupied by white settlers as a trading post, in February, 1764, the currency in use among the Indians was mainly wampum, peag, or wampum-peag, as it was variously called. It consisted of dark purple and white beads made out of shells or stone and pierced for stringing. Although the city of St. Louis, in 1816, boasted of having a business capital of nearly \$1,000,000, it had not had the advantages of a bank, but in September of that year the first bank was opened for business, and located in the district that I represent. It was called the Bank of St. Louis. Thus it will be seen that in less than a century my district has come to be one of the greatest, if not the greatest, financial and business district in the United States. Naturally, therefore, I, and the people that I represent, can not come to the support of this bill unless it embodies what is necessary to preserve, protect, and further develop these great institutions. I speak not alone for the bankers but for the thousands of stockholders and depositors in these institutions.

Mr. Chairman, I am not a banker, and I prefer to be guided to a large extent by the views of the bankers, the commercial interests, and the people of my district, whom I know and can trust, on what is for the best interests of the whole people as regards needed changes in the banking and currency laws. I prefer the views and judgment of men who have given deep study to this question and who have had practical and long experience with banking and financial affairs. I also believe that the Members of this House can read with interest and benefit the views of the banking interests of my district on this bill referred to above. Here is what they have to say about it:

The banking and currency bill now before Congress has commendable features and some serious defects. For the first time in the history of the effort to bring about banking and currency reform both the legislative and administrative branches of the Government have publicly announced a determination to revise the banking and currency laws. Their sincerity is unquestioned, determination recognized, necessity for action imperative.

In considering the measure only fundamentals will be dealt with. Minor details will doubtless be taken care of before the measure will be submitted for vote. These fundamentals may be divided as follows:

Federal supervision and control.

Character of note issue.

Admission of State banks and trust companies to membership.

Reserve banks limited in number.

Reserves to be carried by member banks.

Providing for retirement of 2 per cent bonds.

Collection of transit items at par by reserve banks.

Permit members to have foreign branches.

Bank acceptances and rediscounts, domestic and foreign.

Mobilization of Government deposits and bank reserves.

FEDERAL SUPERVISION AND CONTROL.

More than 137 years ago the people of this continent rebelled against taxation or contribution without representation. For the Democratic Party to announce that they would first create by process of law a series of Federal reserve banks and by a coercive measure force the national banks of the country to obligate themselves to become liable for 20 per cent and immediately contribute 10 per cent of their capital (over \$100,000,000) and from 5 to 10 per cent of their reserve (aggregating a total of more than \$400,000,000), failure to do so within one year after date obliging them to retire from the national banking system, is a "force bill" pure and simple. Argument has been presented to the administrative and legislative branches of the Government showing this coercion to be extremely obnoxious to manhood and citizenship and that it should not be forced upon the several hundred thousand people of this country who own stock in the national banking system, which has been of such great benefit to the people at large during the past 50 years. There is no objection to governmental supervision and regulation with representation.

It has been recommended that the board be increased from 7 to 11, the four additional members to be selected from a list of nominees; each reserve bank in the 12 sections of the country to name one candidate eligible for membership on the reserve board; submit same to the President of the United States; and out of the 12 he to select the additional four members. If the Government fears to name four men from the nominees thus selected, why should not the bankers and business men be afraid to turn over this corporation with cash assets of more than \$500,000,000, and which will absolutely control the destiny of the Nation's finances, to a politically appointed board, even though they be the appointees of the President of the United States? The stockholders of the Central Banks of France, Germany, England, and Canada are trusted with the management of the respective banks. Why, therefore, can not our stockholder banks have 4 out of 11 directors? It is cited that the Supreme Court is appointed by the President. The situation is quite different, as will be seen from the following:

1. The supreme judges are appointed for life, to pass upon legal questions only, and in practically all cases they have precedent after precedent to guide them in their interpretation of the law. They review the acts of the lower courts, and take months and sometimes years to render a decision.

2. The men selected have been trained for a specific profession and, through force of circumstances, no President ever has appointed an obscure or inexperienced lawyer to the Supreme Bench.

3. They are appointed for life and thus not subject to the whims of ever-changing political power. In the minds of the people they hold the highest position in the world.

4. There is no analogy between a political appointment on the reserve board and the selection of a member of the Supreme Bench.

The Interstate Commerce Commission is cited, which is an admission of weakness in the position taken by the framers of the bill, as—

1. The Interstate Commerce Commission regulates and corrects abuses. They are given no opportunity to divert the assets of a railroad company from their ownership.

2. They can not divert the assets of one railroad to help out another railroad in financial distress; nor can they appoint railroad managers.

We feel quite sure this serious fundamental defect in the bill will be corrected before its final passage.

Why could not the same general result be obtained by an insertion of the following provisions:

1. Any national bank becoming a stockholder in a reserve bank will immediately be relieved of all tax on its outstanding national bank currency secured by 2 per cent Government bonds; and all tax on national bank currency secured by Government 3 per cent or 4 per cent bonds be reduced to one-half of 1 per cent; and all cost of printing and supplying said currency be hereafter borne by the Government. This would immediately strengthen the market price of all Government bonds and penalize those national banks that failed to join the new system.

2. Any national bank association now organized which shall not, within one year after the passage of this act, become a member of a Federal reserve bank, under the provisions hereinbefore stated, may continue to do business under the existing laws governing national banks.

3. Nothing in this act will prohibit national banks that have not become members of the reserve bank in their district from keeping their outstanding national bank circulation at the date of the enactment of this act, but such national banks shall not be permitted to increase such note issue.

NOTE ISSUES.

No nation with banking and currency laws worthy of consideration has currency issued by the Government. France, Germany, and England are generally recognized as having the most practical and workable banking and currency systems in the world. In each of these countries the currency is issued by banks under governmental supervision and regulation, and in no case by the Government. The reasons for this position are manifest:

(a) No nation should permit currency to be issued by a quasi public bank, unless absolutely sure such notes were good beyond a question of doubt.

(b) The bill, as framed, will make the currency to be issued far superior to the notes of any other nation, provided the change in the reserve of gold be increased from 33½ per cent to 50 per cent. This ought to put the notes beyond any possibility of doubt, even in the mind of the most pessimistic and skeptical.

These notes should be issued by the Federal reserve bank in each locality, under the direct supervision and regulation of the Federal reserve board.

There should be no limitation to the note issue, with a 50 per cent reserve as above outlined. The view expressed by the currency commission of the American Bankers' Association on this subject is worthy of serious consideration. It is economically sound; will create a check upon the overissue of notes; will force, in times of financial redundancy, an automatic retirement of any surplus notes; and, in times of grave necessity, provide an emergency currency that will avoid the disgraceful necessity of repudiation experienced during the panic of 1907. History proves the acute stage of a panic never runs over 90 days. Therefore the cost to each bank of meeting such temporary conditions in great emergencies is not worth considering. The recommendation of the American Bankers' Association currency commission on this subject is as follows:

"As a brake, to prevent overexpansion, it is suggested that if the reserve held against all liabilities, including that upon Federal re-

serve Treasury notes, should fall below 50 per cent a tax shall be imposed upon the deficiency at the rate of 1½ per cent for each 2½ per cent deficiency. For instance, if the reserve falls below 50 per cent and not below 47½ per cent, the tax would be at the rate of 1½ per cent per annum. If the reserve shall fall to 40 per cent, the tax would be at the rate of 6 per cent per annum.

When the reserve approached 33½ per cent, the specified minimum, the tax would be at the rate of 10½ per cent per annum.

An abundance of circulating medium for the convenient transaction of business is important, but for the maintenance of a sound and healthy financial condition it is vital that the volume of currency, while ample, should not be excessive and redundant. The change suggested is with a view to providing a way by which, under the supervision of the Federal reserve board, the proposed notes may be safely issued whenever needed to serve the convenience of the people and their redemption and retirement forced as rapidly as the need for their use is satisfied. The suggested restriction that a Federal reserve bank or its branches may pay out only the notes bearing its designating number puts it in the position of seeking to pay out notes bearing its own designating number, while all other Federal reserve banks and their branches unite in the effort to force their redemption. The net result would be that the volume of currency outstanding would be exactly that required by the conveniences of the public. The volume will constantly vary with the varying business need.

Such a currency would be almost inconceivably strong as the joint obligation of all the Federal reserve banks with a prior lien on all their gold or other lawful money and commercial assets upon the double liability of the stockholders.

In operation its automatic adjustment of volume to business needs would resemble the currency of Canada, which is by many regarded the best in the world.

No human knowledge can foretell the extent of the growth of our business and the correspondingly increased requirements for currency. It is therefore suggested that the commercial welfare of the country would be best safeguarded, not by an arbitrary limitation of the amount of such notes, but by authorizing the issue of any amount needed, provided they are made absolutely safe and their immediate redemption assured by the maintenance of a proportion of reserve of gold and lawful money as stipulated.

ADMISSION OF STATE BANKS AND TRUST COMPANIES TO MEMBERSHIP.

The bill as drafted was evidently based upon the national banking system, with the intention of permitting State banks and trust companies to become members of the new Federal banks. It was clearly the intention to give State banks and trust companies the right to become stockholder members under the terms of their respective charters, with all prerogatives and privileges of the national banking system, if they would become subscribers to the stock of the Federal banks and undergo the same supervision and examinations as national banks, but the framers of the bill failed to provide for the admission of State banks and trust companies, preserving all conditions of their respective charters at its inception, and also failed to allow State banks and trust companies to be recognized as reserve agents for all other member banks in their respective localities as long as they were members of the Federal reserve banks. When it is contemplated that there are over 17,000 State banks and trust companies in the United States, more than twice the number of national banks, it will be recognized that no homogeneous banking system can be successfully inaugurated unless the door is opened for these State banks and trust companies to enter on precisely the same terms as national banks. As an inducement to national and State banks and trust companies to join the law should be so amended that national and State banks and trust companies, members of reserve banks, will be recognized as reserve banks for all banks (whether State or national) and trust companies in reserve cities and in country banks. Then, too, member banks should not only be required to carry reserves against all their demand deposits but also against time deposits maturing within 45 days. The bill as now framed failing to provide for State banks and trust companies entering at the very beginning of the Federal reserve banking system is an oversight and undoubtedly will be corrected before same is submitted for final passage by Congress.

RESERVE BANKS LIMITED IN NUMBER.

The bill now provides for not less than 12 reserve banks. It is recommended that the bill be changed so as to read "not more than 12 reserve banks." The number of reserve banks should be confined to the minimum, as every reserve bank decreases the mobilization of funds, and thus decreases the strength of the whole system. It is manifest, if all reserves were carried as one unit, it would be an infinitely greater and stronger system than if carried in 3, 5, or 12 units. To divide the reserve among 12 separate banks, while a great improvement over the existing system, is by no means ideal. It is contrary to the systems of France, Germany, and England, which have been so signally successful.

When one reserve bank loans to another, as it will doubtless have to do in times of necessity, the lending bank will simply have to deplete its reserve to take care of the borrowing bank. The arbitrary provision in the bill—section 12 (b), page 18—"to require a Federal bank to rediscount the paper of any other Federal reserve bank"—is a power entirely too drastic and mandatory to give to any board over the officers of a financial institution in which no member of the board has one dollar invested. Therefore the words "to require a Federal bank to rediscount the paper of any other Federal reserve bank" should be stricken from that section.

It seems hardly possible that any set of men sitting in Washington should be granted the power to force a bank in Wyoming to discount for a bank in New York, or that directors of a bank in New York or directors of a bank in Missouri should be forced by a board sitting in Washington to discount the paper of a bank in Arizona. Common sense, business judgment, patriotism, and citizenship will regulate discounts between reserve banks, not mandatory or coercive "force-bill" laws.

BANK RESERVES.

The adjustment of the reserves to be carried by what is known as the country banks and by banks in reserve cities must be made before it can be hoped or expected to make the system a success. Unfortunately the bill increases the reserve to be carried by the country bank from 6 per cent to 10 per cent. This would mean withdrawal from circulation and use—in fact, make absolutely useless for the necessities of agricultural interests, manufacturing industries, and commercial establishments—more than \$100,000,000. It is recommended that the reserve be fixed as follows:

Central reserve cities to be required to carry 10 per cent in vaults, 10 per cent in reserve bank.

Reserve cities be required to carry 6 per cent in vaults, 6 per cent in reserve bank, 6 per cent counted as reserve when with stockholder members of reserve bank.

Country banks be required to carry 5 per cent in vaults, 3 per cent in reserve bank, 7 per cent on deposit in banks that are stockholders in reserve banks.

It is quite clear the framers of the bill had in mind decreasing the centralization of deposits in New York City. In the first place, it is a great mistake and really a misfortune for anyone interested in the development of the Nation to endeavor to accomplish such an end. New York is the natural financial center of the United States—always has been and always will be; any drastic law attempting to stop the flow of money to New York will be a failure. Every American citizen is, or should be, proud of New York, its greatness, its stability; and with the changes above suggested we may confidently look forward to making New York not only the financial center of the United States (as it is now and has been for more than a century) but the financial center of the world.

The provision to constantly change bank examiners, never allowing the same examiner to make successive examinations for a particular bank, is a serious mistake. Frequent examinations by one examiner give familiarity with names of borrowers and greater opportunities to know the values of the securities and the standing of respective note makers. In many large centers throughout the United States the banks, at their own expense, employ a corps of clearing house bank examiners. Experience has proven beyond question of doubt that it would be a serious blunder to change examiners every time a bank is examined.

We feel quite certain this provision will be changed before the bill becomes a law.

The above suggestions should not be regarded in any other light than that of the friendliest criticism. The bill has many good features which are worthy of commendation. They may be enumerated as follows:

RETIREMENT OF 2 PER CENT GOVERNMENT BONDS.

Inadequate though the provisions be for the retirement of the 2 per cent bonds, it is a proper acknowledgment by the Government of the obligation to retire the issue, originally sold under implied conditions, since violated, and the price of which has been fictitiously maintained. If bonds were issued by a private corporation and the same promises implied and violated, the credit of such corporation would be ruined. For instance, the national banking system was inaugurated more than 50 years ago to enable the Government to fund its enormous debt and create a market for its bonds. The inducements to organize national banks were threefold:

- (a) Patriotism.
- (b) Profit to national banks on notes secured exclusively by Government bonds.
- (c) Profit to national banks to be derived from deposits of the Government without interest, such deposits to be secured exclusively by Government bonds.

The Government for more than 20 years has enjoyed an extraordinarily low rate of interest on its indebtedness secured by the 2 per cent bonds, maintained fictitiously through the operation of the national bank act, by compelling the use of such bonds for national bank circulation; and also requiring such bonds to be exclusively used as security for Government deposits without interest for more than 50 years, a precedent so long established that were it a contract between private individuals or private corporations would be almost accepted as a legal obligation; certainly a most sacred moral obligation.

Within the last 60 days a tentative form of banking and currency bill was announced through the public press. In the first draft of the bill some provision was made to take care of the 2 per cent Government bonds. Later—June 21—a second draft was prepared and published leaving out all provisions for protecting the 2 per cent bonds, which bill was published broadcast over the country.

This last publication, coupled with the demand upon the part of the Government for 2 per cent interest on Government deposits, contrary to all previous rulings for a period of 50 years, thereby taking away all profit on owning Government bonds to secure Government deposits and placing such bonds on a 2 per cent investment basis; and the further announcement that "other bonds" to the extent of 30 per cent would be acceptable as security for Government deposits, have been largely responsible for the drop in market price of the 2 per cent bonds until the depreciation on such bonds has aggregated more than \$25,000,000 within 30 days.

The interest the Government will receive on its present deposits with national banks during the year 1913 will not exceed \$1,500,000. These are unfortunate facts.

We believe it to be the solemn duty of the Government at the earliest possible date to prevent a further decline of these securities, as it discredits the unequalled, unexampled, and unparalleled credit of this Nation. The Government should immediately purchase and retire \$25,000,000 to \$50,000,000 of these bonds at par with the money now idle in the Treasury, and also forego interest on Government deposits secured by the 2 per cent bonds.

We believe this is one of the highest moral obligations the Government is confronted with to-day, not only to maintain its credit at the high standard it has enjoyed the last 40 years, but also to protect the holders of these bonds who purchased them under a 40-year precedent that they were good exclusively for national bank circulation, and under a 50-year precedent that they were exclusively good for Government deposits without interest, particularly as the new banking and currency bill will prohibit the further issuance of national banking currency.

In addition to this, we urgently recommend that the bill provide for the Government to assume a definite obligation to retire the 2 per cent bonds at the rate of not less than \$3,000,000 per month, or \$36,000,000 per year, until every 2 per cent bond is paid off.

As these bonds are retired an equal amount of national banking circulation should also be retired, and the notes of the reserve banks could be automatically expanded to cover the amount monthly retired if the commerce of the country so required.

TRANSIT ITEMS AT PAR.

A tremendous tax upon the industry of the Nation is now levied upon every farmer, merchant, and manufacturer from Maine to California in charging for collecting what is known as out-of-town checks. This charge in the aggregate is enormous. Taken as a whole throughout the United States it annually runs into several hundred thousand dollars; it is not only a wasteful expense, but it keeps in float unavailable for use credits variously estimated from \$50,000,000 to \$100,000,000.

Under this bill all such checks would be received at par from member banks by the reserve bank in the district, and the bank depositing same, if a member of the reserve bank, would receive immediate credit, and

could carry such credit as part of its reserve with the reserve bank. This will, in many instances, decrease the aggregate amount of deposits of banks, but it will have a wholesome effect in eliminating the "double-header" "reciprocal-balance" deposits. The greatest saving to the commerce of the country will be the elimination of these collection charges; there will also be a great saving to the banks in making collections, plus the use of such credits, which are (under the present system) in transit.

The Federal reserve bank in each district can give the same service as now given by the banks in general at about 15 per cent of the present cost. The so-called country bank and the banks in reserve cities will not lose by this change, because if they make collections for reserve banks they will be paid for same, as is now the custom in collecting for individual banks. The expense of such collections will be minimized by the consolidation of collections on each different city or town, and will be borne by such Federal reserve bank as a legitimate item of expense.

No doubt when the bill is finally drafted provision will be made by which only the collections of banks that are stockholders of some reserve bank will be acceptable at par, banks outside the reserve-bank system being penalized by a charge for such collections, thus making it attractive to be a member bank.

The provision allowing banks to have foreign branches is a most excellent one. It puts a bank in a position to protect itself any time by securing credits abroad, as well as granting such acceptances to its customers. This privilege, however, should be confined to banks with a capital of at least \$1,000,000 and a surplus of not less than \$200,000, as it is clearly manifest it would not be proper to allow small banks to establish branches in foreign countries the expense of which, coupled with the danger of their operation, might discredit the whole system.

REDISCOUNTS, ETC.

A notion seems to permeate the banking system of the United States that for a bank in one of the larger centers to borrow money or "accept" for solvent customers their obligations maturing in 60 or 90 days is a reflection upon its standing. Such a notion is unjustified. In France, England, and Germany it is a source of great accommodation to solvent borrowers, as well as a source of profit to the "accepting banks," to have such a system in vogue. Introduced in our banking system, while not an innovation, it will be of value.

GOVERNMENT DEPOSITS.

This is another most commendable feature of the bill. It makes available the money of the Government (which after all belongs to the people) for commercial use. Under the present Treasury system the more stringent money becomes the greater the withdrawal of currency from circulation through the invidious operation of the Treasury system. During the panic of 1907, the subtreasury of the United States declined to accept checks for customs and revenue stamps, etc., demanding cash. The cash, when received, was locked up in the vaults and made useless for the purposes for which it was intended; it therefore aggravated, intensified, and promoted the panic rather than aided in the restoration of confidence.

As the Government is to secure all the net profits on the Federal reserve banks over and above 5 per cent paid the banks that invest in the stock of the reserve banks, there is no reason why the Government should expect any interest on its deposits when the member bank gets no interest on its reserve deposits.

MOBILIZATION OF RESERVES.

While one general bank would be so much better, where all reserves might be mobilized, still the bill providing, as it does, for not less than 12 Federal reserve banks, making it possible to mobilize one-half the surplus money of the Nation in 12 units rather than 26,000 units, must be acknowledged even by the most critical and skeptical as being a step in the right direction, and when it is fully understood that during the time of great calamity or fear brought about through panic all reserve rules may be suspended by the Federal reserve board, then it must be acknowledged that these Federal reserve banks would be institutions that would not only stem the tide, but eliminate the fundamental causes of all panics—fear in the mind of the public that they can not get currency for their deposits when they seek same.

Respectfully submitted by the undersigned committee with the approval of all national and State banks and trust companies in St. Louis, who compose the entire active membership of the St. Louis Clearing House Association.

FESTUS J. WADE, Chairman.
WALKER HILL,
EDWARDS WHITAKER,
BRECKINRIDGE JONES,
F. O. WATTS.

TOM RANDOLPH,
OTTO L. TEICHMANN,
W. H. LEE,
N. A. McMILLAN,
A. O. WILSON.

ST. LOUIS, Mo., July 26, 1913.

There is no denying the fact that the United States should have an ample and a liberal currency. We have in this country some 25,000 banks. Every one of these banks should be made as valuable and useful as possible in its locality. Because of the great area of the United States, the greatly increasing business, taxation, and growth of population, circulation should be substantially increased. The population of the United States is now approximately 100,000,000, and is increasing at the rate of 1½ to 2 per cent per annum. Within 10 years the population will be close upon 125,000,000. To provide for this increase in population there should be an increase in our circulation of two to three billions of dollars. At present there is in the United States \$3,600,000,000 of money. Very little increase can be expected through the coinage of gold. The entire gold production of the United States is only about \$90,000,000 and of the world less than \$480,000,000. Commerce and arts use some \$200,000,000 of this, and India absorbs about \$100,000,000 more. The best authorities claim that of the present new production of gold only about one-fifth of it goes into money.

Mr. Chairman, it might be well at this point to call to the attention of the committee a circulation statement of the Treasury Department of date September 2, 1913. It is of special and important interest at this point and in connection with this bill. It is as follows:

	General stock of money in the United States.		Held in Treasury as assets of the Government. ¹		Money in circulation.			
	Aug. 1, 1913.	Sept. 2, 1913.	Aug. 1, 1913.	Sept. 2, 1913.	Aug. 1, 1913.	Sept. 2, 1913.	Sept. 3, 1912.	Jan. 1, 1879.
Gold coin (including bullion in Treasury)	\$1,872,993,458	\$1,881,440,176	\$174,725,676	\$174,031,112	\$606,015,613	\$605,566,895	\$611,699,353	\$96,262,850
Gold certificates ²			91,691,755	95,822,940	1,000,560,414	1,006,019,229	948,650,439	21,189,280
Standard silver dollars	565,633,020	565,649,020	9,590,589	5,276,262	72,173,431	72,519,758	71,068,661	5,790,721
Silver certificates ²			13,290,883	16,056,827	470,578,117	471,796,173	471,846,931	413,360
Subsidiary silver	175,582,664	175,645,870	20,174,519	19,493,192	155,408,145	156,152,678	146,116,659	67,982,601
Treasury notes of 1890	2,645,000	2,629,000	4,361	3,195	2,640,639	2,625,805	2,875,546	
United States notes	346,681,016	346,681,016	8,057,253	7,436,157	338,623,763	339,244,859	338,613,664	³ 310,288,511
National-bank notes	759,293,191	761,720,029	48,402,190	49,789,651	710,891,001	711,930,378	705,622,027	314,339,398
Total	3,722,828,349	3,733,765,111	365,937,226	367,909,336	3,356,891,123	3,365,855,775	3,296,493,280	816,266,721

¹ This statement of money held in the Treasury as assets of the Government does not include deposits of public money in national-bank depositaries to the credit of the Treasurer of the United States, amounting to \$54,400,654.15. For a full statement of assets see Public debt statement.

² For redemption of outstanding certificates an exact equivalent in amount of the appropriate kinds of money is held in the Treasury and is not included in the amount of money held as assets of the Government.

³ Includes \$33,190,000 currency certificates, act June 8, 1872.

Population of continental United States September 2, 1913, estimated at 97,618,000; circulation per capita, \$34.48.

Mr. Chairman, there are many features of this bill that I heartily indorse, and which I believe will be a great improvement. Public opinion is well fixed that the existing monetary banking and financial system is not fairly abreast of the time. The industry and commerce of our country have advanced so rapidly since the last currency law was enacted that it does not meet the present-day needs. From the beginning of civilization the medium of exchange, money, has been one of the most vital of public utilities, and its importance increases with the progress of civilization. An equitable financial system is absolutely necessary for the general welfare of the people.

However, Mr. Chairman, I am unalterably opposed to anything which savors of political influence having any connection with our banking system. It was politics that ruined the first and second United States banks, and, in my judgment, if the seven wisest men in the country were selected for the positions proposed in this bill, they could not fail to be influenced in their actions, either by political considerations or locality interests. The bill does not provide that these men shall be technical banking men, or even that they shall have had a banking or business

experience, with the single exception that it does provide that one of its members shall have had banking experience. Nothing could be more preposterous than to compel a national bank to invest 20 per cent of its capital in the stock of such an organization as a regional bank and then give to a board in Washington the final determination as to the management of the bank in which its money is invested and in which a portion of its reserves are deposited. But assuming that the best obtainable board is selected, they could not properly decide the important and delicate questions which would be put up to them for solution. No body of men could do that, even if they were not subjected to party pressure and to locality interests.

It must be assumed that the chairman of the board of directors as designated and appointed by the Federal reserve board will be the principal executive officer of the Federal reserve bank, and as he is subject to removal by the Federal reserve board without notice, he will be directly under the domination and control of that board. This, with the power to remove the three directors representing the public interests, places the management of the Federal reserve banks directly under the

domination and control of the Federal reserve board, a politically appointed body.

Mr. BALTZ. Will the gentleman yield?

Mr. DYER. Certainly.

Mr. BALTZ. As I understand it the President appoints, with the advice and consent of the Senate. Is not that the fact?

Mr. DYER. That is true of the four members other than the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency.

Mr. BALTZ. They are not appointed unless confirmed by the United States Senate.

Mr. DYER. Oh, yes; I will say to my colleague from Illinois, that is true, of course. But the President of the United States and a majority of the Senate are to-day unfortunately, or fortunately—I do not know what you might term it—of one political faith. I am very glad of that, however, because it gives the administration an opportunity to enact its policies into law, so that the people may learn what is for their best interests. Shortly a Democratic tariff law will be on the statutes. This will be followed by a new currency law. I think the tariff law will be a failure and that the people will return to the sound doctrine of protection. I likewise feel that this currency bill, as written, if enacted into a law, will not bring the relief expected of it by the administration. I believe that the President, having been elected by the people of this country to administer the great office of President of the United States should have, however, the support of the legislative branch of the Government, so that he may have every opportunity to convince the people, if he can, whether they were wise in placing the Democratic Party in power in this Government.

Mr. Chairman, the American Bankers' Association held a conference in the city of Chicago on the 22d and 23d of August for the purpose of further considering this bill, and to make such suggestions and recommendations as in their judgment they thought proper and wise to the Congress. To this conference the State bankers' associations and all the clearing-house associations in the country were asked to send representatives. They did so, and probably there has never been held in this country a more representative gathering of bankers than this one. It adopted certain recommendations and sent to Washington a committee consisting, I believe, of seven of its members to represent the whole country and to bring to the attention of Congress the views of this conference.

The Committee on Banking and Currency of the Senate gave these gentlemen an opportunity to present their views, and same has been published for the information of Members of Congress. I would like to call to your special attention these hearings and what these splendid representatives of the banking interests of the United States had to say with reference to needed changes in the bill. I can not do that, however, in my limited time. I will therefore touch briefly upon one of their recommendations, which was that there should be no compulsion in requiring the national banks to join reserve associations in a year, and that they should have representation on the Federal board of control.

Mr. Festus J. Wade, president of one of our great trust companies, as well as the president of a national bank, of St. Louis, and a member of this special committee to bring the views of the American Bankers' Association, as well as that of the State bankers and clearing-house associations of the country to the attention of Congress, in a statement before the Banking and Currency Committee of the Senate on September 2 last, said in part:

Let us look at the facts as they exist. The writer of this bill assumed that the burden of creating Federal reserve banks should rest upon the banks of the country and not upon any other class of commerce of the Nation. We are asked to contribute more than \$100,000,000 in capital which does not belong to us as bankers; we are asked to contribute one-half of the reserves that we now hold in our vaults in order that this new institution may be a success. We make no objection to that onerous condition. But we can not conceive that it can be right that we should be called upon to put up this vast sum of money without representation.

Banking is composed primarily of, first, integrity; second, experience and judgment of credit; and, third, wisdom that is called upon to pass upon the credit commerce of the Nation in order that our funds might be loaned. In the minds of the public we are loaners of money, but, as a matter of fact, we are the greatest borrowers of money of any class of business men in this or any other nation.

Every deposit we have is a loan, an obligation on the part of the institution that takes the deposit not only to pay that loan back as the ordinary borrower does, but be required at a moment's notice to pay same to the clearing-house associations we are connected with to meet extraordinary demands at times when there is trouble, and also at times when everything is placid. The bankers have not asked to buy the stock of the reserve banks. I have yet to find one banker who seeks to increase his proportion of stock, and I have yet to find one who would willingly subscribe for stock of such a bank if others could be found to take it. Why should not the commerce of a nation, the merchant and manufacturer and capitalist invest in this stock and create this great bank if it is essential to the development of this Government? Still, we make no complaint. We are willing to accept the provisions of the bill if reduced 10 per cent; we are willing to

hand over to you 10 per cent of the capital of each bank that many of us have labored for years to accumulate; we are perfectly willing to turn over to you one-half of our reserve money; we are willing now, as we have always been in the history of this country, to stand shoulder to shoulder in its development; but we believe, gentlemen, that your business as the administrators of this great Nation is no different than in the administration of an ordinary corporation, and we do not think any of you would have the temerity of going before the public with a prospectus to accumulate, by subscription to the stock of a banking corporation, more than half a billion dollars and announce in the start to the people of this Nation who you expected to subscribe this vast sum should not have representation on the board of directors.

I have not the slightest fear that the President of the United States will not name men of integrity. I am absolutely confident of that fact, at least, in his judgment, and I believe when that board is named they will be men of such eminence and of such recognized integrity that every thinking banker will approve them; but the question, gentlemen, is whether each man so appointed will bring to that board the necessary banking experience, the necessary credit experience, the necessary wisdom for the inauguration of this great system at its inception. So I do not approach this proposition with any fear of political control or of its ever getting into the hands of men who are not entitled to the plaudits of the Nation. But I have great doubt about the administration of a board composed of three Cabinet officers, every hour of whose time is taken up from almost daylight to midnight with their respective duties as Cabinet officers, and four other men whom we do not know. We do not ask to name the men; we do not ask that they shall be bankers, but we do believe that on that board we should have men of experience in banking and in credits. The whole success of the proposition lies therein.

Again, to many of us, and I admit I am one, this bill is repulsive. It is a forced measure, a forced bill, the like of which was never put upon the statute books of any nation, where you say to men in the national banking system:

"You must prescribe to this doctrine; take this stock; give up 10 per cent of your capital and 50 per cent of your reserve money or you must go out of business or out of the national banking system."

Gentlemen, that does not appear to me to be the spirit of the American people; it does not appear to me to be in accord with Democratic principles. It appears to me to be entirely unnecessary. There ought to be, and I am sure there is, enough wisdom and ability in this committee and the committee of the House to draft a bill that will not compel us to come in, but, by the advantages and privileges you offer us, that will force us to knock at the door to get in, and we believe if this bill should become a law it would be a reflection on the Congress of the United States to say to the national banking fraternity of the United States:

"You must prescribe to this doctrine or give up the business that you have accumulated in a lifetime."

I am not speaking as a national banker, although I happen to be one in an infinitesimal way. I am on this commission representing the State bankers and the trust companies, originally the only man on the commission in that capacity. I have urged for six years that you never can have a homogeneous banking system in this Nation until you admit the State banks and trust companies into the general system.

You come along with the proposition to our brother, the national banker, and you say:

"You must either do this or retire from business, liquidate your establishment, or go into the State system."

I plead with you, gentlemen, as a State banker, as one that is extremely desirous of going into the national system, no matter what rules you put around it, provided it is not a forced bill; and I want to call your attention to the fact that as this bill is framed at present, in my judgment, if it were passed to-day it would be absolutely inoperative to-morrow. You have discouraged those gentlemen who have developed that national system up to its present state of perfection; you have them feeling as though they are no longer to be considered in the class of citizens who are worthy of representation.

One hundred and thirty-seven years ago, gentlemen, the foundation of this Government was based upon the fact that the older country would not give representation for taxation, or forced contributions. This is distinctly a step backward. In no sense is it a step in the line of progress of the Nation.

You have provided for not less than 12 reserve banks.

I want to call your attention to a few statistics here, in which I believe I can point out to you a lurking danger in this whole movement if you will allow the bill to stand as it is at present.

In the six New England States, under your law, there could only be two regional reserve banks. In those six New England States there are 463 banks, and 10 per cent of those banks—just one-tenth of them—if they declined to come into this system, New England would be reduced to one, because your bill requires that no reserve bank can be established with less than \$5,000,000 of capital. If you apply that doctrine to the 20 per cent proposition, then you could only have one bank in the six New England States, if they all came in. But I am relying on you to adopt the suggestion that 10 per cent is adequate, and 10 per cent is sufficient, and that in the last analysis 10 per cent will be introduced.

In the Eastern States—New York, New Jersey, Pennsylvania, Delaware, Maryland—and the District of Columbia there are 1,650 banks. I could name one-tenth of the national banks that would not go into your system, and those great States would only have two reserve banks.

In the Southern States you have 1,483 banks, and I could name 148 of the more important banks who, if they did not go into the system, you would have throughout the entire South only one reserve bank.

In the Middle States there are 1,257 banks; and if 125 banks I could name, or one-tenth of them, were to withdraw and decline to come in and take out State charters, it would leave the Middle West without a reserve bank.

Splendid arguments have been presented by Mr. Wade and his associates representing these banking associations to show that 12 Federal reserve banks are too many, and that there is grave danger to the Government in its attempt to secure enough banks to take the capital stock of these 12 reserve banks, as required by this bill. It would be much better, in my judgment, to start with less Federal reserve banks—say, five—and increase them if it is found to be for the best interests of the country. I greatly fear that the administration will find serious trouble in putting this proposed law into effect. Instead of bringing great

benefit and good to the country, I fear that it will bring unrest, distrust, and do our banks and the people generally a great injustice.

Mr. Chairman, the bill under consideration affects not only the bankers of the country, but it affects the stockholders, of whom there are some 7,000 in the banks and trust companies in my district; also the thrifty and industrious members of the cities and communities who supply the bank deposits; and the borrowers, who need money for carrying on their business at times. One class of these people is dependent upon the other for prosperity and success. There are several other important amendments that I would recommend to this bill. I have not the time to go over all of them in detail. One of them is that the Federal reserve board should be increased in membership from 7 to 11, the 4 additional members to be selected from the stockholders of the Federal reserve banks. The central banks of France, Germany, and England trust the management to its stockholders. Why should we not do likewise?

It is another serious question whether or not currency should be issued by the Government or whether we should adopt the methods used in France, Germany, and England, where the currency is issued by the banks under Government supervision and regulation.

Then the State banks and trust companies, of which there are some 17,000, are not fully satisfied with that portion of this bill pertaining to them. I know that to be particularly true as regards 17 of these institutions, which are located in my district. However, I will not take the time of the committee now to present the objections that I have to that part of the bill referring to State banks and trust companies. At the proper time I will present amendments such as I believe are for the best interests of the country, not only as affects the State banks and trust companies but as affects other features of this bill to which I have referred, as well as to those which I have not had time to even touch upon.

Mr. Chairman, I recognize that the distinguished chairman of this committee, as well as his associates, have endeavored to bring to the House the best possible bill on the subject of the currency. They have no doubt labored hard and in earnest. The chairman of the committee this morning presented ably and well his ideas and the ideas of his party upon this question. I have great respect for him and his ability, but I am satisfied in my own mind that this bill should not be enacted into law. I do not believe it is or will be for the best interests of the country, but that it will destroy business and bring more harm than possible good. I sincerely hope that amendments to this bill can and will be agreed to before it becomes a law—such amendments as will perfect it and make it so worthy of our support that when the vote comes to passing it in this House it will receive the support of the whole membership. [Applause on the Republican side.]

Mr. GLASS. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

The committee accordingly rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes, and had come to no resolution thereon.

RECESS.

Mr. GLASS. Mr. Speaker, I ask unanimous consent that the House take a recess until 8 o'clock this evening.

The SPEAKER. The gentleman from Virginia asks unanimous consent that the House take a recess until 8 o'clock. Is there objection?

There was no objection; accordingly (at 6 o'clock and 3 minutes p. m.) the House took a recess until 8 o'clock p. m.

EVENING SESSION.

The recess having expired, the House was called to order by the Speaker.

Mr. WILLIS. Mr. Speaker, I ask unanimous consent to address the House for one minute.

The SPEAKER. The gentleman from Ohio asks unanimous consent to address the House for one minute. Is there objection?

There was no objection.

ONE HUNDREDTH ANNIVERSARY OF THE BATTLE OF LAKE ERIE.

Mr. WILLIS. Mr. Speaker, in the discussion of this important bill it has probably escaped the attention of the House

that to-day is the one hundredth anniversary of the Battle of Lake Erie. That was probably the greatest event in the second war for independence, a war which meant so much for the people of this Nation.

Another great event of that war was the successful defense of Fort Stephenson by that gallant son of Kentucky, Maj. Croghan, and his brave little band of patriots.

The 2d day of last month the people of the county of Sandusky and the city of Fremont, a city which occupies the site of old Fort Stephenson, held a patriotic celebration under the leadership of Col. Webb Hayes. The chief event of that celebration was an eloquent historical address on the War of 1812 by my colleague, Hon. S. D. FESS. I ask unanimous consent to extend my remarks in the RECORD by publishing that inspiring address.

The SPEAKER. The gentleman from Ohio asks unanimous consent to extend his remarks in the RECORD by publishing an address by Prof. Fess. Is there objection?

There was no objection.

The address is as follows:

"Mr. Chairman, Col. Webb C. Hayes, and ladies and gentlemen; I accepted your invitation to make this address with a peculiar interest, and I assure you it gives me an unusual pleasure to be here. For years I have been scolding at the average citizen for his wicked indifference toward the preservation of the tablets of our history. We are so young as a nation that we can not realize any interest in holding to the past. In some parts of the country, as in New England, the citizenship have awakened to this duty. Only a short time ago, when the commercial call was about to raze the Old South Church in Boston to make way for a handsome modern office building, the citizenship of that New England city was aroused and readily responded to the call to complete plans whereby such a consummation would be made an impossibility.

"A few days ago I stood on the famous estate of Gen. Washington, at Mount Vernon, and allowed my mind to rest upon the tardiness of State and Nation and people to preserve this, the most famous spot in America, which was not finally accomplished until an invalid southern girl gave herself to the task. It is now perpetually assured. But not so with Monticello, Montpelier, The Hermitage, and so forth.

"In the midst of such vicious neglect, what a tonic one receives to come face to face with the magnificent work of such organizations as the Ohio Archaeology Society, the Colonial Dames, the Daughters of the American Revolution, the Daughters of 1812, and kindred associations!

"I have known something of these activities in the past, and especially in this most fertile section of Ohio, historically speaking; hence my delight in being enabled to come. I desire to congratulate this community first upon its position in history and, second, in having such leaders as Col. Hayes and others to direct you.

"SIGNIFICANCE OF FREMONT AND LOCALITY.

"Most places are satisfied with but a single historical event, but in your case you have a succession of events that will pass as first in rank. Here we have the wondrous activities between the French and English as well as the Indian in the final determination of national control. The tablets dating back to 1745, then 1754 to 1763, refer us to one of the most historically significant struggles on the continent. History refers to this struggle as the French and Indian War. In Europe it is known as the Seven Years' War, although it lasted nine years—1754 to 1763.

"From 1688 to 1815 12 wars were waged between England and France for supremacy upon the sea. During these one hundred and twenty-seven years fifty-four of them were spent in actual fighting. One of these dozen wars was our French and Indian, in which Fremont and vicinity played so prominent a place. All along the shores of lakes, and especially at the mouths of the various rivers, the French took the precaution to plant leaden plates with inscriptions, to make sure of their title in case of a contest. When the dispute was transferred from forum to field, which caused this place to be overrun by French and Indians and finally secured to the English by the closing of the war scenes on the Plains of Abraham, the first distinctive step to the building of the modern state of democracy was taken.

"While history dismisses the event by stating the English took possession of the North American Continent, it does not express the full meaning of the results. The final struggle which closed at Quebec was more than a contest between two nations for the control of a continent. It was a contest between two most distinctive systems of government. On the one hand the contention was the establishment of an ecclesiasticism, on the other the building of an Anglo-Saxon democracy.

On the one hand it demanded a union of church and state, on the other the American tripod of free state, free church, and free school. Had France won in 1763, this new world would have become the chief home of a French ecclesiastical dynasty. Instead it was reserved as the virgin soil in which were planted the seeds of liberty in government, based upon freedom in church, school, and state, and which within the short period of one hundred and fifty years has become the riddle of the world. Little did our ancestry think of what the future held. They could not believe that by 1913 this planting would produce a nation of one hundred millions of people, a population two and one-half times that of the mother country, ten times that of her largest colony—United Colonies of Australia—sixteen times that of Canada, and more than all the other English-speaking peoples of the world combined. No wonder that Salisbury in an outburst of oratory said upon one occasion, 'Had it not been for the unwise policy of an English King the capital of the British Empire in all probability would to-day be on the North American Continent.' No wonder that in 1878 W. E. Gladstone, eulogizing the achievements of the two nations, shouted, 'O brave mother, O braver daughter, you have done more in one year than we in eight! You have passed us in a canter.' When a citizen in 1913 contemplates the meaning of that contest one hundred and fifty years ago and then remembers this was a part of the battle ground, and there 'old Betsy,' a real participant in the struggle, it has a new significance.

"THE REVOLUTIONARY WAR.

"But the significance of this place will not be confined to fighting the French in the Seven Years' War or the Indians led by Pontiac in 1763. The records indicate that here at this very place were held during the Revolutionary War perhaps as many as 2,000 prisoners, and 'old Betsy' had a part in that greater struggle. The war that closed in 1763 by the treaty of Paris decided America as the chief theater of an Anglo-Saxon democracy. However, under the mother country it had certain effete customs which were unwelcome by the American pioneer who braved the sea and faced death that he might be free from many of these customs. Some of these people left England for the Continent, others remained to fight the battles on native soil with Pym, Hampden, and Cromwell, while others embarked on the unknown sea in search of the New World. Arbitrary government, taxation without representation, and so forth, are usually detailed as the cause of the War of the Revolution. That is true, but is not the whole truth. England recognized in a way the feudal system with its corollary customs of primogeniture and entailed estates. She had secured the latter two customs in Virginia and Pennsylvania. England also believed then as she does now in hereditary government; that some men are born to rule, others to serve. We denied it and took our stand upon the principle that the right to govern must come from the consent of the governed. The George III idea was that the head of the nation both ruled and reigned, while we held the head of the Nation was the servant of all the people. This was a fundamental principle first established by us as the most significant step in self-government ever taken. England believed in the life tenure in office, while our slogan was short terms and quick and decisive responsibility. While it is true the ostensible cause of the Revolutionary War was no taxation without representation, or, better, no legislation without representation, the real result of that war was to give full play to the new democracy planted years before, free from the effete customs of continental Europe or the mother country. In that world-wide significant struggle this part of the country was an interesting field.

"SECOND WAR OF INDEPENDENCE.

"No citizen of our day can know the utter contempt in which England held the colonies the first two decades of our national life, and the consequent humility of our representatives at her court. A perusal of the writings of Franklin, and especially John Adams, as well as Jefferson, will shed some light on this treatment. The conduct of Citizen Genet reflects the regard France had for us as a national entity in the countries of the world. The contempt with which England refused to remove her forts, and which was not fully done until after the Jay treaty of 1796, as well as the X Y Z mission of France, in 1798, and the miserable conduct of Minister Merry, all show with what small respect our Nation was regarded in Europe. The episode of the Carolina was not to be unexpected, as well as the famous orders in Council of England and the Berlin and Milan decrees of France, which forced us to declare the emman as 2,000 prisoners, and 'old Betsy' had a part in that bargo of 1807. Europe was using the new Republic as a handy man to have around to be treated as a football, if desirable.

"The administration wisely attempted to avoid war until the jingoes declared Madison could not be kicked into a war. Eng-

land became so arrogant, having impressed at least 5,000 American seamen into the British service upon the monstrous doctrine 'Once an Englishman always an Englishman,' augmented by the ruling that one speaking the English language is an Englishman until he could prove he was not, and that by documentary evidence, that to further submit seemed dishonor, and war was declared in June, 1812. It is not my purpose to detail this struggle. Our school children are familiar with the brilliant performances upon the sea, and no less familiar with our disasters and, in one instance, dishonor upon the land. As has been said here, on this very spot took place the one distinct land operation that redeemed the American name. Crogan and Fort Stephenson—the name and fame are household furniture of these peoples here. It would be but a repetition of the most familiar item of your history for me to detail the operations here one hundred years ago to-day. A mere mention of the spectacular defense of this historic spot by that gallant boy, just past his majority, and his brave band of 160, who repulsed the English regulars, under the ignoble Proctor, is sufficient on this occasion, which is designed to call up the larger results on the world's struggles, in which this place was one of the chief battle grounds, and which in turn became the chief gateway of the current of progress which virtually has enveloped the world; for this battle in this second war of independence made possible the victory on Lake Erie, which we are celebrating this year.

"This Perry's victory in turn made possible the victories on the Thames and the second naval triumph on Champlain. Notwithstanding the British attack on Washington and the burning of the Capitol, the young Republic gathered new strength from the triumph at Lundys Lane and the numerous engagements on the sea, which forced peace the latter part of December, 1814, although the one most spectacular of all engagements, that of New Orleans, was fought several days after the treaty, on January 8, 1815.

"From the time of this war, although our distinguished commissioners did not secure a reversal of the contention on the main points of issue, the new Republic was henceforth looked upon in Europe as a growing giant, demanding an immediate recognition. Our Navy had won its plaudits and was the topic of enthusiastic comment both in Europe and America. Our diplomacy, as represented by J. Q. Adams, Henry Clay, and others less distinguished, had won great respect. Our domestic enterprises along manufacturing and commercial lines were gaining by leaps and bounds. Henceforth our representatives were received in all European courts with marked deference and respect. The ending of this war was the beginning of the Nation's development. From that day to 1860 we had one unbroken triumph in material progress, save a short, unhappy difference with Mexico.

"At this time and here it would probably be out of order for me to rehearse the events which drove us into the most gigantic war known to man. Suffice it to say, as the French and Indian War was a struggle between two systems of government, and the Revolutionary War was a struggle for a larger political liberty, and the War of 1812 was a struggle for the recognition of national rights, the Civil War, the greatest of all, was a struggle between two civilizations, differentiated by natural differences over which law and legislation had little effect. And as the region of Sandusky played a part in all the early wars, so Fremont played a distinct part in this greatest of wars. The Nation recognized that part by placing at its head one of its citizens, who had won his rank in that war for human rights.

"This greatest of all wars which placed 2,000,000 soldiers in the field to battle as Greek against Greek at the staggering outlay of over one thousand million dollars, at the cost of lives to the number of 600,000 ended at last with two decisive results, viz, the freedom of a race and, what was a thousand times of greater importance, the preservation of the Union. The first result was inevitable. The civilization of the nineteenth century had pronounced against slavery and its day was at hand. Had it not come as the result of war it would have come as the result of an awakened national conscience. But the perpetuity of the Union was not at all an assured fact. Only an American could believe it possible. Europe expressed her conviction in its impossible continuance through Macaulay, De Toqueville, Gladstone, and others. Even the great English Commoner proclaimed that Jefferson Davis had given to the world a second republic that would rival the first.

"It is not for the present historian to estimate the importance of this result of the Civil War. It must be left to the future discriminating interpreter of great events who to properly estimate the importance to history must view the event in its influence, not upon our country alone but upon the Governments of the world. When the war ended, assuring the stability of American self-government, Democracy's cause took on new life,

and the places where it was planted received new fertilizing impulses, and what were up to that time vague semblances of republican government became dynamic forces regnant with order. Here and there throughout the world mutterings of unrest under arbitrary rule became distinctive demands. It took possession of Italy. It startled every Government in Europe, the last to show it most was Portugal. It changed in a night's time monarchical Brazil into a Republic. It has covered the seas with its fragrant bloom in the United Colonies of Australia, New Zealand, Hawaii, and has touched on the Empire of South Africa. It awakened Russia, and has even revolutionized the yellow race in its influence upon Japan, and last, but not least, China, which on February 12, 1912, passed from the control of the Manchu dynasty, under which the Celestial Empire had continued for over four thousand years, to that of the national assembly, and thus wrote the page of American influence in the Far East.

"THE PRESENT STANDING."

"In 1813 the entire country was composed of but 18 States. The population of the entire United States was little more than that of the single city of Greater New York to-day, while the wealth of the Nation, as estimates were then made, was less than that of New York City to-day. In that day we had no standing in the councils of the nations; to-day no serious world problem is proposed which does not enlist our opinions. Our influence is not confined to the interests of our own people, but, as signified by the expansive meaning of the Monroe doctrine, we have assumed and maintained the guardianship of the liberties and welfare of the western world. We have even gone beyond this realm. When the call of Cuba was finally heard, for the mere sake of humanity we responded when we were morally certain the response meant war, and with firm hand we bade Spain either to modify her inhuman policy or leave the work of governing the people of Cuba to other hands. We accepted the choice of Spain, the arbitrament of the sword, and as a consequence have assumed not only the task of preserving order in Cuba, but the far greater duty of modernizing the peoples of the Philippines by introducing the common-school methods, and by the orderly processes of evolution have witnessed within a decade the sure evidences of a transformed people, a changed civilization through education, to be brought about within a few generations. This duty has been performed at a frightful sacrifice to us.

All good citizens are hoping that the unhappy country of Mexico will be able to stop the atrocities of rival leadership without interference from without, for we can not brook interference on the part of Europe, at whatever cost. The Nation will hardly surrender the Monroe doctrine. If it maintains this principle, it is then morally and legally obligated to protect life and property of citizens of other countries. On this occasion I would not have this people believe I extol war simply because the historic incident we celebrate has its interest in war, nor because in our observations upon the growth of democratic government we have referred to the specific results of specific wars.

"While the fruits of war in these respects are marked, the fruits of peace are even more so. Soon after the treaty of peace that closed the war in which Col. Croghan won his fame, another treaty was signed between our Nation and Great Britain, which neutralized the waters of the Great Lakes by limiting the size of the defensive vessels to be maintained upon these waters, beyond which neither nation could go. This single line of agreement has made the Great Lakes as well as the boundary line between us and Britain and her possessions here in the New World a line of friendship which has been maintained unbroken for 96 years. Had it not been for this provision these waters would to-day be frowned upon by mighty battleships, which would have inevitably clashed in 1860-1865 when English-built ships were supplied to the Confederacy.

"What has been done on the Lakes, and has been the dream of some statesmen of this and other countries, may be done for the waters of the sea, when all the powers may join in the establishment of the court of arbitral justice, which is an American suggestion. While this is but a dream, and may never assume any nearer reality than a dream, the immediate past is a partial justification of the dream. The Hague conference was a real achievement for peace, if in no other way than to allow representatives of the twenty-six nations, including all the first-class powers, to sit under the same roof and dispassionately discuss plans of maintaining peace among the nations represented. But it achieved something more substantial in the establishment of The Hague tribunal, which, by the way, was an American suggestion. The first case to be submitted to the court was the dispute between Germany and Venezuela at the initiation of our own country. The second Hague conference gave

more promise, in that, instead of twenty-six nations, forty-four were represented. It also adopted three additional resolutions, viz, strengthened The Hague tribunal by requiring any disputant opening warfare against another nation until the willing party had a chance to be heard before the tribunal; second, it adopted the Drago doctrine, which denies to a nation the right to employ war methods to collect a debt until after the case is heard by the tribunal; third, it recommended the establishment of the court of arbitral justice.

"To an American the activities leading to these conferences and the work in the conferences are most pleasing. This Nation distinctively stands for peace. Our bringing together at Portsmouth the peace commissioners of Russia and Japan is but an incident in the efforts of our Nation to reduce war. The work of the famous international peace conferences was begun by Elihu Burritt as far back as the forties. This Nation was the first to give this work governmental recognition when President McKinley requested Secretary John Hay to represent the Nation officially in the conference held at Boston. We are equally active in the work of the Interparliamentary Union.

"The almost five hundred various peace associations organized in the United States among the churches, the colleges, the schools, the civic organizations, the commercial bodies indicate the awakening among us. This should be our position. If ever peace is to be established in the world permanently, we must take the initiative. Our geographical situation, our vast wealth of resource, our rank among the nations of the world all point to this fact. This does not mean we must abandon a naval program. Probably the surest guaranty of peace is the concentration of the war power in the hands of the peaceful nations, to command the peace of the world. We must always maintain a sufficient armament to police the seas, but it does not mean we must enter the insane competition of Europe to surpass all nations in the building of dreadnoughts. Our greatness will never be measured by the size of the Army, nor the number of battleships. It will not even be measured by the acreage of our farms, the output of our mines or our factories, nor the miles of railroads. While all these are useful and the fruits of peace, yet they do not symbolize our real greatness. Greatness nationally as individually can not be measured by the bushel, nor by the yardstick, nor even can it be estimated by the dollar mark. The real greatness of a nation consists in the men and women of the nation. Its measure is the amount of character disseminated among its people. The agencies of this greatness will be largely found in the homes, the schools, the churches, the civic organizations, the numerous other agencies making for a finer sense of justice of man with man in all his activities, business, professional, social, and all that make up his everyday life.

"Show me a nation that seeks this high standard and dedicates its powers of wealth and influence to this end, and I will show you a nation happy, prosperous, powerful, and the guiding, if not the dominant, power in the family of nations. God has wonderfully blessed the people of this country in many ways. The opportunity is before us. Our responsibility is clear. I believe we will fully meet every reasonable obligation placed upon us, always remembering that our greatest problems are from within our body politic, not from without. This argues the more that our national prosperity and happiness must be found within the dominion of a sublime manhood and a pure womanhood. Ladies and gentlemen, I thank you and bid you good-by."

THE CURRENCY.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837—the currency bill.

The SPEAKER. The gentleman from Virginia moves that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837—the currency bill.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union, with Mr. GARNER in the chair.

Mr. HAYES. Mr. Chairman, I yield one hour to the gentleman from Wyoming [Mr. MONDELL].

Mr. MONDELL. Mr. Speaker, the President of the United States, in the performance of his constitutional duty to recommend to the consideration of Congress such measures as he shall deem necessary or expedient, in a message delivered by him in person at a joint session of the two Houses on June 23 last recommended and urged the consideration of legislation relating to banking and currency. I listened with great interest and close attention to what the President said on that occasion

and was impressed with and attracted by the President's happy faculty of expression, the elegance of his diction, and the pleasing manner of his delivery. The President, while evincing the earnestness of his desire that Congress shall act on these questions at this session of Congress, couched his recommendations in the most general terms, only becoming the leastwise specific when he gave the reasons why, in his opinion, banking and currency legislation was, to use his words, "absolutely imperative" at this time.

Some people have been pleased to criticize the President because it has seemed to him wise and proper to address the Houses of Congress in person, touching matters of legislation; and curious and widely differing views have been expressed in criticism of this procedure. I can neither sympathize with nor join in such criticism. I do not venture an opinion as to whether the practice that the President has adopted in this regard will be found or considered wise, useful, or mutually agreeable to the Congress and to the President in the future. I am glad to be able to say that I have thoroughly enjoyed these occasions, that to me they have been impressive in their simple dignity, and while I have been but little in harmony with many of the views which the President has expressed, the manner of their delivery has seemed to me pleasing and appropriate.

It is the President's duty to make recommendations to Congress. It is the duty of Congress to give proper consideration to such recommendations. I have, as one Member of the House, given careful consideration to the recommendations which the President has made and have arrived at a very definite conclusion with regard to them. I can not fully agree with the President as to the "absolutely imperative" necessity for currency legislation at this time, but I am of the opinion that it is the part of wisdom to enact a law at this session dealing with the banking and currency problems, provided we can pass a bill which will be workable, which will remedy the acknowledged and manifest defects of our present system, and give us a plan as sound as the present system and automatically responsive to the needs of trade and business.

LEGISLATION ADVISABLE.

While I thus agree with the President to the extent of believing banking and currency legislation advisable, and stand ready, as I believe the majority of the Members on this side of the aisle do, to assist in the enactment of legislation, though our assistance up to this time has not been sought to any appreciable extent, I must most emphatically dissent from the views expressed by the President in the reasons he gives as the basis of his opinion that banking and currency legislation is "absolutely imperative" at this time. The President said that an improved banking and currency system was necessary to allow the business men of the country to "make use of the freedom of enterprise and of individual initiative which we are about to bestow upon them." Said he: "We are about to set them free; we must not leave them without the tools of action when they are free. We are about to set them free by removing the trammels of the protective tariff." This, and more along the same line in his choice phraseology, the President said as indicating the basis, as he conceived it, of the necessity and the demand for currency legislation.

If I were compelled to accept the President's declared view of the reasons urging or necessitating immediate action in regard to banking and currency, in order to agree as to the advisability of such action I should be compelled to repudiate the entire proposition and insist that no immediate action is, under the circumstances, advisable. The President weakened his entire argument for speedy currency legislation by basing it on specious and fallacious grounds. The President should have known—and, no doubt, does—that without regard to differences of opinion on tariff or other questions, those who have given the matter consideration in Congress, in the fields of finance and economics, and in the business world have for years agreed that our national banking and currency system, while safe and sane, was not fully adequate to meet the constantly increasing needs and expanding requirements of the country.

With all its faults our national banking system is one of the most impressive monuments to the capacity for constructive statesmanship of the founders and supporters of the Republican Party. Born of the exigencies of war, it has expanded and grown to serve with honor and credit, if not with perfect satisfaction, the multiplying necessities of the most marvelous and fundamentally sound period of growth, development, and expansion ever witnessed in all the tides of time. It has become so fixed and accepted an element of our national life that every plan seriously considered contemplates building upon it and proposes an extension and coordination of the system.

BANKING AND CURRENCY AGITATION HELPFUL.

At first dimly and confusedly, but gradually more clearly, the faults and the shortcomings of our system have come to be understood. For a decade and more there has been a constant and practically uninterrupted discussion and agitation of the manifold questions involved in its improvement. In five Congresses, covering a period of 10 years last past, something over 500 bills have been introduced dealing with the questions of banking and currency. Many of these bills have been considered by the appropriate committees, some of them at great length, in great detail, and with exceeding earnestness. Around some of these measures has raged a fierce storm of contending opinion. To their consideration some of the best-informed men who have sat in this House have given much earnest study, time, and attention, but with the exception of the so-called Vreeland-Aldrich Emergency Currency Act, which became a law May 30, 1908, no measure of considerable importance has secured sufficient support to find a place on the statute books.

But this agitation and discussion has by no means been in vain, for out of it has come a better understanding and a large measure of agreement. In his address to Congress on the currency question the President said:

The country has sought and seen its path in this matter within the last few years, sees it more clearly now than it ever saw it before.

By the provisions of sections 17, 18, and 19 of the act of May 30, 1908, to which I have referred, the National Monetary Commission, composed of earnest, painstaking, and efficient men then serving or who had served in the House or Senate and of both political parties was created. It is not necessary for me to go into detail with regard to the labors and activities of this commission. They are understood and appreciated by all students of banking and currency questions. The information they obtained, the data they secured, the works which were written and compiled under their direction constitute a library on banking and currency law and practice which, for scope and reliability, has no counterpart. In due time the National Monetary Commission reported and presented their views in the form of a proposal of legislation.

It is unquestionably unfortunate that the recommendations of the National Monetary Commission and the bill formulated by it was popularly given the name of the chairman of the committee, Hon. Nelson W. Aldrich. At that time, rightfully or wrongfully, Senator Aldrich, as he was painted, was not popular, and it was very easy for those who had never read the recommendations of the Monetary Commission, who could not understand them if they had, nor, for that matter, any other sane bill on the subject, to appeal to the prejudices of a large class of the people by the simple process of denouncing the "Aldrich plan." As in the majority of cases, neither the denouncer nor the denouncee knew much of anything about the plan, or any other plan, the denouncing process was a very simple one.

PREJUDICE AGAINST "ALDRICH BILL."

Our Democratic friends, taking advantage of this frame of mind on the part of a considerable number of people, proceeded to deliver themselves in their national platform as follows:

We oppose the so-called Aldrich bill for the establishment of a central bank.

The National Monetary Commission plan did not contemplate a "central bank" as that term is ordinarily understood, but by condemning that plan as the "Aldrich plan" on the ground that it provided for a central bank they hoped to—and they probably did—fall heir to all the combined support which prejudice against a central bank and against the name of Aldrich could muster. In the same way they secured some votes by their commendation in their platform of the policy of giving publicity to all indorsements on which the President makes recommendation for Federal judgeships, a policy which they proceeded to repudiate in both branches of Congress at the first opportunity which presented itself.

I did not have the opportunity to carefully examine the National Monetary Commission's plan for currency legislation in detail until recently, when I have given it such examination as time has permitted in connection with consideration of the measure now before us. I make no claim to being a currency expert. I have had little to do with banks and less to do with bankers, except as an occasional borrower, and therefore I do not pretend to be as well qualified to pass judgment as to matters of detail in legislation of this character as those who have had practical experience. There are some features of the National Monetary Commission's plan which do not appeal to my judgment, and there are some features of the plan now presented which I like better.

PLAN PROPOSED NOT NEW.

Out of this simultaneous consideration of the bill now before us, indorsed by the President and approved by Democratic King Caucus, and the National Monetary Commission or Aldrich bill, so called, several dominating facts present themselves.

First. That the Democratic bill borrows the ideas and largely the phraseology of the Aldrich or Monetary Commission bill.

Second. That in attempting to so modify the Monetary Commission plan of organization so as to escape being criticized for adopting what they have condemned as a "central bank," they have abandoned the plan of a nonpartisan central organization with limited powers and decentralized by its local associations and adopted a plan for a partisan central organization of vast powers and centralizing tendencies.

Third. That most of the changes that have been made in the bill since it was first informally launched and later introduced by the gentleman from Virginia [Mr. GLASS] have tended to bring the measure more nearly in harmony with the Aldrich plan, which was condemned by the Democrats at Baltimore.

I do not mention this either in criticism or approval, but merely as an interesting fact illustrating the lack of frankness and the inconsistency of those charged with responsibility for the bill. It is true that all the features of this bill are not from the Monetary Commission bill—some came from other less reliable sources. There are some real and important differences between the two measures, some of which are an improvement, some of which certainly are not.

LACK OF NOVELTY A VIRTUE.

I do not wish to be understood as intending to discredit the measure now before us because of the fact that its provisions are, many of them, neither new nor novel; that fact is its greatest virtue. The years of consideration and discussion of banking and currency questions in and out of Congress, the investigations and recommendations of the National Monetary Commission, and our long experience with the actual operations of the national banking law have led to a general agreement with regard to the faults of our present system, the objects to be sought and secured through future legislation, and the manner in which these objects can best be obtained.

It is agreed that the principal fault of our present currency system is the lack of elasticity, of responsiveness to the needs of trade and commerce, both in issue and retirement of notes. The greatest failing of our national banking system lies in the scattered character of reserves, the difficulty of marshaling them against local financial attack or combining them to meet general assaults against credits, the lack of a wide rediscount market, and the difficulties in the way of foreign banking.

CLEARING THE SITUATION.

A few years ago some of the plans proposed contemplated an entire reorganization of our banking and currency system from the ground up, but as time passed practically everybody came to realize that our system of great numbers of independent banks was probably a wise one under our conditions. At any rate it has come to be generally agreed that we must perfect and add to our present system rather than attempt to make it over. The question of how to secure proper co-operation among our banks and a proper basis for currency issues was developed to a considerable extent in connection with the consideration of the Vreeland-Aldrich emergency currency act, and it was further and very largely illuminated through the labors of the National Monetary Commission.

We have therefore reached a condition not uncommon in legislation in which successive stages of discussion and suggestion have largely cleared the way for him who is eventually called upon to write a statute, so that a judicious use of the legislative shears and paste pot may to a considerable degree relieve the draftsman from the severe labors and profound study of original creation. It is true that in such a case there is always abundant room for grievous error, and I shall take occasion later to call attention to some of the grievous errors which I believe the gentlemen have fallen into in drafting or, shall I say, in preparing this bill.

WHO WROTE THE GLASS BILL?

I understand that in and out of the Democratic caucus certain gentlemen have been making themselves disagreeable by asking: "Who wrote the Glass bill?" So far as I am informed these inquiring gentlemen have received no satisfactory answer. No doubt this important and interesting question will float down the ages unanswered along with the riddle of the Sphinx and the query, "Who hit Billy Patterson?" I am sure I shall not be unkind enough to charge it to any friend of mine.

If I may, I would suggest to my Democratic friends an inquiry of more pith and moment; it would be: Who suggested

some of its provisions? An old and familiar saying might, in this connection, be paraphrased as follows:

Allow me to but whisper into a receptive ear the plan of legislation and I care not whose hand guides the pen which writes the law.

We have heard much of late in regard to "insidious lobbies" which are claimed to make stormy the passage of measures launched upon the legislative seas. How about the influence which may hover about the quiet places where legislative keels are laid down, where the form and fashion of the craft is planned, its capacity and motive power determined? Are such influences in the nature of a lobby, and are they "insidious"? That they are vastly more potent than efforts to change the form, fashion, or features of the craft after launching is self-evident. If open opposition and frank effort to amend may be termed "insidious," what must be the proper term to apply to the secret, covert, or private lobbying which may influence the framing of legislation? Would not an inquiry as to what influences were active and potent in the genesis of the legislation be more illuminating than a mere query, "Who wrote the bill?"

WHY THIS PARTISANSHIP?

In view of the situation which I have endeavored to outline, the widespread and long-continued realization of the shortcomings of our present system, the quite universal agreement that a remedy must be found in grafting and pruning rather than in uprooting and replanting, the one extraordinary fact, in the present situation, is the apparent determination, acquiesced in if not suggested by the President, that these questions should be considered in a purely partisan manner. I was somewhat surprised this afternoon to hear the gentleman from Virginia [Mr. GLASS] say that the banking and currency question was entirely nonpartisan. In view of what has occurred, no one would dream that anyone on the Democratic side held such an opinion. The President, in his address to which I have referred, gave partisan reasons, with which he must realize the majority of the American people do not agree, why a banking and currency bill should be passed.

The next the public heard of the matter was that a small coterie of gentlemen, just who they all were still remains a mystery, were engaged in drafting a bill. There were rumors of conferences between some of the gentlemen and the President, and of secret meetings, and finally a tentative bill; then more secret conferences, and finally the bill bearing the name of the gentleman from Virginia [Mr. GLASS]. The Democratic members of the Banking and Currency Committee then proceeded to consider such a bill in secret, without hearings and without seeking advice or information from anyone outside this combine. Not only were the doors closed against the general public and against the press, but they were barred against the Republican members of the committee which Congress had appointed to consider these questions.

I desire to emphasize this feature of the situation, for it furnishes an exceedingly enlightening and illuminating view of the very tart and caustic manner in which certain gentlemen whose names are prominently connected with this legislation have answered those who have called attention to the fact that some features of the bill threaten a partisan control of our currency and banking system. Gentlemen who approve the secret, caucus-bound, and purely partisan manner in which this legislation has been handled are scarcely warranted in flying into a passion and getting sarcastic over the suggestion that legislation thus inaugurated, which contains provisions under which partisan control would be inevitable, might not be in the interest of, or satisfactory to, the people of the country.

THE REAL REASONS FOR LEGISLATION.

Before I begin a discussion of the proposed legislation I desire to give a little attention to the reasons why, in my opinion, the enactment of banking and currency legislation of the proper kind is advisable at this time. First, all on this side of the center aisle are pledged by our platforms to take up these subjects speedily. We Republicans are pledged to definite action. Ours is the only party which, in its last platform, announced a definite program, which it did in the statement that the party "is committed to the progressive development of our banking and currency system." On the contrary, the Democrats, probably realizing that if they won their tenure would be brief, but alive to the fact that it is imperative to unleash and prepare the lifeboats when they take charge of the ship of state, made no promises beyond a suggestion of temporary and local relief. If the President can spur his party into action that will afford not only temporary relief but permanent benefit, we are not only willing, we are pledged, to assist.

But there are other and compelling reasons for currency legislation at this time; reasons based upon the facts of legislation which the President had in mind when he said action

in regard to banking and currency is "absolutely imperative," but reasons far different from these the President gave. The President tells us he sees "freedom from restraint" in the tariff legislation of his party, and he wants fresh currency to feed the spirit of freedom. I also see freedom from restraint in the Democratic tariff legislation, but the freedom I see, and which I view with alarm, is the freedom granted foreigners to displace American-made goods with foreign-made goods, the freedom to reduce the value of American products by the wholesale importation of foreign products. The President views ahead "a period of expansion and of new enterprise freshly conceived," and he wants more currency to make this expansion "rapid and facile of easy accomplishment." The President comes very near talking like a greenbacker at that point of his address. I also see "a period of expansion and new enterprise freshly conceived," but, to my view, the expansion is to be that of foreign products and productions in our markets, an expansion of foreign fields and foreign factories at the expense of ours. [Applause on the Republican side.]

NOT TO PROMOTE NEW, BUT TO SAVE OLD ENTERPRISES.

I agree with the President that the passage of the Democratic tariff bill emphasizes the importance of currency legislation, not, however, for the purpose of giving our people the benefit of "new opportunities," for there will be none they can enjoy, but rather in the hope it may help to fortify our people in the period of adversity, the day of those "readjustments" to which the President referred. Our people will not need new currency or banking facilities for "new enterprise," for there will be none that is gainful, but for the purpose of aiding, if possible, in saving their present enterprises, in keeping them going so as to furnish the people employment.

No one wants disaster to follow your tariff legislation. Those who fear it most and who are the hardest hit by it are among those who most fervently pray that, through some dispensation of Providence, the blow may be light, the injury neither severe nor permanent. They know that if such is to be the case it must be almost providential in its character, for their judgment tells them that in the ordinary sequence of cause and effect the blow must be heavy and its effect continuous. If, however, there is anything that can be done that holds out the slightest promise of relief from the loss and hardship that your tariff legislation has brought and will bring, we will all, with one accord, declare "By all means let us have it." If an improved banking and currency system will temper the force, dull the cutting edge, or soften the blow of the disaster that threatens through your tariff legislation, we stand ready as one man to aid you in securing it "if it takes all summer." [Applause on the Republican side.]

A PARTISAN BANKING AND CURRENCY SYSTEM.

I have already called attention to the very considerable degree of agreement as to many of the essential provisions that a banking and currency bill should contain. There is not, perhaps, a corresponding consensus of opinion as to what such legislation should not contain. I am very well satisfied, however, that all will agree that our banking and currency system should not be partisan; that to provide for a plan under partisan control, or which might easily become the instrument of political maneuvering and advantage, would not only be a grievous mistake, it would be a crime against our institutions and against the prosperity and welfare of our people.

In expressing the opinion that the plan of a Federal reserve board and regional reserve banks, provided in the Glass bill, is a partisan plan; that it will result in a partisan banking system, and in one that will invite and develop all of the evils of partisan control of currency issue and of banking business, I desire to disavow the opinion that the framers of the bill deliberately created a partisan system.

I do not believe there is anyone charged with responsibility in this matter who desires or would knowingly aid in establishing a system which would or could be made an instrument of political and partisan advantage. All must realize the danger to our institutions, the menace to the prosperity of the country, which such a system would present.

PUBLIC SUPERVISION VERSUS PARTISAN CONTROL.

Unfortunately, however, some gentlemen do not seem to clearly recognize the difference between public control, in the interest of all the people, and partisan control, which in a matter of this kind would eventually be harmful to all the people. Of all the great Governments in the world ours is, in the executive branch, the most essentially partisan—a fact recognized in the familiar phrase that this is a Government of parties. In no other great nation is the "chief of state," as the French phrase it, apparently in grim recognition of the possibility of change in his title, a partisan. Partisan ministers come and go; the chief of state—king, emperor,

president—may or may not be in harmony with their policies, but he remains for his term of life or limited tenure, as the case may be, the chief of state, in theory, at least, measurably free from partisan bias.

The American President, on the contrary, is recognized by the country and often proclaims himself the titular if not the actual head of his party, bound to assume responsibility for the carrying out of its pledges and promises in legislation and in administration. Our present Chief Executive is no exception, but rather a shining example of this rule and practice of our national life. He has referred to himself as one "called to the leadership of the Nation"; and while I have no manner of doubt that he fully realizes the responsibility of that leadership, I am but giving expression to what is one of the most patent of current facts when I affirm that he exercises that leadership as the head of a party, working by and through that party to the accomplishment of his purposes.

Every appointment made by the President of the United States, except it be to a judicial or semijudicial position, in which case the tenure is ordinarily for life and the duties nonpartisan, carries with it a certain party or partisan obligation—an obligation, it is true, which should in no wise conflict with the fair and faithful discharge of official duty. On the contrary, such responsibility properly recognized strengthens the will and determination for faithful service in recognition of the fact "that he serves his party best who serves his country best."

OUR PRESIDENTS PARTISANS.

The fact is that under our form of government our Presidents are partisans. They are expected to and do invite partisans to their Cabinet and nominate them for official positions, except where the mandate of the law or the long-established tradition of judicial service compels or constrains them to do otherwise. The President who in the recent past most departed from this rule, if one may judge from the outcome, seems to have had an experience not calculated to encourage nonpartisanship.

I do not desire to be understood as suggesting that the partisan character of our Government is unfortunate or seriously objectionable. It has its conspicuous merits as well as its serious drawbacks. It is imperative, however, that in our legislation we recognize the character of our institutions to the end that our people may reap the benefits flowing from party and partisan responsibility and escape the dangers and pitfalls that a failure to recognize the character of our Government are likely to lead us into.

MONETARY COMMISSION VERSUS GLASS PLAN.

The National Monetary Commission proposed a central association whose domestic operations, except as to dealings in home and foreign public securities, were confined exclusively to transactions with the National Government and subscribing banks. The reserve association thus provided for was not therefore a central bank in the sense in which that term is used with reference to the great central banks of England, France, Germany, or the first and second banks of the United States.

The privileges of this association in its relation to the National Government and its power and influence over subscribing banks and finances of the country generally were much more limited than those the Federal reserve board created by the Glass bill would hold and exercise. Furthermore, the plan of organization contained in the Monetary Commission bill was such that the subscribing banks, especially the smaller banks and all banks outside the large centers, by virtue of their influence in and through the local association, under the arrangement which gave them representation in excess of their proportion of capital, would exert a constant and increasing influence against centralized control. The bill before us, however, is so framed as to lodge vast and dangerous control in the Federal reserve board and to constantly tend toward an increase of that central control.

In the Monetary Commission plan the controlling forces of the local associations would largely influence and control the national reserve association. Under the plan before us the Federal reserve board will, by and through the reserve banks and branches, dominate the subscribing banks. The commission plan would tend to decentralization of control, or, rather, to equality of control; the Glass plan will tend to centralization and inequality of control.

NO SPECIAL PRIVILEGES.

It is urged against the Monetary Commission plan that it was a plan which, while granting certain valuable privileges, did not provide for sufficient public control. There is something in the latter part of that statement, though not nearly so much as the critics of the plan would have us believe. As to the

question of privileges, I dissent utterly with the theory that in framing banking and currency legislation we are called upon to—must or should—grant privileges to anyone in the sense that we are giving opportunities to one class of citizens we withhold from another, or that we are conferring privileges on one class at the expense of another. If we could only legislate touching banking and currency on that basis, I for one should not consider it wise to legislate at all.

In this country we have free banking. Anyone who has the means may invest in bank stock, anyone who desires and has the means may become a stockholder in a bank. Anyone who has some means and the character and experience which commands him to the confidence of the community may become a banker as readily as he may become a "butcher, a baker, or a candlestick maker." The way is as free and open as it is to any position of trust and responsibility in political or business life. This is as it should be.

REGULATION NECESSARY.

Owing to the position of trust and responsibility which a banker occupies toward the public it becomes necessary, in the interest of the public, to pass laws regulating banking. We also pass laws regulating the insurance business. We pass laws regulating the meat-packing and other forms of industry, all for the protection and benefit of the public. Incidentally we may, and often do, benefit honest folks engaged in these industries, but not, if we are wise, to the detriment of the public. Legislative bodies pass laws regulating the practice of medicine and law; not everyone may feel of the public pulse and prescribe physic or appear on behalf of clients in court for a fee; but everyone may who is qualified, and some do who are not.

This regulation, while it is advantageous to the honest and qualified doctors and lawyers, is not for their benefit but for the protection of the public. And so it is, or should be, with regard to our banking and currency laws. Our duty is to regulate the banking business for the protection and accommodation of the public. If our laws do not permit or encourage the establishment of proper facilities or afford proper protection to the public, we have failed in our duty. If our legislation confers any benefits or privileges not open to all who are qualified to perform the service required or which are granted to the detriment of the public, we have misjudged or been derelict in the performance of our duty.

From what I have said I think I have made it reasonably clear that, in my opinion, any legislation which proposes privileges not necessary to or consistent with the public welfare is bad to that extent. In certain important respects the bankers might enjoy privileges and advantages under the Glass plan which they would not have under the Monetary Commission plan. For instance, the Glass plan makes the Government directly responsible for the notes issued; the commission plan places no such responsibility on the Government—the banks are alone responsible. The Glass plan also contemplates giving the stockholders a larger return on their stock and less to the Government than the commission plan and gives the reserve banks authority to do business with individuals and corporations which the other plan prohibits. So far as these things are unnecessary to good and sufficient service and protection of the people they are objectionable.

GOVERNMENT CONTROL.

Returning from these reflections on the question of privileges and advantages to the question of public control and the criticism that the Monetary Commission plan did not make sufficient provision for such control, a sufficient answer is that further Government control could easily be provided for under that plan without otherwise interfering with its features of organization, but if that plan left something to be desired, as it did in this regard, the bill now before us marks the swinging of the pendulum to the very opposite extreme. The Glass plan not only contemplates placing the entire control over the issue of currency in the hands of officials appointed by the President, it will give them control over more than half a billion of dollars belonging to individuals.

In order that we may intelligently judge as to whether the control of the Federal reserve board provided in the Glass bill is partisan, and improperly so, it is necessary that we give consideration to the character and extent of the power, authority, and control of the board over the issue of currency, and, through the Federal reserve banks, over the banks and the credit of the country.

It is necessary to do this, for all will agree that appointees of the President may, and often do, perform services which do not involve or invite partisanship, and, further, there are many classes of public or semipublic service the duties of which are in no wise incompatible with a lively sense of partisan respon-

sibility. The question is, Are these duties of that class, and does their performance involve or invite partisanship?

PRESIDENT'S POWER.

The Federal reserve board of seven under the Glass bill are all appointees of the President. Three of them—the Secretaries of the Treasury and of Agriculture and the Comptroller of the Currency—are all certain to be of the President's party, and expected to be reasonably strict partisans. This is, of course, assuming that a recent, not particularly happy, experience under a different policy is not to be repeated. Of the four remaining members, in response to an insistent public demand, it has been grudgingly agreed not more than two shall be of the same political party—only one need be experienced in banking. All are removable by the President, who also designates which of them shall be manager and vice manager. The manager is to be the "active executive officer," subject to the supervision of the Secretary of the Treasury, which official has his powers further enlarged by being given general direction of the increased powers conferred on the office of the Comptroller of the Currency by this act.

It will be seen that there is no limitation on the exercise of the power of appointment with respect to five of the seven members of the board, including the manager, the vice manager, and the vice chairman, in the person of the Comptroller of the Currency. Last, but not least, but, in fact, greatest of all, the President appoints the Secretary of the Treasury, who is chairman of the board, supervisor of the manager, and director of the vice chairman the Comptroller of the Currency. In fact, the Secretary of the Treasury is the Pooh-Bah of the Glass system. He comes very near being the whole show.

And the Secretary who really appreciated his position could repeat the refrain of the Lone Survivor of the Nancy Bell:

For I am the cook, and the captain bold,
And the mate of the *Nancy* brig,
And the boatswain tight, and the midshipmite,
And the crew of the captain's gig.

[Applause and laughter on the Republican side.]

Mr. GLASS. May I interrupt the gentleman?

Mr. MONDELL. In just a moment.

Under the Glass bill the office of the Comptroller of the Currency under the Pooh-Bah, the Secretary of the Treasury, would come nearer being a central bank than anything ever proposed or contemplated by the Monetary Commission. In fact, it would be a partisan Government central bank.

Now I will yield to the gentleman.

Mr. GLASS. I would like to ask the gentleman from Wyoming if he did not vote to make the Secretary of the Treasury the sole dispenser of \$500,000,000 of currency under the Vreeland-Aldrich bill and the sole judge of the security which the Government shall ask.

Mr. MONDELL. A very different proposition, as I could show. The gentleman was not fair at all—

Mr. GLASS. In other words that was your Pooh-Bah and not my Pooh-Bah. [Applause on the Democratic side.] I would like to ask my friend another question.

Mr. MONDELL. Well, the gentleman understands I have but an hour and I have a speech which will take me more than an hour. The gentleman was reasonably fair in most of his statements to-day, but he was exceedingly unfair, as everybody knows, in regard to his statement of the powers of the Secretary of the Treasury under the Vreeland-Aldrich bill.

Mr. GLASS. I read the statute itself.

Mr. MONDELL. But he read one provision of the statute only.

Mr. GLASS. That is the provision in point.

Mr. MONDELL. We are none so young but what we have heard gentlemen read some extract taken from its context that might give a very erroneous impression, and that is what the gentleman from Virginia did.

Mr. GLASS. Will the gentleman point out wherein I misrepresented the law?

Mr. MONDELL. If I had the time I could.

Mr. GLASS. I will give the gentleman time to do so.

Mr. MONDELL. That was an emergency bill intended to operate only for a short time and it has operated so well in preventing panic that I am not sure that the rumors we have heard in the last few days are not true that you are going to propose before you get through a continuation of that law, and before I get through I will have a few words to say on that point. We are hearing rumors recently that the moment you got away from a caucus-bound House in desperation the gentlemen at the other end of the Capitol may propose to extend the terms of the Vreeland-Aldrich emergency currency bill.

Mr. GLASS. Will the gentleman permit another interruption right there?

Mr. MONDELL. I can not now because I have consumed over half of my time and I have not said anything like half what I desire to about the gentleman's bill. I protested against limiting time for discussion of the bill, but the gentleman and his party put on the gag.

POWERS OF FEDERAL RESERVE BOARD.

Having called attention to the practically unlimited authority of the President over the appointment and continuance in office of the Federal reserve board, let us examine for a moment the powers of the board thus created by presidential appointment and constantly under presidential control. Some of them are as follows:

Power to appoint outright three of the nine directors of each Federal reserve bank, one of which number is to be chairman of the board of directors and the "official representative" of the Federal reserve board under the title "Federal reserve agent." Unless the person appointed to this position in each Federal reserve bank were a mere cipher and entirely lacking in force and character he would entirely dominate the bank in his dual capacity of executive officer of the local reserve bank and representative of the central reserve board.

Power to remove, in their discretion, three of the directors of Federal reserve banks chosen by the banks. This power, together with the power to appoint outright three of the nine directors, gives the Federal reserve board control over the reserve banks through controlling the tenure of office of six out of nine of the directors.

The power to suspend the operations of any one or all of the Federal reserve banks and appoint receivers for them.

The power to fix the compensation of the chairman of the board of directors and Federal reserve agent for each bank, and to permit or refuse to allow the payment of any compensation to other directors of the reserve banks outside of necessary expenses attending meeting—the reserve bank to pay such compensation.

The power to compel one Federal reserve bank to rediscount for another Federal reserve bank.

The power to define commercial paper admissible for rediscount at Federal reserve banks and to fix the amount of such paper of certain maturities which may be rediscounted.

The power to control note issue and to grant or refuse to grant the application of Federal reserve banks for currency.

The power to accept or reject the application of a State bank for membership in a Federal reserve bank. This provision destroys the principle of free banking. It is true the Democratic caucus adopted an amendment which I assume was intended to remedy this fault. I doubt if it does.

The power to summarily remove the chairman of the board of directors and to suspend all other officials of Federal reserve banks without stating cause therefor, and for cause stated in writing to require the removal, with the approval of the President, of any or all officers of Federal reserve banks.

The power to require the writing off of all of the assets of Federal reserve banks they deem of doubtful or worthless character.

The power to authorize Federal reserve banks, under its rules and regulations, to carry on open market operations with firms, corporations, or individuals.

The power to exercise the functions of a clearing house or allow or require reserve banks to exercise such functions.

The power to review and approve or disapprove the rates of discount fixed from time to time by the Federal reserve banks.

The power to grant to or withhold from Federal reserve banks the right to do a foreign banking business.

The power, in conjunction with the Secretary of the Treasury, to apportion the funds of the Government, in their discretion, among the Federal reserve banks, and the power to charge interest or not, as they see fit, on such deposits.

The power to increase and decrease the number of reserve and central reserve cities.

The power to exempt the savings department of national banking associations from any and all restrictions upon kinds and classes of business.

The power to define the conditions under which certain classes of securities may be purchased by savings-bank departments.

The power to suspend for 30 days at a time indefinitely any and every reserve requirement except as to reserve notes.

VIRTUALLY A CENTRAL BANK.

These are by no means all of the powers of the Federal reserve board, as they do not include a wide variety of powers of regulation, control, and examination over Federal reserve banks or member banks, but the powers herein enumerated are sufficiently broad and sweeping to make it very clear that the Federal reserve board under this bill is an organization

of vastly wider power, authority, and control over currency, over the banks within the national system, and over the credits and business of the country—foreign and domestic—than the reserve association contemplated by the Monetary Commission bill. Not only its power, authority, and control vast, but it is of a character which in practical operation would tend to increase and centralize. On the contrary, the authority and control of the reserve association under the Monetary Commission plan would be constantly checked and minimized by the influence of the local associations.

The gentleman from Virginia [Mr. GLASS] said that the powers of the central board were no greater than they should be, because it was simply a governmental board of supervision. If that was all it was, then there need be no criticism, and there would be no criticism of the appointment as contemplated in the bill. But the Federal reserve board is infinitely more than that. It will be the most powerful banking institution in all the world, and it will have not only the supervision but it will have largely the control and management of the banking and the credits of this country.

In this bill we have presented to us the vastly edifying spectacle of a party denouncing the Monetary Commission plan of organization because, they said, it contemplated a central bank and then coming forward with a different plan based on the same idea, providing for a central organization under partisan control, with wider and more centralized power than the Monetary Commission ever dreamed of. In your frantic efforts to escape the bogey man of a central bank, which you yourselves have conjured up, you have come perilously near establishing in the office of the Comptroller of the Currency, under the Secretary of the Treasury, the most powerful banking institution in the world.

Having considered the method of appointment of the Federal reserve board and the character and extent of its powers, it ought not to be difficult to arrive at a conclusion as to whether the board would be likely to be partisan, whether or no the character of its duties, activities, and responsibilities are such as could be safely trusted or properly executed in partisan hands—whether or no those duties, activities, and responsibilities are of a character to tempt the exercise of partisanship.

OUR BANKS AT ONE TIME POLITICAL.

We are not without experience in this country in the matter of politics and partisanship in connection with banks. Everyone at all familiar with banking in this country before the establishment of the national banking system knows that in the days when legislatures chartered banks the banks were expected to be political. A Federalist legislature chartered a Federalist bank, and a Democratic legislature granted charters to those who held their political views. Nothing else was expected in those days than that the banks should be political, and that a man should go for accommodations to a bank controlled by men of his political faith, if there was one available. We never had an entirely nonpartisan banking system until the Republican Party established our present system. Are we to return to a partisan banking system under the Democratic Party?

FIRST AND SECOND UNITED STATES BANKS.

At the time the attempt was made to secure a renewal of the charter of the first United States Bank in 1811—while there was little in the character or operation of that bank which justified any claim of political control—Senator Crawford, of Georgia, called attention to the fact that in the eyes and the language of the opposition it was a hydra, a cerberus, a gorgon, a vulture, a viper.

There is no more instructive period of our history than that between 1830 and 1836, which witnessed the fierce contest over the attempt to secure a recharter for the second United States Bank. That contest, involving as it did some of the greatest characters in American history—Andrew Jackson, Webster, Clay, Calhoun, Benton, and a large number of lesser lights—was the leading issue in a presidential election, witnessed the passage in the Senate of resolutions censuring President Jackson and the long and bitter contest over the expunging of that resolution.

In his effort to crush the bank President Jackson displaced one Secretary of the Treasury and summarily removed another, took action with regard to Government deposits in direct violation of law, and in many ways used to the utmost every resource of his administration, every available instrument of his imperious will. The institution which caused all this turmoil did not approach the power or afford a fraction of the temptation to or opportunity for political manipulation that the Federal reserve board under the Glass bill does. The bank in its operations was immeasurably freer from any action or policy having a political slant or bias than the Federal reserve

board and the reserve banks under it could ever hope to be under the partisan control contemplated.

BOARD HAS TOO MUCH POWER.

The Glass bill gives the Federal reserve board too much power, no matter how it shall be constituted. The provision under which the board has discretion to exclude a State banking institution, no matter how sound, how honestly and ably managed, from participation in the Federal system needs no argument to condemn it. It is in violation of every principle of our institutions. Certain of the powers of the board are peculiarly objectionable in their scope if the board is under control which might be tempted to use these powers for political advantage.

THE RIGHTS OF STOCKHOLDERS AND DEPOSITORS.

But, outside the questions which relate to the dangers which threaten our country and our credit under a partisan banking and currency system, there is a question of morals. Framers of this bill were not sufficiently confident of the wisdom of its provisions that they were willing to make participation in it voluntary so far as the national banks are concerned—a threat of the loss of their charters was considered necessary to secure the success of this force act—loss of charter means loss of prestige, and, under the terms of the bill, a heavy loss in depreciation of the 2 per cent bonds, held as the basis of circulation, and therefore the national banks must come under the act unless to do so threatens immediate and permanent loss.

Having thus dragooned, or attempted to dragoon, over 7,000 national banks into the system compelling them to contribute over a hundred million in cash to the capital stock of the reserve banks and become liable for as much more and to contribute from four to five hundred millions in reserves, the stockholders are calmly told that they are to have no participation whatever in the central governing institution, with its enormous powers, and they find on examination of the bill that in practice they will have little or nothing to say in the management or control of the reserve banks.

REGULATION VERSUS MANAGEMENT.

The gentlemen will, no doubt, wax heatedly vociferous and flamboyantly eloquent in their declarations that this is the people's affair; that the people, through their Government, alone have the right to control the issue of currency and supervise the business of banking. The gentlemen may as well save themselves that kind of effort, for they will fool nobody whose opinion is worth while, at least not for long. There is no one who disputes the right and the duty of the Government to supervise, so far as is necessary for the benefit and protection of all the people, the issue of credit notes and the business of banking. The people pretty clearly understand nowadays that control through a Government bureau, by political appointees, is not synonymous with control by the people and for the people. Neither do people of ordinary intelligence confuse regulation and management. We regulate the railroads, we do not manage them. We regulate the packing of meats, we do not appoint the men who run the business.

WAIVING RESPONSIBILITY.

Oh, but some trusting brother will say, these people can depend upon the good faith and judgment of the men who are appointed by the President. Well, Republicans might have confidence in the appointees of a Republican administration, Democrats in the appointees of a Democratic administration, but Progressives might not have any confidence in either. Men who are responsible for the management of other people's money, as well as their own, are hardly warranted, in any event, in putting such funds entirely beyond their control. In my opinion, neither the officers of a national bank nor a majority of the stockholders would be warranted in the absolute waiver of all voice or influence in an institution of which they become a part, which this bill contemplates, no matter who was to manage it.

It is no argument to say that much of the control of foreign central banks is in the hands of the appointees of Presidents, Kings, and Emperors; that is true only to a limited extent, and I have already called attention to the nonpolitical character of these chiefs of States. Furthermore, gentlemen who harangue against central banks are barred, or ought to be, from inveighing against a central-bank system with one breath and in the very next defending their plan on the ground of its resemblance to foreign central-bank systems.

ADEQUATE GOVERNMENT SUPERVISION.

There unquestionably should be such representation through appointees of the President as is necessary to insure proper supervision in the interests of the people. Such appointees should represent various shades of political opinion and the business rather than the political life of the Nation. The

Monetary Commission plan provided that the Secretaries of the Treasury, of Agriculture, of Commerce and Labor, and the Comptroller of the Currency should be ex officio members, and that the President should appoint the governor of the board of directors of the National Reserve Association—perhaps not a sufficient representation. This plan goes to the other extreme, while its wide latitude of initiation and discretion tempts partisan manipulation in the apportionment of funds, in compelling rediscounts for localities desiring to hold commodities for a rise, in supplying or withholding currency, in defining paper admissible for discount, in admitting or excluding State banks. It denies participation in management to the millions of stockholders and depositors and proposes the establishment of an unrepresentative and partisan banking system.

DENYING THE PEOPLE REPRESENTATION.

Assuming, for the sake of argument, that it would be possible under the Glass bill for the management to be entirely nonpartisan at all times and of a high order of efficiency, that management would be under no responsibility in a fiduciary capacity to those whose money and credit, in the form of stock or deposits, was in the keeping of the member banks. It would not be likely to be in close touch with the business of the country. If a national system of banking cooperation—and that is what is or should be sought under this legislation—is successful, practically every commercial bank in the country would eventually be connected with the system; thus the moneys and credits of all the people would, in a very important sense, be involved in and affected by the organization of the reserve board and reserve banks.

I assume the Government is not to attempt the impossible task of selecting and vouching for the officials of all the banks of the country and substituting an official for the personal judgment of those locally charged with responsibility to stockholders and depositors. This being so, to deny bank officers and stockholders representation or participation in a far-reaching centralized control of banking and credits amounts to denying participation to the people themselves.

THE SPEAKER'S VIEW OF IT.

In an interview given out some days ago Speaker CLARK is quoted as follows with regard to the reserve board:

A President's fame will rest largely on the justice, wisdom, and patriotism with which the Federal reserve board uses its great powers and discharges its important duties. Consequently, as any President desires the good of the people and is jealous of his own fame, he will appoint men only of ability, character, and patriotism on the Federal reserve board, and then keep close watch on them to the end that all the people may be treated impartially and that our prosperity may increase.

It is a thing incredible that any President will ever be so base or regard his own good name so lightly as to abuse the stupendous trust committed to his keeping by the Glass-Owen currency bill.

It seems to me that in this statement the Speaker unwittingly suggests the strongest argument against the proposed plan when he refers to the "stupendous trust committed to his (the President's) keeping," and when he insists that the President would "keep close watch on them (the board) to the end that all our people will be treated impartially." I am surprised that so good a Democrat and so good a patriot as the Speaker should take the view that it is wise or necessary to add to the present tremendous power of the presidential office a further "stupendous trust" which he can only hope to properly fulfill by keeping a "close watch" on his appointees.

There are certain powers lodged in the "stupendous trust" that should not be placed in the hands of any man or body of men, no matter how wise; and as to those powers and that discretion necessary to the working of a successful system, no one man—no few men of one mind or way of thinking—no matter how wise and patriotic, should be given the exclusive control.

MIGHT WORK WITH AMENDMENTS.

In emphasizing the partisan centralized and nonrepresentative control provided for in the proposed Federal reserve board and in comparing it with the Monetary Commission plan of organization, I do not desire to be understood as insisting that this plan of organization shall be abandoned and the Monetary Commission plan adopted. I do, however, believe that the Monetary Commission plan would require fewer changes to make it a workable and a satisfactory plan, in the interest of all the people, than will be required to bring the plan before us into a form that would produce satisfactory results in the running of the years.

The Glass plan without a curtailment of the powers of the Federal reserve board, a limitation of the operations of the reserve banks to transactions with the Government and among themselves and with member banks, and without some provision for representation by the people through their local bank-

ing institutions in the management of the board and reserve bank is, of course, impossible. With amendments curing those defects the Glass plan would probably be workable. At any rate, I am sure that the majority of people have no disposition to quarrel or split hairs over the detail of organization.

THE FEDERAL ADVISORY COUNCIL.

The amendment to the original Glass bill providing for a Federal advisory council was adopted in recognition of the faults in the plan of organization to which I have referred, and is an attempt to cure or at least palliate them. Unfortunately, the plan is not founded on correct principles, and in practice would probably create friction without accomplishing beneficial results.

This proposition is borrowed from the German Central Bank. It is curious how our Democratic friends, while professing horror at the idea of a central bank, fly to monarchical central banks for argument in defense of their plan and for ideas and suggestions for its improvement.

The Federal advisory council would, under the plan now proposed, have no power, authority, or jurisdiction which a voluntary association which might be organized by the banks would not have; therefore it amounts to no more than a declaration that associations or committees representing the banks may make suggestions or recommendations to the high and mighty Federal reserve board. Are we to understand that but for this provision the board would not be supposed to hear or heed petitions or recommendations?

The people should be recognized and given representation through the banks on the Federal reserve board; no such makeshift or pretense as the advisory council will do.

CURRENCY ISSUE.

I have called attention to the fact that the President, in his address of June 23, delivered at a joint session of the two Houses of Congress, avoided specifications relative to the character of the currency legislation he desired. He did, however, make some general observations relative to what we should seek to accomplish. Speaking of currency, he said:

We must have a currency not rigid as now, but readily, elastically responsive to sound credit, the expanding and contracting credits of every-day transactions, the normal ebb and flow of personal and corporate dealings.

I do not recall having seen or heard a clearer or a sounder statement relative to currency issues, and it is greatly to be regretted that in drafting and amending the Glass bill the members of the President's party charged with that responsibility did not evolve a plan in harmony with his recommendation. It becomes our duty, therefore, to help correct the blunders of the President's advisers in this matter and endeavor to bring their bill into harmony with the President's declaration.

Instead of providing a currency elastic and responsive to expanding and contracting credit and to the normal ebb and flow of business they have provided for a currency which is expansive only after a curious system of circumlocution at the will and pleasure—one might almost be justified in saying the whim—of the Federal reserve board.

The amendment to the Glass bill, adopted by the committee and approved by the caucus, providing for the redemption of reserve notes, remedied in a way a fatal defect of the original bill; but assuming that the plan of redemption provided for will work satisfactorily, the fact remains that the process of circumlocution under which notes are to be issued, the grave danger of conscious or unconscious partisan bias or warping of judgment on the part of the Federal reserve board and the management of the reserve banks, as it is proposed they shall be constituted, renders the plan of issue likely to be anything rather than readily responsive to sound credit. The absolute discretion of the reserve board in the issuance of reserve notes is highly objectionable. If it worked well, it would be because it was better in practice than in principle.

TAXING RESERVE NOTES.

The provision authorizing the Federal reserve board to charge the reserve banks interest on note issues is either pure buncombe or the work of a befuddled mind. The Government is in any event to secure the major portion of the earnings of the banks above 5 per cent. As the banks will, if the system works at all, earn over 5 per cent, what the Government gained in interest on notes it would lose in earnings.

Such an interest charge is not necessary or useful for the purpose of calling in circulation, for the redemption provisions will do that; but it would operate to discourage reserve banks from rediscounting for member banks at times when they most needed funds, thus putting a further obstacle in the way of ready response to the needs of the country.

NOTES SHOULD NOT BE GOVERNMENT OBLIGATIONS.

Personally I believe it to be a mistake to provide for credit notes or credit currency which shall be obligations of the United States. I know of no good purpose to be served by so doing. It is proper and essential that adequate provision be made to maintain the soundness of such notes, but that can be done without making them Government obligations. As the soundness of these notes rests upon the reserves and the credits behind them, upon provisions for their prompt and the fund for their certain redemption, nothing is gained by the Government assuming obligation for them; and in time of war much embarrassment might result therefrom. The insistence upon making these notes Government obligations is based upon a wholly mistaken and erroneous idea of what they are, of their character and functions. There seems to be a large number of people, whose minds are clear on other subjects, who can not understand the difference between money and credit notes.

It is the function of the Government to coin money and, acting as a money warehouse and auditing agent for all the people, issue certificates in lieu of stored coin and bullion. Our Government may also and has issued fiat money to meet an emergency, but Government issue of or responsibility for circulating credit notes is an economic error. The making of credit notes a legal tender in the payment of Government obligations, other than those specifically payable in coin, or of sums due the Government is simply a matter of convenience. It is true it gives currency to the notes thus recognized, but the object of the provision is primarily to serve the convenience of the people and of the Government. It would be even more convenient if the checks of all responsible persons were by right recognized and receivable at the customhouse. The only objection to it is that the Government has no means of keeping track of the credit of individuals.

OUR LARGE PER CAPITA CIRCULATION.

We should not lose sight of the fact that we have in circulation in this country, in coin and coin certificates, representing coin in the Treasury, and in United States notes, a total, in round numbers, of \$2,480,000,000, amounting to about \$26 per capita. As this does not include the national-bank notes, which alone of our circulating medium are affected by this bill, we would still have, under this legislation, if it retired all the national-bank notes, a larger per capita circulation, mostly in actual money or its representative in the form of certificates, than any other people on earth, except perhaps the people of France.

As this bill does not, however, contemplate the immediate withdrawal of bank notes, but, rather, their gradual redemption through a period of 20 years, we would still have a per capita circulation of \$34 after this legislation was enacted, and the notes immediately necessary, if any, would be of such amount as might be required to meet, as President Wilson phrases it, "the expanding * * * credits of everyday transactions." If the issues which we provide for are to be of the character described by the President, they need not and should not be Government obligations, though their issue should of course be under such Government supervision as will insure their soundness.

The framers of the Glass bill did not have as good example to follow in the currency recommendations of the Monetary Commission as they had in its plan of organization, and they certainly have improved on the provision for redemption contained in the Monetary Commission plan. The bill should relieve the Government from obligation for note issues, and it is imperative that some such simple plan as the Monetary Commission bill provided should be adopted for the emission of notes.

RESERVES.

In the President's address to which I have referred he said "our banking laws must mobilize reserves." Unfortunately the bill presented, which is supposed to have the President's approval, at least in a general way, does not satisfactorily accomplish this purpose. Perhaps the greatest fault of our national banking system is that it does not admit of the mobilizing of reserves. While the legislation before us improves this situation somewhat, it lacks much of realizing the condition the President had in mind. This to a certain extent is inseparable from the plan of organization which has been adopted.

Under the Monetary Commission plan reserves could be readily and effectively mobilized and utilized to the utmost, to meet a local situation of stringency or lack of confidence, or to fortify where most needed against a wide extended failure of credit or threat of financial panic. The creation of twelve or more regional reserve banks by this bill renders the plan about one-twelfth as effective in mobilizing reserves as the Monetary Commission plan. I am not altogether certain that there are

not some compensating advantages, but viewing the matter in the light of effective mobilization of reserves alone, the commission plan was vastly the more effective of the two.

FEAR OF CENTRALIZATION.

The trouble with the Democratic brethren is that, while they see the necessity of having reserves fluid and available for concentration in order to render them readily effective, they are in such mortal terror of the "Money Trust" they have conjured up that they scatter and divide reserves permanently and still hope to effectively mobilize them.

I come from a good way west and share the belief of many of our people, and eastern and southern people for that matter, that New York and, to a lesser degree, other large centers have heretofore held our reserves for speculative trading when our people needed them for legitimate business.

Our bankers claimed in 1907 they could not get what belonged to them, much less accommodation on good paper. We want to cure that sort of thing, and I suppose that is what gentlemen had in mind when they divided their central bank into 12 parts, not to count the Federal reserve board.

Assuming that fear of concentration justifies the creation of 12 or more reserve banks, we must admit that we handicap ourselves vastly in securing mobility and effectiveness in the use of reserves. We talk about mobility and provide for immobility, for crystallization, of reserves.

After all, does it matter so much where reserves are or how much concentrated, if their use for improper purposes is prohibited and they are available to be drawn upon when needed? One great reservoir, or a few large reservoirs, supplying many communities can be safely drawn upon and reduced to a much smaller volume than the combined volume necessary to insure safety if each community has its own reservoir. The real problem is to see that the large reservoir or reservoirs are properly constructed and guarded and the supply pipes in good order.

One thing is certain; if the reserve requirements now in the bill are essential for the creation and maintenance of 12 regional banks, then it is imperative that the number of regional banks be reduced in order that the reserve requirements may be reduced, otherwise the bill will produce in its first operations a serious stringency in the money market. This feature of the bill has been somewhat improved by amendment, but is still far from perfect.

THE RESERVE REQUIREMENTS AND THE COUNTRY BANKS.

The reserve requirements of the bill are most burdensome on the country banks and would, in my opinion, make it impossible for the average country bank to join the system. Our banking system has developed in actual practice along the natural lines of trade and business. For reasons which are well understood successful and well-managed country banks ordinarily carry a considerable portion of their reserves other than that required to be carried in their own vaults in the banks in reserve cities with which in the ordinary course of business they are most naturally and intimately associated. The maintenance of such reserve accounts is essential to the business of these banks in the accommodation of their customers. Under this bill country banks must retain in their own vaults within 1 per cent of the amount now required to be so held, and the balance of the required reserve at home or with the reserve banks.

Of course, if it is contemplated that the reserve banks and their branches are to usurp the relation which now exists between the country banks and the larger banks in reserve and central reserve cities—in other words, if the reserve banks are expected to and should become active rivals of the subscribing banks in the general field of banking business, there might in the course of time be less urgent necessity for the country banks to maintain their present relations with their city correspondents. But nothing of that kind should or can occur if the reserve banks are properly limited in their field of activity. Therefore the fact remains that the reserve requirements of the bill are objectionable to the country banks in this respect.

Under this bill the country banks would have 10 per cent of their capital in reserve banks earning not to exceed 5 per cent; perhaps less. Twelve per cent of all deposits, at least, would be tied up, earning nothing; and in addition there would be the necessity of maintaining reserves, as at present, with city correspondents. All this would reduce the earning capacity of the country banks without benefiting anyone.

OTHER HANDICAPS FOR COUNTRY BANKS.

If it be urged that in course of time the country banks would not find the necessity so urgent as at present for reserves with their city correspondents, the answer is that such a condition could only arise in case the reserve banks came to perform all the services now performed by the city banks for their country

correspondents. That could not occur, even under this bill, for many reasons.

It is true the reserve banks would furnish a wider discount market, but much of the accommodation that the country banks require they could obtain more promptly and with less formality from their city correspondents. This is particularly true as paper offered for rediscount at the reserve banks must meet technical statutory requirements which many country banks would find it difficult to comply with as regards much of their perfectly good paper.

There may be some good argument for the provision of the bill which prohibits exchange collection charges. I am not sufficiently familiar with banking business to express an opinion as to the reasonableness of such charges or how large an item they constitute. I do know that country banks feel that they are entitled to make a charge for such services; that it is a legitimate charge for a real service.

The country bank with good city connections is the backbone of our banking system, and a most important influence in our business affairs. Any legislation on banking and currency which lays burdens or withholds privileges to an extent that tends to discourage these banks from coming into, or would render it inadvisable for them to remain in, the national system foredooms that system to merited failure.

THE 2 PER CENT BONDS.

A good deal has been said at one time and another with regard to the provisions and lack of provisions in the Glass bill in the various stages of its incubation affecting the 2 per cent bonds now available as a basis for circulation. Passing over the period during which the bill sometimes had and sometimes had not provisions with regard to these bonds and coming down to the provisions now in the bill, it may be said that their adequacy to protect present holders from loss depends in the first instance upon whether or no practically all of the national banks shall go into the new system. If any considerable number of them should elect to remain out and thus lose the circulation privilege for their bonds, the bonds would undoubtedly depreciate in value without regard to the provisions or in spite of the provisions of the bill.

In view of this condition of affairs gentlemen who claim to see no threat in the pending legislation against the 2 percents or anything in the legislation which, in the ordinary course of business, is calculated to reduce the market value of these bonds, must be very obtuse or very confiding. I will guarantee that none of them if they were making investments would, under the circumstances, think of investing in 2 per cent bonds. Everybody knows that money is worth more than 2 per cent per annum in this country—lots of people are paying 10 per cent on loans—so that it is perfectly childish, puerile, and ridiculous for gentlemen to say that there is no reason why 2 per cent bonds should depreciate in value when there is a proposition before the country being seriously considered to take from these bonds the circulating privilege, which alone maintains them at par or anywhere near it.

Not only is there this legislative threat, but various gentlemen high in the councils of the Democratic Party have advocated action with regard to the 2 percents frankly confiscatory of their value. The Hon. HOKE SMITH, Senator from Georgia, in an address delivered before the legislature of his State July 18 last, proclaimed that he "took no stock in the proposition that the Government should take action which would insure returns at par to the holders of 2 per cent bonds." This Democratic statesman would issue \$750,000,000 irredeemable Treasury notes and compel the holders of 2 per cent bonds to take them in exchange for their bonds. If Government obligations can be met so easily as all that, why should we stop at seven hundred and fifty million; why not make it a billion, or two billion, and stop all this waste of gray matter and expenditure of real thought in an effort to secure a sound and elastic currency? Why labor and try to think these hot days when there are so many printing presses handy?

THE ALDRICH PLAN FOR THE 2 PERCENTS.

It is something of a joke on the Democratic brethren who wilt their collars and rend their garments these hot days denouncing the "Aldrich plan" when we recall that the Aldrich plan, so called, provided for the payment of the 2 percents without additional expense to the Government, while the plan they propose will increase the interest charge on these bonds seven and a half millions annually.

There is another feature of the so-called Aldrich plan which our Democratic brethren from the South and West have evidently overlooked in their frenzied denunciation of it. It was proposed to have the National Reserve Association fix, from time to time, a uniform rate of discount for the entire country. There

is a difference of opinion as to whether this could be made effective, but if it could it would tend to greatly reduce the interest rate in the West and South, where it is now high. The National Monetary Commission was willing to make the effort for the benefit of the South and West. The Glass plan assumes we of the West and South are to continue to pay higher rates of interest than the North and East.

REDISCOUNTS.

One of the greatest needs of the country is wider and more certainly available facilities for converting liquid bank assets into circulating, or debt liquidating, media. A real and available rediscount market—in fact some of our banks need to be educated to the use of such facilities. The provisions of this bill in this regard are, I think, in the main excellent. I hope that it may develop that the provisions in regard to rediscounting may safely be made more adaptable to certain kinds of country credits, though I am of the opinion that a fair interpretation of the rediscount provisions will bring within them practically all convertible agricultural assets.

OTHER PROVISIONS AND SOME OMISSIONS.

There are many other provisions of the bill I should like to refer to, but time will not permit. The measure contains many good provisions, but needs much amendment to perfect it. One of the most curious features of the legislation lie in its omissions. The last Democratic platform contained the following:

We condemn the present methods of depositing Government funds in a few favored banks largely situated in or controlled by Wall Street in return for political favors, and we pledge our party to provide by law for their deposit by competitive bidding in the banking institutions of the country, national and State, without discrimination as to locality, upon approved securities, and subject to call by the Government.

Evidently our Democratic friends have concluded that "the present methods of depositing Government funds" are not objectionable. If so, they owe us an apology—or do they intend that this method should be continued "in return for political favors?" At any rate they continue the system they so virtuously condemned. Another thing, our Democratic friends have for some time past been much disturbed about the "Money Trust" and the control of the money market by combination of ownership and interlocking directorates. The much condemned Aldrich plan had a provision denying representation to institutions so controlled, but our Democratic friends so lately and, in my opinion, so properly disturbed over money control fail utterly to provide any remedy. When I was a boy and lived on the Mississippi River they had steamboats that used up so much steam tooting in the face of danger that they had none left to make headway against it. Our Democratic friends are that way; they get so out of breath shouting about dangerous conditions they have no will or power left to remedy them.

REASONS FOR BEING THANKFUL.

Before I close I want to make a few observations which I had in mind to make at the beginning of my remarks. The Democratic Party has reason to be profoundly thankful for many things. It has reason to be thankful that although a minority party it has, by grace of an unfortunate temporary split in the Republican Party, full control of the affairs of government.

The Democratic Party have further reason to be profoundly thankful that, in the consideration of this banking and currency question, it is the fortunate heir and beneficiary of the illumination and elucidation which the subject has received in the last few years, largely at the hands of Republicans.

Furthermore, you have reason to be profoundly thankful for the attitude of the American people toward your efforts. Realizing as the people do how much investigation, research, and discussion have done to clarify the situation—the country is assuming that if you are not entirely lacking in judgment and the power to assimilate ideas you will have no great difficulty in putting into concrete form the crystallized consensus of public opinion on the subject, particularly if you will listen to words of wisdom from Republican sources.

Of course the people take no stock in the notion that the currency laws should be amended because your tariff bill is going to give them new opportunities requiring the use of new banking and currency facilities. Rather they take the view that the evils, present and threatened by your tariff legislation, may perhaps be minimized through currency legislation. They are therefore more inclined to trust you with the job than their lively recollection of your checkered record with regard to currency and coinage would perhaps warrant.

The country will now accept and make the best of legislation on this subject that it does not wholly approve. When a party has an opportunity to legislate in the presence of such a state of public mind and opinion, it is wise if it acts, and if in acting it carefully considers opinions offered in good faith

and does not assume an air of hostility and suspicion toward every suggestion made. So far as we are concerned we are willing to give you full credit if you succeed in getting a sound and workable bill, and will only fail in support of your propositions to the extent that, in our opinion, they are fundamentally indefensible and unquestionably harmful.

IS THE GOOD WORK TO BE ABANDONED AFTER ALL?

Very recently we have heard many covert suggestions and some open declarations that after all the labor and travail with which this measure has been brought forth, after all the pain of its delivery and the incessant and solicitous ministrations of its numerous and exalted midwives and nurses, it is to be deserted and abandoned utterly. It is also said that in the stead of this offspring of Democracy, whose legitimacy though denied by some has been vouched for by the head of the party, there is to be adopted a creature of questionable parentage but bearing a close family resemblance to the Vreeland-Aldrich emergency currency act. Is it possible that Dame Democracy will permit so shameful a desertion and so questionable an adoption as this?

I will not venture to say, for I do not know, how many post offices and other jobs still remain to be handed out. If the cohesive force of patronage pap is spent and is no longer effective, then I shall expect the discordant factions of Democracy to resolve into their original elements of greenbackers, fiatists, and silver-coinage and gold-standard men and fall utterly to agree on any real constructive legislation. As I love my country and desire her prosperity, I hope the power of patronage, which has wrought such evils in tariff legislation, may in some measure be justified by compelling proper and needed currency legislation. We stand ready to help. [Applause.]

I am sorry that I can not in the time allotted me complete my speech. I fear that this hurried statement does not give a very clear idea of my attitude toward many features of the bill. Possibly in the moment that I have left I can somewhat illustrate how I feel about the measure by referring to a little incident. Away back yonder in the range days in my State Jack Moore was foreman of the "O bar K," on the Cheyenne River, just on the other side of the Black Hills. Jack was not only a good cowman but Jack was also a good sport, and it grieved his Missouri soul that the "O bar K" had not found in all its saddle string in one long summer a cayuse that could win a single one of the many races with which the boys had enlivened the round-ups; and so, when, booted and spurred, he started to market with the beef herd in the fall he announced to the boys that he proposed to buy some critter down where he sold the cattle that would pass for a cow pony and that would restore the luster of the "O bar K." While the proposition did involve a departure from sporting virtue, the boys were agreeable to it.

Now, while Jack was a good cowman, he was no sort of a match for the slick "hoss traders" down at Kansas City, and the smooth and perky animal for which he bartered most of his summer's wages after the nine days' drive back to the ranch was about as weary and ornery a looking critter as ever came over the trail. More than that, the night of his arrival he got mixed up in a fight with a range stallion, after which little episode his condition absolutely baffled description, and this was his condition in the gray dawn of the next morning when the boys gathered around the corral to examine the new purchase, and Jack stood by, rope in hand, waiting for the judgment of the fellows on the purchase he had made.

"Mizzou" Hines was the spokesman, and he spoke in this wise. He said, "Jack, I 'low when them slick fellers down there put that critter over on ye ye thought ye was gettin' something, and ye wuz. I won't say, seein' he's got four legs and a haid, that ye can't make some kind of a hoss out of him, but take it from me, as a friend, Jack, he'll need a power of fixin'." [Laughter and applause.]

Mr. GLASS. Mr. Chairman, I yield 30 minutes to the gentleman from Ohio [Mr. BATHRICK].

Mr. BATHRICK. Mr. Chairman and gentlemen of the House, after some little acrimony that has been displayed in the discussion of this subject heretofore I trust that my discourse will be considered more pleasant.

We have in the pending bill a little touch of farm credit, but I think we will all agree that it does not go far enough. I believe it is understood that, without doubt, there will be presented to this House during the next session a complete and sufficient farm-credit measure. What form that will take I do not know. I have my opinion as to what it should be and I will attempt to promulgate it. But I am certain of one thing now, and that is that it will be totally impossible and comparatively useless for any of us to attempt to hitch an efficient amendment upon this banking and currency bill.

During the discussion of the parcel post, we all remember, there were amendments and various bills and ideas presented by Members of the House that required nearly 20 minutes to read, and no man in the House aside from the authors had even heard of them. No committee had considered them. They did not come before the House in that official capacity and manner. I trust we will not attempt to graft a farm-credit bill upon this currency measure in any such manner as that.

Mr. Chairman, on June 30, 1912, the total amount of money in the United States was \$3,648,870,650.

The national banks alone loaned \$5,953,904,431 for that year. The total loan is over twice this amount. In other words, we lend in a year's business about three times as much money as we have. Nothing could better illustrate the necessity of commercial credit in all our industries.

Without credit the commerce of the world would falter, production and distribution would become inadequate, and our social and economic status would relapse to a condition of semibarbarism.

The commerce of the cities has fixed a cost of credit that agriculture can not pay. The turning of his active capital but once each year; his lack of credit, social connections, and distance from the money market; his smaller profit in proportion to investment and the fear of debt, superinduced by the necessity of carrying impossible obligations; the small ratio of active capital to his fixed capital, are reasons why the farmer has not fully profited by the great scheme of commercial credit. The merchant and the manufacturer, turning their capital every three or four months, can use short-time credit. They are "constant customers" of and are "acquainted" at the bank. The bank knows their limitations better than it knows the farmer's. The bank can make more money on short-time loans than on long-time loans, and thus the short-time loans get the money.

The farmer needs better short and long time loan facilities. If he is out of debt, he can get seasonable loans on short-time terms better than the farmer with an impossible mortgage. It is to this latter class mainly that we should first give our attention.

LONG-TERM MORTGAGES WOULD HELP SHORT-TIME CREDITS.

Everybody in a community knows that a five-year mortgage of one-half the value of a farm is impossible. The banker knows it and hesitates to grant the short-time loan. If we can, then, arrange for long-time terms upon farm-land mortgage loans which the farmer can meet, which do not consume absolutely his yearly returns, his credit will pick up with the banker on the short-time loans, and we will have done much to cure the ills of the whole situation.

For many years we have expended large sums through our Federal and State Agricultural Departments to encourage and instruct the farmers in advanced methods of agriculture, but while European countries have for over a half century recognized that with the knowledge of how to do a thing must also go the money with which to do it, this country has taken no steps, except by some legislation in various States limiting the interest rate, that would assist agriculture in this direction. This limitation upon the interest rate is a sign that we have long since recognized the necessity of curbing the selfishness of money lenders.

All of our States limit the legal rate to from 6 to 8 per cent, but permit by contract a rate of interest as high as 12 per cent. Eleven of our States do not restrict the contract limit, permitting any rate that the exigencies of the borrower and the avarice of the lender may agree to. Everywhere to the regular interest rate is usually added a commission and various charges for expense which, all told, brings the average annual cost of farm loans in this country to over 8 per cent.

CONDITIONS DEMAND RELIEF FOR CONSUMER.

The 1910 statistics report a mortgage indebtedness upon ten- and farms of \$1,320,000,000 and upon farm-home farms of \$1,726,172,851, bringing the total of reported farm-land mortgage indebtedness to \$3,460,172,851. The annual interest charge levied against our farms, which must, in the last analysis, be a cost added to their products, amounts to over \$7 per capita for the entire population of the United States. Consumption must take care of this charge, and this means \$7 for every man, woman, and child in the United States added each year to the cost of farm produce.

Upon the farmer directly falls this burden with the most depressing results and discouraging influences, but the city dweller pays as well. The effects are not lost upon our young people who at the threshold of life come to determine their future avocation, and I believe this to be among the principal reasons why so many of our young men leave the farm for city occupations and intrude their competition upon the labor of our urban communities.

The facts plainly indicate that agriculture in proportion to our population and as related to progress in other industries is waning.

This is well illustrated by the increase of farm tenancy. In 1880, 25.6 per cent of all our farms were operated by tenants; in 1890, 28.4 per cent; in 1900, 35.3 per cent; and in 1910, 37.1 per cent. This shows a steady and positive increase of tenantry. It is not entirely beyond conjecture, using these figures as a basis, to foresee a possible situation of tenantry in this country not far removed from the baneful influence which the British Empire is proceeding to eliminate in Ireland with an expenditure of public funds gathered by the taxing power, already amounting to over one-third of a billion dollars.

Since 1910 the farm-home owners have increased only 0.8 per cent, while the farm tenants have increased 16.3 per cent. The farm homes mortgaged in 1890 were 23.2 per cent of the whole; in 1900, 31.6 per cent; in 1910, 33.6 per cent. This shows a steady and absolute increase of mortgages upon the farm homes. I mean by "farm homes" those farms where the owner resides upon and operates them.

The mortgage debt on farm homes in the United States in 1890 was \$1,085,915,860; in 1910, \$1,726,172,851. It is true that the mortgage debt of 1910 is a smaller percentage of the value of the property than the debt of 1890, but with this vastly increased mortgage indebtedness the productive acreage has not kept pace, and production, not sale value, is the means by which farm debts are paid. Owing to the increase of population and the consequent advance of price of products, farm land has vastly increased in sale value, but the debt per farm bears a much greater ratio to the number of acres with which to pay this debt than it did in 1890. To illustrate: In 1890 the improved acres per farm of farm homes averaged 72.2 per cent of the whole. In 1910 the improved acres per farm averaged 75.1 per cent, an increase in 20 years of only 2.9 per cent of improved acreage, while in the last 10 years alone the increased mortgage per farm is 39.8 per cent. The average debt per farm in 1890 was \$1,224, while the average debt per farm in 1910 was \$1,715, and the average acreage per farm dropped from 146.2 acres in 1900 to 138.1 acres in 1910. It is palpable that this increase of 39.8 per cent of debt per farm can not be taken care of with an increase of 2.9 per cent of productive acreage and a decreased total acreage per farm. No matter how valuable an acre of land may become as a selling proposition, it will not produce more dollars than when it was worth very much less.

The encroachment of the cities, the failure of full production because of labor scarcity and other reasons have in some States shown startling examples of the decrease in productive acreage. There are 16,000 fewer improved productive acres now in the State of Ohio than there were 20 years ago.

From 1890 to 1909 the increase in acreage of all cereals, which are relatively the most important food products derived from the farm, was 3.5 per cent, but the increase in production, rated in bushels, which determines food value, was only 1.7 per cent. Between 1900 and 1910 the rate of increase of population in the United States and consequent increased consumption was considerably greater than in the previous decades, indicating increased consumption against decreasing production.

The increase of population since 1890 in the cities is nearly 100 per cent, while the increase of population in the country is only about 20 per cent.

No student of our sociological and economic conditions can look upon this latter fact with equanimity, and they can plainly see in it possibilities fraught with increasing danger, not only to the prosperity of the country, but to the preservation of a well-ordered republican form of government.

Mr. SLOAN. Will the gentleman yield?

Mr. BATHRICK. I will, although my time is short.

Mr. SLOAN. Has the gentleman any figures showing relative amount of bank stock held by live rural communities in this country, by men who live on the farm?

Mr. BATHRICK. I have not, but can show that much more than half of the farmers not only do not own bank stock but have difficulty in paying their debts.

Mr. SLOAN. I would like to ask the gentleman—

Mr. BATHRICK. I do not like to have the gentleman use my time. I think I have made answer to all the questions the gentleman has in mind in my speech, and if he will have the kindness to read it he will find them. I have tried to show that this is a work for the good of the whole country and that there is a necessity for it.

Mr. SLOAN. I would like to say to the gentleman that where I live the farmers own most of the bank stock.

Mr. BATHRICK. I am glad to hear it; and probably the bankers own most of the mortgages.

Our farms are our great food storehouses and the homes of a great citizenship unequalled for loyalty to government by any nation upon the earth. Our immigrants are constantly complicating the heterogeneous character of our cities' population and increasing the difficulties of government. To our farms we must turn this tide of immigration and look to them not only for our food, but for the best soil where the principles of free government will flourish.

If all this be true, then the matter of bringing about better credit facilities for the farmer and decreasing his interest rate is one which must be dealt with as speedily and in as practical a manner as possible that the thing may be done and results not dissipated by quibbling. It is, whatever may be the plan accepted, a condition which wise statesmanship will not permit to drift and forever drift along because of abstract theories of governmental philosophy, or because of the opposition of selfish interests. The demand is imperative, the alarm has long been sounded. It is the disease of dry-rot afflicting our body politic. The quicker the remedy is applied the better, and we must not trust to the tardy Old World scheme of self-help. The disease was mainly contracted from the infection of human selfishness, largely disseminated by avaricious money lenders. The question will be, Shall we turn the case over to money lenders to cure, or, the whole people being involved, will they take charge of the cure for themselves?

A great deal has been said about cooperation, and in a degree I am in favor of it, but I beg to point out that this Nation within itself is the most powerful and successful example of cooperation the world has ever produced. The Nation as a body can do this thing better than it will be done if trusted to scattered integral parts.

WHAT OTHER COUNTRIES HAVE DONE.

Over one-half century ago some of the States of Europe were confronted with the rather sudden necessity of taking care of a similar but more aggravated agricultural situation. They had permitted their money lenders and trades people to prey upon the necessities of agriculture until, almost before they had realized it, they found themselves face to face with possible famine.

Mr. SAMUEL W. SMITH. Will the gentleman state what country started this farm-credit system?

Mr. BATHRICK. It was started first by State aid in the countries of France, Germany, Austria, Russia, and Belgium.

Mr. SAMUEL W. SMITH. When was it started?

Mr. BATHRICK. First about 1848, I believe.

In Austria, France, Russia, and the Balkan States, and practically everywhere, the taxing power of the people was called upon to provide funds with which to cure the conditions. Actual subsidies or gifts were distributed to both private and Government owned or controlled banks at a very low rate of interest or none, to be reloaned at a higher rate of interest to farmers. Various cooperative plans were originated by men of high ideals and encouraged by those who would rather take care of the farmer's money and make a profit upon it themselves than see the Government loan the money to the farmer and make a profit for the whole people. The result of it is that, while a system of cooperation sprang up and grew until it became an elaborate farm-credit organization, embodying in Germany some 17,000 small credit banks, with various central associations, it required from 50 to 60 years to bring it to its present condition of utility. That it is an effective assistance to agriculture now there can be no doubt, but can we or need we wait a half century for its kind to unfold in this country? That it is equally effective politically in an undesirable way is also true. The money is pyramided from the farmers to the apex cooperative bank, thence into the great banks of the big money centers to serve as an important adjunct to every nefarious use of the people's money in high finance.

As an example of the tardiness of a self-help plan, dragging its weary way along through the years, it may be stated that Ireland, in 1894, instituted a cooperative farm-credit plan and, after 15 years of operation, the total amount loaned the last year was only \$275,000.

Great Britain has been flooded with a propaganda of education—and she has been nearer to the star cooperative country of the world, Germany—and she instituted cooperative farm banking associations, but there are now only about 100 of them, with an outstanding loan of less than \$100,000.

France instituted a cooperative credit plan in 1857, Austria-Hungary in 1864, Russia in 1861, Italy and Belgium in 1864; and these cooperative societies, left entirely to the propaganda of self-help, after 50 years do not yet meet the demand.

As differentiated somewhat from the short-time-credit associations in Europe there are land-mortgage banks conducted with private capital, and some conducted under direct ownership of

the Government with funds provided by the Government, which take care of the land-mortgage loans.

METHODS PROPOSED FOR THE UNITED STATES.

Several methods for application in this country have been proposed, and no doubt there will be others; but the question will settle down finally to whether we shall do it by a system of State aid, employing its enormous profit for the good of the whole people, or whether we shall delegate the power and turn over the profit to a system of private banks.

One plan is proposed whereby private capital of any class of citizens, not necessarily farmers, shall organize local rural banks, which in turn shall organize State rural banks and which shall pyramid the whole system into a so-called national rural bank. Such a system would be in direct conflict to the purpose of this new banking bill, wherein we endeavor to decentralize the people's money and disseminate it, under Government control, where it is most needed, instead of permitting it to be used for the aggrandizement of our monopoly builders.

MY BILL.

I have proposed that the Government of the United States shall borrow money by the issue of registered bonds at a rate of interest not to exceed 3 or 3½ per cent and lend the money at a rate not in excess of 4½ per cent to the farmers upon the security of farm-land mortgages.

In making this proposition I have attempted no innovation, but it is simply an adaptation of a tried and proven practical plan in operation in other countries, to the needs of the United States.

It will be worth while in this connection to call attention to those countries which have already met with unqualified success through my plan.

Mr. McKENZIE. Will the gentleman yield?

Mr. BATHRICK. Yes; only for a short question.

Mr. McKENZIE. Does the gentleman contemplate any plan of aid to the home builders in town?

Mr. BATHRICK. Land is the best credit basis in the world. Everybody agrees to that proposition; but there is another qualification, the productive quality of the land, that character of the land which gives the man who owns land something to pay with. If we consider lending money on land, we should begin with land of a productive character, and that is the farmer's land.

Mr. YOUNG of North Dakota. Has the gentleman any draft of a bill on this subject?

Mr. BATHRICK. I introduced a tentative bill in the last Congress and also in this session for the purpose of helping my propaganda of education on the subject. I will introduce another bill for consideration of the committee very soon.

STATE AID IN FOREIGN COUNTRIES.

In 1894 New Zealand passed a law empowering the Government to borrow money and lend it to farmers. This law has been in operation now for nearly 18 years, and up to 1912 it had loaned over \$55,000,000 on land mortgages on approximately 60 per cent of the value of the farms. The loans run from 17 to 36½ years on an amortized plan, whereby certain fixed sums were paid semiannually. These fixed sums included the interest upon the debt, with a margin which each year reduced the principal.

When this law was put into operation in New Zealand borrowers were paying over 8 per cent annual interest, with costs added, but after the enactment of the law the interest rates rapidly fell to 4 and 4½ per cent. Private money lenders were then willing to lend money at that rate. The postmasters and other officials are used as agents of the loan department, and receive and transmit loans, blank applications, and so forth.

That those unfamiliar with the facts may understand that New Zealand, in progress of Government, practically leads the world, it may be stated that her newspapers compare favorably with any country; that she has a larger college attendance in proportion to population than the United States, Great Britain, or France; that she owns her railroads, telephones, telegraphs, and express companies; that she established postal savings banks in 1867; put into operation the income tax in 1891; instituted a national provident fund adopted by England and Canada; a mothers' pension law adopted by many of our States; land settlement loans adopted since by Canada, Australia, and many other countries; has an employers' liability and workmen's compensation law, which we long since should have had; has a land registration system adopted by some of our States; is far ahead of us in the matter of good public highways and has been the object of commendation by our best students of political economy for many years.

In Australia, which, if we take out West Virginia, is as large as the United States, there are six States, in each of which the Government borrows money and loans it at a profit.

Their maximum term of loan is 36½ years and the interest asked is never over 5 per cent.

In these States of Australia the population is sparse and widely scattered and conditions fairly represent the most difficult which would be encountered by the same plan in the United States. In the Province of Victoria, since 1896 up to 1910, \$14,500,000 was loaned at a maximum interest not more than 5 per cent, but usually 4½ per cent. Out of the total number of loans outstanding in 1910 only 10 farmers out of 3,331 were in arrears, the amount involved being only \$500.

In Tasmania the Government-guaranteed securities were issued and the money loaned at the rate of 4 per cent, and no losses have been sustained, although the loans were made on very small amounts, often as low as \$125.

Over \$50,000,000 has been raised upon Government securities in New South Wales and loaned since 1902. This act was originally intended for an emergency act for the farmers suffering from drought, but developed into general application. Loans were made upon as high as 66 per cent of the value of the land, and the interest rate to borrowers was 4 per cent.

In these States private money lenders attempted to circumvent the law when a sale was made by forcing the buyer of a farm to agree to borrow money of them at their specified rate of interest, but in 1910 an act was passed practically annulling such contracts.

In Queensland a loan fund has been appropriated by Parliament and also borrowed upon bonds. In 1910, 2,300 loans were granted.

In South Africa, by the act of 1912, the Land & Agricultural Bank of South Africa was established, taking over the assets of the Agricultural Bank of the Transvaal and the land and agricultural loan funds of Orange Free State and Natal. This bank possesses a loan fund provided by Government resources of various kinds, which may be voted by Parliament. It is controlled by a board of five men, who are appointed by the Governor General.

In Norway in 1887 a mortgage bank endowed by the State was established, and this money was appropriated from the tax fund.

Money is being loaned to farmers there at an interest rate as low as 4 per cent on terms running as long as 40 years, payable semiannually by amortization. The Government pays the salaries and wages of all employees of this bank.

In France the Crédit Foncier was organized in 1852 and at the outset was subsidized to the extent of 10,000,000 francs, which was afterwards increased to 60,000,000 francs. France has loaned its district agricultural credit banks more than 100,000,000 francs. The Crédit Foncier, aside from this endowment, enjoys the privilege of conducting a lottery, which seems to be an important assistance for the flotation of its bonds or debentures. This bank loans money at a rate of 4½ per cent on long-time loans.

Many of the communes in Germany sell bonds upon the communal credit and lend the money on mortgages.

In the report to the British Board of Agriculture on the subject of agricultural credit, by J. R. Cahill, which was presented to both Houses of Parliament of Great Britain, the following facts are gleaned:

The Altenburg Bank was given extended scope under State guaranty in 1818 and 1837. State guaranty from the time of their foundation was possessed by the banks in Hanover, Cassel, Wiesbaden, Meiningen, Oldenburg, Sondershausen, and Hesse, but in the case of Hanover its guaranty did not extend to a large sum. Six of these institutions exist in Prussia.

In 1866 the Kingdom of Hanover, the Electorate of Hesse-Nassau, and the Duchy of Hesse were annexed to the Kingdom of Prussia, and each of these possessed institutions under the guaranty of the State. Because of adverse Prussian policy these institutions were transformed into institutions under the guaranty of the union of the communes of the Provinces in the case of the Hanover Bank and into institutions under the guaranty of the unions of the administrative districts in the case of Cassel and Wiesbaden banks.

The liabilities of the banks at Dusseldorf and at Munster were guaranteed by the communes of the Provinces. The bank at Sigmaringen fulfills the function of a mortgage-credit institution and is under the guaranty of the communes.

The Bavarian Agricultural Bank was practically founded and capitalized by the State, the State having advanced \$1,500,000, part of which pays 3 per cent interest and part of which pays to the State no interest at all.

The management in most cases is wholly or partly elected by the assembly or council of the public authority guaranteeing the liabilities of the bank.

The Gofha Bank is a State institution, guaranteed and supervised by the State, but it possesses separate legal status and management.

In Bautzen the communal assembly exercises supervisory authority subject to the final revision of the State.

In Weisbaden, Cassel, Hanover, Rhine Province, and Westphalia supervision lies with the assemblies of the respective administrative districts or Provinces.

All the shares of the Hessian Public Mortgage Bank, established in 1902, are held by the State communes and public savings banks, and the State guarantees its bonds.

The banks in Munster and Dusseldorf do not issue their own bonds, but bonds of the Provinces in which each is situated.

This report further says: "In aiming at profits beyond the payment of expenses, although in fact considerable sums are usually allocated to public purposes, as the result of their operations they grant loans more cheaply than the joint-stock mortgage banks."

In 1895 the Prussian minister of finance established a State-endowed Central Cooperative Credit Bank, which loaned money to farmers' cooperative credit societies, the fund being provided from the State's public moneys.

The bank began its operation with a capital of \$750,000, provided by the State from bonds bearing 3 per cent interest. Other sums from the same source followed. In 1907 the sums advanced to 53 cooperative unions amounted to about \$165,000,000.

Up to 1851 the Hanover Mortgage Credit Bank was restricted by law not to lend money in certain ways in competition to private associations, but at that time this restriction was removed. This instance is only one of many where private money lenders resented the intrusion of Government upon their profits.

In Switzerland there are 11 banks under cantonal guaranty. Nearly all of these banks turn over their profits to the State for public purposes. Local or district revenue authorities assist in collection of interest and other payments. The banks are managed usually by a special committee appointed by the State. In other cases the committee is wholly or partly elected by the department or public authority guaranteeing the liabilities of the bank.

In Denmark special State aid is given in the following manner: Cooperative credit societies are exempted from stamp duties and court fees. State refunds the expense of making their loans; State guarantees 4 per cent interest on their obligations and payment of organization's expenses up to the amount of \$2,680. Government's control is exercised in selection of the president of each society and one of the auditors and in making or approval of by-laws. The annual subsidy and other kinds of subvention given by the State in Denmark has shown a marked improvement in agricultural success. Eighty-nine per cent of the farmers own their own land, a larger per cent than in any other country. Denmark exported in 1908 at the rate of \$9 per acre for every farm, which is equalled by no other country. It appears to be a direct result of cheap money with the collateral result of smaller farms, more farmer home owners, and better cultivation.

Aside from State aid given throughout the whole world for the purposes of assisting farm credit it has been given in other ways for the purpose of conserving agriculture and in carrying out a far-sighted policy of taking care of food supplies.

Tenantry in Ireland had become such a menace to the peace and prosperity of the island that the British Government was obliged to institute measures for assistance. Up to 1911 Great Britain had advanced \$331,000,000 to farm tenants for the purpose of acquiring their farms in fee simple. They will return these sums and wipe out their debt in a period approximating 68½ years. The Government has appropriated \$25,000,000 for the purpose of erecting 34,000 cottages for farm laborers. This policy of agricultural conservation is expected to require an outlay on the part of the British Government of over \$1,000,000,000 which in time will be returned by the farmers at a profit to the Crown.

The Province of New Brunswick in Canada is purchasing large tracts of land with public money, cutting these into smaller tracts, building farm homes, fences, and ditches, and selling the farms on advantageous terms to farmers. Canada is doing much in the matter of direct State aid to encourage immigration to her large areas of farm lands. She maintains agents in the United States, paying them a commission for every man, woman, and child induced to emigrate to the Dominion. She builds roads, guarantees railroad bonds, builds public highways, schoolhouses, and carries out many projects of internal improvement which some of our people of the United States, who cling to abstract theories of government,

are prone to condemn, while Canada is getting our farm citizens at the rate of about 100,000 per year. From 1906 to 1912, 674,305 citizens of the United States emigrated to Canada, taking with them an estimated wealth per capita of \$1,150.

In the last 15 years 99,508 homestead entries have been made in western Canada by former United States citizens, and in the meantime our shrewd money lenders have been persistently and industriously looking for 8 per cent victims.

Our Government had better pay more attention to the future of our food supply and less to our 8 per cent patriots.

STATE AID IN THE UNITED STATES.

Under the act of June 17, 1902, the Government of the United States appropriated all the money received from sale of public lands in 16 Western States for the purpose of building irrigation works. Various sums were expended in this manner to a total of \$16,933,643.78. All of this was public money which indirectly was loaned to the farmers. There were many settlers upon these tracts thus irrigated, and many afterwards came, and to these a charge per acre for the use of the water was made sufficient to repay the money the Government expended. It is an exact parallel with my proposition—to borrow money and lend it to the farmers generally in this country at a fair rate of interest, with the exception that I do not propose to tax the people of the United States to procure the loan fund.

By the act of June 30, 1906, the Secretary of the Treasury was empowered to issue certificates of indebtedness bearing interest at the rate of 3 per cent up to the sum of \$20,000,000 for the purpose of furthering irrigation projects. This money was intended to be indirectly loaned to the farmer and borrowed upon the equivalent of Government bonds.

The Federal act of March 4, 1907, authorized the Philippine Government to guarantee for 25 years a yearly income of 4 per cent upon capital invested in agricultural banks by private parties for the purpose of encouraging loans to the farmers. Capital hesitated and did not engage in the business.

On June 18, 1907, on the advice of the Attorney General of the United States as to the constitutionality of the procedure, the Philippine Government established a government agricultural bank with a capital of government funds and officered by government officials. It began operation in 1908. The report of the minister of finance and justice in 1908 states "It seems beyond question that these banks will prove an important feature in the restoration and promotion of agriculture in the Philippine Islands." In another report in 1910 he states one of the good results already accomplished consists in the "decrease of usury in the Provinces."

Since 1850 we have given the railroads as primary and indemnity grants 158,294,870 acres of land. It is extremely doubtful that we would have the great West with us now if these roads had not been built. It was a means to an end, but had the Government built these roads itself the end would have been better. It is an illuminating example of the folly of turning over a great Government policy to be carried out by private interests.

The Government is now in the business of delivering our mail, and it is still fresh in our memories how we were obliged to wrest from the star-route private interests this great Government function.

Year by year we appropriate large sums for the direct benefit of a few in many ways, that none of our great resources and utilities shall languish; and the greatest of all these is agriculture.

So it is quite apparent that the plan I propose is not very much of an innovation; that it is simply taking up and extending a plan found beneficent and profitable in almost every country of the world, including our own.

Many of the Provinces, States, communes, and countries that have put this plan into execution have used the profit—and there has always been a profit—for the purpose of decreasing taxation and for accomplishing some good to the whole people.

22,600 MILES OF GOOD ROADS—NOT ONE CENT TAXATION—FIVE YEARS' PROFIT FROM FARM CREDIT.

If the Government of the United States were to adopt my plan reducing the interest rate upon our farm-land mortgages, lending only on about one-half of the total, or upon that portion of this debt which lies upon our farm homes, approximating \$1,700,000,000, in five years, after deducting all expenses, borrowing money at 3 per cent and lending it at 4½ per cent, the profit would amount, in round numbers, to \$136,000,000. With this sum, allowing \$6,000 cost per mile, 22,600 miles of roads could be constructed.

This would give us a good road from Miami, Fla., up the Atlantic coast to Augusta, Me.; from Boston via Cleveland, Chicago, and Minneapolis to Seattle; from Seattle down the Pacific coast via San Francisco and Los Angeles to San Diego, thence eastward to Austin, Tex., thence to New Orleans and to Jacksonville, Fla.; a good road from New Orleans along the Mississippi to St. Paul; two central trunk lines westward again via Denver and Salt Lake City to the Pacific coast; one from the Great Lakes to Mobile, Ala.; and between these lines roads connecting the most important cities of the country. Between these, still, the map would look as if handfuls of jackstraws had been fastened to it.

Mr. PLATT. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. BATHRICK. I regret I can not yield.

Mr. PLATT. I was going to ask if these trunk lines were to be for the benefit of the farmer or the automobile owners throughout the country?

Mr. BATHRICK. I am simply showing how to get the money available for improving these roads and tax no one a penny. I am not making any suggestion as to where the roads shall be built or how. I shall not suggest any road plan in my bill.

The Government can do this for the people without taxation, or the Government can let private interests get rich on these profits. Which?

The good roads thus described are but a light touch of the whole plan for the future.

If enacted into law, my farm-credit bill will provide a road fund in less than 40 years of a billion dollars and a hundred thousand miles, instead of the 22,600 miles of roads described, can be built.

That those who are skeptical may verify my figures I insert below a table showing the profit of the first five years upon \$1,700,000,000 on an amortized loan running out in 18½ years, with attached explanation.

Number interest-paying period.	Amount of semiannual payment.	Semiannual interest due to Government.	Amount paid in to apply on principal.	Balance due on principal.	Semiannual Government interest cost.	Amount to reloan for each 6 months.	Interest on reloan balance entire period.	Compound interest accumulation.
1.....	\$68,000,000	\$38,250,000	\$29,750,000	\$1,670,250,000	\$25,500,000	\$42,500,000	\$8,008,250	.....
2.....	68,000,000	37,580,625	30,419,375	1,639,830,625	25,500,000	43,456,250	7,822,120	\$956,250
3.....	68,000,000	36,896,189	31,103,811	1,608,726,814	25,500,000	44,434,015	6,998,355	977,765
4.....	68,000,000	36,196,353	31,803,647	1,576,923,169	25,500,000	45,433,780	6,133,560	999,765
5.....	68,000,000	35,480,771	32,519,229	1,544,403,938	25,500,000	46,456,040	5,226,300	1,022,260
6.....	68,000,000	34,749,098	33,250,912	1,511,153,025	25,500,000	47,501,300	4,275,115	1,045,260
7.....	68,000,000	34,000,943	33,999,057	1,477,153,969	25,500,000	48,570,079	3,278,478	1,068,779
8.....	68,000,000	33,334,964	34,665,036	1,442,488,933	25,500,000	49,662,905	2,204,830	1,092,826
9.....	68,000,000	32,656,000	35,344,000	1,406,944,933	25,500,000	50,765,320	1,142,219	1,102,415
10.....	68,000,000	31,656,260	36,343,740	1,370,601,193	25,500,000	51,907,539	.....	.....
Total.....	680,000,000	350,571,213	.....	.....	255,000,000	.....	45,687,228	.....

RECAPITULATION.

Interest paid to Government.....	\$350,571,213
Interest on reloan, entire period.....	45,687,228
Compound interest accumulation.....	1,102,415
Total amount received by Government.....	397,360,856
Total interest cost to Government.....	255,000,000
Gross profit to Government.....	142,360,856

These computations are based, as stated above, on a loan of \$1,700,000,000 (the farm-home mortgage debt) semiannual pay-

ments of \$4 on each \$100 of the debt, or \$68,000,000 on the whole. The interest rate is 4½ per cent, or half-yearly rate of 2½ per cent, to borrower. It is assumed that the Government borrows the money on bonds bearing 3 per cent interest, payable semiannually. The natural margin is thus 1½ per cent.

The net interest and principal receipts are reloaned.

The profit for the whole term which pays out in 18½ years would be \$773,670,000. A lower rate of interest to the borrower, smaller semiannual payments, and longer paying-out term would considerably increase this amount of profit.

This table can only be taken as a prospectus; but, after liberal allowance for all conditions of practice, the profits are astounding.

The result to the mortgage debtor would be that instead of the usual 6 to 8 per cent interest in this term of years, requiring him to pay altogether more than twice the amount that he borrowed, the debt is extinguished and he would pay by this method of gradual reduction of the principal and consequent annual decrease of the interest \$148 on each \$100 of his debt which would thus be canceled.

In the same term at 6 per cent interest by the old plan, in order to cancel the debt at the end of the term, he would have paid \$211 on each \$100 owed.

HOW PROFIT CAN BE GAINED.

The profit to the Government from this system would depend upon the reinvestment of the sinking fund and profits. Surely, no one will contend that this fund should not be reinvested for at least a part of the term of the loan-fund bonds. The redeemable period of bonds should be optional with the Government after the first few years and their ultimate redeemable date be for a term approximating the series of mortgages they represent. The total outstanding bonds should bear as close a relation as possible to the sum accruing to the Government from the mortgages. It is not presumable that the mortgage debt will cease after the present mortgages are all liquidated. In other words, it is a running business where a balance is maintained between assets and liabilities.

Against invested profits, good-road bonds could be issued covering one term of profits to procure cash with which to build roads, depending upon another term of profits funded in cash or quick assets, like municipal bonds, to liquidate them. The same system may be used with reference to the loan-fund bonds. For as long as we have been a government we have issued new bonds with which to liquidate old bonds. All Governments of the world have done this, and if this method should be pursued, by my proposed land-mortgage plan, every 45 years, or less, after any series, the profit would be sufficient to liquidate the original loan-fund bonds. In the record of experience of other countries having long been operating this system, applications with adequate security have been more than sufficient to afford places for reloan.

WHAT IS THE DANGER OF LOSS?

This question could safely and briefly be answered by the statement that land is the basis of all security. To this may be added that farm land is productive land as distinguished from land which is not productive and which is not used for farming purposes. The productive character of the land is a general safeguard against loss in that, while there is a fixity of value attached to land, it is greatly enhanced by the ability of the land to produce cash returns, which will eventually liquidate the debt, and no conception of security can conjure anything safer upon which to make a loan.

But it will be interesting to know the results of actual experience.

New Zealand began to borrow money and lend it to her farmers in 1894, having, therefore, been engaged in the business about 18 years.

Mr. SAMUEL W. SMITH. Do they loan at 4½ per cent?

Mr. BATHRICK. Their rate usually is 5 per cent, but if the borrower pays at the exact time it is due he pays 4½ per cent.

For the last 16 years it has been lending to farmers it has loaned about \$55,000,000, and its net profit, after deducting all expenses, is, reducing pounds, shillings, and pence approximately to dollars, \$16,398,000. This is about \$28 for every \$100 loaned, and my estimate on a 4 per cent interest loan running 17½ years is that the profit to the Government of the United States would be a trifle over \$27 for each \$100 loaned. Thus the actual experience in New Zealand seems to safely confirm my estimate. In the year ending March 31, 1911, New Zealand had outstanding \$25,000,000, and her net profits are given in her yearbook for that year as \$302,500, which is approximately \$1.25 for each \$100. This multiplied by the 18½ years would again be very close to verifying my estimate. New Zealand has borrowed money on bonds at 3 and 3½ per cent and has most generally loaned it at 4½ per cent.

During the 16 years of the active operation of the plan in New Zealand there were only 41 foreclosures out of 16,005 loans. The cost of management was 75 cents on each \$500 loaned. I am of the opinion that our cost of management, in proportion to the larger sum we would lend, would be less than this.

The official yearbook of Australia shows that one Province had loaned for the four years from 1907 to 1910, inclusive, \$35,150,000, and had made a profit of \$826,095. The loan fund was borrowed at 3 per cent interest and loaned to the farmers

at 4½ per cent. Some of these loans called for 5 per cent, but if the payments were made on the date due interest was to be 4½ per cent.

The report from the Philippine Islands of the Government agricultural bank in 1910 on the outstanding debt, \$257,450, showed the profit to be \$31,477.18.

In Switzerland there are 11 banks operating under cantonal guaranty, which have always shown a profit.

The Bavarian Mortgage Exchange Bank, loaning on mortgages at 4½ per cent, has paid over 12 per cent dividends each year since 1890. In 1911 it paid 13 per cent.

The Bavarian Union and Rhenish Mortgage Banks have paid at least 9 per cent dividends per annum during the 10 years from 1900 to 1909. Nearly all of the mortgage banks in Germany, whose business is especially that of lending money on farm mortgages at a low rate of interest, pay in excess of 7 per cent dividends. And in nearly all the countries where the subvention of the State has forced the interest rate to as low as 4½ per cent private companies have entered the business and are paying satisfactory dividends from the profits made on lending money at that rate.

The most noted example in the world of a private land-mortgage banking institution, possessing in some few features legislative privileges from the State, is the Prussian Central Land Joint Stock Co. of Germany, whose principal business is that of lending money upon farm-land mortgages. This bank issues bonds based upon mortgages and appears to be very well satisfied with its profit on the margin between the interest it pays and the interest it exacts upon loans, which is about one-fourth of 1 per cent, but its fees for the preliminary granting of the loan are between 2 and 3 per cent. It was founded in 1870. From 1870 to 1879 it paid 9½ per cent; in 1880, 8½ per cent; in 1890, 10 per cent; and in 1911, 9½ per cent dividend—and in neither of the interim years less than 8 per cent. In 1903, the Nassau district mortgage credit bank turned over to the Government as part of the revenues of the district about \$150,000. This being a Government bank, the Government revenue officials of the district receive applications, pass judgment thereon, and receive and pay money on behalf of the bank.

Eight of our 48 States are loaning public-school funds upon farm-land mortgages. During 22 years, in which Idaho has loaned money to farmers, only six foreclosures have taken place, and no loss is reported. North Dakota has never lost a cent, and the result is practically the same in all the other States which had outstanding on farm mortgages in the year 1911 a little over \$25,000,000.

It has been suggested that the loss on farm-land mortgages has been minimized because of limited territory in those countries where the system has been in operation. This assumption will hardly hold good. A management in the center of a territory not over 100 miles square, desiring to loan money on land mortgages, would necessarily have to depend upon agents for appraisal, title examination, and other inspection. There can be no reason, this being true, why agencies employed by a central management in a territory two or three thousand miles square would not be as reliable and the business conducted as safely. Australia is nearly as large in area as the United States. Large sums of eastern money is sent West and South in this country to find high interest. This money is loaned by agents. Some of our large insurance companies lend exclusively on farm-land mortgages through their agents, and boast of their security. One of these lends at an average of 6½ per cent.

Nothing works quite so well as we hope, but the results of experience have been astonishing and highly pleasing. At any rate, the profits are sufficient to attract the capital of the shrewdest bankers throughout the world.

OPERATION.

As to general operation, it must be remembered that we would be dealing largely with men who already have mortgages upon their farms and who, in all probability, at the first period permitted them in their contract would transfer their mortgages from the present holders to the Government. Undoubtedly title was cleared before the mortgage could be placed upon these farms, and on this class of loans a satisfactory abstract of title could be very easily and cheaply brought up to date. Other mortgages would scarcely present greater difficulties.

A system of land registration is now in operation in six States of the Union which adds security and simplicity to dealings in land. After the showing of the land-mortgage business of this country as now carried on the lack of a registration system will not invalidate my plan, but the plan will hasten general adoption of a better registration system.

We have in the State of Ohio and contiguous territory 18 post-office inspectors. If each of these were placed in the center

of a given equal territory covering the entire State of Ohio, they would have to travel but 24 miles in any direction in order to attend to any business required of them to operate my plan. There are 2,538 rural carriers in the State of Ohio, who cover 60,000 miles of rural roads every day of the year, and are, in the main, well posted as to the people upon and contiguous to their routes. There are in the State of Ohio 2,459 postmasters, who, if each were located in a territory of an equal number of square miles, would be obliged to travel but 2 miles in each direction in order to attend to any business the Government might require of them. Then there are United States marshals, revenue collectors—with more to come when the income-tax measure becomes a law—and district attorneys and land agents, all told, many thousands, some of whom are not overburdened in the performance of their duties and could be well employed to help in this work. Taking the present Government force, the country is alive with Federal officials upon whom there would be imposed no hardship if they were required to assist in carrying out this scheme.

Again, there are county auditors, treasurers, appraisers, township supervisors, and trustees, who, for a small fee, would provide safe means of investigation. If necessary, 10 land-mortgage agents can be placed in each State as inspectors to work in conjunction with other public officials, but no tried system requires this.

IS IT CLASS LEGISLATION?

Almost invariably a cry of class legislation is raised against any measure which some people do not want.

The Canadian minister of immigration, Sir Arthur Hawks, says:

It would be difficult for those whose dividends are founded on Government guarantees and subsidies to oppose application in Canada of a principle that is operated in the United Kingdom, Australia, and New Zealand. The Government factor in the use of public credit is an object to be achieved, and not the incidental advantage that may alight on an individual here and there.

It would, indeed, appear inconsistent for a stockholder or official of any of our railroads having been the recipient of favors from this Government to call this proposed measure class legislation. We have given the railroads millions of acres of land, and have guaranteed their bonds, that the steel ribbons might link the West with the East and the produce of the vast areas of the western farms could be transported to feed the residents of the cities. That these railroads have been a prominent factor in the progress and greatness of our Nation, no one can deny. Were we able to do so, who would be willing to tear up the tracks between Chicago and the Pacific and take back our 158,000,000 acres of land?

We are depositing public money in a great many banks and have collected all the way from no interest up to 2 per cent. Is it class legislation to lend money to farmers at $4\frac{1}{2}$ per cent and not class legislation to permit the use of our public funds by the banks at 2 per cent? The people of our country have, for a great many years, been taxed to pay the interest upon bonds employed as a basis of bank currency circulation. The bankers have purchased these bonds, received the interest thereon and an equal amount of money which they have loaned to the people at profitable rates. No individual in the United States has been permitted this privilege. Is this class legislation, or was it a great Government policy designed to get into circulation the necessary medium of exchange? The necessity for a proper system of currency is no greater than the necessity to conserve our food supplies.

We have appropriated many millions of dollars annually through our Agricultural Department to encourage and assist agriculture. This was not done through paternalistic motives, but in order to support a farseeing policy of transcendent importance to the whole people regardless of classes.

In bringing into cultivation our deserts by an extensive system of irrigation fostered by Government subsidy and guarantees we have simply attempted to carry out this wise economic policy, against which no statesman has declaimed. We have already decided that Government money loaned the Philippine farmers is a wise procedure, and the practice there of years gives sufficient confirmation. Surely we have no less interest in the American farmer than in our "little brown brothers" of the Philippine Islands. Surely we have no less reason to aid the farmer here at home than we have in our transitory possession of the Orient.

State aid in nearly all of the countries in the world has been the beginning of the greatest assistance to the lowering of the interest rate and a consequent improvement and benefit to agriculture, and State aid is the sustaining factor in the system now. Without it in 10 years the money lenders would again have the farmer by the throat. Every one of our States has found it necessary to limit the greed of money lenders, and there

seems to be no reason why the Federal Government should not go further in the matter. A law lending money to farmers at $4\frac{1}{2}$ per cent would be no more obnoxious to the money lenders than a law reducing the legal rate to $4\frac{1}{2}$ per cent, except that in my proposition the profits would accrue to the benefit of the whole people and in the other to the benefit of the lenders. With these facts plainly before the people of this country the farmer will be fully justified in looking with suspicion upon any individual or the officials of any organization who seek to create a system of farm credit in the hands of those who intend to use it for personal aggrandizement.

THE INITIATIVE.

As to the destruction of the initiative, every public man should understand that the farmers of this country are not dull, driven oxen, nor "man of the hoe," nor peasants. If the farmers would not accept money at $4\frac{1}{2}$ per cent for fear that it would destroy their initiative, why has it not destroyed the initiative of the banks that accept it at 2 per cent? What is the difference between a 2 per cent initiative and a $4\frac{1}{2}$ per cent initiative?

The initiative is the mental power required to begin things—to start something.

The American farmer has "started" things often enough. He has fed our population, broken our prairies, made fertile our deserts, hewn down our forests, helped furnish the supplies and the backbone on the firing line in our wars, and yet some people seem to fear that if we reduced the mortgage interest rate that these people, who never knew what it was to falter nor to hesitate when progress was to be achieved, would lose their initiative and lie down and do nothing. To do something for our farmers in the matter of these mortgages, that those in debt can easily see daylight instead of perpetual darkness, that those who are not in debt will dare to borrow money and improve and extend their farms, will encourage thrift, stimulate the initiative, and arouse a comatose hope in the hearts of those who have more energy, determination, and progress to their weight than any other class of people on earth—the farmer.

WOULD THE GOVERNMENT BE "GOING INTO THE BANKING BUSINESS"?

From some distant corner of the universe a voice ejaculates, "The Government should not go into the banking business. Government should give no subsidies."

My plan does not propose that the Government shall go into the banking business nor that it shall give subsidy. Far from being a subsidy to the farmer, it is a gift to the whole people of the United States of an enormous direct profit which is to be expended for their benefit by the construction of good roads. The plan does not put the Government into the banking business any more than is Jones in the banking business when he borrows from Smith at 3 per cent and loans the money to Brown at a profit. That is all the Government would do, except the result would be in one case that the whole people would get the profit, the interest rate would be lowered, while in the other case Jones would get the profit and would raise the interest rate as high as he could.

There is no reason why the general banking interests of the country should oppose the plan.

In New Zealand, while a certain class of the banking interests fought the plan in 1894, they are now of the opinion that a lower rate of interest on farm mortgages stimulated business and that their profits have been in no wise curtailed, and I can not be induced to believe at the present time that the legitimate banking interests of this country will follow the lead of a small coterie of high financiers in opposing this beneficent measure, and who would prefer a plan pyramiding the farmer's money into private hands until it finally reached their control.

The issue of bonds equal to the entire amount of the outstanding farm land mortgage indebtedness would, in no sense, produce an inflation, which subject is another favorite resort of certain interests, when they desire to oppose any plan that will prevent their restriction and general control of money. There are about \$19,000,000,000 of railroad securities outstanding in this country which have produced no appreciable inflation, and these, with all the other industrial and Government bonds, give faint color to the statement that these proposed land-mortgage registered bonds would produce a species of inflation.

France bought her railroads with bonds to the extent of billions of dollars and there was no inflation. As to the market for the bonds, based upon farm mortgages, with the Government acting as guarantor and trustee, they would be presented as the safest class of securities the world has ever known. If issued in small denominations and offered to the general public we would be periodically paying interest back to ourselves, and every semiannual payment period would mark a dissemination

of funds that would stimulate commerce throughout the entire country.

One or two more thoughts which bear upon the subject and I will conclude.

There is no constitutional prohibition against the plan. The Attorney General of the United States at the time the Philippine Government Agricultural Bank, to which I referred to herein, was organized gave an extended opinion reviewing all precedents deciding that this Government bank conflicted with no constitutional provision of the United States.

From some obscure part of the gloom I have heard a rather indefinite allusion to socialism. That objection was raised in New Zealand when State aid was proposed. But it was discovered that after the law was in force, instead of encouraging socialism, it was a powerful incentive toward individualism. The average man who owns a farm and is prosperous is not lying awake nights inventing some new form of government or planning to overthrow the one we have, and this system would operate to create a more extensive ownership among individuals. It would assist many thousands to the enjoyment of home and plenty, and whatever name it takes it is none the less good. In other countries thrifty men from the cities have been aided to move their families into the country and have farm homes, and the retired farmers have been better able to sell to other farmers and move into city homes. The plan has been beneficent in every aspect. It has increased loyalty to government and has made the producers feel that government meant something which was real and substantial.

Better farm credit and better roads are the two most important factors of the "back-to-the-farm" movement. Each makes for better social and industrial communal conditions in the country. Each gives corresponding benefit to the city.

WHAT IS THE FUNDAMENTAL OF THE CASE?

No one will contend that our Constitution intends to prohibit the expression of government for the good of the people through any channel. Conservation of our public-food supply should become a public policy.

The fundamental is that a great economic policy designed to benefit the people must be carried out by the representatives of the people. It is folly to turn a Government policy into the hands of private interests and give them power to make as much profit by it and through it as they can. If we commit such a folly, we shall surely be obliged to use Government power to limit their profits, for greed and selfishness exist in the breasts of all men. If we must make laws to curb the greed of private interests to whose mercies we have foolishly delegated this policy, it is enough proof that it should not be in their hands at all.

Besides, there is a peculiarity of this farm credit—food-supply policy. It is the peculiarity of money and its relation to all industries.

Money is a great public utility. Its relation to all products of our industries is different from that of any of the products. No product is essential to the success of all industries, but money is. Although credit is an important factor in all, there could be no credit without the final redemption, which requires money. Therefore, all the civilized countries on earth have found it necessary to control money. No country permits private persons to manufacture money, and every country places restrictions upon those who handle the people's money. Ever since civilization began private interest has sought to control money. Its peculiar relation to all industries has given those who controlled it power over our industries, and all of them have felt the tyranny of the avarice of those who hold this control.

Human energy and thrift directed in all the channels of commerce has been enslaved, subjugated, and lashed into obedience to the money power. In order to stifle an industry you have but to refuse it credit or make the cost prohibitive, and it will die.

The cost of credit to agriculture has been almost prohibitive, and has for a century run so close to absorption of all profits that those who sold the credit made more profit than those who produced the farm products. Food is the greatest of all our necessities, yet an almost criminal Government neglect has permitted it to carry the greatest burden of money cost.

All our industries include all the hopes and prosperity of all the people. This should be a Government of all the people. Then why is it that the key to all industry, the one thing that all the people must have in order to be prosperous by their own thrift, is given into the hands of a few greedy citizens, with which to lock or unlock opportunity, as they will? I have no quarrel with the theory that the largest measure of liberty, the greatest scope of action should be given to private initiative. I agree that everyone should be permitted to follow any honest course in the pursuit of happiness, but if all are to be equal before the law, to engage in industries of any character chosen,

it is bad government to turn the thing which governs all industry, which is essential to all thrift, over to the control of a few with which to oppress the many.

Mr. KONOP. Mr. Chairman, I do not know whether I can add to or detract from this discussion. I am no banker nor do I have a dollar invested in any bank. All I know about the currency and banking business is what I have learned from these discussions here and from reading works on currency and banking.

The banking and currency question is a difficult one. Men in finance do not agree on this important question, and it is no wonder that there are so many views expressed here. I have been diligently reading texts on money and banking and currency. I have read articles written by prominent bankers, and these great financial economic writers and bankers do not agree. But there is one thing that practically all agree to, and that is that our banking and currency system is lacking. That there is something radically wrong with our currency system is admitted by all.

We are told that our currency is too rigid; that it needs elasticity; that it contracts when it should expand and expands when it should contract. The President in his message of June 23, in which he urged immediate currency legislation, used these words:

We must have a currency, not rigid as now, but readily, elastically responsive to sound credit, the expanding and contracting credits of every-day transactions, the normal flow and ebb of personal and corporate dealings. Our banking laws must mobilize reserves; must not permit the concentration anywhere within a few hands of the monetary resources of the country or their use for speculative purposes in such volume as to hinder or impede or stand in the way of other more legitimate, more fruitful uses. And the control of the system of banking and of issue which our new laws are to set up must be public, not private, must be vested in the Government itself, so that the banks may be the instruments, not the masters, of business and of individual enterprise and initiative.

Practically all writers on finance hold our defective currency system directly responsible for the panics of 1873, 1893, and 1907. The issue of the clearing-house certificates during the panic of 1907, which in a measure added elasticity to the currency, relieved conditions. Had it not been for the patriotic action of bankers then we would now be in the worst panic in our history. We have learned a lesson that should not be forgotten. The time for action is now. We should not wait for a recurrence of conditions as in 1907. If by passing a currency bill at this session we can stop panics, then the time for discussing and passing a currency bill is now. As we are avoiding the direful curse of war, so we should avoid the horrible panics. A panic saps out the very life of a nation. It paralyzes commerce, destroys industry, and throws men out of work, depriving them of opportunity to earn a living. It affects every walk in life. It causes a mother's heart to bleed at thoughts of hungry mouths which can not be fed. Humanity and justice cry out against a panic. Gentlemen, if we can prevent a panic for a week, or even for a day, by the passage of this bill, we should pass it now.

The honorable gentleman from New York, Mr. Vreeland, a Republican of the Sixty-second Congress, who I believe knew more about banking and currency than anyone else in that Congress, in his speech of February 6, 1912, said:

Mr. Chairman, I stand here to say that in the opinion of all intelligent men who have studied the question, both here and abroad, these money panics are entirely due to a defective banking and currency system and to nothing else. If that is so, is it not almost a crime for the Congress of the United States to wait a moment longer than necessary before putting upon the statute books a system which will safely carry the business of this great country? I believe these panics have caused greater losses and suffering to the people of the United States than all the wars in which we have been engaged, barring alone the loss of life and limb.

What right have I to say that these money panics are due to a defective banking and currency system? I say it, Mr. Chairman, because when we turn to every other great nation on the face of the earth, our competitors for the trade and commerce of the world, with their longer experience and, as I believe, with the sounder principles upon which their banking and currency systems rest, we find that no one of them has had a money panic for more than 50 years.

Am I not justified then in saying that when we, the greatest and richest in our resources of all the nations of the earth, when we alone have these disastrous and devastating money panics on an average once every 10 years, am I not right in saying it is due to a defective banking and currency system?

We have had money panics in 1873, 1894, 1893, and 1907. We have had semipanics at the commencement of the crop-moving season in many other years, when credit was strained almost to the breaking point, ruinous rates of interest prevailed, and it only needed an incident like the closing of some great bank or business house to start a panic throughout the country.

It remained for the panic of 1907 to convince the American people that panics are due to a bad banking and currency system. There was no possible excuse for it, except the breaking down of our system. It came in the midst of peace and plenty. It came when there was nothing within the country or without to alarm our people. At no time in our history had business of all kinds been more active and prosperous. Everywhere the railroads were unable to carry the freight offered them, factories were running more than full time, wage earners were all employed at high wages. It came like a bolt out of a clear sky to most of our people.

Mr. Chairman, let us look at this question and the conditions as they exist in an elementary way. Money is the medium of exchange. Money is an absolute necessity. It is as essential to the existence of human society to-day as the blood is essential to give life to the body. In all the exchanges to-day money is necessary, and as one author puts it "at the present time money figures either potentially or actually, on one side or the other, of every exchange." It figures actually when it is used in the exchange and potentially when credit is used. Credit is promise to pay money. It is money's representative.

We must have money and its representative, credit. Without it mankind can not exist. If money is such a necessity, we ought to have the best money, such money as the people have confidence in at all times; and we should have enough of it to supply our commercial needs at all times. Horace White, in *Political Science Quarterly*, says:

All the reasons which exist for having any kind of money are reasons for having a good kind. It is the agreement of mankind which makes it good; and when we disagree about the definition of the dollar, we are plunged in doubts and fears, confidence and credit are impaired, enterprise is chilled, business partakes of the nature of gambling, labor is deprived of its just reward, and civilization sinks to a lower stage. All these conditions have been within the Nation's recent experience.

Credit is a representative of money. In the modern business world, credit plays a most important part. As a medium of exchange it is swifter and more convenient than money, which it represents. It performs the same service as money, and does it with greater speed.

The basis of all credit is confidence. Confidence in the promisor's ability to pay in money. Confidence in the promisor's character, honesty, and business ability. When this confidence exists, the use of credit increases and the need of actual money lessens. The demand for money always varies in proportion to the use of credit. The use of credit then supplies the elasticity which is so much desired in the currency of the country.

The value of money as well as other commodities depends upon its utility. The need of money and its supply regulate its value. Everyone knows that the use of credit lessens the value of money because it lessens the demand for money. If there is an increase of the supply of credit, the demand for money lessens. Correspondingly, money becomes cheaper and prices go higher. If the supply of credit lessens, the demand for money increases. Money goes up and prices go down. What we need then is a correct supply of currency and proper adjustment of credits. In the fall, when the farmer begins to market his yearly product, he wants cash. He wants money or credit money. Checks and notes will not fill this need for currency. Currency necessarily moves from the eastern centers, and under present conditions money gets tight in the East and is liable to cause an unnatural break in prices. Interest goes way up and there is great loss to the business man of the East and unnaturally low prices to the farmers of the West. In the winter and spring the great need for currency in the agricultural districts ceases and currency moves to the eastern centers. This rigidity in our currency annually causes losses from where it is withdrawn and where it goes. When the farmers of the West market their products the lack of sufficient currency there unnaturally lowers the price of his products; and the withdrawal of the currency from the business centers of the East tightens up the money market for the business man and interest rates soar way up. These fluctuations of prices and interest rates are caused by the rigidity of our currency and lack of a proper credit system. It is high time, then, that we, the representatives of the people of the country, give the country an elastic currency and stop these losses.

We need currency and good currency to supply our needs of exchange under all and varying circumstances, and for nothing else. Many of our citizens misunderstand the use of money. They think that the possession of money denotes wealth. Many of our citizens hoard money. Millions of dollars of our currency is thus deprived of its function of being a medium of exchange. The possession of money is not wealth. The notion that money is wealth is a false notion. In the sixteenth and seventeenth centuries men and nations believed that a great supply of money—that is, of the precious metals—was wealth. During those periods we read of conquests for gold and silver. Commerce, agriculture, science, and industry all suffered at the expense of world searches for the precious metals. But to-day the civilized world recognizes that gold and silver are no longer regarded as the most useful forms of wealth. The wealth of America to-day is not measured by its possession of gold and silver, but it is measured by its great harvest fields, its great hives of industry. The withdrawal of so much currency from its use by hoarding has certainly something to do with causing a currency stringency. When currency is needed most, when

money gets tight and business is becoming paralyzed, the hoarding increases.

Wherein do the bankers and banks come in? The banks of the country, you might say, are the arteries through which the life blood—currency—flows. In our great, complex system of business and commerce the banks perform a function as great as currency itself. We can not get along without them. The banks of the country are, you might say, the constructive forces of the country. Who can picture a business man doing business, a manufacturer paying labor, a contractor paying for supplies, a farmer wintering, and so forth, without the aid of the bank?

Yet, Mr. Chairman, there is something radically wrong with our banking system. I say this not in a spirit of criticism of bankers. Not at all. Defective as our system is, the American banker has been a patriot in time of approaching crisis. Because of this defective system he has undoubtedly suffered many losses and stood much adverse criticism.

We have to-day a system of isolated banks. There is not that full and complete cooperation among the banks of the country to give our currency a free flow through the channels of commerce. We have a cooperation among the banks, but it is a voluntary one and one which results from private arrangement. There is also a lack of cooperation between the Government and the banks. The Government is to-day dealing at arm's length with the banks of its own creation. The Government to-day charters the bank, thereby permitting it to deal with its citizens; the Government examines the bank and pronounces to its citizens that it is solvent and worthy of patronage. But when the Government becomes a patron of this institution of its own creation, of this institution which it pronounces solvent and worthy of patronage, it asks for additional security to that of the ordinary depositor and makes itself a preferred creditor besides.

Under such a lack of cooperation on the part of the Government and among the banks, how can currency flow freely and serve the people freely as a medium of exchange? How can our currency be elastic? And especially in times of currency stringency, when free cooperation among the banks and cooperation on the part of the Government would relieve the situation, we find each individual bank drawing in its resources and piling up its reserves. We have banking laws on our statute books to-day providing a certain amount of cash reserve. Each bank is keeping this reserve in its vaults under a penalty. We deny the use of this reserve at any time. In time of currency stringency or panic, when a part of this reserve could be used to relieve in part, at least, the stringency, there is no law permitting this relief.

We have the enormous sum of \$800,000,000 locked up in the safes of the national banks of the country. This huge sum is idle and useless. Not even in times of currency stringency is this available to relieve the condition. This bill will make at least a part of these great reserves useful, and that alone will give relief. In England the reserves are about one-fifth of ours, and yet by a proper use of them money panics are lacking there.

These are some of the conditions that prevail under our currency and banking system to-day, and now what about a remedy? It is a very easy matter to find fault, but it is a hard matter to suggest practical remedies. To make a radical change would be unwise and dangerous. We can not suddenly plunge into any system now in use in other countries, but we have to move slowly and remedy some of the evils now and improve as time goes on.

Briefly stated, what is the plan proposed under this bill? Under it the continental United States will be divided into at least 12 districts, with a Federal reserve bank in each district. Every national bank will be a stockholder in the Federal reserve bank to an amount equal to 20 per cent of its capital stock, one-fourth of which is to be paid in in cash immediately, one-fourth in 60 days, and the balance—10 per cent—to remain a liability of the member bank. This Federal reserve bank will serve as a clearing house for discounting and rediscounting of notes, bills of exchange, and other credit paper. This will insure a systematic, regulated cooperation between the banks of the country in the matter of handling credit paper. It will destroy the great banking monopoly of the East which has been making unjust exactions from the bankers of the country. It will enable the currency of the country to flow naturally through the channels of commerce and prevent the so-called "tightening up" of money.

The national banks of this country will not subscribe for stock in Federal reserve banks without profit to them. They will receive a cumulative dividend of 5 per cent on their investment and receive 40 per cent of the surplus profits after expenses are paid. The Government funds will be deposited in

Federal reserve banks, and the Government will receive the remaining 60 per cent of the surplus profits. The banks will get a dividend on their stock and their sharing in the surplus profits will insure conservative banking and the success of the Federal reserve banks. The Government's share of the profits will pay for Government control and supervision and something for the use of Government funds.

Under this bill the reserves to be held by country national banks are reduced to 12 per cent, and those of city national banks to 18 per cent. This is a step in the right direction. These reserves have been piled up in the vaults of the banks, and were of no service to the business and commerce of the country. This reduction in the requirement of reserves will certainly help in relieving any stringency in the currency.

It is also provided under this bill that national banks shall be permitted to make loans on farm lands. This will be a great benefit to the farmer. The time for such loans is limited to 12 months. This is indeed a short period, but when we consider that the purpose of this legislation is not to provide for farm credits, but mainly to provide elasticity of the currency, it is necessary that investments be in liquid assets and on short-time paper. It is wiser for the present to wait for the commission which has been investigating the question of farm credits abroad to make its report. We will then have much more useful and practical information on the subject. I hope that at the next session of Congress proper legislation will be enacted providing a substantial credit system for the agricultural interests of the country. We are to-day deploring the movement of the population to the cities, and we are everywhere urging a movement to the farms. But nothing is done except a lot of talking. If there is anything that will do something toward keeping the boys on the farm and give some inducements to migration to the farms from the large cities, it will be a good agricultural credit system.

There is another provision in this bill that is of some importance, and that is the provision, under section 28, authorizing the organization of branch banks in foreign countries. A short time ago I read a book on South America, and in that book the author pointed out that foreign countries like Germany, France, and England are maintaining branch banks in all parts of that continent, and so helping the business and commerce of these countries with the South American countries. Thus far the United States Government has not permitted national banks to branch out into foreign countries. I believe that this provision will facilitate and add materially to our foreign commerce.

Most of the large bankers of the country are opposing this bill. Wall Street surely opposes it. The men who have had complete control of credits, and thereby are dictators to the business world of America, are surely opposed to it. The men who have been dictators to the smaller banks of the country and have had them at their mercy; the men who have been gambling in Wall Street and have manipulated finance for their own benefit; the men who have exacted large profits from the management of the finances of the country at the expense of the business man, the farmer, and laborer, these men are naturally opposed to currency legislation of this kind.

What is the main objection that they have to the present bill? One of the main reasons why they are against the bill is because the Federal reserve board, under whose control the proposed system will be, is to be wholly a governmental body and not a body created by the banks. Just because the Federal reserve board is to be appointed by the President of the United States it will throw the business into politics, they say. Such an argument is ridiculous. We to-day have the Interstate Commerce Commission, and no one claims that it does not do its duty as between the public and public-service corporations. We to-day have the Civil Service Commission, and no one has yet charged that it is not performing its duty irrespective of politics. Those opposed to the Government controlling the banks under this system lose sight of the fact that banking is a semi-public business; that banks are public-service corporations just as much as railway, telegraph, and telephone companies. They lose sight of the fact that banks are not chartered for the benefit of the stockholders only but for the benefit of the public, and that being true, the public has the right of regulation and supervision over them.

I believe this is a good bill. I believe that it will accomplish what we are seeking to accomplish. We are trying to establish a better cooperation among the banks and a systematic Government control and regulation of reserves, so that when an emergency arises they can be used to relieve conditions and prevent a panic. I think that this bill provides for closer and better cooperation among our banks, and especially in time of need. We are seeking to provide an easy and natural flow for

the currency of the country through the channels of commerce in order to avoid occasional currency stringency, and I believe this bill provides for that. No one claims that this bill is absolutely perfect. What bill is perfect upon its passage? What system of banking and currency has anyone to propose that will be absolutely perfect? If there are defects in this bill, time will demonstrate, and we can always improve on the system later. Time will demonstrate and educate, and we can make improvements later.

I believe that this bill will put an end to any monopolistic control of credits in this country. It will emancipate the business man, farmer, and laborer from the money power which has made them do its bidding.

This bill is not a panacea for all evils, nor is it a monster that will destroy what we have. Not at all. It is, I believe, a step in the right direction. If by its passage we can in a large measure prevent the conditions which existed in 1873, 1893, and 1907, we have done more good by its passage than has been done by any legislation passed in a century.

Mr. HAYES. Mr. Chairman, I yield 30 minutes to the gentleman from Illinois [Mr. MADDEN]. [Applause.]

Mr. MADDEN. Mr. Chairman and gentlemen of the committee, when the President of the United States delivered his message to the Congress on the question of currency legislation, which is now pending, he indicated the necessity for such legislation on the theory that the people of the United States were to be made free by reason of the enactment of the tariff law which is now soon to become a fact. What he meant by freedom is something that he did not explain, but I assume that his meaning was that the people of the United States were to be free to compete with the world, that we were to open the markets of America to the products of European labor, and that we would be free to compete in the American market with the labor of every other nation under the sun. And so he said when that time arrived we would need all the tools with which to take advantage of the opportunities which this freedom of action would give to us, and the tools which he described we needed would be greater elasticity of currency. My own judgment is that this bill is not going to produce that situation. In the first place, I do not think we will have any special need for additional currency if the situation arises that I think will result from the enactment of the present tariff law. If it produces anything like other tariff laws passed by the Democratic Party, we will find labor out of employment, mills closed, and smokeless factory chimneys. But we are considering a bill now to provide the means by which we can take advantage of this greater freedom.

Mr. SLOAN. Will the gentleman yield?

Mr. MADDEN. Yes.

Mr. SLOAN. If I understand the gentleman's point of view, it is that this bill is to be used as a fire extinguisher rather than an instrument of commerce.

Mr. MADDEN. Well, that would be my conclusion. [Laughter on the Republican side.] I did say that we were considering the currency legislation which is to furnish the tools that the President of the United States described we needed. I made a mistake when I said that, for we are not considering that question. It has not been submitted to us for our consideration. The Democratic caucus has given some consideration to the question in its own way behind closed doors and without giving the Members of Congress of the opposite party any opportunity whatever to hear even what was said.

Legislation for the regulation of the credits of the country should be considered most seriously before enactment. It should be the disposition of those charged with responsibility to enter upon the consideration of such an important question with an open mind. No avenue likely to be able to furnish information should be closed. The best advice that experts can give should be sought and welcomed.

No more important question than that affecting the fabric of the country's credit can come before the Congress. Any action calculated to destroy confidence in our financial system should be approached with the greatest care. The success of every business enterprise in the country depends on the ability of our people to secure credit. Due care should be taken to prevent either contraction or inflation of our currency. Either inflation or contraction is fraught with great danger. It should be the fixed policy of the Congress to make the currency of the country the best in the world. Nor should the advice of the banks be ignored on so important a question. The banks are owned by our people. Their success should be considered in any consideration of the currency question.

The rights of the depositor should be well guarded. The borrower, too, is an important factor. He should not be over-

looked. The bank is the instrument through which the commercial life blood of the Nation flows. No obstacle should be put in the way of its freedom of movement. Indeed every facility should be provided by law for the diffusion of this commercial life blood into the channels of trade.

That our present currency system should be more elastic, more responsive to the Nation's business needs all will agree. That some new method should be devised for the basis of credits has long been the opinion of those familiar with the inflexible system now in vogue. The question of what that method should be has been a perplexing one. Some believe the cure for all of our financial ills is the establishment of a central bank with branch offices conveniently located throughout the country. Others, remembering the old United States bank case, seem afraid of it. They see Jackson's ghost in every suggestion for the creation of such a bank.

The bill before Congress has many of the elements of the central bank in it but does not approach it in point of efficiency. The bill now pending provides for the creation of 12 Federal reserve banks with not less than \$5,000,000 capital each, and such number of branches as may be considered necessary and convenient, not to exceed one for each \$500,000 of the capital of the Federal reserve bank. It provides for the creation of a Federal reserve board, consisting of seven members, all to be appointed by the President and confirmed by the Senate, who are to have general control over all the Federal reserve banks of the country, power to require one Federal reserve bank to rediscount the discounted prime paper of other Federal reserve banks in times of emergency; to suspend for stated periods every reserve requirement of the act; to add to the number of cities classified as reserve and central reserve cities; to suspend the officials of Federal reserve banks and to require their removal for cause, for incompetency, dereliction of duty, fraud, or deceit, subject to the approval of the President of the United States.

The national banks of the country are required by the terms of the act to subscribe for stock in the Federal reserve banks equal to 20 per cent of their unimpaired capital, 50 per cent of which must be paid in cash and within 60 days after the subscription. They must also pay into the Federal reserve banks 3 per cent of their total deposits. The capital of all the national banks of the country amounts to \$1,050,000,000, and the deposits on the 1st of June, 1913, were \$7,124,000,000. So that the payments to be made during the first 60 days to the Federal reserve banks amount to \$318,000,000, \$105,000,000 of which is capital and \$213,000,000 of which is reserve. If the national banks fail to become participants in the Federal reserve banks within one year they must surrender their charters and cease to do business as national banks. If they do become participants they must pay in an additional 2 per cent of their deposits.

Although the national banks are, under the terms of the bill, to be the owners of the Federal reserve banks, they are to have no voice, no representation on the Federal reserve board, which is to be strictly political. A knowledge of banking even is not required. Will it work? Is it wise to put our entire fiscal system under political control? It seems to me not. The banks should be allowed representation on this important board. They should be allowed to select that representation themselves. Unless such representation be allowed, I shall not be surprised if the national banks refuse to become stockholders in the Federal reserve banks and go out of the national-bank system, taking out State charters instead. It will be unfortunate if this legislation does not recognize the justice of the claim of the national banks to representation on the Federal reserve board. The withdrawal of the national banks from the system will make this law a dead letter if passed. But if even they elect to continue in the system I think the bill unworkable. Under the terms of the bill I feel certain the credits of the country will be enormously contracted and may result in the forced liquidation of many important business enterprises, causing chaos, stopping the wheels of progress, closing factories, mills, and workshops and throwing labor out of employment.

I am anxious to see our currency system reformed, and shall be glad to vote for any measure which will make for greater elasticity and at the same time embodies the elements of safety.

This bill does not appeal to me. The framers of the bill seem to think currency legislation a political question. Far from it. It is a question which affects every citizen in the land and should be considered along broad lines of public welfare. The man on the street, the man on the farm, in the factory, the store, on the railroad, in the bank, the law office, the judge on the bench, the woman in charge of the household, all—every one is interested to know that whatever currency legislation is

passed will not make it harder to get a dollar. Will this bill do that? Let us see.

The national banks have an aggregate capital of \$1,050,000,000, and actual money amounting to \$917,000,000. Their deposits amount to \$7,124,000,000, or \$1 in money for \$8 of deposits. If, out of the \$917,000,000 in money the banks are required to pay 10 per cent of their capital on their stock subscriptions into the Federal reserve banks or \$105,000,000 and 3 per cent of their deposits into the Federal reserve banks within 60 days as the law requires them to do, or \$213,000,000 it will be seen that they have turned over to the Federal reserve banks \$318,000,000, or more than one-third of all their cash and would have on hand but \$599,000,000. On the basis of \$8 deposits to \$1 cash this would reduce the power of the banks to grant credits from \$7,338,000,000 to \$4,792,000,000, thus contracting the credits \$2,544,000,000. The loans and investments of national banks amount to \$7,336,000,000 exclusive of the bonds used as a basis of circulation. National bank deposits amount to \$7,124,000,000. It will be seen that the loans about offset the deposits, thus showing the amount owed by the banks to the public to be about what the public owes the banks.

The Federal reserve banks with a capital of \$105,000,000 and reserve deposits paid in of \$213,000,000 would have money amounting to \$318,000,000. Being obliged to hold 33½ per cent reserves against their total demand liabilities the Federal reserve banks would not be able to expand their total liabilities beyond \$954,000,000. Having already assumed liabilities for reserve deposits amounting to \$213,000,000, their net expansion capacity would be reduced to \$741,000,000. And this would be the limit of their rediscounting capacity to the member banks whose contraction of credits has been shown to be \$2,544,000,000. Deduct the amount which the Federal reserve banks could rediscount, \$741,000,000, from the bank contraction and we have \$1,803,000,000 less capacity to accommodate the public than now.

It is proposed to transfer bodily from the national banks one-third of the money now in their vaults to the vaults of the Federal reserve banks. The money now in the national bank vaults forms a basis of credits in the ratio of one dollar in money to eight dollars of credits outstanding. Section 14 of the act fixes the credit expansion of the Federal reserve banks on the basis of 33½ per cent money reserve against their total liabilities. They are therefore restricted in their credit expansion to three dollars of credit to one dollar in money. As a basis of credit, therefore, one-third of the money now in the national bank vaults would lose two-thirds of its expansive power, or the difference between eight dollars in credits to one dollar in money and three dollars in credits to one dollar in money, or a contraction with the transfer from the national banks to the Federal reserve banks of \$1,803,000,000. At the end of 14 months the bill requires the national banks to increase their deposits with the Federal reserve banks to 5 per cent, thus making a further contraction of the credits. The bill in its present form should not pass. I hope it will not. But it seems as if the Democrats in the House, working under the instructions of the President and tied hand and foot by the caucus, with no right to think, and surely no right to amend, are determined to, as far as the House can, enact this piece of folly into law. [Applause on the Republican side.]

Mr. GLASS. Mr. Chairman, will the gentleman yield?

Mr. MADDEN. Why should the House act as slaves if they are to represent a free people?

Mr. GLASS. Will the gentleman yield?

Mr. MADDEN. I do.

Mr. GLASS. I desire to ask the gentleman if when the last time he had occasion to act upon currency legislation he did not stand in a Republican caucus and help adopt a Republican caucus measure and bring it upon the floor of this House, giving four hours debate and precluding the offering of a single amendment?

Mr. MADDEN. I had the honor of standing on the floor of the House and considering the question long before it went to the caucus, and voted for it in the House; but that was a measure for temporary relief. It was not a measure placing the currency system of the United States in the hands of a political board.

Mr. GLASS. At the same time when the gentleman came on the floor he was not free.

Mr. MADDEN. I was absolutely free.

Mr. GLASS. You would not permit an amendment to be offered to this bill.

Mr. MADDEN. I want to say to my friend from Virginia, since I have been a Member of this House that no power connected with the Government or any caucus has ever taken away

my freedom of action. I have stood here free and ready to act according to the best judgment I had, and if I could not do that I would refuse to be a Member of the House. [Applause on the Republican side.]

Mr. GLASS. But did not the gentleman vote for a caucus-gag rule which limited debate to four hours, instead of the four days that we are giving you, and denied the right to offer a single, solitary amendment to the bill? [Applause on the Democratic side.]

Mr. MADDEN. I presume so.

Mr. McKENZIE. Mr. Chairman, will my colleague yield?

Mr. MADDEN. Certainly.

Mr. McKENZIE. I will ask my colleague if that was not a conference, rather than a caucus, that the gentleman mentions?

Mr. MADDEN. No; I think it was a caucus. Why not perfect the bill here? Why not send it to the Senate in perfect form? Why make the House a joke?

Mr. GLASS. Is the gentleman talking about the Vreeland-Aldrich bill? [Laughter on the Democratic side.]

Mr. MADDEN. I am talking about the Glass bill. I am talking about the Democratic caucus and the President's instructions to the Democratic Party. I am talking about the Democratic Party's refusal to allow other Representatives to have an opportunity to consider the question.

Why did the House Committee on Banking and Currency refuse to hear the bankers of the country? They and other experts have recently been heard by the Senate Committee on Banking and Currency and have furnished a fund of information which should have been in the possession of the House committee before this imperfect measure was reported. It is not now too late to make it a perfect law. But will the Democrats of the House consider their caucus obligation paramount to the welfare of the Nation and the prosperity of our people? If they will, it is useless to hope to amend the bill. The Republicans are not numerous enough, and the Democrats, under the gag rule of the caucus, are mere automatons.

The bill should be amended to read that every National bank and State bank and trust company may subscribe to the capital stock of the Federal reserve banks. That the directors of the Federal reserve banks to be appointed by the Federal reserve board shall be legal residents of the district in which the Federal reserve bank to whose directory they are appointed is located. That the Federal reserve board shall have at least three of its members elected by the Federal reserve banks from the membership of the stockholding banks instead of being appointed by the President. That no power shall be vested in the Federal reserve board to remove any director authorized to be elected by the stockholding banks. That the directors of the Federal reserve banks be empowered to elect the chairman of each board. That membership in the Federal reserve banks shall be voluntary—not compulsory. That the provision for a Federal advisory council without power is misleading and should be stricken from the bill. Notes issued by Federal reserve banks under authority of the Federal reserve board should be obligations of the issuing bank and under no circumstances become the obligations of the United States.

Unless the bill is amended in these and many other respects I predict the failure of the law. Should the national banks refuse to participate and go out of the system the Government 2 per cent bonds now on deposit with the Treasurer of the United States, amounting to approximately \$700,000,000, would be thrown on the market and in all likelihood fall from par to 75 cents on the dollar, thus causing a loss to investors of \$175,000,000.

Mr. MAPES. Mr. Chairman, will the gentleman yield for a question?

Mr. MADDEN. I have only a moment, but I yield.

Mr. MAPES. In case the national banks should refuse to join the reserve banks and surrender their charters and want to retire their national-bank circulation, does the provision which prohibits canceling in any one year more than 5 per cent of their 2 per cent bonds upon which their circulation is based conflict with that provision?

Mr. MADDEN. The provision for the cancellation of 5 per cent of the Government bonds every year only applies to banks that remain in the system. The banks that go out of the system would have to take down their Government bonds and sell them for any price they could get for them. That is the provision of the bill.

I hope that thirst for power will not take the place of reason; that politics will not be enthroned at the head of the Nation's finances; that currency reforms, if effected, shall be reform in fact, not in name; that whatever legislation be enacted may build up, not destroy the fabric of the country's credit, and that

the business of the Nation may go on successfully and the happiness of our people be assured. But I am not at all certain that if this bill is enacted into law such a condition will continue. There is only one hope I have that gives me courage, and that hope is that when this bill leaves the House, as it will, in its present form, it will go to another body that will exercise the judgment that ought to be exercised for the benefit and in the interest of a free American people. [Applause.]

Mr. GLASS. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

The committee accordingly rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, and had come to no resolution thereon.

ENROLLED BILL AND JOINT RESOLUTION SIGNED.

The SPEAKER announced his signature to enrolled bill and joint resolution of the following titles:

S. 2711. An act to provide for the acquiring of station grounds by the Great Northern Railway Co. in the Colville Indian Reservation in the State of Washington; and

S. J. Res. 68. Joint resolution authorizing the Secretary of the Senate and the Clerk of the House of Representatives to advance to the chairman of the commission appointed under the act approved June 30, 1913, such sums of money as may be necessary for the carrying on of the commission, etc.

ADJOURNMENT.

Mr. GLASS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 10 o'clock and 5 minutes p. m.) the House, under the order heretofore made, adjourned until Thursday, September 11, 1913, at 11 o'clock a. m.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. ESCH: A bill (H. R. 8046) to promote the safety of employees and travelers upon railroads by requiring the use of the block system and automatic train-control devices by common carriers engaged in interstate commerce, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. LAFFERTY: A bill (H. R. 8047) defining the limits of mining locations on the public domain, relating to the patenting of lode claims, providing for the filing of notices of location of all mining claims in the local land offices, and for other purposes; to the Committee on the Public Lands.

By Mr. FRENCH: A bill (H. R. 8048) to amend section 6 of the act of Congress of June 17, 1902, entitled "An act appropriating the receipts from the sale and disposal of public lands in certain States and Territories and the construction of irrigation works for the reclamation of arid lands"; to the Committee on Irrigation of Arid Lands.

By Mr. UNDERWOOD: Resolution (H. Res. 248) moving to nonconcur in gross in the Senate amendments to H. R. 3321 and agreeing to a committee of conference asked for by the Senate on the disagreeing votes of the two Houses; to the Committee on Rules.

By Mr. HUMPHREY of Washington: Resolution (H. Res. 249) directing the Secretary of Agriculture to give to the House full detailed information in regard to any contracts made or proposed to be entered into between the Santa Barbara Tie & Pole Co. and the Secretary of Agriculture; to the Committee on Agriculture.

By Mr. CARTER: Joint resolution (H. J. Res. 129) authorizing the Secretary of the Interior to make a per capita distribution to the enrolled members of the Choctaw and Chickasaw Tribes of Indians in Oklahoma of funds held in the Treasury to the credit of said tribes; to the Committee on Indian Affairs.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ANTHONY: A bill (H. R. 8049) granting an increase of pension to Lemuel Evans; to the Committee on Invalid Pensions.

By Mr. BALTZ: A bill (H. R. 8050) granting an increase of pension to Levi North; to the Committee on Invalid Pensions.

By Mr. CANTRILL: A bill (H. R. 8051) for the relief of Oldham County, Ky.; to the Committee on War Claims.

By Mr. CULLOP: A bill (H. R. 8052) granting a pension to Virgil O. Adams; to the Committee on Pensions.

By Mr. CURRY: A bill (H. R. 8053) granting a pension to J. P. Bickford; to the Committee on Pensions.

By Mr. FOSTER: A bill (H. R. 8054) granting a pension to Clifford Ulrich; to the Committee on Pensions.

Also, a bill (H. R. 8055) granting a pension to David Pruitt; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8056) granting an increase of pension to John H. Speer; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8057) granting an increase of pension to William M. Sprinkle; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8058) granting an increase of pension to Robert L. Bennett; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8059) granting an increase of pension to Leander C. Johnson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8060) granting an increase of pension to L. Jones; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8061) granting an increase of pension to George W. Young; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8062) to remove the charge of desertion from the record of Armstrong Hunter; to the Committee on Military Affairs.

Also, a bill (H. R. 8063) to remove the charge of desertion from the record of Jesse W. Jackson; to the Committee on Military Affairs.

By Mr. MAGUIRE of Nebraska: A bill (H. R. 8064) granting an increase of pension to Oracle Shores; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8065) granting an increase of pension to James W. Sweet; to the Committee on Invalid Pensions.

By Mr. MOSS of West Virginia: A bill (H. R. 8066) granting a pension to Margaret Morgan; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8067) granting a pension to Rebecca A. Thomas; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8068) granting an increase of pension to Daniel Snider; to the Committee on Invalid Pensions.

By Mr. SPARKMAN: A bill (H. R. 8069) granting an increase of pension to Mary A. Durrance; to the Committee on Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. BARCHFELD: Petition of local union No. 1252, United Brotherhood of Carpenters and Joiners, of America, of Pittsburgh, favoring the passage of legislation granting the right of suffrage in the District of Columbia; to the Committee on the District of Columbia.

By Mr. ESCH: Petition of rural letter carriers of Sauk County, Wis., favoring the passage of legislation for certain improvements in the delivery of mail; to the Committee on the Post Office and Post Roads.

By Mr. LEVY: Petition of a bankers' conference held in Chicago, Ill., and the joint banking and currency committee of the State Association of Bankers, Minneapolis, Minn., relative to the Glass-Owen currency bill and suggesting certain changes; to the Committee on Banking and Currency.

Also, petition of the Association of German Authors in America, New York, protesting against taxing books printed in languages other than English; to the Committee on Ways and Means.

Also, petition of the Buffalo Chamber of Commerce, Buffalo, N. Y., favoring the passage of the Underwood tariff bill, and relative to the appointment of collectors of revenues; to the Committee on Ways and Means.

Also, petition of the World's Purity Federation, La Crosse, Wis., and the Minneapolis Civic and Commerce Association, Minneapolis, Minn., favoring the passage of House joint resolution 125, relative to appointing delegates to the Seventh National Purity Congress, Minneapolis, Minn.; to the Committee on Foreign Affairs.

Also, petition of the Beggs & Cobb Tanning Co., Winchester, Mass., asking a change in the wording of paragraph 503 of House bill 3321, relative to oils and greases; to the Committee on Ways and Means.

By Mr. SUTHERLAND: Paper to accompany bill (H. R. 8042) granting a pension to Charles B. Cundiff; to the Committee on Invalid Pensions.

SENATE.

THURSDAY, September 11, 1913.

The Senate met at 12 o'clock m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

The Journal of yesterday's proceedings was read and approved.

IMPORTATION OF TEAS.

The VICE PRESIDENT laid before the Senate a communication from the Secretary of the Treasury, stating that in response to a resolution of the Senate of February 28, 1913, he had transmitted copies of all correspondence, rulings, reports, etc., relative to the importation into this country of green teas or colored teas, and requesting that these documents be returned to the department, where they are seriously needed for reference.

Mr. GALLINGER. I move that the request of the Secretary of the Treasury be complied with.

The VICE PRESIDENT. Without objection it is so ordered, and the papers will be returned to the Treasury Department.

WASHINGTON AND GEORGETOWN GAS LIGHT COS. (S. DOC. NO. 185).

The VICE PRESIDENT laid before the Senate a communication from the Commissioners of the District of Columbia, transmitting, in response to a resolution of the Senate of the 2d instant, certain information relative to the action taken by them to enforce section 11 of the act of Congress, approved March 4, 1913, so far as the same may affect the Washington Gas Light Co. and the Georgetown Gas Light Co., in the District of Columbia; which was referred to the Committee on the District of Columbia and ordered to be printed.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by D. K. Hempstead, its enrolling clerk, announced that the Speaker of the House had signed the following enrolled bills and joint resolution, and they were thereupon signed by the Vice President:

S. 2711. An act to provide for the acquiring of station grounds by the Great Northern Railway Co. in the Colville Indian Reservation in the State of Washington;

H. R. 3406. An act to authorize the construction of a bridge across the Sabine River at Orange, Tex.; and

S. J. Res. 68. Joint resolution authorizing the Secretary of the Senate and the Clerk of the House of Representatives to advance to the chairman of the commission appointed under the act approved June 30, 1913, such sums of money as may be necessary for the carrying on of the commission, etc.

PETITION AND MEMORIAL.

Mr. TOWNSEND presented a petition of the Board of Trade of Fremont, Mich., praying for the adoption of a 1-cent letter postage; which was referred to the Committee on Post Offices and Post Roads.

He also presented a memorial of Detroit Court No. 1, Guardians of Liberty, of Detroit, Mich., remonstrating against the enactment of legislation to make October 12 in each year a public holiday to be called Columbus Day, which was referred to the Committee on the Judiciary.

CONTRIBUTIONS FOR CAMPAIGN PURPOSES.

Mr. CLAPP, from the Committee on Privileges and Elections, to which was referred the bill (S. 192) to limit the use of campaign funds in presidential and national elections, reported it with amendments and submitted a report (No. 112) thereon.

PORT OF DALLAS, TEX.

Mr. SHEPPARD. From the Committee on Commerce I report back favorably without amendment the bill (H. R. 4937) extending to the port of Dallas, Tex., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement, and I ask for its immediate consideration.

The VICE PRESIDENT. The Senator from Texas asks for the immediate consideration of the bill just reported by him. Is there objection?

Mr. GALLINGER. Let it be read for the information of the Senate.

The VICE PRESIDENT. The Secretary will read the bill.

The Secretary read the bill, as follows:

Be it enacted, etc., That the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement, be, and the same are hereby, extended to the port of Dallas, in the State of Texas.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered as in Committee of the Whole.

The bill was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

PANAMA-PACIFIC INTERNATIONAL EXPOSITION.

Mr. SIMMONS. On behalf of the Committee on Finance, I report back favorably without amendment the bill (H. R. 7595) providing for free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition and for the protection of foreign exhibitors. I ask unanimous consent for the present consideration of the bill.

The VICE PRESIDENT. The Secretary will read the bill.

Mr. SIMMONS. The bill is the same as the one which passed the Senate some time ago. That bill was read, and, if it is permissible, I will ask unanimous consent to dispense with the reading of the House bill.

The VICE PRESIDENT. Is there objection to dispensing with the reading of the bill by unanimous consent? The Chair hears none. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered as in Committee of the Whole.

The bill was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

Mr. SIMMONS. I move that the bill (S. 2433) providing for free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition and for the protection of foreign exhibitors be recalled from the House of Representatives, and when it is recalled that it be laid on the table.

The VICE PRESIDENT. The bill will be recalled and then ordered to lie on the table.

BILL INTRODUCED.

Mr. CATRON introduced a bill (S. 3112) to authorize the Secretary of the Interior to acquire certain right of way near Engle, N. Mex., which was read twice by its title and referred to the Committee on Public Lands.

THE CONGRESSIONAL DIRECTORY.

Mr. FLETCHER. I call up from the calendar the joint resolution (S. J. Res. 66) providing for a second edition of the Congressional Directory for the first session of the Sixty-third Congress. I wish to move its indefinite postponement.

Mr. GALLINGER. It was reported adversely, and the question will be upon agreeing to the report.

The VICE PRESIDENT. The question is on agreeing to the report.

The report was agreed to, and the joint resolution was postponed indefinitely.

SUPREME COURT DECISIONS.

Mr. SHAFROTH. I wish to call up Senate resolution 103, which proposes to annul Senate resolution adopted February 20, 1885, providing for furnishing to Senators pamphlet printed copies of the decisions of the Supreme Court of the United States. I ask for the immediate consideration of the resolution.

Mr. NORRIS. I should like to say to the Senator from Colorado that while I have no particular interest that I know of in this matter, when the resolution was called up once before the Senator from Minnesota [Mr. NELSON] took quite a deep interest in it, and he is not in the Chamber now.

Mr. SHAFROTH. I have talked with the Senator from Minnesota [Mr. NELSON]. I told him that when I called up the resolution I would modify it so as to provide for the printing at the rate of 20 cents per printed page, and that seemed to be satisfactory to him. It is his desire that these decisions shall not be dispensed with, but to have them furnished at a much lower rate.

With relation to the rate, I wish to say that the Senator from Florida [Mr. FLETCHER] had communication with the Public Printer with regard to the printing of the Supreme Court decisions, and the Public Printer has written to him to the effect that the cost to the Government for furnishing 100 extra copies to the Senate would be 5 cents per printed page. I propose to amend this resolution, so as to make the rate 20 cents per printed page to this man. He has called on me, and he says he will not do it for less than 50 cents a printed page. He has been charging 80 cents per printed page. In my judgment the price is outrageous, and I am satisfied that when he finds he has to furnish them for 20 cents or not at all he will conclude that it is to his interest to furnish them at 20 cents per printed page.

With this in view there is an amendment which I expect to offer and for which I have the consent of the committee. We have thought that 20 cents per printed page would be ample and that he would furnish them at that rate, and if he should not

we would make some other arrangement with relation to the printing.

Mr. NORRIS. I should like to make an inquiry for information. They are printed by some private individual?

Mr. SHAFROTH. Yes, sir; they are printed by a private concern, and they have cost the Government for three months over \$468.

Mr. NORRIS. If we cease to get them here they will be printed just the same?

Mr. SHAFROTH. They will be printed by the Supreme Court. The committee to which I belong, and which has had this matter under consideration, has no jurisdiction over the appropriation for the Supreme Court for the printing of its decisions.

Mr. NORRIS. I should like to inquire of the Senator if his proposition is to reduce the price of the entire outfit?

Mr. SHAFROTH. No, sir.

Mr. NORRIS. Just the price of those which come to the Senate?

Mr. SHAFROTH. Just those that come to the Senate, because the Committee to Audit and Control the Contingent Expenses of the Senate does not have any control whatever over the expenditures of the Supreme Court.

Mr. NORRIS. I know, but it is within our jurisdiction in connection with the House of Representatives to change the law in that respect.

Mr. SHAFROTH. Oh, yes.

Mr. NORRIS. I should like to suggest to the Senator that the Committee on Printing could bring in such a measure.

Mr. SHAFROTH. The Committee on Printing has such a measure under advisement now.

Mr. NORRIS. It seems to me that they could well investigate it and bring in a proper amendment to prohibit the exorbitant price, if it is exorbitant.

Mr. SHAFROTH. The price which is paid by the Supreme Court is \$2.95 a printed page. What the Committee on Printing ought to do is to see whether these decisions can not be furnished by the Public Printer at an estimate of \$1.95 a printed page, and I hope that will be done.

Mr. NORRIS. I hope so.

Mr. SHAFROTH. In the meantime numerous Supreme Court decisions are going to be rendered pretty soon, and the result will be, unless we change it now, that this firm will still furnish the advance sheets to the Senate at the rate of 80 cents per printed page.

Mr. NORRIS. I wish the Senator would have his proposed amendment read so that we may understand just exactly what it is.

Mr. SHAFROTH. I will read it myself. The resolution which is now before the body reads:

Resolved, That Senate resolution adopted on the 20th day of February, 1885, providing for furnishing to Senators pamphlet printed copies of the decisions of the Supreme Court of the United States, be, and the same is hereby, annulled.

The amendment is to strike out the word "annulled" and, beginning with the last clause, make it read:

be, and the same is hereby, amended by adding to the last word of the same the following:

"At a cost not to exceed 20 cents per printed page."

That will make the resolution stand with a limitation of the cost to 20 cents per printed page. As to the decisions printed for the Supreme Court and the cost of them, that matter will be handled by the Joint Committee on Printing of the Senate and House.

Mr. MYERS. Mr. President, I would ask the Senator from Colorado if this is not practically certain to dispense with the advance sheets of the Supreme Court decisions which have been furnished to Senators.

Mr. SHAFROTH. I think not, because I believe it is to the contractor's interest to furnish them at 20 cents a printed page, and if he does not, we can devise some way to have them printed. They can be reprinted, I think, for less than he has been charging the Senate.

Mr. OVERMAN. They are furnished by the reporter of the Supreme Court, are they not?

Mr. SHAFROTH. No; they are now given to a firm for the purpose of printing the Supreme Court decisions early, just as soon as they are gotten ready by the Supreme Court.

Mr. OVERMAN. But they are furnished by the reporter?

Mr. SHAFROTH. I do not know whether they are furnished by the reporter or by the clerk of the court. I think they are furnished by the clerk, and then these copies are furnished to the Senate by this firm. He strikes off 350 copies which he furnishes to the Supreme Court and to the clerk of the court. Then he strikes off a copy for each Senator and furnishes those to the Senate. He has charged the Senate 80 cents per

printed page, and it struck me, when I first looked at his bill, that it was more than is ordinarily charged for printing briefs; and on that account that it was too high. We had an inquiry in relation to it, and the printer said that he would consent to reduce the price to 50 cents per printed page. We thought that was too high. We then had an estimate made by the Public Printer, and he said the furnishing of the extra copies would cost the Government 5 cents per printed page. We then thought that, allowing the contractor 20 cents a page would be ample to remunerate him and to give him a reasonable profit, if not a large profit.

Mr. OVERMAN. We have an official, who is known as reporter to the Supreme Court, to whom we pay a large salary. He furnishes to the Secretary's office advance sheets of the decisions of the Supreme Court. I wish the Senator would look into the matter. I think there might be a saving to the Government of about \$100,000 a year in the printing and purchase of the United States Supreme Court Reports, if they were printed at the Government Printing Office in this city, instead of the printing being let out by contract. I am heartily in favor of the resolution, because I am satisfied this printer will furnish the copies at the price suggested; he has the sheets anyway; and 20 cents a page is enough to pay for copies.

Mr. BRADY. Mr. President, I am heartily in favor of the resolution offered by the Senator from Colorado [Mr. SHAFROTH], but in case the printer refuses to print these advance sheets for 20 cents a page, what position will the Senate then be in?

Mr. SHAFROTH. We can enter into negotiations with other printers or we can get them printed at the Government Printing Office.

Mr. BRANDEGEE. We can not hear what the Senator from Idaho says.

The VICE PRESIDENT. The Senator from Connecticut states that he was unable to hear what the Senator from Idaho has been saying.

Mr. BRADY. I was asking the Senator from Colorado [Mr. SHAFROTH] in what position the Senate would be in case the printer who now furnishes these reports refuses to print them at 20 cents a page?

Mr. SHAFROTH. It is likely that when the next general appropriation bill is considered this whole matter will be gone into, and probably the Public Printer will be directed to do the printing of the Supreme Court decisions and to furnish these advance sheets. If that is done, the additional cost would be small—5 cents per printed page. But in the meantime we probably shall have many decisions that will be rendered by the Supreme Court in October when it meets, and it seems to me that we ought, without disturbing the contract at the present time, limit the amount which is to be paid by the Senate for these copies. I think the printer will furnish them at the reduced rate; that is my judgment.

Mr. BRADY. I think that is entirely correct, but in case he does not furnish them, I think the Committee on Printing should make some arrangement by which these reports will be furnished at a reasonable price.

Mr. SHAFROTH. They undoubtedly will be. The amount paid by the Supreme Court is a very large one, it seems to me, and, in addition to that, the printer gets a certain amount for revising and correcting them. I noticed one bill where he was allowed \$1,000 for that which is usually done free of charge by the printer who furnishes the lawyer's brief. On that account the Committee on Printing is likely to take up this matter, readjust it, and have the printing done at the Government Printing Office. Until that occurs we ought to be furnished with copies of these decisions—at least some Senators think so—and by putting this price at 20 cents per printed page, it seems to me that we would secure that result.

Mr. GALLINGER. Mr. President—

Mr. MYERS. I think I have not yielded the floor.

Mr. GALLINGER. I beg the Senator's pardon. I did not know the Senator had the floor.

Mr. SHAFROTH. I think I have the floor, but I will yield to the Senator.

Mr. MYERS. I think the Senator is mistaken. I was recognized by the Chair.

Mr. SHAFROTH. Very well.

Mr. MYERS. I merely wished to claim the floor in order to yield to the Senator from New Hampshire [Mr. GALLINGER] and to the Senator from Colorado [Mr. SHAFROTH]; that is all. Then I want to say a word.

Mr. SHAFROTH. Proceed. I thought the Senator from Montana had asked me a question.

Mr. MYERS. I yield to both Senators.

Mr. GALLINGER. Mr. President, I will occupy but a moment, and I thank the Senator. I was about to say that I have

very little personal interest in this matter. I do not read these decisions, but undoubtedly they are valuable to some Senators. The fact is that we of our own volition made the contract at 80 cents a printed page, as I understand. The firm printing those decisions has now agreed to print them at 50 cents a page, and it is proposed by the committee that we shall establish a new price of 20 cents a page. That is a violent reduction; and I have an impression, without knowing very much about the matter, that it will quite likely result in the firm declining to do the printing at that price. I presume, however, that in that case there will be found some other way out of it, if Senators want these decisions.

Mr. OVERMAN. If the Senator will allow me to ask him a question, inasmuch as the printer is paid a large price for the full report, does not the Senator think he could afford to furnish the advance sheets for 20 cents a page?

Mr. GALLINGER. It is very easy for a Senator to say that a firm can afford to do a thing; I do not know whether they can or not. If they can, it is inconceivable to me that the Senate made this contract for 80 cents a page.

Mr. SHAFROTH. There never was a contract; there was simply a resolution authorizing the Clerk to have these copies delivered to Senators.

Mr. GALLINGER. It is equivalent to a contract, however. The Senate ordered the work done at a certain price, and it seems to me that, if we are to revise this entire matter, if the Committee on Printing is to bring it up and have the printing done at the Government Printing Office, where I think it ought to be done, we might well accept the terms that this firm has offered, reducing the price from 80 cents to 50 cents a page, and not undertake this method of assuming that we can arbitrarily reduce a price 75 per cent that we ourselves established and expect the work to be done. It is rather an unusual method of procedure, and it seems to me like an attempted economy on a small matter in rather an extraordinary way.

Mr. SHAFROTH. Mr. President, if the Senator from Nebraska will give me his attention just a moment, I wish to say that I promised the Senator from Minnesota [Mr. NELSON] that I would try to get this through upon a reduced price, and he said, "All right," that he did not want the contract annulled; but since the remarks of the Senator from New Hampshire [Mr. GALLINGER], it might be that the Senator from Minnesota would think that this was an indirect way of dispensing with the requirement that copies of the decisions should be furnished to the Senate; and if the Senator thinks that this amount would not be satisfactory to the Senator from Minnesota, I would rather not press the matter until he comes into the Senate.

Mr. NORRIS. Mr. President, I should like to say to the Senator from Colorado that I have not talked privately with the Senator from Minnesota on the subject. All I know is what he said on the floor of the Senate. Personally I do not believe the Senator from Minnesota would regard it in that light; it does not seem to me as though he would. So far as I am personally concerned, I think the Senator from Colorado is taking a course that would not be objected to by anyone.

Mr. SHAFROTH. Does the Senator know whether the Senator from Minnesota is in the city?

Mr. NORRIS. I do not.

Mr. MYERS. Mr. President—

The VICE PRESIDENT. Does the Senator from Colorado yield to the Senator from Montana?

Mr. SHAFROTH. I do.

Mr. MYERS. Mr. President, I was mistaken in my statement. The Senator from Colorado [Mr. SHAFROTH] had the floor. He was correct.

Mr. SHAFROTH. The Senator from Georgia [Mr. BACON] informs me that the Senator from Minnesota [Mr. NELSON] told him last night that he was going to leave the city, to be absent for a week. I feel that if the Senator from Minnesota would object to this that I should have to move to reconsider, and probably again bring the resolution before the Senate. I will press it now, however, and if the Senator from Minnesota on his return objects, I will ask to have the matter reconsidered.

Mr. LA FOLLETTE. Does the Senator from Colorado say that he will not press the matter now?

Mr. SHAFROTH. I say I will press it now, and if the Senator from Minnesota on his return objects, I shall move a reconsideration.

Mr. CHAMBERLAIN. Mr. President, I should like to ask the Senator from Colorado if he has investigated the matter to ascertain where this 80 cents a printed page goes—who gets the money?

Mr. SHAFROTH. It goes to a firm here in the city. I have their bill.

Mr. CHAMBERLAIN. What I want to know, Mr. President, is whether a portion of this money goes to the reporter of the Supreme Court? I imagine it is one of those little grafts that have slipped into the charges that the clerks of these Federal courts make.

I introduced a resolution in the Senate a short while ago, which has been referred to the Committee on the Judiciary, providing for an investigation of the fees that are paid to the clerks of the Federal courts, with a view of having a bill presented to lop off some of the very charges that the Senator from Colorado [Mr. SHAFROTH] is now seeking to have cured. I think if the Senator will investigate the matter he will find that there is some sort of an arrangement between the printer and probably the reporter, under the terms of which the reporter and the printer divide this 80 cents a printed page.

I want to say to the Senator from Colorado that I am heartily in favor of his resolution; and, further than that, I think the whole system ought to be abolished. There is not any reason why the Members of the Senate could not go into the Library or into the room of some committee to examine the Supreme Court Reports and these advance sheets without putting the Government to the expense of having each Senator furnished with a copy of the decisions.

Mr. SHAFROTH. I will state that the bill which I have here takes in the numbers furnished between February 6 and April 30. It is made payable to C. E. Bright, and is sworn to by him as due to him. It amounts to \$468.80 for that period of time—three months.

Mr. KERN. Mr. President—

The VICE PRESIDENT. Does the Senator from Colorado yield to the Senator from Indiana?

Mr. SHAFROTH. I yield.

Mr. KERN. I wanted to ask what amount is paid by the Supreme Court or by the Government per printed page?

Mr. SHAFROTH. The amount paid per printed page is \$2.95, and that is paid to the firm or individual whom I have named.

Mr. KERN. Mr. President, I had four years' experience as reporter of the Supreme Court of Indiana and as such had sole charge of the publication of the reports. Based on my experience in that capacity, I will say that this charge is simply iniquitous. In Indiana under the present arrangement the decisions of the supreme court of that State are printed by the State and sold to the members of the profession at a dollar and a half a volume of 700 printed pages, at a profit to the State. The Indiana Supreme Court reports are printed on practically the same kind of paper as are the reports of the Supreme Court of the United States, with the same sort of binding and the same number of pages, and for the printer of the decisions of the Supreme Court of the United States to charge \$2.95 a printed page is simply an outrage.

I will say that the decisions of the Supreme Court of the United States or the advance sheets are furnished to at least two great publishing houses—the West Publishing Co., of St. Paul, and the Lawyers Cooperative Publishing Co., of Rochester, N. Y. The clerks of the various State supreme and appellate courts of the country furnish advance sheets of decisions to these publishers, for which they receive considerable remuneration. Doubtless the clerk of the Supreme Court of the United States or the reporter also get considerable sums for these advance sheets in addition to their regular remuneration.

I think this subject demands very close investigation. It seems to me there is a great raid on the Public Treasury in this printing matter that will amount in the course of a year to a very large sum of money.

Mr. SHIVELY. Very much larger than the salaries.

Mr. KERN. Very much larger than the salaries, I think.

Mr. SHAFROTH. I will state, Mr. President, that the Supreme Court decisions could be purchased from the West Publishing Co., advance copies thereof delivered to each Senator, and a bound volume supplied at the end of the year to each Senator for less than the three-months' bill which has been presented to the Senate by this printer. It seems to me that this resolution will secure copies of the decisions, and if it does not then we can devise some other way of getting them.

Mr. BRISTOW. Mr. President, if the Senator will pardon me, that one three months' bill is simply for running 100 extra copies off the press, and that is all there is to it.

Mr. OVERMAN. That is all it amounts to.

Mr. SHAFROTH. That is all there is to it.

Mr. FLETCHER. Mr. President—

The VICE PRESIDENT. Does the Senator from Colorado yield to the Senator from Florida?

Mr. SHAFROTH. I do.

Mr. FLETCHER. I merely desire to make the observation that the matter here referred to is for additional copies. The contract with the printer for printing the advance sheets was made through the Supreme Court; either the reporter, the clerk, or the court itself in some way lets that contract. The Senate has ordered the additional copies.

When this matter came up heretofore the Joint Committee on Printing undertook to make some inquiry about it. We found that the 80 cents a page was a very excessive charge, and that we could have the work done at the Government Printing Office, as the Senator from Colorado has already stated—

Mr. SHAFROTH. At 5 cents per printed page.

Mr. FLETCHER. At 5 cents per printed page for the additional copies of the advance sheets.

Mr. SHIVELY. Let me ask the Senator where are the advance sheets printed?

Mr. FLETCHER. They are printed here in the city by a private firm under a contract through the Supreme Court.

Mr. SHIVELY. At 80 cents a page?

Mr. FLETCHER. The contract for printing the original copies is considerably more than that.

Mr. SHAFROTH. That contract is for \$2.95 a printed page.

Mr. FLETCHER. Yes; \$2.95 a printed page.

Mr. SHAFROTH. And the Government Printing Office could print them at \$1.95 a page and furnish the additional advance sheets to the Senate for 5 cents a page.

Mr. FLETCHER. The Senate passed a resolution calling for a copy of the advance sheets for each Senator, and they are furnished at 80 cents a page. If the original printing were done by the Government Printing Office, they would furnish the additional copies at 5 cents a page. Under the resolution offered by the Senator from Colorado the advance sheets will continue to come, provided they will be furnished at 20 cents a page. I think beyond any question the Senator is entirely within reason as to the proper allowance for that amount of work.

As to the printing of the Supreme Court Reports, the Joint Committee on Printing has, in fact, already taken that up with the clerk. The clerk replied that we must take it up with the court; but as the court are on vacation, we have not yet reached any conclusion about it. We are going into that subject, so that eventually the Joint Committee on Printing will probably be able to report some steps that will lead to a readjustment of the whole subject of the printing of the reports of the Supreme Court.

Mr. CATRON. I should like to inquire of the Senator from Colorado how many copies of these reports are furnished to the Supreme Court at the rate of \$2.95 a page?

Mr. SHAFROTH. Three hundred and fifty copies of the decisions in pamphlet form. The Public Printer has estimated that the 350 copies can be printed at the Government Printing Office at a cost to the Government of \$1.95 per printed page; and he says the additional 100 copies of advance sheets furnished to the Senate could be furnished at an additional cost of 5 cents per printed page.

Mr. GALLINGER. Mr. President, if the Senator from Colorado will permit me—

Mr. SHAFROTH. Certainly.

Mr. GALLINGER. In reference to my observations a few moments ago, I wish to say that I do not want to be understood as opposing the proposal which the Senator from Colorado has made to the Senate. My only anxiety was in behalf of those who care to receive copies of these reports; I do not care about them; but we ought not, without due consideration, deprive those who want them of the privilege of receiving them.

From what has been said, it seems to me that this whole matter ought to be taken up seriously, either by the Committee on Printing or by some other committee of this body. As the Senator from Indiana [Mr. KERN] has well observed, the price paid per printed page for those reports is an abomination, as it seems to me—and I have some knowledge of the art of printing. I hope that the Joint Committee on Printing will take up the matter, go to the bottom of it, see that we pay a fair price for the printing that is done for the Government, and that we are not imposed upon.

This printing ought to be done at the Government Printing Office. We have the best printing house in the world; we have it well equipped with everything that is necessary to do any kind of printing, and why we should go outside and make contracts with private concerns surpasses my comprehension. I say this because I am deeply impressed with the suggestions that have been made along that line.

Mr. SHAFROTH. I entirely agree with the Senator that it ought to be taken up by the Committee on Printing, and it

will be; but so far as concerns the jurisdiction of the Committee to Audit and Control the Contingent Expenses of the Senate, of which I am a member, we have jurisdiction only as to furnishing the decisions to the Senate.

Mr. GALLINGER. That is all. I shall not, therefore, oppose the proposition the Senator makes, although it occurred to me at first blush that if we reduced the price one-half, rather than 75 per cent, perhaps it would be more equitable, pending an investigation. But if the Senator has looked into the matter, and feels that his proposition is a fair one, I have nothing further to say.

Mr. WILLIAMS. Mr. President, I rise merely to add that I have only one doubt about the report which has been made by the Committee to Audit and Control the Contingent Expenses of the Senate, and that is as to whether the reduction we have made is not too small. I think we might have made a greater reduction without any unfairness to anybody, and still these people could have made these additional copies at a very considerable profit to themselves. But I very heartily indorse the proposition that comes from the committee.

The VICE PRESIDENT. Is there objection to the present consideration of the resolution?

The Senate, by unanimous consent, proceeded to consider the resolution.

Mr. MYERS. Mr. President, now that the resolution is before the Senate I wish to say that I am opposed to the abolition of furnishing these advance sheets to Senators. If the resolution passes in its present form, I think it will result in such abolition. It seems to me incredible, when a man says a thing is worth 80 cents a page and he will not do it for less than 50 cents a page, that he will come down and take 20 cents a page.

I move to amend the resolution so as to make it read "at not to exceed 40 cents per page." Then, if you can get it done for 5 cents a page, very well. It leaves it in the discretion of those in charge to get it down to 5 cents a page if they can, or 20 or 30 or 40.

Mr. BRANDEGEE. I will ask to have the resolution read. I have not heard it read in full.

The VICE PRESIDENT. The Secretary will read the resolution as proposed to be amended by the committee.

The SECRETARY. The junior Senator from Colorado [Mr. SHAFROTH] proposes to amend Senate resolution 103 as follows—

Mr. GALLINGER. Let the original resolution be read.

Mr. BRANDEGEE. Let the whole resolution be read.

The SECRETARY (reading)—

Resolved, That Senate resolution adopted on the 20th day of February, 1885, providing for furnishing to Senators pamphlet printed copies of the decisions of the Supreme Court of the United States be, and the same is hereby, annulled.

The junior Senator from Colorado [Mr. SHAFROTH] proposes an amendment, as follows:

In line 5 strike out the word "annulled" and insert "amended by adding to the last word of the same the following: at a cost not to exceed 20 cents per printed page."

Mr. BRANDEGEE. Mr. President, let the Secretary read the latter part, where the amendment comes in. It strikes me that it does not make sense.

Mr. GALLINGER. It does not.

The SECRETARY. It is proposed to strike out the word "annulled" and add the following:

Amended by adding to the last—

The VICE PRESIDENT. The Secretary will read back enough of the resolution to give the context.

The SECRETARY (reading)—

That Senate resolution adopted on the 20th day of February, 1885, providing for furnishing to Senators pamphlet printed copies of the decisions of the Supreme Court of the United States, be, and the same is hereby annulled.

It is proposed to strike out the word "annulled"—

The VICE PRESIDENT. The Chair requested the Secretary to read the resolution as proposed to be amended, leaving out the word "annulled."

The SECRETARY (reading)—

Be, and the same is hereby, amended by adding to the last word of the same "at a cost not to exceed 20 cents per printed page."

Mr. BRANDEGEE. Then the resolution would read "be, and the same is hereby, at a cost not to exceed."

Mr. SHAFROTH. No; "be, and the same is hereby, amended."

Mr. BRANDEGEE. Then let the Secretary read it in that way.

The SECRETARY (reading)—

Is hereby amended by adding to the last word of the same the following: "at a cost not to exceed 20 cents per printed page."

Mr. BRANDEGEE. I do not think that makes sense.

Mr. GALLINGER. It does not.

Mr. SHAFROTH. Give it to me; I will read it.

Mr. SMITH of Georgia. Read it the way it would read if amended.

Mr. SHAFROTH. There is a resolution which provides that the Secretary of the Senate shall furnish to the Senate 100 copies of these decisions. The first object of this resolution was to annul that resolution and not to have any of these copies, but since we have reconsidered the matter and want the decisions we have changed the pending resolution so that instead of the resolution adopted in 1885 being annulled it will be amended by adding to the last word of the original resolution "at a cost not to exceed 20 cents per printed page." That makes complete sense. The resolution, therefore, will read as follows:

Resolved, That Senate resolution adopted on the 20th day of February, 1885, providing for furnishing to Senators pamphlet printed copies of the decisions of the Supreme Court of the United States, be, and the same is hereby, amended by adding to the last word of the same—

That is, the original resolution—

the following: "at a cost not to exceed 20 cents per printed page."

Mr. GALLINGER. Striking out the last word?

Mr. SHAFROTH. Yes; striking out the last word.

The VICE PRESIDENT. The question is on the amendment of the Senator from Montana [Mr. MYERS], who moves to amend the amendment by striking out "20" and inserting "40."

The amendment to the amendment was rejected.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Colorado [Mr. SHAFROTH].

Mr. LANE. Mr. President, before the question is put I should like to ask the Senator from Colorado why the matter can not be settled by having this printing done by contract upon bids submitted as a result of public competition.

Mr. SHAFROTH. You can not very well have the copies furnished to the Senate under a separate contract, because you would have to set up the type and issue the 100 copies, which would cost probably 80 or 90 cents, or perhaps a dollar, per printed page. But the original matter is in the hands of the Joint Committee on Printing, and they expect to make some arrangement of that kind.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Colorado [Mr. SHAFROTH].

The amendment was agreed to.

The resolution as amended was agreed to.

PROPOSED PROCEDURE.

Mr. KERN. Mr. President, I ask unanimous consent for the following agreement:

That the Senate shall adjourn to-day until Monday, the 15th day of September, and then meet and adjourn for three days, and continue to so meet and adjourn until the conference committee heretofore appointed to confer with the House conferees on House bill No. 3321 shall be ready to report the conclusions of such committee to the Senate, and that no business shall be considered by the Senate during that period.

Mr. LA FOLLETTE. Mr. President, I ask that the request for unanimous consent may go over.

Mr. WILLIAMS. I wish to suggest that if the request for unanimous consent is to be put it ought to be amended. It is possible that the House may send over the banking and currency bill, and that the Senate committee may be ready to report upon it before the conferees upon the tariff bill are ready to report.

Mr. KERN. It has been determined already that that is absolutely impossible.

Mr. JONES. Mr. President, nobody can hear this conversation.

Mr. KERN. I had a consultation yesterday with the members of the committee and they say it can not be done.

The VICE PRESIDENT. Senators complain that they can not hear what is going on.

Mr. BORAH. Was this proposition submitted by the Senator from Indiana as a motion or as a request for unanimous consent?

Mr. KERN. As a request for unanimous consent.

The VICE PRESIDENT. Objection is made by the Senator from Wisconsin [Mr. LA FOLLETTE].

WOMAN SUFFRAGE.

Mr. ASHURST. Mr. President, I shall not ask unanimous consent or make a motion until I first make a short explanatory statement.

From the Committee on Woman Suffrage, on June 13, 1913, I reported favorably a joint resolution (S. J. Res. 1) proposing an amendment to the Constitution of the United States extending the right of suffrage to women.

I desire to ask unanimous consent that the Senate proceed to the consideration of the joint resolution. I may state, in this connection, that if such unanimous consent should be granted, and it should become, as it would, the unfinished business, I should not expect to press it during the next 30 days, or to interfere in any way with currency legislation. I desire, however, and I am sure I express the sentiment of a large number of Senators, that the matter shall be voted on within the next two or three months; and if it is the unfinished business it will be discussed.

I therefore ask unanimous consent that the Senate proceed to the consideration of the joint resolution.

Mr. OVERMAN. Mr. President, I object. I do not think we ought to take up the matter now. We have not a quorum here this morning.

PRINTING OF MAP.

Mr. GALLINGER. Mr. President, there is on the calendar, under Rule IX, a motion that the map of the United States as marked and referred to by Mr. CUMMINS during the delivery of his address on H. R. 3321 be printed in the CONGRESSIONAL RECORD as a part of his address. The map has been printed in the RECORD, and I ask that the motion be stricken from the calendar. It simply burdens the calendar.

The VICE PRESIDENT. Without objection, the motion will be stricken from the calendar.

ADJOURNMENT TO MONDAY.

Mr. KERN. I move that when the Senate adjourns to-day it adjourn to meet on Monday next, September 15, at 12 o'clock meridian.

The motion was agreed to.

PARADES IN THE CITY OF WASHINGTON.

Mr. JONES. I ask unanimous consent for the present consideration of Senate bill 2415, relating to the exclusion of traffic from streets and avenues of the city of Washington during parades.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

Mr. SMITH of Georgia. What is the bill, Mr. President? I did not hear what it was.

Mr. JONES. I will say to the Senator from Georgia that it is a bill which has been reported unanimously from the Committee on the District of Columbia, and indorsed by the commissioners, growing out of the difficulties in connection with the parade here on March 3. It invests the commissioners with authority which is absolutely necessary for the protection of such parades. It is a short bill.

Mr. SMITH of Georgia. Mr. President, I do not think we want to take up any bills to-day unless their consideration is absolutely necessary, and I object.

Mr. JONES. Mr. President, I hope the Senator will not object to the consideration of the bill. It is a local bill and applies only to the District of Columbia.

I will say to the Senator from Georgia that the special committee which was appointed to investigate the difficulties attending the woman-suffrage parade here on March 3 found that the real cause of the difficulty was the fact that there was no authority to exclude traffic from the Avenue for a sufficient time before the parade was to start in order to furnish an unobstructed passageway. That committee recommended this legislation, the bill was introduced, and it is approved by the Commissioners of the District of Columbia and by the committee.

Mr. WILLIAMS. What is the character of the bill?

Mr. JONES. The bill gives the commissioners authority to grant permits to hold parades on the streets of the city. It also gives them authority to exclude traffic from the streets for a sufficient time before the beginning of such parades in order to insure proper protection to them.

Mr. WILLIAMS. Does the bill, furthermore, provide that they shall not have parades on streets upon which street cars are run?

Mr. JONES. No; it does not.

Mr. WILLIAMS. It ought to.

Mr. JONES. It does not limit it. The bill leaves to the commissioners the matter of granting permits as to any street.

Mr. WILLIAMS. There ought to be an absolute provision that the street cars of a great city like this shall not be stopped for parades of any description. There are plenty of streets without street cars upon them where parades can pass without having the entire business of the city and everybody personally inconvenienced just because the commissioners want to give somebody a right to hold a parade upon Pennsylvania Avenue.

I am not speaking now of this particular case. This parade was more important than most parades, but it always struck me that people could do their parading upon streets that were not congested and upon streets that did not have street-car service.

Mr. JONES. I take it that the commissioners would exercise a reasonable judgment and discretion.

Mr. WILLIAMS. They have not done so hitherto; and in this particular case they granted the right to have the parade on Pennsylvania Avenue.

Mr. JONES. Oh, no; they did not. We granted that right by resolution of Congress.

Mr. WILLIAMS. I do not know whether the commissioners would have any better sense than we have had or not.

Mr. JONES. I think on special occasions Pennsylvania Avenue is the proper place to hold a parade. I should not like to see the parade on the 4th of March in connection with the inauguration of the President of the United States put off on some side street somewhere.

Mr. WILLIAMS. That is a totally different affair; but even with regard to that, in the first place, the fool parade ought to be done away with altogether.

Mr. JONES. I agree with the Senator in that.

Mr. WILLIAMS. In the second place, if we are going to have it, we ought not to allow it to impede the people who are going along attending to their everyday business. It is just a sort of holiday for people who come here to "procession," if I may use the word.

Still the 4th of March is a totally different thing. It is the occasion of the inauguration of the Chief Magistrate of the entire United States, and there might be an exception made in that case. But for other parades of any description that I can think of, unless it were a returning army to be disbanded after a great war, or something of that kind, when the power of Congress could be specially invoked, a mere parade ought not to be allowed to disturb the legitimate business of a great city.

Mr. JONES. If the Senator thinks an amendment should be inserted here, prohibiting parades on streets where street cars run, I should not object to its adoption.

Mr. WILLIAMS. I should like to see that done, in language prohibiting parades upon streets where street cars run, unless by express permission of Congress.

Mr. BORAH. Mr. President, I wish to say that I fully agree with the Senator from Mississippi that if there is any occasion at any time when the street cars of this city show a disposition to run they ought not to be interfered with.

Mr. JONES. I would accept an amendment of that sort.

Mr. SMITH of Georgia. Ordinarily I should not object to a request on the part of the Senator from Washington to take up a bill, but nearly all of us have made our arrangements to be occupied away from the Senate this afternoon, supposing that the session would be very short. We must have an executive session, and it is on account of the peculiar condition of affairs to-day that I enter an objection.

The VICE PRESIDENT. Objection is made.

PROPOSED PROCEDURE.

Mr. KERN. I ask the Chair to lay before the Senate a proposed unanimous-consent agreement.

The VICE PRESIDENT. The Secretary will read it.

The Secretary read as follows:

Unanimous agreement:

That when the Senate meets on next Monday, the 15th instant, no legislative business shall be considered.

Mr. GALLINGER. That is right.

The VICE PRESIDENT. Is there objection to the unanimous-consent agreement?

Mr. BORAH. Mr. President, I am not going to object to the unanimous-consent agreement, but there are some of us who are a great ways from home, and if it could be determined what the program is going to be here for any reasonable length of time it would be a great convenience to those who would like to take occasion at this time to visit home. If there is going to be an adjournment every three days, of course, it necessitates our remaining here. On the other hand, if it should be determined that we are not going to do anything for two or three weeks, it would permit us to arrange an entirely different program.

While I am not going to object to this unanimous-consent agreement to-day, I should like to say to the Senator offering it that when we meet upon Monday we ought to determine, if we can, what we are going to do for the next two or three weeks.

Mr. KERN. I will say to the Senator from Idaho that before he came in I asked for a unanimous-consent agreement that the Senate adjourn for three days at a time until the conference committee on the tariff bill was ready to report, and that no

business be transacted in the meantime. There was objection to that, and therefore I—

Mr. BORAH. That objection was made after I came in; I heard it. I am not finding fault, except to say that I presume by Monday all parties can determine what the program should be.

Mr. KERN. I think that is the understanding.

Mr. BORAH. If there is to be an adjournment every three days, of course we must submit to it.

Mr. KERN. I think it is the understanding that next Monday we will come to some determination as to the program for the week.

Mr. MYERS. Mr. President, a parliamentary inquiry. I suppose under the agreement proposed the introduction of a bill would be permitted?

The VICE PRESIDENT. The Chair would rule that that is legislative business.

Mr. MYERS. That it could not be introduced?

The VICE PRESIDENT. That would be the ruling of the Chair.

Mr. MYERS. I ask that it be modified so as to say "except the introduction of bills." I am expecting suggestions from the Interior Department relative to an important bill which I have been requested to introduce.

Mr. KERN. I have no objection.

Mr. JONES. Is there a request for unanimous consent pending?

Mr. KERN. Yes.

The VICE PRESIDENT. There is.

Mr. JONES. I should like to hear what it is.

The VICE PRESIDENT. It will be read by the Secretary.

The Secretary read as follows:

That when the Senate meets on next Monday, the 15th instant, no legislative business shall be considered.

Mr. JONES. Mr. President, I can not consent to a proposition of that kind. It seems to me if we have to stay in session we ought to carry on business, and there is no reason why those of us who have to stay here should not transact business. I will not consent to-day to a proposition of that kind.

The VICE PRESIDENT. Objection is made to the request of the Senator from Indiana.

EXECUTIVE SESSION.

Mr. BACON. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After 12 minutes spent in executive session the doors were reopened, and (at 1 o'clock and 17 minutes p. m.) the Senate adjourned until Monday, September 15, 1913, at 12 o'clock m.

CONFIRMATIONS.

Executive nominations confirmed by the Senate September 11, 1913.

ENVOY EXTRAORDINARY AND MINISTER PLENIPOTENTIARY.

Charles J. Vopicka to be envoy extraordinary and minister plenipotentiary of the United States of America to Roumania, Servia, and Bulgaria.

SECRETARY OF LEGATION.

Jefferson Caffery to be secretary of the legation of the United States of America at Stockholm, Sweden.

REGISTERS OF LAND OFFICES.

F. F. Fritz to be register of the land office at Minot, N. Dak.
Edwin M. Starcher to be register of the land office at Gregory, S. Dak.

Paz Valverde to be register of the land office at Clayton, N. Mex.

RECEIVERS OF PUBLIC MONEYS.

Kirk E. Baxter to be receiver of public moneys at Belle-fourche, S. Dak.

D. E. Burkholder to be receiver of public moneys at Gregory, S. Dak.

Abraham Hogeland to be receiver of public moneys at Lewistown, Mont.

Thomas E. Owen to be receiver of public moneys at Clayton, N. Mex.

Joseph E. Terral to be receiver of public moneys at Woodward, Okla.

PROMOTIONS IN THE NAVY.

Lieut. Commander Ridley McLean to be a commander.

Lieut. Commander Stephen V. Graham to be a commander.

Lieut. Louis J. Connolly to be a lieutenant commander.

Lieut. Thomas R. Kurtz to be a lieutenant commander.

Lieut. Harold E. Cook to be a lieutenant commander.

Lieut. (Junior Grade) John B. Rhodes to be a lieutenant.

POSTMASTERS.

GEORGIA.

G. L. Carson, sr., Commerce.
Alman G. Hockenhull, Cumming.
L. M. Peacock, jr., Eastman.

REJECTION.

Executive nomination rejected by the Senate September 11, 1913.

POSTMASTER.

Patrick H. Tiernan to be postmaster at Macomb, Ill.

HOUSE OF REPRESENTATIVES.

THURSDAY, September 11, 1913.

The House met at 11 o'clock a. m.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

We bless Thee, Almighty God, our Heavenly Father, that in spite of the untoward circumstances of life, in spite of the evil and sin we see around us, there is more good in the world than evil; that the trend of men's hearts is upward, not downward, heavenward, not hellward; that there is hope in the promise that good shall overcome evil; and we most fervently pray that we may strive as individuals and as a people for the spreading of Thy kingdom, that righteousness, peace, and good will may reign supreme in every heart, and old earth be filled with joy and gladness. Through Jesus Christ, our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

THE TARIFF.

Mr. HENRY. Mr. Speaker, I offer the following privileged resolution from the Committee on Rules.

The Clerk read as follows:

House resolution 248 (H. Rept. 70).

Resolved, That upon the adoption of this resolution it shall be in order to move to nonconcur in gross in the Senate amendments to H. R. 3321 and agree to a committee of conference asked for by the Senate on the disagreeing votes of the two Houses, and the House shall without further delay proceed to vote upon said motion; and if said motion shall prevail a committee of conference shall be appointed without instructions, and said committee shall have authority to join with the Senate committee in renumbering the paragraphs and sections of said bill when finally agreed upon.

Mr. HENRY. Mr. Speaker, I move the previous question on the resolution.

The question was taken, and the Chair announced that the ayes had it.

Mr. MANN. Mr. Speaker, I ask for the yeas and nays, and pending that I make the point of order that no quorum is present.

The SPEAKER. The question is on ordering the yeas and nays.

The question was taken, and the Speaker announced that there were 35 yeas and 22 noes.

Mr. HARDWICK. Mr. Speaker, the gentleman from Illinois made the point of no quorum. With that point pending, the House can not even determine that it will order or refuse the yeas and nays until the point of no quorum is decided.

The SPEAKER. Evidently there is no quorum present.

Mr. HARDWICK. The only reason I make the inquiry is that it will be more convenient to have a call of the House and a vote at the same time.

Mr. MANN. I think the gentleman from Georgia is correct, and that is the reason I made the point of no quorum, in order to have an automatic roll call.

The SPEAKER. The roll call takes place automatically.

The Doorkeeper will close the doors, the Sergeant at Arms will notify the absentees, and Members who are in favor of ordering the previous question will, when their names are called, answer "yea" and those opposed will answer "nay." The Clerk will call the roll.

The question was taken; and there were—yeas 187, nays 83, answered "present" 3, not voting 156, as follows:

YEAS—187.

Abercrombie	Blackmon	Burnett	Collier
Adair	Booher	Byrnes, S. C.	Connolly, Kans.
Adamson	Borchers	Byrns, Tenn.	Cox
Alexander	Borland	Callaway	Crisp
Allen	Bowdle	Candler, Miss.	Cullip
Baker	Brodbeck	Carr	Davenport
Baltz	Brumbaugh	Casey	Decker
Barkley	Buchanan, Ill.	Church	Deitrick
Barnhart	Buchanan, Tex.	Clark, Fla.	Dent
Bartlett	Bulkley	Claypool	Dickinson
Bathrick	Burgess	Clayton	Dies
Beakes	Burke, Wis.	Cline	Difenderfer

Dixon	Hay	McKellar	Sisson
Donovan	Hayden	Maguire, Nebr.	Smith, N. Y.
Doolittle	Helm	Maher	Smith, Tex.
Doremus	Helvering	Mitchell	Sparkman
Doughton	Henry	Montague	Stanley
Dupré	Hensley	Moon	Stedman
Edwards	Hill	Morrison	Stephens, Miss.
Elder	Holland	Moss, Ind.	Stephens, Nebr.
Estopinal	Houston	O'Brien	Stephens, Tex.
Fergusson	Howard	Oglesby	Stevens, N. H.
Ferris	Hughes, Ga.	Oldfield	Stone
FitzHenry	Hull	Padgett	Stout
Flood, Va.	Humphreys, Miss.	Page	Stringer
Floyd, Ark.	Igoe	Pepper	Summers
Foster	Jacoway	Peters	Talcott, N. Y.
Francis	Johnson, Ky.	Peterson	Tavener
Gallagher	Johnson, S. C.	Phelan	Taylor, Ark.
Garner	Jones	Post	Taylor, Colo.
Garrett, Tenn.	Kennedy, Conn.	Pou	Taylor, N. Y.
Garrett, Tex.	Kent	Quin	Ten Eyck
George	Kettner	Ragsdale	Thomas
Gittins	Kindel	Raney	Tribble
Glass	Kirkpatrick	Raker	Tuttle
Godwin, N. C.	Kitchin	Rayburn	Underwood
Goodwin, Ark.	Konop	Reed	Vaughan
Gorman	Korbly	Reilly, Wis.	Walker
Graham, Ill.	Lee, Ga.	Riordan	Watkins
Gray	Leshner	Rothermel	Watson
Gregg	Lever	Rouse	Webb
Gudger	Lewis, Md.	Rubey	Williams
Hammond	Lieb	Russell	Wilson, Fla.
Hardwick	Lloyd	Saunders	Wingo
Hardy	Lobeck	Seldomridge	Witherspoon
Harrison	Loneragan	Shackelford	Young, Tex.
Hart	McDermott	Shins	

NAYS—83.

Anderson	Hayes	McLaughlin	Sells
Austin	Helgesen	MacDonald	Sinnott
Avis	Hinebaugh	Madden	Slomp
Barton	Howell	Manahan	Sloan
Britten	Hulings	Mann	Smith, J. M. C.
Campbell	Humphrey, Wash.	Mapes	Smith, Saml. W.
Chandler, N. Y.	Johnson, Utah	Mondell	Smith, Minn.
Cooper	Johnson, Wash.	Morgan, Okla.	Stafford
Curry	Kahn	Moss, W. Va.	Steenerson
Dillon	Kelster	Murdock	Steneland
Dunn	Kelley, Mich.	Nelson	Switzer
Dyer	Kelly, Pa.	Nolan, J. I.	Temple
Esch	Kennedy, Iowa	Norton	Thomson, Ill.
Falconer	Kinkaid, Nebr.	Payne	Towner
Fess	Knowland, J. R.	Platt	Treadway
Fordney	Kreider	Plumley	Volstead
Frear	Lafferty	Powers	Wallin
French	Langley	Prouty	Wallis
Green, Iowa	Lindbergh	Rogers	Woods
Greene, Vt.	Lindquist	Rupley	Young, N. Dak.
Haugen	McKenzie	Scott	

ANSWERED "PRESENT"—3.

Bell, Ga.	Browning	Carter
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NOT VOTING—156.

Aiken	Dershem	Hughes, W. Va.	Patton, Pa.
Ainey	Donohoe	Keating	Porter
Ansberry	Doolling	Kennedy, R. I.	Rauch
Anthony	Driscoll	Key, Ohio	Reilly, Conn.
Ashbrook	Eagan	Klless, Pa.	Richardson
Aswell	Eagle	Kinkaid, N. J.	Roberts, Mass.
Bailey	Edmonds	La Follette	Roberts, Nev.
Barchfeld	Evans	Langham	Roddenbery
Bartholdt	Fairchild	Lazaro	Rucker
Beall, Tex.	Falson	Lee, Pa.	Sabath
Bell, Cal.	Farr	L'Engle	Scully
Bremner	Fields	Lenroot	Sharp
Brocksom	Finley	Levy	Sherley
Broussard	Fitzgerald	Lewis, Pa.	Sherwood
Brown, N. Y.	Fowler	Linthicum	Shreve
Brown, W. Va.	Gard	Logue	Slyden
Browne, Wis.	Gardner	McAndrews	Small
Bruckner	Gerry	McClellan	Smith, Idaho
Bryan	Gillett	McCoy	Smith, Md.
Burke, Pa.	Gilmore	McGillcuddy	Stephens, Cal.
Burke, S. Dak.	Goeke	McGuire, Okla.	Stevens, Minn.
Butler	Goldfogle	Mahan	Taggart
Calder	Good	Martin	Talbott, Md.
Cantrill	Gordon	Merritt	Taylor, Ala.
Caraway	Goulden	Metz	Thacher
Carew	Graham, Pa.	Miller	Thompson, Okla.
Carlin	Greene, Mass.	Moore	Townsend
Cary	Griest	Morgan, La.	Underhill
Clancy	Griffin	Morin	Vare
Connolly, Iowa	Guernsey	Mott	Walsh
Conry	Hamill	Murray, Mass.	Walters
Copley	Hamilton, Mich.	Murray, Okla.	Weaver
Covington	Hamilton, N. Y.	Neeley	Whaley
Cramton	Hamlin	O'Hafr	Whitacre
Crosser	Hawley	O'Leary	White
Curley	Heflin	O'Shaunessy	Wilder
Dale	Hinds	Palmer	Wilson, N. Y.
Danforth	Hobson	Parker	Winslow
Davis	Hoxworth	Patten, N. Y.	Woodruff

So the previous question was ordered.

The Clerk announced the following pairs:
Until further notice:

Mr. McCLELLAN with Mr. J. R. KNOWLAND.

Mr. CURLEY with Mr. CRAMTON.

Mr. RICHARDSON with Mr. PORTER.

Mr. METZ with Mr. HINDS.

Mr. BELL of Georgia with Mr. BURKE of South Dakota.

Mr. O'LEARY with Mr. AINEY.

Mr. MCCOY with Mr. STEVENS of Minnesota.
Mr. TALBOTT of Maryland with Mr. MERRITT.
Mr. SHERLEY with Mr. GILLET.
Mr. FITZGERALD with Mr. CALDER.
Mr. CARTER with Mr. MCGUIRE of Oklahoma.
Mr. BUCKNER with Mr. HAWLEY.
Mr. MCGILLICUDDY with Mr. GUERNSEY.
Mr. THACHER with Mr. WINSLOW.
Mr. REILLY of Connecticut with Mr. WILDER.
Mr. PALMER with Mr. PATTON of Pennsylvania.
Mr. MCANDREWS with Mr. ROBERTS of Nevada.
Mr. FIELDS with Mr. GOOD.
Mr. DALE with Mr. CARY.
Mr. CONRY with Mr. BRYAN.
Mr. BROWN of West Virginia with Mr. ANTHONY.
Mr. EVANS with Mr. MILLER.
Mr. KEATING with Mr. LA FOLLETTE.
Mr. ASHBROOK with Mr. BARCHFELD.
Mr. MURRAY of Oklahoma with Mr. BROWNE of Wisconsin.
Mr. CONNOLLY of Iowa with Mr. BURKE of Pennsylvania.
Mr. CANTRILL with Mr. BRITTEN.
Mr. CARAWAY with Mr. EDMONDS.
Mr. CARLIN with Mr. FARR.
Mr. COVINGTON with Mr. GRAHAM of Pennsylvania.
Mr. FAISON with Mr. COPLEY.
Mr. FINLEY with Mr. GREENE of Massachusetts.
Mr. FOWLER with Mr. GRIEST.
Mr. GOEKE with Mr. HAMILTON of Michigan.
Mr. GOLDFOGLE with Mr. HAMILTON of New York.
Mr. HAMLIN with Mr. HUGHES of West Virginia.
Mr. HEFLIN with Mr. LENROOT.
Mr. KINKAD of New Jersey with Mr. KENNEDY of Rhode Island.
Mr. LEE of Pennsylvania with Mr. KISS of Pennsylvania.
Mr. MORGAN of Louisiana with Mr. LANGHAM.
Mr. LINTHICUM with Mr. LEE of Pennsylvania.
Mr. NEELEY with Mr. MARTIN.
Mr. O'HAIR with Mr. PARKER.
Mr. PATTEN of New York with Mr. MOORE.
Mr. RAUCH with Mr. SHREVE.
Mr. RUCKER with Mr. MORIN.
Mr. SABATH with Mr. SMITH of Idaho.
Mr. SHARP with Mr. VARE.
Mr. SMALL with Mr. WALTERS.
Mr. TAYLOR of Alabama with Mr. WOODRUFF.
Mr. THOMPSON of Oklahoma with Mr. DANFORTH.
Mr. WHITE with Mr. MOTT.
Mr. MURRAY of Massachusetts with Mr. ROBERTS of Massachusetts.

For the session:

Mr. HOBSON with Mr. FAIRCHILD.

Mr. SCULLY with Mr. BROWNING.

Mr. SLAYDEN with Mr. BARTHOLDT.

Mr. O'SHAUNESSY with Mr. DAVIS.

Mr. AIKEN with Mr. BELL of California.

Mr. BROWNING. Mr. Speaker, I voted "no." I have a general pair with my colleague [Mr. SCULLY], and I wish to withdraw my vote and answer "present."

The name of Mr. BROWNING was called, and he answered "Present."

The result of the vote was announced as above recorded.

The SPEAKER. A quorum is present; the Doorkeeper will open the doors. The gentleman from Texas has 20 minutes, and the gentleman from Kansas [Mr. CAMPBELL] has 20 minutes.

Mr. HENRY. Mr. Speaker, I would like to ask the gentleman from Kansas if 20 minutes to a side will be satisfactory to his side of the House?

Mr. CAMPBELL. Mr. Speaker, I have requests for much more time than 20 minutes, and would like if the gentleman from Texas would submit a request for unanimous consent for additional time.

Mr. HENRY. Mr. Speaker, I ask unanimous consent that there be one hour's debate on this resolution, 30 minutes to each side; 30 minutes to be controlled by myself and 30 minutes by the gentleman from Kansas [Mr. CAMPBELL].

The SPEAKER. The gentleman from Texas asks unanimous consent that there be one hour's debate on this resolution, one half to be controlled by himself and the other half by the gentleman from Kansas [Mr. CAMPBELL]. Is there objection?

Mr. MURDOCK. Mr. Speaker, I would like to ask the gentleman from Kansas how much time we are to have out of that?

Mr. CAMPBELL. Mr. Speaker, I shall yield 10 minutes of that time to the gentleman from Pennsylvania [Mr. KELLY].

The SPEAKER. The gentleman from Kansas announces that he will yield 10 minutes of his 30 minutes to the gentleman

from Pennsylvania [Mr. KELLY]. Is there objection to the request of the gentleman from Texas for one hour's debate? [After a pause.] The Chair hears none, and it is so ordered.

Mr. HENRY. Mr. Speaker, the rule is very plain and speaks for itself. It is well understood that the Underwood bill, which has just been passed by the Senate of the United States, has been amended in something like 600 or 700 particulars, and if all those amendments were considered under the regular procedure and sent to the Committee on Ways and Means it would take several weeks to finish the consideration of the bill. The country is expecting action on the subject of tariff legislation and the sooner it is concluded the better. It is right that I should state that the rule is the same as the one which sent the Dingley bill to conference.

It is practically the same as the rule sending the tariff bills of 1883, 1890, and 1894 to conference. Therefore it is the usual and the accepted way of dealing with such problems as this. There is nothing novel about it; there is nothing unwise about it; and it is entirely proper that this bill be sent to conference promptly in order that it may be disposed of as soon as practicable.

Mr. Speaker, I reserve the balance of my time.

Mr. CAMPBELL. Mr. Speaker, after I have consumed nine minutes I ask that I be notified.

The SPEAKER. The gentleman desires to be notified in nine minutes?

Mr. CAMPBELL. Yes.

Mr. Speaker, the gentleman from Texas [Mr. HENRY] lays emphasis upon the fact that the country is anxiously awaiting the enactment of the Underwood bill into law. He failed to state just what country is anxious for the enactment of this bill into law. [Applause on the Republican side.] As a matter of fact, manufacturers and farmers and business men and wage earners of every country in the world but ours are anxious for the early enactment of this bill into law. [Applause on the Republican side.]

The bill proposes to make it easy for the producers in every country in the world to bring here the products of their industries and dump them into the market of the United States—the best market in the world. This bill is for the benefit of Europeans and of Asiatics and of the people who inhabit the islands of the sea that are not under the American flag.

I had a talk a few days ago with a manufacturer from northern France, who has been in this country since a few days after this bill passed the House, and he is almost peeved because it has taken so long to reach a final vote on the bill. He has appointed what he calls agents in this country and wants to say to them, "Go to work; this is the tariff schedule."

He is very anxious that the conferees shall agree at the earliest day possible, because his agents in New York, Chicago, Philadelphia, Cincinnati, Pittsburgh, St. Louis, Kansas City, and in all the larger cities of the country are waiting to begin taking orders from American merchants for goods manufactured in northern France. He says that, of course, he will have to enlarge his factory and employ an increased number of men in order to supply the American trade with the product of his cotton mills. He is anxious that this rule be agreed to and that the bill be sent to conference without further debate, so that he can begin to reap an early benefit from the enactment of this bill into law.

Has anyone heard of an American manufacturer who produces goods that will meet foreign competition who is contemplating an enlargement of his factory or an increase in the number of his employees because of the enactment of this bill into law? There are none. Every laborer in this country who labors in an industry that produces competitive products will suffer from competition with laborers employed in other countries at a wage much less than he is paid here.

The gentleman from France to whom I have referred candidly stated that he had been in cotton mills in the United States; that he had found the same kind of machinery that he has in his mills; that he found the same efficient employees here that he has in his mills. "But," he said, "in this country you pay from four to four and one-half times more wages to laborers upon the same machines than I pay in my factory, and therefore I shall have an advantage in supplying the American market with what it wants." And he is right about it, and that is why your law will injure our people and help the people of other countries.

I am not surprised, therefore, that the countries outside of the United States are anxious for the early enactment of this bill into law, and I am not surprised at the apathy and the apprehension of American manufacturers, farmers, laborers, and business men everywhere in this country.

Oh, yes, they say, "Just as well let it pass." The order for their execution has been issued, and they may just as well have it to-day as next Friday. They are simply waiting for the inevitable hour when they shall have to say to some of their men, "We will have to lay you off. Our salesmen have notified us that they can not sell our products, because foreign goods supply the demands of the market. This bill will permit merchants and manufacturers from every country in Europe and from Asiatic countries, from Japan and China and India, to sell the same kind of goods that we produce in the American market on almost equal terms with our own products."

Mr. Speaker, I fear that our laborers will walk out of factories in which they have been steadily employed at an increasing wage for 16 years, and that many of them will remain out of employment during the time that this law remains upon the statute books.

You have stated that this rule is almost word for word the rule that sent the Dingley bill to conference. Ah, but the purpose of the Dingley bill was vastly different from the purpose of this bill. The purpose of that bill was to open the idle industries of this country to labor that had been unemployed for three years under a Democratic tariff. [Applause on the Republican side.] And in all human probability the next rule that is brought into this House upon a tariff bill will be upon a bill that repeals this law and enacts one that will again open the idle industries of the country to the unemployed laborers of our land. You can not supply the American market with the products of foreign industries and keep the American laborer employed.

You will do well to bear in mind that behind every cheap product of labor that is sold in the United States there is a cheap man getting a cheap wage; and the American laborer will refuse to lower himself to either the standard of living or the standard of wages that is given to his foreign competitor, whether he is employed in Europe or in Asia. [Applause on the Republican side.]

The SPEAKER. The gentleman has occupied nine minutes.

Mr. CAMPBELL. Mr. Speaker, I reserve the balance of my time.

Mr. HENRY. Mr. Speaker, I yield five minutes to the gentleman from Georgia [Mr. HARDWICK].

Mr. HARDWICK. Mr. Speaker, I have been somewhat amused as well as pained at having to listen to the swan songs of Republican orators on this tariff question. My friend from Kansas [Mr. CAMPBELL], who has just taken his seat, tells us that the Dingley bill was presented to the American people to accomplish a vastly different purpose from this bill. I agree with him. The Dingley bill was framed in the interests of certain classes of the American people, and this bill that we present is framed in the interest of the masses of the American people. [Applause on the Democratic side.] I am not here, however, to bandy words with these gentlemen on this tariff question at this late hour. This is not the time for argument or for prophecy on this great question, because this bill is not to be tested by the arguments that are made for and against it or by the prophecies that are ventured for and against it, but by the acid test of actual trial; and it seems to me that when we are about to submit this bill to that great test, after it has been fully argued so that the country fully understands it, after every item in it has been weighed in the balance, after everything in it has been duly and fully and carefully considered, it ill becomes us at this late time to stop and protest against an expeditious treatment of the subject, no matter what the views of the Members are upon the tariff question, whether they favor this bill or whether they oppose it. American business men everywhere are demanding that we put an end to the period of uncertainty which is always involved in tariff changes, whether the changes be upward or downward. It seems to me, Mr. Speaker and gentlemen, that we can accomplish no more useful purpose and serve no better purpose than by proceeding with the smallest possible delay to enact this bill into law and let the trial begin. We welcome it. We are not afraid of it. It will disprove our theories or it will disprove yours. It seems to me that after this bill has been tried the country will be in a position to tell whether the woeful prophecies of such gentlemen as our friend from Wyoming [Mr. MONDELL] are well founded, or whether the hopes that we on this side entertain and confidently express are well based.

At any rate this is no time to talk. The time for action is here, and we do not propose to fritter away time in this body and further to tax the patience of the American people by considering in detail each one of the nearly 700 items of amendment that the Senate has put upon this bill. It is the purpose of this committee and the purpose of this side to send this bill

to conference at the speediest possible moment, and we here and now express the hope that the conferees will agree just as soon as possible and get this bill enacted into law at the earliest possible moment. [Applause on the Democratic side.]

I yield back the remainder of my time.

Mr. CAMPBELL. I yield to the gentleman from Pennsylvania [Mr. KELLY] 10 minutes.

Mr. KELLY of Pennsylvania. Mr. Speaker, I ask to be notified when I have occupied five minutes.

It seems to me, gentlemen of the House, that the debate on this rule has traveled far afield, and that the gentleman from Kansas [Mr. CAMPBELL] and the gentleman from Georgia [Mr. HARDWICK] have both neglected the important matter before us at this time. I agree, however, with the gentleman from Georgia that the Democratic Party, in passing the tariff bill which is soon to become a law, is only carrying out the promises given to the American people, and that they deserve credit for it. I would say further that if the party of the gentleman from Kansas [Mr. CAMPBELL] had maintained its promises to the American people and reduced the tariff burdens when it promised to do so, it would not now have so negligible a minority on this side of the House. [Applause on the Democratic side.]

I would not desire to attempt to unduly delay the passage of this bill. I believe with the gentleman from Georgia [Mr. HARDWICK] that the American people ask that this bill be put through as speedily as is consistent with justice, and that uncertainty be removed, but this rule is so unjust and outrageous in principle that I say to you that the American people will not stand for such tactics as this. No argument of necessity for prompt action can justify this flagrant disregard of the principle of free representation.

Here is a rule which is the acme of the system of caucus and special-rule legislation that we have seen in operation during this session. Here is a rule which has three separate gags in it. It gags us from an opportunity to nonconcur in the separate amendments and secure a vote. It prevents the House from instructing the conferees and requires an immediate vote. There are three distinct gags, and I say that it is the most flagrant combination of the gag and caucus rule which has so far characterized this session.

The history of freedom has been the history of battles for the right of popular bodies to initiate and amend legislation. Despotism has always fought against the right to amend, and we have seen in the history of this tariff bill the same despotic control and amendments prevented by the caucus. The tariff bill was passed without a fair chance to amend. The majority of the majority controlled it, and in the last analysis the towering figure of the gentleman from Alabama [Mr. UNDERWOOD] controlled fully the action on the bill in caucus. It came into the House, and no amendment was permitted to the House. It goes into the Senate in the same way, the same method is followed, and now it comes back into the House with the proposition that we shall not have the right to vote on 676 amendments which have been tacked onto it in the Senate. I want to say to you, Mr. Speaker and gentlemen of the House, that there should be an opportunity for us to go on record on these important matters.

Mr. MONTAGUE. Will the gentleman yield?

Mr. KELLY of Pennsylvania. No; I have not the time.

Mr. MONTAGUE. I only wanted to ask the gentleman how he voted.

Mr. KELLY of Pennsylvania. I have not the time to yield to the gentleman. I want to say that the question here is not a question of delay; it is a question of having a fair, free, and full discussion of amendments which have been tacked on by the Senate. This debate shows that the same methods have been used by the Republicans and the Democrats. One says that this is the same rule introduced into the House on the 8th of July, 1897, in exactly the same words by Republicans, and the Democrats fought the bill in almost the same words that the Republicans are fighting it to-day. You can see the sham battle in this proposition, for it is only a question of who controls the power of legislation and who makes objection to it.

The American people will not stand much longer for this sham battle between the Democratic Party and Republican Party. They are becoming convinced that there must be a real effort made against special interests which work in secrecy. I am convinced that sooner or later, when they shall be positively convinced beyond peradventure that the revolution they accomplished in order to put into power a Democratic administration and two-thirds of the House has been fruitless, when they become convinced that they have been tricked again and have come under that despotic power they had repudiated in the other party, they will then and there demand that the power

of legislation be given into the hands of a new party, into the hands of those who have taken the stand against special privilege and government by the few.

The SPEAKER. The gentleman has used five minutes.

Mr. KELLY of Pennsylvania. Mr. Speaker, I reserve the balance of my time.

Mr. HENRY. Mr. Speaker, I am somewhat surprised at the attitude of the gentleman from Pennsylvania, for my understanding is that he voted for the Underwood bill when it passed the House.

Mr. KELLY of Pennsylvania. I did.

Mr. HENRY. I think he was right, I think it is the best tariff bill that has passed Congress during the history of our Government.

Mr. KELLY of Pennsylvania. I voted for it on the ground that it improved conditions, but that does not mean that we ought not to have a fair and full opportunity to vote on these amendments of the Senate.

Mr. HENRY. I think that the bill has been fully and fairly considered in the House and in the Senate. Mr. Speaker, I now yield five minutes to the gentleman from North Carolina.

Mr. POU. Mr. Speaker, the gentleman from Kansas is a little different from the bourgeois of France who never learned anything and never forgot anything. I do not say that he never learned anything for that would not be true of our genial friend, but he certainly has forgotten. He has entirely lost sight of the fact that we had an election in this Nation of ours.

Mr. MANN. In Maine last Monday.

Mr. POU. Yes. In Maine the Democratic Party held its own and came within less than 200 votes of polling the strength that it polled in November. Now the gentleman from Kansas certainly forgets that we who are supporting this tariff bill and this rule have an enormous majority in this House, that we have a majority in the Senate as well, and that in our action to-day we are simply obeying the mandate of the American people expressed with such emphasis at the polls in the last general election. The Ways and Means Committee has presented a bill which is so good that when the roll call was had in the Senate the leader of the party to which the gentleman from Pennsylvania [Mr. KELLY] belongs felt constrained to vote with the Democratic majority. [Applause on the Democratic side.] We were not dependent upon the power of a majority of one that we had, but the provisions of this bill appealed so strongly to certain gentlemen of the Bull Moose Party that they felt in duty bound to unite with the Democratic majority, and I shall expect to hear the gentleman from Pennsylvania vote "aye" upon the final roll call upon this conference report.

Mr. KELLY of Pennsylvania. I shall. [Applause on the Democratic side.]

Mr. POU. Now, again, Mr. Speaker, none of the dire predictions of our Republican opponents have come to pass. They said if we carried the country in the last election factories would become idle and wages would go down. They said that the farmer's products would immediately go down, down in price, whereas exactly the contrary has come to pass. Industry and manufacture are prospering, and there certainly has been no general decrease in wages so far as I know. The panic which you Republicans predicted has not come, and farm products are bringing an enormous price. Mr. Speaker, the country expects us to pass this bill and pass it quickly, and we are here to perform that duty. Whatever some Frenchman may have said to the gentleman from Kansas, the situation is just this: If the country approves what we do here to-day, then in the next Congress we will still have a Democratic majority. If the country does not approve our record in this Congress, then our majority in this House may be reversed. We are willing to take the risk, and in order to expedite the passage of this tariff bill it becomes necessary to adopt this rule, which is exactly similar to several adopted by our Republican friends under similar circumstances. So, Mr. Speaker, we feel if we are to carry out the command clearly and plainly expressed by the American people at the last election we should adopt this rule and proceed to make the Underwood-Simmons bill a law at the earliest possible moment.

I reserve the remainder of my time.

Mr. CAMPBELL. Mr. Speaker, I yield six minutes to the gentleman from New York [Mr. PAYNE]. [Applause.]

Mr. PAYNE. Mr. Speaker, when this bill left the House about four months ago I remarked to my friend from Alabama [Mr. UNDERWOOD] in reference to something he had said to me about history of four years ago that when this bill came back from the Senate he would not be able to recognize it if he met it on the street. Now, if you gentlemen who have this bill in your hands will take and run over it casually in this way, it

will appear to you that every paragraph in the bill has been amended; but that is rather a hasty conclusion, because there are some paragraphs that have escaped and have been kept exactly as they were in the Underwood bill as it left the House, but nearly every one of those paragraphs were copied in the Underwood bill from the best tariff law ever put upon the statute books. [Applause on the Republican side.]

Whatever fault you may find with that law, that is still true. I had forgotten, however, there is one tag that was left in the bill by which the gentleman might recognize it, possibly, as his offspring and that of the gentleman from the White House, and that was they have preserved the number "3321" of the House bill. [Laughter on the Republican side.] Why, so many things dear to the gentleman's heart have gone out of the bill. There was the "dumping clause" that he talked about so eloquently, and then there was the 5 per cent discount in duties on goods brought here by American vessels, which was to build up the merchant marine of the country. But they have gone into the scrap heap by the amendments of the Senate, and the gentleman will come in here by and by with tears in his eyes and tell what the wicked Senate have done to this bill and he could not help it. Then the gentleman had what he said was a substitute for our maximum and minimum provision, which was not any substitute at all or of any use whatever in the bill, simply enacting something that was in the law now by which we made Cuban reciprocity and some other agreements. But the Senate comes in here with a maximum and minimum provision; but, good Lord, what a provision it is!

Why, it provides that the President of the United States shall determine when some countries are acting unjustly toward us in regard to articles of our trade going into their country, and when he has determined that there shall be a proclamation, and then "the following duties shall go into effect." What articles do they select to put those duties on? They are brought to pick out those articles that go to the breakfast table of the people of the United States, articles used to clothe the people of the United States, necessities of life, which you are going to give free to the people. They even put sugar on the list, with a duty of 15 cents a hundred at 75° and an additional two-tenths of a cent up to 96°. And the funny thing about it is that this very bill provides by a Senate amendment a higher rate of duty on sugar for the next three years, namely, one and a quarter cents per pound.

How is the President going to put that thing into operation? Look at pages 54 and 280 of the bill and you will find it impossible by this bungling attempt, this cheat by way of reciprocity.

Why, the gentleman from Alabama [Mr. UNDERWOOD] might consent to that thing, but no President who was sane would ever put it into effect in the United States. It puts a duty of 15 per cent on wool and leaves the woolen manufactures at the same rate of duty that they are paying now. It puts a duty of 3 cents on coffee, and so on, all down the line, and it puts a duty on meats.

But in the course of his reign the President in the White House will never dare to avail himself of that reciprocity provision, because it decreases the rate of duty on sugar during the next three years, during which time he is going to enable the people of Louisiana to work out their salvation. [Laughter on the Republican side.]

Why, I could talk for four weeks on this bill, on the Senate amendments alone. Some of those amendments ought to be adopted. I only wish I had time. If I had time, I think I could present them to the House in such a way that some of them would be adopted, if you people over there did not skulk off into caucus in the meantime and receive your advice and get your cue and then vote the wrong way. [Laughter on the Republican side.]

Oh, what a beautiful bill this bill is going to be when it gets on the statute book. It was a daisy when it left the House, but it will be a whole field of wild flowers when it is finally finished. [Laughter on the Republican side.] The Senate have declared the same principle in the bill whenever they have amended it—of giving everything to the foreigner and not helping the people of this country. [Applause on the Republican side.]

The SPEAKER. The time of the gentleman from New York has expired. The gentleman from Texas [Mr. HENRY] is recognized.

Mr. HENRY. Mr. Speaker, I yield three minutes to the gentleman from Illinois [Mr. FOSTER].

The SPEAKER. The gentleman from Illinois [Mr. FOSTER] is recognized for three minutes.

Mr. FOSTER. Mr. Speaker, the gentleman from New York [Mr. PAYNE] complains a great deal about the amendments that have been put upon this bill in the Senate. I want to call to

his mind the fact that when the bill which bears his name came back from the Senate nearly all of the schedules were very materially raised, and when the bill finally became a law it was higher than the one that preceded it.

Now, the American people have gotten tired of paying tribute to the special interests of this country, and last fall, in no undecided terms, did they say that they proposed to quit paying a portion of their earnings to these interests in our country that have grown so rich under the benefits of Republican tariff bills of the past. We were commissioned to write a tariff bill that would give relief to the consumers and to deny to these special interests those rights that they have enjoyed for so many years under the kind of tariff bills that you on that side have written into law.

I believe that when this bill comes back to the House for final action it will be adopted here and will meet with the approval of the American people. [Applause on the Democratic side.]

I think that we can trust the House conferees when they meet with the Senate conferees to fairly adjust these differences, and wherever these rates have been made lower the House conferees will agree to them. And I think that the bill will be such as to meet the approval of Members of this House, not only upon this side, but also upon that side, except a few stand-pat Republicans who are standing out regardless of what the will of the American people may be or how they have spoken in the past.

I realize that my good friend from New York [Mr. PAYNE], the former chairman of the Committee on Ways and Means, must stand up for the bill which bears his name, but which is soon to be buried in a timely grave, with no mourners save himself and a few Members on that side.

Oh, I know he wishes that it might soon be forgotten, but in the time to come it will be looked back upon as the iniquitous measure which bears the name of the distinguished Member from New York, and the American people will realize what it cost them under that law while it remained upon the statute book. [Applause.]

The SPEAKER. The time of the gentleman has expired.

Mr. KELLY of Pennsylvania. Mr. Speaker, I yield five minutes to the gentleman from Kansas [Mr. MURDOCK].

Mr. MURDOCK. Mr. Speaker, how devious and subterranean are the ways of a tariff bill. We have now arrived at a new stage of the Underwood measure. First, it was framed by the Democratic members of the Ways and Means Committee of the House—

Mr. MANN. Oh, no; by the President.

Mr. MURDOCK. Then it was put through a Democratic caucus under their guidance and brought before the House itself; it passed through here virtually unchanged, then it went to the Senate a perfect bill from a Democratic viewpoint.

After long discussion and amendment the Senate returns it to us with 676 amendments; amendments that are not trivial, but which go to the vitals of the measure itself. This body to-day as a whole has no knowledge of those amendments. There has been no time for this membership to read those amendments, much less understand them. Very few of the men in this body know where those amendments are, what they are, and what schedules they affect. There are not 10 men within the sound of my voice who can tell how many changes were made in the agricultural schedule or what they were. Let me inform them. In the agricultural schedule 36 changes were made. In the cotton schedule there were 21, virtually a complete change of all of that schedule. In the woolen schedule there were 25 changes and in the metal schedule 70.

Now, I say this to the House: A tariff bill is not written in the Ways and Means Committee. It is not written, as the gentleman from Illinois [Mr. MANN] suggested, in the White House. It is not written in the Finance Committee of the Senate and it is not written either in the Senate or the House. A tariff bill is written in conference. Talk about insidious lobbies! The lobby in this country knows that the major items in a tariff are not fixed either in the Senate or the House proper. When a tariff bill is under consideration the lobby watches the conference, because there occurs the real legislation on the major items in controversy, and every man who knows how a tariff bill is written knows that I am telling the truth. The controverted items in this bill are the major items in it, and in this bill they number 676. This House and the Senate are not going to write those 676 items into their final forms. That is to be done in conference.

The men who laid the foundations of this Government took precautionary steps against the power of conference. They provided that when a bill had passed the House and was amended

in the Senate and came back to the House the membership of the House should have a right to consider separately the Senate amendments. The power of the individual in this body is theoretically so great that yesterday when the gentleman from Alabama [Mr. UNDERWOOD] rose he had to observe the rules which our forefathers gave us; he had to ask unanimous consent that this amended bill be considered out of the ordinary channel. It was within the right of every Member of this body under regular procedure to stop this extraordinary proceeding. The men who founded this Government gave every man here the right to have a voice in the framing of the final form of a tariff bill. Now, what happened?

Objection to unanimous consent was made, and then the Democrats did exactly what the Republicans have done for years. There is no difference between you. There is no more difference between you than there is between tweedledee and tweedledum. Three years ago to-day you Republicans did just exactly what you Democrats are doing to-day. What does the special rule mean? It means that you take out of your own hands and place in the hands of a little group of men the making of your tariff bill. You will not again have opportunity for separate votes. It is now or never. If you want to adopt this kind of rule, go ahead and do it; but I say to you, gentlemen on the majority side, that when you tear down the integrity of the ordinary rules of representation, when you take away from yourselves and from me the right to a voice in the final framing of a great revenue tariff bill, you are untrue to the people and you are untrue to the representative form of government. [Applause.]

Mr. HENRY. Mr. Speaker, I yield one minute to the gentleman from Tennessee [Mr. SIMS].

Mr. SIMS. Mr. Speaker, I expect to vote for this rule. I do not see any other way to bring about what we all want, which is the expeditious passage of this bill. But in voting for this rule I do not want anybody to understand that I am opposed to amendment 609 of the Senate, taxing trading in cotton futures, which will accomplish that for which we have been fighting in this House for 20 years. This amendment will everlastingly abolish and destroy gambling in cotton futures on the exchanges of the country. I hope that the conferees will agree to this amendment without any change unless it is a beneficial one; and then I hope legislation will follow it to prevent gambling in wheat and corn, and to forever stop gambling in every species of farm products. To defeat this amendment now will be regarded as a setback to the efforts that have been made by the people of this country to destroy trading, not in cotton, but in the name of it, by which cotton itself has been adversely affected, as well as every industry dependent upon it for many years. [Applause.]

The SPEAKER. The time of the gentleman has expired.

Mr. HENRY. Mr. Speaker, I yield one minute to the gentleman from Indiana [Mr. GRAY].

Mr. GRAY. Mr. Speaker, it has always been my practice to vote against the previous question where there has been no opportunity for full discussion. But this discussion began in the early springtime and has continued during the long, weary months of a torrid summer. The birds have nested and flown with their young; the flowers have bloomed and faded; the harvests have ripened and been garnered in; the beetles are already singing the dirges of a dying year; the autumn has come with the sere and yellow leaf of decay, with wailing winds and naked woods and meadows brown and sere; the first breath of winter is upon our cheek to chill us.

Looking squarely at my platform pledges to the people, I was ready to vote for the previous question. [Applause.]

Mr. HENRY. Mr. Speaker, I yield one minute to the gentleman from Georgia [Mr. BARTLETT].

Mr. BARTLETT. Mr. Speaker, as to what this Democratic tariff bill is and upon what it is based, I desire to extend my remarks in the RECORD by printing an editorial in this morning's New York World. It meets with my approval, and I think it should meet with the approval of all those who are familiar with the facts.

The SPEAKER. The gentleman from Georgia asks unanimous consent to extend his remarks in the RECORD by printing an editorial. Is there objection?

There was no objection.

The editorial is as follows:

BY A FREE CONGRESS.

It is easy to criticize particular schedules of the Underwood-Simmons tariff. It is easy to criticize particular schedules of any tariff. But whatever may be the faults of the Underwood-Simmons measure, it is an honest tariff, enacted by a free Congress.

Its mistakes are honest mistakes. Its shortcomings are honest shortcomings. Its errors of judgment are honest errors of judgment.

This tariff was framed in the open, not in secret. Its schedules were not prepared by special interests seeking their own private profit and

accepted by subservient committees. Its rates were not manipulated by lobbies masquerading in the guise of disinterested patriots. It was not bought and paid for in campaign contributions. No Member of Congress who helped pass it was engaged in manipulating the stock market while he was manipulating the schedules.

It is the first tariff in 50 years which was passed by the representatives of the people and not by the representatives of privilege and plutocracy. President Wilson describes the contest as "a fight for the people and free business which has lasted a long generation." It was even more than that. It was a fight for honest representative government.

The interests that framed the McKinley Act had no share in the Underwood-Simmons bill. The Gormans and the Smiths who mutilated the Wilson bill had no opportunity to mutilate the Underwood-Simmons bill. The men who bought the Dingley tariff from Mark Hanna found no market in the Sixty-third Congress. The protected extortionists who persuaded the Republican Party to commit suicide with the Payne-Aldrich bill had a different kind of administration to deal with this time. The National Association of Manufacturers who "accelerated" poor Taft's Tariff Board had to deal with a President who publicly denounced the lobby. They had also to meet an exposure of their methods in the World's Mulhall revelations which have destroyed the most complete conspiracy that special privilege ever organized for the secret control of government.

Differences of opinion in regard to particular schedules become insignificant in comparison with the spirit and manner in which the Sixty-third Congress has done its work. Regardless of all criticisms of rates and clauses, this bill marks in tariff making the actual restoration of government of the people, by the people, and for the people in all that the term implies. Tariffs come and tariffs go, but a free Congress is the highest manifestation of republican self-government.

Mr. HENRY. Mr. Speaker, the remainder of my time will be consumed in one speech.

Mr. CAMPBELL. Mr. Speaker, I yield five minutes to the gentleman from Illinois [Mr. MANN].

Mr. MANN. Mr. Speaker, on May 8 the House passed the Underwood tariff bill. After some discussion that bill as reported to the House, contained 218 pages. Yesterday we received from the Senate the bill, with Senate amendments to it consisting of 126 pages. The silk schedule in the bill when it passed the House consisted of two pages. The Senate amendments to the silk schedule in the bill consists of eight pages. And so on through the bill. The original bill was considered by a Democratic caucus. Democrats at least had an opportunity to offer amendments to it, to offer arguments concerning it, but the Senate after four months of consideration has proposed to the House 576 amendments, many of them of vast importance, many of them containing new propositions, and now the other side of the House, which for years has declaimed against this method of procedure, proposes to hog tie itself, deliver over every power it has, and cast this bill to the tender mercies of four Democrats, to be named by the Speaker.

I do not know what this side of the House would do; time will prove what this side of the House would do in handling a tariff bill. Time never will prove what my distinguished friend from Kansas [Mr. MURDOCK] would do if his party was in control. He will always be at liberty to rail at Democratic procedure and against Republican procedure, because he will never receive the acid test of action. He always will be permitted as long as he is in politics to live in declamation. [Applause.]

Mr. Speaker, this bill will soon go to the country. It will soon be tried before the people. You are confident on your side that it will be successful. Let me remind you that you have been equally confident before whenever you have had the power. You were equally confident when the Wilson bill passed; you were equally confident when we passed the Dingley bill; you were always confident. And yet, Mr. Speaker, notwithstanding the profound efforts of our distinguished Speaker, of our distinguished Secretary of State, of the distinguished gentleman formerly Secretary of the Interior, and many other gentlemen in both the Democratic and Progressive Parties, already the tide has turned, already the people are ready to turn you out of power and restore American supremacy in American markets. [Applause on the Republican side.]

Mr. HENRY. Mr. Speaker, I yield the balance of my time to the gentleman from Alabama [Mr. UNDERWOOD]. [Applause.]

The SPEAKER. The gentleman from Alabama is recognized for 13 minutes.

Mr. UNDERWOOD. Mr. Speaker, we confront the final stage of writing a tariff bill. There is criticism by the opposition of the rule that is presented here to-day to enable the Congress to act with reasonable speed in concluding its deliberations.

The rule that is under consideration to-day is practically the same rule that has been adopted when every tariff bill has been sent to conference since the enactment of the tariff bill of 1883. It is in identical language with the rule that was adopted four years ago when the Payne tariff bill went to conference and the distinguished leader of the minority voted for that rule. [Laughter and applause on the Democratic side.] I criticized the rule at that time. [Laughter on the Republican side.] But I did not criticize the rule because it was sending the tariff bill to conference where action could be had, but I criticized it

because before the adoption of the rule this House had never had an opportunity to consider the bill. [Applause on the Democratic side.]

No man can say that there has ever been a bill presented to the House of Representatives where there was more freedom of amendment and debate than there was in the consideration of this bill before the House. [Applause on the Democratic side.] The previous question was ordered by unanimous consent on the general debate. Throughout the five-minute rule those in control of the bill continually yielded to the minority the time that they wanted to discuss the bill. There was not a gentleman on this floor who desired to offer an amendment to this bill who was deprived of that opportunity. That was not the case when the Payne tariff bill was before this House, or the Dingley bill, either. They were passed under rules that prevented consideration of the items of the bill by the House. Now the question under consideration is as to whether or not we shall follow the procedure laid down by the rules and send this bill back to the Ways and Means Committee, which could be done without a vote of this House, for consideration, or whether we shall send it to another committee composed of gentlemen from both Houses of Congress. Gentlemen say it is depriving the House of action on this bill. If we brought the bill back from the Ways and Means Committee the House would have to act on it. No matter what this conference committee does, their action will not be final until it is ratified by this House. Of course, I take it for granted that my friends in the opposition will not control the action of the House when the conference committee comes back, but it is not intended that they should control the action of the House. The American people decreed otherwise. [Applause on the Democratic side.] But when your conference committee comes back here with its report it must be ratified by the House before the bill becomes a law, and the adoption of this rule is not in any way preventing the final ratification of the bill by the constituted majority of the American people upon the floor of this House. If we do not adopt a rule of this kind, with 600 amendments it would probably be a month or more before the bill could go back to the Senate and be considered in conference. If I judge rightly the sentiment of the American people, as expressed in the press of this country, both the Democratic and Republican newspapers, it is that they desire immediate action on this bill. The Democratic press of the country, as voicing the sentiment of the Democratic people of the country, are satisfied with the bill and want it enacted into law. The Republican press of the country, voicing the sentiment of their party, have repeatedly said that this bill should be enacted speedily, that the American people should have an opportunity to give it a tryout, that delay was interfering with business, that delay was disturbing the business interests of the country, and the entire press of the country to-day is calling for immediate action.

The adoption of this rule means action. If the bill is right, if the bill will bring benefits to the American people, as we believe it will, then the speedier it is enacted the better for the American people. If the bill is a mistake, an error, then we had better try it out, and it is for your benefit that the American people should find out as soon as possible. Nothing can be gained by delays. As to the Senate amendments to this bill, there are many of them I do not agree with. Of necessity the Senate of the United States, representing one constituency, and the House of Representatives, representing another constituency, there must be compromises on great legislation of this kind before it can be enacted into law. But there is this to say as to this bill which can not be said as to other bills that have gone to conference in the past: The differences between the two Houses as expressed by these amendments are solely questions of revenue. There is no special interest that has its hand marks on this bill, either on the original bill or on this legislation. [Applause on the Democratic side.] For the first time in four decades we send a bill to conference that is the product of the brain and work of the representatives of the American people and not the work of special interests who desire protection. [Applause on the Democratic side.] So far as the bill is concerned, personally I have no fear of what will be the result. It has been before the country in the main since the 7th day of last April. There never has been a great tariff bill pending in the Congress of the United States during that length of time before that has affected the business interests and the business life of the Nation as little as this bill has. [Applause on the Democratic side.] The business of the country has moved along smoothly. There is no threat of panic or disaster. The country to-day is ready to accept the bill and do business under it, and all they ask and all they desire is that the uncertainty of its enactment into law may be speedily determined and that they may have an opportunity to adjust

themselves to the new business conditions and move on to good times and prosperity. [Loud applause on the Democratic side.]

The SPEAKER. The question is on agreeing to the resolution.

Mr. MANN. On that, Mr. Speaker, I demand the yeas and nays.

The SPEAKER. The gentleman from Illinois [Mr. MANN] demands the yeas and nays.

The yeas and nays were ordered.

The SPEAKER. The Clerk will call the roll. Those in favor of the rule will answer "yea"; those opposed will answer "nay."

The question was taken; and there were—yeas 190, nays 86, answered "present" 5, not voting 148, as follows:

YEAS—190.

Abercrombie	Difenderfer	Igoe	Riordan
Adair	Dixon	Jacoway	Rothermel
Adamson	Donovan	Johnson, Ky.	Rouse
Alexander	Doolittle	Johnson, S. C.	Rubey
Allen	Doremus	Jones	Russell
Aswell	Dupré	Kennedy, Conn.	Saunders
Baker	Eagle	Kent	Shackelford
Baltz	Edwards	Kindel	Sims
Barkley	Elder	Kirkpatrick	Sisson
Barnhart	Faison	Kitchin	Smith, N. Y.
Bartlett	Fergusson	Konop	Smith, Tex.
Bathrick	Ferris	Lazaro	Sparkman
Beakes	FitzHenry	Lee, Ga.	Stanley
Blackmon	Flood, Va.	Leshner	Stedman
Booher	Floyd, Ark.	Lever	Stephens, Miss.
Borchers	Foster	Lieb	Stephens, Nebr.
Borland	Francis	Lloyd	Stephens, Tex.
Bowdle	Gallagher	Lobeck	Stevens, N. H.
Brodbeck	Garner	Loneragan	Stone
Buchanan, Ill.	Garrett, Tenn.	McDermott	Stout
Buchanan, Tex.	George	McKellar	Stringer
Bulkeley	Gittins	Maguire, Nebr.	Summers
Burgess	Glass	Maher	Taggart
Burke, Wis.	Godwin, N. C.	Mitchell	Talcott, N. Y.
Burnett	Goodwin, Ark.	Montague	Tavener
Byrnes, S. C.	Gorman	Moon	Taylor, Ala.
Byrnes, Tenn.	Graham, Ill.	Morrison	Taylor, Ark.
Callaway	Gray	Murray, Mass.	Taylor, Colo.
Candler, Miss.	Gregg	Murray, Okla.	Taylor, N. Y.
Caraway	Gudger	O'Brien	Ten Eyck
Carr	Hammond	Oglesby	Thompson, Okla.
Casey	Hardwick	Oldfield	Townsend
Church	Hardy	Padgett	Trillibe
Claypool	Harrison	Page	Tuttle
Clayton	Hart	Pepper	Underwood
Cline	Hay	Peters	Vaughan
Collier	Hayden	Peterson	Walker
Connelly, Kans.	Heflin	Phelan	Watkins
Connelly, Iowa	Helm	Post	Watson
Cox	Helvering	Pou	Weaver
Crisp	Henry	Quin	Webb
Cullop	Hensley	Ragsdale	Williams
Davenport	Hill	Ralney	Wilson, Fla.
Decker	Holland	Raker	Wingo
Deitrick	Howard	Rauch	Witherspoon
Dent	Hughes, Ga.	Rayburn	Young, Tex.
Dickinson	Hull	Reed	
Dies	Humphreys, Miss.	Reilly, Wis.	

NAYS—86.

Anderson	Hawley	MacDonald	Slomp
Austin	Hayes	Madden	Sloan
Avis	Helgesen	Manahan	Smith, Idaho
Barton	Hinebaugh	Mann	Smith, J. M. C.
Britten	Howell	Mapes	Smith, Minn.
Campbell	Hulings	Mondell	Smith, Saml. W.
Chandler, N. Y.	Humphrey, Wash.	Morgan, Okla.	Stafford
Cooper	Johnson, Utah	Moss, Ind.	Steenerson
Curry	Johnson, Wash.	Moss, W. Va.	Stephens, Cal.
Dillon	Kahn	Murdock	Sutherland
Dunn	Keister	Nelson	Switzer
Dyer	Kelley, Mich.	Nolan, J. I.	Temple
Esch	Kelly, Pa.	Norton	Thomson, Ill.
Falconer	Kennedy, Iowa	Payne	Towner
Fess	Kinkaid, Nebr.	Platt	Treadway
Fordney	Kreider	Plumley	Volstead
Frear	Lafferty	Powers	Willis
French	Langley	Rogers	Woodruff
Green, Iowa	Lindbergh	Rupley	Woods
Greene, Mass.	Lindquist	Scott	Young, N. Dak.
Greene, Vt.	McKenzie	Sells	
Haugen	McLaughlin	Sinnott	

ANSWERED "PRESENT"—5.

Bell, Ga.	Carter	Guernsey	McGuire, Okla.
Browning			

NOT VOTING—148.

Alken	Brumbaugh	Curley	Fitzgerald
Ainey	Bryan	Dale	Fowler
Ansberry	Burke, Pa.	Danforth	Gard
Anthony	Burke, S. Dak.	Davis	Gardner
Ashbrook	Butler	Dershem	Garrett, Tex.
Bailey	Calder	Donohoe	Gerry
Barchfeld	Cantrill	Dooling	Gillett
Bartholdt	Carew	Doughton	Gillmore
Beall, Tex.	Carlin	Driscoll	Goelke
Bell, Cal.	Cary	Eagan	Goldfogle
Bremner	Clancy	Edmonds	Good
Brockson	Clark, Fla.	Estopinal	Gordon
Broussard	Conry	Evans	Goulden
Brown, N. Y.	Copley	Fairchild	Graham, Pa.
Brown, W. Va.	Covington	Farr	Griest
Browne, Wis.	Cramton	Fields	Griffin
Bruckner	Crosser	Finley	Hamill

Hamilton, Mich.	Lenroot	O'Hair	Sherwood
Hamilton, N. Y.	Levy	O'Leary	Shreve
Hamlin	Lewis, Md.	O'Shaunessy	Shryden
Hinds	Lewis, Pa.	Palmer	Small
Hobson	Linthicum	Parker	Smith, Md.
Houston	Logue	Patten, N. Y.	Stevens, Minn.
Hoxworth	McAndrews	Patton, Pa.	Talbot, Md.
Hughes, W. Va.	McClellan	Porter	Thacher
Keating	McCoy	Prouty	Thomas
Kennedy, R. I.	McGillicuddy	Reilly, Conn.	Underhill
Kettner	Mahan	Richardson	Vare
Key, Ohio	Martin	Roberts, Mass.	Wallin
Kieess, Pa.	Merritt	Roberts, Nev.	Walsh
Kinthead, N. J.	Metz	Roddenbery	Walters
Knowland, J. R.	Miller	Rucker	Whaley
Korbly	Moore	Sabath	Whitacre
La Follette	Morgan, La.	Scully	White
Langham	Morin	Seldomridge	Wilder
Lee, Pa.	Mott	Sharp	Wilson, N. Y.
L'Engle	Neeley	Sherley	Winslow

So the resolution was adopted.

The Clerk announced the following additional pairs:
Until further notice:

Mr. BEALL of Texas with Mr. BURKE of Pennsylvania.

Mr. RODDENBERY with Mr. BUTLER.

Mr. CLARK of Florida with Mr. DANFORTH.

Mr. DOUGHTON with Mr. COPELY.

Mr. GORDON with Mr. EDMONDS.

Mr. KORBLY with Mr. SHREEVE.

Mr. HOUSTON with Mr. ROBERTS of Massachusetts.

Mr. HAMILL with Mr. LENROOT.

Mr. NEELEY. Mr. Speaker, I desire to vote.

The SPEAKER. Was the gentleman in the Hall listening?

Mr. NEELEY. No, sir; I was not.

The SPEAKER. Then the gentleman can not vote.

The result of the vote was announced as above recorded.

The SPEAKER. The resolution is agreed to, and the bill is sent to conference. The Clerk will announce the names of the conferees on the part of the House.

The Clerk read as follows:

Mr. UNDERWOOD, Mr. KITCHIN—

Mr. MANN. Mr. Speaker, not yet. Under the rule the House has not yet disagreed to the Senate amendments.

The SPEAKER. That is true.

Mr. UNDERWOOD. Mr. Speaker, when a similar rule was adopted four years ago, the Speaker immediately appointed the conferees without any intervening motion.

Mr. MANN. I can not help that. Because they did wrong four years ago, that is no reason why we should do wrong now. We have on the minority side now a man who is alert. We did not then. [Laughter.]

The SPEAKER. The language of the rule is:

Resolved, That upon the adoption of this resolution it shall be in order to move to nonconcur in gross in the Senate amendments to H. R. 3321 and agree to a committee of conference asked for by the Senate on the disagreeing votes of the two Houses, and the House shall, without further delay, proceed to vote upon said motion; and, if said motion shall prevail, a committee of conference shall be appointed.

Mr. MANN. In the course of time the gentleman from Alabama will learn that rule by heart.

The SPEAKER. The gentleman from Alabama can make his motion.

Mr. MANN. Certainly. The gentleman can move to nonconcur in gross.

Mr. UNDERWOOD. Mr. Speaker, I move that the House agree to the conference asked by the Senate on the disagreeing votes of the two Houses, and that the Speaker appoint a committee of conference to act with the committee on the part of the Senate.

Mr. MANN. The gentleman's motion is to disagree to the Senate amendments in gross and to agree to the conference?

Mr. UNDERWOOD. Yes. I make that motion.

The SPEAKER. The gentleman from Alabama moves to disagree to the Senate amendments in gross and agree to the conference asked by the Senate, and that the Speaker appoint the conferees.

Mr. MANN. On that motion I ask for the yeas and nays, and pending that I make the point of order that there is no quorum present.

The SPEAKER. The gentleman asks for the yeas and nays, and makes the point of no quorum present. The Chair will count to see if there is a quorum. [After counting.] One hundred and seventy Members present; not a quorum. The Doorkeeper will lock the doors, the Sergeant at Arms will notify absentees; those in favor of the motion will answer "yea," those opposed "nay," and the Clerk will call the roll.

The question was taken; and there were—yeas 185, nays 78, answering "present" 5, not voting 161, as follows:

YEAS—185.

Abercrombie	Difenderfer	Johnson, Ky.	Reilly, Wis.
Adair	Dixon	Johnson, S. C.	Riordan
Adamson	Donovan	Jones	Rothermel
Alexander	Doolittle	Kennedy, Conn.	Rouse
Allen	Doremus	Kent	Ruby
Aswell	Doughton	Kettner	Rupley
Baker	Dupré	Key, Ohio	Russell
Baltz	Eagle	Kindel	Saunders
Barkley	Edwards	Kirkpatrick	Seldomridge
Barnhart	Elder	Kitchin	Shackleford
Bartlett	Falson	Konop	Sims
Bathrick	Fergusson	Lazaro	Sisson
Beakes	Ferris	Lee, Ga.	Smith, N. Y.
Blackmon	FitzHenry	Leshner	Smith, Tex.
Booher	Flood, Va.	Lever	Sparkman
Borchers	Floyd, Ark.	Lewis, Md.	Stafford
Borland	Foster	Lieb	Stedman
Bowdler	Francis	Lloyd	Stephens, Miss.
Brodbeck	Gallagher	Lobeck	Stevens, N. H.
Buchanan, Ill.	Garner	Loneragan	Stone
Bulkley	Garrett, Tenn.	McDermott	Stout
Burgess	George	McKellar	Stringer
Burke, Wis.	Gittins	Maguire, Nebr.	Summers
Burnett	Glass	Mitchell	Taggart
Byrnes, S. C.	Goodwin, Ark.	Montague	Talcott, N. Y.
Byrnes, Tenn.	Gorman	Moon	Tavener
Callaway	Graham, Ill.	Morrison	Taylor, Ala.
Candler, Miss.	Gray	Moss, Ind.	Taylor, Ark.
Caraway	Gudger	Murray, Okla.	Taylor, Colo.
Cassey	Hammond	Neeley	Taylor, N. Y.
Church	Hardwick	Nolan, J. I.	Townsend
Clark, Fla.	Hardy	O'Brien	Tribble
Clayton	Harrison	Oglesby	Tuttle
Cline	Hart	Oldfield	Underwood
Collier	Hay	Padgett	Vaughan
Connelly, Kans.	Hedfin	Page	Walker
Connelly, Iowa	Helm	Pepper	Watkins
Cox	Helvering	Peterson	Watson
Crisp	Henry	Phelan	Webb
Cullop	Hill	Post	Williams
Davenport	Holland	Pou	Wilson, Fla.
Decker	Houston	Quin	Wingo
Deitrick	Howard	Ragsdale	Witherspoon
Dent	Hughes, Ga.	Rainey	Young, Tex.
Dickinson	Hull	Rauch	
Dies	Igoe	Rayburn	
	Jacoway	Reed	

NAYS—78.

Anderson	Greene, Vt.	MacDonald	Sloan
Austin	Haugen	Madden	Smith, Idaho
Avis	Hawley	Manahan	Smith, J. M. C.
Barton	Hayes	Mann	Smith, Saml. W.
Britten	Helgesen	Mapes	Steenerson
Burke, Pa.	Howell	Mondell	Stephens, Cal.
Campbell	Hulings	Morgan, Okla.	Sutherland
Cooper	Humphrey, Wash.	Murdock	Switzer
Curry	Johnson, Utah	Nelson	Temple
Davis	Kahn	Norton	Thomson, Ill.
Dillon	Keister	Payne	Towner
Dunn	Kelley, Mich.	Platt	Treadway
Dyer	Kelly, Pa.	Plumley	Volstead
Esch	Kennedy, Iowa.	Powers	Wallin
Falconer	Kreider	Prouty	Willis
Falconer	Langley	Rogers	Woodruff
Frear	Lindbergh	Scott	Woods
French	Lindquist	Sells	Young, N. Dak.
Green, Iowa	McKenzie	Sinnott	
Greene, Mass.	McLaughlin	Slemp	

ANSWERING "PRESENT"—5.

Bell, Ga.	Carter	Guernsey	Moss, W. Va.
Browning			

NOT VOTING—161.

Aiken	Covington	Goulden	Lewis, Pa.
Ainey	Cramton	Graham, Pa.	Linthicum
Ansberry	Crosser	Gregg	Logue
Anthony	Curley	Griest	McAndrews
Ashbrook	Dale	Griffin	McClellan
Balley	Danforth	Hamill	McCoy
Barchfeld	Dershner	Hamilton, Mich.	McGillicuddy
Bartholdt	Donohoe	Hamilton, N. Y.	McGuire, Okla.
Beall, Tex.	Dooling	Hamlin	Mahan
Bell, Cal.	Driscoll	Hayden	Maher
Bremner	Eagan	Hensley	Martin
Brockson	Edmonds	Hinds	Merritt
Broussard	Estopinal	Hinebaugh	Metz
Brown, N. Y.	Evans	Hobson	Miller
Brown, W. Va.	Fairchild	Hoxworth	Moore
Browne, Wis.	Farr	Hughes, W. Va.	Morgan, La.
Bruckner	Fess	Humphreys, Miss.	Morin
Brumbaugh	Fields	Johnson, Wash.	Mott
Bryan	Finley	Keating	Murray, Mass.
Burke, S. Dak.	Fitzgerald	Kennedy, R. I.	O'Hair
Butler	Fowler	Kieess, Pa.	O'Leary
Calder	Gard	Kinkaid, Nebr.	O'Shaunessy
Cantrill	Gardner	Kinthead, N. J.	Palmer
Carew	Garrett, Tex.	Knowland, J. R.	Parker
Carlin	Gerry	Korbly	Patten, N. Y.
Carr	Gillett	Lafferty	Patton, Pa.
Cary	Gilmore	La Follette	Peters
Chandler, N. Y.	Godwin, N. C.	Langham	Porter
Clancy	Goeke	Lee, Pa.	Raker
Claypool	Goldfogle	L'Engle	Reilly, Conn.
Conry	Good	Lenroot	Richardson
Copley	Gordon	Levy	Roberts, Mass.

Roberts, Nev.
Roddenbery
Rucker
Sabath
Scully
Sharp
Sherley
Sherwood
Shreve

Slayden
Small
Smith, Md.
Smith, Minn.
Stanley
Stephens, Nebr.
Stephens, Tex.
Stevens, Minn.
Talbot, Md.

Ten Eyck
Thacher
Thomas
Thompson, Okla.
Underhill
Vare
Walsh
Walters
Weaver

Whaley
Whitacre
White
Wilder
Wilson, N. Y.
Winslow

So the motion of Mr. UNDERWOOD was agreed to.
The following additional pairs were announced:
Until further notice:
Mr. TEN EYCK with Mr. JOHNSON of Washington.
Mr. CLAYPOOL with Mr. FESS.
Mr. HUMPHREYS of Mississippi with Mr. KINKAID of Nebraska.

Mr. MURRAY of Massachusetts with Mr. MARTIN.
Mr. STEPHENS of Texas with Mr. SMITH of Minnesota.
Mr. STEPHENS of Nebraska with Mr. DANFORTH.
Mr. GREGG with Mr. COPELY.
Mr. KENSLEY with Mr. HINEBAUGH.
Mr. PETERS with Mr. LANGHAM.
Mr. STANLEY with Mr. BELL of California.
Mr. UNDERHILL with Mr. EDMONDS.

The result of the vote was then announced as above recorded.

The SPEAKER. A quorum is present, and the Doorkeeper will open the doors. The motion of Mr. UNDERWOOD is carried, and the Clerk will announce the following conferees.

The Clerk read as follows:
Mr. UNDERWOOD, Mr. KITCHIN, Mr. RAINEY, Mr. DIXON, Mr. PAYNE, Mr. FORDNEY, and Mr. MURDOCK.

EXTENSION OF REMARKS.

Mr. HELVERING. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD, commenting on some extracts from a paper printed in Skowhegan, Me.

Mr. MANN. To what does it relate?

Mr. HELVERING. It relates to the late Maine election.

Mr. MANN. I am glad that there is one Democrat who is not trying to forget it. All of the rest of them are. [Laughter on the Republican side.]

The SPEAKER. The gentleman from Kansas asks unanimous consent to extend his remarks in the RECORD. Is there objection?

There was no objection.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Tulley, one of its Clerks, announced that the Senate had passed bill of the following title, in which the concurrence of the House of Representatives was requested:

S. 221. An act for the relief of the Garden City (Kans.) Water Users' Association, and for other purposes.

SENATE BILL REFERRED.

Under clause 2 of Rule XXIV, Senate bill of the following title was taken from the Speaker's table and referred to its appropriate committee, as indicated below:

S. 221. An act for the relief of the Garden City (Kansas) Water Users' Association, and for other purposes; to the Committee on Irrigation of Arid Lands.

THE CURRENCY.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union, for the further consideration of the currency bill, H. R. 7837.

The motion was agreed to; accordingly the House resolved itself into Committee of the Whole House on the state of the Union, with Mr. GARNER in the chair.

Mr. HAYES. Mr. Chairman, I yield one hour to the gentleman from Iowa [Mr. PROUTY].

Mr. PROUTY. Mr. Chairman, I wish to give notice that at the proper time I will offer an amendment striking out the word "national" in the ninth line, on page 3, and striking out the word "shall" and inserting the word "may" in the tenth line on the same page, and striking out all of section 8. The effect of this amendment is to allow all banks—State, private, and national—to subscribe to the stock of the regional reserve banks, but coercing none of them to do so. I offer this to guarantee the constitutionality of this bill if it shall pass.

I have other objections to this bill. Most of these have been ably voiced by others, and I will therefore confine my discussion to one question, namely, the constitutionality of that provision in the bill requiring national banks to subscribe one-fifth of their capital stock and 5 per cent of their deposits as the fund constituting the working capital of the reserve banks.

The national banks now have about \$1,000,000,000 of capital and about \$8,000,000,000 of deposits. Of this they are required to subscribe 20 per cent of capital and pay in 10 per cent and 5 per cent of their deposits. Assuming that all the national banks would enter this arrangement, they would pay into the reserve banks about \$100,000,000 of capital and about \$400,000,000 of deposits, making a total of \$500,000,000. This \$500,000,000 constitutes the only free working capital of the reserve banks. It is true that under section 16 the Federal Treasury is required to deposit all moneys held in the general fund with these reserve banks, but that section provides that interest may be required on this deposit. It is also true that the Federal Government, under section 17, may furnish to these reserve banks Treasury notes, but the same section expressly provides that the reserve banks shall pay interest on these notes at a rate to be fixed by the reserve board. It is fair to presume that this board will charge a fair rate of interest upon both Federal deposits and Federal notes, and I therefore leave out of my calculations in this matter any earnings that might come to these reserve banks from the use of Federal money or deposits.

It will be noted that the money that the banks are required to deposit with the Federal reserve banks is not allowed to draw interest, while the Government's does. These deposits by the banks are not, in fact, reserve of the banks subscribing. They are not like the reserve now held by such banks in correspondent banks. They can not draw on them. Under no circumstances can they use them. So far as being available for the use of banks in time of emergency they might as well be locked up in safety vaults and the key thrown in the river. This bill expressly provides that they "shall not be diminished." Therefore they become as much a part of the actual capital of the reserve banks as the subscription to the capital stock. We then have \$500,000,000 of the money belonging to the subscribing national banks tied up as working capital in these reserve banks.

The national banks last year earned 11.66 per cent on their capital. I think it perfectly fair to say that these reserve banks could earn at least 4 per cent on the total amount of their working capital, and I will, for convenience, use that rate for figuring. I do not claim that these figures are absolutely correct, but they are sufficiently accurate to reveal the point for which I am contending. Figuring on this basis the total earnings for these reserve banks would be \$20,000,000 a year. Of this amount \$5,000,000 would go to the paying of the 5 per cent on the \$100,000,000 capital subscribed by the banks. That would leave \$15,000,000 to be divided as follows: Seven million five hundred thousand dollars to the surplus fund until that fund had reached 20 per cent of the capital and \$7,500,000 to be divided, 40 per cent to the banks and 60 per cent to the Federal Government. That would make the banks receive during the time that the surplus was being accumulated \$3,000,000 as a pro rata dividend which, added to the regular dividend of \$5,000,000, would make \$8,000,000 a year for the \$500,000,000 capital furnished, or 1.6 per cent interest on the amount so furnished. The Government during the same time would receive yearly \$4,500,000 without having contributed a dollar either to the expense, the capital, or the risk of the reserve banks. At the rate I have assumed the surplus would reach 20 per cent within three years. After that time there would be \$15,000,000 each year to divide between the banks and the Government. The banks would get \$6,000,000 and the Government \$9,000,000. During that time the banks would get yearly \$5,000,000 of dividends and \$6,000,000 of the pro rata dividends, or a total of \$11,000,000 for the furnishing of \$500,000,000 capital, or a rate of 2.2 per cent interest per annum. The Government during the first three years would receive \$4,500,000 each year, or \$13,500,000 for the three years. For the remaining 17 years of the 20-year period provided in the bill the Government would receive \$9,000,000 a year, or \$153,000,000 for the period. The \$20,000,000 surplus by section 7 becomes the property of the United States. This would make a total of \$186,500,000 which the Government would make out of that transaction, and the banks would make an average of 2.11 per cent interest on the capital that they furnished to the reserve banks. Under this law this \$186,500,000 goes to the direct benefit of the United States, and it is set apart by the act itself as a fund from which to pay off and discharge the "outstanding bonded indebtedness of the United States."

Now, the national banks are forced to go into this measure regardless of their wishes and regardless of their interests. They are compelled to furnish this capital for this very small compensation under the pains and penalties of slow but sure death. I shall consume the time allotted to me in attempting to demonstrate to this House that this is a violation of the

fifth amendment to the Constitution of the United States, which, among other things, provides that—

No person shall * * * be deprived * * * of property without due process of law, nor shall private property be taken for public use without just compensation.

In order to intelligently understand the purpose of this provision and the dangers it was designed to prevent, it is necessary to trace the origin and abuse of power that preceded its adoption.

The principle of the fifth amendment first found expression and effect in the thirty-ninth article of the Magna Charta. Prior to that time the rights of private property were held of slight tenure when needed or desired by the whims, caprices, or greed of kings. The property of individuals was escheated, confiscated, and even forcefully seized under all kinds of pretexts whenever the war chest of the ruling monarch needed replenishing or whenever he wanted money or land to gratify his own ambition or reward his faithful henchmen. This method of securing funds for the public treasury was practiced more or less by all the Kings of England, but grew in abuse during the reigns of Kings Henry and Richard and became intolerable under the reign of King John. Of his reign an English writer has said: "The whole machinery of justice was valued primarily as an engine for transferring land and money to the treasury." This abuse became so oppressive and intolerable during his reign that the people of England rose up in revolt and, backed by an organized and equipped army, demanded of King John either that he should abdicate the throne or sign a bill of rights which they had prepared and proposed. After much parleying and with threatening coercion the people at last wrung from that weak and profligate King the great charter of their liberty, commonly called the Magna Charta. If one will read carefully the history of events preceding and the negotiations and parleyings that took place at Runnymede between the King and the committee of barons at the time that these articles were signed, he will find that the principle involved in the thirty-ninth article was the one that the people most uncompromisingly demanded and that King John most reluctantly granted.

It was the central demand of that great movement. These articles were signed on the 11th day of February, 1215, and constituted the first official declaration of popular supremacy and individual rights. They provided that private property should not be taken for the sovereign's use, nor could any person be deprived of private property, except upon a judgment of his peers in accordance with the law of the land. It substituted the power and judgment of the people for the hitherto capricious judgment and wish of the sovereign. This document had been cherished as the palladium of English liberty for nearly six centuries before the Constitution of the United States was written, and had been interwoven with the laws and jurisprudence of that country, including the American colonies. Yet, strange to say, the authors of the original Constitution omitted, by accident or design, this limitation upon the power of the Federal Government. This omission constituted the center of objection to the adoption of the Constitution by the several States. At one time it threatened seriously the ratification of the Constitution. It was not until Madison and other friends of the Constitution, through the columns of the *Federalist* and in speeches before the several State legislatures, had promised to present an amendment at the first session of Congress protecting the people against the exercise of this Federal power that the requisite three-fourths of the States were induced to ratify and make effective the Constitution. It was in response to this demand and promise that Madison, at the first session of Congress, offered this amendment among others for adoption. The first amendments to the Constitution were all clear limitations upon the power of the Federal Government. Every court that has considered the question has held that this fifth amendment is a limitation upon the Federal Government and not a limitation upon the States. This same limitation, however, was placed upon the States in almost exactly the same language by the fourteenth amendment. Thus we have embedded into our Constitution the proposition that no person shall be deprived of his property except by due process of law, and private property shall not be taken for public use without just compensation.

DUE PROCESS OF LAW.

Now, let us inquire what is the meaning of this clause of the Constitution. By all the authorities "due process of law," as contained in the Constitution, is of the same force and effect as the "law of the land" contained in the thirty-ninth article of the Magna Charta. It means that no private property shall be taken for public use, except in accordance with a preexisting law, and not by law enacted for that direct purpose. It is the

exercise of the judicial power of the Government and not the legislative. Congress has no power to confiscate, condemn, or appropriate a single dollar of private property for the Government's use. It may make laws for the violation of which the judicial department may impose fines and forfeitures and through that process alienate private property for Government benefit. It may make laws for the condemnation of private property for public purposes through proper judicial procedure, but with the express limitation that it can not be so taken without "just compensation." An act of Congress directly condemning a tract of land held in private ownership even for the erection of a national capitol would be of no legal or binding force. It is clearly outside of the legislative power of the Government.

The first clear announcement by the Supreme Court of the United States on this subject was made in the case of *Dartmouth College v. Woodward* (4 Wheat., 519). Daniel Webster made this pronouncement:

By the law of the land is most clearly intended the general law; a law which hears before it condemns; which proceeds upon inquiry, and renders judgment only after trial. The meaning is that every citizen shall hold his life, liberty, property, and immunities under the protection of the general rules which govern society. Everything which may pass under the form of an enactment is not therefore to be considered the law of the land.

Cooley, in his work on *Constitutional Limitations*, page 431, in commenting on this definition, says:

It is entirely correct, also, in assuming that a legislative enactment is not necessarily the law of the land. "The words 'by the law of the land,' as used in the Constitution, do not mean a statute passed for the purpose of working the wrong. That construction would render the restriction absolutely nugatory and turn this part of the Constitution into mere nonsense. The people would be made to say to the two Houses: 'You shall be vested with the legislative power of the State, but no one shall be disfranchised or deprived of any of the rights or privileges of a citizen unless you pass a statute for that purpose.' In other words, you shall not do the wrong unless you choose to do it." When the law of the land is spoken of "undoubtedly a preexisting rule of conduct" is intended, "not an *ex post facto* rescript or decree made for the occasion. The design" is "to exclude arbitrary power from every branch of the Government; and there would be no exclusion if such rescripts or decrees were to take effect in the form of a statute."

In other words, this provision of the Constitution was intended and designed as a limitation upon the power of the legislative as well as the other branches of the Government.

DEPRIVATION OF PROPERTY.

In the first case in the Supreme Court in which this question was involved there was serious contention that there could not be a "deprivation of property" with anything less than the actual physical taking of it, and the dissenting opinion filed in that case so contended; but the majority of the court held that deprivation of property meant anything that deprived the owner of the control, free use, or earnings of it. This holding of the Supreme Court has been uniformly held and maintained by every court that has since passed upon the question. In the case of the *United States v. Lynah* (188 U. S., 469) the rule is clearly stated. That was a case where damage had been done to the land by an overflow caused by public improvement. Counsel for the Government strenuously contended that since the legal title still remained in the original owner he had not been deprived of his property, but the court says:

It would be a very curious and unsatisfactory result if, in construing a provision of constitutional law, always understood to have been adopted for protection and security to the rights of the individual as against the Government, and which has received the commendation of jurists, statesmen, and commentators as placing the just principles of the common law on that subject beyond the power of ordinary legislation to change or control them, it shall be held that if the Government refrains from the absolute conversion of real property to the uses of the public it can destroy its value entirely, can inflict irreparable and permanent injury to any extent, can, in effect, subject it to total destruction without making any compensation, because, in the narrowest sense of that word, it is not taken for the public use. Such a construction would pervert the constitutional provision into a restriction upon the rights of the citizen, as those rights stood at the common law instead of the Government and make it an authority for invasion of private right under the pretext of the public good, which had no warrant in the laws or practices of our ancestors.

The friends of the present bill contend that the legal title to the capital and deposits subscribed to the reserve banks still remains in the subscribing banks. That is true, but the subscribing banks, against their will, are deprived of the use or control of it and a large part of its earnings. All the accumulated surplus up to 20 per cent and 60 per cent of the net profits beyond that go to the Federal Treasury without the Government paying to the subscribing banks a single dollar.

The friends of the bill estimate that in 20 years this will put into the United States Treasury at least \$200,000,000. Every dollar of this is the earnings of the reserve banks upon the working capital furnished by the subscribing banks. It is true, as already pointed out, that the Federal Government deposits its free money in these reserve banks, but they secure interest on that the same as a depositor in an ordinary bank

may receive interest, and as a further compensation to the Government for the use of this money the reserve banks, at their own expense, act as fiscal agents for the Treasury. It is true that the Government furnishes Treasury notes under certain conditions to these reserve banks, but the bill expressly authorizes the charging of a reasonable rate of interest as payment for this service. This scheme, when analyzed to its bottom, clearly shows that the Government is attempting to use its power to compel national banks to use their funds for the creation of a banking system out of which the Federal Government is to reap a large, if not the larger, benefit. This is certainly depriving the banks of at least a part of the profits of their property for the use of the Government.

DEPRIVATION OF CONTROL.

This scheme is certainly a deprivation of the right of control of the property by the persons who are subscribers to the capital stock of the subscribing banks. While technically the capital and deposits of a bank are its property, in equity they are the property of the subscribers and depositors. Let us analyze this situation for a minute. A number of citizens in a local community subscribe their money to the capital stock of a local bank. They do this for the purpose of creating a bank to serve the local community. They intrust the management of these funds to a board of directors and officers which they elect. They intrust the management of these funds to these directors and officers because they have faith in them. This bill comes in, however, and, without their consent, takes one-fifth of the capital stock and places it under the control and management of a board of directors in whose naming they have slight or no voice. The controlling majority of the board of directors of the reserve banks consists of persons in no way connected with the subscribing banks. This is certainly taking from the stockholders of the local bank the control of that much of their property without their consent in square violation of the fifth amendment.

Now, let us take a depositor in a local bank. He deposits his money with that bank on the strength of his faith and confidence in the managers of that bank. This law comes in and takes 5 per cent of his deposits, without his consent and without the consent of the persons to whom he has intrusted the handling of it, and arbitrarily and forcefully places it in the hands of another governing board. Now, suppose that the reserve bank in which it is deposited fails. The depositor goes to his local bank and demands his money. The local banker says: "Under the mandates of the law, I placed 5 per cent of your deposits in this reserve bank which failed. It was taken from me against my wish and will, and I can not return it to you." Now, who loses that? Who should lose it under this system? Somebody has been deprived of this property—either the depositor or the bank. It was forced into the bank that lost it against the wish and will of both the depositor and deposittee. Can it be said logically that this statute is taking this money by due process of law? Is it not rather taking it by the force and effect of a direct statute enacted for that direct purpose?

Mr. PETERSON. Will the gentleman permit an interruption?

Mr. PROUTY. Certainly.

Mr. PETERSON. Did not he know at the time he made the deposit what the law was?

Mr. PROUTY. No; he subscribed to these banks perhaps 20 years ago.

Mr. PETERSON. I am speaking of the depositor you are discussing.

Mr. PROUTY. He is the depositor now. It does not provide the deposit shall be hereafter made, but especially provides that deposits a man made there before this law goes into effect shall be taken.

Mr. PETERSON. Did not he know that the corporation was subject to regulations and the bank would be obliged to obey the law?

Mr. PROUTY. That is a power they have assumed, and if they have that power they can do that; but remember all this money that is taken under this bill, every dollar of it has been subscribed and deposited before this law goes into effect.

Mr. HARDY. Under the law as it stands to-day has the Government the right to dissolve the national banks?

Mr. PROUTY. I will discuss that.

Mr. HARDY. Bearing on the proposition the gentleman is now discussing, it seems to me a pertinent question.

Mr. PROUTY. It is a pertinent question, and I will take pleasure in answering, or rather I will quote from the Supreme Court on that question.

REASONABLE COMPENSATION.

They say that the banks get a reasonable compensation for the use of their money. Do they? It is true that they get 5

per cent and a pro rata of the earnings above that on the capital paid in. But the banks furnish \$4 of deposits to every \$1 of capital. So the subscribing banks pay in \$5 and only get interest at 5 per cent on \$1. This is equal to only 1 per cent on \$5. They therefore only get 1 per cent dividends on the amount of money actually paid in. That is hardly reasonable compensation. It is further claimed that the subscribing banks get additional advantages and compensation in the right of rediscount and the general protection against panics, and so forth. The trouble with this argument is that these things do not constitute "just compensation" provided for in the Constitution. Every court that has passed on the question has held that benefits are not "compensation"; that actual money must be paid by the Government condemning or taking the property. To illustrate, suppose the Government should condemn a piece of land for the erection of a fine building; could it be said that the Government had rendered "just compensation" by proving that the remainder of the party's land had been increased enough in value by the erection of the building to repay him for the land taken? No court has ever so held and no lawyer would so contend. Lewis, in his work on Eminent Domain, third edition, page 502, after reviewing carefully the decisions on the subject, says:

When property is taken for public use, compensation must be in money and not in some so-called general benefit.

Again, in *Missouri Pacific Railway v. State of Nebraska* (217 U. S., 196), the court says:

Ultimate or probable benefits do not constitute "just compensation" within the meaning of the Constitution.

I would not have you think that I am ignorant of or have overlooked the principle which allows the offsetting of damages by benefits in taking property for the public's use. This is done under the exercise of what is commonly called police power—a power that the sovereign uses to protect the health, morals, and general welfare of his subjects. It is not a power that the Government can use for its own purpose or for acquiring property for itself. It can only be used for the benefit of the people and not for the purpose of taking property from the people for the benefit of the sovereign.

Again, let me call your attention to the fact that the 5 per cent dividend is not paid by the Government—not even guaranteed by it. It simply says that the banks may take from the earnings of their own money a dividend of 5 per cent, if it earns that much, and if it earns any more the Government will take a share of it. If you lose the whole thing, the Government will not be responsible for it. This has in it none of the "just compensation" prescribed, defined, and required by the constitutional restriction.

It must be conceded that if the Government has the power to compel the banks to subscribe 20 per cent of their capital, it has the power to make the banks subscribe 50 per cent of it, or, for that matter, all of it. If the Government has the power to take all of the earnings above 5 per cent, it has the power to take that 5 per cent also. In other words, it has the power to take all the capital of the banks and convert it to its own use. I challenge the friends of this measure to point out a single provision of the Constitution which would put any restraint or limitations upon the Government in the exercise of this right, except the fifth amendment; and if it can be so construed as to authorize the Government to take part of one's property without just compensation, there is no reason why it can not be construed so as to take all of it. But every court that has passed upon this question has held that it prevents the Government from taking any of it, except possibly a purely negligible quantity, and no court has gone further.

CORPORATION A "PERSON."

It has been suggested that this provision of the fifth amendment has been confined to individual and not corporate property; that since the corporation is the creature of the Government, the creator can do as it pleases with the property of its creature.

Mr. BARTLETT. I did not mean by the questions I asked to take any such position as that, I assure the gentleman.

Mr. PROUTY. I credit the gentleman with being too good a lawyer for that.

This was strongly contended in the earlier cases. It was claimed that the word "person" in this amendment is a real person and not a corporation. But the Supreme Court of the United States has uniformly held that the word "person" in this amendment includes private corporations. (See 99 U. S., 719; 125 U. S., 188; 216 U. S., 412; 165 U. S., 150.)

In the latter case the court says:

Under the designation of "person" there is no doubt that a private corporation is included.

In the Ninety-ninth United States case, first cited, the court says:

But equally with the States they (United States) are prohibited from depriving persons or corporations of property without due process of law.

The national banks organized under the laws of the United States are private corporations just the same as the State banks organized under the laws of the States. In volume 10, *Cyclopedia of Law*, page 160, the author, after having cited numerous authorities, says:

This is not true of a bank which is organized primarily to further the fiscal operations of the Government and whose stock is exclusively owned by the Government, but a private bank whose stock is owned by private persons is a private corporation although it is erected by the Government, and its obligations and operations partake of a public nature.

The stock of all of our national banks is held in private ownership. The Government does not hold a dollar of stock in any of them. They are therefore private corporations notwithstanding the fact that they perform a limited public function.

POWER TO REPEAL.

But the ground upon which the framers of this bill rely to sustain its constitutionality is based upon the fact that the act of 1864, known as the national banking act, reserved to Congress the express right "to amend, alter, or repeal the same."

Mr. BARTLETT. That is not exactly as I stated it. The Government has a right to repeal that and reorganize the system and create new banks and put such limits upon its new charter and new organization as it sees fit. That is the way I would state it.

Mr. PROUTY. That is, that they have the right to kill the old fellow if he does not give up his money and resurrect another fellow?

Mr. BARTLETT. They have the right to tax them in the manner they desire and they have the right to reorganize them.

Mr. PROUTY. What rights did the man have if he gets a charter?

Mr. BARTLETT. All right.

Mr. HARDY. Will the gentleman submit to one more question?

Mr. PROUTY. Yes.

Mr. HARDY. If the Government has not the right to repeal the Government banking act—

Mr. PROUTY. I concede they have; let us not waste time on that.

They say, in effect, that since the Government reserves the right to repeal the law and thus terminate all the franchises of all the national banks, the Government thereby reserves the power to impose any conditions that it sees fit. In other words, the Government can say, "We will require you to turn over a part of your capital for our benefit under the pain and penalty of forfeiture of your charter." In still other words, "We will impose as a condition of your future existence your voluntary compliance with this mandate to turn over a part of your property for Government use."

Mr. HARDY. Just one more question. Has not the gentleman now abandoned his argument about taking property without compensation of law and attempted to establish the injustice of doing what the law has the right to do?

Mr. PROUTY. No; I think not. What I am trying to say is that the Constitution of the United States throws this protection around people and their property. It tries to protect them against every kind of device and pretext that is used to get it for the Government or State without paying anything for it. That is what this constitutional provision was intended to do. That is what this constitutional provision is for.

A careful analysis of this proposition, however, will show that this is the very abuse of arbitrary power against which the constitutional provision was intended to protect. This is a plain force measure. It does not give the banks the privilege of saying whether or not they desire to enter, but the demand is squarely made to do or die. "Deliver what we demand or we will put you out of existence." This is the exercise of the highwayman's logic. He does not say that you must deliver your property to him. He just calmly says: "You can exercise your own wish in the matter; you can deliver your valuables to me or be shot dead. Take your own free choice."

Mr. PHELAN. I would like to ask the gentleman if he maintains that requiring banks to subscribe to a certain amount of stock, with the ownership of that stock to remain in the bank and the return of 5 per cent to the bank on that stock, is depriving them of any money?

Mr. PROUTY. I do; for in the first place in the meaning of the Constitution it deprives them of control. The bank in which it goes may fail and they may never get a cent, as the Government does not guarantee one dollar shall ever be returned. The

Government takes the control from the individual and runs the banks itself. This is certainly depriving of control.

Mr. BARTLETT. But if the gentleman is correct about it, it is not a matter of amount or degree. It is any amount at all.

Mr. PROUTY. Sure; that is right. If it was 25 per cent it would not make any difference, in my judgment, in the legal discussion.

Mr. HARDY. If the gentleman will permit me one question, Mr. Chairman, I would like to direct his attention to it. I agree with the gentleman that if the Government has no right to repeal these charters, it has no right to impose upon the banks new conditions that they are not willing to comply with. But I do not think that the amendment of the Constitution that provides that property shall not be taken by the Government without compensation would prevent the Government, which grants a charter, with the right reserved to amend or repeal, from repealing it.

Mr. PROUTY. I think I can state that more systematically and perhaps better than the gentleman himself is stating it. [Laughter.]

Mr. HARDY. I do not think that would prevent the repeal of the national-bank act.

Mr. PROUTY. Oh, I can not wait for an argument from the gentleman.

Mr. HARDY. Is it not a question, after all, whether the Government would have the right to establish a banking system with the condition precedent that the bank to be established should accept certain conditions?

Mr. PROUTY. I have no hesitancy in saying that the Government could organize any corporation it saw fit, and if persons or banks went into it they would be bound by it. But that is a different proposition from going out and taking a man by the throat, and saying, "Stand and deliver; your money or your life." If a legal mind can not comprehend that proposition, it can not comprehend the Constitution of the United States. There is a clear legal distinction between the status of the man that voluntarily goes into a corporation and one that is forced to go in—one is voluntary, the other coercion.

It will be noted that this act does not repeal the act of 1864, nor does it forfeit the charter of any bank. I am getting down now to Judge BARTLETT. It simply says: "If you do not surrender to the Federal Government a portion of your property for Government use, we will then exercise our power to destroy you." This can hardly be said to be obtaining property by due process of law. It is the exercise of the arbitrary power to declare forfeiture to enforce compliance with an unconstitutional demand. It is admittedly an attempt to do by indirection that which they could not do by direct enactment. It must be admitted that if this requirement is lawful and constitutional it could be enforced by due process of law rather than by the arbitrary method of forfeiture of franchise.

That is to say, if the Government of the United States has the right to say that a man shall put 25 per cent of his money into this bank it could do it by due process of law without declaring any forfeiture.

Mr. TOWNER. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. PROUTY. In a moment I will yield.

Now, suppose Congress would pass a law compelling all the national banks of the United States to hand over 10 per cent of their capital and 5 per cent of their deposits for the purpose of creating a national reserve bank, the profits of which were to go to the Government. If that law would be constitutional, proceedings in court under the head of "due process of law" could be instituted to compel compliance. Does any constitutional lawyer in this House believe for a moment that the Government could in this direct manner and in accordance with "due process of law" enforce such a statute? Would not every court of the land hold that this is taking private property for public use "without just compensation"? If such a statute could not be enforced in the courts, will anyone seriously contend that it is constitutional because it may be enforced by forfeiture and not by "due process of law"?

Every court that has passed on the question has held that the right to amend, alter, or repeal does not carry with it the right to appropriate or confiscate any property. In the *Cyclopedia of Law*, volume 8, pages 1103 and 1104, the author, after having discussed the scope and effect of a reservation of this kind, says:

Since the decision in the Dartmouth College case it has become customary for legislatures to reserve to themselves the power to alter, amend, or repeal corporate privileges, and although the limitations upon this reserve power are not yet well settled, there is no well-considered case in which it has been held that a legislature, under its power to amend a charter, might take from the corporation any of its substantial property or property rights.

I am quoting now from a quotation which in turn is a quotation from the Supreme Court of the United States.

If the Government has no right to appropriate or confiscate by forfeiture, it certainly has not the power to confiscate or appropriate property under threat of forfeiture. In other words, if the Government could not pass a statute declaring a forfeiture of charter and appropriation of the property, it certainly can not lawfully compel the surrender of property under the mere threat of forfeiture. It is fair to say that the learned author, in the citation referred to above, is considering the limitations of the fourteenth amendment upon the power of the legislatures, but every court that has passed upon the question has held that the limitations upon the Federal Government by the fifth amendment and the limitations upon the State legislatures by the fourteenth amendment are identical. In *Twinning v. New Jersey* (211 U. S., 101) the court says:

Of course the part of the Constitution then before the court was the fifth amendment. If any different meaning of the same words as they are used in the fourteenth amendment can be conceived, none yet has appeared in judicial decisions.

In other words, the limitations upon the Federal Government by the fifth amendment are absolutely as broad and inclusive as are the words used in the article of the fourteenth amendment limiting the powers of the States.

The fact that the Government has the power to do one thing can not be made the basis for enforcing a power it does not possess.

But the reserve power to repeal, alter, or amend does not give the legislative power the right either to appropriate or confiscate property. What are commonly known as the Sinking Fund cases, reported in Ninety-ninth United States Reports, page 700, fully discuss this reserve power.

You will all remember the Sinking Fund cases in connection with the Union Pacific cases. They attracted more attention, perhaps, than any other cases. I read. The court says:

We are of the opinion that Congress not only retains, but has given special notice of its intention to retain, full and complete power to make such alteration and amendment of the charter as come within the just scope of legislative power. That this power has a limit no one can doubt. All agree that it can not be used to take away property already acquired under the operation of the charter or deprive the corporation of the fruits actually reduced to possession of contracts lawfully made.

Applying the rule to the bill now before us, it may be conceded that Congress reserves the right to alter, amend, or repeal the law under which they were incorporated, but this does not give the legislative department of the Government the right to confiscate, appropriate, or use for governmental purpose, without just compensation, a single dollar of the property acquired by national banks under the exercise of their charters. Everyone must admit that every dollar of this fund that is taken by this bill from the national banks for the creation of a Federal reserve bank system, in the profits of which the Government shares, is taken from the money and property acquired by these national banks under the charters of the Government.

Mr. PHELAN. The gentleman uses the word "deposits." Will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. PROUTY. Yes.

Mr. PHELAN. Does the gentleman mean that the Government has not the right to require that the reserve that shall be kept in the reserve bank shall be 5 per cent?

Mr. PROUTY. No; I do not claim that; they may be required to do anything that is proper in the exercise of the police power necessary to protect the public. But I will ask the gentleman a question. Does the gentleman think that the Government of the United States has the right to take 5 per cent of anyone's property?

Mr. PHELAN. I will answer the gentleman's question by saying that they are not taking 5 per cent. But the gentleman is not answering my question as to whether or not the bank shall keep in its reserve 5 per cent.

Mr. PROUTY. I have said they can if it is a necessary police regulation.

Mr. PHELAN. Under the banking provision can not they do it without reference to the police provision?

Mr. PROUTY. No, sir.

Mr. PHELAN. They can not?

Mr. PROUTY. They can not take any man's property. I say this for the gentleman's information, and I will challenge any lawyer in the House to deny it—that there is not a single power in the Constitution of the United States by which the Government can take a dollar of any man's property without compensation except by the process of taxation. I do not care how you whip it around the stump or through what kind of devious ways you trace it, there is not a single power given in the Constitution of the United States by which the great, strong arm

of the Government can reach out and take a dollar of the richest or the poorest man's property without compensation.

Mr. PHELAN. If they—

Mr. PROUTY. I see my time is running along fast, and I decline to yield further.

All courts agree that this can not be done even under the guise of pretending to alter, amend, or repeal. In the case of *Shields v. Ohio* (95 U. S., 324) the court, in considering these reserve powers, says:

The power of alteration and amendment is not without limit. The alterations must be reasonable. They must be made in good faith and be consistent with the object and scope of the act of incorporation. Sheer oppression and wrong can not be inflicted under the guise of amendment or alteration. Beyond the sphere of reserve powers the vested rights of property of corporations in such cases are surrounded by the same sanctions and are as inviolable as in other cases.

IT DOES NOT REPEAL.

I concede that Congress in the banking act reserved the right to repeal the charter of every national bank. However unfair it might be to do so, it is possible for the Government to take away the charters of these banks; but the full answer to all contentions along this line is that the present bill does not repeal the charters of the banks. It at most undertakes to force them to do certain things under the threat of the exercise of that power; but Congress can not keep in existence the corporations and at the same time deprive them of their property. Justice Strong (95 U. S., 324) has stated the proposition tersely:

I agree, therefore, that the legislature reserved the power to repeal, alter, or amend the charter, but I deny that under this reserve power it was competent for the legislature to take away the right given to the company, * * * while at the same time continuing the company in existence subject to all the duties imposed upon it. Such an alteration is taking away the property of the company without compensation as much as would be taking away its lands.

The plan outlined in this bill continues the existence of the national banks, and the only material change or alteration of the existing charters of the national banks is the one requiring them to contribute from their capital and deposits to the Federal reserve banks. If we concede that the Federal Government has the power under this reservation to repeal the banking act, and thus forfeit all the charters of the national banks, and that thereafter it could pass a law creating a new system and impose any conditions that it should see fit, it must be clear that this bill does not take that course. Section 8 makes a pretense of dissolution and reincorporation, but a careful analysis of that section reveals the fact that it does neither. It is a very flimsy effort to avoid the effect of the Constitution. It does not repeal the law under which the national banks are organized. It does not take away their charters. Stripped of all its sham and subtle evasion, it is simply a declaration that unless the national banks turn over a part of their capital and deposits to the control and for the partial benefit and use of the Federal Government it will take away their charters and put them out of business; and, in the language of the Supreme Court, is a "sheer oppression and wrong inflicted under the guise of amendment or alteration."

We can sometimes see the print a little more clearly if we hold the paper farther from our eyes. Suppose that some State should pass a law intended to affect the State banks of its own creation in a manner similar to the treatment by the Government in this bill of corporations of its creation. Suppose that such a State should pass a law requiring all of the State banks to contribute one-fifth of their capital and 5 per cent of their deposits for the creation of a central State bank the profits of which were in part to be used for paying off the bonded indebtedness of the State under the pain and penalty of the dissolution of all the State banking institutions upon failure to comply with this demand of the State. Would anyone seriously contend that that would not be a violation of the fourteenth amendment? Would anyone contend that that was taking property by due process of law and not by direct statute? Yet the limitation placed upon the power of the State by the fourteenth amendment is not any greater than the limitation placed upon the Federal Government by the fifth amendment. The State has just as full and complete control of the corporations of its own creation as the Federal Government has over the corporations of its creation. While the courts have been uniform in holding that the States may pass almost any laws regulating, controlling, and limiting the operations of corporations created under their own laws, every court that has considered the question has held that this power does not extend to the taking of any of their property for the use and benefit of the State.

POLICE AND TAXING POWER.

We must not confuse the limitations contained in the fifth and fourteenth amendments with the right of the Government to exercise its police power and taxing power. Neither of these

amendments interferes with the proper exercise of those powers (208 U. S., 173). Neither must we confuse the right of the State or Nation to assert its police powers in the protection of its citizens with the right to take property for its own use. Police power may be only exercised for the purpose of protecting the health, morals, and general welfare of the people, and it has been held again and again that the State may exercise its police power for these purposes, even though it means the destruction of property. But it is limited by the prohibition of the fourteenth amendment from appropriating this property to its own use. To illustrate this distinction: A State has the power to abate a nuisance, and in doing so it might cause the beneficial use of the property to the owner to be entirely destroyed. But suppose by the same act the State would attempt to confiscate that property for the State's use, then it would come in conflict with the fourteenth amendment. In other words, while the sovereign may exercise its reserve police power for the benefit of the citizen, it can not use that police power to convert a dollar of private property to its own use without "just compensation."

The case that the friends of this measure most rely upon in sustaining the constitutionality of this bill is the case of *Noble State Bank v. Haskell* (219 U. S., 104), which is known as the case involving the constitutionality of the law creating the bank-guaranty fund in the State of Oklahoma. That is a case where the State passed a law requiring the banks to contribute from their funds for creating what was known as a depositors' guaranty fund. The constitutionality of that law under the fourteenth amendment was called in question, but the Supreme Court sustained its constitutionality upon the ground of its being the proper exercise of the police power of the State. A careful reading of that case will show that the question here involved was not seriously discussed or decided. In that case no part of the property was taken for the use or benefit of the sovereign State. It was a mere regulation for promoting the general welfare of its subjects. In defining the point at issue the court says:

The substance of the plaintiff's argument is that the assessment takes private property for private use without compensation.

It will be noted that the right of the State to take private property for its own use was not involved. Had the State undertaken to appropriate this property for its own use then it could not possibly be sustained as a police regulation, as I have already called your attention to the distinction that police powers are exercised for the general welfare of the sovereign's subjects and not for the replenishing of the sovereign's exchequer.

In the 154 cases that have been decided by the Supreme Court there is not one case in which there has been a single word intimating or even hinting that a State or the Nation could use its police power to take a dollar of property for the use of the Government.

Mr. BARTLETT. The Nation has no police power except in the District of Columbia and the Territories.

Mr. PROUTY. Oh, yes; it has.

Mr. BARTLETT. I mean the Government of the United States.

Mr. PROUTY. It has in the Territories; and while I have not read all the State cases, I have read a good many. I have read all the cases in which the question has come under the fourteenth amendment to the Constitution of the United States.

Mr. BARTLETT. I do not deny the gentleman's proposition about the exercise of the police power. I am rather seeking to aid him in the statement that the United States Congress has no general police power except in the District of Columbia and other places of that kind. It could not in the exercise of the police power—

Mr. PROUTY. Yes; but four-fifths of all the cases that have gone to the Supreme Court of the United States have arisen under the fourteenth amendment, and those that have been sustained have all been sustained upon the ground of the proper exercise of the police power of the States.

Mr. BARTLETT. By the States; yes. There is no doubt about that.

Mr. PROUTY. But no case has so far developed in which the State has been held to exercise its police power when it took property for itself.

Mr. BARTLETT. No.

Mr. PROUTY. The only clause in the opinion that has the slightest bearing on this phase of the controversy is as follows:

In the first place, it is established by a series of cases that an ulterior public advantage may justify a comparatively insignificant taking of private property for what in its immediate purpose is a private use.

In the Oklahoma case there were certain fees that went to the State, and the question was raised because the State took

those fees; but the court said that was an infinitesimal matter and no real part of the act itself; that it was an insignificant taking.

Mr. J. M. C. SMITH. Will the gentleman yield for a question?

Mr. PROUTY. Yes; if it is a real pointed one. How much time have I, Mr. Chairman?

The CHAIRMAN. The gentleman has 16 minutes.

Mr. J. M. C. SMITH. I wish to ask whether or not it is compulsory for a bank to go into this arrangement unless it wishes to?

Mr. PROUTY. No; it is not compulsory, just as I said. If a highwayman walks up to you and sticks his revolver in your face and says to you, "Give me your money or your life. You do not have to give me your money. It is perfectly optional with you. You can die if you want to." [Laughter.]

Mr. FORDNEY. There is another alternative.

Mr. PROUTY. There is no other alternative than this one if this law is constitutional.

This is in line with the authorities I have already cited, that an insignificant or negligible quantity of property might inure to the benefit of the sovereign without making it unconstitutional, but there is no case holding that any considerable amount of private property may be taken for public use without just compensation under the exercise of what is commonly called the police power. The Oklahoma case is bottomed squarely on the proposition that it is the exercise of the police power for the benefit of the subjects of the State. The court says:

And in the next it would seem that there may be other cases besides the everyday one of taxation, in which the share of each party in the benefit of a scheme of mutual protection is sufficient compensation for the correlative burden that it is compelled to assume. At least, if we have a case within the reasonable exercise of the police power, as above explained, no more need be said.

It clearly holds that the protection of commerce is within the bounds of police power. It holds that the deposits in banks under modern conditions is the only available means of safely keeping money on hand, and that it is clearly within the power of the State to provide ways and means of making the deposits safe and secure. As we have already called to your attention, this does not decide nor attempt to decide the question that I am here presenting to this House. Had the State of Oklahoma attempted by law to take this same amount of money from the banks and put it to its own use it could not and would not have been justified by either the decision or dictum contained in the case of *Noble State Bank against Haskell*, above cited. There is a very clear distinction between the exercise of the police power of the sovereign for the mutual benefit of its people and the exercise of its arbitrary power to appropriate its subjects' property for its own use and benefit. It is barely possible that the constitutionality of this bill might be sustained if it provided for the creation of these reserve banks out of funds of the national banks, provided these banks were allowed to have control of them and have the earnings of their own capital. I think that might be sustained on the ground of the exercise of the police power of the Government. But the very moment that the Federal Government reaches out its hand and undertakes to appropriate this money to its own use or direct advantage it becomes, in my opinion, a clear invasion of the rights of private property against which the fifth amendment is intended to protect.

My attention has been especially called to the language in the supplemental opinion filed in the case of *Noble State Bank v. Haskell* as contradicting my contention. The language there used would seem by analogy to sustain the contention of the friends of this measure, but when the language used is viewed in the light of the law of the case as laid down in the main opinion, it will be seen that there is no real conflict with my contention or the law as established in prior decisions. The court had held in the major opinion that the State of Oklahoma had the constitutional right to make this mandatory requirement under its police power and the supplemental opinion simply declares by way of dictum that the banks had their choice of obeying a lawful demand or of going out of business. In the present bill the national banks are required either to submit to an unlawful and unconstitutional demand or go out of business. They are required to surrender the control and beneficial use of a part of their property to the Government under the pain and penalty of a forfeiture of their charters. It must be plain that there is a distinction between the right of the Government to inflict forfeiture for the failure of a corporation to comply with a lawful and constitutional demand and the right to inflict similar forfeiture for failure to submit to an unlawful and unconstitutional demand. The State of Oklahoma had by that decision a constitutional right to use its police power to conserve the general welfare of its people, but no court

has ever held that the police power could be used to take private property for the sovereign's use. To make the statement clear, the Oklahoma case says submit to a lawful demand or go out of business. This bill says submit to an unlawful demand or go out of business.

TAXING POWER.

I think the friends of this measure will hardly contend that its constitutionality may be maintained on the ground that it is an exercise of the taxing power of the Government. It does not purport on its face to be the exercise of that power, nor is there anything in it indicating that it is bottomed upon that power. I have found no case even squinting in a direction that would sustain the constitutionality of this law on that ground. I therefore find no opportunity or pretext for discussing that proposition at length.

I might suggest, however, by way of passing, that if the friends of this measure bottom its constitutionality upon the exercise of the taxing power of the Government there is no reason why the compulsory process should be confined to national banks. If this law can be treated in any sense as a franchise, business, or avocation tax it could be applied with the same force and effect to State banks as well as to national. This power was fully sustained in the case of *Flint v. Stone-Trimby Co.* (220 U. S., 107), which sustained the constitutionality of such a law even prior to the adoption of the present constitutional amendment allowing the levying of an income tax. The very fact that the authors of this bill did not attempt to make it compulsory as to State banks is a complete admission that it was not bottomed on the power of the Government to levy excise taxes.

EMINENT DOMAIN.

It is true that under this constitutional limitation the Government, in the exercise of its power or right of eminent domain, can take private property for public use. But this is subject to two specific limitations. First, it can only be done by due process of law and not by a law enacted for that specific purpose. Second, there must be just compensation, and this compensation must be fixed by the due process of law and not by an act of the legislative department. As we have already called to your attention, this just compensation can not be met by general benefits. It must be a compensation moving directly from the Government to the party whose property has been taken. As heretofore noted, the Federal Government does not pay or agree to pay or even guarantee the payment of any sum whatever to the national banks for the money that they are compelled to turn over. So under no interpretation of the right of eminent domain could this compulsory feature of the bill be sustained.

There are only these three methods by which private property may be taken for public use, namely, (1) by the proper exercise of the police power, (2) by the proper exercise of the taxing power, and (3) by the exercise of the right of eminent domain. I have examined, I think, all of the cases of the Supreme Court of the United States bearing on this question, and I have examined very many of the textbooks of constitutional writers, and in none of them have I found any hint or suggestion of any other exception or the existence of any other power under which the Federal or State Governments might take private property for public use. The attempt here to take the private property of the bank for public use can not possibly be construed as coming under either of these heads.

NO PRECEDENT ON ALL FOURS.

I admit that in my extended research on this subject I have not found a case involving the exact situation disclosed in this bill. I have not been able to find another case where either Congress or the State legislatures have undertaken to baldly appropriate private property to the use of either the Government or the State, except in purely negligible amounts. I suggest that the only reason for not having a direct precedent on this subject is that no other Congress or legislature ever undertook so bold a scheme. I venture further to suggest that if it had been thought that such power was vested in legislatures or in Congress it would long ago have been invoked.

POWER OF REGULATION.

It may be claimed by some that this provision of the bill may be sustained on the theory that it is the exercise of the Government's power to control the corporations of its own creation. The decisions are replete with confirmations of this power. They say that both Congress and the State legislatures have almost unlimited power in the adoption of rules and regulations which are for the benefit of the public, but every one of the decisions that touches this question says that the line must be drawn at the point where private property is taken for the State's or Nation's use; that that is a clear limitation upon the

power to regulate and that this limitation grows out of the provision of the fifth amendment as applied to Congress and the fourteenth amendment as applied to State legislatures.

In all the authorities I have examined—and I have examined every authority I could find upon the subject—there are three powers that the Government can use to take private property for public use: First, the police power, which the sovereign can not use for its own advantage; second, the taxing power, which it can use for its own advantage; and third, the right of eminent domain, but the right of eminent domain is always accompanied with the proposition of just compensation, and I undertake to say that this law is bottomed upon neither of these. It is bottomed, as I said before, squarely and fairly upon the proposition of the highwayman's logic—surrender or die. [Applause.]

MY MOTIVES.

Both my motives and political sagacity have been called in question in offering this constitutional objection. I have no motive in presenting this objection except that I desire candidly to call to the attention of this House the danger of this law being declared unconstitutional by the highest court of the land. I have no personal purpose to serve. I do not in any manner represent the national banks. I do not own a dollar of stock in them, and never did. I am, however, interested in the general welfare of the country, and I know what havoc and disaster would result if this bill should pass, a start to organization under it be made, and a halt caused by the adverse decision of the court. We would have neither the old system nor the new one, and general demoralization in all business would necessarily result. I am not yet forgetful of the terrible financial disturbance that came to this country in 1893, largely through the effect of the decision of the Supreme Court declaring the income-tax law unconstitutional, and thus depriving the Government of a large amount of funds that it had expected to realize under that act. Many persons upon the floor of this House and upon the floor of the Senate called attention to the unconstitutionality of that act, but Congress drove ahead and passed it anyway. The constitutional question involved in that bill was a close one, so close that it was declared unconstitutional by the Supreme Court by a 5 to 4 vote. There were many prior decisions by the Supreme Court that seemed to sustain the constitutionality of that law, but so far as I am able to find or interpret them there is not a single case in the Supreme Court Reports sustaining the constitutionality of the coercive feature of this bill, and I am only offering the suggestion that I make for the purpose of clearly calling the attention of the calm, sober judgment of this House to the danger of passing this bill in its present form. I fully realize that the raising of this question is not a popular one. I know the old Constitution is in ill repute. I know there are plenty of men that do not consider themselves in the least bound by its declarations; but I care not what others may say or think, I have taken an oath to support the Constitution, "without any mental reservation or purpose of evasion," and firmly believing, as I do, that this bill is unconstitutional, I feel it my imperative duty to express my convictions to this House. That is my only apology for offering what may be said to be a technical objection to this bill.

IF THE NATIONAL BANKS REFUSE.

I also wish to call the attention of this House to the predicament that we would find ourselves in if, after we should pass this bill, the national banks were to refuse to go into the arrangement. If they should refuse to do it, and this law was held to be mandatory, they would be compelled within a year to surrender their charters and reorganize under the various State laws where located. To do this they would be compelled to retire their circulation of about \$700,000,000 now outstanding and would be either compelled to sell the \$700,000,000 of 2 per cent bonds now held by the banks or carry them at the low rate of 2 per cent. It must be apparent to anyone that this would shrink our circulating medium about \$700,000,000 without any provision whatever for creating a currency to take its place. Anyone can readily understand that this would bring on such a severe contraction of currency as to produce a panic that would make the one of 1893 look like 30 cents. But the friends of this bill say that its provisions are sufficiently enticing to induce the national banks and other banks to enter. But they belie their own declaration when they undertake to use coercive measures to force the national banks into it. If their position is correct, that the advantages to be gained by the proposed system are sufficiently attractive to induce banks to enter, then they do not need this coercive feature. But every Member of this House with whom I have talked admits that the national banks would not go into it except for the situation that would await them if they refused. The national banks now hold about \$700,000,000 of these bonds,

bearing interest at only 2 per cent, which they bought with a full reliance upon the Government that they could use them as the basis of a circulation on which they could reap a reasonable profit. If they transform their national banks into State banks, they would have to redeem the outstanding currency, and to do this would either be compelled to sell their bonds or contract their local loans to a corresponding amount.

If these bonds are deprived of the supporting and sustaining influence of the currency-issuing provision they will certainly sink to at least 75 cents on the dollar. They have 20 years yet to run before they are even redeemable. Bonds drawing 3 per cent are now only a little above par, showing that the actual value of money in this country for the very highest class of securities is about 3 per cent. It is easy to figure as a mathematical problem that the difference between 2 per cent bonds and 3 per cent bonds having 20 years to run is a little over 25 per cent, so that if the banks would be compelled to sell their bonds they would probably lose about \$175,000,000. This conclusion is also strengthened by the money markets of the world. There are no securities in any part of the world to-day being floated at 2 per cent on their merits. English consols bearing 2 per cent are to-day quoted at 73.3, and on the same basis American 2 per cent bonds would sink to the same level if not supported by the currency-issuing privilege. This is the club that the friends of this measure think that they hold over the national banks to force them into this arrangement. I for one can not approve nor sanction such methods on the part of a great Christian Nation. It is cruelly saying to the national banks, "We will make you lose not only your charters but \$175,000,000 of your money on our own obligations unless you consent to enter this arrangement." Whether or not this bill or plan is constitutional it is certainly unconscionable, and no nation will long sustain a good name or good credit that deals thus with the purchasers of its obligations. [Applause.]

I was discussing this constitutional question the other day with a distinguished gentleman of this House. He said: "I agree with you." I said: "Then help me." He said: "I can not; I attended the caucus, and I am bound by it. I have got to vote for the caucus bill."

This raised a strange reverie in my mind. I do wonder whether the time has arrived when the obligations of a caucus are stronger and more binding than the obligations of an oath. I do wonder whether caucus rules are more effective than the restrictions of the Constitution. Every Member of this House took this oath:

I do solemnly swear that I will support and defend the Constitution of the United States against all enemies, foreign and domestic; that I will bear true faith and allegiance to the same; that I take this obligation freely, without mental reservation or purpose of evasion whatsoever; and that I will faithfully discharge the duties of the office on which I am about to enter. So help me God.

Can it be possible that any Member of this House can consider that he is bound rather by the caucus rule than by his oath to support the Constitution, "without mental reservation or purpose of evasion whatsoever"?

Is it possible that anyone would rather endure the harrows and pangs of a perjured conscience than the frowns of an urgent administration? If that be true, better far that we burn up the Constitution and send men to the caucus conscience free.

Mr. GLASS. I yield 15 minutes to the gentleman from Mississippi [Mr. HARRISON].

Mr. HARRISON. Mr. Chairman, our present currency system is antiquated and not in keeping with the times. While Mr. Chase and his coworkers in establishing, in 1864, the present bank-note system, secured by Government bonds, doubtless hoped that it would be so elastic as to respond to the changing demands of commerce and trade, yet the primary purpose of the system was to finance the Civil War by creating a market for the sale of the bonds of the country. As to the latter object the system was a success, but as to the former the plan has been a failure.

To every student of finance it is self-evident that a steady increase in population or a steady expansion of industrial activity, all other things being equal, call for more currency. The harvest months in agricultural localities require more currency than the early springtime, and the logging season in timber districts requires more currency than the selling season. The ideal system of bank-note issues, therefore, is that system which provides automatically for such varying demands.

A currency which is inadequate to the needs of every condition that might arise will result in the sudden pulling down of the reserve money of city banks and a consequent forced reduction of their loan accounts.

These problems have been present throughout the history of our national-bank-note circulation. Being influenced by law on the pledge of the United States Government bonds, the national-

bank-note circulation is necessarily influenced by the amount of such bonds actually outstanding—their increase or decrease. A heavy decrease in the outstanding public debt would naturally cause a reduction in the bank-note circulation. A large increase in the Government debt, it is reasonable to suppose, would cause an expansion of bank notes. A currency built upon the basis of Government-bond security has not responded with automatic elasticity to the changing requirements of trade.

A period of great prosperity and trade activity normally calls for increased currency which bank notes theoretically should provide. It is such periods, however, that bring larger public revenues, which revenues are used in the reduction or redemption of the public debt. As an illustration, from the year 1879 to 1892 this country had a most wonderful growth. Her smokestacks were belching with activity, her spindles humming with the music of prosperity, cities were being built, railroads constructed, and the whole country was alive with an industrial awakening. It was a time when currency was needed to be utilized; and yet during that period, on account of this commercial and industrial activity, the outstanding interest-bearing debt of the United States had decreased from \$1,797,643,700 in 1879 to \$585,829,330 in 1892. What then happened to the bank-note circulation? I answer by quoting from Mr. Alexander Noyes's excellent paper on this subject. He says:

At first, through the large converse operations in the public debt, the national banks were enabled moderately to increase their circulating notes. This process, however, raised the price of the Government bonds requisite to secure the notes. The 4 per cents, which had sold at 99 in 1879, got up to 121½ in 1882. This of itself discouraged purchasers to take out new circulation and tempted the banks to retire their outstanding notes and secure the profits on reduced bonds. The surplus revenue continuing and itself upsetting the money market through the flow of actual cash to Washington, where it was locked up in the vaults of the Treasury, Congress in 1888 authorized the use of that surplus not only for the redemption of Government bonds already matured but for purchase of unmatured bonds at a premium. During the next four years no less than \$235,000,000 was expended by the Government in buying back its bonds at the market price, which at one time, in 1888, under these bids by the Treasury, rose to 130 on the market. Such a price prevented the buying of Government bonds for new bank-note circulation and greatly stimulated the sale of bonds held to support outstanding notes, and by July, 1891, the country's total bank-note circulation was down to \$167,577,214; that is to say, between 1883 and 1891 the country's bank-note currency had actually been reduced 53 per cent.

During this period the use of money for purposes of trade had increased 54 per cent when the bank-note currency which should have served that trade had decreased 53 per cent. But let us see how the Government bank-note system worked under reverse conditions—under conditions of industrial and commercial depression. In 1893 came the panic—the panic which so often has been laid at the doors of the Democratic Party, but which in reality started under the Republican administration and which was dumped on the Cleveland administration by the Republican Party. In 1894 came a period of prolonged trade inaction. Now, during such a time the system which had failed to give an elastic currency when needed and had worked so badly in times of great activity proceeded to make trouble during dull times in trade in exactly the opposite way. In two years after 1892 trade activity had decreased 26 per cent while the bank-note circulation had increased 18 per cent. In other words, the present system had by actual experience proven itself to be a failure in responding to the demands of an active and expanding trade; that it responded quickly and in large numbers when not needed and balked when the whip of commercial and industrial activity was applied.

The wealth of the United States since the establishment of this antiquated system has grown from approximately \$16,500,000,000 in 1864 to \$110,000,000,000 in 1912. The credit of the United States has increased proportionately much greater. And so if the United States must keep abreast with the times we must substitute for the present currency system a system that will be commensurate with the industrial growth of our Nation and that will respond with automatic elasticity to the needs of commerce and changing requirements of trade. The inelasticity of our currency and the concentration of the money in one locality, to there be controlled by a few financiers, constitute, in my opinion, the greatest evils of our financial system.

I trust that I have sufficiently illustrated the first proposition, and we need only to recall the panic of 1907 to convince ourselves of the truth of the latter. No more flourishing times had the United States ever experienced than for a decade immediately preceding the panic of 1907. New lands had been opened up, oil fields uncovered, cities had sprung up like magic, millionaires were made overnight, railroads had been constructed in all sections, industries of every kind were flourishing, banks were declaring large dividends, and an air of prosperity pervaded all sections. But prosperity of this kind breeds a spirit of recklessness that inoculates a people with a virus of speculation, and is likely to dethrone prudence and

conservative action. And so it was that under the spell of prosperity, and the very defective banking system then in existence—and which we still have—the banks in every village and city throughout the country kept a large part of their balances on deposit with the banks in New York. It has been stated that 50 per cent of the deposits in the banks of New York City are the deposits of the banks throughout the United States. This money when deposited in New York City was loaned, in many instances, by those banks at a high rate of interest to the speculators on the stock exchange in Wall Street; and just in proportion to the needs of the stock gambler for money in New York the rate of interest increases or decreases, and as it increases the money market of the country contracts, and as the money market tightens confidence weakens. And so it was in 1907 that, due to the fact that the banks of the country had concentrated their deposits in New York City, where they were unavailable when needed, in many sections of the country the banks were unable to pay their depositors money on demand. This, I say, is one of the greatest evils that exists in our present financial system, and any measure this House might pass deconcentrating the reserves of the country and destroying the power of a few men to control the money of the country would be a blessing not only to the business interests of the country but to all the people.

This bill cures both of these evils. The first by the Government issuing notes to the Federal reserve banks according to the needs of trade and commerce to any amount that is secured by safe commercial paper and where a special reserve account of gold or lawful money equals in amount 33½ per cent of the reserve notes. Through this process and the provisions of the bill under which it works a member bank in my district can take \$50,000 of lawful money and \$150,000 worth of good commercial paper, properly indorsed by the member bank, to the Federal reserve bank and have issued to him \$150,000 of Treasury notes. The member bank can use these funds in paying off its depositors if it desires, or can lend \$100,000 of it to its customers, take the notes that it receives from the loans, together with \$33,333.33, again to the Federal reserve bank, and obtain through its indorsement \$100,000 more of these notes. Of course the issuance of these loans on the part of the Federal reserve banks is subject to the discretion and judgment of the Federal reserve board, but the illustrations I have given show in theory the good that may come from the workings of the bill to a section or bank in times of need. In other words, it is a guaranty to a bank in the country that no financial conditions will probably arise that will prevent the bank from readily realizing on its resources and promptly accommodating its customers.

The second: By the terms of the bill the United States is divided into 12 regional reserve districts, and the reserves of each district will be kept in each district for the use and benefit of each district, subject only to extraordinary cases where money is needed in one district and not required in the other, or needed in one and not required in the 11 others. This one may be permitted, in the discretion of the reserve board, to borrow from the 11 others. In other words, the practice in the past of every bank in the country keeping a large proportion of its money in New York for the benefit of the New York bankers and stock gamblers will no longer be followed, but this money will be deconcentrated into 12 centers throughout the country for the benefit of every section.

Mr. Chairman, although the powers conferred on the Federal reserve board by the terms of this bill are large and powerful, yet for my part I would prefer that power exercised through the instrumentalities of the Federal reserve board, who are to come from the people and answerable to the people and whose service, I believe, will be in the interest of the legitimate business of the country, rather than to see it continued under the domination of the Wall Street financiers, whose selfish interest has been a cancerous sore upon the financial system of this country for over half a century.

Now, Mr. Chairman, I do not intend to discuss the details of this bill. They are too many. The chairman of the committee and his coworkers on the committee have ably and fully discussed them. I am heartily in favor of this legislation. There are some features of the bill that if I had been permitted to I would have changed, but we can not all get everything that we desire. The currency system is so complicated and susceptible to so many varying, honest, opinions that necessarily in passing a bill through this House and Senate none of us can get all we want and must compromise some of our convictions as to details. The provision in the bill relative to exchange charges does not meet my idea. I think it is a bad provision, and I hope that before the bill receives the approval of the President that it will be so written that coun-

try banks will not be forced to act as the agents for city banks and wholesale houses in collecting and remitting checks and drafts without exchange charges, thereby necessarily incurring expense and risks and being prevented from making any legitimate and reasonable charge. Without imposing further upon the patience of the House, I desire to give my especial approval to the provisions I have already mentioned and to three other features of the bill. First, the reserve provision. Under the present national banking law the reserve must be maintained at 15 per cent—6 per cent to be retained in the vaults of the bank and 9 per cent in the reserve city banks. Under this bill the reserve is reduced to 12 per cent, only 4 per cent of which is required to be maintained in the reserve bank and 8 per cent, if desired, in a member bank, thereby providing for a larger working asset for the banks.

Second, the farm-land loan provision. Heretofore no national bank under the law was permitted to loan money on improved farm lands, a prohibition that worked injuriously and discriminately against the farming class of our citizens. I have never been able to see the logic in the law that prevented the man who owned an improved farm from borrowing money and securing it by a mortgage on that farm if he so desired. For the first time in the history of the national banking law this provision will be incorporated into the statute, and I hope that before this Sixty-third Congress will have expired that we shall be able to write into law a rural credit system that will be in keeping with the progress of other nations and that will serve the great rural class of our population. In my opinion, after we have passed the present tariff bill and this currency bill no subject is so important and means so much to that class of our citizenship, upon whose efforts cities are fed and the prosperity of the people is founded, as a full, fair, modern, and comprehensive rural credit system. [Applause.]

Third, the rediscount provision. We have recognized in this provision the importance of not only rediscounting the paper of the commercial and industrial interests of this country, but of the great agricultural interests as well. To my mind this provision in the bill will mean more to the farming class of our people than any provision in it. It will enable the tobacco grower in Kentucky and Virginia to have his note rediscounted that is secured by a tobacco warehouse receipt, the wheat grower in the West by his elevator receipt, and the cotton planter of the South by his cotton warehouse receipt. And while this provision guarantees to the tobacco grower of Kentucky and Virginia, the wheat farmer of the West, and the cotton planter of the South the right to borrow money from national banks on such collaterals, and thereby aid them in securing a fair and reasonable price on their capital and labor, it at the same time justly prohibits the rediscounting of any paper secured by speculative stocks and bonds. It is a poison to unsafe banking and a tonic of inspiration and encouragement to every honest commercial, industrial, and agricultural enterprise.

Mr. Chairman, this bill has my hearty support, and I wish for it not only a quick passage through this House, but a safe and speedy journey through the other end of the Capitol. The country needs it and the people want it, and we should hasten to give it to them. [Loud applause.]

Mr. STONE. I now yield 30 minutes to the gentleman from Missouri [Mr. BORLAND].

Mr. BORLAND. Mr. Chairman, the administration, with the assistance of its Democratic House of Representatives, has prepared to carry out its pledges to the American people to provide a system of currency reform which shall be in the interest of all of the people in all sections of our common country.

It is much easier for men to make theoretical criticisms of a public measure than it is to address themselves to the constructive work of statecraft. It is especially easy to make theoretical criticisms of a new plan, such as the one before us. No general reform of our banking and currency system has been attempted for half a century, and in that period the whole economic and social condition of our country has changed. The demand for banking and currency legislation has become very widespread in our country, and it is a demand which must be answered frankly and fairly and with a due sense of the responsibility of action. It must be answered in the interest of all of the people—the big business man, the little business man, the banker, the manufacturer, the farmer, and the laborer. We must remember that the humblest American citizen has at stake the future destiny of himself and his family in the common prosperity of the country. His stake is just as great to him as the millionaire's stake is to him. It is his all, and one man's all is as important to him as another man's all. It is my belief that these views dominated the construction of the present currency bill. No man can say that in practice it will

not develop some points of weakness, for no law has ever sprung fully matured from the brain of a single set of legislators. If it be right in principle and sound in theory it can always be adapted to changed conditions.

I am not one of those who indulge in unbridled criticism and abuse of the present banking system. With all its faults it has proved infinitely better and more acceptable to the people than that system of banking which preceded it. On the whole, the national-bank law has been a great success, which is all the more surprising because it was a war measure and primarily designed to furnish a market for sudden large issues of United States bonds. Under the national banking system we have had a safe national currency for 50 years, every dollar redeemable in gold and every dollar worth as much in one part of the country as in another. Under this system we have had a constantly increasing number of national banks to transact the ordinary commercial business of the country. These banks are under national supervision and have been singularly fortunate in combining local enterprise with national strength. The loss to note holders in these banks has been absolutely nothing and the loss to depositors has aggregated only a fraction of 1 per cent of the total deposits in 50 years. These are elements of strength which are not to be overlooked.

The defects of the national banking system are equally plain. The only national function which they perform which entitles them to be chartered by the Federal Government is the power to issue circulating notes. These notes are secured upon a deposit of United States bonds which the issuing bank must make with the Comptroller of the Currency. This note issue is found, therefore, to be inelastic. It can not contract and expand with the needs of the business of the country, but must contract or expand in obedience with the supply and price of Government bonds. Our National Government has been a great gainer in the last 50 years by this system, as it has been enabled to sell its bonds bearing a much lower rate of interest than the bonds of any other country. The saving of interest as compared with the public debt of other countries has been tremendous. The last issue of Government bonds available for note circulation bore only 2 per cent interest. There never has been and is not to-day any other nation in the world that could borrow money on bonds bearing less than 5 per cent interest. The inelastic feature of our national currency, however, is a defect which is fatal to the system. The United States has been gradually reducing its public debt, until to-day it has the smallest public debt per capita of any nation in the world. The amount of Government bonds available for national-bank circulation is only \$900,000,000. Of this amount, nearly \$700,000,000 is now held by national banks to secure their note issues. It is apparent, therefore, that we must either continue a national debt for which we have no need or we must find some other basis for note issues.

The agitation for a change in our national banking and currency laws began some five years ago with the creation of the National Monetary Commission. That commission, or the Republican members of it, presented what is known as the Aldrich currency plan. Immediately a general agitation all over the country arose in favor of the hasty adoption of that plan. A more mature consideration has shown that those of us who were opposed to the plan were right. However, the agitation has had the very beneficial effect of inviting a full discussion of the currency problem which has resulted in utilizing many of the sound theories of finance which were developed by the National Monetary Commission. I believed at that time, and so expressed myself, that the system of bond-secured currency could be extended in a safe and practical manner. I believed that the bonds available for note circulation could be made to embrace approved State, county, and school district bonds whose validity had been established by a judicial decree and were incontestable. There is an immense amount of these gilt-edge bonds in the country. The supply is ample and if the only purpose in view were to provide an enlarged currency I still think that would answer. But a deeper and more thorough study of the problem convinces me that an enlargement in the volume of currency was not the only reform needed. In my judgment the purposes to be met by currency legislation are:

First. A provision for an elastic currency sufficient in volume to meet the growing commercial demands of our country and based upon some principle which would cause a prompt expansion and contraction in response to the demands of trade.

Second. A provision for rediscounting of commercial paper so that sudden demands upon a solvent bank for ready money may be met without harsh pressure upon business men who are borrowers from the bank and without casting suspicion

upon the bank for exercising a perfectly proper and natural function.

Third. The divorce of legitimate business from speculation, so that the business man and the producer shall no longer be at the mercy of panics brought about solely by speculative operations.

Fourth. The expansion of our foreign trade so that business men selling goods abroad may have the same banking facilities as their competitors in rival commercial countries.

No banking and currency legislation will meet the demands of the American people which does not embrace all four of these propositions. It goes without saying of course that the currency provided must be sound, that it must be protected against inflation, and that independent banking must be protected from the overpowering influence of larger financial groups. I fully believe that the pending legislation accomplishes each of these purposes. The differences between the pending bill and the Aldrich bill are greater in principle than they are in method.

The Aldrich bill provided for a central reserve association, which was in effect a banking trust. It was the form which is now familiar to lawyers, known as a holding company, the most effective form of a trust. Instead, however, of the holding company owning stock in the constituent companies the plan was reversed and the constituent companies were to be stockholders in the holding company. The holding company would be a private corporation, yet it was to be placed exclusively in control not only of the currency and credit of the country and the reserves of all of the banks, but it was to be the sole depository of the Federal Treasury. It is true that there was an elaborate, complicated, and puzzling system provided for the election of directors which was said to be for the purpose of securing democracy in the management of this holding company, but nobody ever heard of democracy existing in a private corporation. A private corporation is a beneficent despotism or else it is a failure. No sensible man doubts that this particular corporation would by some form of manipulation at elections come under the control of one man or a group of men. In that case all of the small banks of the country would be helpless, having no appeal even to the Government. The Aldrich plan proposes the creation of local associations, it is true, but these local associations were not corporations and had no power except that they were required to guarantee paper offered by their members for rediscount. They were entitled to charge a fee for so doing and seemed to have had the powers of life and death over the small banks which were members. These were the vicious elements of the Aldrich plan. It provided further that the national reserve association would be capitalized at 20 per cent of the capital of the banks eligible for membership. This would make its capital approximately \$300,000,000. The sound features of the Aldrich plan were the provision for rediscount of short-time commercial paper, the issuing of circulating notes based upon such discounts, and the extension of the banking system to foreign business, including the purchase of acceptances.

The Glass bill, now under consideration, repudiates the idea of a holding company or central bank, which shall be a private corporation. It creates 12 reserve associations in different parts of the country which are endowed with real powers and which are controlled by the banks of the respective sections of the country. This change from 1 central association to 12 neutralizes to a much larger extent the danger of the centralization of the money and credits in one section of the country. This centralization of credits, or so-called Money Trust, has been one of the principal causes of the periodic panics and business depression which have afflicted our country.

Some of those who were hostile to the present plan complain that these 12 reserve associations, whose capital stock is 20 per cent of the capital stock of the member banks, will draw a large amount of available capital from the banking business. These critics were all enthusiastically friends of the Aldrich plan. They overlook the fact that the Aldrich plan called for a central bank with a capital of \$300,000,000, which must be drawn from every section of the Union, while these 12 reserve associations under the Glass bill represent a combined capital of only \$100,000,000, which is not centralized in one place, but scattered in 12 localities. Many other comparisons might be made between the Aldrich and the Glass bills, but the one fundamental difference is in the control. The Aldrich plan provided for a private corporation, which should be given extraordinary powers over the credit of the country and even over the Treasury of the United States. The Glass plan provides for a central board of public officials, who have no private interests to serve, but whose sole duty is to represent the people of the United States

in enforcing the law and preserving equality, soundness, and solvency in commercial banking. This is the great difference between the two plans, and it is a choice which must be made on principle. Either the control of credits and money must be turned over to the banker or it must be retained in the hands of the people of the United States and their representatives. The Glass bill does not make the national reserve board a corporation. It is simply a board of public officials similar to the Interstate Commerce Commission or any other governmental agency through which the people exercise administrative control. Complaint has been made about the large powers of this board, but it is said by those who have made a careful study of this matter that the powers are not greater than those now vested in the Secretary of the Treasury and the Comptroller of the Currency. If this is true, then the criticism of the powers of the board are not justified. As every political office must be filled by a mere human being infallibility of judgment can not be expected. It may be that the board will make mistakes and occasionally exceed its powers. It is not conceivable that any President can be found who would knowingly appoint or continue in office a corrupt or incompetent board charged with such an important duty. The white light of publicity is the strongest protection against corrupt action by a public official, and no set of men will stand in a stronger glare of public opinion than the members of this board. On the other hand, if the Aldrich plan were followed and the control were turned over to a private corporation, what guaranty is there that self-interest, greed, and unsound judgment would be entirely lacking from the management?

Mr. PLATT. Will the gentleman yield?

Mr. BORLAND. For a short question.

Mr. PLATT. I do not disagree with what the gentleman said, but does not the gentleman think that the glare of publicity which applies to those men who manage these banks would secure the same thing?

Mr. BORLAND. Not necessarily. I am not prepared to say that greed, self-interest, lack of judgment, or incompetency of management would be entirely absent from the board of directors of the private corporation nor a board of any men chosen by these special interests affected. We must trust to the wisdom, capacity, and judgment of the men composing the national reserve board, for evidently we must trust to the wisdom, discretion, and capacity of some set of men. It is not a choice between an absence of monopoly and this centralized control of the Government. It is the difference between the centralized control in private hands, which has been amply demonstrated by the hearings of the Monetary Trust and by the hearings of the Monetary Commission, and a centralized control in the hands of the people themselves with the great white light of publicity beating upon it. I am in favor, unhesitatingly, of the latter. As between those two there is but one safe choice, and that is the control of the people; and, as I say, the difference is deeper in principle than it is in method.

We want a currency and banking system that will meet the needs not only of the banker, but also the needs of the manufacturer, the merchant, the business man, the wage earner, and the farmer; for every man's stake in the prosperity of the Nation is just as great to him as the stake of any other man. When all of us and each of us, from the laborer and the farmer to the exporter and the mariner, has his "all" at stake in the prosperity of the Nation, that "all" means as much to him as the "all" of the millionaire.

Mr. BURKE of Pennsylvania. Mr. Chairman, will the gentleman yield on that very point?

The CHAIRMAN. Does the gentleman yield?

Mr. BORLAND. I will yield for a brief question.

Mr. BURKE of Pennsylvania. The gentleman states that this bill should provide for the wants of the farmer and the wage earner. He believes, of course, that we should provide for them equally. Does the gentleman believe that it is a fair provision to discriminate in favor of the farmer and against the wage earner in the matter of loans?

Mr. BORLAND. I do not think that there is any such provision in the bill. But I will say this to the gentleman—

Mr. BURKE of Pennsylvania. I will put it in another form, so as to be absolutely fair with the gentleman. There is one provision in the bill that authorizes the banks to loan money on unencumbered farm land. If a man in a city district or a town owns a piece of unencumbered real estate that he has earned by the sweat of his brow he is not permitted under this bill to go to the bank and secure a loan upon it. Is not that a clear discrimination in favor of the farmer and against the gentleman's friend, the wage earner, of whom the gentleman speaks so well and so eloquently?

Mr. BORLAND. I am sorry that I can not go into the rights of this wage earner who owns this business block in my town.

Mr. BURKE of Pennsylvania. That is an abstract proposition.

Mr. BORLAND. If my time permitted I should like to discuss his rights more at length, but I will say to the gentleman that commercial paper and commercial transactions are not a class question to my mind. They are a community question. They show to a high degree the interlacing of human rights and human interests. If a manufacturer discounts a note in bank, he discounts it for the purpose of turning out a given product. He pays the cash out in wages or for raw material from the farmer. If a farmer makes a note in the bank, he does it for the purpose of buying implements, machinery, and supplies for the farm that makes a crop. If the merchant makes a note in the bank, he makes it for the purpose of buying goods from the jobber and selling them to the consumer. There is no class distinction in short-time commercial paper. It does the great volume of the country's business. It differs widely from the question of speculation in real estate, be it city or farm. It differs widely from speculation in stocks and bonds in Wall Street. It is the question of the movement of crops, which are the fruit of the toil of the farmer and of products which are the fruit of the toil of the wage earner, moving them from the man who makes them to the man who consumes them, and when commercial paper is so used, it represents the volume of American business.

Mr. BURKE of Pennsylvania. The gentleman would not regard the purchase of a 25-foot lot and the erection upon it of a humble home in the city as a matter of speculation, would he?

Mr. BORLAND. I am not going to answer that question, principally because I have not the time.

Mr. BURKE of Pennsylvania. I would like to ask the gentleman—

Mr. BORLAND. I will ask the gentleman not to interrupt me, because my time is limited; not by myself, but by those who are to follow me.

Mr. BURKE of Pennsylvania. I do not want to embarrass the gentleman, but I would like a reply.

Mr. BORLAND. It does not embarrass me at all. If the gentleman will bear with me in patience, I think he will find all his questions answered before I get through.

The general plan of the Glass bill is to allow banks which are members of the reserve associations to discount with the associations prime commercial paper and to take therefor note issues of the reserve associations, which will form an expansive currency which will meet the needs of business in different localities. This currency must be secured by a gold reserve as well as by deposits of the discounted securities, and therefore it will retire itself rapidly when not needed. This has been called "asset currency," and so it is. We have never had anything but "asset currency" in this country, except the gold and silver certificates and the greenbacks. All of our national-bank notes are "asset currency," except that they are secured on one form of assets, to wit, Government bonds. The asset currency provided for in the Glass bill is secured upon current commercial transactions which liquidate themselves within a comparatively short time without undue pressure on the borrower. The difference between short-time paper and long-time paper is not the difference in its intrinsic soundness, but a difference in what the bankers call its liquid character.

Many loans which are unquestionably sound would not be available or safe for asset currency. For instance, a loan upon a business block or any other piece of real estate made for 50 per cent of its value, having five years to run, would be unquestionably sound. In some respects it is the soundest form of investment. But such a loan can not be liquidated within a reasonable time without great hardship upon the borrower. Usually the borrower does not expect to pay the loan when it is due, even though it runs for five years, but expects to renew part or all of it. If he be compelled to pay it, it frequently happens that he must sacrifice the property at public sale. In case there is a general business depression and there is no sale for that class of property, which may be intrinsically valuable, an enforced payment of the loan would absolutely ruin the borrower and in many instances demoralize the entire community. It will be easily seen that loans of this character, while they may be perfectly safe in the sense that the lender will never suffer ultimate loss, would not be available for asset currency. Let us take another illustration which goes to the other extreme. Loans made on Wall Street on call upon the credit of stocks listed upon the stock exchange are also perfectly sound. The lender runs very little chance of a loss. He has the tremendous advantage of being able to put the property which is security for the loan on sale at a moment's notice and turn it into cash, and yet these loans are not a proper basis for asset currency. The reason is that they are wholly of a speculative character.

They do not represent actual transactions of trade nor the movement of products along the channels of commerce from the producer to the consumer. They represent nothing, in fact, except the gambling instinct of a man who thinks he can buy stock for a rise or sell it for a fall. These transactions bear no relation or proportion to the actual legitimate business of the country. The more money that is available for loans of this character the more speculation will be invited, and the same stocks and bonds in the market can be dealt with a hundred times a day without adding a dollar to the wealth on the total assets of the Nation. The greatest evil of our present banking system is that it accumulates an increasing amount of money in New York City, which tempts its use in speculation of this character. When the money of the country is all tied up in this class of transactions the legitimate business man a thousand miles from New York, who is producing wealth and making the real prosperity of the Nation, finds himself totally without currency or credit and his operations come to a standstill. Here we have a stock brokers' panic such as we had in the fall of 1907 in the midst of an era of plenty. It is apparent therefore that no system of banking is sound which encourages the use of the accumulated money of the people for purely gambling transactions. Therefore this class of loans, liquid though they may be, are forbidden by the Glass bill to be used as a basis for rediscount in the reserve associations. What is the best class of assets that would be used for rediscount and the basis for asset currency? The answer is: Short-time commercial paper representing actual business transactions in the movement of products from the producer to the consumer which will liquidate itself in the natural course of business when the goods get to market and without any other pressure on the borrower. This is the class of assets which the Glass bill says may be used for rediscount.

This class of commercial paper is a true index of the volume of commercial business in the country. The actual volume of commercial business in the country is the proper gauge by which to measure the need for currency; therefore a currency based upon these transactions adjusts itself naturally to the needs of trade. When we say the needs of trade it will readily be seen that this does not embrace any particular class of business. It takes in everybody from the wage earner and farmer to the exporter and mariner. Although the manufacturer may make the note in bank he does it for the purpose of paying wages while he manufactures his product for market, or for the purpose of paying the farmer for the raw material. If the farmer makes the note he does it for the purpose of paying the merchant for the implements and supplies needed to run the farm. If the merchant makes the note he does it for the purpose of buying goods from the jobber to sell to the consumer. There is no class distinction in relation to who happens to make the commercial paper.

One of the best features of the Glass bill, and one which will commend it to all banks, especially country banks and small banks, is the provision for rediscounting commercial paper with the national reserve associations. Banks have been almost unanimous in expressing themselves that this is the one great need of the financial system of to-day. Under this plan a bank which is perfectly solvent and which has its vaults full of good assets can take a portion of those assets to the central reserve association and turn them temporarily into money with which to meet any sudden demand made upon it, or with which to stop a run upon it. The fact that a bank has this facility for obtaining funds will go a long way toward preventing local panics, which are often disastrous to perfectly sound banks. It will also enable the bank to meet the needs of its customers for more currency at certain seasons of the year or under certain conditions of trade. At the present time the banks have no central fund from which to draw, and they must carry currency in their vaults, especially for times of panic or depression, not because they need it but because they must protect themselves against disaster. As the demand in the community for currency becomes louder the banks are frequently compelled for self-protection to withdraw large sums from circulation. This always emphasizes the severity of a panic and makes it fall with bitter force upon the customers of the bank, honorable business men who have spent a lifetime in trying to establish a successful and beneficial industry. Many a business man who has lived a long and honorable commercial career and who has blessed the community with his energy and business sagacity has found himself facing the bitterest hour of his life when he is called upon to liquidate his loan in the bank, when he knew that he was perfectly solvent and when he knew that he could not raise the money. If there were no other feature in the Glass bill but this, it would commend itself to every business man and banker in the land.

Another good feature of the plan, about which I have already hinted, is the separation of legitimate business from speculation, so that a panic brought on by speculation will not drag down the business man. Most panics are the result of an inflation of credit in speculating investment. It is true that occasionally a country or community reaches a point of business depression through a failure of crops or other natural causes affecting the productive energy of that community. In our country, however, this has rarely been the case. Our country is so vast and its productive energy so tremendous that it can scarcely be said that our panics are due to such a cause. The truth is that with us an era of prosperity is usually followed by an era of inflation and reckless speculation. The mountain of credit mounts higher and higher by the gambling and speculating operations or the investment in enterprises which are not producing a return, but which are merely a capitalization of the hopes of the future. Finally the structure of credit can no longer stand the strain and the crash comes. Unfortunately the ruin does not fall solely upon the authors of the wrong. It falls upon the heads of every honest business man in the land, on every farmer, every wage earner, and even upon the helpless women and children. Those of us who were born and reared in the West know something of the bitterness and privation which follow a financial panic. No man has reached mature age who has not that page written in the book of his memory. We westerners have been repeatedly the helpless victims of panics that we did not cause. Fortunately each succeeding panic has fallen with less force on the West as we have grown in wealth and commercial importance. The panic of 1873 was a stock-brokers' panic, but it followed an era of reckless speculation in western lands and securities. It carried down every bank in the West, with rare exceptions. The panic of 1893 was a stock-gamblers' panic, world-wide in its causes, which followed an era of reckless real estate speculation and railroad building, and it was accentuated by a general crop failure. The panic of 1907 was a stock-gamblers' panic, pure and simple. It came in a period of unusual prosperity, and its effects were less severe, although its actual extent was greater than our preceding panics. In the panic of 1873 the West was like a barefoot boy who had been turned out houseless and homeless to seek his fortune in a hostile world. It was not difficult to bring him down to the point of starvation. In 1893 the West was like a young man just grown to manhood, who was trying to set up housekeeping and establish a business for himself. He was doing business on borrowed capital and credit and, of course, it was not difficult to wreck his slender resources. But when our speculating friends pulled off the panic of 1907 they found that the West had grown to stalwart manhood. His judgment was mature, his business was sound and prosperous, his pens were full of fat cattle, and his bins were bursting with grain. The stock-jobbers' panic of 1907 could embarrass the West, could check his business, could make him do business on cashiers' checks and slips of paper; it could rob him of his gold and his currency, but it could not wreck his fortunes. [Applause.] It fell with the greatest severity upon the East.

In New York City during the winter of 1907-8 a charitable Jewish baker gave away at midnight each day the stale bread of the day before. By dusk the bread line began to form, and by midnight it trailed its hideous way around several blocks. In the West there was grain and cattle in abundance that could not get to market. In the East, in the heart of the metropolis of the greatest and richest Nation upon the globe, there was a bread line winding itself like a hideous serpent and poisoning the vitals of American business life and American family life.

Then and there the doom of the party that put that law on the statute book was written. [Applause on the Democratic side.] Right there good men resolved that there would be no more bread lines in this country.

Mr. BURKE of Pennsylvania. Is the gentleman referring to the Wilson bill?

Mr. BORLAND. My Republican friend's question and his talk about currency reform in the interest of the masses remind me of a friend of mine in Kansas City. He went to New York, and some fellow came along—rather a spruce-looking fellow, although his cuffs were pretty shiny. He went up to this friend of mine, this business man, and said: "You don't know me." My friend answered, "You are perfectly right; I do not." He said: "I didn't expect you would, but I shall never forget you if I live to be a thousand years old. Two years ago I met you here on Broadway, and at that time you did me a kindness that I will never forget. I was down and out. I had just 10 cents in my pocket, and it was a question whether I would buy strychnine or jump off the East River bridge. But I met you, and a sudden impulse seized me after I looked into your face, and I told you my situation. You put your hand in your pocket

and gave me half a dollar. I went down town and got a sandwich and a cup of coffee, and I felt a good deal better. I went over and got a shave, and my self-respect began to come back. Then I went and hunted myself a job at \$9 a week. It wasn't much, but I got a clean room and new laundry. I felt like a man again. I worked at that until I got money ahead and then struck out West. I made up my mind to go to the Klondike. I made up my mind that no man could take greater chances than I would. I went to the gold fields. I stayed there 18 months in the cold and in the solitude, and I struck it rich. When I came back I had cleaned up enough so that I was a rich man beyond the dreams of avarice. I hadn't a friend in the world. My friends had cast me off. I did not know where my relatives were, and I made up my mind that I would go back to New York and find the fellow that gave me the start in life and give him every dollar I have in the world. I was living simply for him. Well," he said, "I came down to New York, and I have been here, and I see that you are the man that saved me. You made me a man, a millionaire; every dollar I have belongs to you." My friend from Kansas City began to get interested, and he said, "Well, what happened?" "Well," the fellow said, "I'll tell you. I hung around here a while and finally I got into Wall Street and they got my money, and now what I want to ask you is if you will let me have another half dollar." [Laughter.] Our Republican friends have dragged us through three bitter panics, and now they come and talk about currency reform, and want to know if we will give them one more chance.

There is no disposition on the part of the American people to give that system another chance. That panic of 1907 was an inexcusable crime, commercially and politically. That panic was caused by a congestion of speculative securities in the banks of New York, which was the direct result of the accumulation of bank reserves in the metropolis whose only use was for loans upon the New York Stock Exchange. This panic was broken by the Secretary of the Treasury, Mr. Cortelyou, depositing in the banks of New York City controlled by J. Pierpont Morgan & Co. an aggregate of \$29,000,000 of Government money, to be loaned on the stock exchange and thus to carry the speculative securities until they could release the money of the people for its legitimate use in the producing districts.

And the next day Mr. Morgan, with the power of a Caliph of Bagdad, sent for the president of the New York Stock Exchange, Mr. Thomas, and said, "I have decided to loan \$25,000,000 on the New York Stock Exchange to carry these securities." He had \$29,000,000 of your money to do it with and he actually loaned, according to the testimony, \$18,600,000 to break that panic. What rate of interest he got did not appear. What rate of interest he paid to the Government does appear. That was the result of the banking system of 50 years of Republican rule, and now they come back and say if we will give them another half dollar they will try to make good.

Mr. PLATT. Will the gentleman yield for a question?

Mr. BORLAND. For a short question.

Mr. PLATT. Was there any better way to break that panic than the one the gentleman named?

Mr. BORLAND. That panic, after three panics of that kind almost identical, was a reflection either upon the motives or the methods of the party in power.

The accumulation of a vast amount of the people's money in one center invites speculation, and speculation is followed by panic as certain as night follows the day. If there were no other feature to the present currency bill than the divorcing of the bank reserves from speculation, this alone would commend it to every right thinking mind.

The last great feature of the bill is its influence upon the expansion of foreign trade. For many generations our country has been an exporter of raw material. We have always had a substantial balance of trade in our favor, but it has been the result of the exportation of cotton, wheat, tobacco, and beef. We have now reached the turning of the balance. Our exports of raw materials and practically all food products have been decreasing rapidly. Our home consumption of food products has more than kept pace with the supply. On the other hand, our exports of manufactured products have steadily increased. Of course, when we sell manufactured products abroad we are selling in a free-trade market in competition with the entire world. We have long sold our raw materials in a free-trade market, our cotton, wheat, and beef, and therefore our farmers have never had any advantage of the protective-tariff system. It has now gotten to the point where even the manufacturer must sell abroad cheaper than he sells at home or lose his market, and the Democratic doctrine of tariff for revenue only has come to stay. I am one of those who believe, however, that the manufacturer should have all of the legitimate rights and ad-

vantages in common with other lines of business in the country. The protective tariff policy has caused a prejudice against manufacturers in some sections which is not justified.

As a matter of fact, it is an economic loss for any nation to export raw material when it could export the finished product. The nearer a product is brought to the finished state where it is used by the consumer the more capital and labor are expended upon it. It is an economic loss for us to export wheat when we could export flour, because the flour represents that much more American capital and American labor. Similarly, it is an economic loss to export flour when we can export biscuits and bread products. When our business men enter into competition with the foreign trade they find that every great commercial nation has a system of banking which is designed to facilitate its foreign trade. German banks have branches in all of the countries where German merchants seek business. British banks are known the world around. In addition to this, the banking system is somewhat different from ours. The banks are permitted to buy acceptances based upon shipments of goods abroad, and carry those acceptances instead of compelling the merchant to tie up a portion of his own capital. Goods are sold abroad on credit running from 6 to 18 months. Examination of the Glass bill will show that for the first time in our banking legislation provision is made for banking facilities in our foreign trade. One of the amendments proposed to this item was to reduce the time on foreign acceptances from 6 months to 90 days.

I resisted very vigorously, and with success, this proposed amendment. It would have had no other effect than to tie the hands of our bankers and other business men in competition with the banks and business men of other countries, who are our commercial rivals. The minimum time for foreign sales is six months, and it would be the height of folly for us to limit our banking acceptances to a shorter length of time which would be insufficient for a foreign trade. I hope and believe that under the Glass bill a tremendous impetus will be given to American trade abroad. We are about to complete the Panama Canal, which will give us access to the west coast of South America. All of Central and South America is our natural trade territory. One of the principal articles which they must buy in all of those countries, except Argentina and Uruguay, is flour. American enterprise can secure the flour trade of Central and South America, but we must compete with the wheat fields and flour mills of Canada. It is folly for us to handicap ourselves with a provincial system of banking while our Canadian rivals enjoy almost unlimited facilities. What is said of the flour trade may be said of numerous other manufacturing industries of this country. The manufacturer is entitled to fair treatment. It is true that he is not entitled to charge a higher price to American consumers by virtue of a protective tariff than he charges to a foreign competitor, but outside of that he is all right. Every dollar he brings into the country adds to the wealth of the Nation, and is expended in wages and raw material.

I would not attempt, even if I felt able, to answer all of the criticisms of this bill. Every new measure will have its critics and many theories may prove to be wrong. I can only state what I believe to be the principles upon which the bill was constructed and which I believe are the correct principles. I believe that these principles will appeal to the American people and that they will demand their enactment into law. After all, they amount to the great political principle which is the foundation of our party—equal and exact justice to all and special privilege to none. [Applause.]

Mr. HAYES. Mr. Chairman, I yield one hour to the gentleman from Minnesota [Mr. LINDBERGH].

Mr. LINDBERGH. Mr. Chairman, I would like to give notice now that I have got about a six hours' speech and I want to get some of my views to the House before I get through, and as I have to confine myself to the hour, I therefore desire to state that I would like not to be interrupted while I am speaking.

Mr. WINGO. Did the gentleman ask that he be not interrupted while speaking?

Mr. LINDBERGH. Yes.

Mr. WINGO. I had intended to ask some questions, and that is the reason I asked the gentleman the question.

Mr. LINDBERGH. I would like to accommodate the gentleman from Arkansas, but to do so would take from me the time that I need.

LOTS OF TIME TO TRIFLE, BUT NONE FOR THE PEOPLE.

By the rules of this House I would be allowed an hour to discuss some personal grievance, if I had one, that related to my official privileges. Any Member would be allowed that much time. By the rules of the House I am allowed only one hour to discuss as important a question as ever is considered by the

House. It is a question that involves the well-being of all the people of the United States. Not more than a half dozen Members will be allowed even an hour, and most of them no time.

PEOPLE DO NOT GET JUSTICE.

Any person would need at least four hours to properly discuss a financial bill, but the House, that is yearly growing in disfavor because it takes weeks to consider trivials, cuts the time short when things of importance to the people are before it. In the hour that I have I wish to emphasize one thing particularly, and that is that under the present system of administering the finances of the people the overwhelming majority of them have no possible chance to succeed. It is not possible for 1 per cent of the people to succeed as well as the natural conditions would make easy if it were not for the burden imposed on them by this system. The Government has kept in force a policy, the very enforcement of which has all along made it certain that the people could not obtain their just dues. It is a matter of plain calculation that the interest, dividends, rents, and profits that are charged by the few who control the bulk of property, and especially by the bankers to whom the people leave their cash savings, make it impossible for the people generally to succeed. The property that is now owned by less than 25,000 families, they, by governmental policy and the law, are privileged to charge the other 19,975,000 families interest, rents, and dividends enough to absorb every dollar's worth of property that the latter have in less than one generation, and at the same time get the bulk of the products of the labor they perform. That is our present system of finance, and it is not in the least to be interfered with by the Glass bill. The burden of excessive interest is to continue. The Glass bill would prolong it for another 20 years, unless the people should elect a Congress that would relieve them of its burden.

I challenge those Members in charge of this bill to give four extra hours of time, to permit me to show the amount of accumulated wealth that a few persons control, and for those Members to answer from actual computations whether or not there are several monopolists, each of whom could, by the rule permitting the compounding of interest, profits, and so forth, in the manner of the bank practice, accumulate in a generation the equal of all the property possessed by the plain people, and in the meantime take all the profits from their labor above the amount required for a bare subsistence. I would show conclusively, without possibility of successful contradiction, that there are many fortunes controlled by single interests, any one of which could, under the present rules of financiers, absorb all the property the plain people have in less than two generations, and combined as they are they are able to and do take so much profits from the products of the labor of the men and women of this country that it leaves to the vast majority merely a bare subsistence. If the membership of this House would submit the real facts as they are to all the people of this country, so that they would be understood by the voters, not a Representative in the House who has taken part in limiting the Glass bill to the feeble provisions of reform that it contains would ever return. It is only because of the rules and the practices by which the House is governed that such feeble legislation can be made to appear satisfactory. It is because the public is not informed of the real truth. That remains concealed, and Congress after Congress convenes and expires, doing as little of the real substantial things that would promote the general welfare as the Members dare with any hope of their return.

Mr. Chairman, it is because of the influence of the dollar and its power to control the actions of men and women that Congress, in its present consideration of the currency bill, is dealing with the greatest of all problems. Immense responsibility rests upon the Members to frame and pass a bill which will be true to all the people. Every personal consideration or party prejudice and every consideration of whatsoever character that does not comprehend all humanity as its beneficiary should be left outside of Congress.

It is not my purpose to show that this bill is more vicious than the system which it seeks to amend. I propose to show that it would perpetuate the system which actual experience proves to have been the cause of centralizing wealth, so that a few have robbed the people generally. It is perpetuating a system the very purpose of which is to enable the money loaners, rent collectors, dividend beneficiaries, and speculators generally to take advantage of the actual producers so as to control production and fix prices. They pay those who perform the manual and mental labor barely enough for subsistence and charge the consumers so dearly that the majority of the people barely subsist. It is the Government's policy, if this bill is adopted, to perpetuate the system by which the rule of geometrical progression in compounding frequently the interest, dividend, and profit collections so as to force the people generally into a state of sub-

serviency in order to pay the specially favored the profits on the material wealth which the system makes it easy for them to control. It gives to those possessing the material things a power to control the actions of humanity generally to its own disadvantage.

THE DOLLAR IS NOW KING.

We are acting upon the most vital problem before the American people. It is in every respect a world problem. This money problem has more influence on the civilized people than all other problems combined. It should not be so, but it is. Under existing conditions employed by people it has more to do with the cost of living than all other problems combined. That should not be so either, but it is nevertheless. It has more to do with the life and character of the individual citizen than all other things combined; and this should not be so, but it is. Civilization has reduced its economic problems to calculations in dollars, and the dollar is king over all the people of the world.

THE DOLLAR CLASSIFIES THE FAMILIES.

The figures that I shall use to explain this subject are approximates but will aid us to understand equally as well as if it were possible to give them exact. There are approximately 20,000,000 families in the United States. Their earnings as well as their expenditures are measured in dollars. The advantages and enjoyments that these families are able to procure are largely determined by the number of dollars they have to spend. Estimating the average income to be \$1,000 for each family, the total earnings of 20,000,000 families would be \$20,000,000,000. Many, in fact most of them, have not \$1,000 annually. Some have more and a few have very large sums. Taking \$20,000,000,000 as a basis for the total income, our calculations will be plain and we will know that we are right in principle. The \$20,000,000,000 measures what the plain people can spend for their living and other expenses. They earn that and use it to buy the things they need the most. The first thing to inquire is, how do the families get the money?

HOW DIFFERENT FAMILIES LIVE.

Answering that inquiry, divide the families into two classes: (a) Those that earn their living, and (b) those that have their living without earning it. The first class are those who perform the social service, manual and mental, required for the keeping up of a vital civilization. Those who do not perform that service belong to the second class. The same family may be in both classes; that is, may perform a social service and at the same time have greater advantages than the value of that service justifies in return. If we will keep these distinctions in mind in analyzing the monetary problem, we shall not only understand the reason for the increasing cost of living, but we shall know the remedy.

The reason for classifying families into two divisions arises out of the fact that those in one division work for a living and those in the other get a living without working. By an ingenious scheme invented by the money lenders to charge exorbitant interest, dividends and profits compounded, a comparatively few people have been able to appropriate the inanimate substances, like the dollar in the vault, the organic structures created by God, as well as those made serviceable by the work of men, the patents, the mechanical devices, and all things tangible as well as many that are intangible. These are held in monopoly control as capital, privileged by legislative, executive, and judicial acts to levy interest, dividends, and profits that vitalize these inanimate materials, which are stacked up on the one side against single-handed human energy on the other. That is what creates the two divisions of families.

VITALIZING PROPERTY TO CONTROL MEN AND WOMEN.

The civilized governments of the world have vitalized property which is the product of human energy and credit which is supported by human energy by extending to it the privilege to levy upon humanity excessive interest, dividends, and profits, compounded, so that in the geometrical progression of its centralization it forces industrial and debt bondage upon an overwhelming majority of the people. Knowing that to be a fact, it is for us to ascertain substantially the proportions of the two divisions in order that we may determine the effect the passage of the Glass banking bill would have. Considering the problem concretely, I shall use no more detail than is absolutely necessary to determine positively the effect, and from that the principle that should guide us.

ORE IN MOTHER EARTH AS AN EXAMPLE.

Within 30 years it has been discovered that the Minnesota iron-ore supply is enormous. Several years ago it was asserted from reliable sources that the ore that had then been discovered lying in the bowels of the earth in that State alone was worth \$500,000,000. Since then additional quantities have been discovered. These ores are owned by a few men who capitalize

them; that is, socially vitalize the ore before any human energy is expended upon it. This vitalization of the dead ore means the privilege, supported by legislative, executive, and judicial acts, to collect from those who make their living by toil a so-called "reasonable profit" on so-called "vested capital." That is, the few owners are permitted by social order to capitalize these ores at \$500,000,000 and more and collect from the working people everywhere \$25,000,000 or more annually for the ore in the earth before the hands of the men required to get it out shall be paid any more than enough for mental subsistence. By that means there is set aside \$25,000,000 or more for families who have performed no service to improve the social welfare. The capitalization of the iron interests, from the ores in the ground to the finished product in the factory, is several billion dollars. The annual dividends upon this would probably exceed \$200,000,000. Before any dividend can be declared all expenses, including wear and tear, high-salaried officials, and poorly paid wage earners, must be paid. The dividends represent simply results from dead matter socially vitalized so that these may be used by their few owners. Every dollar in interest, dividends, and profits based upon a material substance will buy the same as the dollar paid to the farmer, the wage worker, or others who perform a social service by manual or mental work.

HOW THEY TAKE THE PEOPLE'S EARNINGS.

Since I have illustrated the principles governing in the one case it is unnecessary to enter into so much detail in regard to others governed by the same principle. Let us list a few of the dividend-property interests; that is, the annual dividends and interest paid upon dead matter holding the people in bondage:

Iron and steel interests of all kinds, including interest paid	\$200,000,000
Real estate, buildings, etc.	2,000,000,000
Petroleum and oil in all its forms	150,000,000
Copper in all its forms	75,000,000
Woolen, cotton, leather, rubber, etc.	200,000,000
Banking and brokerage in credits, etc.	500,000,000
Railways of all kinds for transportation	1,000,000,000
Miscellaneous	2,000,000,000

These figures are simply used for illustration. If a careful investigation were made for a complete list of the dividends, rents, interest, and profits made in speculation off dead matter and credit dealings, it would be found to be not much short of the aggregate received by those who perform the social service, mental and manual, required to keep up civilization.

Mr. HAYES. Will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. LINDBERGH. I will later. I would like to wait until I get through with the subject I am now considering.

I have not verified the figures named, but I claim absolute verity as to the principles involved. We all know that we have upon one side a vast capitalization centralized into the ownership of a few. This capital is vitalized by the social status that is given to it by the laws and usages of the country, so that this dead capital draws from the people who perform the mental and manual work and are the support of the country excessive dividends and profits. It is accomplished by enforcing longer days' labor, keeping wages low, paying the farmer less for his products, and charging all the people more for what they consume. It makes men and women the slaves of those who monopolize the credit based on the people's toil, which in turn gives to a few a monopoly of the material substances. The interest and dividends always grow by the geometrical progression of frequent compounding, while men and women wear out their lives submitting to this process, the most of them going to their graves after having spent years in actual want of those things that under any reasonable social governmental regulation would have resulted in their favor from the service they performed.

USURY TABLE SHOWS THE "NIGGER" IN THE WOODPILE.

The following interest table, compiled by a former Librarian of Congress, will assist in forming a conclusion as to the immense power of interest, dividends, and rent when applied to the accumulated property interests of the monopolists. The table runs, at \$1 loaned for 100 years at compound interest, as follows:

6 per cent per annum would amount to	\$340
8 per cent per annum would amount to	2,203
10 per cent per annum would amount to	13,808
12 per cent per annum would amount to	84,075
18 per cent per annum would amount to	15,145,007
24 per cent per annum would amount to	2,551,798,404

We need not expect to escape it by reason of the years it takes. The process has been at work for many years already and has been forcing the cost of living higher all the time. We have been feeling it a long time.

THE SPENDTHRIFTS LIVE ON THE SWEAT OF OTHERS' BROWS.

Without claiming accuracy for the following figures, but unqualifiedly claiming certainty for the principle involved, I will say as a basis for calculation that the net profits per annum on capital and speculation is \$10,000,000,000. That represents what the monopolists save out of their business after paying the expense of running the business. Let us divide it into two parts, \$5,000,000,000 for the annual expenses of spendthrift families and \$5,000,000,000 for surplus—increased capital for the people to pay interest on. How many families there are who live as parasites and have the frills and furbelows of the vain rich I am unable to say. It may be 200,000 or 300,000 out of the 20,000,000. These spendthrift families are worse than parasites, for they waste and destroy. Therefore we will place these upon one side and the more than 19,000,000 other families who depend for their living upon the daily work of one or more members of the family we will place upon the other.

THE WAY THEY DO IT.

We will assume the total annual income of the working families to be \$20,000,000,000. That does not represent capital invested, but it represents the result to them from their energy expended. It was the life and energy of the men and women—life itself. It has to be sustained with food, clothes, shelter, and entertainment. The family securing only \$1,000 in a year will be compelled to indulge very sparingly, and will wish for much that they are entitled to that they can not have. As the income is increased the wishes may be more nearly satisfied, but on the whole the saving average is small, and the more than 19,000,000 working families are compelled to consume or use the things that are controlled by monopoly, and therefore buy from the monopolists who have, by the Government policy allowed, been able to charge interest, rents, dividends, and profits equal to \$10,000,000,000 in a year; that is to say, the men and women receive in wages and salaries and for farm product, and so forth, \$20,000,000,000, but must pay most of it for the monopoly-controlled products, out of which monopoly saves \$10,000,000,000 for the profit account alone.

TAKES ALL TO PAY THE PROFITS TO MONOPOLY.

Thus we see that while the people have been able to collect for the manual and mental service they render \$20,000,000,000, they have to pay nearly all of it out for the things they consume, and the little profit that a few of the plain people save is insignificant when considered with reference to their number, and is deplorable when measured alongside of the enormous profits of the special interests. That is the effect of the present system which the Glass bill proposes to continue and to tie the people to for 20 years more. This was the proposition of the money loaners in 1862, when they quietly circulated the Hazard circular, which read as follows:

Slavery is likely to be abolished by the war power and all chattel slavery abolished. This I and my European friends are in favor of, for slavery is but the owning of labor and carries with it the care of the laborers, while the European plan, led on by England, is that capital shall control labor by controlling wages. The great debt that capitalists will see to it is made out of the war must be used as a means to control the volume of money. To accomplish this the bonds must be used as a banking basis. We are now waiting for the Secretary of the Treasury to make this recommendation to Congress. It will not do to allow the greenback, as it is called, to circulate as money any length of time, as we can not control that. But we can control the bonds, and through them the bank issues.

In 1877 there was another circular sent out to confidential friends—bankers—that carried out the same idea, and it was for the same purpose, with the determination that they should control absolutely the currency circulation of this country. And in 1893 another circular was sent out that I saw myself, advising the banks of this country, those to whom they dared send it, to bring on a stringency in order to produce a general request on the part of the business men all over the country to appeal to Congress for certain legislation that should favor the bankers.

BANKS TO GET THE MONEY IN THE UNITED STATES TREASURY.

Under the Glass bill the banks will no longer need the bonds. They will use the money that is in the United States Treasury, loan it to the people and get the people's notes, and have currency issued by the United States on these notes for the banks.

But, passing that scheme for the present, I call attention to the effect this vast accumulation of profits by a few has on the cost of living. The cost of living in the true sense is what you give to get the dollars and what you get when you pay the dollars. That is the whole thing in a "nutshell" under the present system. We want to know the effect of the system, and then we shall know how to create an honest dollar. The Glass bill dollar is the same as we have had all along and out of which the few have grown rich by the process that

I have described. It is the exorbitant interest that increases the wealth of those who control it. This interest is compounded, and the geometrical increase enables the few to make industrial slaves of the many, as was proposed by the Hazard circular.

THE GREATEST OF OUR BURDENS IS THE DIRECT RESULT FROM THE PRESENT BANKING AND CURRENCY SYSTEM.

The speculation and gambling that is incidental to our banking and currency system is simply appalling, and it is absolutely ridiculous that we should tolerate it and pay the cost of its continuance. Before considering a few of its details let us make a partial review of the burdens that accrue to us as a result. When we examine our losses, even in part only, and see how great is our sacrifice because of our stupendous stupidity in supporting such a system, no doubt we shall be more interested in the manner in which it is operated. Of course, it is not a pleasure for one to feel that he has been fooled, but our appetite for information ought to increase when we realize that we could double, yes, multiply many times, the advantages we would receive in return for our daily expenditure of energy if a proper system were to be instituted.

It is worth while to know that there are simple remedies which would, if applied, overcome certain conditions that are immensely complicated and tremendously cumbersome because of their falsity. It is always easier to deal in truth and honesty, and follow these to their legitimate ends, than it is to construct and adjust a false superstructure upon a false base. But, even if no remedy were possible, we should still seek to know about the game that is being played by the speculating interests. We certainly do not wish the financially fat fellows to be able to look beguilingly into our eyes and with the concealment of their innermost amusement and delight at our stupidity in permitting ourselves to be so bamboozled talk brazenly about the game that they are playing, knowing all the time that we do not understand it. We wish to know the truth about this, even if we do feel humiliated because of our having previously been ignorant of it.

COSTS THE PEOPLE IMMENSE SUMS.

Here are some figures: In the year ending June 14, 1912, the 7,372 national banks cost us \$450,043,250.04 to operate, pay their losses, dividends, surplus, and so forth. Up to June 14, 1912, 17,823 State and private banks had reported, and approximately 4,000 banks had failed to make any report. The 25,195 reporting banks operating in 1912 held individual deposits of \$17,024,067,606. Including those not reporting there were 28,995 banks conducting business in 1912, and the sum it cost the people to operate these, pay losses, dividends, and so forth—I believe it a conservative estimate—would exceed \$1,300,000,000 or approximately \$14 for every man, woman, and child. This is more than it costs to run the United States Government, all things included. But large as this sum is, it does not include any report of the operations entered into by the bankers for their individual consideration. That, no doubt, far exceeds the mentioned sum, because bankers have unusual opportunities to speculate and many of them do speculate on a large scale.

On January 1, 1911, the report of 7,140 national banks showed that they had \$1,005,740,915 of capital stock paid in, and \$662,090,881.82 surplus. The surplus is that part of the profits not declared as dividends. On September 4, 1912, there were 7,397 national banks, and their capital stock was increased to \$1,046,012,580, their surplus to \$701,021,452.71, and their undivided profits on the last date, less expenses and taxes, were \$242,735,174.37. The dividends on the stock of national banks in 1912 were 11.63 per cent. But large as these dividends, surplus, and undivided profits are, we have not reached the climax of this system of extortion, which the Glass bill will allow to continue.

THE VALUE OF CREDIT.

We seem never to have learned the value of credit or to know that we ourselves form the basis for it. We are capitalized as so much stock on hand owned by the trusts. A few of us get into the deals, some on a small scale and a comparatively few on a large scale, and a half dozen or so have become the real kings of finance. Of course, it is necessary for the kings of finance to have, scattered throughout the land, underlings who help them gather in the products of our applied energies, and these involuntary contributions of ours are afterwards distributed among the favored. Naturally, the underlings are given some crumbs and some of them even fair slices, but, considered in a general way, all of the crumbs and slices are distributed in proportion to the capacity the underlings possess for playing the game well. The whole loave are only handled by the kings of the system, and it is through the expenditure of our united energy that they are enabled to amass this so-called wealth.

WHAT WALL STREET TELLS US.

Now, in 1913, there are approximately 30,000 banks. Their number, capital, and surplus continually increases. On the basis of that fact the Wall Streeters tell us that the capital of the banks is less concentrated now than it was formerly. They intend by that assertion to lead us to believe that they have less control. I shall prove, however, that the banks are merely the nests from which the Wall Streeters gather the people's financial deposits; that these deposits and the credits built upon their use as a means of amassing capital and levying interest are ever so much more serviceable to the bankers than the capital stock. A large part of the capital stock is consumed in the purchase of fixtures and buildings that serve the banks for offices. The more numerous the banks are and the more widely scattered through all communities the greater is the control the Wall Streeters obtain. The people deposit their money in these banks and a large part of the money is used by the Wall Streeters as if they actually owned it, and upon its use they base an enormous credit system.

THE TRUTH ABOUT IT.

No bank is organized with the idea that its capital is the basis upon which it secures its main profits. No bank would be organized unless its organizers believed that they could secure the use of the people's savings in a larger amount than the bank's capitalization. Take, for instance, the following six banks in New York City: First National, Chase National, Hanover National, National Bank of Commerce, National City, and National Park. Their deposits on September 4, 1912, amounted to \$830,444,142, while their capital stock was only \$73,000,000. Approximately the deposits equaled eleven and one-half times their capital, exclusive of surplus. Is it not very foxy of them to try to divert our attention from this fact to a consideration of the location of bank capital? When I use the phrase "Wall Streeters" I do not confine it to those having offices in Wall Street. The Wall Street system is maintained in all of the large cities, and I include within the term "Wall Streeters" all those supporting the Wall Street system, wherever they may be.

HOW IT AFFECTS WAGES AND THE HOURS OF LABOR.

In 1900 there were 13,977 banks, which includes nonreporting banks. In 1912 there were 28,995 banks, and in that time the deposits increased from \$7,688,986,450 to \$17,494,067,606. Their surplus increased in a still greater ratio, and in the meantime they paid large dividends. It must be apparent to anyone that the money with which to pay the expenses incurred by operating this system—by which I mean to include the whole system of trusts—is collected from the people by capitalizing the products of our energy and even discounting the future in the form of stocks, bonds, and securities issued, on which they collect dividends and interest. This is being accomplished by a reduction of our wages and of the prices for which we sell our products or the services we render, as well as by increasing the price of what they control that we must buy.

By inversion this prevents a proper reduction in the hours of labor. These have not decreased, nor has our pay increased proportionately with the new mechanical devices and the new methods of application which have immensely increased our productive energy, but the additional product which has resulted from their use has been capitalized in order that the dividends which we pay shall increase. All of these things were scientifically figured out, then commercialized, then speculated, and finally gamblized both as to the present and the future. All have been overdone and all pooled as a common charge against the products accruing from the expenditure of our life's energy.

Many of us were children when the extortion began, and we can hardly blame our parents for permitting the initiation of what we have allowed to be developed into a full-fledged, scientific, legalized system of extortion. But now, since we understand its effects, the people ought to look back on this Congress with shame if we permit its continuance by passing the Glass bill instead of getting down to work and framing a really good bill.

BANK CAPITAL.

Omitting the banks not reporting, of which there were more than 4,000 in 1911, the 25,195 that did report up to June 14, 1912, showed—

Capital stock paid in	\$2,010,843,505.43
Surplus	1,554,981,106.44
Undivided profits	581,178,042.47

Total accumulations, capital included..... 4,177,002,654.34

I desire to say that what Mr. HAYES said in his speech yesterday in regard to expansion of credit was absolutely correct. There is an expansion of credit. You can not get around it

when you have over \$17,000,000,000 deposits in the banks and only about \$1,700,000,000 in actual money.

Mr. MURDOCK. Will the gentleman yield before he passes from that subject?

The CHAIRMAN. Does the gentleman yield?

Mr. LINDBERGH. Just for a question, if I can answer it quickly.

Mr. MURDOCK. The gentleman has charged that the national banks have about \$1,700,000,000 cash and the people have on deposit in the banks over \$17,000,000,000. Now, does the gentleman mean to say that the banks of the country loan every dollar of currency they have eight times over?

Mr. LINDBERGH. They do more than that—about ten times over.

Over \$4,000,000,000 bank capital. That is approximately \$44.40 for each man, woman, and child, and the bankers actually believe we owe them that, notwithstanding that it is practically a capitalization of ourselves, the same as a farmer capitalizes the growth of his hogs, but with the advantage to the hogs, because the farmer takes good care of the hogs until they are sold to be slaughtered. And what is more, this \$44.40 is the nest egg only. We have already paid several times that to them in dividends. But greater than both combined are the profits from the speculation and gambling indulged in by the king bankers and by many of those to whom they loan the people's deposits. The banks are merely the nest eggs of the whole system. Those who gather from these nests have the greatest opportunities.

If we were to look into the banks just before they close we would find in them persons from the business houses depositing their daily collections. In the earlier banking hours we would find such people making deposits as the farmers, wage earners, and others who do not collect each day the returns of their labor and business affairs.

WALL STREET GATHERS IN THE PEOPLE'S DEPOSITS.

Out of the 94,000,000 of us all who are engaged in work or business of any kind for which we receive cash are trotting immediately to the receiving windows of the 30,000 banks and trust companies and passing over their counters our hard-earned cash. This cash is flowing from these 30,000 banks into Wall Street and other speculating centers like a flood stream. It is the use of these deposits by the speculators that gives the Money Trust its power over the people. Indeed the Wall Streeters have had all the greatest opportunities, for this practice has been going on for a long time.

You may say, "Yes, but the banks loan part of the people's deposits back to them." That is true, but eventually it works out to the satisfaction of the Wall Streeters. Of course, they want enough cash left back in the respective communities from which it pours in so that our country's industries, whatever they may be, may be operated. That is on the same principle that a farmer will always keep breeders to replenish his live stock. The Wall Streeters know that the harder we work in order to produce commodities of whatever kind the more we will have to turn over to the rich. The industries must be active everywhere in order to concentrate the cream of their products into the vaults of the banks, and finally into the control of the trusts and special interests.

Yes, there are 30,000 banks in the small towns, villages, and great cities that serve as nests into which the eggs are dropped; that is, our cash. The total of our individual deposits for the year 1912, in the banks making reports to the Comptroller of the Currency, was \$17,024,067,606. Add to that the deposits in banks not reporting and the total will be correspondingly increased. That enormous amount was supplied by us as a result of the expenditure of our energy and labor, and it is important that we should know what good, if any, comes from our supplying these banks with working material to be used under the present system. Let us see what comes out of it.

THE WAY THE MONEY THAT COMES FROM THE PEOPLE'S WORK IS SPENT.

Go into any large city and it will be found that what our fathers and we have built does not satisfy present desires of the money kings, so we are expending our energy in tearing down our past work and rebuilding anew for future use. Some of us may get some benefit from this, but there is no way we can avoid paying for the entire production. It is an economic fact that whatever energy this generation spends it pays for. Any person who will investigate on his own account will believe that the immense production of property now for future use and also that produced to satisfy the vain rich has had most to do with increasing prices.

The railway systems have been enormously extended. In 1850 there were 8,571 miles of railway in the United States;

in 1909 there were 236,838 miles. The passenger traffic has increased approximately 300 per cent in 20 years and the freight over 300 per cent. Billions of dollars were expended in building railways in that time, systems suited to last as long as the earth stands. Tunnels alone within New York City, built within the last few years, have cost about \$500,000,000, and an order has been made for \$257,400,000 more. Old buildings torn down and new ones to take their place, which will last hundreds of years, have lately been and others are being built in this country costing in the billions of dollars; canals, the Panama alone to cost \$500,000,000 when fortified and complete, have been and are in process of construction; bridges alone in one city cost nearly \$200,000,000; two railway terminals in the same city, cost \$200,000,000.

Take one item as an illustration and consider it from its different angles.

The Pennsylvania Terminal in New York City cost approximately \$100,000,000, and was opened November 26, 1910. The New York Times, in an editorial commenting on it, said:

In a sense it is proper to speak of the Pennsylvania Terminal as a gift to the city. It would be very difficult to show that the road would receive a direct return from its expenditure; that is, that the fares paid for new passengers attracted to its lines by this terminal will suffice to pay interest on its cost.

The editorial did not consider that when the Pennsylvania Railway system undertakes to bolster its freight charges, it figures in the \$100,000,000 terminal as a part of the cost of its system on which the Supreme Court holds that it has a right to base its charges, and that in fixing them it has a right to a reasonable rate and that no legislative body can confiscate its property by reducing the rates below a reasonable earning on its capital investment.

The Times editorial, further commenting, says:

The Pennsylvania Railroad is a great corporation and is not exempted from the widespread feeling of hostility to corporations which has been engendered in this country by the talk and the writings of countless demagogues and agitators. The Pennsylvania Terminal, admirably serving the needs and promoting the conveniences of the public, a magnificent structure which is an adornment to the city, is this corporation's reply to the flow of reckless and irresponsible abuse of corporations.

Here again the editor failed to comprehend the fitness of things. The Times errs in its consideration of the Pennsylvania Terminal, for without this new magnificent \$100,000,000 terminal the company was, with its old terminals and system of ferries, consistently serving the public, and, as further stated by the Times—

The road was not compelled to build this station either by law, by any public service commission's mandate, or by popular clamor.

But, as the Times stated, it was a purely voluntary addition to its property, the idea of which was born in the mind of A. J. Cassatt.

The directorate of the company erected in a conspicuous place in the station a bronze statue of Mr. Cassatt, with the following inscription carved on the stone setting:

Alexander Johnston Cassatt, president Pennsylvania Railroad Co., whose forethought, courage, and ability achieved the extension of the Pennsylvania Railroad into New York City.

To the millions of people who will annually inspect it, this inscription may be a suggestion that they are being daily charged on the food they eat, the clothes they wear, and the luxuries, if any, they enjoy, their quota for the construction, maintenance, and interest on the capital invested for this "purely voluntary addition" to the world's greatest terminals.

The truth is that the terminal is an involuntary gift to that city by the people generally, and is not a voluntary gift by the Pennsylvania Railroad Co., as suggested by the Times, but was voluntarily built by the company, and its cost is added to the freight and other charges on the food the poor people of New York and elsewhere eat and the clothes they wear. Not only that, but every farmer and laborer in the United States, and all people, in fact, are by the law of general average being taxed for that terminal. It subtracts from the advantages of the people and is one more of the colossal monuments of vested property on which to tax us and our children and all future generations so long as we measure progress by an erroneous money standard.

And the Times, to further display the sophistry of its editorial writer on that occasion, wound up the editorial:

The new station is not only an example to other public-service corporations, but should serve to warn the public against too ready acceptance of the doctrines and calumnies of self-appointed teachers and guides who make the vilifying of great business concerns their profession.

Surely "the example to other public-service corporations" served to cause another great railroad in the same city—the New York Central—to build a like terminal. These and other

stations in other cities, costing extravagant sums, all have their share in making the cost of living higher, for all these railroads charge higher freight rates in order to get "reasonable profits" on the capital invested. Consult the court decisions about that. The courts have answered by decree—a grim reality that was far removed from the editorial inspiration of the Times.

These "purely voluntary additions," as the Times calls them, are built in many cities without regulation, excepting that suggested in the inscription referred to as Cassatt's "forethought, courage, and ability," and the "vested interest" in them appeals to all future people with a court's decree—"we, the vested interests, have a right to charge the people interest on our capital and add it to the freight rate on your food and your wares and make you and your posterity pay for it." To have escaped this decree you should have been born before civilization commenced.

CAPITALISTS SCHEME TO WORK THE PEOPLE.

The inducement for building exclusively for the use of the future is that capitalists find in it a means of converting the collective energy of the people into producing a fixed capital, and then charge the people interest on their capital that they have created by their own energy.

It does not require a profound student to see that the collective energy of the people applied to the use of modern machinery controlled by the Morgans, Rockefellers, Cassatts, and others will rapidly produce a capital so enormous that the "vested rights" as now interpreted by the courts will, if we let things go by this plan, make us and our posterity the abject serfs of the capitalists.

The value of the property in the United States is approximately \$150,000,000,000. Following the construction of the courts the owners are entitled to charge the people first for expenses of its maintenance and preservation and in addition a "reasonable profit," which would on compounding double in about 10 years, be four times in 20 years, and eight times in 30 years. At that rate the average interest charge per capita 30 years from now would exceed the present average earnings of the wageworker. If that is to be permitted, none but the capitalists would then be able to educate their children. Already 80 per cent of the capital is controlled by about 2,000 individuals.

LISTENING TO POLITICIANS.

Instead of looking at the economic facts and the industrial tendencies of things, we have drifted into the habit of turning away from these and listening to politicians tell how they are going to remedy this high cost of living with a simple revision of the tariff and a banking and currency bill based upon a false premise. The Glass bill provides upon its face for an additional tax upon the people. It is the sheerest nonsense to talk about reducing materially the cost of living by either of these bills as they stand to-day before Congress. The longer we are fooled with that pretense the more difficult it will be to solve the real economic problems in a proper way, and the greater the sacrifice will be.

Going into this subject further, let us look at things as they are simultaneously with considering things as it is reasonable that they should be. By doing so, plainly the conditions confronting us will become so self-explanatory that we will see at once that we have a remedy for most of our ailments within our control, one that can be simply and easily applied. We need not waste time in envying or criticizing the wealthy, for as many advantages as they have we can have with less encumbrance.

WE WANT THINGS THAT WE CAN USE.

Mankind can not much longer continue in the folly of producing for so-called profit as the main incentive, for with that as the first incentive is what creates the very wealthy. The incentive that should govern in production is necessity—the people's actual requirements. In other words, production should be so regulated as to practically produce those things which would supply the urgent, necessary, and desirable common demands. That is economic law, and, if followed, development and production would be natural and not abnormal. We would all have what is properly due us if that were done.

NEW YORK CITY PLAYS THE BIG GAME.

Let us consider the city of New York as a concrete example. It is the most conspicuous example in existence of reckless and wanton extravagance, of social practices and business methods and management that contribute to the high cost of living. New York City is the Babylon of the twentieth century, anno Domini, on a modern and exaggerated scale. New York City's development to its present proportions is based on forced and abnormal conditions that have been and are an injury to the Nation. That city's growth looks greatest now, but it will ultimately break down from its own burdens.

The New York Times, July 7, 1912, devoted a page to the city's subways. It began with the following headlines:
Billion-dollar subway world's greatest undertaking.

It had pictures of the late J. P. Morgan and also Jacob Schiff as the bankers backing the scheme. It also showed three of the managers of the subway systems. In large type, formed into an inverted pyramid, appeared the following:

Greatest amount ever spent in a similar area since the world began. It makes the building of the pyramids a small task, and the new addition to the system alone cost more than the Panama Canal.

I direct special attention to the fact that the subways are not New York's prime development, but rather an incident of its growth. They are merely one of the evidences of its extravagances. Every year substantial and valuable buildings, enough in number to make a respectable city in themselves, are destroyed in order to give place to more costly and elegant ones—some of them the world's tallest and most expensive. The cost of the Singer Building was mounted into additional millions to make it the tallest building in the world. The directors of the Metropolitan Life Insurance Co. appropriated the funds of its policyholders to build another that would eclipse the Singer Building, at least in height. Including the grounds, it cost approximately \$22,500,000. The Metropolitan Life Building could not long retain the distinction of being the tallest, for the Woolworth Building is still higher.

Building after building has been constructed in the million-dollar class in that great city until their aggregate cost may be reckoned in the billions. That is the scale by which things are done in New York City. It is a city of extremes. Even so-called society must there outdo in extravagant expenditure all other places. Even Paris, the example the rest of the world apes in some of its dress and fashion parade, can not equal it.

It is a great picture to see New York by day or night. Its playhouses, its hotels, its clubs, its magnificence in a hundred or more ways amazes the average spectator. He thinks he sees the wonders of New York when he makes such a visit. But all that is visible to the eye is but the pin-money expenditure from the main field of speculative operation, of which neither the humble inhabitant nor the visitor ever gets a view.

IF WE COULD SEE THE BOOKS.

If the visitor could see the books of account and know and understand the operations of those who run big business—financial, industrial, and speculative—he would be amazed to see the methods by which the few have not only levied on the industry of all the people in order to maintain the extravagances to which I have referred, but who have also in the same manner amassed the vast individual fortunes through which they now grasp the control of the country's finances, its principal industries, the transportation and distribution agencies, and the main material resources. In the handling and operating of these the toiling millions are employed. In what these toilers produce and in the productions of the farm lie the principal wealth of the country. Upon it capitalists draw for the building of the greater cities, more railways, more canals, more of everything that gives place to permanent investment to employ the profits they get out of our present money system, which the Glass bill proposes to extend for another period of 20 years.

SAPPING THE PEOPLE.

Whatever view we may take as to the advisability of the great and constantly increasing construction that is in process for the sake of investment—whether we favor it or not—we know that it saps the energy of the people and takes too many of us out from the occupation of producing the actual necessities for physical existence, such as food, clothing, shelter, and so forth. Further, it prevents us from securing the necessary time for personal, moral, and intellectual improvement.

The number of people now occupied in constructing for purely speculative and investment purposes and for the purpose of satisfying the vanity of the rich, in proportion to those so occupied in any previous generation, is so much greater that no one should look much further for the principal reason why we pay more for the necessities of life than we formerly did. To illustrate the point stated, I shall again consider the city of New York.

REDUCE HOURS OF LABOR AND INCREASE ADVANTAGES.

In this great city we are furnished with examples of the principal causes for the high cost of living. These suggestions should also teach us how the cost may be greatly reduced and at the same time how farm products and the wages of labor may be increased in their purchasing power, with employment for all and the hours of labor per day reduced, thus giving all people more time for study and improvement and the enjoyment of their rights. This again would build up the villages and small cities, making thousands of small distributing centers instead of a few that are overgrown.

HOW WALL STREET SCHEME WORKS.

Two new terminals in New York City, the Pennsylvania and the New York Central, cost approximately \$200,000,000. They consist of huge piles of iron, stone, glass, and so forth, orderly shaped, chiseled, and arranged into two beautiful, massive depots, the approaches through tunnels and over numerous tracks. Those terminals are exclusively the product of labor. True, their material substances are of the creations of nature, but the work of forming them into shape for use is entirely labor's. We may ask of what effect is the manner of their construction in the consumption of our time and the power of machinery and whether they were really necessary. At \$1,000 per annum there would have been directly employed 40,000 people for a period of five years—some in the quarries getting the rock out of mother earth, some getting the ore, some upon the railroads and the ships, some in the smelters and factories, and others immediately upon the grounds and buildings.

At the same rate, the families dependent upon them would add 160,000 more people. While the number of people and the time employed is stated only approximately, it nevertheless serves to show the conditions. Whether there were more or some less employed is not material. The number directly employed does not take into consideration those more remotely occupied in supplying their necessities, namely, the farmer who produces the wheat, the miller who grinds the flour, the baker who makes the bread, and the merchant who sells and delivers it to these men as food to keep them and their families alive while they construct these terminals. Then, again, we have the farmer who raises the sheep and furnishes the wool, the spinner, the weaver, the tailor, and so forth; in fact, all who produce the things to wear; and still, again, the builders who construct the houses for these families and those employed in the transportation of all these materials. Further, all of us thus remotely employed must in turn be supported with many of our necessities from still more remote operators. The response that I frequently receive to these statements is that we must have work, eat, wear clothes, be sheltered, have entertainment, and that there is no loss even when we produce extravagant structures, because it gives employment. That is where shortsightedness so frequently is shown.

THE REAL MEANING OF IT.

Let us see what it means to employ 40,000 people to produce in our generation expensive buildings, tunnels, grades, and all of the other things to which I have referred, to construct the terminals that will last hundreds of years. Practically 200,000 people were supported for five years by the rest of us while they were building these two New York terminals—mere incidents in that city's growth. These people produced neither food, clothes, nor shelter for themselves. Others of us did that for them, and therefore we all work more hours each day to supply them what they eat and wear. They competed with the rest of us in consuming the food, clothes, and other necessities of life and produced nothing except terminals. These terminals are like a drop in the ocean as compared with the great number of other structures that are permanent in construction and will last for many centuries, and some of them forever, all of which we pay for with our energy at the time of construction.

THE TRUTH THAT IT TEACHES.

The truth that it illustrates and teaches us is that in our own generation we make improvements that will be for the use of future generations. Those of us who are thus occupied must be furnished with all of the necessities of life. Of these we produce no part. No one should claim that the production of these structures is desirable simply because they create a condition that gives us employment. We have passed the period when such a claim should receive our respect. We should seriously consider ways in which we can use our modern machinery, better appliances in the production of the actual necessities, conveniences, and luxuries, so as to insure our having them with less cost of energy than is now required of most people to even secure their barest necessities.

A DISTINCTION.

It might be claimed that the New York terminals were a necessity. As a matter of fact, that city and the traveling public entering it had better facilities before the new terminals were constructed than we have in most of our cities. I have been in New York many times before and since, and while I acknowledge that the new terminals are more convenient than the old, there is no such material difference as to justify the charge and incumbrance placed upon humanity for the new terminals.

Some who believe in living in luxury and extravagance and who do not take into consideration the welfare of the people as

a whole would advocate, possibly, that it was necessary to have the additional advantages afforded by the \$200,000,000 terminals. If we allow such an argument to prevail, there is no limit placed upon those who control the centralized wealth making expenditures whenever they choose, and relying upon the decree of the courts holding that they are entitled to recover a reasonable rate of interest upon the capital invested. The people should not be compelled by any decree of the court or by any Government agency to pay interest and dividends upon investments which are not first determined to be necessary for the general welfare.

HOW THE PLAIN PRODUCERS LOSE OUT.

The first point to be noted in connection with this extraordinary investment development of the present generation, of which New York City furnishes the most conspicuous example, is the fact that modern machinery, appliances, and human energy is so largely monopolized in the production of buildings, railway systems, canals, harbors, and other improvements that give so little present service as compared with their use by future generations. How can we expect to reduce the cost of living and the hours of the laboring day and at the same time increase the production of the necessities of life if we use up most of the machine power and human energy in producing things which are principally for investment.

VESTED CAPITAL AND THE TOILERS.

The second point that I wish to impress is the fact that in addition to consuming our energy in the production of things for remote generations there is also the fact that production thus obtained is, under present practice, centralized into the control of a few individuals. That production is called vested capital, on which the general public is taxed rent, dividends, and interest. Thus we see it is not only the burden of production that is heaped upon the toilers of the world, but afterwards there is the burden of maintenance in addition to the interest charge. It must be plain to any thoughtful person that the methods of business as now employed and the manner in which we are producing is one of the principal causes for the high cost of living, and if we would remedy that difficulty we shall have to prevent the excessive interest and dividend rate, which the Glass bill will not prevent. If people were employed in the proper proportion throughout the different industries and occupations that produce or supply the necessities and conveniences that we require, we should then have those necessities in greater abundance and with less expenditure of time and money.

In no way can economic order be restored while the business intercourse of the country is enthralled by the banks holding the exclusive monopoly in the distribution of money and credit. The monopoly thus held by the banks is what has been the breeder of the other monopolies. It has been the cause of building up special privileges which have resulted in the country adjusting to the demands of those privileges instead of adjusting to economics.

PEOPLE FORCED INTO WRONG POSITION.

By reason of the money and credit monopoly the people have been forced to leave the pursuits of life that would have been most suited to produce the abundant supply of the things that would make most people prosperous and contented. The majority of them seem to be living to accommodate monopoly—to work for it. For instance, by one section alone of the Glass bill at least \$250,000,000 would be taken out of the United States Treasury for the use of the banks. The banks would pay to the Treasury a small rate of interest and loan two-thirds of the \$250,000,000 to the people at excessive interest. They will reap a direct benefit of approximately \$5,000,000 annually on that, and as this \$250,000,000 from the Treasury would be legal money they will build up a credit from it for several times a greater sum. We know that the credit expansion based on a sum of real money is very great. It is not overestimating to say that the benefit that the banks would get out of the \$250,000,000 which the Glass bill would take from the United States Treasury for them because of the credit expansion which they could control would be at least \$25,000,000 annually, and the speculation that would incidentally grow out of it on the part of persons who would take an extra profit would swell the sum total of the cost to the public still more. This money would enter into extravagances such as I have already mentioned. The kind of extravagances thus produced do not contribute to the general welfare, but, on the contrary, they command the expenditure of human energy for the sole purpose of finding reinvestment in order that monopoly may get still more profits, and then again to use these to repeat over and over and again and again, without contributing to the general good of mankind.

CONTRAST OF INCOMES.

Considering this whole problem of the extravagant expenditure of human energy to build up to proportions unnatural to the economic demands, let us revert to the 20,000,000 families for whose government these United States are. Their income, including the rich, I have estimated to average \$1,000 per family annually, or a total of \$20,000,000,000. Whatever the exact sum may be, every family that gets more than the general average proves that the average of those remaining is reduced below the general average.

AN ILLUSTRATION.

The Glass bill is typical of many other things that illustrate the effect of establishing institutions that are arbitrarily forced upon the people without their furnishing a service equal in value to the cost. Under the bill there would be at least 12 new Federal reserve banks which would belong to the bankers whose extravagant system is already an overburden. Each of the 12 banks would have an expensive retinue of officials. I can estimate with sufficient nearness what the cost would be to make it clear that it will be another burden. In each there will be nine directors, a president, cashiers, and other officials. The leading officials in each of these institutions will be high-salaried men, and the aggregate salary list for those not serving in subordinate work would approximate \$100,000. The number of employees would be large, and their wages would soon aggregate \$200,000 in each of the banks. For 12 of such the total cost would be \$3,600,000 per annum, and that does not take into account the Federal reserve board, which would employ a large force of secretaries, clerks, and so forth. But all this does not account for a new coterie of millionaires that will be developed by the inside knowledge that would be obtained by a few. And yet all this is unnecessary because there is a more simple remedy.

I shall not carry out another illustration in detail, but I call attention to the fact that the membership of this House is 200 in excess of a good working body. It costs the people no less than \$2,500,000, with all the incidental expenses, per annum to support the supernumeraries. My reference to these two cases is merely to show that what it costs is paid out of the earnings of those who are engaged in manual and mental work that actually contribute to the real necessities. In a general way let us see if we can approximate the result to the people generally of the whole extravagant system that grows out of a false money and credit control.

AVERAGES ANALYZED.

Total number of families in the United States, 20,000,000; total income, approximately \$20,000,000,000; average income of each, \$1,000. It is not improbable that 300,000 families get interest dividends and profits equal to \$7,000,000,000. Now, while that sum does not necessarily reduce the income in dollars to the average family, it does reduce the amount that the average family can buy for the \$1,000. In other words, the 19,700,000 families who perform manual and mental service may actually have an income of \$20,000,000,000, but when they pay out that sum they are charged enough more for what they buy so that \$7,000,000,000 is taken as profits by the other 300,000 families. The consequence is that in the things that the people consume the 19,700,000 families get only the equal of \$13,000,000,000 worth of these things. The rest is taken as profits by the 300,000 families. Divide the \$13,000,000,000 by the 19,700,000, to show the real value of what the average family get, and it will equal \$667 minus; divide the \$7,000,000,000 income of the 300,000 families, to show the average amount of their income, and it will equal \$23,333 plus. That is only the beginning of the process—merely the first step to indicate the real cause of the high cost of living that grows out of this system of finance that is being played against the people who really earn their living. I am not seeking to extend the compilation to obtain the last degree in the computation. It is only the general truth that I seek to make clear.

MONSTROUS FALSITY.

My purpose is to have the system understood, and then each person may follow out the computation to any degree that the truth in principle will justify. He will find that he can carry it much further than I have in my remarks, because I can not have the time. As the increasing income ascends this scale in amount, it will be found that a few run into the millions of dollars per annum. In the final analysis it will be found that the great majority of the families work long days and receive little of the advantages that this day and generation would, under any reasonable régime, give to them. They barely subsist, seeming almost as if they existed to perform the horse and

ox work for the few. A comparatively few families get along better than the great majority, because of favorably arranged surroundings or because of closer relations to the specially favored who may take from their superabundance to pay them to help carry out this system. In varying degrees of circumstances the families, as they extend along the line from the great majority who do the work and are most poorly paid to the most richly paid, we shall find the evidences that should convince us of the absolute monstrous falsity to the general needs that our financial system serves.

LABOR SHOULD PRODUCE ITS REWARD.

One more economic truth I wish to state before considering the remedy. I hear too many say that all these extraordinary things to which I have referred furnish labor for the workers, as if the workers existed only to work. No intelligent, honest student will for a moment claim that it is a benefit to make a man work unless that work results in the production of something necessary. The placing of capital for investment solely with reference to what it will pay back in dividends without considering what service is to result to the people generally from the enterprise is a double crime: First, in expending human energy for an unnecessary thing; second, in the burden that it imposes upon those called on to pay the future dividends. Most of the people are working a large part of their time to support the extravagances of the specially favored.

The farmer who produces the agricultural products, the wage worker who works in the factory or on the railway or elsewhere, the salary worker in mental or other performance, and the independent operators in the useful enterprises each and all do contribute from the results of their energy to maintain the extravagances of a false system. Work and enterprise are natural, but there is no reason why it should be directed to serve monopoly. There is every reason why it should be utilized in the interest of the workers themselves.

THE CRIME OF CIVILIZATION IS USURY.

Our present money and credit system does not measure value. It simply controls value. There is but one true measure for the value of things, and that is their service value. An honest dollar should pay what it costs to get it. If it brings more, the excess is usury, and some one is penalized. If we would have equality of opportunity so far as rules may give it, we shall have to abolish usury. No greater rates of interest should be permitted by a Government than is consistent with a proper conservation of a correct system. Money and credit must serve and not enslave. It must represent value, and not a power to limit men. But we can not prevent the charge of usury until a system is established that the people will accept as better than the usury system.

ABSURDITY OF THE GOVERNMENT PAYING USURY.

Nothing in all history is so ridiculous, nor so expensive, as the practice of letting the money lenders control the money and credit. Credit should be free—that is, as near so as possible—to everyone who can produce value on which credit is based. No monopoly should be given to bankers to distribute credit or money. Every enterprise that contributes to the general advantages should be as freely admitted to the Government to secure the Government's support of the credit to which it is entitled as the bankers are and upon equally favorable terms.

Why should the great farming industry, why should the wage-workers and working people in general, why should the great manufacturing industries, why should any enterprise necessary to the general welfare be compelled to go to the banks for money and credit? All of these can and would be so organized as to utilize the credit to which their service entitles them if the Government would guarantee their credit in the way that it supports the monopoly of it in the hands of the bankers. That would destroy the bankers' monopoly and immediately the bankers would adjust themselves to become the people's agents instead of their masters. They have the position that makes it natural for them to conduct the exchange credits. They can serve a great and good purpose, and if it were not for the monopoly of which they have taken advantage to satisfy their constantly developing greed they would serve the purpose of making the exchanges more cheaply than any other agency could.

The only way to establish industrial and commercial independence is to have an honest exchange system. It can not be accomplished while the banks have a monopoly of the distribution. The control of the money, in its issue and distribution both, in its inception is a Government and not a bank function. To give the banks the monopoly of the distribution is as dangerous to the welfare of the people as if the bankers also issued

the money. The banks are in the business exclusively for the profit they can make. They are now bound unto each other by a community of interest, and are organized into voluntary associations for the purpose of the promotion of their special ends. Under the Glass bill their voluntary organizations would become legalized into one great monopoly, the only private monopoly which the Government has supported by statutory acts. There is the monopoly to distribute the funds of the people to the borrowers upon payment of usury to be added to the cost of the people's living. The Glass bill would continue that monopoly.

WHAT WE PROPOSE INSTEAD OF THE GLASS BILL.

We should provide a revenue system by which the Government taxing powers shall be represented by United States currency drawn on the people of the United States, to be disbursed through the governmental agencies on appropriations by Congress for services rendered or to be rendered the Government, to inaugurate, develop, and maintain an American financial policy and currency system which will liquidate and eventually abolish debt—national, State, and municipal—and put the public and private enterprises, industries, and exchanges upon a sound economic basis and remove the power of private interests to monopolize the mediums of exchange and for other purposes.

FISCAL DEPARTMENT.

We should establish a new fiscal department of the United States as an adjunct to and within the jurisdiction of the Treasury Department of the United States, to be administered by a nonpartisan board, subject to the will of Congress.

UNITED STATES CURRENCY.

In pursuance of the power conferred by the Constitution upon Congress to coin money and regulate the value thereof, the fiscal department should issue a new United States currency, which should be in the form of public-service certificates and state upon their face in substance that the bearer had performed a public service of the value stated in the certificate, and the same should be the lawful money of the United States, and should be receivable at par for all debts, dues, and demands, public and private, within the jurisdiction of the United States, in such quantities and in such denominations as the public interest requires, and in all cases, except where otherwise specifically provided, should first be placed in circulation by being earned in public service of the Government or in the supply of some material needed for Government use, and then for its full par value, and should not, after returning to the Government, be again reissued or circulated except for a like purpose.

DISTRIBUTION OF UNITED STATES CURRENCY.

We should have the fiscal department issue United States currency to carry out the appropriations made by Congress to the various departments of the Government for all public purposes that require the expenditure of public funds. That when funds have been appropriated by Congress and the United States currency issued to cover such appropriations, the fiscal department, for the convenience in the transaction of business through the Government disbursing agencies, would deposit such currency, as well as checks, drafts, and other receipts of the Government in national and other banks, or in postal savings banks, for checking accounts, but banks should not be required to pay interest on such accounts, because they would be placed there for the convenience of the public and not for speculative purposes. Deposits of checks, drafts, and other evidences of dues to the Government might be made in the banks, but otherwise United States currency only would be deposited in the banks by the Government, which currency, when so deposited, would be held as a specific fund to special deposit, but checks and drafts and other evidences of dues to the Government deposited by the Government would not be distinguished from or have any privileges or preference over other deposits of individuals, whether private or otherwise, in the same banks. No deposits would be made in banks for the purpose of creating surplus therein, but merely to accommodate the transaction of public business. The banks would, as long as there remained a credit to the Government's general account, pay checks drawn by the Government agencies out of the general account, and the use of the special deposits of United States currency in payment of such checks would be prohibited until the general account had been exhausted, in which case payment would be made out of the special deposit.

CANCELLATION OF EXISTING CURRENCY.

We should have all United States notes, currency, gold and silver certificates, and national-bank notes a full legal tender for

all debts and dues, public and private, in the United States, its Territories, and possessions, except debts or contracts existing at the time of the passage of a proper act, which by their terms are payable in some other form of money or material, but while in circulation represent the money and currency aforesaid, as well as all existing coins should not be deprived of their present qualifications, and the outstanding United States notes, currency, gold and silver certificates, and bank notes should be redeemed on demand in such other form of money as is now provided by law; and as soon as practicable after any United States notes, currency, gold and silver certificates, and bank notes come into possession of the Secretary of the Treasury for redemption the same should be canceled and destroyed, provided that when such redemption is of national-bank notes the amount canceled should operate in liquidation of an equal amount of United States bonds securing the same, except that any national bank might, by giving the fiscal department such notice as the said department may require, have the national-bank notes redeemed and reissued by complying with the laws as to the maintenance of security, and no such notes, currency, or other certificates should be reissued except as provided. All existing laws for reissuing or recirculating any such notes, currency, or certificates should be repealed. When gold or silver become the property of the United States their legal-tender quality, except as to subsidiary coin required for circulatory purposes for small change, should cease and the gold be reserved for use in the redemption of outstanding obligations and for use and in aid of interstate exchanges.

The fiscal department should be authorized to purchase gold from time to time at the marketable value if necessary for either of said purposes, and also when in its judgment the national debt could thereby be better and sooner extinguished, and except as authorized by a proper act the United States should receive gold for coinage only; the purpose should be solely to affix the governmental stamp of weight and fineness to such coins, but all coins so made after the passage of a proper act should have no legal-tender quality. A charge equal to the cost of coining the same should be made, which coin should forthwith be removed by whoever it might have been coined for, and no department of Government should give storage facilities to any gold bullion or coins not belonging to the United States or issue more gold or silver certificates. After a reasonable lapse of time a storage charge equal to the cost of maintaining the same should be charged and collected on all gold and silver held against outstanding certificates, because it should be the ultimate purpose and policy to remove the Government fiat from all metals and reduce metals to their commercial commodity value.

AID TO THE STATES.

It should be the policy to aid all States of the Union whose laws confer upon them, or give their executive or other State functionary, the power to borrow money on the credit of the State or to guarantee the obligations and debts of their counties, towns, boroughs, villages, cities, municipalities, school districts, or political divisions for any just and recognized public use, for the purpose of defraying the current expenses of the State or any of its political subdivisions for which the people of the State or political division are taxed. Rules and regulations would provide for a uniform expenditure by the States, so that the issue of United States currency and the volume would conform to the demands of business, public and private, avoiding alike redundancy and insufficiency, and no State should pay out the currency secured from the Federal Government except for the full face value of the same in service to the public for public purposes for which the people would be annually taxed, so that the same would be returned in the payment of such taxes through the usual methods.

NATIONAL PUBLIC WORKS AND IMPROVEMENTS.

The fiscal department should devise plans whereby Congress would be guided in the enacting of legislation to authorize the fiscal department to establish a system of national public works and improvements adapted at all times to give immediate relief to all congested labor conditions within the territorial jurisdiction of the United States and render available all surplus labor and insure against enforced idleness and the ills incident thereto by means of the inherent powers of the Government to establish justice and promote the general welfare.

AID TO THE AGRICULTURAL AND HORTICULTURAL INTERESTS.

The fiscal department should proceed with all reasonable expedition to communicate and cooperate with the authorized representatives, organized and unorganized, of the agricultural and

horticultural interests of the Nation, with a view to the adoption of a plan and policy of systematizing the production, storage, transportation, and distribution of agricultural and horticultural products, to the end that both the producers and consumers of such products would have complete emancipation from the present extortions of speculators and manipulators in these products and of organized and trustified storage, elevator, and transportation combinations now monopolizing the same and controlling and manipulating the prices of such products both to the producers and consumers. A system of Government loans to owners and operators of improved agricultural and horticultural lands should be provided upon such terms as would amply insure the repayment of such loans, at a low rate of interest, ultimately to be reduced to a nominal interest barely sufficient to reimburse the Treasury as soon as the national debt could be extinguished.

GOVERNMENT LOANS TO WAGE EARNERS.

The fiscal department should proceed with all reasonable expedition to communicate and cooperate with the organized and unorganized wage earners to consider and devise a plan and policy for a system of Government loans to wage earners at the lowest rate of interest consistent with the cost and integrity of the service, which loans would enable them to provide homes independent of real estate speculators to further protect wage and salary workers from the overcharge made by loan agencies.

AID TO MANUFACTURING INDUSTRIES.

The fiscal department would proceed with all reasonable expedition to an inquiry into the conditions of the manufacturing industries of staple products in the United States and Territories with a view to ascertain the state of such industries and devise plans for the inauguration of a policy to aid and assist such of those manufacturing interests as were involved in monopolistic combinations, or were able and disposed to extricate themselves from existing monopolies, which plans would involve a system of Government loans and advances to such manufacturing interests as were able to insure the repayment with the lowest rate of interest consistent with the cost and the integrity of the service.

IN GENERAL.

The fiscal department would investigate into the financial conditions of all legitimate industry, work, and enterprise of whatsoever character, the pursuits and results of which under proper conditions promote the general welfare and ascertain what plan or plans, if any, could be contrived for their aid by extending Government loans to them or such of them as required aid.

The fiscal department in its administration would take notice of the economic fact that payment by the Government for a service to the Government involves a collection from the people of an equal amount plus the expenses of collection, and that the issue of United States currency in payment of Government expenses creates a demand on the part of the people equal to the currency required to be returned to the Government in cancellation of taxes or dues; and further, that economic private enterprise (eliminating speculation) for the production of commodities, or the rendering of services for the use of others, legitimately involves the return of commodities or services of equal value, whether the same is accomplished by direction or by indirection, and that whenever actual commodities or services are not immediately or directly exchanged in a cancellation of the respective obligations, then a credit representative is necessary, and so far as possible, in a practical sense, when applied to the affairs of the people as they exist, the obligations of credit should be liquidated without the burden of a greater change than is consistent with the cost and integrity of an honest and just system; therefore in the supply of United States currency guaranteed by the credit of the people as a medium of exchange the volume to be placed in circulation should conform to the needs of commerce, avoiding alike both redundancy and insufficiency, and with that as the purpose the fiscal department would make estimates and report to Congress for its action.

AUTHORIZING BANKS TO BORROW RESERVES.

The banks could be permitted to borrow from their own reserves if in the opinion of the fiscal department the public interests required the extension of any such loan or loans, and upon furnishing securities approved by and deposited with the fiscal department in such amounts as the fiscal department demanded.

The further details in regard to a plan may be seen in my minority report. The time remaining does not permit me to complete my speech. In order to clear up a few of the things

I wish to say, I shall insert in the Record, as a part of my remarks, my minority report on the Glass bill. Unfortunately for the people they do not have time, or at least do not think they have time, to study what the real trouble with our social system is, and yet if the truth were realized there would be no time that could be spent so advantageously from the viewpoint of real gain as to give these questions proper study. I believe that if every adult would spend an hour each day for a year in a careful analysis of the methods by which a few acquire the main part of the wealth, thereafter the income of the plain people would more than double and their advantages would be many times greater than they are now.

Many of the new arrangements and the most valuable discoveries made in each decade were ridiculed in the decade previous as the visionary dreams of those who were working out their solution. The mind that harnessed steam and made it work for all men; the mind that sent kites to the sky to play with electricity and plan its harness; the mind that arranged wires to send long-distance messages and to carry even the voice in a whisper across a continent; the mind that contrived the apparatus by which to transmit and receive human messages through trackless space on the air waves; the mind that devised the machines with which men fly; yes, the minds that devised political and social reforms and more than a thousand other discoveries that serve this generation were first criticized as the visionary and impractical dreams of persons supposed to have unbalanced brains. Sad, is it not, that those who seek to build for the good of all men should be stamped by the unthinking as calamity howlers and dreamers. And now, after all the examples that history has furnished, we still denounce as visionary the work of those who discover new scientific facts, give the world new inventions, and inaugurate new methods and systems for the common welfare.

But hold for a minute lest we enthuse too greatly over the higher civilization. What has it all resulted in? The great discoveries have constantly amazed and electrified the world. People have advanced more than a hundredfold in economic effectiveness; their mental realization has immensely increased and possible social opportunities enormously enlarged; still there has been no correspondingly equitable individual benefit. As a result of the new order there are a few multimillionaires, but the most of us are striving with difficulty to obtain the bare necessities of life; and yet, notwithstanding this great difference in the control of the material agencies, there is, perhaps, no difference in the average capacity of intelligence on the part of the poor as distinguished from the rich. Then why should there be such a difference in their life results? This is a fact that I have attempted to explain in part.

Knowledge is the means by which we can determine the relations that should be maintained in order to promote the common welfare. How can we have anything even approaching equality of opportunity until the people in general understand the political, economic, and social forces that are in operation. Until we do there will be no official, industrial, and social discrimination, and consequently the enormous inequality between people will continue. The few who are informed and understand will use their knowledge to their selfish advantage and keep the rest of us working for them. Why should we continue to follow the same methods that boss politicians, subservient to the interests, have planned for us? Shall we still allow them to continue to employ graft and use patronage in order to serve the interests so that they can get from them campaign funds and other favors? Shall we follow their selfish purposes and tag as "calamity howlers" and "dreamers" those who point the way by which to improve conditions? Shall we fear them and fail to adopt the improved systems proposed in our generation and which would satisfy our most urgent needs? Surely, after all that has passed, we can not believe that we can trust the management of the Government to political bosses who dole out to their favorites all the offices of public trust and to the special interests favors in the shape of legislation and otherwise. By these methods our greatest material resources have become the property of the specially favored. Surely they should not be allowed to pilot the ship of state. We should no longer be herded by the political bosses within so-called party lines in order that they may manage the Government.

No statesman with the interest of the people at heart, and who has observed in the last few years the traducing of expressed party principles as well as the subversion by party bosses of the machinery of government to the interests of the few, will say that this is rightly a government by parties. Those who do state this are either wittingly or unwittingly the spokesmen for the special interests. The political parties in

these last years have divided the people. The bosses have controlled the machinery of the parties and regulated them by the caucus system. Further, the caucuses have been divided into factions, each in turn controlled by bosses, so that practically a government by party proves to be a government by the special interests. The special interests court the party in control. It matters not to them which party. All they want is that the people should be divided into parties, the parties divided into caucuses, and the caucuses into factions. The strongest faction is generally controlled by the bosses, for the interests always deal with the bosses. As a result he who fights to keep the government within party control usually fights for the special interests.

Nothing is so beautiful as the truth when it stands out prominently in contrast to error. Nothing suggests more clearly the duty of the people to themselves and toward each other than a well-regulated family. There all is consistent. Each fills the place in life that is natural, and the parents naturally respond to all the requirements of their children. But they do not allow them to remain dependent beyond the period of childhood, nor do they contemplate becoming dependent upon their children. Each trains to respond to the laws of God and develops in human sympathy from the purity of his nature and seeks to fill true purposes in life, and especially to be self-sustaining. The ability of mankind to increase in population without men becoming incumbrances on each other is dependent on the working out of this same principle. It should be bred into children from infancy, and if it were not for the oppression forced upon the family from the errors of society and the failures of government every well-regulated family would succeed without difficulty.

In my remarks I have shown that very many people are idle and that still more are engaged in occupations that do not produce the necessities of life nor those things that contribute to the common needs of either themselves or others. These are not self-sustaining. They compete with the rest of us who do produce in consuming the products that are necessary. It is apparent, therefore, that those who are idle and those who are engaged in occupations that do not produce necessities or furnish conveniences that people in general can enjoy are an incumbrance on the rest of us. That is why all able-bodied persons should be self-sustaining. Of course, that does not mean that each person should produce what he eats, wears, or enjoys, but it does mean that he must, in order to be self-sustaining, produce or furnish something that fills the actual needs of humanity. The teacher, for instance, produces no material thing, but does fill a necessary place, and therefore comes within the purview of a producer. The same is true of all persons who perform necessary social service, manual or mental, or either.

The following is my minority report on the Glass bill.

THE GLASS BILL, H. R. 7837.

"The Glass bill, as drafted, is merely a new form for the administration of a false old system. It leaves the worst of all features in the present financial scheme unchanged; that is, the burden of excessive interest. It provides upon its face for a financial stringency and possible panic in its inception as a result of the forced shifting of cash and resultant transfer, and therefore a disturbance of credit. After the shift would be made and the adjustment was finally completed, with the exception of a provision for the issue of asset currency, it would be an improvement over the present method of finances. The disadvantage that would arise by shifting of cash balances and early disturbance of credits may be remedied by simple amendments.

"The most disappointing thing about the bill is that it provides no relief from existing economic evils. That relief is due to begin with an improved money system. The Glass bill proposes to incorporate, canonize, and sanctify a private monopoly of the money and credit of the Nation—to remove all the people's money from the United States Treasury and place it in the vaults of the banks to be used by them for private gain. It violates every principle of popular, democratic, representative Government and every declaration of the Democratic Party and platform pledges from Thomas Jefferson down to the beginning of this Congress.

"Those of the committee who favor the bill have worked diligently and with earnestness and ability to modify the details in dealing with finances, but have done nothing to correct the grossly false basis on which finance is now operated; that is, the fact that financing in the present way is a burden instead of an assistance to trade and commerce. Severe as my criticism of the bill may seem, still I believe that with some few amendments the system that the Glass bill would put into operation

would be less severe on the people than our present system. I do not object to it because of any unfavorable comparison with that now practiced, but base my objections on the ground that now, while we are at it, we should instead pass a good bill.

"In submitting a minority report I have two purposes in view: (a) To offer suggestions for amendments in the Glass bill that would make it simple, more responsive, and less expensive to operate; (b) to offer a new bill to form the basis for an American financial policy to place public and private enterprise, industry, and exchanges upon a sound economic basis and destroy the power of private operators to monopolize the mediums of exchange.

"Those who are responsible for the draft of the Glass bill undoubtedly hope through its enactment to remove from finance the frequent stringencies and occasional panics that develop. The plan they offer, once it became operative and adjusted to, would probably remove some of the danger elements that in the past have driven the country into frequent money stringencies and occasional panics; but as an effective remedy it is inadequate. The very basis of the system that is sought to be patched is false.

"The Glass bill would make a change in the administration of the present system, but no change in the money basis. The design of the bill is to lessen the immoderate and violent fluctuations that result from the present method of financing. For that reason a Member who does not consider the bill satisfactory may vote for it nevertheless. We should first do all we can to secure the enactment of a good bill. This is not a good bill, but with a few amendments it may be better than no bill.

"Business is now operated under a highly technical credit system based on a small amount of lawful money. Twenty-five and possibly more dollars of credit exchanges, on the average, for each dollar of actual cash paid, but credit as a rule is directly related to the location of actual money. It is through the banks that most of the credit extensions occur. The cash is in reserve for the final balances. Comparatively little of the cash in the banks moves at all. It lies in the vaults year after year without going out on any mission of business.

"This bill proposes to shift a very considerable part of the bank cash. It would require several months at the very least to adjust credits to the shift. The volume of credit would be disturbed to a very much greater extent than the shift of cash. Business would be disturbed by the change unless provision were made to keep credit from being interfered with.

"The general public gets no direct connection with the Glass bill for purposes of securing either credit or cash. The public will still be forced to go to the banks. Therefore if the bill is to become operative, the banks will have to come under it. The national banks would only be compelled to do so, but if they alone do, it will hardly be satisfactory, because they do only about one-third of the banking business.

"SOME ACTUAL CONDITIONS TO BE MET.

"On April 4, 1913, the deposits held by national banks required them to hold a reserve of \$891,794,905. They were \$15,691,784 short—below the reserve requirements. If they had been compelled to subscribe for Federal reserve bank stock under those conditions, what would have happened? Their capital stock was approximately \$1,050,000,000, which would have required them to pay \$105,000,000 for stock within 60 days. This sum would be transferred to an entirely new field of financial development. In addition to that, under the law they would have been required to make good the \$15,691,784 shortage in reserve within 30 days; an old provision which is carried into this bill. The State banks were practically in the same condition, and if they, too, come in, as the bill contemplates, the demand for ready money would have exceeded \$200,000,000 for Federal reserve bank stock alone, and a much greater shift of deposits would be required. All things considered, it is not improbable that a shift of near half a billion dollars would have to be made.

"A MONEY STRINGENCY AND POSSIBLE PANIC.

"The contraction which would come about in making such a change—that is, in the shifting of cash from its old moorings and the still greater credit disturbance—would result seriously and bring about a great loss to the people. A statement of some actual facts will illustrate sufficiently. In a general way the results would be the same from an analysis of any bank report made in the last 10 years, but to be specific I take the banks' reports to the Comptroller of the Currency September 4, 1912. I call attention merely to a single bank in each of the States having a representative on the Banking and Currency Committee. I show the capital stock, the amount it would have

to pay under this bill, and the actual lawful money contained in its vaults, as follows:

	Capital.	Assessment.	Money in bank.
Barnesville National Bank, Minnesota.....	\$25,000	\$2,500	\$2,514
People's National Bank, Virginia.....	50,000	5,000	3,931
Whitland National Bank, Indiana.....	25,000	2,500	1,237
People's National Bank, Rowlesburg, W. Va.....	25,000	2,500	1,536
First National Bank, Hudson, Ohio.....	50,000	5,000	3,657
First National Bank, Almena, Kans.....	50,000	5,000	2,556
Irving National Bank, Irving Park, Ill.....	100,000	10,000	7,798
Athol National Bank, Athol, Mass.....	100,000	10,000	6,582
Comanche National Bank, Comanche, Tex.....	100,000	10,000	6,637
First National Bank, Perry, Ark.....	25,000	2,500	1,688
First National Bank, Wellington, Colo.....	25,000	2,500	1,203
Heard National Bank, Jacksonville, Fla.....	1,000,000	100,000	80,826
First National Bank, Alex, Okla.....	25,000	2,500	1,503
Gaffney National Bank, South Carolina.....	150,000	15,000	9,725
First National Bank, Vacaville, Cal.....	50,000	5,000	3,501
Union National Bank, Brunswick, Me.....	50,000	5,000	4,238
Grange National Bank, Chester, Pa.....	100,000	10,000	9,112
Farmers & Mechanics' National Bank, Jefferson, Iowa.....	40,000	4,000	1,877
First National Bank, Baldwinville, N. Y.....	100,000	10,000	8,225

"These responsible banks on the date named did not have sufficient lawful money in their vaults to meet the requirements of the Glass bill. Many of the banks have more cash than is necessary, but the banks listed above are not isolated cases. Substantially the same condition exists in all the States. Hundreds and hundreds of banks would be required to pay out, within 60 days after the organization commenced, all the cash in their vaults, and many more of them would have barely enough. In the aggregate they would not have enough.

"Instancing this condition, in South Carolina there were 46 national banks on September 4, 1912. On that date six of them did not have enough lawful money in their vaults to pay for the stock they would be compelled to take. What would happen under such conditions? These banks would, of course, draw on their reserve banks for the money due from them. Simultaneously the reserve banks would be called on to return to the other banks their reserves and pay for Federal reserve bank stock.

"Let us take the National City Bank of New York as an example. It is a central reserve bank, required by law to keep 25 per cent lawful money reserve. On September 4, 1912, its deposits were \$239,669,430. It required a legal reserve of \$59,917,357, but it had only \$48,364,892 lawful money in its vaults. It was owing to other banks, included in the \$239,669,430, approximately \$100,000,000. These banks, under the operation of the bill, would be compelled to draw on the National City Bank for money to pay subscriptions for Federal reserve bank stock, and also to cover in these banks within 60 days a 3 per cent reserve. The country banks do not, as a rule, carry more reserve cash in their vaults than the law requires and could not draw directly from their vaults. In addition to that, the National City Bank would be required to pay \$2,500,000 for capital stock. The statement of September 4 shows that the National City Bank had not sufficient lawful money to meet any such demand. It may be suggested that it had \$38,296,647 checks and exchanges outstanding; but, admitting that, and that these come in rapidly, as many more are put out in the regular course of business. The commerce of the country demands transmission through the mails, express, and in clearance agencies enormous sums. Under the terms of the bill this one bank would probably be compelled to transfer more than \$100,000,000. I do not plead for that bank. Its stockholders have fleeced the people of this country, but what applies to the demands that are to be made on that bank applies to the demands that would be made on banks generally in the proportion of their business. A scramble would take place among the banks to get in shape to meet their obligations. Naturally they would demand payment of the borrowers. A stringency would result, and possibly a panic. In such an emergency the borrowing people would suffer, because they are absolutely tied to the banks, and the Glass bill would make no change in that respect. If everybody would remain perfectly calm and make no demand for impossible things, the shift could be made under the stress without an actual panic.

"COMPENSATING PROVISIONS TO THE BANKS.

"There are some compensating provisions in the Glass bill that would aid the banks in changing from the present system to the proposed system, provided that no excitement would arise until they were made effective. The Federal reserve board may suspend for 30 days, and renew the suspension for periods of 15 days, any and every reserve requirement contained in the bill. Aid would also be given to the banks by a deposit of all the funds in the Government Treasury. Still

further aid might be provided by a loan of United States currency. But the organization would have to be complete before that could be loaned. Much loss might occur in the meantime.

"It is claimed by this bill to give considerable control and management of the banks to the Government, but it reserves no power in the Government to aid those who need money to do business with. Those who actually use the money to carry on business are compelled to go to those who use money simply for the purpose of charging a profit out of handling it. That is, the banks and money lenders make a profit out of those who use money. The latter have no other purpose whatever. This bill makes the bankers the "go-between" between the Government and those who use money only as a means to deal in the material and social exchanges that are essential to civilization, the only true purpose of money. This bill provides for the continuation of an actual extortion fostered by the Government against the freedom of business intercourse among the people. It recognizes the superior sovereignty of the embodied institutions of money over any power of government, so that neither the Government in its sovereign capacity nor the people, or their representatives, can initiate the placement of one dollar of monetary function into actual exchanges among the people, except through the agency of organized money lenders with purely selfish interests. The Glass bill positively abolishes the United States Treasury and the public money of the people, and substitutes the so-called Federal reserve banks, which by the terms of the bill are to be the exclusive stock of the bankers. It reduces the people's Treasury Department and the Bureau of Printing and Engraving to the position of a job-printing house for the private use of the bankers.

"It is an advantage to the banks to have the Government print and engrave the money, so long as the banks may have a monopoly of its distribution. This bill continues and affirmatively gives them that monopoly. They have held it for a long time in the past, and now Congress is about to bow its subservience in more positive express terms of a statute than heretofore. Ask, Where will the people go to borrow money after this bill goes into effect? Congress has been slipped into the halter by the money lenders, and they seem to have supplied themselves with a double hold—a chain in addition to the strap.

"Those who wish to use money for the purpose of its service to a freedom of trade by the people among themselves find no Government-supported source of supply except the exclusive monopoly granted to the banks. These banks have the means and do compel the people to pay for the use of money a rate of interest that forces the majority of mankind into needy circumstances and deprives all but a few of a proper compensation for their lives' efforts. No one should assume because of all this, and because the bankers get the lion's share of profits, that bankers are disposed to be vicious. We should change the system and not blame the bankers. In the process of changing the system the people should address themselves first to a subservient Congress.

"The Glass bill, being distinctively a banker's bill, and all who are not bankers being compelled to go to the banks for accommodations, we should at least make it easy for the banker to help borrowers whenever he is willing. If this bill is passed without some minor amendments, to make the transfer from the old to the new system easy, the bankers will be compelled to retrench until they can adjust to this new system. They will not only be compelled to withhold further credit during that period, but many borrowers will be called on to pay notes while the adjustment is going on. For that reason, if the general plan of the bill is to be adopted, some amendments can and should be made to obviate the tendency to create a stringency. The banks will not wait for help, but will help themselves by calling on borrowers to pay. It evidently is the opinion of those who favor the bill that the Federal reserve board will waive the affirmative requirements to enable bankers to shift from the old to the new system without disturbance. Admitting that the board would do so is not sufficient to the business world. Bankers are cautious business men and will resolve all doubts in favor of safety, and therefore call in loans until they are prepared to meet the most difficult provisions of the bill. The bill should be made right to start with so far as human foresight can make it and still have the saving clauses to meet any oversight.

"FEDERAL RESERVE BANK STOCK ASSESSMENT.

"Instead of making a call for 5 per cent instant and 5 per cent within 60 days, it should be made in several smaller calls distributed over a period of a year. There is, however, no need of so much centralized capital as would occur in these banks. The security of the depositors in a bank depends on the good

management more than on the amount of its capital stock. The funds in the control of a good management in a bank are usually several times greater than its capital. A 5 per cent assessment on the capital and surplus for the establishment of the Federal reserve banks would serve the country better than a larger assessment upon the capital alone. I believe that 3 per cent on the combined capital and surplus would be still better, because that would leave more money for use in the proximity of its origin, where it belongs.

"ASSESS COMBINED CAPITAL AND SURPLUS.

"Assessments should be made both on the capital and surplus. The surplus of a bank is as much a part of its capital as the capital itself is. It would be an injustice to the smaller banks unless the assessment is made on both capital and surplus. The 37 national banks in New York City, for example, had September 4, 1912, a capital of \$120,200,000 and a surplus of \$128,255,000; while taking, for instance, the first 37 banks listed in Minnesota, which is a fair average for country banks generally, their aggregate capital on the same date was \$1,425,000 and their surplus \$458,615. Now, if this new system is to be a protection to the banks or if it is to be a burden to them, in either case let them pay for the one or the other in a proper proportion. The bill should be amended to have the assessment made on the capital and surplus both.

"BANK RESERVES.

"The reserve requirements should be reduced immediately to 20 per cent for all reserve banks. That would help the banks to meet the demands of the country banks for a return of their funds. As the bill is, the reserve banks would simultaneously be compelled to press collections—first, in order to meet the demands from the country banks for their reserves; second, to subscribe for stock in Federal reserve banks; and, third, to transfer a part of their own reserves to the latter. The period of adjustment should be more graduated and the reserve requirements reduced. Since the banks have absolute control of the distribution of money to borrowers, they should not be prevented from loaning at times and in places when and where the money is needed. The formative period of adjustment to the requirements of this bill would prevent that unless amendments are made.

"CAPITAL CAN NOT BE SIMULTANEOUSLY PROVIDED FOR 12 FEDERAL RESERVE BANKS, WHICH MIGHT RESULT IN THEIR BECOMING ONE CENTRAL BANK."

"On page 3 the Glass bill provides for not less than 12 Federal reserve banks with capital equal to 20 per cent of the capital stock of the banks subscribing, and for one-fourth to be paid in cash, and also that no Federal reserve bank shall begin business until \$5,000,000 has been paid in. Since the Federal reserve banks would be started by the national banks alone, as they alone would be forced to join, they, with an aggregate capital stock of less than \$1,100,000,000, even if they should all join, could not start 12 Federal reserve banks on a 5 per cent assessment with each a paid-in capital of \$5,000,000, as the bill requires. Furthermore, it would be impossible to equalize to approximately equal the capital in all districts. It is necessary, therefore, to amend on page 3. The bill would serve the country better by making the stock of the Federal reserve banks equal to 3 per cent of the unimpaired combined capital stock and surplus of the subscribing banks and permit them to begin business when \$1,000,000 is paid in. Under the provisions of the bill the Federal reserve board may name the 12 Federal reserve districts and the cities for their banks. The city of New York should and of course would be named as one of the 12. Chicago would be another. The influence of the moneyed interests could easily prevent all of the districts except New York City from completing the organization unless the provision forcing banks to become members is held constitutional, which is somewhat questionable. The larger banks would have to join in order to have capital enough for 12 reserve banks. The larger banks are controlled by stockholders who support the Wall Street system. Anyone who has investigated the influence of that system knows that its influence in a case of this kind would be all powerful. The New York district under that condition might complete its organization and the rest drop out by default. Then there would be one central bank controlled by Wall Street stockholders. The Federal reserve board would have some influence, but not sufficient to help the general public out of the difficulty that would arise from such a condition. It is not within the power of the Federal reserve board to complete a single organization if the banks do not affirmatively act.

"INCREASE AND DECREASE OF CAPITAL STOCK.

"Sections 5 and 6 provide that when banks reduce their capital, or dissolve, or become insolvent, the Federal reserve bank shall pay therefor a sum equal to their cash-paid subscriptions on shares surrendered. In times of panic or financial stress

this provision would weaken the Federal reserve banks. The banks holding the stock could dissolve, reduce their capital stock, or go into insolvency, thus not only avoiding the whole or a part of the responsibility to carry the Federal reserve banks through financial storms, but actually thereby reinforce their individual holdings by reducing those of the Federal reserve banks. This should be so amended that payment for shares surrendered would be made at such time as the Federal reserve board from time to time provides. No solvent bank should be permitted to surrender its stock at a period when in the opinion of the Federal reserve board the general public interests, on account of financial stringency, require the Federal reserve banks to have all their resources available to meet the more general demand.

"SMALL BANKS SHOULD BE ADMITTED.

"The second paragraph of section 10 should be amended so as to provide that no bank should be excluded from becoming a member bank of a Federal reserve bank because of the amount of its capital stock, so long as its capital stock and surplus remained unimpaired, if in every other respect such bank was qualified. The welfare of the whole people requires the thrift of every community. The small communities are as essential as the large ones, and their banks should receive the same treatment as those of the larger cities.

"FOREIGN AGENCIES.

"The last paragraph of section 15 should be amended so as to prevent instead of permit Federal reserve banks opening accounts or establishing agencies in foreign countries. Since it is proposed by this bill to turn over to the Federal reserve banks the Nation's funds, we should not entangle them further by permitting the Federal reserve banks to establish agencies in foreign countries for speculation. The foreign banks authorized by section 28 of the Glass bill would attend to foreign business.

"GOVERNMENT DEPOSITS.

"It may be questionable whether it is constitutional to deposit Government funds in the banks except in consequence of appropriations made by law. Funds that have not been appropriated must remain in the Treasury. Subdivision 7 of section 9, article 1, reads:

"No money shall be drawn from the Treasury but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time.

"It may be that any funds that have actually been appropriated can legally be deposited in the banks. However, passing that question, the adoption of a policy to continually keep on deposit all the public funds in the banks is at least doubtful. The bankers claim that the money is being taken out of business to pay the Government demands and should be deposited in the banks in order to pass back into business. If its doing so were confined to legitimate business and did not enter into speculation and gambling, there would be more virtue in the claim.

"A concrete illustration exists at the present time to show the effect of the use of the public funds. The first \$10,000,000 that the present Secretary of the Treasury deposited in the summer (1913) in the banks on 2 per cent interest basis probably did no good, because it was immediately absorbed by Wall Street and used to exploit the people. The bank statements show that it quickly gravitated to Wall Street. I do not make the statement in criticism of the Secretary. It did not happen to be a good time to make the deposit. On the other hand, the later and larger deposits being made by the Secretary of the Treasury in the banks in the South and West come at an opportune time. It will help to move the crops and to steady conditions and prevent financial stringency.

"The undesirability of keeping all the public funds on deposit in the banks all the time is, I think, manifest. At certain periods there is a great demand for money to move crops. When crops have been moved the demand for money weakens and it piles up in the banks. The banks loan it out then at lower rates of interest. The speculators have taken advantage of those conditions in the past years to reduce the price of farm products when the farmers sell their crops. They hold the money tight then, but when the farmers buy what they require the speculators would have the money market easy so as to make the farmers pay high prices. In that way the speculators have practically fixed prices. When the farmer sells he is compelled to take the price the speculator offers; when the farmer buys he gives the price the speculator demands. That is one of the troubles with the present system, and this Glass bill does not furnish a sufficient remedy.

"If the banks are given all the public funds at all times, as the Glass bill provides, there will be times when they will not be in demand for legitimate commercial business. They will then

be loaned to the speculators, who will exploit the people. Then when the demands of legitimate trade come again the money market will become tight. The farmer, the merchant, the manufacturer, and others will be compelled to compete with the speculators to borrow money. The interest rates will be raised. There will be no place then to give relief like that at the present time being extended to some sections of the country by the Secretary of the Treasury. The discovery that such relief can be given has come too late, for we will hardly have more than a sample of its effect until the Glass bill will become a law and will take the public funds and place them where they will be available to speculators in competition with legitimate commerce. It may be contended by those favoring the bill that the banks can secure Government note issues at any time they wish. That is true if the Federal reserve board would approve, as very likely it would if the public interest required, but that is a protection available to the banks alone. They may apply if they wish, but neither the Federal reserve board nor the public at large could force such an application to be made. The banks are in the business solely for profit. It is for their interest to keep the rates of interest as high as they can, and it will make no difference how much the public may be in need of more money, the banks will make no application for Government note issues till such time as the public is willing to pay a larger profit than the banks can make without. The banks can bring out the note issues if they wish, but no one else can.

"NOTE ISSUES MADE ASSET CURRENCY.

"For more than a half century the money lenders have ridiculed the issue of United States currency based on the credit of all the people. Now they ask the United States to issue notes on the credit of the people, but not for the people nor in their interest. Instead it is proposed to organize the private banks into 12 or more special corporations and issue this currency on the security of notes, bills of exchange, acceptances, Government, State, and municipal bonds. In other words, it is to be a form of asset currency supported by the Government but given to special interests to be vested by Congress with full and complete authority to scalp from the people and generally exploit them.

"By section 7 in this bill the Government is to divide the profits that the Federal reserve banks get out of the people; that is, the Government is to print and engrave currency for these private corporations and give them the monopoly of loaning it, and whatever they are able to force the people to pay for the use of it such proceeds, after the corporations have first taken out the expenses and 5 per cent profit for themselves, the excess will be divided between these corporations and the Government. Considering section 7 in connection with the note issues which the Government is supposed to charge for, and also in connection with the charge to be made upon Government deposits, this section 7 establishes a vicious principle. Upon the note issue as well as the Government deposits, the policy of making a reasonable charge can not be reasonably questioned. That is clearly within the Government right as well as a fair policy, but this section goes further, and provides that after the special private corporations to which Government note issues and Government deposits have been furnished and a proper charge made, that after these corporations have gotten out of the people a reasonable return, that is 5 per cent as fixed by the bill, then whatever in addition to that that can be extorted from the people the Government will divide with the banks.

"No one other consideration in connection with the business dealings of the people with each other is so important as the money and credit system. The authority for the money, as well as the support of credit, depends for its stability on the Government. In the extension of the advantages sought to be derived from the use of money and a practical use of credit the power of the Government is absolutely essential. Any proper considerations by Congress of this subject are necessarily national in their scope.

"It is the acme of absurdity for Congress to place between the people and the Government itself an agency in the absolute control of the distribution of money and the use of credit that would be valueless without the guaranty of the Government, and yet that is the identical thing that has been done by Congress, and the Glass bill emphasizes the absurdity.

"Why should Congress place a controlling agency, employed for private gain, between the people and the Government of the United States? That is what has been done by giving to the banks the exclusive privilege of the use of the Government credit. Why is it proposed that the banker should take the merchants', the manufacturers', and other notes, as well as the bonds of towns, villages, cities, States, and even the Na-

tion's bonds, to the Government and get currency, and at the same time refuse the producers themselves, the makers of those notes and obligations, an equal privilege? The absurdity of the Government giving away its own credit to corporations to exploit the people is incomprehensible. The bankers are not to blame. Congress is to blame for giving away the people's rights and bestowing them upon the banks.

"It is true that Congress possesses the authority and has the power to strip the banks of their exclusive monopoly, but the most of us have not the courage, and therefore we have the absurdity of the Congress of the United States giving to special interests the Government credit—the credit of the people—thereby forcing the people to borrow at exorbitant rates of interest the very money that their own Government issues on their own credit. The fiat of the Government is stamped upon the coins and the currency and then given to special interests and used as a means to pauperize the people. If the exclusive privilege were not given to the banks, then they would become the people's natural agents, but with the exclusive monopoly they become the people's masters.

"The notes, bills of exchange, acceptances, bonds, etc., are the limited currency of those giving them—limited in its circulation by the credit that one or more persons are willing to give to it. By this Glass bill it is proposed to give the credit of the Government to these and create an endless chain by means of which the Government is to manufacture asset currency for the banks.

"GOVERNMENT FURNISHES CAPITAL.

"The Glass bill proposes to deposit all the Government funds in the banks. In the past the funds have been approximately \$250,000,000 and the sum increases with the growth of Government business. Of this first sum of the people's own money to be taken from the United States Treasury the banks may loan to the people two-thirds and keep one-third in reserve. They will get the people's notes, bonds, and so forth, for approximately \$165,000,000. Then, under section 17 of the Glass bill, they will be allowed to take these notes and bonds to the United States Treasury and deposit them and get United States currency. This currency they will take out and loan to the people and get an additional supply of notes and bonds. In the meantime they will have collected a lot of interest on the first installment, and, with that reloaned to the people, they take all the notes and bonds they get and come back to the United States Treasury for another supply of United States currency, and, as previously, they run out again and reloan that currency to the people, and now again they have still more interest collected from the people which they will have reloaned, so they add that and come back to the United States for still another supply of currency. If it were only the Treasury funds they were to have it would be hampered some by the reserve required to be back of the note issues, but they also get the deposits from member banks and can do the same with those.

"Thus we see that the specially created interests which the Glass bill proposes to make will get the funds in the United States Treasury and a large part of the individual deposits of the people, loan them out to their owners, the people, get the people's notes and bonds drawing interest, and keep re-turning over and over, again and again, for United States currency to loan. Thus it is to continue 'world without end,' the people encumbered without end. It is to be a never-ending pulley, with boxes attached, leading from the banks into the Treasury of the United States, taking into the boxes the people's money, bringing it out from the Treasury of the people and into the banks, to be loaned to the people themselves at a price to be in the exclusive control of the banks. The Glass bill proposes to protect the individual bank that rediscounts with the Federal reserve from exorbitant interest rates, but none but member banks can apply, and the bill gives no individual borrower any protection as against an unreasonable charge of interest by the bank.

"In accordance with the legislative and executive policy, and upheld by judicial decrees, running through their official acts, to be found in statutes, department orders, and judicial decrees, the people have been given into bondage. In less than 100 years the expense of administering the investment of the money that this Glass bill alone authorizes to be taken by the banks out of the United States Treasury, plus the compounding of interest, at the rates that banks charge and collect from the people, would absorb the equal of every dollar's worth of property now in existence and still leave a deficiency on which to declare the people bankrupt. I challenge any honest person to compute the cost to the people. If he does, he must admit the truth of the statement. A somewhat similar process to that which this bill makes possible for the pyramiding of loans from the use of currency authorized to be given to the banks has existed for a long time by the use of deposits and credits for loans based on

bank accounts, and we are paying now in the high cost of living partly because of that practice. A vast majority of the people have no property, but live from hand to mouth on the little part they get from the results of their daily toil. The rest is absorbed to pay the toll that the Government practically provides for the banking and other special interests.

"THE ABSORBING POWER OF INDIVIDUAL FORTUNES.

"By reason of the policy followed by the legislative and executive departments, and supported by the judicial, there are several individuals in these United States, each of whose fortunes are now large enough so that 6 per cent annual interest compounded, as is the custom, computed for 100 years, would furnish the owners with all the luxuries and extravagances of life, such as the families of the wealthy usually indulge, and, in addition, enable them and their successors to their fortunes to absorb the equal of the whole wealth now existing in this country. There are more than a thousand others who in twos, threes, fours, fives, and sixes could do the same thing. They are all levying a tax, burden, or whatever you wish to call it on us every day of our lives.

"It is a fact that any and all the legislation that has been advocated by the political leaders will have mighty little influence in solving the cost of living. It is not in the tariff bill, nor is it in the currency bill. It will not come out of a bill that comes out of secret meetings and closed caucuses. There can be only one purpose for doors being closed to the public, and that is to whip subservient Members into supporting something that does not give the people that to which they are really entitled. This Glass bill is an example of that. Those who provide us with bread and butter and with the clothes that we put on our backs and the shelter for our bodies are the last to be served. These, who are the source and very basis for the supply of life's necessities, are deferred to a future period, while the Glass bill that we are called on to enact continues the system which gives to special interests a monopoly control of the distribution of money. Those who toil must support it and must appeal to these special interests and pay them the toll for its use, with not one word in the entire bill placing a limit on that toll.

"It is generally pretended that the reason the money supply is out of proper commercial adjustment at certain periods is because of the extra demand for the movement of the crops. It is true that there is a farmer's demand, but the trouble with the reformers is that they do not intend to give the farmer the remedy. The farmer is put off till the last. His rural credit system can wait. The speculating interests are to be first supplied with funds to speculate on the farmer's products. This bill in one of its sections is expressly against the farmer. It offers a sop in section 26 by permitting the national banks to loan on improved farms for nine months, which would be of little, if any, value to a farmer. The farmer, unless in desperate straits, would be foolish to mortgage his farm for so short a period, but section 17 of the bill discredits the farmer's note by refusing to permit it to be used as security for United States currency, but allows most other kinds of paper to be taken. There is nothing better than a note secured by a farm mortgage. Farm-mortgage notes should be accepted the same as merchants' notes and others when they have the same period to run before maturity. A large amount of farm-mortgage notes are coming due within 60 and 120 days all the time; that is, a farm mortgage, after it has run to within a period of 60 or 120 days of maturity, it makes no difference how long it was made for originally, even if 10 years, is as good as any other short-time note, and the bill should be amended to take such notes.

"While I regret it, I am not surprised that the President might advocate a bill that he could not possibly have had time to study, for his multifarious duties make it impossible for him to give detail study to these matters, but Members of Congress have time and are not excusable for submitting a bill so weak in its value to the public. It may be better than what we have now in practice, but the people are entitled to a bill worth 100 cents on the dollar.

"Various other amendments of lesser importance could be made to the Glass bill, improving it, to which I shall not call attention in this report, rather leaving them to be considered on the floor of the House. In suggesting the amendments that I have, it is not with the intention of approving the bill even if the amendments are adopted. The amendments would improve the bill, and with them in I could vote for the bill when all things possible had first been done to adopt a good bill.

"The Glass bill is unfitted to an adjustment of the greatest financial problems that now confront the people for solution. If it were to be amended so as to meet the necessities of the present times, even the title would have to be stricken out, and

other substituted, all the sections rewritten, and there would be nothing left to resemble the original.

"NEW LEGISLATION AND NOT PATCHWORK IS NEEDED.

"Congress was called into extra session to legislate with a view to reduce the cost of living. All honest people must commend the purpose. Earnest efforts have been and still are being made to accomplish that result, but on account of peculiar partisan practices and false rules for the government of Congress, for which men and not parties are at fault, Congress does not have presented to it in form to vote on measures suited to the people's most urgent needs. Secret committee meetings and secret caucuses frame bills, bind and gag the attending Members, and by a system of evading record votes on separate important provisions, prevent the passage of legislation that would result in a substantial reduction of the cost of living.

"Unless some sudden change takes place in the government of Congress that is not apparent at this time nothing that is here being done will reduce materially the cost of living to those who earn it by their daily work. The reason why may be easily understood by anyone who will carefully study the conditions. Such a study will reveal to anyone the leading cause for the high cost of living. When one understands those he will know that the two bills which by the rules governing Congress are permitted to be acted upon will not accomplish the result demanded.

"In the hopes that the people, as well as their representatives in Congress, may give this most serious matter attention early enough to change the course of things here to give them a better turn, I have labored to point out a few things that must be done if we would give the people any material relief. I am not given sufficient time to state all the facts that I wish to in this report. I have no greater capacity than other Members, but I have put in the time to investigate carefully the conditions. I have gone out among the people and seen the rich and poor in actual operation in business and work and have studied them there as well as in their homes. I have had enough experience in various ways to enable me to understand quite well why it is that a few people are now getting all the wealth that results from the labor of people generally, and what is more important, I know that the power of the few to outrageously extort from the people generally can be prevented. For the information of any Member who has not had time to make the investigation for himself and who wishes to study the subject further from my viewpoint and so informs me I will furnish a book which I have just published on Banking and Currency and the Money Trust, and also a speech which I delivered in the House August 2, 1912.

"THE LOWER COST OF LIVING AND ITS RELATION TO MONEY AND CREDIT AND TO INTEREST, DIVIDENDS, RENTS, AND PROFITS.

"We must have food, clothes, and shelter, and require the instruments with which to ply our daily work. These are the prime necessities, and are made available only as the product of labor. They determine the initial cost in living. When the means of the individual units in our social order—that is, of the people—are safeguarded and kept unencumbered while they provide their prime necessities, their securing benefits from the social order in excess of such prime requirements will be assured as a consequence. A few concrete illustrations will make that clear.

"It must be kept in mind that the Government of the United States and of the several States has established a policy supported by general practice, by statutes, and the decrees of courts that the owners of property are legally entitled to a rate of interest or dividends or profit return that in and of itself encumbers all people. The people must have the use of the property or the products from its use, and therefore are compelled to pay the interest. The power of its enormous burden I show in the following interest table compiled by a former Librarian of Congress. This table shows the growth of \$1 by compounding interest in the manner of the banks. One dollar loaned for 100 years would grow as follows:

Interest at—	
6 per cent per annum would amount to.....	\$340
8 per cent per annum would amount to.....	2,203
10 per cent per annum would amount to.....	13,808
12 per cent per annum would amount to.....	84,075
18 per cent per annum would amount to.....	15,145,007
24 per cent per annum would amount to.....	2,551,798,404

"I shall cite a few individual cases from which Members of Congress can easily determine that not only on paper and in theory is the Government supporting a policy of pauperizing the people, but it is actually pauperizing them by its support of this practice. Use the table above, and from it the tremendous power of interest and dividends to oppress the plain producers may be seen. The individual fortunes are stacked up against the people's daily energy, so that from the products of their toil

the interest, dividends, and rents must be paid. It means that dead capital is stacked up against human life so as to make humanity subservient to so-called 'vested rights,' by law privileged to take an extortionate toll for the use of substance which has been produced by the people's own toil. That is the encumbrance to which I referred as being directly and indirectly responsible for the high cost of living. No bill that would properly deal with this problem has been permitted by the so-called 'leaders' in this Congress to get a fair hearing. On the contrary, the 'leaders' have appropriated the public committee rooms and the Halls of Congress as well, corralled subservient Members, locked the doors to keep the other Members and the public out, and produced bills that Members have been coerced to support under the guise of harmony in a party.

"The following cases to which the table of interest may be applied is illuminating:

"From the testimony given by George F. Baker, president of the First National Bank of New York City, before the committee appointed to investigate the Money Trust we learn that the operations of a single bank produced in 50 years profits equal to \$86,000,000, or 172 times its original capital. If that bank continues to do business and is allowed to pile up profits in that geometrical progression it alone, on an original investment of \$500,000, in less than 100 years would have the power to extort from the people more than the equal value of all the existing property in the United States, and that bank is but one of the 30,000 banks operating on an uneconomic system.

"The capital stock of the national banks alone, in 1912, was \$1,046,012,580. The dividends paid for the year ending June 30, 1912, averaged 11.66 per cent, which was in addition to the accumulation of a large surplus. Going at that rate, compounded as the banks do, they would have the equal of the entire present valuation of the country absorbed in less than 50 years and would have the surplus from year to year to do anything they wish with. These dividends are over and above all the expenses, which include pay for the clerks and high salaries for the officers connected with the banks. That is not all; the bank officials have unusual opportunities, and most of them do speculate in various ways, and in the aggregate they get greater profits from deals that make no return to the banks than the actual dividends declared. What I have named includes the national banks alone. There are more than twice as many other banks, loan and trust companies of the different kinds. These do about twice as much business as the national banks. That is just one great interest, the banking and financial.

"There are the railways, the steel and iron companies, the oil companies, the coal companies, the telegraph and telephone and numerous other companies, besides a thousand or more great individual fortunes, that concentrate into very limited control the principal part of the active capital in the country. This is held on one side by the so-called capitalists, protected by the 'vested rights doctrine,' which means law, that enables them to extort from the people in what are called dividends, interest, rents, and profits, an amount that, as shown by the interest table given before, is absolutely sure to keep the cost of living high and to keep the people working to support that system. By that system any person who can get a few thousand dollars can live in idleness or as a spendthrift on the interest that the working people of this country are forced to pay.

"Members of Congress are intelligent. What I have already stated is sufficient to show any intelligent person that our present system is a fraud on the people. No intelligent, self-respecting people can long tolerate a governmental system which by its established and expressed policy places an unnecessary burden on the citizenship. I shall not multiply the examples showing the injustices created by the policy of government. A word to the wise is sufficient. To others it would be hopeless to pile up examples.

"WE REQUIRE TO LIBERATE THE PEOPLE FROM EXCESSIVE INTEREST.

"Under the Glass bill the amount of money that would be exclusively within the control of the banks within a few months after its becoming a law would be increased. The bankers' powers to collect interest would be considerably augmented. It is on that account that the Glass bill does not provide a remedy to meet the people's greatest necessity.

"There is but one way to meet the financial necessities of the people, and that is to have the Government support all the people in whatever useful industry they may be engaged. The Government must withdraw from the banks the exclusive monopoly control of financing the people and give to every legitimate and necessary enterprise impartial governmental support. It is absolutely necessary to an independent people that the Government should stand ready to do that. Then the bankers, seeing that they no longer have an exclusive monopoly, would exercise

the office of an agency instead of holding the hand of mastery. With that purpose in view, and to pave the way for very early permanent relief to the people, I offer the following amendments to the Glass bill:

"Strike out the title of the Glass bill and substitute the following for its title:

"A bill to amend the national banking laws, to provide a revenue system by which the Government taxing powers shall be represented by United States currency drawn on the people of the United States to be disbursed through the governmental agencies on appropriations by Congress for services rendered or to be rendered the Government, to inaugurate, develop, and maintain an American financial policy and currency system which will liquidate and eventually abolish debt, National, State, and municipal, and put the public and private enterprises, industries, and exchanges upon a sound economic basis, and remove the power of private interests to monopolize the mediums of exchange, and for other purposes.

"Also strike out all of the Glass bill following the enacting clause, except sections 26, 28, and 29, and renumber said sections so as to be numbered sections 18, 19, and 20, respectively, and in lieu of the part thus struck out insert after the enacting clause the following:

"FISCAL DEPARTMENT.

"SECTION 1. That there is hereby established a new fiscal department of the United States as an adjunct to and within the jurisdiction of the Treasury Department of the United States. The board of said fiscal department shall consist of eight members. This number shall include the Secretary of the Treasury, who shall be member ex officio, but without voting power except as specifically in this act provided, and seven others, nonpartisan, to be selected by the President, by and with the advice and consent of the Senate, and whose term of office shall be for 10 years: *Provided*, That in naming the first board one shall be named for 2 years, one for 4 years, one for 6 years, one for 8 years, and three for 10 years, and always subject to removal by and with the consent of the Senate. The salaries of the seven members thus appointed shall be fixed by Congress annually in the appropriation bills. The Secretary of the Treasury shall be the chairman of said board and shall select a first and second vice chairman, who shall, in the order named, preside at meetings in the absence of the Secretary of the Treasury. The Secretary of the Treasury shall have no vote except in case of a tie vote, when he may vote to break the tie. Five members shall constitute a quorum. The seven members on the board appointed by the President and confirmed by the Senate shall devote their entire time to the business of the fiscal department and do the principal part of the work in order to establish in practical working order a new fiscal department; that said board shall have authority to employ such assistance and incur such expenses as may be necessary in the performance of their duties, and for such purpose there is hereby appropriated \$100,000, or so much thereof as may be necessary, to be paid out of the moneys in the Treasury not otherwise appropriated upon vouchers approved by the Secretary of the Treasury.

"UNITED STATES CURRENCY.

"SEC. 2. That in aid of Congress in pursuance of the power conferred by the Constitution upon Congress to coin money and regulate the value thereof the fiscal department is hereby authorized to issue a new United States currency, which shall be in the form of public-service certificates, and these shall state upon their face in substance that the bearer has performed a public service of the value stated in the certificate, that each separately is issued and circulated for value received under the provisions of this act, and the same shall be the lawful money of the United States and shall be receivable at par for all debts, dues, and demands, public and private, within the jurisdiction of the United States, created after the passage of this act; that the same shall be printed and engraved by the Bureau of Printing and Engraving from plates and dies devised by the fiscal department, and shall be issued from time to time in such quantities and in such denominations as the public interests require, and in all cases, except where otherwise provided in this act, shall first be placed in circulation by being earned in public service of the Government or in the supply of some material needed for Government use, and then for its full par value, and shall not after returning to the Government be again reissued or circulated except for a like purpose.

"DISTRIBUTION OF UNITED STATES CURRENCY.

"SEC. 3. That to carry out the appropriations made by Congress the fiscal department shall issue the United States currency authorized by this act to the various departments of Government for all public purposes that require or may require the expenditure of public funds. That when funds have been appropriated by Congress and the United States currency is issued to cover such appropriations the fiscal department, for the convenience in the transaction of business through the Government disbursing agencies, may deposit such currency, as well as checks, drafts, and other receipts of the Government, in national and other banks, or in postal savings banks, for checking accounts, but banks shall not be required to pay interest on such accounts. Deposits of checks, drafts, and other evidences of dues to the Government may be made in the banks, but otherwise the United States currency only shall be deposited in the banks by the Government, which currency when so deposited shall be held as a specific fund to special deposit, but checks and drafts and other evidences of dues to the Government deposited by the Government shall not be distinguished from or have any privileges or preference over other deposits of individuals, whether private or otherwise, in the same banks. No deposits shall be made in banks for the purpose of creating surplus therein, but merely to facilitate the transaction of public business. The banks shall, so long as there remains a credit to the Government's general account, pay checks drawn by the Government agencies out of the general account, and the use of the special deposits of United States currency in payment of such checks is hereby prohibited until the general account shall have been exhausted, in which case payment may be made out of the special deposit.

"CANCELLATION OF EXISTING CURRENCY.

"SEC. 4. That from and after the passage of this act all United States notes, currency, gold and silver certificates, and national-bank notes shall be full legal tender for all debts and dues, public and private, in the United States, its Territories, and possessions, except debts or contracts existing at the time of the passage of this act, which by their

terms are payable in some other form of money or material, but while in circulation the present money and currency aforesaid, as well as all existing coins, shall not be deprived of its present qualifications, and the outstanding United States notes, currency, gold and silver certificates, and bank notes shall be redeemed on demand in such other form of money as now provided by law; and as soon as practicable after any United States notes, currency, gold and silver certificates, and bank notes come into the possession of the Secretary of the Treasury for redemption the same shall be canceled and destroyed: *Provided*, That when such redemption is of national bank notes the amount canceled shall operate in liquidation of an equal amount of United States bonds securing the same, except that any national bank may, by giving the fiscal department such notice as the said department may require, have the national bank notes redeemed, reissued by complying with the laws as to the maintenance of security, and no such notes, currency, or other certificates shall be reissued except as in this act provided. All existing laws for reissuing or recirculating any such notes, currency, or certificates are hereby repealed. That when gold or silver becomes the property of the United States their legal-tender quality, except as to subsidiary coin required for circulatory purposes for small change, shall cease and the gold be reserved for use in the redemption of outstanding obligations and for use and in aid of interstate exchanges when the Government shall in any way be interested. That the fiscal department may purchase gold from time to time at the marketable value, if necessary, for either of said purposes, and also when, in its judgment, the national debt can thereby be better and the sooner be extinguished, and except as authorized by this act, the United States shall receive gold for coinage only, the purpose being solely to affix the governmental stamp of weight and fineness to such coins, but all coins so made after the passage of this act shall have no legal-tender quality. A charge equal to the cost of coining the same shall be made, which coin shall forthwith be removed by whoever it may have been coined for, and no department of Government shall hereafter give storage facilities to any gold bullion or coins not belonging to the United States and shall issue no more gold or silver certificates.

"SEC. 5. That on and after three years from the passage of this act a storage charge equal to the cost of maintaining the same shall be charged and collected on all gold and silver held against outstanding certificates, it being the ultimate purpose and policy of this act to remove the Government fiat from all metals and reduce metals to their commercial commodity value.

"AID TO THE STATES.

"SEC. 6. That all States of the Union whose laws now or hereafter confer upon them, or their executive or other State functionary, the power to borrow money on the credit of the State or to guarantee the obligations and debts of their counties, towns, boroughs, villages, cities, municipalities, school districts, or political divisions for any just and recognized public use, may apply to the Secretary of the Treasury to secure loans of United States currency for the purpose of defraying the current expenses of the State or any of its political subdivisions aforesaid for which the people of the State or political division aforesaid are taxed. The Secretary of the Treasury shall certify to Congress as often as practical, not less than once annually at the beginning of each session and oftener when practical, an abstract of such applications and the details so far as practicable in regard thereto, to the end that Congress may in its discretion appropriate United States currency in such sums as it deems best for the use of such State or States applying therefor, and to be loaned by the Federal Government to the States only. Before any such loans shall be made the fiscal department shall recommend uniform rules and regulations, so that Congress may not discriminate or allow discriminations by the fiscal department in making such loans, and shall prevent the States, in the use of the funds secured, from allowing any discrimination in the administration of the system. Such proposed rules and regulations shall provide for a uniform expenditure by the States, so that the issue of United States currency and the volume shall conform to the demands of business, public and private, avoiding alike redundancy and insufficiency, and shall provide that no State shall pay out said currency secured from the Federal Government except for the full face value of the same in service to the public for public purposes for which the people are annually taxed, so that the currency may be returned in the payment of such taxes through the usual methods; and before any State shall be extended a loan it shall establish and submit to the fiscal department the rules by which it would be governed in the expenditure, which rules must be satisfactory to the fiscal department. All rules and regulations thus proposed shall be referred to Congress for such action as Congress may adopt.

"SEC. 7. That the charge for loans to the States and the manner of guaranty by the States and the form of guaranty to insure the proper expenditure of the same shall be adopted by the fiscal department and shall in every respect be uniform to the States and subject to review and confirmation by the Senate.

"NATIONAL PUBLIC WORKS AND IMPROVEMENTS.

"SEC. 8. That the fiscal department shall devise a plan whereby Congress may be guided in the enacting of legislation to authorize the fiscal department to establish a system of national public works and improvements adapted at all times to give immediate relief to all congested labor conditions within the territorial jurisdiction of the United States and render available all surplus labor and insure against enforced idleness and the ills incident thereto by means of the inherent powers of the Government to establish justice and promote the general welfare, and shall report such plans and the outlines of a policy to Congress with recommendations.

"AID TO THE AGRICULTURAL AND HORTICULTURAL INTERESTS.

"SEC. 9. That the fiscal department shall proceed with all reasonable expedition to communicate and cooperate with the authorized representatives, organized and unorganized, of the agricultural and horticultural interests of the Nation, with a view to the adoption of a plan and policy of systematizing the production, storage, transportation, and distribution of agricultural and horticultural products, to the end that both the producers and consumers of such products may have complete emancipation from the present extortions of speculators and manipulators in these products and of organized and trustified storage, elevator, and transportation combinations now monopolizing the same and controlling and manipulating the prices of such products both to the producers and consumers, and shall, if practical, propose such an extension and enlargement of the postal savings system and, if need be, increased issue of United States currency in aid thereof as will provide for a system of Government loans to owners and operators of improved agricultural and horticultural lands, upon such terms as will amply insure the repayment of such loans, at a rate of interest not to exceed 4 per cent, payable semiannually. Such interest shall be reduced to a

nominal interest barely sufficient to reimburse the Treasury as soon as the national debt can be extinguished, and such plan shall be reported to Congress with recommendations.

"GOVERNMENT LOANS TO WAGE EARNERS.

"SEC. 10. That the fiscal department shall proceed with all reasonable expedition to communicate and cooperate with the organized and unorganized wage earners to consider and devise a plan and policy for a system of Government loans to wage earners at the lowest rate of interest consistent with the cost and integrity of the service, which loans will enable them to provide homes independent of real-estate speculators with an adjunct and department of wage and salary advances to further protect wage and salary workers from the overcharge made by loan agencies. These plans shall be submitted to Congress with recommendations.

"AID TO MANUFACTURING INDUSTRIES.

"SEC. 11. That the fiscal department shall proceed with all reasonable expedition to an inquiry into the conditions of the manufacturing industries of staple products in the United States and Territories with a view to ascertain the state of such industries and devise plans for the inauguration of a policy to aid and assist such of those manufacturing interests as are not involved in monopolistic combinations, or are able and disposed to extricate themselves from existing monopolies, which plans shall involve a system of Government loans and advances to such manufacturing interests as are able to insure the repayment with the lowest rate of interest consistent with the cost and the integrity of the service, which plans shall also be reported to Congress with recommendations.

"IN GENERAL.

"SEC. 12. That it shall be the duty of the fiscal department to investigate into the financial conditions of all legitimate industry, work, and enterprise of whatsoever character, the pursuits and results of which, under proper conditions, promote the general welfare, and ascertain what plan or plans, if any, can be contrived for their aid by extending Government loans to them or such of them as require aid. The fiscal department shall report to Congress from time to time thereon with recommendations.

"SEC. 13. That the fiscal department in its administration shall take notice of the economic fact that payment by the Government for a service to the Government involves a collection from the people of an equal amount plus the expense of collection, and that the issue of United States currency in payment of Government expenses creates a demand on the part of the people equal to the currency required to be returned to the Government in cancellation of taxes or dues; and further, that economic private enterprise (eliminating speculation) for the production of commodities or the rendering of services for the use of others legitimately involves the return of commodities or services of equal value, whether the same is accomplished by direction or indirection, and that whenever actual commodities or services are not immediately or directly exchanged in a cancellation of the respective obligations, then a credit representative is necessary, and so far as possible, in a practical sense, when applied to the affairs of the people as they exist, the obligations of credit should be liquidated without the burden of a greater charge than is consistent with the cost and integrity of an honest and just system. Therefore in the supply of United States currency, guaranteed by the credit of the people as a medium of exchange, the volume to be placed in circulation should conform to the needs of commerce, avoiding alike both redundancy and insufficiency, and with that as the purpose the fiscal department shall make estimates and report to Congress, for under the Constitution no money shall be drawn from the Treasury but in consequence of appropriations made by law.

"AUTHORIZING NATIONAL BANKS TO BORROW RESERVES.

"SEC. 14. That the national bank act is hereby amended so as to permit national banks to borrow from their own reserves by complying with the provisions of this section. That any national bank having its capital and surplus unimpaired may apply to the fiscal department to borrow from its cash reserves maintained in its own vaults. The bank so applying shall set forth in detailed description the securities it proposes to deposit with the fiscal department for the loan, which securities shall be of the same character as is by law and practice now required or as may be hereafter required for the deposit of Government funds in banks. If in the opinion of the fiscal department the public interests require the extension of any such loan or loans, the same shall be authorized by said department to the extent it deems wise; but before a bank authorized to borrow from its reserves shall be allowed to do so its securities shall be approved and deposited with the fiscal department in such amounts as the fiscal department shall demand, and the bank or banks having complied with all the rules and regulations of the fiscal department, on order from said department, there shall be transmitted from the nearest subtreasury to the bank or banks to which such authority is extended United States currency to the extent of the amount authorized to be borrowed from the reserves, and the bank shall specifically retain the United States currency thus received in its vaults, and then may loan or pay to its depositors or pay its other obligations from its other cash reserves held in its vaults to the extent authorized, and shall substitute the United States currency thus paid out to be kept as reserves and for the benefit of the bank's creditors to the extent of the actual amount of the reserves that have been borrowed and paid out by the bank, as herein authorized. Any bank thus borrowing shall pay interest to the fiscal department on the amount of United States currency loaned to it under the provisions of this section at a rate which shall not be in excess of 4 per cent per annum for the first three months, which rate shall be increased thereafter monthly at the rate of 1 per cent per annum for each additional month until paid, but subject to the fiscal department requiring the payment when in its opinion the public interests require it. For the special purpose of carrying out the provisions of this section and the following section there is hereby appropriated, in addition to all other sums appropriated by this act, the sum of \$1,500,000,000 of United States currency, authorized by this act to be specifically retained by the fiscal department for said purpose, and to be specifically retained by the fiscal department for said purpose, and to be printed and engraved in advance in such amounts only as are necessary to insure a sufficiency immediately when required.

"STATE BANKS.

"SEC. 15. That from and after the passage of this act any bank or banking association or trust company organized or incorporated by special law of any State, or organized under the general laws of any State, or of the United States, and whose capital and surplus is unimpaired, may make application to the fiscal department for the right

to borrow from its cash reserves maintained in its own vaults on complying with this act and the rules and regulations of the fiscal department: *Provided*, That the same shall be consistent with the laws of the State under which such bank or trust company is organized: *And provided further*, That a majority of the stockholders in the bank or trust company of such applicants shall sign in writing their consent with the fiscal department to bring the banks so applying within the laws, rules, and regulations that govern national banks in securing such loans, except that no bank shall be refused the privileges and advantages in regard to such loans on account of the amount of its capital and surplus so long as the same remains unimpaired. All such banks having complied with the provisions named shall be entitled to like privileges accorded to national banks.

"The substance of what I offer in amendment above is embodied in a bill that I introduced August 8, 1913. Sections 14 and 15 provide for an emergency currency that would absolutely relieve the banks of difficulty to furnish funds to move the crops, and would save the Nation from the burden of establishing another retinue of officials for 12 or more central banks, such as the Glass bill provides. With these amendments that I offer enacted into law, the many economic evils now existing in our social conditions would directly cease. Furthermore, the bankers would then be instrumental in carrying out the great reform. Once their exclusive privilege and monopoly is taken from them, we shall have the benefit without the burden of their practical dealings.

"The bill that I have offered as a substitute for the Glass bill has all the elements of a complete system, and would reach its perfection through the work of the board of the fiscal department, which board would give all its time to that purpose. It would not discard the present system, but would require it to stand on its own merits. If the old system would respond to the demands of freedom in trade, that system would continue in use, but if it failed, the new system would respond. The issue of currency would be scientifically regulated to meet the demands of trade. It would be controlled by the Government instead of by the banks. While this is not a party question, the following plank in the Progressive Party platform states the correct principle:

"The issue of currency is fundamentally a Government function and the system should have as basic principles soundness and elasticity. The control should be lodged with the Government and should be protected from the domination or manipulation by Wall Street or any special interest.

"GOLD STANDARD RESPONSIBLE FOR MANY OF THE SOCIAL EVILS.

"It will be objected to my bill that it discredits the gold standard. It is difficult to remove a prejudice such as that existing in favor of the gold standard.

"On March 14, 1910, after an adroit campaign carried on by the special interests covering a considerable period, Congress passed an act which called for the permanent establishment of the so-called 'gold basis' for all of our money. Since then there have been new inventions made for mining gold which make the available amount more plentiful, with the result that the 'gold basis' is puzzling the Money Trust. But there is a still further complication, and that is that the people are becoming familiar with the fallacy of the 'gold standard' and they are becoming dissatisfied in proportion to their understanding of its bad effects.

"The dollar is worth less now than it was in 1900; that is, it will buy less. That fact, particularly, does not satisfy the creditor class. They have had enormous interest returns, but they have lost a part of that advantage because of the depreciation of the purchasing power of the dollar. To a greater or less extent all of the people are dissatisfied with it, many for selfish reasons, and they only desire a remedy to be adopted which will help them alone, but there are fewer of these than there are of those who seek a reform which will better the conditions of all.

"We have seen many comments in the press lately in regard to a plan devised by Prof. Irving Fisher, of Yale University. Mr. Fisher is no doubt an honest and earnest worker who is trying to reform the gold standard. He has arrived at the inevitable conclusion that every capable student must finally adopt, and that is that the present gold standard is not the standard by which we can secure honest money.

"Prof. Fisher has given a most thorough analysis of the production and supply of gold and shown quite extensively the effect of its present use as a money standard upon the prices of commodities. I have given below a synopsis of his plan as stated in the Boston News Bureau of December 28, 1912. It is as follows:

"Prof. Fisher is one of the most distinguished economists in this country, if not in the world. He is eminently practical and not merely theoretical in all his work and writing.

"All who have to do with long-time contracts recognize the desirability of a monetary unit of fixed purchasing power.

"The following is Prof. Fisher's plan for converting the gold dollar into such a composite unit, thus standardizing the dollar. Such standardization would be effected by increasing or decreasing the weight of

gold bullion constituting the ultimate dollar in such a way that the dollar shall always buy the same average composite of other things.

"Every dollar in circulation derives practically its value or purchasing power from the gold bullion with which it is interconvertible. Every dollar is now interconvertible with 25.8 grains of gold bullion (nine-tenths fine), and is therefore worth whatever this amount of bullion is worth.

"The very principle of interconvertibility with gold bullion which we now employ could be used to maintain the proposed standardized dollar. The Government would buy and sell gold bullion just as it does at present, but not at an artificially and immutably fixed price.

"At present the gold miner sells his gold to the mint, receiving \$1 in (say) gold certificates for each 25.8 grains of gold, while on the other hand the jeweler or exporter buys gold of the Government, paying \$1 of certificates for every 25.8 grains of gold. By thus standing ready to either buy or sell gold on these terms (\$1 for 25.8 grains), the Government maintains exact parity of value between the dollar and the 25.8 grains of gold. Thus the 25.8 grains of gold bullion is the virtual dollar.

"The same mechanism could evidently be employed to keep the dollar equivalent to more or less than 25.8 grains of gold, as decided upon from time to time.

"The change in the virtual dollar (bullion weight of gold interconvertible with the dollar) would be made periodically, or once a month, not by guesswork or at anybody's discretion, but according to an exact criterion. This exact criterion is found in the now familiar 'index number,' which tells us whether the general level of price is, at any time, higher or lower than it was. Thus, if in any month the index number was 1 per cent above par, the virtual dollar would be increased 1 per cent. Thus the dollar would be 'compensated' for the loss in the purchasing power of each grain of gold by increasing the number of grains which virtually make the dollar.

"Prof. Fisher has performed a great service to his country and to the world by discrediting the gold standard so convincingly. When a man of his prominence and ability has the courage to state his beliefs, the more timid of those holding like views, of which there are many, ought to take an active part in supporting the indictment of the gold standard.

"While the professor has clearly indicted the gold standard and conclusively shown that it is a false one, I do not agree with the remedy that he proposes. Instead of proposing to abandon gold as a standard and relegating it to its natural place among the articles of commerce, he advocates its reform and would still retain it as a standard by making the weight of the dollar variable and determining its value from time to time according to a commodities index. The professor is surely correct in his assumption that commodities have actual value worth considering in connection with the establishment of a true exchange system based upon the actual value of services and commodities. It is to be regretted that Prof. Fisher has complicated the conclusions he arrives at by continuing to consider the gold standard entitled to any greater recognition than is accredited to commodities in general. After proving its falsity he should have suggested the abandonment of the gold standard.

"If we were compelled to change the weight of the dollar monthly, quarterly, or even annually, as we would have to do with a commodity dollar, if we tried to keep it of the same purchasing power all of the time, it would give us more trouble than we now have in changing the tariff schedules; but while Prof. Fisher has performed a world service in being instrumental in giving general publicity to the falsity of the gold standard, that publicity is pushed by the influence of selfish interests, because they are pleased with the remedy he proposes. If he had not proposed to standardize the gold dollar, his proof that it is not an honest measure of value would have received no publicity greater than he himself and his friends and a few others could give to it. It would have been ridiculed if he had not proposed a remedy that suited the interests, for the money sharks demand some measure that is favorable to them and not fair to the people. They have always sought to make the world believe the gold standard to be sacred and, therefore, that the people were bound to support it, no matter how much it wronged them. These selfish interests have simply seized on this proposed remedy, which I believe Prof. Fisher to have erroneously suggested without his having given as much thought to the remedy as he had to the facts which conclusively prove gold to be a false money standard.

"It may seem strange to some people that this remedy suggested by Prof. Fisher should be advertised all over the world now, but there is nothing strange about it, for the all-powerful Money Trust interests are quick to observe anything that might be made use of by them, and immediately upon its appearance they seized upon the idea of standardizing the gold dollar and were instrumental in having the plan advertised in order, if possible, to induce the people to accept it as a remedy.

"It may not be generally realized by the people that this is a critical period in the establishment of governmental policies, but the interests are especially alert to that fact. Everything is being done to make the people accept some worthless makeshift, and in some cases actually harmful, so-called 'remedies,' which, if accepted, will delay the adoption of real substantial remedies

until another generation shall enter public life. It is because of that fact that I fear the Glass bill may delay a true remedy. Simultaneously, in all countries where they have the gold standard—and that is in most countries, and in the others equally unjust standards are used—articles were published which were substantially the same in substance as the following, which was published in a Washington paper on April 12, 1913:

"TO ASK INTERNATIONAL GOLD-DOLLAR AGREEMENT.

"One of the features of the proposed currency legislation which will be considered by Congress is the initiation of a movement for an international agreement for the purpose of preventing the depreciation of the gold dollar.

"Such action has been suggested by eminent economists. It is widely held that the enormous increase in gold supply and the consequent depreciation of the gold dollar is the real cause of the high cost of living and high prices.

"Democratic leaders, especially Senator OWEN, chairman of Banking and Currency, feel that if the cost of living is to be reduced the gold situation must be taken into account.

"Not all of the articles appearing in the press directly discuss the gold standard, but many of them are adroitly written in order to impress the reader and prepare him to receive the information that the gold dollar is not now a good standard, but further designed to make the reader come to a wrong conclusion on the question of a remedy. When the first half of an argument is true, unless the reader is very careful it goes far toward making him believe that the second half is also true, and that is frequently the case even when the conclusions are wholly erroneous, as long as the material is adroitly handled. That is where the danger comes in the discussion of the gold standard from the side of the special interests alone. Innumerable articles are now published, in fact the plan is systematically advertised for that very purpose. But there are other articles which are written and published in good faith, and in these there is no intention to deceive. An article was published in Collier's Weekly, also on the date of April 12, 1913, which I quote:

"THE DISCOURAGEMENT OF THRIFT.

"The people of the United States have now saved up well over a hundred billions, as measured by current money standards. The aggregate is amazing, and, while the amount per capita is not large, nothing like it was ever known before in any country. This saving takes on many forms—the largest, of course, being in the rearing of children, which shows itself in the steady increase in the value of land. The next is ownership of enormous amounts of securities of railway and industrial companies and the like. Then probably comes life insurance. The savings in banks are relatively small. The increment in land values goes to much less than one-half of the population, even in theory, and a comparatively small number of people get the benefit which is made up of the efforts of all. The larger amount of the securities outstanding represents a more or less fixed value. The eighteen billions of insurance in force is of absolutely fixed value. While these securities and insurance obligations were being created the relative worth of the dollar has been rapidly declining. The forehanded folk who saved and loaned this money get for it an average return of less than 5 per cent, and if they received back the principal now it would buy of land or food one-third less than 12 or 15 years ago. This is a savage penalizing of thrift. We believe that events will soon focus public attention upon this serious problem. The procedure of the insurance companies, which in part is enforced by law, is of special interest. The companies collect above \$600,000,000 annually from policyholders, and from this loan largely on long-time notes. They act simply as money brokers, but with this effect, that with the rapid depreciation of the currency in the last 15 years, they are now returning to their policyholders, on death claims or matured policies, relatively far less than the average amount of money which the policyholders have paid in. Roughly speaking, the policyholder has been paying in \$1 bills; he will get back 66-cent pieces. Theoretically, the compounding of the interest on premiums ought to pay the companies' expenses and yield the policyholders a profit on the average payment. In point of fact, with the extravagance of the companies and the decline in the purchasing power of the dollar, there is a serious loss. This is not as it should be. A remedy might lie in a radical change of investment. A larger part of the insurance money is loaned directly or indirectly on land. Actual ownership of the land ought to be as safe as loans, and, if gold inflation is to continue, more profitable. It is something to think about.

"Surely Collier's states the truth when it says that it is something to think about. We have indeed been buncoed long enough—so long that we ought to think about it seriously. It is up to Congress right now.

"I believe that the remedy is necessarily twofold: First, and concurrent with the establishment of a new system, the old system should be so amended that some of its most serious administrative defects would be diminished. It should then serve as a vehicle for carrying out the equitable relations and obligations already existing as a result of the legitimate business based upon it.

"Second, an entirely new system should be instituted, which would be founded upon the natural demands of commerce and trade and divorced from personal favor or property preference. This new system should be the basis for the establishment of a permanently solid and equitable means of exchange.

"In order to completely accomplish the latter we will have to cease monetizing gold. But that prohibition would not prevent, nor should we desire to prevent, the use of gold as a means of exchange. The Government, on being paid the cost of stamp-

ing, may properly stamp the weight and quality on any commodity of commerce and let it pass in exchange on a basis of its own intrinsic value. Anyone who demands more than that privilege for the use of a metal or other commodity is intentionally unfair to the rest of us, or ignorant. In most cases it is because the persons accept seeming facts without actually understanding the conditions which surround them. If the owner of gold, silver, or other commodity desires to pay the Government the expense of the operation, there need be no objection. To so stamp gold and make it legal tender is simply to decrease the value of our labor, and of our property—if we have any—unless we also possess gold enough to offset, which most of us do not.

"The owners of gold claim that it has an intrinsic value which makes it the most practicable commodity to use as money. Because of its small bulk it is a convenient commodity to ship and store. But it can be used as a means of exchange without making it legal tender. The Government could still stamp its weight and fineness, and then it could be exchanged in the same way that it now is if it really is intrinsically worth what they say. If it is not, then it should be exchanged for only what it is worth. When the owners of gold ask anything more, they, in effect, admit that it becomes more valuable with the legal-tender privilege than without. They would not demand it if that were not true. It can not be made legal tender except by governmental act. A governmental act is the act of the people, and there is no reason why the people should stamp gold or any other commodity that belongs to individuals with a special privilege. This results in a tax against themselves. Let gold be weighed and tested and given credit only for what it is. Existing coins will retain their legal tender while in circulation, but when the Government acquires any such, their legal-tender character should be removed, and after that bullion should be stamped with its weight and quality and should become an article of commerce standing on its own merits.

"If the owners of gold are correct in their statement that gold circulates on its intrinsic value, instead of partly on that and partly on the additional value it acquires by reason of the demand created by the legal-tender stamp, it is useless for them to ask that it be made legal tender, and if gold is not commercially worth what it circulates for as legal tender, then the owners are unjust in asking the public to support the value added to gold by the Government stamp. Let them take whichever side of the proposition they wish. In the one case the legal-tender quality would be useless. In the other it would be a burden placed upon the public and supported for the benefit of the owners of gold.

"To cease monetizing gold or metal is to drop a practice long indulged in for the benefit of the money lenders. The people have become accustomed to paying them for the credit supported by themselves. I can not say that it can be entirely stopped. There are many practices that injure the people generally, but are nevertheless followed. I simply call attention to certain facts that can not be successfully disputed. I know, and so does any careful student know, whether he admits it or not, that the fact that the Government stamps legal-tender privileges on gold creates an increased and artificial demand for it, and consequently a merchantable value that is very much in excess of what it would be if the gold did not have impressed upon it this legal-tender privilege. It now partakes of the character of monopoly. Every additional cent of credit given to it above intrinsic worth as an article of commerce, by reason of the Government's stamping it legal tender, is first extorted from the people's own credit, next accumulated in the form of so-called 'capital,' and after that becomes the basis for charging them compound interest for generations—perpetually—if they shall not emancipate themselves by an abandonment of this false practice. As far as the principle is concerned, there is no difference between the Government stamping gold as legal tender and giving the owner the advantage of its increased value, and the same stamping process being applied to plain paper.

"Under the present practice all value in excess of what gold is actually worth as an ordinary article of commerce is fiat credit added to it by the people. If the same stamp were affixed to paper, it would all be fiat. It is simply a question of degree, and neither can be extended to the individual as a free privilege without robbing the people of all that is added by their credit.

"The whole problem simply reduces itself to a question of how long will the people submit to remaining industrial slaves to the system. The gold owners ridicule fiat greenbackers, yet they themselves are fiatists. If they are not, why do they object to gold circulating on its own commercial merits? Why do they wish to coin it with any other designation than its weight and fineness and why force the people to take it as

legal tender? They are inconsistent in claiming a special privilege for gold. If gold is worth all they claim for it, it needs no extra function. If, on the other hand, it is not able to retain its present relative value without being legal tender, then that is positive proof that it should not be made legal tender. In the one case it is unnecessary; in the other case it is unjust. The Government will have to cease monetizing gold or any other metal as soon as the people generally realize its present imposition on them.

"You may say that some losses would be suffered in a readjustment. That will, of course, be admitted, but the losses would not begin to equal those that are continually taking place now. The excessive interest and expense of maintenance resulting from the use of the false system under which we operate is so great that, notwithstanding all of the modern inventions that have immensely increased the people's productive energy, most of us fail to secure the ordinary advantages that are due from this civilization to every honest, industrious person. The interest, dividend, and rent charges alone, compounded as they are now, are absolutely sure to keep the greatest number of people in want and many in misery.

"I do not say demonetize gold. I simply say cease to monetize it. Coin no more metal with the legal-tender character attached except that required for small change. Our gold will circulate in foreign markets on its weight and quality equally well without the legal-tender privilege as long as foreigners will use it for their legal tender. Gold will do that as an article of commerce, and foreign nations may convert it into their own legal tender if they like, but any nation that uses gold as legal tender after a great Nation like our own ceases to do so will be adding additional burdens to the present burdens of its people. Whatever gold we have in excess of what we need for the sciences and arts we can dispose of for such articles of commerce as we actually require, and it will be that much to our advantage as against the present practice of hoarding it. We have more gold than any other nation, and if we cease to monetize it the other nations will soon do the same. The common intelligence of the people generally has reached a point where they ought to take the lead in forwarding a plan which will prove the use of any commodity as legal tender to be a fallacy and result in the eventual discontinuance of such a practice. America should lead in doing this.

"Let us consider in concrete form the effect that the money loaners' dollars (which, by the way, are the dollars that we use) have on the cost of things—and when I say cost I mean the expenditure in human toil necessary to acquire the necessities, conveniences, advantages, and luxuries appropriate to human life. I shall not burden anyone with detailed figures, because a mere statement will satisfy those who are sufficiently interested to study the present practices in the light of their own observation and experience. I have examined the table of prices of various staple articles for a period covering 45 years and have come to the conclusion that the money loaners' dollar is not a measure fitted to the requirements of a people desiring equitable relations with each other. It is simply a gambling dollar, and prices are regulated by a manipulation of it instead of by the intrinsic value the commodities possess as articles of necessity. The people who are engaged in useful occupations producing commodities or serving other demands of society are prevented from making the natural interchange of their products and services, because of the injection into their commerce of a fake currency and banking system, by the use of which speculators and financiers, so called, are able to pillage on all the exchanges. The system built up by these pillagers is an unnatural and unjust one.

"It often happens that the aggregate value in money of a large quantity of a useful commodity will command less in one year than that which a smaller quantity brought in another year. Who, for instance, will claim that 3,000,000,000 bushels of wheat (supposing that to be the world's crop) is worth less in the aggregate for food and seed than 2,700,000,000 bushels, other things being equal, except money, which seldom is? No one claims that 3,000,000,000 bushels of wheat are actually worth less than 2,700,000,000. It is a fact, however, that the lesser quantity will often sell for as much, and sometimes more, than the larger quantity. A difference of 10 cents a bushel will accomplish that result, if the 3,000,000,000 sold for 90 cents and the 2,700,000,000 sold for \$1. Illustrative of that fact, let me quote the following from the Saturday Evening Post of March 15, 1913:

"THE VICIOUS CIRCLE.

"We harvested bumper crops last year, you remember. May wheat at Chicago is worth 10 cents a bushel less than a year ago; corn and oats about 15 cents less. Yet commodity prices, as a whole, have declined scarcely at all. The index number, which compounds the price of many leading articles, is almost as high as ever, which means the cost of living is still about at the top notch.

"The bumper crops stimulated trade in many lines, and that usually brings higher prices; while wheat went down, iron and steel products went up. What you saved on flour you lost on the pan to bake it in. And Wall Street echoes with complaints that investors, spurred on by higher cost of living, are demanding more interest, thereby raising the cost of manufacturing and transportation. This higher cost must be offset by higher prices, to overcome which investors must demand still more interest.

"Meanwhile labor, so to speak, chases its own tail, demanding higher wages, which result in higher prices that consume the increased wages—which naturally induces a demand for still higher wages that result in still higher prices.

"Every farmer knows that a difference of 10 cents a bushel between the price a commodity brings in one year and the price it brings a different year is not uncommon, but the railways charge full price for shipping every bushel, and the larger the crop the more they get, while the farmer must handle the additional wheat and get less for it. A farmer having the equivalent of 300 bushels of wheat to sell in a year when crops are generally abundant expects to receive a little less per bushel than he would receive per bushel for 270 bushels in a year when crops were not abundant, but he does not expect to give away the 30 bushels difference because he has more wheat than the year before. If that were to be the result, it would pay him, from his own individual financial standpoint, to burn up a part of his crop when it was abundant. In fact, the cotton farmers of the South started to do that a few years ago when there was a large crop and the price was very low. If the credit of the people had been coined into their own money instead of into the money loaner's money, no thought of so destructive a nature would ever have occurred to the cotton growers or to any other producer of commodities.

"There should be no legal tender other than that issued by the Government, and no individual ought to be able to obtain it without giving its equivalent in return. If such were the case the problem of interest (as a disturbing factor) would cease, and a new era would dawn upon the world. The present difficult problems created by our arbitrary and ridiculous banking and currency system would then give place to natural selection. I use the term "natural selection" in its scientific sense, because we can not run the Government in the interest of the people unless we follow the supreme laws that will unquestionably govern in the end. When we do there will be no choking up of the system by the arbitrary acts of the financial kings, for they are but a product of the arbitrary and unnatural practices that the people have fallen into the habit of using as a means of conducting their business; nor will the majority of men be paying penalties in the form of overwork, worry, and discouragement.

"The bankers have a true system of clearing exchanges. As an example of that, I call attention to the fact that in 1911 there was cleared through the 140 clearing-house associations \$92,420,120.092. Their scheme is a good one for taking care of the exchanges of the country, and it helps the country as long as we have not a better one. By its use only \$47.80 of actual cash was required in order to handle each \$1,000,000 (of checks on the banks) that passes through the clearing houses. But unfortunately for us, the fees the bankers charge for putting our own credit on their books, before we are even enabled to draw checks, is so great that the people generally are overburdened by reason of it.

"Of course these exchanges should go on wherever they serve the general welfare, and since we ourselves have not provided a better method we are under obligations to the bankers for having honored and made current and merchantable our own credit. But since these exchanges relate to our business and are used directly by most of us at some time, and indirectly by all of us all of the time, we should establish a system that will give us the least costly service. The main thing for us to do is to eliminate most of the interest charges and make it practicable for the human family to thrive by industry by having industry available to all people who wish to be and are industrious. That does not mean that the banks should be superseded by new exchange agents, but it does mean that the banks should be required to adjust to a new system that will cost the people less. It means also that there would be fewer banks, because under any economic system of exchange there would be no more necessity for several banks in cities of less than ten or twenty thousand people than there would be a need for several post offices in towns of that size.

"Let us take up the discussion from still another viewpoint in order that no one shall possibly misunderstand. Money as such is not a thing of prime necessity. It is merely a convenience which enables us to make such exchanges as we may wish without the cumbersome handling of property.

"The banks have taught us to use checks instead of the actual money, and it is true that they cash these, but, as we observed before, we can not draw checks until we have arranged

with our banker, and in order to make that arrangement, unless we have the real money, we must pay him interest at a rate that makes the greatest number of men poor and a few enormously rich. The fact that the bankers can make exchanges that represent hundreds of billions of dollars annually, when, as a matter of fact, there never was at any one time as much as \$1,700,000,000 in all of the banks combined, and of the money they do actually hold, which is approximately \$1,500,000,000, two-thirds or more is lying dead in their vaults as reserves and is never used.

"We are under obligations to the banks for teaching us this economy in the use of money and credit. But, after all, as we observed before, the credit is supported and maintained by the resources of the people and the daily application of their energy. The banks have simply filled the office of making it current and merchantable. We do not owe that tribute to the bankers, and, thanking them for the good that they have done, but for which they have been overpaid, we are now prepared as a people in our national capacity to pass the necessary laws and to perform the governmental function laid down by the Constitution, 'To coin money and regulate the value thereof' (and 'of foreign coin' when used in our country) in behalf of all the people of these United States. We should profit by the example of the banks in copying somewhat after some parts of the system they have used for making exchanges, but as a Government we ought to furnish the advantage to all of the people on equality and with the least expense practicable. The Government can do what the banks are doing and save to the people as much as the banks make in excessive dividends, besides the still greater profits that are made on speculation on the side.

"The Government shall 'coin money and regulate the value thereof.' That is the constitutional provision. The great special interests have been sticklers for following the Constitution whenever it has blocked the way to the people's progress if that might in any way interfere with the practice of the interests, but whenever the special interests find it to their advantage to follow any practice profitable to them, the fact that such practice may be in contravention of the Constitution and the laws does not in the least embarrass or hinder them, as long as the people do not invoke the law. When the people do, every possible dilatory tactic is resorted to by the interests to delay compliance. The consequence has been that the Constitution has often been used as an instrument to prevent the people from enforcing their rights.

"'Sound money' will be the song that will be sung to you by every advocate of the special interests. I have shown, and they have already stated and proved, that what they have in the past called 'sound money' is not 'sound.' By doing that they aid me. By that admission they disclose the fact, and it is a fact, that they have defrauded all of the people by their so-called 'sound money.' Their kind of sound money has enabled them to become wealthy and independent, but it has prevented the people generally from doing what they have a right to do, and should have done, namely, retained the fruits of their own labor.

"The kind of exchange that we should use is the kind that anybody who has value to give can get without paying usury. That kind will be the sound money of the people—the honest money. Those who wish gold may have it—there will be nothing to prevent their buying it. We, the people, on their presenting it, will stamp its weight and fineness for anyone who will pay the cost of doing so. We will do that to insure to the people who wish the gold the amount the Government stamp certifies that there is in any given piece of metal. That is honest, and to do anything more is dishonest to the people, but the Government could not say that it was legal tender and thereby give it a special quality that it did not possess in itself. We can do the same with any commodity that it is practicable to use as a thing of exchange. The demand for commodities of all kinds will be in proportion to the service they may render to the people, and no one should complain when absolute justice is to be done. As a consequence the Government would create no more 'commodity' money either for itself or for the people, because it would not only be unjust to do so but unnecessary and ridiculous. When anyone wishes commodities let them buy them as such.

"Everybody knows that we must have money, and now the question arises as to what kind it shall be. 'Honest money,' of course, instead of what we have now and are told is 'sound money,' whereas in truth it is the opposite of 'honest money,' and should have been named accordingly. We want a kind of money the buying and selling properties of which remain respectively constant. In other words, we want a kind of money that will buy the exact equivalent of what it cost us to get it. We want the kind of money that serves the same office among

the people in their commercial and social relations with each other as the drafts and checks serve in the business transactions entered into by the bankers. We do not intend that the bankers shall have a better system for themselves than we have for ourselves. We expect to pay those whose duty it will be to help make the exchanges. The bankers will be able to give as effective and valuable service in this other up-to-date system as they have given us heretofore, but the past service has been altogether too expensive and therefore not sufficiently effective. We have no prejudice to vent upon the bankers. As the system stands they serve the people, generally, the best they can. There are always, of course, a few isolated exceptions. But the time for us to do for ourselves what the bankers are doing for themselves is here and now, and we should hasten to adopt a system of exchange under which it will cost the people no more to make their commercial exchanges between each other than it costs the banks to make exchanges between the bankers and their cash customers. It is just as simple for us as it is for them, and we have the indisputable right. We owe it to ourselves, to our children, and to all posterity to have an efficient, self-sustaining, and effective system.

"The people are the Government. Therefore the Government should, as the Constitution provides, regulate the value of money. There is no other real sovereign power, because all authority emanates from the people. Money is the means of exchange among all people. Its regulation is absolutely a governmental function, and the Government has no natural inherent power that enables it to impart to money any other property or quality than that of making it the agent of exchange.

"Congress is not justified in passing an act that does not do complete justice to all. Merely to improve a false old system, but still leave it in operation, to continually force a sacrifice of the people's very life energies, is criminal. The Glass bill is a living picture of the deplorable effects of the treasonable caucus system and the gag rules by means of which a few leaders control legislation. As a result the outrageous policy of extorting usury from the people to pay monopoly is to be continued. It is not conceivable that the Members of this House, if freed from the caucus gag, would stand for the Glass bill to continue a false system simply by providing 12 new houses for it to operate in. By the failure of Congress to enact a proper bill an overwhelming majority of the people will still be compelled to work too many hours per day, receive too small pay for what they do, and pay too much for what they buy, and therefore have but few of the advantages that the present-day civilization owes to them. And all this is done for the purpose of allowing those who control the material productions of the people, and the credit supported by the people, to charge them excessive interest, rents, and dividends, which when compounded by the usages of business, impoverish the people generally. Do the Members of this House expect that such a system can stand in the face of the growing intelligence of a nation of self-respecting people? The Members who have, by the caucus and the rules that gag, prevented the presentation to the House of a bill in every respect true to the people, on which a record vote of the Members unfettered would force adoption, will have to answer. The people will reply with the truth when they learn what Congress has done. This monetary legislation is a test to divide those who favor from those who do not favor measures suited for the general welfare, but unfortunately many a Member will be able to hide behind the curtain cast around him by the secrecy of the caucus.

"C. A. LINDBERGH.

"NOTE.—At the last meeting of the committee my objections as to the amount of reserves required were met by amendments. Therefore my objections as to the reserve requirements are removed.

"C. A. LINDBERGH."

Mr. STONE. Mr. Chairman, I yield 30 minutes to the gentleman from Indiana [Mr. ADAIR].

The CHAIRMAN. The gentleman from Indiana [Mr. ADAIR] is recognized for 30 minutes.

Mr. CLARK of Florida. Mr. Chairman, will the gentleman from Indiana yield to me before he proceeds?

Mr. ADAIR. Yes; I will yield to the gentleman from Florida.

Mr. CLARK of Florida. Mr. Chairman, on the 25th day of July, 1913, I introduced in this House a resolution known as House concurrent resolution No. 14. I desire at this time to briefly address the House on that resolution. Briefly stated, it is a resolution reaffirming what has commonly come to be known as the Monroe doctrine; and in considering present conditions it has occurred to me that the American Congress, and, indeed,

the American people at large, may well afford to spend a little time in reflection upon what we call the Monroe doctrine.

Mr. Chairman, in my humble judgment the greatest danger confronting the people of the United States to-day is their proneness to depart from the teachings of the "Fathers of the Republic." So long as we adhere to the teachings of those who planted the standard of human freedom in the Western Hemisphere so long are we safe, but the very moment we depart from our ancient moorings, that moment the ship of state is encompassed by dangers which threaten the very existence of liberty among men. We have weathered many storms since first we set sail upon the sea of nations, but, sir, it occurs to me that we are now facing the most crucial test of our national existence. An irreconcilable contest is brewing. Look at it as we may, try to deceive ourselves as we please, the conflict, the inevitable conflict between the races of the earth, is not far distant.

It has been the policy of the United States ever since the birth of the Republic not to interfere with the affairs of the nations beyond the seas. We have simply desired to be let alone, but have always insisted that European nations should not interfere in the affairs of any of the people on this Western Hemisphere. This position has been recognized and respected by the nations of the earth as fair and just until a recent date, when some of the peoples of the Orient, while not openly objecting thereto, have shown by their every act that they did not propose to be controlled by it in future. The time has come, in my humble judgment, when this great Republic should put the world on notice of just where we stand and what we propose to stand upon and contend for.

In order, Mr. Chairman, that we may know just where we are among the nations of the earth and for what we shall contend I have introduced the resolution under discussion, reaffirming the Monroe doctrine; and in order that we may fully understand what this action commits us to it is not out of place to analyze the Monroe doctrine in its every essential element.

I shall not at this time go into a minute investigation of the conditions surrounding us when President Monroe sent his famous message to Congress, in which was embodied what we know as the Monroe doctrine. The gist of this doctrine, or policy, was contained in the farewell address of George Washington, when he advised that we extend our commercial relations but enter into no political alliance with any European country.

On the 2d day of December, 1823, James Monroe, then President of the United States, sent his annual message to the Congress, and, among other things, said:

In the wars of the European powers in matters relating to themselves we have never taken any part, nor does it comport with our policy so to do. It is only when our rights are invaded or seriously menaced that we resent injuries or make preparation for our defense. With the movements in this hemisphere we are, of necessity, more immediately connected, and by causes which must be obvious to all enlightened and impartial observers. The political system of the allied powers is essentially different in this respect from that of America. This difference proceeds from that which exists in their respective governments; and to the defense of our own, which has been achieved by the loss of so much blood and treasure, and matured by the wisdom of their most enlightened citizens, and under which we have enjoyed unexampled felicity, this whole Nation is devoted. We owe it, therefore, to candor and to the amicable relations existing between the United States and those powers to declare that we should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety. With the existing colonies or dependencies of any European power we have not interfered and shall not interfere. But with the governments who have declared their independence and maintained it, and whose independence we have, on great consideration and on just principles acknowledged, we could not view any interposition for the purpose of oppressing them or controlling in any other manner their destiny by any European power in any other light than as the manifestation of an unfriendly disposition toward the United States.

Mr. Chairman, this, in brief, is the Monroe doctrine, and when reduced to its last analysis it simply means that the United States of America, the great Republic of the Western Hemisphere, while not interfering in the slightest degree with the politics of the Old World, is irrevocably committed to certain policies, viz:

First. That the rights of European or other nations existing on December 2, 1823, shall be fully respected.

Second. That no European or other nation shall, subsequent to December 2, 1823, acquire territory in this Western Hemisphere.

Third. That no European or other nation shall extend its holdings in this Western Hemisphere subsequent to December 2, 1823.

Fourth. That no European or other nation shall, for the purpose of oppressing or directing the affairs of any American Government, interfere in its internal affairs.

Fifth. That no European or other nation shall colonize or in any manner extend its system of government in this Western Hemisphere.

Mr. Chairman, I am not of that class who affect to believe that the Monroe doctrine is an "obsolete shibboleth." I am not of that class who are constantly proclaiming their allegiance to the doctrine of the "universal brotherhood of man." God Almighty, for some reason of His own, has separated the races of the earth by a deep and impassable gulf, and it does not lie within the power of a few misguided alleged humanitarians to bridge this gulf. Just so surely as I believe in the existence of God, just so surely do I believe that He has decreed that the Caucasian is the highest type of being in all the realm of creation. These United States have been established by the Caucasian race, and in the providence of God this is, and must forever remain, a white man's country.

But the conflict between the races is impending. Shall we supinely rest in our fancied security, or shall we, true to the traditions of the fathers, rise to the occasion, and by reaffirming the Monroe doctrine let the nations of the earth know just where we stand?

The Monroe doctrine is the American doctrine—it is the foundation stone of real republican government; it is the answer which freedom makes to tyranny; it is the protest of a free people to monarchy; and it is the solemn declaration that the white race shall control this Western Hemisphere.

I take it, sir, that no man will at this day question the fact that what we know as the Monroe doctrine is embedded in our institutions as a settled policy of the Republic. Indeed, by its long and uninterrupted application in our intercourse with foreign nations, it has in fact become a fixed principle in international law. But there is some difference of opinion even among our own people as to its full meaning.

If any European nation should undertake by force of arms to take possession of any territory of this hemisphere and establish a government there, I think there is no man who would not consider this act in contravention of the Monroe doctrine, and therefore an act of unfriendliness toward the United States.

If any European or other government should by any means acquire territory in this hemisphere, or should extend by any means its holdings, or interfere in the affairs of any American Government with the intent of oppressing or directing the affairs of such Government, I think none will be found who will not agree that any such acts contravene the doctrine laid down by President Monroe. I have no doubt, Mr. Chairman, that all well-informed persons will agree that the Monroe doctrine covers all of these acts which I have mentioned. We now come to the point about which there does exist some diversity of opinion. I refer to the question of colonization. In order that we may make no mistake I desire to quote the exact words used by President Monroe in his famous message to Congress wherein was enunciated the policy now known as the Monroe doctrine. On the subject of colonization Mr. Monroe used this language:

With the existing colonies or dependencies of any European power we have not interfered and shall not interfere; but with the Governments who have declared their independence and maintained it, and whose independence we have on great consideration and on just principles acknowledged, we could not view any interposition for the purpose of oppressing them or controlling in any other manner their destiny by any European power in any other light than as the manifestation of an unfriendly disposition toward the United States.

Ninety years ago this language was uttered by James Monroe, then President of the United States, in his annual message to Congress. While the Congress has never by formal action or legislative enactment declared the policy proclaimed by President Monroe as the law of the land, yet its repeated indorsement by succeeding Presidents, the acquiescence therein by practically every succeeding Congress, and its general acceptance by the people of this Republic, as well as its universal acknowledgment by the nations of the earth, have served to give to it the force and effect of law.

Some contend, Mr. Chairman, that although the Monroe doctrine is in full force and effect, it does not extend to and prohibit the colonization of American territory, provided such colonization is with the consent of the American State which it is proposed to colonize. I deny this claim. In my humble judgment the Monroe doctrine goes to the extent of the colonization of any portion of this hemisphere by a people with whom the Caucasian can not and will not assimilate, either with or without the consent of the controlling or ruling power in the territory which it is proposed to colonize. I am convinced that a fair interpretation of the Monroe doctrine will support, and abundantly support, this contention. Listen to the words of President Monroe:

We could not view any interposition for the purpose of oppressing them or controlling in any other manner their destiny by any European power in any other light than as the manifestation of an unfriendly disposition toward the United States.

I am not one of those who believe that the United States should play the part of policeman for the Western Hemisphere,

nor am I one of those who believe that this great Republic should resolve itself into an agency to collect bad debts for European sovereignties. But I do believe that the safety, yea, even the life, of the Republic itself depends upon our strict adherence to the Monroe doctrine, strictly and literally construed.

I do not believe that the Monroe doctrine means that the United States must stand idly by and witness wholesale arson and murder in a sister republic until she shall be called on by the existing government, whether de jure or de facto, to intervene and restore order. God Almighty has planted us in this Western Hemisphere; He has blessed us far beyond the average of peoples who inhabit the earth; He has permitted us to plant in this generous soil the seed of human liberty; He has nurtured the young plant until it has become a mighty tree in the forest of human government. I believe that the God of nations expects these United States to preserve order, maintain peace, and protect liberty in this western land. The Monroe doctrine not only inveighs against any European nation interposing in the affairs of any American government for the purpose of oppressing such government, but it strongly declares against any European government "controlling in any other manner" the "destiny" of such American government.

The Monroe doctrine was declared and for 90 years has been maintained primarily in the interest of the United States, and secondly in the interest of every government on this hemisphere. I think no one will controvert this proposition. Now, Mr. Chairman, if we concede this to be true and we further concede that the interposition of any European government in the affairs of any American government "for the purpose of oppressing or otherwise controlling the destiny of such American government," then it is immaterial whether European colonization of any portion of the domain of any American nation is had with or without the consent of the government "controlling" such American territory. Friendly or hostile colonization by a European people on these shores will be practically the same so far as the United States are concerned. Friendly or hostile colonization by any European power will be "the manifestation of an unfriendly disposition toward the United States," and we had just as well face that proposition now as to postpone the settlement of the issue to a later day. Our Government has never receded one iota from the position taken by President Monroe in 1823, but, on the contrary, has on every appropriate occasion reaffirmed and emphasized it as the settled policy of this Republic. In the Venezuelan boundary dispute between Great Britain and Venezuela, when Great Britain refused to arbitrate, that great Democratic President, Grover Cleveland, in strong and vigorous language in his message to the Congress of date December 17, 1895, reasserted without qualification and in unmistakable English the Monroe doctrine in its every essential.

Mr. Chairman, so firmly has this policy been embedded in our governmental structure that it has become a strictly American doctrine, always adhered to and always upheld, no matter what political party may have been in power. It is not a party policy; it is not the property of any political organization; it is not an issue in American party politics. It is an American principle, asserted and to be maintained by every patriotic American citizen, regardless of his party association and regardless of the section from which he may hail. No matter how widely we may differ respecting our internal economic affairs, when it comes to defending the flag, proud emblem of our glorious institutions, we are all patriots, solemnly pledged to the preservation of freedom in this western land and the maintenance of the integrity of our civilization and the perpetuity of the purity of our race.

President Grant, in his message to the Congress under date of May 28, 1870, relating to San Domingo, said:

The doctrine promulgated by President Monroe has been adhered to by all political parties, and I now deem it proper to assert the equally important principle that hereafter no territory on this continent shall be regarded as subject of transfer to a European power.

And this brings me, Mr. Chairman, to the conditions to-day confronting this Republic, and which, for its proper solution will require our wisest statesmanship and most conservative diplomacy. The student of world politics who does not realize the impending and irrepressible conflict between the races of the earth has expended his brain force to little purpose. I am not an alarmist. I am not a jingo. I favor peace among the nations of the earth. But, Mr. Chairman, we are confronted at this stage of our existence as a Nation by a stern and unchangeable condition, and we are not engaged in analyzing a theory. We have builded upon this continent the most powerful Republic that ever existed among men; we have successfully demonstrated to all the world that the white man was entirely capable of self-government; we have builded a constitutional governmental structure as a model for all peoples of all races and all

times. This Government, constructed by the fathers, has withstood the storms of 137 years on the sea of national life, and has survived four years of the fiercest fratricidal strife which ever marred the history of any human government since the dawn of creation. She stands to-day in all her vigor, strength, and beauty, as the proud mistress of the western world. But, sir, this Government is confronted to-day by the most dangerous enemy that has ever arisen in her pathway. The hideous shadow of race antagonism has fallen across the roadway which we, as a Nation, must travel, and try as we may, we can not avoid the issue which this condition presents. We must meet and solve it, and the earlier the better for us. That a superior and an inferior race can not live together on terms of equality under the same government is admitted by every intelligent human being, and therefore it is perfectly apparent that the white man and the negro can never inhabit these United States upon any level approaching equality, either social or political. There can be no question about this, and in this day of broader knowledge of the subject the disfranchisement of the negro in the Southern States is acquiesced in by our northern brethren, if, indeed, it does not meet with their entire approval.

But, can this system endure? Is this a solution of the negro problem? Must they remain with us always, and, if so, must we always meet the issue in this way? I hope not. I sincerely trust we may find some solution of the negro problem which will be just to us and humane toward them. As I see the question to-day there are four solutions of the negro problem in the United States:

- First. Segregation on the soil of the United States.
- Second. Gradual deportation to Africa or some other country which may be secured for them.
- Third. Amalgamation with our people.
- Fourth. Extermination of all the negroes or persons with negro blood in their veins.

I do not believe, Mr. Chairman, that the first of these solutions, namely, segregation on United States soil, would materially lessen our troubles. In my humble judgment the only real, practical, humane solution of this vexatious problem is the gradual deportation of the negro from these shores. I am fully aware of the fact that it will require many years and cost many millions of dollars, but the number among us will be steadily diminishing, and therefore the danger will be greatly lessened as the years come and go. In addition to annually lessening the danger of a race conflict we will by this method be able to give the negro his opportunity to work out his own salvation and thus demonstrate to the world his capability for self-government.

The third solution, Mr. Chairman, is absolutely unthinkable to a real white man—one who has red corpuscles in his veins. The white man who for one moment would allow himself to consider this as a solution of the negro problem in the United States is a degenerate who has fallen far below the mental and social standard of the vilest cannibalistic specimen of the African fresh from the jungle.

The fourth solution is that of exterminating every creature of African descent found on the soil of the United States. Of course, no one desires to be driven to this extremity, and in this day of advanced civilization no one will seriously advocate such a policy. But, as brutal and bloodcurdling as this may seem, we will come to just that unless the statesmanship of this age will guide us along one or the other of the more humane and just methods which I have suggested. The truth is, Mr. Chairman, that deportation is really the only sane, safe, and humane solution of the great problem which confronts us, and which in the providence of God we must determine. I realize that it is a Herculean task, and that to carry it into successful accomplishment will require years of time and millions of money, but it can and should be done. It should be done in the interest both of the white and the colored races. It is best for the white man because it preserves the integrity of his race and permits the existence of a government under which all men in deed and in truth are free and equal. It is best for the colored man because it gives him a fair and an equal opportunity with all the peoples of the earth to work out his own destiny in his own way under a government guaranteeing him an even chance with his fellows. The idea that the negro will ever in these United States stand upon either a political or social level with the white man is an iridescent dream which can never be realized until God Almighty shall have materially changed the whole plan of creation. It will never be.

Segregation will not solve the problem, because that means an existence under the same government; and the world has never seen, nor in my judgment will it ever witness, an inferior and a superior race living in peace beneath the same flag on terms of political or social equality. It is repugnant to the eternal decree of the Creator himself, and can not be. Amalgamation,

which means the absorption of the proud Caucasian peoples of this continent and the substitution thereof of a race of mongrels, surely can find no advocates in the ranks of the dominant element of this Republic.

Extermination of the inferior race can never be considered by a civilized people, and therefore this solution must be eliminated. Then there remains only one remedy—that of deportation. The United States should arrange for a portion of Africa or some other suitable territory upon which to colonize the American negroes, and arrange to deport so many each year until such time as all will have been deported. It is true it will require many, very many years in which to carry this plan into complete execution, but you must remember that each year the number of them among us would be diminished and the dangers of racial troubles would be correspondingly lessened. It is true that this plan will cost the United States millions of money, but not nearly so much as it will eventually cost us to keep them among us, not to take into account the millions of lives which will be sacrificed through riots and other disturbances resultant from our futile attempt to place the negro upon a pedestal which God Almighty never intended him to occupy.

I am well aware of the fact that there are those, and they are mostly from my own section of the country, who, whenever the deportation of the negro is mentioned, almost go into hysterics, loudly proclaiming that the South could not survive without the labor of the negro, even going to the extent of claiming that the white man can not labor in the hot southern sun. There never was a greater mistake. White men do perform manual labor under the burning rays of the southern sun, and they can and do accomplish just as much as a negro laborer does.

Why, Mr. Chairman, I have plowed cotton and corn beneath the burning rays of a southern summer sun and have seen many other white men and boys do the same, and it is the veriest rot to claim that a white man can not perform manual labor in the South during the summer. More than that, Mr. Chairman, the latter-day southern negro has become, under the baleful influence of his "freedom," so unreliable and shiftless that the southern farmer no longer can depend upon him when he really needs him. In fact, we of the South are to-day absolutely without farm labor so far as the negro is concerned. The southern farmer is in a deplorable condition when it comes to farm labor, because the negro will not work, and self-respecting white laborers will not go South where their positions as common laborers will put them on a level with the negro. Can you blame them? Mr. Chairman, the negro population of the Southern States has hung like a black cloud over that fair section of our common country for a century. When they were slaves their masters could compel them to work, but now that they are "free" and in a land where one day's work will keep them for a week it is utterly impossible to get more than one day's work within a week out of them. This condition can not always last. There must be a remedy somewhere, and the remedy which I have suggested is that of deportation; and this is not original with me, but it strikes me as being the only feasible and sensible plan. I shall not discuss at this time the situation in Mexico, the unhappy Republic to the south of us. I am willing to trust the great Democratic President in the White House to properly adjust conditions in a manner quite agreeable to all parties at interest, to the honor of the United States, and with due regard to the integrity of the "Monroe doctrine." But, Mr. Chairman, looking far beyond present conditions, I desire to invite the attention of the Congress and the country to an impending conflict, the issue of which will change the map of the world. I refer to the conflict between the white and colored races, which sooner or later will come and which will shake the very foundations of our latter-day civilization.

The conflict is irrepressible; it is inevitable; it must come. Are we ready for this stupendous clash? I am quite sure that we are not. Shall we supinely rest upon our oars, hugging to our breasts the delectable delusion that no nation can afford to attack us? Shall we, relying upon the professed desire of the great nations of the earth for continued peace, continue the policy of reducing our military and naval establishments to the minimum? We can not afford this. With all our seacoast, with our great frontage on both the Atlantic and the Pacific Oceans, together with our broad expanse on the Gulf of Mexico, we must have a Navy second to none in all the world. We want peace—we must have peace—and the only way in which we can prevent war is to be always in condition to command peace. I do not mean that we are to play the part of policeman for all the governments on this hemisphere, but I do mean that we are to be in such condition at all times as to our naval establishment that all the world will take notice and act in accordance therewith.

I am fully aware of the fact, Mr. Chairman, that at the time of its promulgation the Monroe doctrine had special reference

to European nations, but I apprehend that no gentleman at this day and under existing conditions would limit its operation to the governments of Europe. In 1823 no American statesman could possibly have conceived that we would ever be confronted with the oriental problems which to-day menace our security. That Japan is now contemplating the colonization of a large portion of the Republic of Mexico must be perfectly patent to every observant citizen of this country; that Japan has at least one student at the State university of every State in the Union is an undeniable fact; that Japan must have more territory for her millions of surplus population is an indisputable fact; and that Japan's policy is one of conquest is beyond the pale of controversy. When all these facts are considered in connection with the further fact that the pride of the Japanese Nation has been sorely wounded by our refusal to permit Japanese to become citizens of this country upon terms of equality, both political and social, with us, it needs not the eye of a prophet to foresee the impending conflict between the subjects of the Mikado and the people of these United States.

Mr. Chairman, the safety of this Republic demands that no people with whom we can not affiliate and assimilate be allowed a foothold upon these shores. The existence of human liberty in this hemisphere depends upon white supremacy. The Caucasian can no more assimilate with the Japanese and the Chinese than he can assimilate with the Negro. To assimilate with either is simply unthinkable to a self-respecting member of the white race.

Mr. Chairman, this contemplated colonization of a portion of Mexico by Japan is the first step toward the inevitable conflict. Shall we permit it? As for myself, I say no—a thousand times no. If the conflict must come, let it come now. Let us tell Japan in language which can not be misunderstood that she shall not own one foot of soil in this territory; that this is a white man's country, and that "by the eternal," with the help of God and the Army and Navy of the United States, it always will so remain.

Mr. ADAIR. Mr. Chairman, I shall ask the indulgence of the House while I discuss as briefly as possible the necessity for monetary legislation and the wisdom of the provisions of the bill now under consideration. I am not a member of the Banking and Currency Committee, neither do I claim to be an authority on the subject of finance, but as I have had some practical experience in banking I believe I have considerable knowledge upon this question. While my business has been that of banking, I am not here as the representative of the banking interests of the country, but as the representative of 250,000 of us progressive, intelligent, and patriotic people as can be found anywhere on earth. I am representing a large agricultural and manufacturing district, where the success of the banks depends entirely on the success of the farmer and the manufacturer. Any legislation, therefore, that would prove hurtful to their interests or the business interests of the country in general would also be disastrous to those engaged in the banking business. Situated as I have been, I am schooled in honest banking, and know practically nothing about the corrupt methods employed by the frenzied financiers who operate in Wall Street. I am opposed to special privilege in every form; and while I remain a Member of this House I shall have no patience with or lend support to any bill designed or intended to give to the banks, either national, State, or private, any special privileges that will benefit them at the expense of the people.

Mr. CALLAWAY. Will the gentleman yield?

Mr. ADAIR. I must decline to yield, as I have only 29 minutes, and I can not say all that I desire to say in that time.

Mr. CALLAWAY. I want to ask the gentleman if these reserve banks are not exempt from taxation—municipal, county, State, and national?

Mr. ADAIR. Mr. Chairman, I shall not go into that. If I were to yield to the gentleman from Texas, I should feel compelled to yield to other gentlemen, and as I had only 30 minutes at the beginning, I prefer not having my remarks interrupted.

Mr. Chairman, the necessity for currency legislation is denied by no one. For many years the people have been demanding relief, but the party in power failed, neglected, and refused to legislate for the general welfare. The present inadequate system has been permitted to stand, and as a result the Wall Street interests have not only controlled interest rates, but largely fixed the price of all products of the farm and factory. In return for this power and privilege the Wall Street interests contributed large sums of money to the campaign fund of the party then in control, but finally the people were awakened and drove from power the party of special privilege and placed the affairs of the Government in the hands of the party of Jefferson. Now, in fulfillment of our platform pledge we are going to give to the people a system of currency that will meet

the country's fluctuating volume of business, prevent the cornering of the people's money by a combination of Wall Street gamblers, guard the solvency of the banks, supply money sufficient to meet the actual needs of commerce, and protect the people from the vicious methods heretofore employed by those who enjoyed special privileges under existing law. [Applause.]

Mr. Chairman, our present banking system has been in existence with but little change since 1863. That it is inadequate to meet the demands of the country has been proven on more occasions than one. Great and powerful interests have been able to control the money market, fix the rate of interest, lower the price of farm and factory products, and bring on a panic whenever they desired to do so. This was forcibly demonstrated in 1907, when the Roosevelt panic came on us without a moment's warning—at a time of unprecedented prosperity, when the farms had brought forth bumper crops and products of all kinds were bringing high prices; at a time when our manufacturing establishments were running day and night with orders six months in advance; banks all over the country were bursting with deposits; labor everywhere was employed at moderate wages; our splendid railroads were unable to move the freight offered for transportation; in fact, we were in the midst of the most universal prosperity the country had ever known. There was not a cloud in the sky to throw a shadow over our magnificent prospects and the blessings of nature were smiling upon us as never before. Yet in the midst of all this we were hurled into a financial panic the most unfortunate and the most disastrous our Nation has ever known. No money could be had to carry on the business of the country, the wheels of industry were stopped, thousands of laboring men were thrown out of employment, our agriculturists lost millions of dollars through decreased prices of farm products, business generally was suspended, and want, starvation, and misery prevailed in many sections of the country, and this, too, in a land of plenty.

Mr. Chairman, such a condition could not have been brought about had it not been for the existence of our present financial system. The panic of 1907 was simply a money panic brought on by the Wall Street gamblers and speculators for the express purpose of enriching themselves at the expense of the people. Many times during the past 50 years have these powerful interests extorted from the American people millions of dollars through a manipulation of the money market. Under the present banking law, which has been in existence for half a century, the control of the interest rate on money is largely in the hands of the New York bankers and money lenders. Not only do they fix the interest rate, but they also control the price level, including the stock market, and this has had much to do with the high cost of living. While supply and demand, the tariff, trusts, and combinations have had something to do with the high cost of living, it should also be remembered that the fixing of the price level by the money lenders through interest rates is an important factor. That there is a relation between the volume of money and the price level no one will deny. It is simply a law of quantities. In the sale of goods or merchandise of any kind or of services on one side there is payment of money or its equivalent, or a promise to pay money, and consequently each increase in the volume of money eventually results in a proportionate rise in the level of prices. This was clearly shown in 1896. When the per capita of circulation was \$21.50, the price of all products were extremely low, but just as soon as the circulation medium was increased to \$34.50 per capita the price of all products of the farm and factory, as well as the wages paid to labor, rapidly increased. Therefore in the interest of fairness to both producer and consumer the Government should largely control both the interest rate and the level of prices. This has been done in Germany and England for many years. In Germany the control of the price level is directly in the Government, through the chancellor of the Empire, who operates it by dictating the interest rate at which money shall be loaned. In England it is controlled in a different way, but the result is practically the same. Under our present system the President of the United States has to some extent the arbitrary power to lower or raise the price level by putting money into circulation through the United States Treasury or withdrawing money from the banks and locking it up in the Treasury. No matter which course he pursues he is generally criticized. To use the language of ex-Secretary Lyman J. Gage, "he is damned if he does and damned if he doesn't." This is another evil of our inelastic system that should be and will be corrected.

Mr. Chairman, having pointed out many evils of the present currency law, I shall now devote the balance of my time to a discussion of the remedy proposed in the pending bill. Before taking up a discussion of the provisions of this Democratic

bill I desire to congratulate the President of the United States, the members of the Cabinet, and especially the chairman of the Banking and Currency Committee of the House, Mr. GLASS, and each member of his committee on their splendid work in the preparation of this bill. I regard it as one of the greatest achievements in the legislative history of our country, and proves beyond the shadow of a doubt that our party is capable of constructive legislation. [Applause on the Democratic side.] The bill before us is a complete redemption of our platform pledge made at Baltimore, Md., in 1912, and is also in line with the resolutions adopted by the National Grange, the National Farmers' Union, and the American Federation of Labor in the same year.

The Democratic platform of 1912:

We oppose the so-called Aldrich bill, or the establishment of a central bank, and we believe the people of the country will be largely free from panics and consequent unemployment and business depressions by such a systematic revision of our banking laws as will render temporary relief in localities where such a relief is needed, with protection from control or domination by what is known as the Money Trust.

Banks exist for the accommodation of the public and not for control of business. All legislation on banking and currency should have for its purpose the securing of these accommodations on terms of absolute security to the public and of complete protection from the misuse of the power which wealth gives to those who possess it.

We condemn the present methods of depositing Government funds in a few favorite banks, largely situated in or controlled by Wall Street, in return for political favors, and we pledge our party to provide by law for their deposit by competitive bidding in the banking institutions of the country, national and State, without discrimination as to locality, upon approved securities, and subject to call by the Government.

Platform of the National Grange, 1912:

Whereas the National Grange recognizes the necessity for the revision of our banking system along more equitable and scientific lines: Therefore

Resolved, That we are unalterably opposed to the so-called Aldrich scheme for centralizing banking, which is in the interest of bankers and opposed to the interests of the people.

Resolved, That the issue of currency is fundamentally a Government function which should be exercised in the interest of all the people and not be surrendered as a special privilege to any set of individuals.

Resolved, That in any revision that may be made of our banking system and laws regulating the same, such revision shall be made in the interest of the people and not the money lenders. (Journal of Proceedings, 46th ann. sess., 1912, pp. 22-23.)

The nineteenth plank of the platform of the American Federation of Labor, an organization with 2,000,000 dues-paying members, is as follows:

We favor a system of finance whereby money shall be issued exclusively by the Government, with such regulations and restrictions as will protect it from manipulation by the banking interests for their own private gain.

Mr. Chairman, it will be observed that in our platform adopted at Baltimore we declared in favor of a law requiring national banks to pay interest on Government deposits. In this connection I desire to state that six years ago, in the Sixtieth Congress, I introduced a bill requiring national banks to pay 2 per cent interest on Government funds and made a vigorous effort to have it enacted into law, but the House was controlled by the Republicans at that time and the committee to which my bill was referred refused to report it. I took the position that interest was being paid on township, county, and State funds throughout the United States, and there was no reason why the Government should give away to the banks in the large cities over \$1,000,000 each year that rightfully belonged to the people. I found upon investigation at the Treasury Department that 2 per cent on Government funds deposited with national banks during the past 25 years would have amounted to the enormous sum of \$36,000,000. While I was unable to get exact figures for the years preceding 1886, it is fair to presume that since the organization of national banks in 1863, 2 per cent interest on Government deposits in national banks, compounded annually at 2 per cent, would have amounted to over \$100,000,000, and this vast sum of money has been absolutely given away. Is it any wonder the people turned against the party responsible for this exchange of their money for campaign contributions? I fully intended when this Democratic administration came into power to reintroduce my bill, but was informed by the Treasury Department that the Secretary had the right to charge interest on Government deposits in national banks and that legislation to that end was unnecessary. The Secretary of the Treasury is now collecting 2 per cent interest on all deposits of Government funds in national banks, and I am informed it is netting the Government over \$1,000,000 per year. The bill under consideration does not provide for 2 per cent interest on Government funds deposited with Federal reserve banks, but it does provide that 60 per cent of the net earnings of such banks, after the payment of 5 per cent dividends to the stockholders, shall go to the Government, and this, in my judgment, will more than equal 2 per cent on Government deposits.

Mr. Chairman, this Government has never possessed a first-class banking and currency system, but I believe when the pending bill is enacted into law it will produce stability in the price level, will forever bring to an end the cornering of money by the great banks of our large cities, will furnish the currency with which to carry on our stupendous industrial enterprises, and protect the people against the extortions of the beneficiaries of our present system. Business men entering into contracts for the future performance of obligations will know that the average of prices for commodities will remain practically the same year after year, that there will be no money panics with resulting losses, and that there will be no forced sale of their business because of inability to get bank credit, provided they are entitled to it. Under such conditions we have the assurance of restored competition and great business activity throughout the entire country.

Mr. Chairman, the leading features of the pending bill may be summed up as follows: Sections 1 to 6, inclusive, have to do with the organization and putting into operation the proposed new system. The provisions contained in the sections referred to are so wise, just, and reasonable that they require or need no discussion. Section 7 has to do with the division of earnings of the regional reserve banks and provides that after the payment of a 5 per cent dividend on the paid-in capital, one-half of the net earnings shall be paid into a surplus fund until such fund shall amount to 20 per cent of the paid-in capital, and of the remaining one-half 60 per cent shall go to the United States and 40 per cent to the member banks. It further provides that after the surplus fund has reached the sum of 20 per cent of the paid-in capital, and the shareholders have received the 5 per cent dividend provided for, 60 per cent of all excess earnings shall go to the Government and 40 per cent to the member banks. In my judgment, this will be a fair and equitable distribution of the earnings. It surely can not be charged that the Government is not getting the long end of the string. The banks are putting up all the money in the way of capital stock, and the Government is to get 60 per cent of the profits after a 5 per cent dividend is paid to the stockholders. Some have objected to this provision on the theory that the Government is going into the banking business. I do not share that view. The Government is not going into the banking business in the sense of competing with local banks throughout the country. It is only making it possible for competing banks to carry on the business of banking and enabling them to meet the demand for money with which to conduct the legitimate business in their respective communities.

Sections 8, 9, and 10 merely designate the banks that may become members of Federal reserve banks and needs no discussion.

Sections 11 and 12 provide for the creation of a Federal reserve board consisting of seven members, including the Secretary of the Treasury, Secretary of Agriculture, and the Comptroller of the Currency, who shall be members ex officio, and four members chosen by the President of the United States, and prescribe their duties. Under the provision of section 12 the Federal reserve board is given large powers which, in my judgment, is right and proper.

Section 13 provides for the creation of a Federal advisory council consisting of as many members as there are Federal reserve districts. This board shall have power to meet and confer directly with the Federal reserve board on general business conditions; to call for information and to make recommendations in regard to discount rates, rediscount business, note issue, reserve conditions in various districts, and the general affairs of the reserve banking system. This I regard as a wise provision and will materially aid the Federal reserve board in the discharge of its duties.

Section 14 provides that Federal reserve banks are authorized and directed to supply an elastic volume of paper currency by rediscounting notes and bills of exchange arising out of commercial transactions. The section referred to reads as follows:

Upon the indorsement of any member bank any Federal reserve bank may discount notes and bills of exchange arising out of commercial transactions; that is, notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or may be used for such purposes, the Federal reserve board to have the right to determine or define the character of the paper thus eligible for discount within the meaning of this act, but such definition shall not include notes or bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, nor shall anything herein contained be construed to prohibit such notes and bills of exchange, secured by staple agricultural products or other goods, wares, or merchandise from being eligible for such discount. Notes and bills admitted to discount under the terms of this paragraph must have a maturity of not more than 90 days.

Upon the indorsement of any member bank any Federal reserve bank may discount the paper of the classes hereinbefore described having a maturity of more than 60 and not more than 120 days when its

own cash reserve exceeds 33 1/3 per cent of its total outstanding demand liabilities exclusive of its outstanding Federal reserve notes by an amount to be fixed by the Federal reserve board, but not more than 50 per cent of the total paper so discounted for any member bank shall have a maturity of more than 90 days.

Upon the indorsement of any member bank any Federal reserve bank may discount acceptances of such banks which are based on the exportation or importation of goods and which mature in not more than six months and bear the signature of at least one member bank in addition to that of the acceptor. The amount so discounted shall at no time exceed one-half the capital of the bank for which the rediscounts are made.

The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed 10 per cent of the unimpaired capital and surplus of said bank, but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

Any national bank may, at its discretion, accept drafts or bills of exchange drawn upon it having not more than six months sight to run and growing out of transactions involving the importation or exportation of goods, but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half the face value of its paid-up and unimpaired capital.

In the language of one who has given this subject a great deal of study this section would work admirably, for as the crops should ripen and the time should come to move them the needed promissory notes and bills of exchange would be brought into being automatically, and part of them would be presented at the Government reserve banks for paper currency to be taken and used as bank reserves—the basis of bank credits. Later, when the time should arrive for paying to the Government the money called for by the notes and bills, the money paid in would be kept out of circulation if there should be enough in use without it. Thus the needed retirement would be brought about almost automatically and the Government would not enter the banking business at all. The taking of risks from the loaning of money and bank credits would be by the banks, the private institutions, at the same time the power of the existing Banking and Money Trust to control the money market would be terminated and the solvency of the banks would be protected.

Mr. Chairman, the proposed functions of the Federal reserve banks toward the public are to not only supply an elastic currency and to adjust its volume with a view to accommodating the commerce of the country, but also to promote a stable price level—a stable purchasing power for money. This will be done through the adjustment of the interest rate, as is provided in section 15, and reads as follows:

Every Federal reserve bank shall have power to establish each week, or as often as required, subject to review and determination of the Federal reserve board, a rate of discount to be charged by such bank for each class of paper, which shall be fixed with a view of accommodating the commerce of the country.

It will therefore be observed that the Federal reserve banks, acting with a veto power in the Federal reserve board, will control the interest rate at which business paper is to be rediscounted over its counter, and the interest rate of the whole number of Federal reserve banks will determine whether or not gold shall be shipped from abroad. By raising the rate of interest gold will come in from other countries and by lowering the rate of interest its importation will cease. By this method and through the issuance of paper currency the business interests of the country will be furnished with a sufficient volume of money to meet any increase in business that may arise. For each thousand dollars that member banks secure and place in their reserves, they can safely increase bank credits five times that amount, and this increase in the volume of bank credit will draw interest for the banks, while the interest from the paper currency will go to the Federal Government. Through this method banks will be able to make large loans, and the Government will control the interest rate, and by so doing control the importation of gold from abroad and also supply a paper currency, which will be loaned to the banks at the prevailing rate, and with such a system in use it will be impossible for the Money Trust to corner the money market. Persons engaged in legitimate business will at all times be able to borrow money—provided, of course, they can furnish the required security. While it will be possible for those who need more money in their business to get it, yet there will be no danger of over-issuance of paper currency, due to the fact that each Federal reserve bank will have an adjustable interest rate at which it will rediscount business paper, and this rate will be kept at a point where just enough money and bank credit will be in use to produce a stable price level. If the price level for commodities rises, the interest rate will be raised a little; if the tendency of the price level should be downward, then the interest rate will be lowered. When the interest rate is raised, borrowers—to some extent, at least—will take up their loans and the demand for money will be lessened, and these conditions will lessen the volume of money and bank credits in use, and result in a lower

price level for commodities. In the meantime the volume of paper currency will be elastic in volume and gold can be had at any time through the adjustment of our interest rate; therefore, the people will always be able to secure funds to carry on legitimate business—provided, of course, they have bankable paper for rediscount.

Section 16 provides that after one year from the passage of this act all Government funds shall be deposited in Federal reserve banks—the Government to distribute them equitably between different sections. The ultimate withdrawal of these funds from the national banks in the large cities has much to do with the opposition a few of the big bankers are putting up against this bill. The deposit of Government money in national banks located in New York, Chicago, and St. Louis has been the source of large profits to these banks, and, as a matter of course, they dislike very much to surrender this advantage.

Section 19 provides for the refunding of 2 per cent Government bonds in the following language:

That upon application the Secretary of the Treasury shall exchange the 2 per cent bonds of the United States bearing the circulation privilege deposited by any national banking association with the Treasurer of the United States as security for circulating notes for 3 per cent bonds of the United States without the circulation privilege, payable after 20 years from date of issue, and exempt from Federal, State, and municipal taxation both as to income and principal. No national bank shall, in any one year, present 2 per cent bonds for exchange in the manner hereinbefore provided to an amount exceeding 5 per cent of the total amount of bonds on deposit with the Treasurer by said bank for circulation purposes. Should any national bank fail in any one year to so exchange its full quota of 2 per cent bonds under the terms of this act, the Secretary of the Treasury may permit any other national bank or banks to exchange bonds in excess of the 5 per cent aforesaid in any amount equal to the deficiency caused by the failure of any one or more banks to make exchange in any one year, allotment to be made to applying banks in proportion to their holdings of bonds. At the expiration of 20 years from the passage of this act every holder of United States 2 per cent bonds then outstanding shall receive payment at par and accrued interest.

Mr. Chairman, there has been some criticism of this section, but in my opinion it is very unjust. The 2 per cent bonds referred to were bought by the banks in good faith for the purpose of securing circulation. Every dollar's worth of them sold at a premium because of their circulation privilege. Under our present system the Government required national banks to buy these bonds and take out circulation, and now if the Government, by law, takes away from these bonds the circulating privilege, which would unquestionably result in a loss of millions of dollars to the banks holding these bonds, it is only fair and just that the Government should protect the banks against such loss. Therefore the provision for refunding the 2 per cent bonds is wise, just, and proper. To do less would be to confiscate the property of the national banks. Another very wise provision is found in section 20, which reduces the reserve country banks are required to maintain from 15 to 12 per cent. This provision will release a large sum of money now held in reserve and transfer it to the channels of trade. In my opinion a 12 per cent reserve under the proposed law is much safer than a 15 per cent reserve under existing law.

Mr. Chairman, during the past eight years I have tried to secure legislation permitting national banks to make a limited amount of loans on real estate, but such legislation has been impossible on account of the attitude of the Senate. That real estate is the best security in the world no one will deny, and there never has been a just reason why national banks should not have been allowed to make real-estate loans equal at least to 50 per cent of their capital stock.

Section 26 of the pending bill permits national banks to make real-estate loans in a sum equal to 25 per cent of their capital and surplus or 50 per cent of their time deposits, and in my humble opinion is a very wise provision.

Mr. Chairman, it has been stated upon this floor and frequently stated in the press that the banks of the country are opposed to this bill. I deny the accuracy of this statement. I do not believe that 5 per cent of the 27,000 bankers scattered throughout the States are opposed to this legislation. I am aware of the fact that a few of our big bankers doing business in the large reserve cities are opposing the bill, and I can readily understand their motives in doing so. For many years under our present system they have held on deposit the reserves of thousands of country banks and also a very large per cent of Government funds, which deposits have been the source of great income to these banks; and, as a matter of course, their selfishness impels them to oppose any legislation that would deprive them of this special privilege. But so far as the great army of country bankers are concerned, they are not opposed to this bill. There are about 100 banks in the district I represent, and I do not know of a single one opposing this legislation. Neither do I know of a single bank in the State of Indiana in sympathy with those who are fighting the bill. A large major-

ity of our bankers depend entirely upon the success of the farmers, manufacturers, and business men in their respective communities, and they believe this bill will be conducive of better business conditions generally throughout the entire country, and that better business conditions means better business for them. In other words, the country bankers look at this bill from the standpoint of the general good, while the big bankers in the large cities view it from the standpoint of their own selfish interests.

Mr. Chairman, as the time allotted to me has expired, I want to say, in conclusion, that in my opinion this bill will bring great and permanent good to the country, will make money panics an impossibility, and protect the people against the vicious methods heretofore employed by those who operate on Wall Street. Believing this, I shall give the bill my hearty and enthusiastic support. [Applause.]

Mr. FALCONER. Mr. Chairman, I ask unanimous consent to insert in the Record an editorial from one of the local papers of to-day.

The CHAIRMAN. The gentleman from Washington asks unanimous consent to extend his remarks in the Record by inserting an editorial from one of the evening papers. Is there objection?

Mr. FOSTER. What is it about?

Mr. FALCONER. I will say that it has to do with the result of the election in Maine.

Mr. HELVERING. I had a notion to ask the same thing.

Mr. MURDOCK. The gentleman has in mind the wrong editorial.

The CHAIRMAN. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mr. FRENCH. I ask unanimous consent to insert in the Record an address by my colleague from Idaho [Mr. SMITH] delivered at Fairview, Ohio, a large part of which discusses the suffrage question.

The CHAIRMAN. The gentleman from Idaho asks unanimous consent to extend his remarks in the Record as indicated. Is there objection?

Mr. FOSTER. Of course this will go in the back part of the Record?

Mr. FRENCH. Certainly.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. HAYES. I yield 20 minutes to the gentleman from Minnesota [Mr. ANDERSON].

Mr. ANDERSON. Mr. Chairman, I send to the Clerk's desk a communication which I have to-day mailed to the Speaker, and I ask that it be read for the information of the committee.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

WASHINGTON, D. C., September 10, 1913.

To the Speaker and the House of Representatives:

I hereby resign as a member of the Committee on Ways and Means of the House of Representatives, my resignation to take effect immediately.

Very respectfully,

SYDNEY ANDERSON.

Mr. ANDERSON. Mr. Chairman, I have asked the indulgence of the House because due appreciation of established usages, a proper regard for the opinions of my colleagues on the floor, and a suitable respect for the rights of the people who sent me here and are entitled to know my motives as their public servant seem to require that I state, and perhaps amplify, the causes which induce me to take this somewhat radical and unprecedented step.

I can state those reasons in a sentence.

I am induced to resign my membership on the Committee on Ways and Means because the rules of this House and the system of legislation which is in vogue here deprive me of my opportunity for service to the country upon that committee, and because my continuance as a member of the committee must be construed into an acquiescence in a fraud upon those who have a right to believe and do believe that I have had or shall have some part in framing the legislation reported by that committee. I tell you, sir, that no man is worthy to represent the least of the people upon this floor who can justify his presence here upon a less ground than the hope that he may be of service to his countrymen and that by industry and the studious application of whatever ability he may possess he may make his service here of value. Yet, under the system of legislation which has been established here, he can indulge no reasonable hope of living up to the standard of service which he may properly set for himself.

The rules of the House, written and unwritten, deprive me of my opportunity for service, and the system of legislation, visible and invisible, which pertains here strips me of my preroga-

tives as a representative of the people. I should be unworthy of the great and intelligent constituency which sent me here if I did not resent it, if I did not protest against it. Nor is the situation in which I find myself unique. I know there are many men in the House who find their inability to make their industry and ability effective in legislation irksome and disheartening. If the present system continues, the inevitable result must be that men of industry and ability will no longer seek membership in the House.

The Ways and Means Committee is recognized as the great committee of the House. I accepted a place upon it in the hope that I might, by diligent study and industrious application, make my membership in the committee serviceable and of value to those who desire to see a genuine and scientific revision of the tariff. I have studied diligently and worked industriously, but I am forced to the conclusion, by the irresistible logic of events, that no amount of study or application on my part can avail under the system of legislation which has been here established to reduce the burdens or increase the benefits which might flow from such a revision.

I have had no part in making the tariff bill which passed the House and is now pending in the Senate. I shall have none. I am overwhelmed, discouraged, disheartened by the uselessness and the terrible fruitlessness of it all.

It is true that I am still permitted to cast my vote, but I do so with the foreknowledge that it will not count. The votes are counted and the returns made up before my vote is cast.

It is true that I may still offer an amendment, but though that amendment was suggested by the Apostle Paul it could not be adopted.

It is true I may still lift my voice in argument, but though my logic were as irresistible as the tide of human progress itself, and though I spoke with the voice of the Angel Gabriel, I could not change a line or sentence of the language of the bill.

My feeling with reference to the matter may be best understood by having recourse to the history of the tariff bill.

I have said that the Ways and Means Committee is the big committee of the House. For many years it has been composed of 21 members, as it is at present. Of this membership 14 are Democrats, 6 Republicans, and 1 Progressive. Seven of the Democrats come from States included in the 14 Southern States, to which I shall subsequently have reference. The Ways and Means Committee of the last Congress, of which I was not a member, held open hearings from January 6 to February 1, preparatory to constructing the pending bill. In my opinion these hearings were useless, so far as accurate information on cost of production or conditions of competition, either here or abroad, are concerned. Immediately following the close of these hearings the Democratic members of the committee held daily and secret meetings, during which the details of the bill were determined. What influences prevailed in determining these details, no one, except the majority members of the committee, knows. They have not taken the minority into their confidence any more than they have the public. These secret meetings continued until April 8, when the bill was reported, not to the House, but to a caucus composed of the Democratic Members. It was debated in this unofficial body until April 10, which was Saturday, and on the following Monday introduced by Mr. UNDERWOOD and referred to the Committee on Ways and Means. It contained 14 schedules, with upward of 4,000 items, affecting every considerable industry of the United States, and included, in addition to radical changes in the administrative provisions, a new section providing for a graduated income tax. On Monday morning, April 21, the whole committee was called together for the first time to consider the tariff bill. There was no discussion, no consideration, no opportunity for amendment or to vote on separate paragraphs or items. Some one moved to report the bill; the ayes and nays were demanded, and, upon the roll call, the bill was ordered reported. The whole proceeding occupied less than 30 minutes, and this was the extent of my participation in the framing of the tariff bill. It would be humorous if it were not so tragic.

Every day I receive letters, briefs, and petitions from people who labor under the peculiar delusion that as a member of the committee I may in some way help them; that I have had or may have some influence, some voice, in determining the rates or the language of the bill. I write them that it is not so; that I have had no part in constructing the bill, and will have none. My membership is at once a farce and a fraud.

Debate in the House began on April 23 and continued for 12 hours a day until May 8. Not a single amendment or suggestion offered by any one of the hundred and forty-odd members of the minority in 156 hours of debate was adopted. It follows as a necessary conclusion that the sum total of human wisdom had been expended upon the bill when it left the Demo-

cratic caucus, or that members of the caucus were bound by its rules, written or unwritten, to vote against any amendments offered by the minority, no matter how meritorious. The first proposition is absurd; but if it were not, its falsity is demonstrated by the fact that suggestions and amendments of the minority were adopted and written into the bill by the Finance Committee of the Senate. The undisputed fact is that the whole bill, in form and substance, was determined by the caucus beyond the possibility of change before it came into the House at all.

Under these circumstances it is proper to consider the caucus as an institution, its organization and its relation to legislation.

The caucus system is new only in form. In effect it has been in use for many years. The questions which it presents are not political. I disclaim any partisan purpose in discussing them at this time.

These questions reach the very foundation of representative government, for the effect of the caucus is to deprive the minority wholly of participation in the actual making of legislation. Under this system 141 congressional districts are wholly unrepresented. Nine States—Idaho, Nevada, North Dakota, Oregon, South Dakota, Utah, Vermont, Washington, and Wyoming—are totally deprived of any participation in the making of legislation vitally affecting their interests, for these States send no Democrats to the House and consequently are not represented in the legislative annex where legislation is really made. Eighteen other States are partially unrepresented. Eight out of 11 districts in California, Iowa, and Wisconsin, 9 out of 10 in Minnesota, 10 out of 12 in Michigan, and 25 out of 36 in Pennsylvania are wholly without representation. It requires no argument to demonstrate the iniquity of this situation. Its sectional and discriminative results are apparent in legislation.

The right of the people to representation in making the laws by which they shall be governed necessarily carries with it the proposition that their Representatives, when elected, shall have opportunity to participate in the actual making of legislation and that the prerogatives and powers essential to this participation will be preserved.

These essentials are not numerous. They may be summed up in the right of debate, to offer amendments, and to vote as one's judgment dictates, without coercion or restriction.

The caucus preserves the shadow but destroys the substance of these rights.

A Member may debate, offer amendments, and vote, but the verdict has already been rendered by a packed jury.

No one would claim that a man's right to a trial by jury was preserved if the jury impaneled were already bound to return a verdict against him. Yet this is the exact situation in the House.

The caucus not only destroys the representation of the minority but of a minority of the majority, for it binds the votes of both majority and minority of the caucus as a unit in the House against all suggestion, amendment, and debate.

It may be claimed that no action of a caucus can bind the vote of a Member on the floor of the House. Doubtless this is theoretically true, but every man who has felt the sting of the party lash and the prick of the organization spur knows that actually it is not true. It is not true.

There is yet another essential to good legislation. It is that the acts of Representatives should be always open to the scrutiny of the public. The Constitution recognizes this, for it provides:

Each House shall keep a Journal of its proceedings and from time to time publish the same * * * and the yeas and nays of the Members of either House on any question shall, at the desire of one-fifth of those present, be entered on the Journal.

The caucus destroys the force of this provision. The caucus is the real legislative body and its proceedings are essentially secret. The yeas and nays and the proceedings of the House are valuable records to the public only when they record the real transactions of the House and the real attitude of its membership. The real attitude of the majority party, which under the caucus system is in complete control of legislation, is disclosed only in the caucus, and hence the record provided by the Constitution is a false or at least inaccurate and useless one.

Again, the use of the caucus system may be justified by some on the ground of its good purpose and of its occasional good results. I will not deny that some good things have been done even under the caucus system. The bills passed by that unofficial body have contained things for which I would be glad to vote. Yet the same reasoning which now attempts to justify a caucus would justify a despotism. I can not believe in a despotism because I know that despots have done some good in the world. Nor does the right of representation seem less

precious because it is denied by this benevolent beast, the caucus.

The caucus holds the same place in legislation that the holding company does in finance.

The holding company enables a few men to control the policy of great corporations by the investment of a small amount of capital.

The caucus enables a few men to control the policy of legislation by the exercise of a limited amount of power.

A financier who wishes to control a great corporation organizes a second corporation or holding company to hold the controlling interest in the stock of the first. He then controls a majority of the stock in the holding company. Thus he reduces the amount of capital necessary to control the policy of the corporation from one-half of the aggregate capital of the corporation to one-fourth—or less if the stock is widely distributed. Under this benevolent scheme the minority stockholder has no real voice in determining the policy of the corporation. The real control is not vested in a majority of the capital of the corporation, but in a minority owned by those who control a majority of the stock of the holding company.

It is all very simple and very effective.

The few men who desire to control the policy of legislation in the House organize the members of the majority party into a holding company—the caucus. Under a rule, written or unwritten, a majority vote of the holding company, the caucus, binds the whole membership of the caucus to vote as a unit in the House. Thus a minority of the membership of the House controls the legislative policy of the whole House in the actual making of legislation and renders ineffective the service, industry, and ability of the minority.

It is all very simple and very effective.

I quote from Thompson on Corporations:

New Jersey and perhaps a few other States now permit the organization of corporations known as "holding corporations." The design of such corporations in the light of their history is evident, and from this it is apparent that their real purpose is to form and foster monopolies and combinations. It is surprising at least that any legislature in recent years as against present antitrust and antimonopoly sentiments, should authorize the formation and existence of corporations for such purposes, and to make it easily within their power to practically neutralize and nullify all antitrust laws. Such institutions are only fathered by States that have gone "corporation mad." A holding corporation, as the name indicates, is one organized for the purpose of owning and holding the stock of other corporations. Such a corporation may acquire a part or all of the capital stock of any other corporation, either manufacturing or quasi public; and it is managed by a board of directors and, as the owner of a majority of the stock of any other corporation, the board of directors of the latter becomes the mere instrument or pliant tool for carrying out the designs of the holding corporation; and where any one holding corporation owns all or a majority of the stock of several corporations organized for similar purposes it can manage, control, and manipulate these as its designing directors may desire.

How illuminating this statement is when its terms are applied to the caucus system.

But the control of the legislative policy of the House is much more centralized than would appear from this simple statement. It would be obviously impossible for a few men to control legislation for long or upon many and varied subjects if the membership of the House were free to vote as the facts developed and their own judgment of those facts dictated. The interests of the country, taken as a whole, are too diversified to permit of the permanent organization of a majority of the whole House upon a variety of subjects of legislation. In other words, the control of a few can only be perpetuated by the establishment of a scheme which permits the few to outvote the many.

I am told that only very infrequently the total number of votes cast for or against a proposition in the caucus exceeds 100. It is not so difficult to find 100 men whose sectional interests are sufficiently identical to permit of practical organization and control by a few men.

The judicious distribution of patronage and the subtle but tyrannical power of the administration will accomplish much in this direction. I do not say that Members consciously permit themselves to be used by the few. I merely assert that community and identity of interests, such as is possible on sectional grounds, are strong factors in maintaining organization.

The concert of old Members, who, by long familiarity and usage, know the rules and are familiar with the methods by which bills may be sidetracked or gently strangled to death in the dark, so as never to reach consideration in the House, and who know how to oppose bills while exhibiting zeal the other way, and the rule of seniority in the appointment of committees, all conduce to perpetuate the rule of the few.

Fourteen Southern States—Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and

Virginia—alone send 129 Democrats to the House, enough to control the legislative policy of the caucus, and hence of the House.

The Members from these 14 Southern States hold 38 out of a total of 58 chairmanships of committees in the House. They hold every important chairmanship save one.

Twelve Northern States—Indiana, Illinois, New Jersey, New York, Ohio, Pennsylvania, Massachusetts, Connecticut, Colorado, California, Montana, and New Hampshire—send 130 Democrats to the House. These 130 Democrats from 12 Northern States hold 14 chairmanships, all of which are unimportant save one, the Committee on Appropriations, held by the gentleman from New York [Mr. FITZGERALD].

The State of Georgia, represented by 12 Democrats, has the chairmanships of the Committee on Interstate and Foreign Commerce; Coinage, Weights, and Measures; and Education; while Indiana, with 13 Democrats, gets Expenditures in the War Department, and Printing. Alabama sends 9 Democrats and gets Ways and Means, Judiciary, Immigration and Naturalization, and Pensions, while New Jersey sends 11 Democrats and gets Elections No. 2, which is not a legislative committee at all. Missouri, with 14 Democrats, gets Expenditures in the State Department; Merchant Marine and Fisheries; Election of the President, Vice President, and so forth; Accounts; and Roads; while Ohio, with 19 Democrats, gets Elections No. 1, Invalid Pensions, and Enrolled Bills. Two of these committees do not have legislation referred to them. Virginia, North Carolina, and South Carolina send 26 Democrats, who hold 8 chairmanships—Banking and Currency, Foreign Affairs, Military Affairs, Claims, Reform in the Civil Service, Expenses in the Department of Agriculture, Agriculture, and Insular Affairs. Five of these committees are of the first class. Massachusetts, Connecticut, Colorado, California, Montana, and New Hampshire send 25 Democrats and get no chairmanships at all. The State of Texas sends 18 Democrats and gets 6 chairmanships, 2 of the first class, while the State of Illinois sends 20 and gets 3 chairmanships of committees, 2 of which never meet and the other of which is relatively unimportant. Tennessee, Kentucky, Louisiana, and Mississippi contribute 33 Democrats to the control of the caucus and are rewarded with 7 chairmanships, including Post Office and Post Roads, Naval Affairs, Territories, and the District of Columbia, while New York contributes 31 and gets 3 chairmanships, 1 of which, the Committee on Appropriations, is of the first class.

If these facts and figures merely demonstrated that discrimination had been practiced in favor of the South in the distribution of political plums, I should not complain. That is not my affair. But it requires only a little knowledge of the power wielded by the chairman of a committee in his committee room and on the floor of the House under the rules to see in these facts and figures a real significance.

Of course the chairman of a committee can not report a bill without the consent of a majority of the committee, but under the unwritten, and, I believe, the unbroken, rule no majority has ever reported a bill without the consent of the chairman. On the floor the bill is absolutely in his hands.

It is obvious that the power to say that legislation shall not be considered is the power to legislate. It is this negative power which lends real significance to these chairmanships. This negative or obstructive power rests in the hands of a few men and may be exerted at any of the various stages of the bill's progress toward final passage. It is greatly enhanced by the restrictive character of the rules and the inefficiency of the legislative system in general.

One's first impressions of the legislative machinery is of its tremendous inertia—the difficulty of setting the wheels in motion. This inertia constitutes the first line of defense of the obstructionist and reactionary. But once public sentiment has set the wheels in motion, the negative or obstructive power to which I have referred may be used to wholly prevent or nullify results.

Up to the close of the second session of the Sixty-second Congress 25,453 bills had been introduced. Of this number practically 22,000 were of a private character. Of the remaining 3,500 about 700 were reported.

Of this 700 bills, 196 became laws during the session referred to. Out of the total bills passed by the House at this session 120 were passed by unanimous consent; in other words, were bills of such private and local character that no single objection to their passage was made in the House. Of the remainder, 17 were appropriation bills, 6 were tariff bills, and the remainder public bills of more or less importance. An examination of the Record shows that practically no legislation which was not privileged under the rules or made privileged by special rules was passed except on Calendar Wednesday. The passing of the

parcel-post legislation, of the anti-injunction bill, of the good-roads legislation was made possible only by the passage of special rules. The whole situation may be summed up in the statement that, as a general proposition, substantive legislation is possible only by the suspension of the ordinary restrictive rules of the House and the passage of the bill under a special order. These special orders are always restrictive of the right of debate and amendments, and their passage can be justified only on the ground of necessity. This necessity should disappear under such reform of the rules as would permit of consideration of bills in the ordinary course of legislation.

The inefficiency of the system is startling both as relates to substantive legislation and the raising and expenditure of the public funds. For 10 or 12 days we spend 12 hours a day in the consideration of a tariff bill and then adjourn 3 days at a time for 2 months. We spend money on big things with a lavish and unconcerned prodigality. We are stingy in small things to a point of parsimoniousness. The system is extravagant and wasteful of both time and money.

I do not make a charge of inefficiency without evidence. For I made a somewhat careful examination of its results. The first regular session of the Sixty-second Congress convened on the 4th day of December, 1911, and adjourned on the 26th day of August, 1912. Sessions were held on 210 days, and on 19 of these days the House adjourned without doing any business; so that there were actually 191 days for the transaction of business. Eighty-three of these 191 days, or 43 per cent, were consumed in the initial consideration in the House of appropriation bills.

The appropriation bills, of course, must be passed every year. In the main they contain routine appropriations solely. The time consumed in their consideration prevents consideration of substantive legislation, and the method of their consideration conduces to tremendous waste of the people's money.

In this same session there were 139 roll calls and 44 calls of the House. Figuring an average of 40 minutes for a call and a legislative day of 5 hours, something more than 24 days, or 12 per cent of the time of the House, was used in calling the roll. Certainly it will not be claimed by me that the roll calls were too numerous, but I believe that the time consumed by roll calls is by far too great. With the increased membership in the House there is increased necessity for the adoption of a new method of calling the roll which will reduce the actual time consumed.

The present legislative machinery is the development of nearly 130 years. While great commercial concerns of the country are stretching every energy toward greater efficiency in the methods of conducting their business, we are content with an inefficient and absolutely wasteful system because that system has been handed down to us by our forefathers. If a business concern exhibited the same reluctance to establish new and modern methods in the conduct of its business as the House of Representatives does it would soon be left behind in the march of progress, outstripped in the race of competition. This is exactly what has happened in the House. We have simply failed to revise our methods and to keep the machinery of legislation abreast of the march of civilization.

Do the people of the country wonder why the great economic problems involved in the adjustment of the relations between labor and capital, production and consumption, the enlargement of the scope of our institutions remain unsolved and the demand of the people for popular government remains ungranted? There never has been a time in the history of the Republic when so many minds, so much genius in the people as a whole, was being expended in the attempt to solve these problems as now. Yet this great force finds no outlet for its expression in the adequate and necessary forms of law, because the machinery by which it must necessarily be expressed is inadequate for that purpose. So these problems, the demands for reform, pile higher and higher year by year.

Some day the people will come to understand that the methods of legislation must themselves be reformed before they can yield reform.

I do not contend that we should ignore the wisdom and experience of 130 years. I do contend that we should have the courage to tear down the crazy patchwork we have erected and by reconstruction make it efficient and responsive to popular demand.

If those who believe in progressive, scientific government should fail in their attempt to work out the economic reforms which they believe essential to the continued happiness and prosperity of the people, it will be because they have not recognized the importance of the machinery and its control in securing these reforms. As long as men opposed to reform are in control of the machinery by which reform must be effected there will be no reform.

I wish to make a fight for reform of our legislative machinery. In making it I want to be free from any obligation or sense of obligation to any man or set of men, unhampered by any sense of loyalty to a committee which unwritten rules may prescribe.

I am deeply sensible of the honor and prestige which membership on the Ways and Means Committee conveys to the public mind. The honor is an empty honor and the prestige fruitless under a scheme of legislation which deprives one of the opportunity for service which his membership should give. Indeed, these very facts—the presumed honor and prestige—make of such membership a fraud and deception.

I am fully persuaded that no substantive legislation which shall really respond to the demands of the people for reforms is possible of enactment under the existing system of legislation. Because I so believe, because that system is ineffective, because it disfranchises great sections of the country, and because it renders service and ability ineffective I am convinced that reform in rules, methods, and practices is to-day our greatest political necessity.

I frankly hope that the action which I have taken will emphasize the situation which exists in the House and that it will arouse the country to a real sense of the iniquity, injustice, and inefficiency of the system.

I frankly hope that what I have said will arouse the whole people to protest, to a determination to assert their right to effective representation. I believe they can be relied upon to act intelligently when they are well informed, and I shall have mistaken their temper if they do not, in the near future, demand the reconstruction of the system which deprives them of the vital right of a free government. [Applause.]

Mr. STONE. I yield 15 minutes to the gentleman from Mississippi [Mr. QUIN].

Mr. QUIN. Mr. Chairman and gentlemen of the committee, I want to say to the gentleman from Minnesota [Mr. ANDERSON], who just preceded me on this floor, that he need not be perturbed over the Democratic caucus. He need not be worried over the fact that a few chairmanships have gone to the solid South. I want to say to him that the Democracy of the South are not in politics for pie. The people of the South believe in Democracy. They believe and know that it is the party that will relieve the people of this country from the oppression of special privilege, greed, and graft. I want to say to him that this caucus of which he speaks has brought out the best tariff bill that this country has ever known. It has brought out a currency bill that is going to put the stock gamblers of Wall Street out of commission. It has brought out these measures for the people, and at the regular session in December we will bring out an antitrust bill and enact it into law that will relieve the people of this country from the great oppressors of humanity. [Applause.]

In my judgment this is a great piece of constructive legislation, and under the genius of this Government is the most appropriate legislation that could be made touching the currency system.

There is not an intelligent, thinking man within the broad domain of this great Republic who does not know that some reform is needed in our banking laws. The Republican Party endeavored to fasten the Aldrich bill upon the people of this country.

The wicked Money Trust and all of its allies wanted the Aldrich bill to become the law of this land, because the powerful banks that belong to that system and all of its allied industries would still be able to control the money of the United States through the central bank as proposed in that scheme.

The American people and all independent enterprises would have continued to remain helpless in the time of financial stress and storm if that measure had been enacted into law.

The people of this country looking for relief have turned their faces to an independent and honest Democracy. Will they get that which they seek?

The Glass bill is not perfect, but, gentlemen, it is sufficient to give great relief, and absolutely sufficient to prevent a money or bank panic in the United States. It is the best bill that could consistently be put into operation now.

I am for the bill and want to see it enacted into law at the earliest possible moment.

This measure is for the benefit of all the people and all legitimate banking and other enterprises.

Who is it that finds fault with this currency bill, which proposes to have the money of this Government deposited, drawing interest, in 12 regional banks in this country under the control of the Government, and all currency issued to be guaranteed by the Government itself?

When you come to the last analysis, it is that crowd of bankers in New York that have such close relations with the stock

exchanges, and have for all of these years been keeping the reserves of the other banks of this country to promote stock gambling instead of fostering legitimate business.

Some of these potential influences induce legitimate country bankers to believe that this bill will be detrimental to the banking business.

Why is it that the American Bankers' Association at its meeting in the city of New Orleans unanimously indorsed the Aldrich bill when many bankers present and voting had never read the bill, much less spent any time studying it and applying its provisions to practical banking?

Who can explain why many of these same bankers condemn this bill, which insures a square deal to all portions of the United States and every branch of legitimate industry?

After the faultfinders discovered that they could not change the Glass bill in the House they moved the seat of their operations over to the Senate.

The President of the United States is behind this bill, and everyone knows that he is patriotic in his endeavors to secure the best currency law possible for all the country. [Applause.]

He has no favorites and is always ready to do battle against the Money Trust and all forms of special privilege. [Applause.] The gentleman from Kansas [Mr. MURDOCK] waxed eloquent, forsooth, because the Democratic caucus did not prohibit the interlocking of directors in this bill. He ought to know that the Democracy in that same caucus passed a resolution instructing the Judiciary Committee to bring out a bill early in the next session of Congress that will cut this cancer from the body of commerce in the United States. [Applause.]

The Democracy is going to pass then an antitrust law that will have iron teeth in it.

At an early date the gentleman from Kansas and his crowd will have an opportunity to help decapitate every commercial vampire in the United States.

There is no man in Congress who is more anxious than I to break up the trusts in this country, but we can not do everything in a day.

We can not prevent the interlocking of directors in this banking bill, but it will be done later.

Many of us thought it ought to go into this law as a part of it, but wiser and more experienced heads in our camp said not.

Everybody knows that the interlocking of directors in the big banks, industrial, quasi public, and public-service corporations is one of the worst evils known to modern business in this country.

This iniquitous feature of the greed, avarice, selfishness, and corruption in the abuse of corporate power is the daddy of trusts, unlawful combines, and monopolies.

The sworn evidence before the Pujo committee makes it plain that the Money Trust does exist in reality, and that all of the trusts of this Republic are directly connected, interlocked, and allied with this powerful vampire.

So long as the present money and banking system continues, the money power will be able at will to grip its avaricious hands upon the American people.

The disclosures before that committee made it known to all men that the money power is connected with the Wall Street gamblers in stocks and bonds, cotton, and other agricultural products.

The same evidence shows that the panic in the fall of 1907 was brought on by the gamblers in New York City when the big banks let them have virtually all of the reserves of the banks of the United States. Gentlemen, all of that element of citizenry has engendered an especial hostility toward this bill. The law which the Democracy is giving this country prevents and prohibits a single dollar of the currency issued under the provisions of this measure from being used by the speculators and gamblers on the stock exchanges.

This is a wise provision and ought to be the law always. The Glass bill is for the producers in this country, all legitimate commercial and agricultural business. Speculators never produce anything; they simply work schemes to acquire the wealth that working people produce by their effort and labor. Of course none of this currency should be allowed to go into any such channels.

GOVERNMENT CONTROL.

The gentleman from California [Mr. HAYES] and the gentleman from Wyoming [Mr. MONDELL] seem to be very much exercised over the fact that the President appoints the board that is to be the real head of the reserve association. They fear grave danger of political and partisan rule. How can some of these faultfinders reconcile their speeches now with their votes on a prior occasion when they voted for the Vreeland-Aldrich measure, which gave one single appointee of a President of this Republic the power to issue \$500,000,000 of currency without consulting anybody?

I want to say to you, gentlemen, that the people want the Government to control the banks under this bill, but the special-privilege crowd are all exceedingly anxious that the banking fraternity should control the board. I stand for the rights of the people of this country, and I am voting for them to control through the President and the Senate, for the people in the final analysis are financially responsible for every dollar of this currency. There never was a gold dollar in the world any stronger than the currency that will be issued under the provisions of this bill, and every banker who has studied this measure knows this is true.

The Wall Street crowd realizes that this piece of legislation is taking away from them the power to control the money and to a large extent the agricultural products of this country; that is the chief reason why this opposition appears to regional reserve banks and Government control.

All of that crowd is very anxious for a central bank. What the people want and need is decentralization. They want this money scattered out over the whole country so all legitimate enterprises everywhere can have a chance at this money to carry on business without bowing down before the golden calf in the temple of the money power, and paying exorbitant rates of interest, and in panicky times being informed that they can not get any money at all.

My friends, do you know that the greed and selfishness that operate in the hearts of some men who have money to lend actually makes them want money to be scarce and hard to get so that the interest rate will remain high? If you do not know this go out and talk with some honest money lenders who will tell you the truth.

We are all human; and bankers are actuated by the incentive to make profits, and it is natural for them to obtain as high a rate of interest as they can get. Most people do this when they loan money.

It is the duty of Congress to allow them reasonable profits, and it is the further duty of Congress to do all in its power to make conditions such that the borrowers of money for legitimate enterprises can get money at reasonable rates.

AGRICULTURAL FEATURES.

This measure permits the farmer to have a show to get money to carry on his business as well as any other enterprise.

He has the right to hold his crop to get a fair profit for his labor.

Under our present system the cotton farmer is forced to sell his cotton in the fall because the banks can not let him nor his merchant have the money to hold the cotton for several months in order that he might get the proper price for his cotton.

The same thing is true of other agricultural products. Under this bill the local bank can let the farmer have money for six months on his cotton stored in a warehouse; and after the local bank has carried the loan for three months that bank can rediscount the note at the reserve association bank for the remaining three months, and when that time expires he can renew the paper for six months more under the same plan.

The farmer is not any speculator, but is a wealth producer and is entitled to share in the benefits of this measure. The intimation that he is a speculator when he holds his crop for an honest price is tantamount to an insult to the honest, hard-working farmer. [Applause.]

The stock and cotton exchanges have been gambling in his product all of these years, and instead of his labor being valued by him himself it has been valued by the gamblers in his products.

The merchant knows what he is going to charge for his goods in order to make a profit, and he fixes the price and holds his goods on the shelf unless he gets the price at which he has marked them.

The farmer takes his cotton to town and asks the merchant what he will give him for his cotton.

His merchant tells him he has just received a "wire," and the figures in that message is the market price.

It may be much below the cost of production, but the farmer has to accept it because he owes the merchant, and neither he nor his merchant can get banks to carry loans for any great length of time. The cotton gamblers fixed that price, and the poor farmer is helpless. The Glass bill will not let any of this money go to these cotton gamblers, but it will permit the merchant and the farmer to borrow this money, so that the product of the farm can be marketed in a gradual and opportune way in order that the real law of supply and demand will govern the price of farm products. This ought to be the rule of all human labor. If the farmer did not owe anybody, he could hold his crop; but necessity forces him to sell all of his crop in the fall of the year. He certainly needs the help of this currency bill.

RURAL CREDITS.

The agricultural classes have always been compelled to pay a high rate of interest. In my district the farmers never could borrow more than 40 per cent of values, and the rate was from 8 per cent up—mostly up. [Laughter.] The poorer the man the higher the rate of interest that is charged. In other words, if he is poor, he is going to be kept poor under the system that is now in vogue. Our banks always desire to loan their money to the very best advantage to the bank, and this is good, sound policy, and it is one reason why the small farm borrower is compelled to pay a high rate of interest. I am in favor of this Government establishing a rural credit system similar to the system now in force in some of the foreign countries. The farmers of the United States are the backbone of the country; they are the real wealth producers, and should have every opportunity to develop the agricultural business and live in ease and comfort.

Our caucus passed a resolution directing the Committee on Banking and Currency to bring out a rural credit bill at the next session of Congress.

It is time that Democracy is getting busy to show the people that legislation will be enacted for the whole people, instead of special favors for the privileged classes.

Farm lands constitute the best security in the world and certainly should be entitled to low rates of interest, for the profits of the farm are generally small.

The rural credit system will enable the farmers of this country to borrow money at less than 5 per cent, which will inspire them to heroic efforts in the race of life.

Some people call this populist, but I am for it, because I know it is thoroughly practicable and will not only be of untold benefit to the farming class but will develop the greatest business that the world has ever known.

When the farmers are prosperous the bankers, merchants, laboring men and professional men, and transportation companies prosper in proportion.

You stop the farmers in the United States for 24 months and the wheels of commerce would stand still and famine would be in the land.

Gentlemen, you had just as well get ready to pass the bill establishing a rural-credit system in this Republic, because it is coming, and coming in a hurry, too.

If we do not give the American people this great constructive legislation after we pass this currency bill the people will put men in Congress who will come to the front with such a law.

The honest citizenship of this country means to keep Representatives in Congress who will constantly wage war against special privileges and do courageous service for the rights of men. [Applause.]

Mr. HAYES. Mr. Chairman, I now yield 20 minutes to the gentleman from Massachusetts [Mr. ROGERS].

Mr. ROGERS. Mr. Chairman, you will perhaps recall that a few days ago, when the Caminetti case was under discussion, and when the distinguished chairman of the Committee on the Judiciary was engaged in his eloquent but vain attempt to defend the Attorney General, a new Member on this side of the aisle had the effrontery to ask him a rather embarrassing question. The gentleman from Alabama most courteously and convincingly answered him somewhat in this wise: "You new, fresh Member, I do not know you or where you come from."

I am aware that as a result of a few observations which I desire to make—and which ought to be embarrassing to the Democratic Party, whether or not they will be so in fact—I am laying myself open to a similar retort courteous. There is so much that is wholly admirable in the Federal reserve act to reform our banking and currency system that I do not intend, at all events until later in the debate on the bill, to criticize the relatively few provisions thereof which seem to me fraught with danger to sound banking methods. I desire at this time to consider an aspect of legislation which has been forced upon the attention of us all by the star-chamber methods which have attended the framing of this bill.

As a newcomer here I have for the past five or six months been studying the modus operandi of legislation in this House. But, alas, I can not understand. If the fault is mine, I want to be enlightened. I came to Washington with certain preconceived ideas. I came with the idea that all Representatives in Congress, like all men, were born free and equal, and as such had equal rights, duties, and privileges in shaping legislation. But my observation has already shown me that in the Sixty-third Congress those rights, duties, and privileges belong only to the Democratic majority members.

It is true that a member of the minority may, at the whim of the majority, express his views; but even so, he is forced to the realization that he but wastes his time and his breath,

for the edict has gone forth that no minority ideas or suggestions, however meritorious, shall be adopted in matters of real moment.

Mr. Chairman, does not such a condition contravene the spirit of the Constitution of the United States? And does it not impair the usefulness of the House to reject the counsel of a considerable portion of its membership? I believe in parties, and I freely admit the responsibility of the party in power in shaping legislation; but no party has a monopoly of wisdom. An individual may, if he will, refuse the advice and guidance of others, for he only is the loser; but the party in power, the steward and the servant of the whole people, can not honorably pursue any such course. There is an esprit de corps, a pride of association, that in political contests often bind men together. But I had believed in my innocence that when men took office they would and should subordinate party obligations to the general welfare, and that it was both unpatriotic and dishonorable for a man—no matter at whose behest—to vote contrary to his convictions. And so it has been with feelings of regret and disappointment that I have seen that in this House the chief consideration of the majority—indeed, the only apparent consideration—has been given to party prestige. The Democratic Party has shown all too clearly its apprehension that that prestige might be impaired if tendered and often sorely needed aid were accepted from the minority.

Take the case of the tariff bill. Parties differ in policies and principles, and it was but proper that the Democratic Party should, in the first instance, attempt to draft a bill which should accord with the policies and principles of that party. But there were in the bill so drafted many, many things which were not only indefensible in themselves, but which were diametrically opposed to the Democratic platform and to the prelection promises and pledges of the leaders of the party. And they are in that bill to-day. Whether because of pride of opinion, of caucus obligation, or of Executive pressure, the attempt of the minority to save the majority from error and the country from dire disaster was spurned. This same tendency to regard all the patriotism and all the common sense and all the wisdom as exclusively possessed by the majority was but too manifest in the treatment of the Caminetti case, of the deficiency bill, and for a time—though happily not for long—of the Mexican situation. And in the second great measure to be considered at this special session the Democratic Party appears to be riding to the same kind of a fall.

The so-called currency bill, said to be the child of the brain of some principal whose name and even whose identity are still undisclosed, has been pored over for some weeks or even months by the Democratic members, or by some of the Democratic members, of the Banking and Currency Committee. It is no discourtesy to them to say that they are amateurs in the great problem which has taxed some of the greatest experts and thinkers of the world. Only 5 of the 14, I believe, were even members of that committee six months ago, and but one was a member of it prior to the last Congress; indeed, but two of them were in Congress at all. It is, perhaps, not too much to say that if any one of us were stockholders of but one national bank he would not trust its destinies to the good offices of these amiable amateurs. And yet they are to tear up by the roots the entire banking system of the United States, the country whose industries are the most colossal and manifold and whose financial system is the most complex of any Nation on the globe. These gentlemen are not to be blamed for their inexperience, for this shortcoming is inevitable in a committee of this House dealing with a subject at once so intricate and so little understood. There is no disposition, either, to doubt that they have done the very best that they, unaided, could do. But the country has a right to blame them most bitterly for having declined assistance, from whatever source derived; for having refused to throw open the doors of their committee room—as did even the Democratic Committee on Ways and Means—to anyone who might attempt to give aid; for having brought to the framing of this bill the methods of the recluse and the hermit.

Mr. SMITH of Minnesota. Will the gentleman yield?

Mr. ROGERS. Yes.

Mr. SMITH of Minnesota. Does the gentleman mean to say that the whole Committee on Banking and Currency has not considered this bill?

Mr. ROGERS. I mean to say that the minority Members have had no participation whatever in framing this measure.

Within but a few days, for example, the majority Members have refused to give ear to men already in Washington, already in conference with a committee of the Senate—men of ideas, ability, and experience, whether or not their views were in all respects worthy to be followed. The minority members of the

Banking and Currency Committee have until a few days ago been kept from the committee room, have been as ignorant of the progress of events as if they were afflicted with a contagious disease. Of what use is a minority Member on the floor of the House or in committee if participation is denied him and if all legislation of importance is practically completed before it even sees the light of day in full committee or in this Chamber? Is legislation by caucus to be substituted for legislation by the great House of Representatives? For a season, perhaps, but I am bold to think not for long.

Mr. TREADWAY. Will the gentleman yield?

Mr. ROGERS. Yes.

Mr. TREADWAY. I would like to ask my colleague if the same statement he has made about banking and currency applies to the Committee on Foreign Affairs, of which he is an honored member?

Mr. ROGERS. In answer to that, I may say that although there was at one time an apparent disposition on the part of the majority Members to keep in exclusive control the problems before it, yet later, as a result of the urgent representations of the minority leader, that situation has been somewhat remedied, and the minority Members lately have been received freely and cordially in the conclaves of that committee. [Applause on the Republican side.]

Mr. TREADWAY. May I ask one other question? I am very glad to hear that there is at least one committee where minority Members are being fairly treated, and I infer, perhaps rightly, that the Member from Massachusetts would not therefore consider it necessary to resign from that committee, as has another Member within a short time from the Committee on Ways and Means.

Mr. ROGERS. My resignation has not yet been prepared.

Mr. Chairman, if men older and wiser than I are to be believed, not in the palmist days of Czar Reed and of Speaker Cannon was the monarchy a tithe as absolute as now. Never did the lash of the presidential and caucus whip cut so deep as to-day. It is not strange that one Democratic Member of this Congress revolted. The only wonder and pity is there were not many more. The Democratic Senator from Nebraska [Mr. HITCHCOCK] said in the course of debate on August 29 last, after the debate on the tariff bill had been in progress in the Senate six or seven weeks:

Mr. HITCHCOCK. Mr. President, this is the first amendment to the tariff bill which has been proposed from the Democratic side.

To my mind it was, to say the least, a mistake to endeavor in a Democratic caucus to bind the individual to the details, for instance, of the pending section providing an income tax. It seems to me that the individual Democrat, like the individual Republican, ought to be permitted by his party to stand here and vote for his convictions.

After all, Senators here were elected to the Senate not to a caucus, and it is in the interest of the public welfare that great questions of this sort be debated in public and decided in public, particularly when we are engaged in formative, fundamental legislation of this sort.

So, Mr. President, it seemed to me a mistake when my party undertook to decide the details of the income-tax bill in the caucus. Still, I did not leave the caucus on that account. I left the caucus when I asked the privilege of being permitted in the open Senate to introduce a legitimate amendment for the taxation of trusts, and that privilege was denied me. I asked it not only for myself but I asked it for other Democrats on this side of the Chamber who believe in the principle and want to see it engrafted upon the pending bill. Those men, if compelled to vote against my amendment, which I am here to-day to urge, will have difficulty in explaining to their constituents why they have done so. It is not right for the party to put them in that position when no great party issue is involved.

It has been an unpleasant sight to me, as it has been to many Democrats during the last few days in this Chamber, when Senators on the Republican side of the Chamber have proposed amendments to the income-tax provision that appeal to the sense of justice and appeal to the judgment of Senators on this side, but who, because of caucus rule, were compelled to vote against such amendments. I do not think that is a worthy sight in the Senate of the United States. I do not believe it is right to bind individual Senators and compel them to vote against their conscience and their judgment upon such amendments when no party policy is involved.

Mr. President, in order to justify myself for the position I am taking, I shall go a little further, and perhaps verge upon the improper in reference to the Democratic caucus of which I was a part. Like all caucuses, I believe the fact to be that our Democratic caucus degenerated into a political machine.

The votes have been published, so I am revealing none of the secrets of that caucus when I say that 18 Members of the Senate voted for my amendment and 23 appeared to vote against it. I say "appeared" because it is a fact, which I shall take the liberty of stating, that the nine Democratic members of the Committee on Finance voted as a unit, regardless of their convictions. So we have a wheel within a wheel, a machine within a machine. The inner machine controlled the caucus. The vote cast was not the correct expression even of the caucus.

That same day, as it happened, appeared an editorial in the Washington Times, a portion of which appears apposite in this connection:

The trouble is that under the rigorous system that came in with Democratic control the caucus is used to enforce organization policies to the last detail. In effect, it is the instrument by which a garrote is fastened on the throat of all individuality and independence.

From this status to that of an arrogant bossism and a contemptible servility the step is shorter than perhaps leaders of the now dominant party realize. The men who, holding the reins of power, drive hard and

fast, generally feel pretty confident that their destination is a good one. But they fall too easily into ways of tyranny and arrogance. No better method of legislation has yet been devised than that of open and frank discussion, free and untrammelled voting, and honest determination of the majority's wish.

Small wonder that there is growing revolt in both Houses against the extremes of caucus rule. Caucus rule, through which a few bosses imposed their will on the party and through it on the country, was the real thing that wrecked Republicanism. It will wreck Democracy, too, in time, and in a good deal shorter time than it required in the other case, for the country understands better now and is less willing to be patient with such methods.

It is a good time for leaders to have a care and avoid becoming drivers. Drivers are not much in political vogue nowadays.

If, as the proverb says, there is wisdom in the multitude of counselors, the legislative efficiency of all the Members of the House should be greater than that of any fraction thereof. Why not, then, give the country the benefit of the greater efficiency instead of intrusting its interests exclusively to a membership majority, especially when that majority is fortuitous and does not represent in its sentiments a majority of the people of the United States? And why not make it a virtue—which it is—and not a disgrace—which it is not—for a Member who may approve of a bill as a whole, but who at the same time objects to certain details, to voice that objection, not in a caucus, secret and without legal standing, but in the Halls of Congress where alone, under the sanctity of the Constitution, legislation can be enacted. It is only in this way, Mr. Chairman, that the National Legislature can cease to be but an adjunct to the Executive and again achieve its proud and constitutional position as a coordinate branch of the Government of the United States. [Applause.]

Mr. STONE. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to; accordingly, the committee determined to rise, and the Speaker having resumed the chair, Mr. SHACKLEFORD, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 7837, the currency bill, and had come to no resolution thereon.

RECESS.

Mr. STONE. Mr. Speaker, I ask unanimous consent that the House take a recess until 8 o'clock.

The SPEAKER. The gentleman from Illinois asks unanimous consent that the House take a recess until 8 o'clock. Is there objection?

There was no objection.

Accordingly (at 6 o'clock and 14 minutes p. m.) the House was in recess until 8 o'clock p. m.

EVENING SESSION.

The recess having expired, the House was called to order by the Speaker.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, the currency bill, with Mr. GARNER in the chair.

Mr. GLASS. Mr. Chairman, I yield 45 minutes to my colleague of the committee, Mr. SELDOMRIDGE. [Applause.]

Mr. SELDOMRIDGE. Mr. Chairman, the responsibility for legislation in our country always rests with the party in power. The Democratic Party could not if it would evade this obligation, and its right to receive the continued confidence and support of the people depends in large measure upon its ability to direct and control the great executive and legislative forces of the Government. Performance must now give place to profession and legislative act must square with platform declaration.

For the majority to share this responsibility of administration with the minority would be to confess its incapacity for government and its inability to legislate on matters affecting the general welfare of the country.

A political party, like an individual, can not remain stationary; it must develop or deteriorate. The person whose mind lies dormant and inactive soon finds himself outstripped in the race of life, and the party which does not rise to conditions of growth and enlargement of service will ultimately be discredited and relieved of power.

The Democratic Party to-day is better qualified to perform a great constructive service to the country than any other political organization. Through the past 17 years of defeat it has been encouraged and stimulated by the fact that it stood for certain great principles of government that ultimately would bring victory to its banners. Those who were lured by

the prize of office and the benefits of privileged legislation forsook its ranks and left the party purified, strong, and aggressive to carry out the policies to which it had been committed.

The President, mindful of the great responsibility resting upon him as the leader of his party, has not left the country in doubt as to the constructive policies which it should advocate. Recognizing the overwhelming majority cast against the Republican organization, not only as a protest against its subservience to great privileged interests but also as a demand for remedial legislation, he did not hesitate to convene the Sixty-third Congress in extraordinary session to consider two great legislative measures of constructive character.

The Underwood tariff bill will soon be enacted into law. It is an evidence of Democratic fidelity; it measures foursquare with Democratic declarations on the tariff; it strikes true to every note of Democratic policy. We can go to the country on this measure with clean hands and a clear purpose. We have kept the faith, and we will receive the reward which is assured to those who are true to principle and profession. The country will not reject the Democratic Party because its record on tariff legislation is indefinite and open to misconception. The law is clear and explicit, and we challenge our opponents to meet us on the issues raised through its operation and enforcement.

We are now asked to consider a second great constructive piece of legislation in the proposed banking and currency law which has been reported to the House and which bears the imprint of party approval. No one questions the need for currency legislation at the earliest possible date. Even before the unforeseen panic of 1907 the press and forum resounded with appeals to Congress for relief along this line. The Republican Party recognized the force of these appeals when it established the National Monetary Commission and sent it abroad to gather material for congressional action. Had that party remained in power there is no doubt that it would have been committed to the policy outlined by this commission and would have given over the great banking agencies of the country to private control and operation. The Democratic Party has no apology to make for discarding the law proposed by the Monetary Commission, as it is definitely committed to a policy of Government control as against private control.

Our present banking and currency system is largely the outgrowth of necessity. It was established during a period of great financial stress which was produced by the Civil War. It was not the result of profound study and investigation, but was the product of imperative conditions. The demand for revision of our currency laws largely arises out of our marvelous national development, and also the obligation to lay strong and secure foundations for the needs of the future. We must establish workable monetary machinery which shall adjust itself to the ebb and flow of the tides of domestic and foreign commerce. We do not condemn the great financial leaders of the past for the present inadequate nature of our currency laws. They faced great national emergencies, and we recognize the fact that the measures which they proposed met the needs of their day and brought the ship of state safely across tempestuous seas to a safe and secure harbor.

The greenback and national-bank note have performed a useful but costly service in our financial system, but no thoughtful student of finance contends that they should have a permanent place in our currency supply. The marvelous development of our natural resources, the widening of our export trade, the increased production of gold, and above all, the confidence of our people in the integrity and permanency of our Government, have been the causes which have spared our financial system from collapse and failure to meet its requirements.

There are always those who assert that the old way is better than the new; that the machinery of to-day will surely do the work of to-morrow; that we should be content with present appliances and not concern ourselves with those that may be needed for the greater tasks of the future. This doctrine is absolutely abhorrent to progressive spirit; if accepted and followed it would check national growth, stifle enterprise, and dull the ardor of individual ambition.

Our financial legislation for the past 50 years has been of the patchwork variety. We have tried in many ways to repair a defect in one particular, only to learn in a few years that more serious defects existed. We have finally arrived at the point where there is general agreement that we must abandon our present system and adopt one which is more responsive to modern conditions and which promises security and adaptation to future growth.

In discussing the bill before us one is strongly tempted to indulge in a recital of the banking and currency history of our country, but such reference would be of little benefit in the consideration of this measure, which deals with present condi-

tions which are the outgrowth of our marvelous national expansion. The experiences of the past should teach us the path of safety and prudence in matters of this nature and point the way to successful and proper legislation.

In order that we may understand some of the benefits that are expected to follow from the passage of this bill, let us briefly consider some of the defects of our present system and the means proposed to overcome them. Prof. Laughlin, who holds the chair of political economy in the Chicago University, has clearly stated some of these defects to be, first, inelasticity; second, the ineffective use of our gold supply; third, dissolving tendency of our bank reserves in time of panic; and, fourth, the lack of coordination of operation by the banking institutions of the country.

The Banking and Currency Committee during the months of January and February of this year conducted a series of exhaustive hearings regarding this proposed legislation. Statements were made before the committee by men who are recognized as authorities in the domains of finance and commerce regarding the defects of our banking system and the proper means to remedy them. There was general agreement that our present system is inelastic; that it is not related in any way to the demands of trade or exchange. Our gold and silver certificates, Treasury notes, and national-bank notes are all fixed in volume, and the quantity in circulation may be out of all proportion to the actual needs of the people. Under our present system the circulation expands when interest rates are low and prosperity prevails. There is no power of contraction, and when panic symptoms appear there is an abnormal demand for currency, which, owing to the rigidity of volume, can not be supplied. This results in a contraction of loans and withholding of credit, which causes loss and embarrassment in all lines of trade and industry. This abnormal demand for currency always produces an increase of interest rates, which falls most heavily upon the producer and consumer.

In 1912 the total bank deposits of the country amounted to \$17,024,067,606, and the amount of money in the United States at the close of the fiscal year, June 30, 1912, exclusive of national-bank circulation, was approximately \$3,648,800,000. Of this amount, according to the report of the Comptroller of the Currency, \$364,300,000, or 9.98 per cent, was in the Treasury as assets; \$1,563,800,000, or 42.86 per cent, was in reporting banks, excluding those of the island possessions; and \$1,720,700,000, or 47.16 per cent, was in circulation among the people. The per capita circulation in 1912 was \$34.34, an increase in 10 years of \$5.91.

In 1909 for every dollar of bank capital in existence there was \$5.30 of deposits. In 1912 for every dollar there was \$5.63 of deposits. Against every dollar of capital in 1909 there was loaned out \$5.43, and in 1912, \$5.77. For every dollar of capital, an individual deposit of \$2.87, and in 1912 there was \$2.96. In surplus, and other profits of national banks in 1909 there was 1909 the ratio of specie and legal-tender money to individual deposits was \$1 of specie to \$5.87 of deposits, and in 1912 it was \$1 to \$6.58. These figures are taken from the comptroller's report of 1912 and are based upon the reports of national banks only.

I present herewith a table of all reporting banks—national, State, trust companies, savings, and private—for the years 1909 and 1912, which fully demonstrates the growing function which credit performs in our business transactions and how necessary it is that this function should be recognized and promoted in legislation of banking character:

	1909	1912
Showing ratio of capital to—		
Individual deposits.....	\$1.00-\$7.80	\$1.00-\$8.51
Loans.....	1.00-6.32	1.00-6.98
Aggregate resources.....	1.00-11.72	1.00-12.49
Showing ratio of capital and surplus to—		
Individual deposits.....	1.00-3.86	1.00-4.03
Showing ratio of specie and legal tenders to—		
Individual deposits.....	1.00-9.87	1.00-10.33

I have presented the above figures to demonstrate the fact that we are constantly expanding the loaning power of our banks. The danger of this expansion does not lie in the fact that it is founded on too small a reserve of lawful money, but in the fact that there is no regular method of expansion and contraction. What we are striving to do in this bill is to create such an operation of loaning functions as will produce currency when needed and cause it to be withdrawn when the necessity for its use has disappeared.

It may be claimed that these figures demonstrate the effectiveness of the present law, but we have no assurance that the

conditions which obtained in 1907 may not be repeated with even greater disastrous consequences. The bill under consideration provides for elasticity of the currency through the following procedure, which can best be demonstrated by the use of an illustration:

Jones is a merchant who desires to borrow \$1,000 from his bank in order to purchase goods for his fall trade. Under the operation of this bill he would take his note to his banker and request the loan of \$1,000 for 60 days. The banker accepts his note and the transaction as far as Jones is concerned is closed until the note matures. Other merchants find themselves in need of funds and they, too, discount their paper with the banker. Later on the banker finds himself unable to meet the demand made upon him for loans, and in order to meet these demands, which are legitimate and for commercial purposes, he takes the notes made by Jones and other merchants to the Federal reserve bank of his district and offers them for rediscount. The Federal reserve bank finding that the paper presented comes within the provisions of the law accepts it for rediscount, taking the bank's indorsement as security. If the Federal reserve bank finds itself unable to issue currency for the paper without encroaching upon the reserve requirement of this bill it will take the paper presented for rediscount to the Federal reserve board at Washington and request the issuance of Treasury notes to the amount of paper presented. The Federal board will grant the request if it is satisfied the security is sufficient, and will issue the Treasury notes upon the indorsement of the Federal reserve bank. The transaction is a simple one and the borrowers have received the accommodation desired, which has enabled them to purchase the goods for their customers and helped the producer to that extent.

Let us take another illustration: It is harvest time in the West; farmers are bringing their wheat to the market and are anxious to secure currency with which to pay their debts which have accumulated during the winter and spring months. The resources of the banks have been taxed to the utmost and many bankers find themselves at the limit of their loaning power. Under the present law there is no place to which they can go for relief except to the large central reserve banks. It is possible that they may be able to find funds with which to supply their customers, but these are often procured at an additional interest cost; or it may be that they will find the funds in the city absolutely unavailable, and then the cry goes up for help from the Treasury Department. But what will happen in this crop emergency under the present bill? The agricultural bank will find ample facilities for the rediscount of its agricultural paper and the stress upon our banking institutions at times of crop movement will be largely relieved. It is a strange paradox that a wealthy nation like ours should find itself annually in a condition of financial inability to meet the needs of our agricultural sections. We claim for this bill that these needs are fully supplied, and if it accomplishes no other purpose than this, it should be entitled to general support.

The currency which will be issued against the paper described in the bill will have back of it several guarantors: First, it has the liability of the original maker; second, it has the indorsement of the local bank, which carries with it not only all of its assets, but also the double liability of its stockholders; third, it has the indorsement of the Federal reserve bank, which carries with it the assets of all the member banks, together with the double liability of their stockholders and also the assets of the Federal reserve bank, including a gold reserve of 33½ per cent; and fourth, it has the guaranty of the General Government.

This, it seems to me, illustrates the method of expanding the currency under the law proposed. In 60 days the merchant has sold his goods and is ready to pay off his note. The bank then withdraws the collateral from the Federal reserve bank, which then proceeds to cancel the amount of Treasury notes issued against it, and the transaction is closed, the currency being contracted to that amount.

It seems to me that the machinery thus provided in the bill for meeting the defect of inelasticity is ample and satisfactory. We believe it will do much to stimulate commerce in all parts of the country, prevent harmful and unreasonable contraction of loans, and give to every legitimate commercial enterprise an opportunity for development.

In my judgment, it also provides for the most effective use of our present gold supply and protects it from being depleted from foreign sources. The currency system of the United States to-day is thoroughly established on the gold standard. We must see to it that every dollar of currency that circulates among our people is backed up and supported by a reserve of gold. In none of its provisions does this bill disregard this fundamental necessity, and no charge can be made that the leg-

islation we here propose in any way influences or disturbs our monetary stability. The world's production of gold increased from 6,320,000 ounces in 1891, with a value of \$130,650,000, to 22,327,000 ounces in 1911, with a value of \$461,542,000—a period of 20 years. There is every reason to expect that the production of gold will continue to increase instead of diminish. The methods of extraction treatment are constantly being improved, and it is now possible to obtain large margins of profit from ore of low-grade value which in former years was allowed to remain as waste. It is possible, therefore, in view of the increasing production of gold and its availability as basic money, to build up our currency system along the lines proposed in this bill. Not only will it be possible for us to maintain our supply of gold, but the bill will enable the Government to be relieved of the strain imposed of maintaining a gold reserve to meet the banking needs of the country.

The bill provides that whenever Treasury notes issued in accordance therewith are presented to the United States Treasury for redemption that they shall be paid for in gold, but the Treasury shall immediately send these notes to the bank issuing them for redemption. The obligation will, therefore, rest upon the bank, as is provided in the bill, to maintain a reserve for the redemption of its notes at all times, and the Government will not be obliged to assume the burden of carrying them. The only gold that will be required to be kept in the vaults of the Treasury for redemption purposes will be that which is now required by law. The power which is given by this bill to the boards of directors of the Federal reserve banks to purchase foreign bills of exchange and fix discount rates will enable them to maintain a sufficient supply of gold in this country to meet all possible demands.

I need not point out the advantages to be secured by the bill in the segregation of bank reserves from the large money centers and their mobilization in the Federal reserve banks. We know the danger which has followed the operation of the present law and which has produced the necessity for this legislation. The fact that bank reserves were suddenly placed beyond the reach of their owners aroused the country to the importance of national action to protect these reserves and make them available in time of stringency and panic. Those who attack the reserve provisions of this bill are largely interested in keeping the reserves where they are placed by the present law. They have been a source of great profit to those who have used them in stock speculation, and they could well afford to pay the owners a small amount of interest in order to secure their support for a continuance of the present system.

We should prevent in every way the use of reserve money for any purpose except that for which it is created, namely, to protect and guard the deposits of the people. It is therefore highly important, in my opinion, that these reserves should be under the direct control and supervision of the General Government. There will be a degree of confidence among our people in the stability of our banking institutions which has not heretofore prevailed. The Democratic Party will not hesitate to join issue with those who attack this measure along the line of governmental control of reserves. We know it is fundamental to the value and strength of our currency system.

Another defect which has been referred to in connection with our present system is the lack of coordination of the banking institutions of our country. This bill provides for the bringing together in one systematic plan not only the national banks of the country, but all State banks and trust companies which may desire to identify themselves with this system. We believe that much is to be gained by this plan of definite coordination. It will not only create a feeling of confidence in the strength of our financial institutions, but it will also enable our banks to enlarge their operations and contribute in a more helpful way to the growth and development of the country. Under the present law each bank operates within its own sphere; it is obliged to fight its own battles; it must develop its own connections for times of emergency, which are in many instances uncertain and unavailable.

This bill links the banks into one great harmonious scheme of federation. There will be 12 reservoirs of strength and support. Every member bank will find at its command sources of strength in times of stress and a port of safety in every financial storm. The business world will realize that no check can be put on legitimate business enterprise and development, and those who are now timid and fearful concerning what may possibly occur as the result of financial agitation will find that the law which we now propose will provide ample means for security and confidence. We affirm without fear of contradiction that panics such as that of 1907, which came in a year of great material prosperity, can not recur under the operation of this law. A means will be at hand for rapidly dispelling the danger of

such panics, and business operations can proceed regularly without fear of interruption.

Objection is made to the provision of this bill which require the national banks to take stock in the regional banks on penalty of forfeiture of charter. In my opinion, if this provision were made optional, it would render this legislation entirely inoperative and ineffective. The establishment of an additional Government banking system apart from the national banking system is impracticable and would be fraught with great danger to our commercial interests.

We have dealt most generously with the national banks in the provisions of this bill. They are admitted to the Federal system without additional capital or expense; they are assured a fair dividend on the amount of their investment, and they will participate in the earnings of the bank to a reasonable extent; they will enjoy as shareholders in the regional banks the profits which will follow the deposit of Government funds. By reduction of reserve requirements they are permitted to expand their loaning power. If country banks, they may find a market for their funds in short-time loans on farm lands, and all national banks may conduct savings departments under proper and safe regulations. In addition to all of these advantages, this bill will give to all member banks a ready means for the rediscounting of liquid paper, thereby enabling them to enjoy a source of profit which is largely denied by the provisions and operations of the present law.

We believe that this bill will do much to widen commerce, strengthen business, aid the farmer, and develop new avenues of industry. If our hopes are realized, the banker more than any other person will reap the greatest benefit. I can not believe that the banks of the country that are being conducted along legitimate and proper lines will refuse to give this law their cordial and hearty support.

We cheerfully acknowledge the debt which the Nation owes to its long line of patriotic financiers, but we must censure those who desire to usurp the functions and prerogatives of the Government in order to accomplish selfish rewards and purposes. We are learning more and more that the powers of the General Government must be exercised to protect the individual citizen in the full enjoyment of his rights and privileges. We are endeavoring to break the power of special privilege wherever it is being exercised through governmental protection. The time has come when this privilege must be eliminated from the sphere of banking and allow financial institutions to operate in a way to promote the public welfare and not as the agents of monopoly and privilege. I believe that we are striking at one of the great citadels of trust control in this bill. We can not estimate the power that must reside in the control of credit expansion and contraction in this country. The testimony before the Pujo committee justifies the belief that the money which belongs to the people has oftentimes been used for their undoing. The large interests through their control of banking institutions have been enabled to check industrial and transportation development, and to that extent have retarded the growth and prosperity of the country. We believe that the distribution of banking facilities to all sections of the country, giving equal facility to every section, will do much to promote natural development, and that business conditions everywhere will soon reflect a spirit of confidence in the wisdom and justice of this legislation.

There are many other benefits conferred upon the people in the bill before us. I can only mention a few of them. The placing of Government funds in the Federal reserve banks will make the large Treasury balances always available for use in regular business transactions. The people will receive revenue from the interest paid on Government funds and the regional banks will be able to extend accommodation to member banks through the means provided from this source. I am in hearty accord with the provision which has for its object the withdrawal of the national-bank circulation and the refunding of 2 per cent bonds securing it. We can not estimate the burden which this circulation has imposed upon the American people. A currency which is founded upon bond-secured notes is not in harmony with the needs of our country. The people have paid an enormous tax in the way of interest for the circulating privilege given to the banks. The additional interest charge growing out of the substitution of 3 per cent for 2 per cent bonds is one which will be lightly distributed throughout the country, and bears no relation whatever to the charge which has been imposed upon the people by the use of the unexpanding and noncontracting national-bank circulation.

The establishment of American banks in foreign countries, in my opinion, will do much to aid our foreign commerce and cause an ever-widening market for our manufacturers and producers.

There are other provisions of the bill which are equally meritorious and worthy of support. We do not advocate the

passage of this measure alone for its adaptability to present conditions and its usefulness to avert evils which have heretofore existed and which may recur under the present system, but we believe that it is founded upon sound principles of operation that will meet the needs of the country for many years to come.

One is almost staggered at the tremendous growth of our Nation along all lines. Our population increased in the decade from 1900 to 1910 from 75,000,000 to 92,000,000, an increase of over 1,500,000 per year. Our present population must be over 96,000,000, and has almost doubled in 33 years. During the year 1912 over 838,000 immigrants passed through our gates to find employment and enjoy the benefits of our free Government. The value of farm property increased from \$20,400,000,000 in 1900 to \$40,991,000,000 in 1910. The building operations in our principal cities during the year of 1912 were estimated at \$683,500,000.

In 1900 our railway mileage amounted to 198,964 miles, and in 1911 to 254,732 miles. In 1900 there were 1,454,838 railway cars in service, and in 1911 there were 2,359,335 cars. In 1900 the total mileage of freight-revenue trains was 492,543,526 miles, and in 1911 it was 626,496,025 miles. Our railway capital in 1900 amounted to \$11,491,000,000, and in 1911 to \$19,208,000,000. The amount of freight traffic in 1911 was \$1,718,000,000. Our imports in 1900 were \$349,941,184, and in 1912 they were \$1,653,264,934. Our exports in 1900 amounted to \$1,394,483,082, and in 1912 to \$2,204,322,409. The wealth of the United States in 1900 was \$88,517,306,775, and in 1904 it was \$107,104,211,917.

In the face of these stupendous figures who will contend that the financial system of our country should be administered through private agencies? Who desires to surrender the power and opportunity to control the great flow of currency throughout the length and breadth of this country to great private and special interests? Who dares to advocate that the Government should not exercise a controlling and beneficial influence in regulating the volume and distribution of our currency? The great outstanding merit of this bill is that it places this great power absolutely in the hands of the people. Any party which should attempt to exercise this power to the detriment of the public welfare would soon find itself distrusted and defeated. It would take years of effort and profession to regain public confidence should it abuse this power.

We have reached the parting of the ways in this legislation. We must either give the power to regulate our financial system to private and special interests or else we must confine it exclusively to governmental supervision and discretion. The Democratic Party will never permit this great function to be exercised through other than governmental agencies. On this declaration it stands fearless and unafraid.

While this measure comes before the House with party approval, I share the hope that it may find willing supporters among those who differ from us on other matters of public policy. There is an appeal in this bill for the support of all citizens, irrespective of party, who desire to see our banking and currency system reformed and built up along progressive lines. The Democratic Party seeks to win no other measure of popular support than that which will come to it by reason of the fact that it is the dominant party in the country to-day and as such is responsible for legislative performance. No better evidence could be given to the country of the wisdom and value of this legislation than to have it receive the support and adherence of those of opposite political faith. We welcome every evidence that the old days of political rancor and bitterness are passing away. There is much in our life as citizens to bring us into close fellowship with each other, although we may differ on several political lines. I sincerely hope that this bill will not only go before the country with the approval of the Democratic Party and its administration, but that it also may receive the cordial support and approval of the members of the other political organizations represented in this body. [Loud applause.]

MESSAGE FROM THE SENATE.

The committee informally rose; and Mr. BARTLETT having taken the chair as Speaker pro tempore, a message from the Senate, by Mr. Tulley, one of its clerks, announced that the Senate had passed without amendment bills of the following titles:

H. R. 4937. An act extending to the port of Dallas, Tex., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement.

H. R. 7595. An act providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition, and for the protection of foreign exhibitors.

CURRENCY.

The committee resumed its session.

Mr. STONE. Mr. Chairman, I yield 15 minutes to the gentleman from Indiana [Mr. Moss].

Mr. MOSS of Indiana. Mr. Chairman and gentlemen of the committee, in connection with the pending measure, the currency bill, I desire to discuss briefly the subject of rural credits. It is not necessary to remind gentlemen holding seats in this honorable body that there is a great campaign of education going on in the United States regarding the question of rural credits, and this movement occurs not because the farmers of the United States are seeking special privilege, but because in the end better farming means better living.

I am aware that the pending measure is not offered as a measure to meet the peculiar requirements of rural credits and that later the committee will report a bill framed to promote these purposes. This division of the subject, so as to place agriculture on a parity with commerce and manufacturing in matters of financial legislation, is proof that our campaign of education is making wonderful progress. The decision of the honorable committee to deal with agricultural credit separate and apart from the general subject of banking is a recognition by a most eminent authority that rural credit differs essentially from commercial credit and that the same organization can not serve both interests with equal fidelity.

I regret that it did not fall to the English-speaking race to perfect rural credit by practical legislation, but it is more a reflection on our progressive tendencies that we have refused to see the improvement which the system has worked in every country where it has been adopted. Beginning in Germany in 1849 amid poverty and agricultural stagnation, the system has spread over the Continent of Europe and is now being studied in every agricultural region in the world. We can not stop its progress if we would. The human race desires to improve its conditions and is ready to honor the master mind in any field of human endeavor. The principles of the Raiffeisen system have now been adopted by practically every country except those colonized by England, and our racial pride must give way to the spirit of improvement. We can no longer permit a stupid worship of commerce and manufacturing to blind our eyes to the progress which continental Europe is making with agriculture organized along lines permitting it to compete successfully with other industries. We can no longer sustain a system of legislation which fosters the growth of cities and their industries while the rural community and industries languish.

The Sixty-second Congress took official notice of the public interest in this important subject and authorized President Wilson to commission a body of men to visit European countries and make a study of this question. I esteem it a high honor to be one of the men whom the President charged with this responsibility. The official report is now in preparation, and in due course will be submitted for your consideration. In my present remarks I am speaking on my responsibility as a Member of this House and am not in any manner forecasting or attempting to forecast any conclusions which may be reached by the United States Commission on Rural Credits. I am convinced that it will not be a simple task to frame practical legislation to meet the requirements of our rural population. Those who believe that we can go to Europe and bring any system here and write it in its entirety upon the statute book are doomed to meet disappointment. The American people are a national people, and when we organize a system of farm credits it will be an American system and not a European system. [Applause.]

More than that, in Europe the question of rural credits has been merged with social reform, so that it is a difficult task to select the purely financial features and separate them from the social-reform elements. In some countries these theories are so blended that I doubt whether the advocates themselves know if they are financiers or social reformers.

We have here a different constituency than they have in European countries. It ought to be the purpose of the American people, regardless of political affiliations, as I believe it will be, to study and work out the solution of this question now and prevent the later necessity of having to deal with the problem of social reform. I hope the time will never come that any student can come to America, go on the farm, and see the same conditions of injustice which have been laid upon the European farmer.

The farmers of the Nation are not asking to be given the use of public moneys at special rates of interest. I deny that the Government has any moral right to advance public money to finance the industrial operations of any class of its citizens. If such a law were enacted in the favor of farmers, then citizens

engaged in other occupations would have a right to ask similar favors; and in the end we would have the Government performing many of the functions which pertain solely to the life of a private citizen.

But while the farmers are not asking for any special privilege, and do not expect the Government of the United States to put public funds at their disposal, yet they are asking that the laws of this country shall be so framed that they can organize and use their collective credit where they wish to use it, and be thus enabled to obtain money on as good terms as can an organized community where such a community is borrowing money.

I come from one of the great agricultural States of the Union, the State of Indiana. As a State, we have made large use of our collective credit to develop and improve our communities. We have improved our roads and drained our marshes with money secured by the sale of bonds which are being repaid by the earning capacity of our people. No laws on our statute books are justly more popular or have more largely aided in the development of our resources. There are but two States in the Union which have improved a larger percentage of their roads than Indiana, and hundreds of dismal swamps have been converted into the best farming lands in the world. We may therefore safely attribute the advanced position of our State as being in a large measure due to the advantages of cheap credit; but while the advantage of collective credit has been extended by law to citizens in their organized capacity, it has been denied to the citizen in his individual capacity. The result has been that while our communities and our cities have made large growth and splendid improvement, the individual farmer has failed to keep pace with the progress of the times. Does any sane person refuse to believe that cheap credit would have gone as far to improve the situation of the individual as it has done for the community?

To-day the citizens of my State are borrowing not thousands but millions of dollars, to be placed on public improvements at 4½ per cent interest. So the farmers are asking that they shall have the same opportunity as the community, that they may join and borrow money in their own private interest as cheaply as we are now borrowing it for public purposes.

I concede that the farmers are getting credit indirectly. In Canada a royal commission is making investigation of this subject, and finds that the farmers are obtaining three times as much credit from the implement manufacturers as from the banks.

Farmers know that this indirect credit is costing them a high rate of interest, that they are paying more under this method than if they were securing credit direct. It robs them of the independence which the farmers of this country have a right to enjoy. In seeking to change these conditions, farmers are not asking for special rights as a class but for their just rights as citizens. They are willing to pay what money is worth in the markets of the world, but they do not wish to be driven to the pawnbrokers for credit; and, please God, that is a condition which is going to be broken up. [Applause.]

It must be recognized that the wealth which is created by agriculture is just as important to the bankers, the manufacturers, the merchants, and our citizens generally as it is to the farmers who produce it. We are beginning to realize that the things which grow out of the soil—the food, the clothing, and shelter for all our people—are capable of indefinite reproduction; and therefore it is the Nation's fault if any of her citizens—to-day or at any time in the future—are doomed to go hungry, ill clad, or poorly housed. If it can be proven that a rational system of farm credits will increase agricultural production and multiply the food supply of our Nation, then it must be conceded that this legislation is not in the interest of any class or section, but appeals to that national feeling of patriotism which overrides all classes and sections in the highest interest of our common brotherhood.

It will generally be admitted by those who have given this subject close attention that Germany has the most perfect system of rural credits among modern nations. In his splendid report to the British Government on this subject, Mr. Cahill says:

In no modern country does organized effort for safeguarding and promoting the economic interests of agriculture appear to have been more persistent and so successful as in Germany, more especially in the direction of providing the farmer with facilities for obtaining credit, for acquiring the instruments of production, and for disposing of his produce on the most favorable terms.

I fully indorse this opinion.

In soil and climate Germany is not as highly favored as is the United States. Land has been divided and subdivided until now, in many instances, it is held in tracts which are incredibly small, as measured by our standard. Isolated tracts which are but 12 to 15 feet in width are held in separate ownership.

The average size of farms for the German Empire is about 20 acres. This minute subdivision has precluded the use of labor-saving machinery or the most economical performance of farm labor on these small farms. On the other hand, the large estates are burdened with rent to the noble landlord, who must live in idle luxury as befits his fortunate caste in life. Thirty years ago the average yields in Germany were about the same as the yields in the United States, but to-day their yields are perhaps double those of ours. In 20 years their yield of wheat has increased 66½ per cent, while ours has increased but 8½ per cent. If the comparison be extended to include rye, oats, barley, and potatoes, which are staple crops common to both countries, the result will be equally favorable to that nation. With an area not as extensive as Texas—in fact, smaller than Texas would be if we were to form a new State the size of Alabama from its territory—and with one-fourth of that area in forests, Germany grows 95 per cent of the food for 68,000,000 people. Their boast is that they will soon be exporting food; our peril is that we may be forced to import food.

I shall not rest the case on a comparison of our agriculture with that of a foreign country; let us analyze that industry in our own country. Since the days of Abraham every agricultural nation has reckoned her national wealth by a census of her cattle. This great industry is naturally divided into beef and dairy interests. The net profits are perhaps nearly equal in either branch of the industry. Dairy farming calls for more labor and constant attention, while the beef industry requires the greater store of capital. The dairy cow yields her produce in a cash form twice every day, while the beef steer is a constant drain on the owner's capital from birth until the day of sale. Thus, dairy farming requires the least static capital of any branch of farming, while beef production requires the greatest. During the past 10 years our population increased 21 per cent and the number of dairy cattle increased almost exactly 21 per cent. Here we have an instance where American agriculture has kept pace with the growth of population.

The same result is true of poultry farming, which is a branch of farming requiring but little stored-up capital. The cash turnover in these lines is for very short periods, and so the American hen and the American cow has kept steady pace in the manufacture of food products with the demand of a rapidly growing population. The results are quite different in the beef industry. Despite high tariff charges we are importing beef to feed our people. The statement is made on high authority that recently 900,000 pounds of beef was received in Washington from Argentina in one day. There has been steadily rising prices for beef cattle for a period of 10 years, while there has been a steadily declining supply. At the present time there is no more profitable branch of farming than the growing of beef cattle; it is a very pleasant occupation; in either direction, under prevailing conditions, beef growing will compare most favorably with dairy farming; yet the one branch—that requiring but little credit—is growing in sympathy with legitimate demand, while the other—the one requiring large volumes of stored capital—is steadily declining, and we are forced to go thousands of miles to import meat to feed our people. I will not pursue this branch of the subject further. The nation which has the most highly developed system of farm credits is making the most rapid advances in agriculture among all the nations of the world, while in our country only those branches of farming which can give the farmer a constant cash turnover are expanding in proportion to meet a rapidly growing demand. The conclusion is self-evident, we must give our farmers the advantage of cheap and readily available farm credits. For 50 years we have been depending on a high tariff to stimulate agriculture; during this period we have charged farmers a high interest rate, and to-day we are face to face with a deficiency in our domestic food supply. Let us give our farmers the necessary tools of trade—credit without usury—and American industry and intelligence will soon make us the foremost agricultural nation of the world. Every branch of our farming will keep pace with dairy farming, and thus through all the years to come our farms will feed and clothe under American standards of living our great and growing population.

Agricultural credit naturally divides itself into two classes—short-time, or personal credit, and land mortgage, or long-time credit. Both classes are required in order to meet the credit necessities of farmers; but long-time credit is of the greatest value to the Nation. This kind of credit has been first developed in other countries, and will doubtless precede personal credit in this country.

The two classes of credit, however, are separate and distinct from a banker's standpoint. We are now considering a measure which deals principally with personal credit. For this reason

alone I have confined my discussion at this time to personal credits, and will ask the House for permission at some future time to submit my views on land-mortgage banks or long-time agricultural credit. Personal credit as used to promote productive agricultural operations differs essentially from commercial credit and of necessity requires a different organization in order to be administered efficiently. A banker recently gave the press a definition of a commercial bank. He said:

The real business of a bank is to gather together the current deposits of the people and amass them into a body of liquid capital that can be loaned out to people engaged in a commercial business. They should be loaned on short-time paper, three or four months' notes preferably, that represent the great tide of commercial transactions of the people.

This system of banking adapts itself perfectly to the necessities of the merchant and the manufacturer, but can not serve the needs of the farmer. The merchant can restock his shelves several times a year and the manufacturer can increase at will the capacity of his shops. The manufacturer's total output is a question of operating his shops 8, 16, or 24 hours per day. In comparison, the farmer's harvest period is fixed by nature and can not be hastened. With grains, fruits, swine, and sheep it is a question of months, while with important classes of live stock—for instance, cattle and horses—the period lengthens into years. Thus while the merchant may use his capital but 60 days until it is released by a turnover, the minimum period with the farmer is six months, and this period may be extended to two or three years. Therefore the period of discount must be longer in agricultural credit than it is in commercial credit. This is conceded by bankers, but it is insisted that a solvent loan can be renewed. If the period of time were the only distinction between rural and commercial credit, the renewal privilege would partly solve this question.

In the pending bill we have fixed the period of rediscount at 90 days, which is an admission that agricultural loans should be renewed under this provision. Other vital distinctions between agricultural and commercial credit are the character of the security and the purpose for which the loan is granted. A commercial banker loans money only on property values which can be realized upon under the terms of the law. A solvent loan to him is one which is legally good or which can be collected by execution. He looks to stored-up capital as a basis of credit and hence is not primarily interested in the purpose to which the money is to be put. The two classes of people whose interests are safeguarded by the commercial banker are the depositors and the stockholders of his bank. The borrowers as a class do not receive any consideration. The bank cashier literally applies that passage of scripture which says that to them who bath shall be given. In contradistinction to this kind of banking, agricultural credit is based upon the Divine promise of a seed time and a harvest. It undertakes to promote agricultural operations by financing them and waiting until the maturity of the crop for repayment of the loan. The loaning of money on cotton stored in a warehouse or on wheat in an elevator is not agricultural credit. Agriculture gives way to commerce at the maturity of the crop. Storing crops for a better price may be good speculation or good commercial enterprise, but it is not any part of productive agriculture. The total gross value of one year's products of American farms is computed to be more than \$9,000,000,000, estimated at farm values. If we will include farm equipment, feed, and growing of live stock, which farmers are compelled to own in order to carry on their operations, we may form an accurate estimate of the huge financial operations of the American farmers. They need vast stores of capital during the crop year to carry on these operations under the most favorable conditions.

The prudent commercial banker at once says that farm crops depend on the elements; that these elements are beyond man's control and therefore it is hazardous to advance funds on growing crops as security. This is true if the bank does business with each farmer as an individual. No man can determine in advance that his harvest will be a good one; but all human experience proves that general results in agriculture are dependable.

We thus reach the old question of individual or collective bargaining. In the labor world it has been found that the only way to protect the interest of the laboring man is by a system of collective bargaining; so it is with the farmer. The probability of one farmer failing to grow good crops has caused every farmer to pay a high rate of interest and has compelled those who were not endowed with valuable property to resort to the chattel mortgage shark for credit. In a letter recently written on this subject from a Northwestern State it was said that their bank rate is 9 per cent and their chattel-mortgage rate is 12 per cent.

Under these conditions it is impossible for agriculture to become a prosperous business, except to the loan agent and his principal.

It has been said that all really great discoveries are very simple. So it proved with this problem of crop failure, which for centuries has barred farmers from being numbered among the business men of the world. The secret is that while some men engaged in farming will fail every season the great majority of farmers will succeed. Therefore, if farmers place their combined risks on their combined resources, the security is the best in the world. This principle is the basis of all successful insurance. In fact, rural credit banks are modern industrial insurance societies. Out of 100 men engaged in any line of labor it is certain that sickness, death, or other misfortune will reduce their total earning capacity perhaps 3 per cent. This reduction would mean serious loss to the creditors of the three men whose earnings were thus dissipated, but the society as a whole will have a guaranteed earning capacity of 97 per cent, and if their resources are pooled in such an instance the society have only to keep their liabilities 3 per cent below the maximum in order to be wholly solvent. A large loss may fall upon one farmer or indeed, upon a community in a season, but in the end, unless agriculture itself is successful, unless the divine promise of seedtime and harvest be realized, society itself must perish: You can not maintain organized states of society unless agriculture is successful.

As the business of farming calls for large amounts of capital to be engaged for comparatively long periods of time on absolutely safe security, we have all the elements to secure money in the markets of the world on the lowest possible terms. This is not a hypothetical presentation of this question. This result has been achieved in every country where banking has been organized along these lines. I will give specific instances.

In the country of lower Austria, at the moment of our visit, the Government rate of discount was fixed at 6 per cent and the rate on commercial bills was $7\frac{1}{2}$ to $7\frac{3}{4}$ per cent. The Austrian Imperial Government has recently issued bonds bearing $6\frac{1}{2}$ per cent. These high rates of interest were due to the political conditions growing out of the Balkan War. The banks at Vienna were paying 5 per cent on deposits; yet we visited a typical farmers' bank which was loaning money to its members at $4\frac{1}{2}$ per cent and was able to accept all applications from its membership for loans which had a proper relation to their business as farmers. This bank was one of an association of 450 similar organizations which were loaning money to their members at the same rate. These funds were deposited in these rural banks at a lower rate of interest in preference to the large city banks at a higher rate of interest. It is a most significant fact that, despite the pressure for money which was general in Austria, 420 of these associated banks out of a total membership of 450 had a surplus of deposits. Neither war scares nor rumors of commercial crises have any effect to reduce the volume of these deposits because of a sense of absolute security which is the basis of this banking system.

Mr. MADDEN. Will the gentleman yield?

Mr. MOSS of Indiana. With pleasure.

Mr. MADDEN. How do the farmers mobilize their resources in order to get the collective credit to which the gentleman has referred?

Mr. MOSS of Indiana. I shall be glad to answer that question, but I can not do so fully in my limited time. The farmers' banks accept deposits from everybody, but make loans only to their members. The farmer is connected first with his union bank. These union banks themselves are associated together in one central bank. These 450 associations were associated under the general condition that the individual farmer must deposit his surplus money in his bank. The union bank deposits all of its surplus capital over the amount needed to carry on the work of its members in the central bank. This central bank thus really controls and mobilizes all of the resources of the federation, having a membership of 450 banks.

In Germany there are 17,000 of these associations that are connected together under the Prussian State Central Bank. This one organization controls all the financial resources of 17,000 banks, having a membership of more than 4,000,000, or 1 person in every 13 in the German Empire.

I may also say that while the turnover of the rural banks in Germany amounts to more than \$1,000,000,000 in a year, 92 per cent of all the capital loaned is made up of deposits in the member banks.

Mr. J. H. McGraffin, an American citizen, who is manager of the commercial agency of R. G. Dun & Co. in Vienna, gave our commission a signed statement that their company did not have any record of a single failure among the Raiffeisen banks, and

that the system was founded on such a strong, conservative basis that failure was practically impossible. The bank we visited was located in a country village, and the occasion of our visit was made a general holiday. We were escorted to the bank by a great procession of citizens. There could be no mistaking the general feeling of pride and respect which these people had for the "people's bank" as the agent of their success and prosperity in business.

Quite as striking examples can be given from our experience in Germany. I am not speaking of what I was told; I am relating what I saw and know to be true. I visited a rural bank located in the village of Ritzan, Germany. This village is located about 25 miles from Leipzig, one of the great manufacturing centers of Germany, and $4\frac{1}{2}$ miles from a railway. I spent 10 days in this village with a German-American who spoke both languages fluently. I had thus exceptional advantages to come into actual contact with the operations of this bank. The association was loaning money to its members at $4\frac{1}{2}$ per cent. At that time the Imperial or Government rate of discount was 6 per cent, and Mr. Paul Ladenburg, a banker in Mannheim, stated that the prevailing bank rate on commercial loans was 7 per cent in that city. Dr. A. Schleisinger, vice United States consul at Munich, gave 7 per cent as being the current rate in that city on commercial paper secured by collateral. The bank at Ritzan was federated with a central bank located at Halle, and was only one of a large system of federated associations. In addition to its banking operations—accepting deposits and discounting notes—the association purchased at cash, wholesale prices, coal, feed, and fertilizer needed by its membership. By this cooperative organization the members secured credit and staple farm supplies at lowest rates.

I have selected these as typical examples of rural banking in the best farming sections of Europe. These banks accepted deposits from everybody and loaned only to their membership. Such was the confidence of the general public that the loans were largely made from their deposits. In Italy, Hungary, and Ireland totally different conditions exist, and accordingly we found a different banking rate. In these countries the population was so poor that in country districts a sufficiently large volume of deposits could not be secured. The people were more borrowers than lenders of money. It is difficult for an American to comprehend the depths of poverty to which whole agricultural communities have been forced through the adverse conditions of the past. With absolutely no banking connections or commercial credit and with but little property qualifications among their members these banking associations were formed upon the earning power of labor applied to the soil. I visited one bank in Italy which was loaning to its members at 5 per cent, which was the Government rate of discount. The commercial rate in Rome was $5\frac{1}{2}$ per cent for a period of three or four months and 6 per cent for a six-month period. Our commission visited the village of Vigo Novo in the Province of Venice, where Vollenburg, in 1883, organized the second rural bank in Italy. This pioneer bank was loaning money to its members at 6 per cent. Throughout Italy the peasant farmers were securing credit as cheaply as were the merchants of the large Italian cities. In Hungary the rate charged by the rural banks was about 1 per cent higher than the Government discount rate. In Ireland the rate was generally $6\frac{1}{2}$ per cent, which was said to be a great reduction from that prevailing before the introduction of the rural banks.

The general constitution of rural banks must conform to the means of securing funds. In Germany these banks are savings and loan associations; 92 per cent of their loans are made from deposits. The members form a simple partnership, each assuming an unlimited liability for the debts of the bank. This is the oldest and simplest form of rural banking. France has the newest system and is more complex. The farmers of France would not assume the unlimited liability which was imposed by the German banks; local conditions were such that deposits could not be secured in liberal volume. Therefore, they had to organize banks in connection with the Government and looking toward the Government for temporary aid and assistance. I shall accept these two systems as being the general types of European banks, though it is true that in Italy and in Hungary the German type has been modified to meet their national conditions. In Germany, rural banks are entirely separate from the commercial banks and receive State aid in varying degree. The local banks are attached to central banks which are specially organized for this purpose. These central banks control all surplus deposits of each local bank and in turn supply any deficiency of capital needed by any local bank connected with it. This mutual organization and centralization is further perfected by the organization of the Prussian State Central

Bank which is endowed with State capital and to which are joined all the central banks. This German system of affiliated central banks gives the management large powers and secures a high degree of liquidity of resources. The individual member deposits his money with his union bank. The union bank hands over to the central bank with which it is affiliated all capital flowing into its treasury from members and nonmembers except that required to carry on its own cooperative enterprises. The central bank in turn deposits its surplus with the State central bank. The State central bank thus controls all the business of the affiliated societies and is their agent with the outside money market.

In case the societies as a whole require more capital than their combined resources will provide, this State central bank negotiates the loan either in the open market or secures it from the imperial bank of issue by rediscounting the securities in the possession of the federated societies. This bank in this way regulates the interest rate which the local associations charge their members, because the bank will have no dealings with any union bank which does not scrupulously regard all the regulations governing the conduct of the associated business. Each member can secure an open account with his union bank, the union bank can secure an open account with its central bank, and each central bank can secure an open account with the State central bank. There is one member of these affiliated societies in Germany for every 13 inhabitants. This arrangement in effect merges the resources in business of this vast number of industrial citizens—computed to be 4,800,000 people—in the hands of one financial institution. This centralization is too extreme to accord with the spirit of our institutions, and I do not believe that it will meet with the approval of American judgment. The concentration is more extreme than it appears from the mere statement, because the character of business includes more than the loaning of money. It has large influence over the purchase of supplies, and to a lesser extent influences the selling of the products of their labor.

The rural credit of our Nation should not be concentrated in one institution; even though that institution were under State supervision and were to receive in part State aid. The average American farmer will not accept the principle of unlimited liability, which is mutual indorsement of financial obligations. As has been indicated, this system as developed in Germany is not strictly a financial system, but is one of social reform as well. Its aims are wider than any American system will comprehend, at least for many decades, and it is to be hoped wider than will ever be necessary in our country. It is our duty to avoid the evils which reduced the agricultural classes in Europe to the necessities of radical social reforms. We fortunately have a much more intimate connection between the farming classes and the banking interests than existed in Europe at the organization of the German system, and therefore I do not believe that in many sections of the United States any separate system of rural banks will attract deposits in sufficient volume to finance adequately the needs of their sections. These and many other reasons lead me to question whether any necessity exists for the organization of special central banks and thus bring the new system into sharp competition at all points with our existing banking system, which, with admitted faults, has done much to develop agriculture throughout the United States.

An American system of rural credits will call for a new banking organization as the primary unit. This is necessary because it has been proven to be impossible under the present banking system to assemble the farmers' business or to concentrate it sufficiently for city banks to secure it. In Europe farmers live in villages, while with us they live on individual farms. In this respect the European banker has an advantage over the American banker, but their experience has been that this business had to be organized by farmers living among farmers. It could not be developed by the city banker. A recent inquiry was held in Canada by a royal commission on agricultural credits, in which it was developed that their farmers secured three times the volume of credit from the implement dealers that they did from the banks. The banks are satisfied with this state of affairs because they loan more money to the manufacturers and less to the farmers, but the farmers are not satisfied. They know that credit costs them more secured in this indirect manner and robs them of a desirable independence, but it is to be noted that the organization of this form of credit is done by people in close touch with the farmers—not by those remote from their daily life. Too many students overlook the fact that farmers are now compelled to secure a vast volume of credit in this indirect way under our present system in the United States, and those who overlook this most important fact are among the first to oppose the idea of an organization, in close touch with farmers, to control this volume of credit business at wholesale rates.

A secondary reason in favor of a separate primary organization is that the administration of this credit business must be simple in order to reduce the cost. It is nearly impossible for an American to form an accurate picture of the simplicity of European rural banks, which is a very essential element in making possible the very low cost of their administration. This is one of the foundation stones, and unless we can introduce this simplicity it will be impossible to sell credit under our system at the low cost which is possible under their organization. It is impossible to disassociate completely rural credits and social reforms. Good farming is not a simple act. It is a very complex organization, and so any great movement having for its avowed purpose the improvement of agriculture must at the same time regard the improvement of society.

Thus there is attending the management of a rural credit society an opportunity for the exercise of altruism in varying degrees. I am aware that it is strongly denied that altruistic motives can be admitted in the management of financial affairs. That contention is true only so far as it means that funds of the rural bank can not be loaned on inadequate security or that a member can be given something for nothing. It is not true that the more competent members of a society or community can not give their talents and services at a very nominal rate of compensation and do this in order to develop the best interests of the society. This spirit gave birth to rural credits and has sustained the system in every stage of its growth. If it be asserted that such a motive can not be developed in our country in the free air which surrounds American farms, then it had as well be admitted that the hope of the system is an iridescent dream. I do not accept this conclusion. Therefore I believe that a primary unit must be organized separate and apart from our highly organized commercial banks, but that it is not only possible but highly desirable that this new unit shall be connected with existing banks and not projected against them. These new rural banks can be either cooperative or joint stock in type. It has been assumed in some newspaper discussion that rural credits can not be successfully organized in this country without accepting both the theory and the method of European cooperation. I do not accept that conclusion. It is perhaps true that American farmers are self-seeking to a greater degree than they are cooperators in business, but it is also true that recent developments in European methods place much greater stress upon share capital than was done in the genesis of the movement. It was the fact that share capital could not be secured rather than the fact that such capital was not to be desired that molded the original organization. This fact only gives emphasis to the argument that nationality must be considered in the framing of any scheme of legislation. American farmers will do business on a larger scale than European farmers; they can subscribe share capital in greater amount than could European farmers, thus necessity and ability unite in deciding upon share capital as a proper basis for these primary units. What is to be most desired is to secure a practical method of organizing for financial purposes without including the whole scheme of European moral philosophy which surrounds this movement at this time in most of those countries. The problem is how we may avoid their problems of social reform which have become associated with their rural organization rather than to try to harmonize the temperament of American farmers with that of European farmers.

For these reasons, I predict that the share capital organization with limited responsibility will be preferred in America to the cooperative organization with heavy mutual liability. The membership will be select and limited in number. It is very evident that mutual acquaintance and mutual respect will be the basis of harmonious action. The liability attaching to share capital will be greater than in the ordinary corporation, while requirements as to reserves and other limitations will be greatly reduced. The rural American bank will become a small association of neighboring farmers whose principal joint function will be to pass upon the credit qualifications of their own number. They will be required to assume a greater liability than ordinary shareholders in order to secure an open account with some other financial institution, but this liability will be strictly defined and limited in amount. Their power to loan money will extend only to their own members. Thus their joint liability is in the end only a guarantee that their estimates of the resources of their own members are correct. The administration will be cheap because the organization is simple. The dividends which can be earned on the share capital will be limited to the level of the current rate on loans, so that the money invested in the bank will earn only as much as that which is actively at work in the hands of the borrowers.

Under precisely the same banking laws in Germany there are 55 failures of commercial banks to 1 among rural banks. It has been found that prohibition of large dividends and of

speculative loans have done more to insure safe banking than all the restrictions which the law can throw around a bank. For this reason, the partners in a rural bank should be placed under reasonable liability which will insure personal supervision by the partners of the operation of the bank and of the uses to which the capital of the bank is put by those who may borrow it, and, at the same time, be relieved of all complex processes in administration.

I am aware that our existing banks have not gained the entire confidence of the American people. There is a vast sum of money which is in hiding and which has never been deposited in any bank or financial institution. It is possible that a system of rural banks with its undoubted security will attract portions of this vast sum and place it at the disposal of industry. If so, it will be one more advantage which the system will give to American industry.

The French system of rural banks is a system which the farmers and legislators of the United States may study with profit, because that system had to meet many of the difficulties which confront us. The French Government is a Republic, and thus political conditions are more nearly analogous than in Germany. The Credit Foncier, the great land-mortgage bank of the French nation, had been given the exclusive privilege of attracting bank deposits by offering lottery prizes. This scheme is so attractive to the French people that this banking institution practically controls the savings of the nation. The rural banks could not, therefore, attract deposits in sufficient volume to finance the needs of their members. The French banks were largely associations of borrowers, and their members joined in order to secure loans. The rural banks were therefore compelled in large degree to apply to the Government bank of issue to secure a rediscount of the farmers' notes. It is my opinion that the system will have to be inaugurated in the United States in somewhat a similar way. If we do not revise our banking law whereby solvent notes of borrowers can be rediscounted by a Government bank, and thus place the national credit at the disposal of industry, I can conceive of no way in which a system of short-time personal credit can be organized except by the direct use of Government funds. Under French law farmers were not given the benefits of a bankruptcy law. Principally for this reason, the commercial banks would not enter into business relations with the farmers, and the private money lender was the only source of credit open to the rural population. The rate of interest in such cases was extortionate and extremely burdensome. The Bank of France had the power to rediscount commercial paper which bore three indorsements and having a maturity not exceeding 90 days. This had been interpreted to mean commercial paper, and under the law of France a farmer could not issue commercial paper because of being excluded from the operations of the bankruptcy law. Under these conditions agriculture declined until certain rural districts in France became practically depopulated. Then came the disaster to the grape, which produced internal disorder closely bordering on revolution. No nation in modern times has faced a more acute economic crisis. Germany had solved her rural problem and her agriculture was growing just as surely as that of France was declining. It required the best thought of the French nation 15 years to crystallize public opinion and secure the enactment of the first rural banking law as the only escape from their condition.

The system is distinctly national and was devised to meet the requirements of the French people. I called particular attention to this point. France had at that time the best land mortgage bank in the world; they were perfectly familiar with every system of agricultural credit then organized; yet it required years of study and effort to devise a national system which would rebuild French agriculture. There seems to be some authorities in our country who affect to believe that we can copy the German system or the French system on our statute books and the problem is settled. We must have a national system which is as truly American as the system of Germany or of France is national, and it calls for careful study and time for deliberation. No made-over system will suffice because our Nation is different from any other nation.

The Government is more closely connected with the administration of rural credit in France than is true in Germany. The Raiffeisen banks in Germany are fighting Government aid and control in every particular and desire to be entirely independent; but in France the cabinet ministers are the officers or administration. The Government supervises the banks closely and in many ways is intimately associated with their operations. The funds are secured mainly from the Bank of France through the power of rediscount, though the nation places large sums of money in these banks at nominal rates of interest for the first five years of a regional bank's exist-

ence. As the law requires three separate indorsements before the Bank of France can rediscount commercial paper, there had to be organized two separate systems of banks because the existing banks refused to negotiate farm paper. The first bank is a cooperative association of French farmers who assume a limited-individual liability for the debts of the banks. These cooperative associations were then organized into regional banks. The system was now complete because a chain had been constructed which would connect the farm with the Bank of France and give the farmer the advantages of national credit. An individual member of an association must present his promissory note to his association with one additional name for security. This additional name is to meet the requirement as to indorsement and is the first one of the three indorsements required by the Bank of France. The other two indorsements are given by the respective banks. Thus the cooperative association adds its indorsement and passes the paper to the regional bank; the regional bank in turn adds its indorsement and presents the note to the Bank of France for final rediscount by the issue of bank notes. In this way the farmer secures his credit from the nation.

It will be noted that this system conforms in a general way to the outline of the pending bill. The Secretary of Agriculture as a member of the Federal reserve board will have large powers in the administrative features. I regard this as an extremely important provision. There is not a system of agricultural personal credit in Europe which would be successful if the Government was not friendly to its administration.

One of the most effective schemes of cooperation in Europe is the assistance which the various Governments give to rural credit and the support which the farmers extend to the Government at the polls. It is useless to organize a system of people's banks and then turn over the control to a special interest which is opposed to the development and success of the system. Agriculture has never been fairly treated by commercial banks in any country in the world, and when we do organize rural credits in the United States, as by the help of God we are going to organize it, we ought to have enough sense to keep the control in the hands of high public officials who have a proper measure of responsibility to the whole people. It is worthy of note that since the organization of rural banks in France and their successful operation that commercial banks now eagerly compete for the very business which they affected to despise but a few years ago. The minister of agriculture stated that when a new regional bank is advertised to be organized his office is besieged by commercial banks to secure a connection with the new bank and thus share in the new business which the bank is sure to create. This conclusively proves that there is no difficulty in commercial banks accepting this business from the cooperative associations of farmers. There should exist no necessity to organize rural regional banks in a general banking system which depends on the power of rediscount to secure loanable funds. It will only be by the stupidity or selfishness of existing banks if they fail to meet this great movement kindly and assist in its organization and development. We can not hope for such a spirit of national patriotism from the Vanderlips and Forgans; but we may confidently count on the patriotic cooperation of the vast majority of our bankers who are not drunk with power.

The primary associations must be composed of farmers who bear a joint responsibility, because agricultural credit rests on the productive labor of farmers. This joint responsibility is but nominal so far as individual financial risk is concerned, because the security as a whole is abundant and safe. In this regard the risk is as prudent as that assumed by the members of mutual fire insurance companies, which are extensively organized in Indiana and other agricultural States of the Union. But this nominal joint responsibility is necessary in order to secure the proper restrictions which must be thrown around rural credit. It is well known that credit may be harmful as well as helpful. The very keystone to the system is that any man of good character and industrious habits may secure financial assistance, if needed, in order to produce a crop, and that this necessary credit shall be advanced to him at as low a rate as to any other citizen of the Republic. In order to meet these requirements there must be a committee to pass upon his application for credit. Every borrower has to meet that test now, except that at the bank counter it is a question of property qualification. The new system will substitute industry and honesty for property, and naturally these qualities must be passed upon by those who are personally acquainted with the applicant; but after this guaranty has been given there is no good reason why regularly chartered commercial banks shall not accept this business and, by indorsing this community paper, present it to the Government bank for rediscount. If the existing banks meet this new demand in this

spirit, then there will be no antagonism whatever between rural credits and commercial banking; but if they refuse to assist in the organization of this business farmers will have to organize central or regional banks, as they have done in France, and present their demands for credit directly to the Government bank of rediscount.

This cooperative effort in no wise will stifle the individual initiative of the farmer. It would be amusing if it were not offensive to hear the argument that an organization for business purposes among farmers along lines of approved experience will destroy individual initiative. Since the earliest settlement of our country there have been exchanges and cooperation among farmers who are neighbors. Swapping help at thrashing is a simple method of cooperation. Cooperative creameries, elevators, fruit exchanges, and mutual insurance societies are a further development of cooperation in mutual business interests. The rural delivery of mails and the parcel-post exchange is an extension of the same idea. In fact, incorporated towns and chartered cities are but huge cooperative business enterprises among the citizens of a thickly settled community, and the chief advantages in the way of schools, churches, lecture courses, and other places of entertainment and education which the city possesses over the country is the aggregate wealth and power which cooperation gives the community over the individual. In every line of human endeavor organization wins over disconcerted action; and so manifest are the advantages of organization in business that the whole power of our Federal Government can not restrain the activity of our trusts, which is but another name for organization applied to money. This development will require time and education as well as favorable legislation. Unquestionably, one of the great problems of the future before American lawmakers is to frame our laws so as to permit organization and cooperation to grow up among our industrial classes without meeting the inhibition of our antitrust laws. The immediate future will witness a great development of cooperation among the agricultural classes. This is true because agricultural operations can not be carried on with due regard to economy without cooperation.

In the pioneer stage when land was practically without value and taxes were light American farming did not require business methods and business organization. We have passed that stage and the farmer of the future will encounter competition on every hand from organized industry, and his only salvation lies in the economies which are possible through organization and combination, not in any spirit of hostility to society, but in the larger and nobler sense of service to the Nation which his industry must feed and clothe.

The CHAIRMAN. The time of the gentleman has expired.

Mr. SAMUEL W. SMITH. I hope the gentleman may be given two or three minutes more to finish his statement.

Mr. STONE. I yield to the gentleman five minutes more.

Mr. MOSS of Indiana. Mr. Chairman, in conclusion I desire to congratulate the committee specially on some of the features of the pending bill. There are two features of vital importance to agricultural credit, and I believe that all candid students, Republicans and Democrats alike, will admit that they mark a great advance over present conditions. An important question in any system is that of administration. There is not a rural credit system in Europe which will stand 10 years if the administration were unfriendly. The placing of the Secretary of Agriculture on the reserve board is a great assurance that the new system will be administered in a friendly spirit to our farmers. [Applause.] Whatever changes Congress may order in the bill I hope that the Secretary of Agriculture will remain a member of the reserve board.

Second, that agricultural paper is made prime and admitted to be rediscounted, so that if the individual farmer can not obtain credit on fair terms from existing sources he can, by organization, carry his paper to the regional bank and secure credit directly from the Nation. I do not believe that a system of agricultural credit can be made a success in this country unless you give by law the power to rediscount farmers' notes. The one conviction which my study of rural credits has firmly fixed in my mind is that only the power of rediscount by order of the Government, and at a rate fixed by it, will protect farmers from usurious rates in those undeveloped communities where capital has not been accumulated. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. HAYES. Mr. Chairman, I yield 20 minutes to the gentleman from Pennsylvania [Mr. HULINGS].

Mr. HULINGS. Mr. Chairman, it is with great embarrassment that I undertake to discuss a subject so intricate and of such vital importance as the bill now before the House.

I have read volumes upon the subject and articles and arguments without number, only to find the utmost confusion upon

the most elementary principles involved in this subject. The bankers disagree; the financiers differ; the monetary scientists, who hold themselves a notch above the bankers, take utterly variant grounds. Yet we, the representatives of 100,000,000 people, in the enactment of a law involving colossal results to them, are obliged to vote almost blindly, with scant time for investigation and without opportunity of amendment.

Except for the frame of mind that makes them Democrats, I could almost envy my Democratic colleagues who serenely take orders from a caucus that never took the trouble to investigate for itself, but simply registered the dictum of the master mind in the White House. [Applause.]

Never since Jackson's day has a more determined, aggressive, astute, and accomplished politician resided in that historic mansion. [Applause on the Democratic side.]

Never has a more subservient Congress sat in the Capitol.

Composed of warring elements, Tammany and anti-Tammany, free-traders and protectionists, we have seen you swallowing all protests and raising your voices in unanimous support of a free-trade tariff. [Laughter.]

What other President ever accomplished anything like this?

It is true that Mr. Wilson has announced that "the people need no guardian," but his acts show that he is clearly of opinion that the Democrats in Congress need a guardian [applause on the Republican side], and he proposes to discharge that duty, though I fear he will have an unruly lot of wards on his hands before they come to years of discretion or he is much older.

There is no man on this floor who entertains a higher respect for the President of the United States than I do, nor for what I conceive to be the purity of purpose of Woodrow Wilson.

His warfare upon the "boss system" in New Jersey and his progressive administration as governor of that State were sufficient warrant for me to announce during my campaign that I should support every progressive measure of his without respect to its party label, and without surrendering my right of private judgment I propose to keep my word.

Aside from the matters of detail with which the bill now before us abounds the fundamental questions are:

First. Does the system proposed provide for elasticity in the currency?

Second. Does the system proposed provide for an adequate supply of gold, upon which the system is based?

Third, and uppermost of all. Where will the control of commercial credits finally lodge if this bill is enacted—in the Government or in the banks?

As to the first, without entering into any academic discussion as to what is "money," whether "money" must of itself have intrinsic value, or whether "money" may consist of anything adopted by the "flat" of a government endowed with the power to tax all property in support of its fiat, we need not inquire.

But whatever is adopted as "money," whether coined gold or stamped paper, it is apparent that the increase in the volume of money raises the average level of prices of all other commodities. In other words, the purchasing power of the money unit is increased or decreased as its volume increases or decreases, and without any doubt the great increase in the circulating medium in this country since 1900 is in part the cause of the rise in prices of all other commodities.

In order, therefore, that any assumed standard of value shall be a stable standard there must be a constant equilibration between the volume of money and credits and the average "price level" of other commodities. The price level must be steady, else your standard of value changes.

The German Government controls the "price level" by controlling the rate of interest. The volume of business there is controlled by unlimited bank credits and issues of paper money under certain limitations based on commercial paper.

The English Government have a wholly different system. In England the volume of paper money is not changed. Since 1844 there has been no increase of paper money, and elasticity is secured through the Bank of England, not a governmental but a private organization, which is managed not by bankers, but by a board of directors who are usually merchants, bankers being ineligible as members.

Elasticity there is secured by fluctuations in bank credits, which are made to correspond by raising or lowering the interest rates with the average "price level" and the volume of business.

The proposed bill embraces both these systems in part and will be an improvement upon each of them, although, in my opinion, the power to conform the "price level" to the volume of currency and credits by raising or lowering the rate of interest should be vested in the Federal reserve board rather than in the reserve banks, for inasmuch as the Government prac-

tically guarantees the redemption of all paper in gold the Federal board should be vested with the power to change the interest rate, since that power is substantially the only means of arresting the outflow of gold or to attract it to this country.

The second question is, Is there adequate provision for the supply of gold?

No country in the world holds enough gold to redeem its paper money. What gives the paper issues of the Government value is, in the last analysis, not that it has gold enough to redeem any quantity of its paper that it may be called on at any time to redeem, but that it can procure the gold by the exercise of its taxing power.

Governed by this consideration, the United States Government, having the power of unlimited taxation of all the property of its 100,000,000 of the wealthiest and most industrious and efficient people in the world, her power to keep her agreements and her disposition to keep them is not equaled elsewhere in the world; and whether we fix 33½ per cent or 50 per cent as a gold reserve is, in my opinion, a matter of detail of no great importance.

This brings us to the third question: Where will the money control lodge?

The great bankers who, it is alleged in the report of the Pujo committee, at present are in control or have the power to control the credit system of the country, of course wish to preserve for themselves that power of control, and they urge with great and, apparently, ingenious pertinacity that the bankers should control the constituent banks, the Federal reserve banks, and, as well, the Federal reserve board.

In the greatest financial institution of the age, the Bank of England, no banker is allowed on its board.

The chancellor of Germany controls the German Imperial Bank's interest rates. So in these great institutions bankers are rigidly excluded from the controlling power, and I think it a mistake that there should be any banker allowed on the reserve board or that any advisory council of bankers should have been provided for.

Mr. Chairman, under our present system we have seen that a few of the big institutions of the great cities by collaborating—I will not say conspiring—have controlled, in large degree, the credit system of the country; and that they have it in their power to hurt the country with financial panic, to its great loss and their profit and advantage, and to bring the Government itself to its knees, as they did in Cleveland's day and in 1907.

Yet there remained a great number of smaller banks, country banks, that were independent and competing.

But I wish to point out the danger that when all the banks become members of the 12 Federal reserve banks that it will be much easier to effect the cooperation of all the banks upon concerted policies of control than it is under the present system. There is no doubt in my mind that these confederated banks will have enormous power not only as controllers of the credit system, but as political agencies. And for this reason, if I shall be given the opportunity, I shall at the proper time move to amend by striking out the advisory council of bankers and bank membership on the Federal reserve board.

Mr. Chairman, I beg also to offer some observations concerning farm loans, provided for in section 23.

This provision, I think, can do no harm, but it must be evident that it can do little, if any, good, for the reason that no banker will lend on 12 months' time when he can lend on 3 or 4 months' time. Another reason is that 12 months' time does not accommodate the real needs of the average farmer.

But primarily the objection is that the farmer is not equipped to compete in the money markets with the short-time borrower. The farmer can not afford to pay the rates of the commercial bank handling business for borrowers who get quick returns from their enterprises. The merchant turns his goods in three or four months' time and can afford to pay a higher interest than the farmer whose returns come but once a year.

For this reason every civilized Government except our own has been developing for many years a system of farm credits, making it possible for farmers to secure loans at low rates of interest, which has proved of great advantage to the general welfare. These systems have been adopted by these Governments not because they had any particular love for farmers, but because their statesmen perceived that all national prosperity depended upon a prosperous land-tilling class.

Instead, therefore, of the provision in the bill that will inevitably fail to be of substantial benefit to the farming class or of any real advantage to the public, I believe there can be inserted here a provision that will not in any wise conflict with other provisions of the bill, but will afford a substantial and practical benefit to the farming classes; and at the proper time I shall ask so to amend the bill.

Mr. Chairman, this measure falls far short of what it ought to be. Its failure is largely due to the fact that it has been devised as a partisan measure.

It is not such a bill as the fair product of a free Congress of the thought and judgment of this House would have made it. But it is introduced as a party measure. It is perfectly well understood that under the party lash it will be whipped through and that no amendment will be permitted.

I listened with profound admiration to the remarkable speech yesterday delivered by the gifted gentleman from Kansas [Mr. MURDOCK]. With every word of it I thoroughly agree. This bill is not what it ought to be.

I have studiously read the report of the committee, and especially the learned and illuminating minority report of the gentleman from Minnesota [Mr. LINDBERGH].

These two gentlemen have gone to the marrow of the question. They have exposed the weakness of the bill. It palliates but does not cure the evils of the Money Trust.

This is a banker's bill, and yet the Government, though it guarantees all issues and is at all the expense, may be humiliated by the refusal of the banks to adopt the scheme. In my district there are 45 banks, State and national. In response to inquiries from them I have had numerous replies, and not one of them is heartily in favor of the bill.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HULINGS. I would like to have five minutes more.

Mr. HAYES. I yield five minutes more to the gentleman.

Mr. HULINGS. Mr. Chairman, the objections to the bill have been clearly pointed out by the gentleman from Kansas and the gentleman from Minnesota. The gentleman from Minnesota [Mr. LINDBERGH] suggests a bill which I regard as one of the most important contributions to the literature of finance ever written. It is a document challenging the serious thought of the country. It would revolutionize the financial policies of the world. The country is not yet ready for such a bill, and the bill is not under discussion here.

The only bill upon which we are permitted to vote is the bill proposed by the committee, and as to that bill I believe, with the gentleman from Kansas [Mr. MURDOCK], that it is a "step in the right direction"; a timid and halting step it may be, yet, considering the whole matter, an improvement upon our present system.

So with much misgivings and with the hope that it may be a longer step than I see it, with the hope that the President, who so urgently commands its passage, may see more clearly than I, and without any hope whatever that the present Congress will present a better measure, I shall vote for the bill. [Applause.]

I yield back the balance of my time.

The CHAIRMAN. It goes back automatically.

Mr. GLASS. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

The committee accordingly rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes, and had come to no resolution thereon.

ENROLLED BILL SIGNED.

Mr. ASHBROOK, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bill of the following title, when the Speaker signed the same:

H. R. 3406. An act to authorize the construction of a bridge across the Sabine River at Orange, Tex.

ENROLLED BILL PRESENTED TO THE PRESIDENT FOR HIS APPROVAL.

Mr. ASHBROOK, from the Committee on Enrolled Bills, reported that this day they had presented to the President of the United States, for his approval, the following bill:

H. R. 3406. An act to authorize the construction of a bridge across the Sabine River at Orange, Tex.

DEATH OF REPRESENTATIVE WILDER.

Mr. TREADWAY. Mr. Speaker, it becomes my sad duty to announce to the House of Representatives the death of Hon. WILLIAM H. WILDER, late a Representative from the third district of Massachusetts.

I will not take the time now, but I will at some future time ask the House to set apart a day in order that proper tribute may be paid to his memory.

Mr. Speaker, I offer the following resolutions.

The SPEAKER. The Clerk will report the resolutions.

The Clerk read as follows:

House resolution 250.

Resolved, That the House has heard with profound sorrow of the death of Hon. WILLIAM H. WILDER, a Representative from the State of Massachusetts.

Resolved, That a committee of 20 Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provisions of these resolutions, and that the necessary expense in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

The resolution was agreed to; and the Speaker appointed as the committee on the part of the House Mr. PETERS, Mr. CURLEY, Mr. MURRAY of Massachusetts, Mr. MITCHELL, Mr. PHELAN, Mr. THACHER, Mr. GILMORE, Mr. DIETRICH, Mr. ADAMSON, Mr. WATKINS, Mr. OLDFIELD, Mr. GILLET, Mr. GREENE of Massachusetts, Mr. ROBERTS of Massachusetts, Mr. GARDNER, Mr. TREADWAY, Mr. WINSLOW, Mr. ROGERS, Mr. HINDS, and Mr. SLEMP.

ADJOURNMENT.

Mr. TREADWAY. Mr. Speaker, I offer the following further resolution.

The SPEAKER. The Clerk will report the resolution.

The Clerk read as follows:

Resolved, That as a further mark of respect the House do now adjourn.

The resolution was agreed to; accordingly (at 9 o'clock and 27 minutes p. m.) the House, under the order heretofore agreed to, adjourned until Friday, September 12, 1913, at 11 o'clock a. m.

EXECUTIVE COMMUNICATIONS.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, copies of reports, with illustrations, from a special board of engineer officers on a survey of the Beaufort (N. C.) to Key West (Fla.) section of the proposed continuous inland waterway from Boston, Mass., to the Rio Grande (H. Doc. No. 229); to the Committee on Rivers and Harbors and ordered to be printed with illustrations.

2. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on examination of the channel of Illinois River at Meredosia, Ill. (H. Doc. No. 230); to the Committee on Rivers and Harbors and ordered to be printed with illustration.

3. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, reports on examination and survey of Southeast River, Md. (H. Doc. No. 231); to the Committee on Rivers and Harbors and ordered to be printed with illustration.

4. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report of preliminary examination and survey of Milford Harbor, Conn. (H. Doc. No. 232); to the Committee on Rivers and Harbors and ordered to be printed with illustration.

5. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on survey of the across-Florida section of the proposed continuous inland waterway from Boston, Mass., to the Rio Grande (H. Doc. No. 233); to the Committee on Rivers and Harbors and ordered to be printed with illustrations.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 2758) granting a pension to James G. Kuhnert; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 2768) granting a pension to Aaron W. Dixon; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII,

Mr. CLARK of Missouri (by request) introduced a bill (H. R. 8079) to establish a drainage and levee fund and to provide for the protection, drainage, and reclamation of the overflowed and swamp lands in the United States, in promotion of the general welfare, in prevention of the dissemination of malaria

and other diseases among the several States, and to promote interstate commerce by navigation, which was referred to the Committee on Rivers and Harbors.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BYRNS of Tennessee: A bill (H. R. 8070) granting a pension to Henry S. Robert; to the Committee on Pensions.

By Mr. FOSTER: A bill (H. R. 8071) granting a pension to Eugene Cunningham; to the Committee on Pensions.

Also, a bill (H. R. 8072) granting an increase of pension to Thomas W. Dare; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8073) granting an increase of pension to Elisha Sprouse; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8074) granting an increase of pension to Isaac F. Morrison; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8075) granting an increase of pension to Edward H. Bennett; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8076) granting an increase of pension to Adolph C. Radtke; to the Committee on Invalid Pensions.

By Mr. PETERS: A bill (H. R. 8077) for the relief of Alexander Gilmore; to the Committee on Claims.

By Mr. WILLIS: A bill (H. R. 8078) granting an increase of pension to Samuel Garver; to the Committee on Invalid Pensions.

By Mr. FRENCH: A bill (H. R. 8080) granting an increase of pension to La Fayette Platt; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. DYER: Papers to accompany bill (H. R. 7635) granting a pension to Edward Dodsworth; to the Committee on Invalid Pensions.

Also, petition of the National Civil Service Reform League, New York, protesting against exempting the income-tax collection force from the provisions of the civil-service law for a period of two years; to the Committee on Ways and Means.

By Mr. STEENERSON: Petition of C. R. Andrews & Co., Ada, Minn., favoring a reduction of the tariff on raw and refined sugars; to the Committee on Ways and Means.

By Mr. STEPHENS of California: Petition of the Santa Monica Bay Chamber of Commerce, Ocean Park, Cal., and the San Mateo County Development Association, favoring the passage of legislation making an appropriation for increasing the Navy by four battleships and necessary auxiliary boats; to the Committee on Naval Affairs.

Also, petition of the Santa Monica Bay Chamber of Commerce, Ocean Park, Cal., and the San Mateo County Development Association, favoring the passage of legislation for the formation of a naval reserve; to the Committee on Naval Affairs.

HOUSE OF REPRESENTATIVES.

FRIDAY, September 12, 1913.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

We bless Thee, O God our heavenly Father, for all the noble and godlike qualities of mind and soul with which Thou has endowed us; especially do we thank Thee for the inborn hope of the immortality of the soul, strengthened by the lives of great men who have lived and wrought and passed on, leaving behind them thoughts and deeds which live after them. He that believeth on Me, said the Son of God, shall never die. "For we know that if our earthly house of this tabernacle were dissolved we have a building of God, an house not made with hands, eternal in the heavens. Now He that hath wrought us for the selfsame thing is God, who also hath given unto us the earnest of the Spirit." Death has once more entered our ranks and taken away one of its Members. Grant that he may still live in the contributions to his fellow men and in the personality of a genial life and noble character. Comfort his colleagues and friends, especially his stricken family. Help them to look forward through the rainbow of tears to the great beyond for consolation and help, and Thine shall be the praise through Him who said I am the resurrection and the life. Amen.

The Journal of the proceedings of yesterday was read and approved.

RESIGNATION FROM COMMITTEE.

The SPEAKER laid before the House the following letter:

WASHINGTON, D. C., September 10, 1913.

To the Speaker and the House of Representatives:

I hereby resign as a member of the Committee on Ways and Means of the House of Representatives, my resignation to take effect immediately.

Very respectfully,

SYDNEY ANDERSON.

The SPEAKER. Without objection, the resignation will be accepted.

There was no objection.

ENROLLED BILL SIGNED.

Mr. ASHBROOK, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bill of the following title, when the Speaker signed the same:

H. R. 4937. An act extending to the port of Dallas, Tex., the privileges of section 7 of the act approved June 10, 1890, governing the immediate transportation of dutiable merchandise without appraisement.

BIDS FOR BATTLESHIP MACHINERY.

Mr. CULLOP. Mr. Speaker, I ask unanimous consent to extend remarks in the RECORD by inserting a news item in the Washington Times of yesterday concerning the bid for machinery on a certain battleship in the New York Navy Yard.

The SPEAKER. The gentleman from Indiana asks unanimous consent to extend his remarks by inserting an extract from a newspaper on a bid for machinery on a battleship in the New York Navy Yard. Is there objection?

There was no objection.

IMMIGRATION.

Mr. RAKER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD upon immigration.

The SPEAKER. The gentleman from California asks unanimous consent to extend remarks in the RECORD on immigration. Is there objection?

There was no objection.

THE CURRENCY.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837—the currency bill.

The motion was agreed to; accordingly the House resolved itself into Committee of the Whole House on the state of the Union, with Mr. GARNER in the chair.

Mr. GLASS. Mr. Chairman, I yield one hour to my colleague on the committee [Mr. BULKLEY].

Mr. BULKLEY. Mr. Chairman, our banking and currency system, or rather lack of system, has resulted in greater and more frequent panics than has any other system in the world, and for years it has been recognized that our periodical financial troubles can be mitigated, if not eliminated, by appropriate changes in our banking and currency laws. There has developed some agreement among experts concerning some of the causes which underlie our troubles, but our experts and legislators have never come so near to an agreement on a practical remedy as we find ourselves to-day. It has been generally agreed that the country needs a mobilization of reserves, a more elastic currency, the development of a discount market for commercial paper, and a greater measure of governmental control of banking. These are the great needs, and necessarily any measure aiming to accomplish these great reforms becomes involved in almost countless puzzling ramifications, more or less directly connected with the main purposes. The Banking and Currency Committee now submits a bill which it believes will accomplish all of these great objects as well as other desirable reforms of minor importance, with a minimum of disturbance and inconvenience to business. Considering the complexity of the subject and the number of questions involved it could hardly be expected that all concerned in the preparation of such a measure should be in complete accord as to what that measure should contain. Nor could a measure be generally agreed upon which would meet in every detail the unqualified approval of any one man. Nevertheless, a substantial agreement has been reached, and this bill comes before the House heartily supported by almost every member of the Banking and Currency Committee, and by almost every member of the Democratic caucus.

It is not assumed that the pending bill will reform everything which might be reformed, and because of the very immensity of the field it has been the purpose of the committee to confine the present measure to a reform of our currency and commercial banking.

Our national banks are commercial banks. That is to say, they are banks whose transactions are concerned with the production and distribution of agricultural and industrial products. They are to be distinguished from savings and investment institutions, for their deposits are mostly the balances which merchants, manufacturers, and farmers find it convenient to keep for the ordinary everyday transaction of business, and their loans are generally made to meet the ordinary business necessities of these classes. The business man deposits his funds in the bank for safe-keeping and for the convenience of being able to pay his debts by check against the bank. The bank, having an accumulation of such funds, finds it possible to make loans to its customers, which means that funds not required for active use by their owners are placed at the disposal of those who can make use of them in business. It frequently happens that borrowers require not money, but merely the right to draw checks upon the bank. Such borrowers give their notes, and in exchange therefor take a deposit credit with the bank. Our credit structure is so developed that the greater part of our bank deposits is created by loans from the banks rather than by the deposit of money in the banks. When checks drawn against a bank are deposited by some other person in the same bank only a bookkeeping entry is necessary to complete the transaction, and no money passes; if the checks are deposited in other banks they are likely to be offset by the deposit of checks drawn against other banks, and again only bookkeeping entries take place and no money passes. Some specie is certain to be drawn out of a bank from day to day, but it is largely offset by the deposit of specie. And so experience shows that a bank may do a large business with a comparatively small amount of money on hand.

Yet it is always necessary that the bank should have a certain amount of money on hand, because of its duty to supply it on demand to its depositors. The amount of reserve money which it is desirable for a bank to keep on hand may vary from time to time and from place to place, and in most foreign countries the amount to be held available is left entirely to the judgment and discretion of the banker. But in this country, because of the great number of banks, and because under our free banking system banks may be established by persons without banking experience, it has been deemed desirable to fix by law certain minimum reserve requirements. These requirements differ according to the location of the bank.

Our law provides that upon application of three-fourths of the national banks situated in any city having more than 200,000 inhabitants the Comptroller of the Currency may designate such city as a central reserve city. And similarly, upon application of three-fourths of the national banks situated therein, any city having a population of at least 25,000 inhabitants may be designated as a reserve city. New York, Chicago, and St. Louis are now the only central reserve cities, and there are 47 reserve cities. All banks not situated in reserve or central reserve cities are known as country banks.

The amount of reserves required by law to be held by country national banks is 15 per cent of the aggregate amount of their deposits, and by national banks situated in reserve and central reserve cities 25 per cent of their aggregate deposits. Gold, silver, gold certificates, silver certificates, United States notes, Treasury notes, and clearing-house certificates evidencing the deposit of gold may be counted by national banks as legal reserves.

Country banks are required to keep money in one or more of these forms in their own vaults to the extent of two-fifths of the 15 per cent reserve required of them, and the balance of their legal reserve may be in the form of a credit balance with one or more national banks situated in reserve or central reserve cities. Reserve city banks must keep money in some of these forms to the extent of one-half of their required legal reserves, the rest of which may consist of credit balances with banks situated in central reserve cities. The central reserve city banks must keep all of their required reserves in cash in their own vaults. It is obvious that the loaning power of national banks is limited by the amount of their reserves. In other words, when the amount of legal reserve is about as low as the law allows, a bank can not extend new credit accommodations until it shall have replenished its reserve.

Under our present law banks in all sections of the country have developed the custom of keeping balances for reserve and exchange purposes in the central reserve cities, and especially in New York. Banks qualifying as reserve agents have encouraged the building up of these balances by the payment of interest thereon, the interest paid being usually at the rate of 2 per cent. Ordinarily a uniform rate is paid on these bank balances in season and out of season, regardless of how much the use of the money may be worth at any particular time to

the reserve agent. Then, in order to make a profit on the transaction, the reserve agents have been obliged to keep the money actively employed one way or another. This necessity of finding some employment for funds, coupled with an effort so to invest them as to keep them available at call, has resulted in the overdevelopment of the call-loan market in New York, a market whose principal business is that of carrying speculative transactions, largely on the New York Stock Exchange.

And so we find much of the reserve money of the country invested in call loans on stock-exchange collateral, on the theory that such loans are absolutely liquid. No doubt this is true of a single loan of this character, because by its terms it is payable on call and is secured by collateral for which there is a ready market. But once a sufficient number of these loans is called at the same time, a situation develops in which the loans are not liquid at all because the very calling of a large number of these loans knocks the bottom out of the stock market and spoils the sale of all the collateral. Experience has repeatedly proved this to be the case.

Let us keep clearly in mind the distinction between a fixed investment and a commercial or liquid asset. Corporate stocks and bonds, lands, and buildings are fixed investments. However valuable they may be, their conversion into cash depends upon finding some one who believes that under all the circumstances it will be profitable for him to buy them as an investment. Growing crops, goods in process of manufacture or in transit, and mercantile stocks are commercial or liquid assets, generally speaking; certainly they are liquid to the extent that they are products on some stage of the way toward consumption. The sale of such products does not depend upon finding a willing investor and does not have to be forced, but comes about naturally in response to the ordinary demand arising from the necessities of mankind. Such assets constantly liquidate themselves, because, of necessity, they must be paid for when consumed.

If we allow national banks to count as part of their required legal reserve credit balances with other banks, be they the reserve agents now provided by law or the Federal reserve banks proposed by this bill, we must take care that the banks charged with the care of such balances shall keep them always available and ready to meet the necessities of the banks depositing them. Reserve money so far as it is invested must be invested in bills of short maturity based on liquid assets.

It happens that at the seasons when our great agricultural crops are harvested and moved there is need for a larger amount of currency in circulation than is required at other seasons. This is only another way of saying that at those seasons the amount of transactions evidenced by the payment of cash or currency is larger in proportion to the credit transactions than it is at other times. It is easy to see that when large amounts of cash are drawn out of the banks to pay farm hands and for other purposes, the amount of reserve money held by the banks is reduced, and hence their loaning power is impaired, and this is the explanation of the annual autumn money stringency.

The banks can to some extent protect themselves against paying out their reserve money by the issue of national-bank notes, but inasmuch as these notes are based on the fixed amount of United States bonds bearing the circulation privilege, and the profitableness of their issue depends to some extent upon their being kept constantly in circulation without reference to the country's demand for currency, it is apparent that there can be no elasticity in the amount of such notes. In other words, the amount of our currency does not rise and fall in response to the need for it. It is most desirable that the amount of our currency should be made more elastic, because the seasonal demand for currency is a perfectly normal and natural thing, and, as has been said, results only from the fact that at certain seasons it is necessary to do a relatively large proportion of the country's business with currency. There is no sound reason why we should allow this to cause a credit stringency by drawing reserve money out of the banks.

It is proposed in the pending bill to relieve this situation by the issue of Government notes. These notes will be issued through the several regional reserve banks which the bill proposes to establish, each bank being required when it takes out the notes to pledge as security commercial paper to the amount of the face value of the notes and to establish in lawful money a fund to redeem the notes in the amount of one-third of the face value of the notes.

Whatever Treasury notes go out into circulation must be immediately redeemable in lawful money on demand, and we should never allow such notes to go out into circulation without ample provision for their being so redeemed. The security behind our currency must be such that it can be readily liquidated without forcing sales and without depending upon the willing-

ness of investors to buy. In other words, the security behind our currency must be liquid assets, not fixed investments.

The proposed note issue will rest on a basis of commercial paper which is itself flexible, the amount of it rising and falling with the active needs of the country. The plan proposed, however, is dependent upon the existence of regional reserve banks, such as this bill proposes to establish, possessing adequate amounts of lawful money to insure the redemption of the notes issued; and the possession of this lawful money by these banks is dependent upon the mobilization or concentration of national-bank reserves.

So it appears that the establishment of regional reserve banks and the proposed system of rediscounting is a most efficient means of insuring the proper investment of the reserve money of the country, which is the very active lifeblood of our commerce, in the safest and most liquid assets, namely, the agricultural, industrial, and commercial paper, which, as we have already seen, is constantly clearing itself. The establishment of the regional reserve banks and the rediscount system thus accomplishes at once the three vital reforms needed in our banking and currency system. It provides for mobilization of reserves that they may be available to be used where most needed; it provides the basis for a truly elastic currency to meet our seasonal demand without undue strain upon our credit system; and it affords a discount market for our agricultural, industrial, and commercial paper, drawing our reserve funds out of their present use for speculative purposes in the great centers and providing for their employment in the development of business throughout the country.

Mr. TRIBBLE. Mr. Chairman, I would like to ask the gentleman a question.

Mr. BULKLEY. I will yield to the gentleman.

Mr. TRIBBLE. As to the amount to be paid by the borrowing banks, does the gentleman think that that amount ought to be fixed by this bill?

Mr. BULKLEY. I think that should be within the discretion of the Federal reserve board, as is provided in the bill.

The whole structure depends upon the proper disposition of reserves. If reserves are really mobilized, the amount required to be carried as reserve by the individual bank may safely be reduced, as each member bank will have facilities for converting its good paper into ready cash, and by this reduction in the reserve requirements of the individual banks additional credits will become available for the legitimate development of business through the enlarged loaning power of the banks. If the reserves are really mobilized, the Federal reserve banks will be a power to stop panics, they will have the basis for an elastic currency and the funds to support a broad market for agricultural, industrial, and commercial paper. But all depends on really mobilizing the reserves. It will not do to evade the question, as was done by the Aldrich plan, which provided that banks might have the privilege of depositing their reserves in a central reservoir without interest, while they were still permitted to deposit them with reserve agents who would pay interest. It will not do to meet the question half way, as the Chicago bankers' conference now asks us to meet it, by permitting the reserves to be carried one-third in vault, one-third with regional reserve banks, and one-third with reserve agents. As the chairman of our committee has said, we must cut the cancer out, we must not permit balances with other banks to be counted as reserve, because experience has shown that they are not reserves when reserve is most needed.

I have referred to the meeting of representatives of State bankers' associations and clearing-house associations called together by the currency commission of the American Bankers' Association for a conference at Chicago on August 22 and 23. This conference unanimously adopted resolutions proposing certain changes in this bill and appointed a committee to come to Washington and lay their proposals before Congress. The members of this committee appeared last week before the Senate Committee on Banking and Currency. Mr. George M. Reynolds, president of the Continental & Commercial National Bank, of Chicago, was one of the representatives of that conference and was delegated by his colleagues to speak on the subject of bank reserves. I call him to witness to show whether or not it is desirable that reserves should be taken away from the central reserve cities and sent back home. I quote from page 225 of the hearings:

Senator NELSON. Now, let us go back to the practical ideas. Is it not a fact that when money is plentiful in the interior of the country the country banks and the banks in the reserve cities send the money to New York, to the banks in New York, for the sake of getting their 2 per cent interest on the deposits? The banks in New York, at that season of the year, in order to utilize that money and make that interest, instead of investing it in what I call commercial loans or commercial strictly they invest it in call loans on stock collateral on the stock exchange, in those gambling contracts; and there is where the

money comes from to do that. And then, in the fall of the year when there is a demand for the money in order to move crops and so on, their money is tied up in those stock collaterals.

Now, would it not be safer to keep that money at home instead of getting that 2 per cent interest on it—would it not be better for the whole country?

Mr. REYNOLDS. I do not think, Senator, there is any question about that at all. That does not, however, change the force of my statement to the effect that it would reduce the income of the banks from their present status of a little over \$10,000,000 a year, which must be borne at some place by somebody else. Now, if you want to ask whether, as a principle of economy, it would be better to take \$10,000,000 and spread it in higher interest rates which the people would have to pay, that is another proposition.

Senator NELSON. Well, would it not be better, so far as the question of safety is concerned?

Mr. REYNOLDS. I do not think there is any question about that. Now, let me in the same connection make a statement as to how I regard this thing of the investment in the so-called stock exchange loans. If that money would be kept at home, Senator, and be invested by the local bankers in such loans as they can get over their counter, the liquidity of the assets of banks to that extent would be reduced, because I think you will agree that if the farmers of the country borrow this money and are called upon to pay it back before their crops have matured or before their live stock has been fattened for the market, it could only be done at a sacrifice.

In passing, let me comment on the suggestion Mr. Reynolds makes that our bill will take \$10,000,000 a year income from the country banks, which they will pass along to the borrower. Of course, we do not forget that the borrowing public pays that ten million a year now, for certainly the reserve city banks do not pay it for the mere pleasure of carrying country balances unless they make a profit on it. Mr. Reynolds is right, however, in saying that the country banker will not lose any of the money he now makes, but will pass the charge along to the borrower. It will not, however, be passed to the borrower in the shape of higher rates for loans, as Mr. Reynolds implies; it will be justly and equitably charged to the borrower, because by the facilities afforded by this bill borrowers from the country banks will get more than \$10,000,000 worth of additional accommodation, and will be glad to pay for it.

Mr. Reynolds suggests some doubt about the liquidity of agricultural paper, and no doubt he is right in saying that there is a season in the year when it is not absolutely liquid. That happens, however, to be the summer season, when demand for credit and currency is at its lowest. Let us answer that industrial and commercial paper will mature rapidly enough during those seasons to meet all demands. Let us further answer that while the farmer might be embarrassed to be called upon to pay all his debts out of season, the New York Stock Exchange borrower would be embarrassed to pay all his debts at any season, and Mr. Reynolds says so himself on page 226 of the hearings:

The man who borrows money on stock-exchange collaterals in New York and who wants to realize on them quickly must depend upon the ability of the borrower to re-borrow that money immediately elsewhere or upon the sale of same. Now, if the condition is so bad that the banks in New York City are unable to extend the accommodation, the result is that there is a very violent break in the values of securities, and we are in the midst of a panic. Now, that is what actually happened in the panic of 1907, and the illustration you have made is literally true, and that is the reason that in all the discussions I have had on the subject of currency legislation I have insisted that the security for bank notes should be in a character of paper which naturally liquidates itself and thereby forces to that extent notes which are issued against it.

After proposing the plan recommended by the Chicago conference providing that reserves should be carried one-third in vault, one-third in regional reserve banks, and one-third with reserve agents, Mr. Reynolds submitted figures to show how the plan would work, and then summed up his theory about the matter as follows:

My theory and the theory of the people who made this recommendation was that while we might agree with you in principle that the pyramiding of reserves was not a proper banking principle, still we have a condition and not a theory, and our theory in asking for this change is that we may be given more time to comply with the change which is being provided for in this bill as it now stands.

What is the significance of these statements? The president of the bank which carries more country accounts than any other bank, the man selected by the Chicago bankers' conference to present their case for a modification of this section, has frankly and manfully admitted that we are right in principle. As against this principle he suggests a theory that the banks can not conveniently make these adjustments in the course of three years after the organization of the proposed banks, or perhaps four years from now. Yet hitherto no expert has ventured to say that a longer time is necessary for these readjustments, and I submit that it does not do full justice to the bankers of this country to say that they can not prepare for this change in such a length of time.

How will this reserve section operate practically? So much depends upon this section that it is important to examine carefully whether it could be worked out without disturbing busi-

ness. I have prepared tables to show in a general way what the ultimate result of this section will be after the final readjustment shall have been made. Accurate predictions are, in the nature of the case, impossible, since no one can know how many banks will have come into the proposed system at any given time. Some assumption must be made before we can begin to figure; yet no assumption will prove literally true. The most convenient assumption, which is at the same time about as likely as any other, is that all national banks and no State banks will enter the system. It is, of course, fair to presume that some national banks will go out and some State banks will come in; but these might offset each other, and, in any event, we must be frank to say that we do not expect a large proportion of the State banks to enter until after the success of the plan shall have been fully demonstrated. The figures, then, are made on the assumption I have stated.

Tables showing transfers of funds necessitated by provisions of House bill 7837.

[Figures represent thousands of dollars.]

First table assumes that member banks deposit with regional reserve banks only what bill requires them to deposit.

COUNTRY BANKS.	
Net deposits.....	\$3,610,672
Deposit of 5 per cent in Federal reserve banks.....	180,534
Capital, \$610,052, 10 per cent subscription.....	61,005
United States deposits.....	22,398
1 per cent withdrawal from reserve agents to go into vault.....	263,937
	36,106
	300,043
Withdrawals would be:	
Two-fifths from central reserve banks.....	120,017
Three-fifths from reserve banks.....	180,026
	300,043
Present balances with reserve agents.....	496,960
Withdrawals.....	300,043
Leaving balance of.....	196,917
RESERVE CITY BANKS.	
Net deposits.....	1,945,874
Less country withdrawals.....	180,026
Total.....	1,765,848
Deposit, 5 per cent with Federal reserve banks.....	88,292
Capital, \$264,217, 10 per cent subscription.....	26,421
United States deposits.....	22,300
Payment account of reserve banks.....	137,022
Payment account of country banks.....	180,026
Total.....	317,048
Present cash holdings.....	242,293
New requirement, 13 per cent.....	229,560
Release.....	12,733
Present balances with central reserve agents.....	265,216
Retain one-fourth needed for business.....	66,304
Release.....	198,912
Payment made:	
Cash.....	12,733
From reserve agents.....	198,912
Rediscounts.....	105,403
Total.....	317,048
CENTRAL RESERVE CITY BANKS.	
Net deposits.....	1,568,087
Withdrawals:	
Country.....	\$120,017
City.....	198,912
	318,929
	1,249,158
Deposit 5 per cent with Federal reserve banks.....	62,458
Capital, \$182,650, 10 per cent subscription.....	18,265
United States deposits.....	5,016
Payment required for own account.....	85,739
Payment required account of reserve banks.....	198,912
Payment required account of country banks.....	120,017
Total.....	404,668
Present cash holdings.....	405,628
New requirement, 13 per cent.....	162,390
Release.....	243,238
Payment for Federal reserve banks:	
Cash.....	243,238
Rediscounts.....	161,430
Total.....	404,668

Recapitulation.

Banks.	Capital.	Reserve.	United States.	Total.
Country.....	\$61,005	\$180,534	\$22,398	\$263,937
Reserve.....	26,421	88,292	22,309	137,022
Central reserve.....	18,265	62,453	5,016	85,739
	105,691	331,284	49,723	486,698

How paid.

Banks.	Cash.	Rediscount.	Reserve.	Central reserve.
Country.....	—\$36,106		\$180,026	\$120,017
Reserve.....	12,733	105,403		198,912
Central reserve.....	243,238	161,430		
	219,865	266,833	180,026	318,923

Statement of Federal reserve banks (with \$140,000 United States deposits withdrawn from Treasury).

Cash.....	\$350,865
Loans.....	266,833
	626,698
Capital.....	105,691
Deposits.....	521,007
	626,698

Second table assumes that member banks deposit with regional reserve banks balances as large as the bill permits them to count as reserve.

COUNTRY BANKS.

Net deposits.....	\$3,610,672
Deposit of 7 per cent in Federal reserve banks.....	252,747
Capital, \$610,052, 10 per cent subscription.....	61,005
United States deposits.....	22,398
	336,150

Withdrawals would be:

Two-fifths from central reserve.....	134,460
Three-fifths from reserve banks.....	201,690
	336,150

Present balances with reserve agents.....	496,960
Withdrawals.....	336,150

Leaving balance of..... 160,810

RESERVE CITY BANKS.

Net deposits.....	1,945,874
Less country withdrawals.....	201,690
	1,744,184

Deposit 9 per cent with Federal reserve banks.....	156,976
Capital, \$264,217, 10 per cent subscription.....	26,421
United States deposits.....	22,309

Payment on account of reserve banks.....	205,706
Payment on account of country banks.....	201,690
Total payment.....	407,396

Present cash holdings.....	242,293
New requirement.....	156,976

Release..... 85,317

Present balances with central reserve agents.....	265,216
Retain one-fourth needed for business.....	66,304

Release..... 198,912

Payment:	
Cash.....	85,317
From central reserve agents.....	198,912
By rediscounts.....	123,167
	407,396

CENTRAL RESERVE CITY BANKS.

Net deposits.....	1,568,087
Less withdrawals:	
Country.....	\$134,460
City.....	198,912
	333,372

1,234,715

Deposit, 9 per cent, with Federal reserve banks.....	111,117
Capital, \$182,650, 10 per cent subscription.....	18,265
United States deposits.....	5,016

Payment account of central reserve banks.....	134,398
Payment account of reserve banks.....	198,912
Payment account of country banks.....	134,460

Total..... 467,770

Present cash holdings.....	\$405,628
New requirement, 9 per cent.....	111,117
Release.....	294,511

Payment to Federal reserve banks made:

Cash.....	294,511
Rediscounts.....	173,259
	467,770

Recapitulation.

Banks.	Capital.	Reserve.	United States.	Total.
Country.....	\$61,005	\$252,747	\$22,398	\$336,150
Reserve.....	26,421	156,976	22,309	205,706
Central reserve.....	18,265	111,117	5,016	134,398
	105,691	520,840	49,723	676,254

How paid.

Banks.	Cash.	Rediscount.	Reserve.	Central reserve.
Country.....			\$201,690	\$134,460
Reserve.....	\$85,317	\$123,167		198,912
Central reserve.....	294,511	173,259		
	379,828	296,426	201,690	333,372

Statement of Federal reserve banks (with \$140,000 United States deposits withdrawn from Treasury).

Cash.....	\$519,828
Loans.....	296,426
	816,254
Capital.....	105,691
Deposits.....	710,563
	816,254

Of the two tables I have prepared one illustrates the amount of money which would be drawn from the reserve and central reserve banks and placed in the Federal reserve banks if all the banks should deposit with the Federal reserve bank the least possible amount—that is to say, the minimum they are required by law to deposit. The other table shows what the situation would be provided all of the banks deposited with the Federal reserve bank the largest amount they would be allowed to count as reserves in the Federal reserve bank. The truth is the situation would be somewhere between the two, because it is likely the banks would not restrict deposits to the least minimum nor would they keep quite as much of their reserves with these banks as they might under the law.

You will remember that the bill proposes that the reserve of country banks shall be cut from 15 per cent to 12 per cent of aggregate deposits, and that of this five-twelfths must be kept in their own vaults and five-twelfths ultimately after the three-year period of readjustment must be kept on deposit in the Federal reserve banks. That, therefore, leaves a leeway of 2 per cent, which they may keep in the reserve banks or in their own vaults, at their option. Reserve city and central reserve city banks are required to keep a reserve of 18 per cent, and of this 18 per cent one-half must be kept in their own vaults and 5 per cent must be kept with the reserve banks, and there is a leeway of 4 per cent, which they may deposit or keep in vault. The first table shows you how this bill would work, assuming the banks deposit the minimum amount which they are required to deposit. This statement is based on the comptroller's statement of the condition of the national banks on June 4 last.

Mr. MANN. These tables are duplicates, are they not?

Mr. BULKLEY. They are duplicates in form, but not in figures. These figures in the first table represent what would happen if the banks carried with the regional reserve banks the minimum amount they are obliged to carry, and these figures in the second table represent what would happen if they carried the maximum amount they might count as reserve.

The country banks on June 4 had net deposits subject to reserve requirements of \$3,610,000,000. Five per cent is the minimum reserve member banks are required to carry with the regional reserve banks. It amounts to \$180,000,000. The capital of country banks is \$610,000,000, of which they would be required to make 20 per cent subscriptions to the stock of Federal reserve banks, of which they would have to pay one-half. I therefore add the payment of \$61,000,000. United States deposits would be withdrawn from the individual banks and deposited in the regional reserve banks. Therefore the country banks would have to make a payment of the total amount of Government deposits which they now have. We add these,

then, to the other payments they would have to make and find that they would have to pay over \$263,000,000 to the reserve banks. Country banks are now required to carry 6 per cent reserve against deposits in their own vaults. The new law would permit them to carry as much as 7 per cent in their own vaults and count it as reserve. I have, therefore, added 1 per cent and assumed that they withdrew this from their reserve agents and put it in their own vaults as reserve. This \$36,000,000 is 1 per cent of their deposits subject to reserve requirements, and that is added to the amount they would have to pay to the Federal reserve banks, and makes a total withdrawal from reserve agents of \$300,000,000. The present balances of all of the country banks with reserve agents amount to \$496,000,000, and this shows they could make all of the payments required by this bill by drawing against their reserve agents and still allow more than one-third of their total balances to remain on deposit with their agents. A statement I have received from the Comptroller's Office shows the balances carried by country banks with reserve agents to be about two-fifths in the central reserve banks, in Chicago, St. Louis, and New York, and about three-fifths in the reserve banks in the other 47 reserve cities. This shows that about \$120,000,000 would be withdrawn by the country banks from central reserve cities and \$180,000,000 from reserve cities.

Take the situation with the reserve banks. Their deposits on June 4 were \$1,945,000,000, and if \$180,000,000 were withdrawn by country banks that would leave so much less subject to reserve requirements, and therefore they would have only \$1,765,000,000 deposits, of which they would be required to deposit 5 per cent with the reserve banks, or \$88,000,000; \$264,000,000 represents their capital, of which they would have to pay in 10 per cent as capital stock subscription. They would also have to give up their Government deposits, amounting to \$22,000,000. Now, the country banks have withdrawn from the Federal banks, as we see over here by this table, \$180,000,000. That must be added here, making a total of \$317,000,000 which the reserve city banks would have to pay over to the Federal reserve banks. Their present cash holdings are \$242,000,000. If they have deposited 5 per cent of their aggregate deposits in the Federal reserve banks, they would, under the provisions of this bill, have to keep 13 per cent in their own vaults, making a total of the 18 per cent required. Now, that 13 per cent cash reserve would be \$229,000,000, releasing \$12,000,000 of money which they now hold in their own vaults. Their present balances with central reserve banks in New York, Chicago, and St. Louis are \$205,000,000. In order to make this table conservative I have estimated that these banks, in spite of the fact they are not allowed to count that money as reserve, would still desire to keep about one-fourth of their present balances with these central reserve banks for purposes of exchange or business reasons. That is the estimate that has been made to me by bankers of the amount which at least temporarily the reserve city banks would want to keep as balances with the central reserve banks. This releases from the balances with central reserve banks, which they would be free to draw down, \$198,000,000. The next figures show how payments would be made to the Federal reserve banks. They have a total of \$317,000,000 which must be paid. I have shown how they would be able to pay \$12,000,000 in cash and \$198,000,000 by draft on their central reserve agents, and the rest of the amount necessary to be paid would have to be paid by rediscounts with reserve banks. I therefore estimate that the reserve city banks would have to rediscount with the Federal reserve banks to the amount of about \$105,000,000.

The central reserve banks have net deposits of a billion and a half. From that we must deduct these withdrawals. We have seen over here the country banks would withdraw \$120,000,000 from the central reserve cities and the reserve city banks would withdraw \$198,000,000 from the central reserve cities. We therefore have a total withdrawal on the part of correspondent banks of \$318,000,000, leaving \$1,249,000,000 net deposits subject to reserve requirements. Against this they deposit 5 per cent with Federal reserve banks, \$62,000,000; the Government deposits amount to \$5,000,000; 10 per cent on capital stock amounts to \$18,000,000, making a total of \$85,000,000 which they would have to pay to the Federal reserve banks for their own account. The payments which the reserve banks would require them to make is \$198,000,000; and the country banks would draw against them for \$120,000,000, making \$404,000,000 in the aggregate they would have to pay over to the Federal reserve banks. The present cash holdings are \$405,000,000 and the amount of the reserve required under the new bill if they deposited 5 per cent with the Federal reserve banks would be 13 per cent, which they would have to carry in their own vaults, say \$162,000,000. That releases \$243,000,000 of

cash. They could therefore pay to the Federal reserve banks \$243,000,000 in cash, and they would have to rediscount to the extent of \$161,000,000, making a total payment which they would have to make of \$404,000,000.

The next table is a recapitulation, showing what the situation would be after these changes have been accomplished. This first reserve is the payments that they would all make. The country banks would pay \$61,000,000 of capital, the reserve city banks, \$26,000,000, and the central reserve city banks, \$18,000,000, a total of \$105,000,000 capital. They would have to put up the reserves shown in the next column, and they would have to give up United States deposits as shown in the third column, making a total of \$676,000,000, which they would have to pay in as shown here.

I have estimated here that the country banks, so far from paying out any cash, would actually draw cash away and put it into their vaults, and therefore this \$36,000,000 is a red-ink figure, showing a minus quantity. They would draw on their reserve banks \$180,000,000, and on their central reserve agents \$120,000,000. The total of these two figures, minus the cash withdrawal would be the amount that they are required to pay.

Similarly, the reserve banks would put up in cash \$12,000,000, would rediscount \$105,000,000, and would draw on the central reserve agents \$198,000,000. The central reserve banks would put up in cash \$243,000,000, and would rediscount to the extent of \$161,000,000.

The next table is a combined statement of all the Federal reserve banks, after all of these changes take place. Assume that \$140,000,000 of Government deposits were withdrawn from the United States Treasury and put into the banks, this being approximately the amount that is carried in the Treasury from day to day, and would, under the new plan, be deposited in the regional reserve banks. It would give the combined Federal reserve banks total assets in cash of \$359,000,000 and loans of \$266,000,000. The capital would be \$105,000,000, and the deposits \$521,000,000.

As you will see, that shows a very large cash reserve against deposits, permitting not only all of the present loans now existing in the country to stand exactly as they are, but also allowing of a very large expansion of credit, because the reserve required of these Federal reserve banks is only 33½ per cent of their deposits.

Mr. HAYES. Mr. Chairman, will the gentleman yield there?

The CHAIRMAN. Does the gentleman from Ohio yield to the gentleman from California?

Mr. BULKLEY. Yes.

Mr. HAYES. After these banks have made these payments, is it not true that all the payments made to the Federal reserve bank, except \$105,000,000 that they pay for capital subscriptions, would be counted as reserve, and therefore would be a basis for credit?

Mr. BULKLEY. It all depends on whether or not they are in cash. These tables show they would not all be made in cash and would be made to a certain extent in rediscounts.

Mr. HAYES. No. After the credits have been given to the various reserve banks, would not all the money, except the capital stock of the reserve banks that is paid to the Federal reserve bank, really be counted as reserves in the several member banks, and therefore could be used as a basis of credit just the same as though it were in their own vaults?

Mr. BULKLEY. No. The deposits are liabilities, it should be remembered. The reserves are an asset. You must look on the other side of the ledger. They would have only \$359,000,000 of cash.

Mr. HAYES. I speak not of reserve banks, but of the individual banks scattered all over the country.

Mr. BULKLEY. Oh, I misunderstood the gentleman, then. The gentleman's statement is correct. This \$521,000,000 is reserve, from the point of view of the constituent banks.

Mr. HAYES. That is true.

Mr. BULKLEY. Certainly; that is very true.

Mr. LINDBERGH. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. BULKLEY. Certainly.

Mr. LINDBERGH. The figures the gentleman has shown here are the averages of all the banks. Has the gentleman made any estimate of how many banks there are whose cash holdings are small—that is, just barely along the average—and what proportion of them have large reserves and what proportion of them have small reserves, and how they would be affected in readjusting one another?

Mr. BULKLEY. I think this will answer the gentleman's question. This is an aggregate of all the banks. As the gen-

tleman suggests, it does not take into consideration the situation as to each individual bank. There may be and probably are a good many individual banks that will have to make some readjustment in order to comply with the terms of this bill.

The answer to that is that they have three years in which to do it, and it will be three years from the establishment of the regional reserve banks and probably about four years from now. The committee is confident that the individual banks will be able to readjust themselves so as to conform to the law.

Mr. LINDBERGH. You spoke about rediscounts. At what point in the organization of these Federal banks will the member banks be able to rediscount? Will they not have to pay in their subscriptions of stocks and their deposits, to be carried in the reserve banks before they can rediscount?

Mr. BULKLEY. The whole thing would be practically simultaneous. They could draw a check against a reserve agent one day and before the check is there for collection they might have a rediscount with the regional reserve bank.

Mr. HAYES. One more question. Would it not be true, under the bill as drawn, that the 5 per cent that is paid into the reserve banks could be deducted from the reserve requirements, as immediately on payment the legal requirements are reduced from 25 per cent to 20 per cent in the central or reserve cities?

Mr. BULKLEY. Absolutely.

Mr. HAYES. So that there would really be no contraction at all.

Mr. BULKLEY. On the contrary, there would be a possibility of expansion, as this table shows.

This table assumes that not a single loan is called. It assumes that all loans now existing are allowed to stand, and so, providing for all existing loans, it still shows this possibility of expansion. The reserve required on the part of the regional reserve bank is only one-third of that \$521,000,000, or about \$170,000,000. They would have \$359,000,000 cash, or more than twice the reserve required by law; and this table is on the assumption that the member banks deposit the least amount that they are required to deposit.

Mr. HARDWICK. I would like to ask the gentleman one question. I want to know if it is the gentleman's contention that under this bill we will be enabled to maintain the present volume of credits and extend them?

Mr. BULKLEY. Yes; absolutely.

Mr. HARDWICK. That is the purpose of the bill, is it? That is one of the chief purposes?

Mr. BULKLEY. That is one of the purposes; yes.

Mr. SMITH of Minnesota. The central reserve banks have to redeposit \$162,000,000, according to your table, to make this payment to the Federal reserve banks. They have to rediscount \$162,000,000, or thereabouts.

Mr. BULKLEY. Yes; about that.

Mr. SMITH of Minnesota. Have you made any computation as to just when the central reserve banks will be able to pay off that \$162,000,000 that they rediscount, or is it a sort of an endless chain whereby they will have to keep redepositing continuously?

Mr. BULKLEY. I think they may have to carry this for some time. I would not be able to say exactly how rapidly these banks will be able to readjust their circumstances; but certainly they are enormously in debt now because of deposits which have been made with them by country and outside banks, and in the course of time they will have to liquidate that debt. This table only shows that there will be no embarrassment about their liquidating it. How long it will take to work it off I could not say.

Mr. MADDEN. Did I understand the gentleman to say that there would be rediscounts amounting to about \$300,000,000 altogether?

Mr. BULKLEY. The rediscounts will be about \$266,000,000.

Mr. MADDEN. In order to make the payments required with the central reserve bank?

Mr. BULKLEY. With the regional reserve banks.

Mr. MADDEN. With the different banks that are to go into it?

Mr. BULKLEY. Yes; that is correct.

Mr. MADDEN. That means that they do not have any money with which to make the payment, does it not?

Mr. BULKLEY. It means that they are about that much short of having enough.

Mr. MADDEN. That if the cash was required to organize the Federal reserve banks they could be organized under this system.

Mr. BULKLEY. Yes; that is true.

Mr. MADDEN. When you rediscount the \$266,000,000 in order to make payments for which you have no money, will

not this rediscounted paper have to be renewed at the end of the term for which it is rediscounted?

Mr. BULKLEY. To the extent that it can not be paid, which would be a large extent, I think.

Mr. MADDEN. And at the end of the next period of maturity it would have to be rediscounted again, would it not?

Mr. BULKLEY. Yes; which is only another way of saying that the regional reserve banks will do business and will continue to do business.

Mr. MADDEN. Except that you could not organize this system under the plan laid down and make the payments unless you created an endless chain by which to create credit.

Mr. BULKLEY. You may call it an endless chain if you will. You can not keep up the present system without the central reserve banks being vastly indebted to the outside banks.

Mr. HAYES. Will the gentleman yield?

Mr. BULKLEY. I will.

Mr. HAYES. I want to ask if it is not true that the gentleman's statement contemplates the full payment, and if it is not true that a part is to be paid first and then time for the balance?

Mr. BULKLEY. Yes; they have over three years to work it out.

Mr. HAYES. So the difficulties that my friend from Illinois [Mr. MADDEN] suggests may not arise at all?

Mr. BULKLEY. They may not. It is difficult to say to what extent the central reserve banks will desire to keep on rediscounting.

Mr. MADDEN. If they keep it in the Federal reserve bank, would it not be an expansion of the currency?

Mr. BULKLEY. It has nothing to do with the currency.

Mr. MADDEN. It is a credit.

Mr. BULKLEY. Yes.

Mr. MADDEN. That is the same thing.

Mr. KENT. If the gentleman will allow me, the reserve city banks can not pay off their bank depositors any more than any other kind of depositors, and this seems to be working toward sound finance down the line. I think the question of the gentleman from Illinois would lead to the assumption that it was unsound finance instead of a cleaning up.

Mr. BULKLEY. That is the situation.

Mr. HARDY. If the gentleman will allow me, this system allows the central reserve banks to shift the indebtedness from where it is now in the country banks over to the regional reserve banks?

Mr. BULKLEY. Yes. Now, Mr. Chairman, the other series of tables that I have prepared is in identical form with the first series except that it assumes that the banks depositing with the regional reserve banks will deposit the largest amount they are permitted to count as reserve. For example, the bill requires that the country banks shall keep 5 per cent of their deposits in cash in their own vaults and a total reserve of 12 per cent. That will leave 7 per cent that they could keep as a deposit in the Federal reserve bank. So this series of tables assumes that they deposit it, and that makes a larger deposit than was assumed in the first tables, and so on all the way through. The reserve city bank is permitted to count as reserve a balance with the regional reserve bank equal to 9 per cent of its own deposits. The same applies to the central reserve city banks—they might so count 9 per cent. I think there is nothing more in those tables that needs to be explained, as it is substantially the same thing over again which I have explained as to the first tables, except on a different assumption. I will leave the tables here and hope that they will be looked over from time to time.

Mr. CALLAWAY. Will the tables be printed in the Record?

Mr. BULKLEY. They will. As I say, one is on an assumption that the banks deposit as little as they have to, and the other is on the assumption that they deposit as much as they may count as reserve, and, as I have said, the actual truth will come somewhere between the two.

Mr. MANN. In the end, is it not inevitable that the full amount will be deposited in the Federal reserve bank?

Mr. BULKLEY. Yes; the amount shown in these first tables.

Mr. MANN. I am not talking about what the law requires, but the logic of it. If they keep a part of their reserves in cash over what they are required to, they get no profit, but if they deposit in the Federal reserve bank they have a hope of a share of the profits?

Mr. BULKLEY. Yes; that is true. I think the gentleman is correct in assuming that, and therefore this second chart or set of figures will be nearer the truth than the other.

Considerable publicity has been given to a statement by Mr. James B. Forgan to the effect that the enactment of this bill would cause a contraction of credits in the country to the amount of \$1,800,000,000. As Mr. Forgan is one of the leading

bankers of the United States, the president of the First National Bank of Chicago, and was designated by the recent Chicago bankers' conference as chairman of the committee appointed by that conference to place its views before Congress, his statement is worthy of careful attention. It is worthy of attention, however, solely because of Mr. Forgan's prominence, and not because of any logic or merit in the statement itself. Let us analyze his own explanation of it made last Friday before the Senate Committee on Banking and Currency. Referring to the figures given in the report of the Comptroller of the Currency on the condition of national banks on June 4, Mr. Forgan said:

The aggregate net deposits of the national banks on which their legal reserve is figured amount to \$7,124,000,000. * * * The established relation between the amount of actual money held by the banks and the fabric of credit existing between the banks and the public is therefore in the ratio of \$917,000,000 to \$7,336,000,000, or 12½ per cent of money to the amount of credits.

The amount, \$7,336,000,000, referred to loans and bond investment of the national banks, which, as Mr. Forgan was just explaining, are approximately equal to the aggregate net deposits of the national banks subject to reserve requirements. When he says that the actual lawful money held by the banks was 12½ per cent of their aggregate deposits he, of course, did not mean that the banks' legal reserves had fallen as low as 12½ per cent, but owing to the counting of balances with reserve agents, which the present law permits to be counted as part of the legal reserve of the banks, it is always true that the amount of lawful money which the banks hold in the aggregate is considerably less than the legal reserve requirement. Mr. Forgan, therefore, is quite right in saying that the established relation between money and credits is about 1 to 8. He goes on to say:

If from the amount of money on hand, \$917,000,000, the national banks are required to make the following payments to the Federal reserve banks, viz, 10 per cent of their aggregate capital, \$105,000,000, and 3 per cent of their net deposits, \$213,000,000, they would have to turn over more than one-third of their entire holdings, or \$318,000,000, and would have left money on hand amounting to \$599,000,000.

* * * You have the same fabric of credit in the banks left when you have \$600,000,000 of cash that you had before, when you had \$900,000,000; so that the basis of the fabric of credit existing between the bank and the public has been changed from 12½ per cent, as I have shown, which is \$8 of credit for \$1 of money. It has been increased to whatever that proportion is. It would be something like \$12 of credit to \$1 of money, and in that way the banks will be very much more expanded.

On the established basis of 12½ per cent of money to existing credits, which seems little enough, this would provide for credits between the banks and the public aggregating \$4,792,000,000, calling for a compulsory contraction in such credits of \$2,544,000,000 from the present amount of \$7,336,000,000. The Federal reserve banks, with a capital paid in of \$105,000,000 and reserve deposits similarly paid in of \$213,000,000, would have in money to start with \$318,000,000 which on the basis of 33⅓ per cent cash reserve they are required to carry against their total demand liabilities would enable them to expand until they had assumed total liabilities of \$954,000,000, * * * of which they would have already assumed liability for the reserve deposits, \$213,000,000. Their net expansion capacity would therefore be \$741,000,000, and this would be the limit of their ability to rediscount for their member banks, whose compulsory contraction of credits, as shown above, if they are to be kept in their present basis, would be \$2,544,000,000, showing that their ability to rediscount would fall short of the contraction of credits in their member banks by \$1,803,000,000. After 14 months, when the minimum reserve deposits required are to be raised from 3 to 5 per cent, the contraction would be proportionately greater.

The fallacy of Mr. Forgan's calculation lies in this: He counts money turned over to the regional reserve banks as if it were no longer reserve money. He says if we have 12 per cent of lawful money against all deposits and turn one-third of it over to the Federal reserve banks, that leaves us only 8 per cent of lawful money against deposits. It seems hardly necessary to do more than state this proposition in order to show the absurdity of it. The \$900,000,000 in question is just as much a part of the country's reserves when one-third of it is held by the new regional reserve banks as when all of it is held by the national banks, and we must not forget that nearly \$150,000,000 will actually be added by the provisions of this bill when the lawful money now held in the United States Treasury shall be deposited with the Federal reserve banks. So the proportion of lawful money held in reserve against deposits will be increased, rather than diminished. If Mr. Forgan wishes to argue that the creation of these deposit accounts with the Federal reserve banks will increase the total of deposit liabilities, and thus decrease the proportion of reserves held against them, I will answer that as bank deposits with the Federal reserve banks are increased deposits with reserve agents will be diminished, and that the one will practically offset the other.

Mr. Forgan admits that under his theory the capacity of the Federal reserve banks for expanding loans would be \$741,000,000, and he makes a deduction of \$741,000,000 from what he says would be the gross contraction of credit, but if the Federal reserve banks really used this expansion it could only

be by way of credits granted or cash turned back to the constituent member banks, and when so placed at the disposal of the member banks it would be a foundation for credit of several times that amount.

I have not had time to quote the whole of what Mr. Forgan said on the subject of contraction, but have endeavored to give the substance of it with entire fairness. I shall, however, print with my remarks a few pages from the hearings in order to present in full what Mr. Forgan had to say on this subject, as I am confident that anyone who will study his full explanation will not be alarmed by his predictions. Mr. Forgan's conclusions in this respect are indeed completely shattered by the careful and accurate analysis of the situation presented to the Senate committee by Mr. Reynolds, another member of the committee delegated by that conference to present to Congress the "unanimous" views of those who participated in the conference. I shall print also with my remarks the statement prepared by Mr. Reynolds, which is a substantial verification of my own analysis of the situation.

Mr. Forgan explained why the Chicago conference recommended a change in the bill to provide that the Federal reserve banks should be in number not more than 5, instead of not less than 12 as provided in the bill. His testimony, however, shows no reason at all for fixing five as a proper number, and indeed he frankly says that what he would recommend is a single central bank, or, if that be not possible, then as few regional banks as Congress may be willing to consent to.

He states that 12 is too large a number, because it might not be possible to start as many as 12 regional banks in view of the requirement that such banks must have a minimum capital of \$5,000,000 each. In other words, he fears that the total subscriptions to all the banks will amount to not much more than \$60,000,000. To support this contention, he will have to assume that not a single State bank will enter the system, and that less than 60 per cent of the national banks will subscribe. Conceding that the amount of subscription which may be made is entirely a matter of conjecture, nevertheless, in view of the advantages of membership in the proposed system, and of the losses which national banks owning 2 per cent bonds would probably have to suffer by leaving the system, it is hardly reasonable to assume that so few banks will subscribe for stock.

Mr. Forgan's real argument against 12 regional banks could logically be made with equal force against 5 such banks. His real contention is that there should be but one. In his testimony he quotes at length from the address delivered at the Chicago conference by Mr. A. Barton Hepburn, of New York, who said:

Will there not naturally and inevitably be competition between the regional reserve banks, competition between the 12 sections of the country, and will we not in the end have competition for cash holdings between individual banks, added to the competition of section against section, reserve bank against reserve bank? The framers of the measure evidently recognize that danger and seek to palliate it by giving the Federal reserve board authority to force one reserve bank to loan to another. Under the conditions that would exist would not the exercise of that authority fail to accomplish the just distribution of funds? Is there not strong probability that in exercising that authority factors would be created that would endanger the smooth workings and permanency of the whole plan?

Of course, it is one of the fundamental necessary principles of banking reform, recognized in the Glass bill as well as in the Aldrich plan, that reserves must be so disposed that they can be used where needed. The power of the Federal reserve board in time of emergency to compel rediscounts between regional reserve banks is a necessary part of a plan which establishes 12 reserve banks; it would be no less necessary if there were but 5 reserve banks. Mr. Forgan and Mr. Hepburn therefore sacrifice logic to expediency when they recommend five regional banks, but are entirely logical and consistent when they contend that there should be but one.

What is the objection to compulsory rediscounting? Mr. Forgan states it on page 38 of the Senate committee hearings, as follows:

Senator NELSON. Then would not this difficulty arise: Suppose that a reserve bank at Minneapolis should be well supplied with funds, and suppose the reserve bank at New Orleans lacked funds, and suppose the board should order a transfer of funds, directly or indirectly, from Minneapolis to New Orleans, would not it lead to some friction?

Mr. FORGAN. It would lead to a great deal of friction. Senator NELSON. Would not the Minneapolis reserve bank feel they were discriminated against and that it was not fair to transfer their funds to New Orleans?

Mr. FORGAN. Yes, sir. And, to follow that idea up, the Minneapolis banks might at that time be compelling their customers to dispose of their wheat in order to turn it into money for local necessities, while down in New Orleans they might be holding their cotton and borrowing the money for that purpose, and they would be enabled to carry their cotton, while Minneapolis would have to sacrifice their wheat.

In order to make his objection to compulsory rediscount appear as plausible as possible, Mr. Forgan does not hesitate to indulge the rather violent presumption that a disinterested Fed-

eral reserve board would be willing to sacrifice Minneapolis wheat in order to support New Orleans cotton. But, strange to say, Mr. Forgan did not intend any reflection on the disinterestedness of the Federal reserve board in such a transaction. This becomes clear when we understand that it is not the shifting of these funds from one section to another which he regards as objectionable; he objects only to the publicity that would attend our method of doing it. This is shown by the following extract from Mr. Hepburn's address, which was quoted by Mr. Forgan with unqualified approval:

With such a single central bank the controlling board might place its reserves in the section of the country where most needed. This shifting of funds would be accomplished without ostentation and without notoriety, whereas if the Federal reserve board should require, as it might do under this proposed law, one Federal reserve bank to loan money to another Federal reserve bank, that could not be done without attracting the attention to the borrowing locality in a way that would operate to the prejudice of that locality. On the other hand, how simply and easily and naturally this apportionment of funds would be made to fit the requirements in different localities through one central bank with branches.

Mr. CALLAWAY. Mr. Chairman, will the gentleman yield at this point?

Mr. BULKLEY. I would rather not be interrupted just at this point.

These gentlemen contend, therefore, that when the Minneapolis banks are to be required to carry New Orleans cotton the shifting of funds should be made "simply, easily, naturally," "without ostentation and without notoriety," to the end that on the well-known principle of "What you don't know won't hurt you," the Minneapolis wheat men may not be damaged at all.

The Chicago conference unanimously condemned the requirement that banks entering the proposed system shall subscribe to the capital stock of the reserve banks an amount equal to 20 per cent of their own capital stock, half of such subscription to be paid and half subject to call. They suggest that the proposed requirement should be cut in half. It is perhaps a sufficient answer to this suggestion to recall that at the annual meeting of the American Bankers' Association at New Orleans in 1911 this identical requirement was unanimously approved as a part of the Aldrich plan. At New Orleans two years ago no voice was raised in protest against this provision, yet in Chicago last month there was none to defend it. Mr. Sol Wexler, who was designated by the Chicago bankers' conference to explain the views of that conference to the Senate Committee on Banking and Currency, failed to advance a single argument against this provision which he might not have advanced against the same provision in the Aldrich plan when the bankers' association met in his own city two years ago. He failed to explain the remarkable unanimity in the change of opinions; he failed to show any new circumstance which makes this provision, so desirable two years ago, impracticable now. It is inconceivable that every member of the bankers' association present at these two conferences could really have sincerely reversed his opinion on this provision as an independent proposition. And in truth there was no independence about it. At New Orleans Simon said, "Thumbs up," and all thumbs went up. At Chicago Simon said, "Thumbs down," and every thumb went down. It matters not whether Simon was Mr. Forgan or Mr. Hepburn or Mr. Wexler or Mr. Wade, or a composite of all of them. It is pretty clear that he decreed the reversal of position, not because of any change in the merits of this independent proposition, but because for some other reason he favored the Aldrich plan and disliked the Glass plan.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. GLASS. Mr. Chairman, I yield the gentleman 10 minutes more.

Mr. MADDEN. Mr. Chairman, will the gentleman yield for a simple question at this point?

Mr. BULKLEY. Yes.

Mr. MADDEN. I wanted to ask the gentleman whether the provision in the Aldrich bill was voluntary and not compulsory?

Mr. BULKLEY. That has nothing to do with the amount of subscription required. In the Aldrich bill stock subscription was not really voluntary, although it purported to be voluntary. There was just as much compulsion about it as to banks with 2 per cent bonds as there is in our bill.

Mr. MADDEN. Except that one requires it and the other does not. [Applause.]

Mr. BULKLEY. They both require it, but one says so and the other does not. [Applause on the Democratic side.]

Let us waive the inconsistency of the attitude assumed by these bankers and examine which of these views is more reasonable. The aggregate capital and surplus of all national banks in the United States is in the neighborhood of one-fifth

of the aggregate amount of their deposits, and, in addition, there exists a double liability on the part of the stockholders. Before the Senate committee the other day Mr. Wexler testified that in his judgment the capital and surplus of banks in the Southern States "is quite inadequate," although the comptroller's statement shows that the capital and surplus of this section aggregates somewhat more than one-fifth of the deposits. On the next page, however, Mr. Wexler testified:

Twenty per cent margin to the depositor—the ratio of capital and surplus to deposits—is, in my opinion, quite adequate.

So we find, both from the actual figures throughout the United States and from the opinion of Mr. Wexler, whom the Chicago bankers' conference selected as their special expert to present this phase of the question, that 1 to 5 is about the reasonable ratio which capital and surplus should bear to deposits. If, then, we should take one-fifth of the probable deposits of the regional reserve banks, we would find the amount of capital which ought to be required, bearing in mind that the reserve banks would have no surplus at the outset, but over a period of years would accumulate a surplus of 20 per cent of their capital. Assuming all national banks to be members of the proposed system, the amount of reserve money which would be held in the Federal reserve banks would be from three hundred and fifty to five hundred and seventy-five million dollars, the former being the minimum amount which they are required to carry as balance, the latter the maximum balance which they may count as reserves. To this should be added about two hundred millions of United States deposits, making total deposits of five hundred and fifty to seven hundred and seventy-five millions. This would seem to indicate that the aggregate capital and surplus of the proposed banks should be from one hundred and ten to one hundred and fifty-five millions. And this is just about what the bill provides. To be exact, it would require of these same banks a capital-stock subscription of two hundred and ten millions, but a payment of only one hundred and five millions. After the accumulation of a 20 per cent surplus the aggregate of capital and surplus would be just about one-fifth of the deposits, which accords with present banking practice as well as the best expert opinion which the American Bankers' Association is able to offer us. The additional one hundred and five millions required to be subscribed and subject to call corresponds to the double liability of stockholders in national banks.

Let me say a word about the contention that this bill imposes a hardship on the country banker. It is said that the new arrangement will cost him dearly because he is to be deprived of the interest which he now receives from the reserve city banks on his reserve balances. Let us figure that out. Against each \$100,000 of deposits the country banker is now required to carry a reserve of \$15,000. Of this, \$6,000 must be cash in his vault, drawing no interest. If he gets 2 per cent on the other \$9,000, it will amount to \$180 a year. Under the provisions of this bill this \$180 interest from the reserve city bank will be lost to the country banker; but inasmuch as he will in the future be obliged to carry but \$12,000 reserve instead of \$15,000 as in the past, there will be released from his required reserve \$3,000, and he will have this additional amount to lend. If he lends it all out in cash at 6 per cent, he will receive \$180 a year, or just enough to reimburse him for the loss of the interest which he has been getting from the reserve city bank; but if he uses the \$3,000 as reserve and makes loans by credit to deposit accounts, he will have an added loaning power of \$25,000, which at 6 per cent will bring him \$1,500 a year, or \$1,320 more than he is now getting from his reserve city agent. At the worst, then, he will be as well off as he is now and the chances are that he will in fact make a much better profit. In addition to the profits I have already shown he will share in the profits of the regional reserve bank in proportion to his balances with that institution.

It is uncertain how much this will bring, but, whatever it may be, it represents clear gain over and above present possibilities. If it be argued that the country banker's investment in the stock of the regional reserve bank will be unprofitable, we need only stop and figure exactly how unprofitable it will be. A bank with \$25,000 capital will pay in a subscription of \$2,500, on which it will get 5 per cent. If money is worth 6 per cent, the annual loss is 1 per cent of \$2,500, or \$25, an insignificant sum in proportion to the profits which I have just shown. Yet my illustration does not do full justice to the situation, because the \$25,000 bank will ordinarily have deposits considerably in excess of the \$100,000 which I have assumed in my calculation. But some one may say that the loss on the stock investment will be more than 1 per cent because money in some sections is worth 7 or 8 per cent. If that is so, we must go back and figure the profit on the release

of reserves on a 7 or 8 per cent basis, and we have a much stronger showing for the new system than I have made out.

There is in fact no burden placed on any national bank by this bill, and there is nothing in it that will afford a good reason for a bank to give up its national charter. On the other hand, banks which have been benefited for years by the prestige of the national charter will be loath to give that up now, and they will not fail to see that the business man will want to keep his money and secure his line of credit at a bank which is entitled to the rediscount facilities now to be afforded and which is scrutinized by a Federal examination more complete than has ever existed before. For these reasons any bank which leaves the national system will quickly be replaced by a new one coming in; and in this connection it must be remembered that new national banks can be organized in the future under less burdensome conditions than heretofore, since it is no longer required of them to make an investment in 2 per cent Government bonds, and they will be subject only to the less burdensome requirement of a smaller investment in 5 per cent Federal reserve bank stock, carrying with it facilities more valuable than those accompanying the Government bonds.

I have touched upon the general principles underlying the bill and endeavored to answer the principal objections which have been raised against it. I have not had time to discuss the details of the measure, nor have I even enumerated its minor good features, among which I might mention the authorization of bank acceptances, under restrictions carefully safeguarding the practice, the provision for export bills of exchange, and for the establishment of branches of American banks in foreign countries. These provisions will give us our fair share of financial control over our export trade, which is already large and now destined to become vastly greater under the operation of the new tariff bill, which will place us on a basis of competition in all the markets of the world. This bill also provides for the placing of Government funds where they will be a help to the business of the country and puts an end to that segregation in Treasury vaults which has so often proved a disturbing factor. Public confidence in our banks will be increased by the improvements here provided in bank examinations, as well as by the greater measure of Government control of the banking business.

Let us concede the strong possibility that certain faults may appear in this legislation after it has been put into operation; that is but natural in a measure establishing so great a reform as to which there are so many elements of uncertainty and conjecture. Let us enact this bill as representing the best we know how to do to-day and remember that Congress will always be here to correct such errors as may become apparent in the future. This legislation can not wait for unanimous agreement as to all details. It is the part of statesmanship to enact now this bill—the only comprehensive reform measure on this most important subject in 50 years. [Applause.]

APPENDIX A.

MR. FORGAN'S STATEMENT BEFORE THE SENATE COMMITTEE ON BANKING AND CURRENCY ABOUT "CONTRACTION."

Senator SHAFROTH. Mr. Forgan, while you have the floor I would like for you to make an explanation as to your theory of this bill creating a contraction of the currency. I understand that your theory is that a contraction will follow if this bill is passed in its present form. Therefore I would like to have you explain to the committee your reason for believing that.

Mr. FORGAN. Not a contraction of the currency, but a contraction of credit in the banks.

Senator SHAFROTH. Well, a contraction of credit in the banks, then.

The CHAIRMAN. You said you had a table in respect to that?

Mr. FORGAN. Yes, sir.

The CHAIRMAN. Will you have the table submitted to the stenographer to put it in the record?

Mr. FORGAN. I will give it that way.

Senator SHAFROTH. You may give it any way you wish.

Mr. FORGAN. I would prefer to make the statement and to give it with qualifications.

Senator SHAFROTH. You may proceed in any way you see fit.

Mr. FORGAN. It will not take a minute.

The loans and bond investments of the national banks, exclusive of their Government bonds pledged as security for their note circulation, amount, in round figures, to \$7,336,000,000. The aggregate net deposits of the national banks on which their legal reserve is figured amount to \$7,124,000,000. (See comptroller's report of June 4, 1913.) Thus the aggregate loans, including bond investments, of the national banks are practically an offset against the amount of their aggregate net deposits. In other words, these two items represent the amount of credits exchanged between the banks and the public, the amount owed by the banks to the public being practically offset by the amount owed by the public to the banks. This exchange of credits is based on and supported by actual money in the banks. The established relation between the amount of actual money held by the banks and the fabric of credits existing between the banks and the public is therefore in the ratio of \$917,000,000 to \$7,336,000,000, or 12½ per cent of money to the amount of credits.

If from the amount of money on hand, \$917,000,000, the national banks are required to make the following payments to the Federal reserve banks, viz, 10 per cent of their aggregate capital, \$105,000,000, and 3 per cent of their net deposits, \$213,000,000, they would have to

turn over more than one-third of their entire holdings, or \$318,000,000, and would have left money on hand amounting to \$599,000,000.

I might explain that in a very ready way by taking three articles this way [indicating]. Suppose these three articles represent a total amount of money in all the national banks, figuring on the net deposits and not on the gross deposits. The difference between the figures I give you and Mr. Reynolds's figures is that he figures on the gross deposits and I figure on the net deposits.

Senator NELSON. What is the difference between gross and net?

Mr. FORGAN. My reason for figuring on the net is that when we are figuring the reserve deposits to be paid into the Federal reserve banks on the main reserves we will be allowed to figure, I presume, the same way as we are allowed to figure our legal reserves now. We are allowed to deduct from gross deposits balance due from banks against balances due to banks; the clearing-house checks are deducted; all national-bank notes on hand are deducted from the gross deposits to produce the net deposits. Therefore our deposits are very largely reduced on which we keep our reserves, and I figure, there being nothing in the national-bank law to prohibit that method of figuring reserves and that system having been adopted by the comptroller's department, the same practice will be continued in this case.

Now, if these three items represent \$900,000,000 and you take a third of that away we have two-thirds left. And you have the same liability as you had before. You have the same fabric of credit in the banks left when you have \$600,000,000 of cash that you had before when you had \$900,000,000; so that the basis of the fabric of credit existing between the bank and the public has been changed from 12½ per cent, as I have shown, which is \$8 of credit for \$1 of money. It has been increased to whatever that proportion is. It would be something like \$12 of credit to \$1 of money, and in that way the banks will be very much more expanded.

Senator NELSON. You mean inflated.

Mr. FORGAN. Yes; inflated. I would like to say right here, because it came up before: In our conference in Chicago there was a question raised by Mr. Dawes, ex-Comptroller of the Currency and now president of the Central Trust Co. there—

The CHAIRMAN. You are speaking of Charles G. Dawes?

Mr. FORGAN. Yes, sir; Charles G. Dawes; he made the statement that this would produce a great inflation, and I followed him by saying that it would cause contraction.

The CHAIRMAN. How much gross do you figure; \$1,800,000,000, according to your estimates?

Mr. FORGAN. Yes, sir; \$1,800,000,000. My idea—and I want this to be put clearly before you, and as I show, the contraction was to bring the present fabric of credit existing on the banks down to the present ratio of \$8 credit to \$1 of money and would require the calling of loans and the contraction of credits to the public to that extent. He figured that this contraction would not be enforced and therefore there would be a great expansion, and he came to me after he had taken my figures home and said:

"You and I are exactly on the same basis. You say that if the thing was put into effect—which could not be done—it would cause contraction. It would make contraction necessary, but the contraction would not take place. Therefore the banks would be placed in an expanded condition."

Therefore he and I were really on the same track.

As I was saying, taking that one-third of the money, or about one-third, would leave money on hand amounting to \$599,000,000 in the banks.

On the established basis of 12½ per cent of money to existing credits, which seems little enough, this would provide for credits between the banks and the public aggregating \$4,792,000,000 calling for a compulsory contraction in such credits of \$2,544,000,000 from their present amount of \$7,336,000,000. The Federal reserve banks, with a capital paid in of \$105,000,000, and reserve deposits similarly paid in of \$213,000,000, would have in money to start with, \$318,000,000, which, on the basis of the 33½ per cent cash reserve they are required to carry against their total demand liabilities would enable them to expend until they had assumed total liabilities of \$954,000,000.

Senator CRAWFORD. You can not extend credit to anyone except to the banks?

Mr. FORGAN. No, sir; as I was saying, that would be \$954,000,000, of which they would have already assumed liability for the reserve deposits, \$213,000,000. Their net expansion capacity would therefore be \$741,000,000, and this would be the limit of their ability to rediscount for their member banks, whose compulsory contraction of credits as shown above if they are to be kept in their present basis would be \$2,544,000,000, showing that their ability to rediscount would fall short of the contraction of credits in their member banks by \$1,803,000,000. After 14 months, when the minimum reserve deposits required are to be raised from 3 to 5 per cent, the contraction would be proportionately greater.

Senator HITCHCOCK. That would be without their issuing any notes. They could do that from the cash which they received from deposits?

Mr. FORGAN. It would make no difference what form the credit took; it would not make any difference whether it was deposit liabilities or note liabilities. They might be all notes or all deposits. There would not be a particle of difference, as they keep a reserve on both.

Senator HITCHCOCK. You figure, then, that there would actually be a contraction of \$100,000,000 of actual bank credits of the country?

Mr. FORGAN. I have not finished my argument, Senator. Right there, however, I want to impress upon your minds that I did not want to give these figures to scare anybody, because it does not mean the thing can not be worked out. It does not mean that at all. It means that this \$1,800,000,000 is the amount of contraction that would take place in order to continue the national banks on their present basis of \$8 of credit to \$1 of money, which I do not think necessary, but it produces a condition that has to be faced.

Now I will go on to explain. Such a contraction of the credits, if enforced, between the national banks and the public could not be accomplished without a cataclysm in business.

In order that these figures should not overstate the effect on the credits between the public and the national banks by such a diversion of money equal to one-third of all the money in the national banks, from these banks into the Federal reserve banks, the 3 per cent reserve deposit required on their "total demand liabilities" has been figured on their net and not on their gross deposits, under the assumption that the same offsets would be allowed them that are now allowed when figuring their legal reserve requirements.

These figures do not include the Government deposits which within 12 months are to be transferred to the Federal reserve banks. With the exception of the free money in the Treasury such deposits would be transferred from the national banks and would require them to part

with a further amount of money, equal to the amount of the Government deposits they hold, which would still further proportionately decrease their money reserve and increase the contraction of their loans necessary to maintain their present credit expansion basis. These transfers of Government deposits having to be made within 12 months, would have no effect on the above transactions, all of which must occur within 60 days.

Senator NELSON. Those Government deposits would be a checking account, would they not?

Mr. FORGAN. Yes. I do not wish to be misunderstood here, and I want you to understand my position. They say figures will not lie.

The CHAIRMAN. Figures lie and then they prove it, as they say.

Mr. FORGAN. If you rely on them you had better rely upon something that is fundamentally true. I do not wish it to be understood that these figures forecast precisely what would occur were the Federal reserve act passed and were the national banks to operate under it. I am well aware that no calculation can possibly be made to correctly forecast what would actually occur in such an event. I am satisfied, however, that the figures portray as accurately as possible the situation which would be confronted were the 12 Federal reserve banks organized and should the national banks undertake to operate under the new law and maintain their present credit-expansion basis of \$5 credit to \$1 money.

The discrepancy between the loaning capacity of the Federal reserve banks and the contraction of credits in the national banks shown in the figures may be further elucidated as follows: It is proposed to transfer bodily from the national banks practically one-third of the actual money now lodged in their vaults and place it in the vaults of the Federal reserve banks. As we have seen, the money in the vaults of the national banks forms the basis of a fabric of credits existing between them and the public in the ratio of 12½ per cent of actual money to the amount of such credits outstanding. This fabric of credits must be adjusted to the reduced holdings of actual money by the banks if the established ratio of 12½ per cent of money to total credits is to be maintained, otherwise to a proportionate extent there will be an over-expansion of credits in the banks. The credit expansion of the Federal reserve banks is fixed on the basis of 33½ per cent money reserve against their total liabilities. They are therefore restricted in their credit expansion to \$3 of credit against \$1 of money, while the national banks have been doing business on a 12½ per cent money basis, or \$8 of credit against \$1 of money. As a basis of credit, therefore, the one-third of the money now in the national banks when transferred to the Federal reserve banks would lose nearly two-thirds of its present expansive power.

Senator SHAFROTH. Mr. Forgan, would it not be true that that partnership relation, if it might be so termed, between the Government and the banks would produce a confidence in the public that would have a tendency to increase their deposits with the banks generally?

Mr. FORGAN. That is on the assumption that they have any more to deposit. I think they have deposited most of it now.

Senator SHAFROTH. Well, a part of the money is held in savings deposit vaults?

Mr. FORGAN. But I think it is comparatively a small part. Senator SHAFROTH. Is it not a fact also that many of the banks, especially country banks, keep a very large reserve that they would not have to keep if they were permitted to discount their paper at one of the banks, and would not they have a tendency to overcome some of these objections?

Mr. FORGAN. Yes, sir; I want that distinction understood. I do not consider the maintenance of the \$8 to \$1 basis necessary in the banks when they have these Federal reserve banks to go to to get rediscounts. I do not think it is necessary. I only put it before you as a condition produced by the operation of the plan which is proposed. I do not think there is any doubt about the condition, and it is for you to consider what the effect of it will be.

Senator CRAWFORD. Well, would it be safe banking to have \$12 credit against \$1 money?

Mr. FORGAN. Well, it would not, under the present circumstances, certainly, because it would affect our reserves.

Senator CRAWFORD. Well, under what circumstances would it be safe?

Mr. FORGAN. If we had a Federal reserve bank, established where we could always depend upon getting a satisfactory circulating medium to liquidate our deposits with when they were drawn upon, I think it would be safe at least to materially increase it.

It would not have to go to the full \$12 limit, because we would have some rediscounts; but even if they rediscounted to that extent, it would be an additional expansion of the credit on the part of the banks.

Senator CRAWFORD. Well, you would not want this Federal reserve bank to do a general business with the public, and do it on a basis of \$1 cash to \$8 credit?

Mr. FORGAN. No, sir; I would not; and that is one reason why, if it was a Federal reserve bank, and was running under competition with the banks and keeping a reserve of that kind, it could not do it.

APPENDIX B.

FIGURES SUBMITTED BY MR. REYNOLDS TO THE SENATE COMMITTEE ON BANKING AND CURRENCY.

Country banks.....	\$3,610,000,000
Reserve city banks.....	1,945,000,000
Central reserve city banks.....	1,569,000,000
Total.....	7,124,000,000
Reserves carried.....	1,455,700,000
Of which—	
Lawful money was.....	913,000,000
Amount due from banks.....	542,700,000
Total.....	1,455,700,000

Detailed statement.

Country banks, 15 per cent:	
Cash.....	\$266,000,000
Due from banks.....	310,000,000
	576,000,000

Reserve city banks, 25 per cent:	
Cash.....	242,000,000
Due from banks.....	232,700,000
	474,700,000

Total reserve, city banks, 25 per cent, cash..... 405,000,000

Cash in vault.	Due from banks.
\$266,000,000	\$310,000,000
242,000,000	232,700,000
405,000,000	542,700,000

913,000,000
542,700,000

1,455,700,000

This amount equals 20.95 per cent.

Actual lawful money reserve, 12½ per cent.

Assuming deposits with our present banks would continue the same as they now are and deducting amount to meet the changed conditions on account of change in reserve requirements when the plan would be fully operative, three years after the passage of the bill, deposits would be..... \$6,581,000,000

Divided as follows:

Country banks.....	3,610,000,000
Reserve city banks.....	1,935,000,000
Central reserve city banks.....	1,336,000,000

6,581,000,000

Now, I am taking present figures as to volume of business, with only such changes as the law would make, and I only offer them as my belief as to the condition that will exist at that time.

Reserve that would be required..... \$968,220,000

As follows:

Lawful money in vault.....	447,890,000
Credits with Federal reserve banks.....	520,330,000
Total.....	968,220,000

Detailed statement:

Country banks, 12 per cent—

Cash.....	180,500,000
Federal reserve banks.....	252,700,000
Total.....	433,200,000

Reserve city banks, 18 per cent—

Cash.....	147,150,000
Federal reserve banks.....	147,150,000
Total.....	294,300,000

Central reserve city banks, 18 per cent—

Cash.....	120,240,000
Federal reserve banks.....	120,240,000
Total.....	240,480,000

Totals.

Cash in vault.	Credit in Federal reserve banks.
\$180,500,000	\$252,700,000
147,150,000	147,150,000
120,240,000	120,480,000

Cash.....	447,890,000	520,330,000
Federal reserve banks.....	520,330,000	

Total..... 968,220,000

Reserve required in lawful money, 6.8 per cent.

Senator HITCHCOCK. That is a loss of \$650,000,000 in reserves?

Mr. REYNOLDS. It is not a loss of that much—\$465,000,000 actual money. I will come to that here. Counting reserve of 33½ per cent in lawful money, which Federal reserve banks would be obliged to carry, against the \$520,330,000 that banks would carry with them, the reserve in lawful money against deposits in both classes of banks would have to be \$621,300,000 or 8.7 per cent. As a minimum, it will be seen that the amount of lawful money banks would then have on hand would be \$447,900,000, as compared to \$913,000,000 under existing laws.

Senator HITCHCOCK. That is, the banks instead of turning over cash would turn over new paper?

Mr. REYNOLDS. Customers' notes to that extent.

Senator HITCHCOCK. Under their indorsement?

Mr. REYNOLDS. Yes, sir.

This would release \$465,000,000 in lawful money, which banks could use in depositing their reserves in Federal reserve banks. Assuming that all the national banks would go into the systems, they would be obliged to place with those banks the following amounts:

On account of subscriptions to capital in Federal reserve banks, \$105,000,000; reserves, \$520,330,000; total amount to be controlled, \$625,330,000.

Now, in addition to this amount, we will assume the Government would have on deposit with national banks an additional \$75,000,000, which they would no doubt have to give up, since it is estimated there would be \$200,000,000 of Government funds deposited in the Federal reserve banks. The total amount necessary for national banks to furnish by time plans would become fully operative would be \$700,330,000.

Just how such a vast sum could be paid into the Federal reserve bank and the effect it would have on business has been the cause of much speculation. It seems to me that the most natural as well as practical way would be as follows:

Inasmuch as under the new requirements for reserves that will have been made effective, the amount of lawful money now carried by banks in excess of amount that will then be required, or \$465,000,000, can

be turned over to the Federal reserve banks without inconvenience, and the balance of the amount necessary to furnish the \$700,330,000 required can be rediscounts of \$235,230,000. At that point the Federal reserve banks would have \$465,100,000 in lawful money against which they would have loaned to national banks \$235,230,000.

The Government in completing its deposit of \$200,000,000 will pay into the Federal reserve banks an additional \$125,000,000 in gold. That will make the holding of gold, or lawful money, by the Federal reserve banks \$590,100,000, and the combined statements of those banks would be about as follows:

Liabilities:	
Capital.....	\$105,000,000
Deposits—	
Banks.....	520,000,000
United States Government.....	200,000,000
	<hr/>
	\$825,330,000
Resources:	
Loans.....	235,230,000
Cash.....	590,100,000
	<hr/>
	\$825,330,000

This would give the Federal reserve banks a lawful money reserve of 81 per cent, and with a reserve requirement of 33½ per cent would give it an ability to extend credits to banks on rediscounts of \$810,000,000 in addition to the \$235,200,000 above referred to.

That is my deduction of the result as to how this bill would work out in actual practice.

Senator HITCHCOCK. That is, providing for the issue of no notes?

Mr. REYNOLDS. I do not care anything about the issuing of the notes; that has nothing to do with the statement. I give the figures I want to draw my facts against.

Senator HITCHCOCK. It would make a difference in reserves if you figure 80 per cent there.

Mr. REYNOLDS. For \$200,000,000 or \$300,000,000 it would be left with that percentage—81 per cent reserve over all liabilities to that point. If it issues \$300,000,000 of notes it would have less of reserves.

Mr. GLASS. Mr. Chairman, I yield 20 minutes to the gentleman from Kentucky [Mr. BARKLEY].

Mr. BARKLEY. Mr. Chairman, I do not intend to enter into a detailed discussion of the history of currency legislation in the United States. Such a discussion might be interesting from a historical standpoint, but in the limited time which I shall occupy in addressing the House I shall confine myself to a discussion of some of the more important provisions of the bill now under consideration.

I do not come before this body claiming that I am an expert upon the subject of banking and currency, for I am not. I am not a banker, nor the son of a banker, and have never had any experience in practical banking. But I have given some study to the question of the issue of currency in this and other countries, and there are certain fundamental doctrines with reference to the creation of banking institutions and the issue of currency which we are seeking in this legislation to recognize and to which I desire to call attention during the course of my remarks.

It is admitted by practically the unanimous voice of the people of this country that there is great and urgent need for immediate currency legislation in the United States. There is no great nation in the world which has such an unsatisfactory system of banking and currency as prevails in the United States, and it is the marvel of men who are informed that we have prospered so greatly in spite of the handicaps with which we have surrounded ourselves during the past 50 years.

The present system of banking and currency, so far as the Federal Government is concerned, was very largely inherited by us as the result of the Civil War. During that war, in 1863 and 1864, the Government found itself in great need of money, and in order to secure an easier market for Government bonds bearing a low interest rate it provided for a national-bank note currency. Under this system a national bank purchases United States Government bonds bearing 2 per cent interest, for which the bank pays par. It then deposits these bonds as security with the United States Treasury and receives from the Treasury national-bank notes, which it takes to its own community and loans to its customers, receiving such rates of interest as it may see fit or the demands for money will justify. There are at present something like \$750,000,000 of these national-bank notes in circulation, and the Government is paying annually more than \$14,000,000 interest on the bonds upon which this currency is predicated.

There are three other kinds of currency in circulation in the United States, to wit, gold certificates, silver certificates, and Treasury notes. The gold certificates are based upon gold in the Treasury for their redemption; the silver certificates are based upon silver in the Treasury for their redemption; and the Treasury notes are mere promises to pay upon the part of the United States Government.

There has been in this country for many years a cry for a more elastic currency, one which will readily respond to the changing needs of different communities and different seasons. There are seasons of the year, in the crop-moving periods, when

more currency is needed in order to meet the needs of commerce and trade than in other seasons of the year. Not only that, but in great periods of development in various and widely separated communities in this Nation there is a greater need for currency than in other periods of less development.

Under our present banking and currency system there can be practically no elasticity of the currency. It is inelastic, rigid, and inflexible, neither expanding nor contracting according to the demands of legitimate commerce. The reason for this condition is perfectly apparent. There is no way by which gold or silver may be legislated into existence. There is practically no way to legislate either of these metals into the Federal Treasury as a basis upon which to issue either gold or silver certificates. Therefore, the production of gold and silver being regulated by natural processes and conditions, it is impossible to increase the gold and silver circulation sufficiently to meet the needs of business. It is likewise impractical to attempt to increase the circulation of national-bank notes, and if it were practical it would not be desirable. The supply of 2 per cent Government bonds, upon which national-bank notes are based, being already exhausted, it is impossible to increase this character of currency without issuing more Government bonds and thus adding to the burdens of the people by increasing our Government debt and the annual charge for interest thereon.

These being the conditions under which we are laboring in this country to-day, it becomes necessary for Congress to devise a plan whereby a better system of currency may be adopted, insuring a reasonable and safe expansion when such expansion is necessary, and a normal and proper contraction when contraction is needed; and at the same time provide for the stability and safety of such currency and its acceptability among the people. No single incident in the history of our country so demonstrates the absolute necessity for a revision of our currency system as the panic of 1907, when men were unable to secure their own money, and the banks themselves were compelled to issue script, cashier's checks, and clearing-house certificates, which, fortunately, the people of the community accepted at par and passed as currency in order that the business of the country might not be prostrated.

So urgent and insistent has this demand been for currency reform in the last few years that every political party of any importance has proclaimed its desire and intention to enact such legislation if placed in power. Yet the Democratic Party is the only party which in 50 years has had the courage and intelligence to meet the issue face to face and seek to bring about such reforms in our banking and currency laws as would be in the interest of all the people. Whilst the Republican Party has been in power, with the exception of eight years, ever since the Civil War, and whilst it has repeatedly promised the people that it had the courage, and the intelligence, and constructive ability to enact remedial legislation, it has just as repeatedly broken its pledges in this respect as it has in many others; and when that party released its hold upon the Government on the 4th of last March, discredited and stricken asunder, we were no nearer the goal than we were before.

For many years past the Democratic Party has promised the people that if it were placed again in control of the Government it would, among other things, reform the tariff and reform the currency, and do both of them speedily. Believing that we would keep our promises as a party, and disgusted with the inability or unwillingness of the Republican Party to meet the situation squarely, the people at the last election placed the reins of this Government in the hands of Democrats with President Wilson as their leader, and though the new administration is scarcely more than six months old, his leadership has been abundantly justified, and all men who think and are sincere recognize him as a real leader whose heart is in tune with the yearnings of the American people, and whose hand is constantly upon the wheel, guiding the people's ship through the treacherous waters of doubt and uncertainty into the placid harbor of public confidence. [Applause on the Democratic side.]

In enacting legislation upon this abstruse and delicate subject it is necessary to keep in view the fact that such a currency as may be provided for by any law must be a stable currency. It must also be a safe and secure currency, and it must be a currency which will be universally accepted by those who have need of it. Does the bill under consideration provide such a currency? Let us examine the bill briefly and ascertain what its provisions are with reference to the issue of currency and the strengthening of the banking system generally throughout the country, so that the great powers delegated by the people may be used for their benefit and not to their damage.

In the first place, the bill provides for the organization of a Federal reserve board to be appointed by the President, which

shall have general supervision over the administration of the new law, over the issue of currency, and over the Federal reserve banks which are created by the law. Under the new law the United States will be divided into 12 Federal reserve districts, in each of which there shall be organized a Federal reserve bank, with a capital stock of not less than \$5,000,000. All national banks are required to subscribe to the stock of the Federal reserve bank an amount equal to 20 per cent of their own capital stock. Ten per cent of this is required to be paid in, and the other 10 per cent operates in the nature of a double liability similar to the double liability of individual stockholders in banks under the present law; but it is not anticipated that the latter 10 per cent will be called for, unless it became necessary by reason of the impairment of the capital stock of the Federal reserve bank by reason of losses, which will probably never happen.

The bill provides that State banks may also come into the system by subscribing to the capital of the Federal reserve bank the same amount required of national banks. These member banks will be required to keep a certain portion of their reserve funds in these Federal reserve banks, instead of reserve or central-reserve cities, as provided under the present law. Thus it can be seen that the reserves required by law to be kept by the banks will be mobilized in the district in which the bank is located, instead of being sent away to Chicago or New York, where it may be used for speculative purposes upon the stock exchange. One of the weakest features of the present system is that while all the banks are required to keep a reserve fund equal to 15 per cent of their deposits for times of emergency, yet when the emergency arrives and the money is needed it can not be obtained or used. Under the new system the reserve funds will be kept closer at home and will be more easily accessible in time of stress, and can be used to meet the needs of the legitimate and proper development of the community instead of being used in speculation on Wall Street, as may be and is done under the present system.

The new currency to be issued and circulated under the general supervision of the Federal reserve board is to be known as "Federal reserve notes," and they will purport on their face to be obligations of the United States. This currency will be issued to the Federal reserve banks and will be redeemable in gold or lawful money. This currency will be based upon a security of 33½ per cent of gold upon the par value of prime commercial paper indorsed by the bank, and in addition the issue of this currency shall constitute a lien upon all the assets of the bank to which it is issued. Thus it can be seen that the requirements of stability, safety, and acceptability are amply provided for in the security required. It is not expected that the Federal reserve banks will call for this currency except when they need more money with which to meet the demands of the business of their respective districts, and likewise, when the need for it has passed by, the currency thus placed into circulation will be withdrawn and canceled, thus producing an automatic elasticity of currency according to the needs of business. For instance, if any given Federal reserve bank had more calls for money from its member banks than it could supply and the demand was a legitimate one, it would apply to the Federal reserve board for an issue of currency, giving to the Government the security I have heretofore described for the use of this currency. The reserve bank would in turn lend this money to the local banks, accepting prime commercial paper indorsed by such local bank as security. The local bank would in turn lend this money to the people of the community in order to perform the legitimate functions of trade and commerce. In due course of time the borrower would pay the bank and cancel his note. The local bank would then use this money to repay the Federal reserve bank and would take down its security. The Federal reserve bank would then cancel this currency by redeeming it. It is not expected that the Federal reserve banks will call for the issue of this money so long as the volume of circulation is sufficient to meet the demands of business, because the law gives the Federal board the right to place a tax upon this currency, which must be paid by the banks to which it is issued. No bank would desire to take out circulation and pay the tax upon it unless it were needed to meet its demands. This will insure the prompt return and cancellation of these notes as soon as the demand for them has passed, and will thus prevent an inflation of the currency.

So, without going further into the details of the proposed system, it will insure a currency which will be elastic, safe, sound, stable, and acceptable. For, besides being guaranteed by the bank to which it will be issued, it will be redeemable by the Government of the United States, which has back of it the taxing power of a sovereign Nation.

Another reason why I support this bill, Mr. Chairman, is because it places the commercial paper of the farmer upon the same basis as that of the merchant and the manufacturer. This bill provides that a local bank may take its notes and bills of exchange arising out of commercial transactions to the Federal reserve bank and have them rediscounted and obtain the money upon them to meet its own necessities. The bill describes such commercial paper to include "notes or bills of exchange issued or drawn for commercial, agricultural, or industrial purposes, or the proceeds of which have been or may be used for such purposes." So that if a farmer makes his note and takes it to the bank to get money upon it, the bank will be more willing to let him have the money if it knows that it may take that same note to the Federal reserve bank, and by indorsing it obtain more money on it, to be used in the legitimate business of the community. This bill recognizes the farmer and the wage earner as important factors in the commercial transactions and the development of the country by placing their commercial paper upon an equal basis with all other people of the country. [Applause.] And let me say, Mr. Chairman, that I hope the time is not far distant when we may enact a general system of rural credits throughout the United States, which will make it easier for the farmer to borrow money at low rates of interest in order to aid him in building a home for himself and his family. [Applause.] It ought not to be true that the farmer of Europe can borrow money much cheaper than the American farmer can borrow it; yet it is true. And while the American farmer may not be in so great need of it as his foreign brother, yet we must recognize that the necessity for a real system of rural credits is growing, and we ought to have sufficient foresight to meet this problem as we are undertaking to meet the currency and the tariff and provide the remedy at once.

I support this measure, Mr. Chairman, because it permits the establishment of branch banks in foreign countries, thus aiding the American people in conducting foreign trade, expanding our already growing commerce, and capturing the trade markets of the world for American products.

I support it because it is intended to, and as I believe will, prevent the recurrence of artificial panics in the future by affording in times of financial trouble and stress a stable, safe, and acceptable currency. Under the operation of this bill the great reserve funds of the banks will be withdrawn in large measure from Wall Street, where it is used for stock gambling and other shady transactions that work injury to our country, and will be mobilized and segregated in 12 reserve districts, where they can be used for the benefit of the people who own this money. I have no criticism to make against New York or Wall Street merely because they are New York and Wall Street. But against many of their methods I do complain, and the people of this country have complained, and will continue to complain until the cause for the complaint is removed. And it is a fact known to everybody that the great financial institutions of New York have so manipulated the handling of and the control of money and credit in this country that the people who have needed money and credit in order to establish or maintain legitimate business have been unable to secure it. The law which sanctions such methods or permits them to continue is at fault, and it is this law which we are seeking to change by the enactment of the bill now under discussion.

I support this bill, Mr. Chairman, because it is intended to produce a welding together of a system now loose and disjointed, and to create a larger and easier market for the rediscounting of commercial paper. Each local bank will have an interest in the success of the Federal reserve bank, and each Federal reserve bank will stand ready at all times to come to the relief of the local bank when it needs money to supply its community. Those who criticize this proposed legislation claim to fear that it may not work successfully because it is an experiment. Yet they have offered nothing to take its place, and while admitting that conditions are bad and ought to be changed, no remedy is forthcoming from them to relieve the country of the patchwork and misfit system under which we suffer at the present time. If you who criticize this bill do not like its provisions, why do you not give us something better? [Applause on the Democratic side.]

We have waited for 50 years for your side of this House to offer something to take the place of the system which everybody admits is bad; but during all that time you have been playing miserable politics, and even now you offer nothing worthy to be dignified by the name of remedy. The only attempt you have made to change the system was a few years ago when you offered to the country the famous Aldrich scheme, which if enacted would have placed the control of all money and credit and the issue of currency, if not the very Government itself, in the hands of private interests and would have

placed the American people more completely under the domination of private greed and special privilege than is even true at present. [Applause on the Democratic side.] It may be that the bill now under consideration is not all that we might desire in the way of currency legislation. It may not be the bill that each one of us would write if we were commissioned to write a currency measure for the American people, as was suggested by the gentleman from Ohio [Mr. BULKLEY]; and while it may be in the nature of an experiment, so is everything that has to do with human effort and human progress. No man ever sought to expand his business or to enlarge his house or his capital or the facilities with which he operated who did not realize in advance that it was an experiment. No law has ever been enacted since the foundation of the Government that was not an experiment. Yea, the very foundation of the Government itself was an experiment, and there were many who doubted its permanency. No man has the gift of prophecy to enable him to look into the future and tell precisely how any given law may operate. Therefore we have tried to exercise that discretion and foresight with which God has blessed us in undertaking to frame a measure which, while radical in some of its provisions, yet is conservative and constructive, and which I hope will appeal not only to the people of the United States but to the bankers as well, whose sympathy and cooperation will add much to its success.

Mr. Chairman, we hear much criticism from the Republican side of this House and from some of the larger bankers of the country because it provides for a Federal reserve board, to be appointed by the President of the United States. Those who have criticized this provision of the bill upon this floor and elsewhere claim to fear that by reason of the fact that this board shall be appointed by the President it will therefore be a political board and may use its great powers for political purposes.

There is not a governmental function with which we have to do to-day that is not a political function. There is not an act of Congress, nor an order of the executive department, nor a decision of the courts, from the smallest to the highest, that is not a political function, for the real definition of "politics" itself is "the science of government," and the definition of the word "political" is simply "pertaining to or having to do with the science of government." It is therefore impossible for any function of the Government to be performed that is not a political function.

Mr. HAYES. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. BARKLEY. Yes.

Mr. HAYES. I would like to ask the gentleman if he claims that all of the powers of the Government are exercised as a matter of partisan politics?

Mr. BARKLEY. No, sir; I do not. And that is where the gentleman fails to distinguish between the terms "political" and "partisan."

Mr. HAYES. I would like for the gentleman to distinguish between "partisan" and "political."

Mr. BARKLEY. I appreciate that difference. That is where the critics make their mistake. They take it for granted they are the same, which is largely true of the so-called Republican Party. But if the gentleman means to leave the impression that he does not know the difference between these two words and that they are interchangeable, I fear that no definition that I could give would enlighten the gentleman. But if what the gentleman means to intimate be true and the President's appointments should be "partisan," where else would you lodge the power of appointment of this board than in the hands of the President? Would you lodge it in the House of Representatives? If you did that it would not only be a political appointment but a very partisan appointment.

Mr. SMITH of Minnesota. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. BARKLEY. I do.

Mr. SMITH of Minnesota. Do you make any distinction between the method of appointment and the appointment itself? Do you make any difference between the board itself and the way the board is constituted?

Mr. BARKLEY. Certainly. I make this difference: There is no board until the President appoints one, and the act of appointment and the manner of appointment are not similar nor coextensive with the acts of the board after they are appointed. The President does not control the action of the reserve board after they are appointed any more than he controls the action of the Interstate Commerce Commission after he appoints its members.

Mr. HAYES. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. BARKLEY. I do.

Mr. HAYES. I would like to ask the gentleman if it does not make a vast difference whether the President appoints directly the board or whether some one whom he has appointed and who holds by pleasure of the President becomes, by virtue of that fact, an ex officio member of that board?

Mr. BARKLEY. I do not care whether you take the two members of the Cabinet and the Comptroller of the Currency off the board or not. I think they ought to be on this board, because of their close relations with the banking and currency system of the country, for these two officers are more than any other in the Government supposed to be at the head of our financial system, and they ought to be on this board, and the Secretary of Agriculture ought to be on it, because it gives representation to the great agricultural interests of the people. The fact that they are appointed by the President as Secretary of the Treasury, or of Agriculture, or as Comptroller of the Currency, and become by reason thereof members of the reserve board makes no difference. I say that the Federal reserve board, representing the people and standing between them and the banks themselves, ought to be appointed by the people's representative, who is the President of the United States.

Mr. SMITH of Minnesota. Mr. Chairman, will the gentleman yield for one more question?

The CHAIRMAN. Does the gentleman yield?

Mr. BARKLEY. I do.

Mr. SMITH of Minnesota. Does the gentleman recognize the fact that the Secretary of Agriculture and the Secretary of the Treasury and the Comptroller of the Currency belong to the political party in power, and consequently in making those selections the President makes them with reference to his particular administration, and that such a board under such a system and constituted as this board would be constituted, as provided in the bill, is bound to be representative of party politics in its make-up?

Mr. BARKLEY. I recognize the fact that the Secretary of Agriculture, the Secretary of the Treasury, and the Comptroller of the Currency are all appointed by the President, and appointed from his own political party, as I believe they and all other officers under him ought to be appointed, and by reason of their positions, one as Secretary of Agriculture, and one as Secretary of the Treasury—the latter being at the head of the financial system of the country—and the Comptroller of the Currency being in close cooperation with the Secretary of the Treasury and having already large powers in regulating the banking and currency of the Nation, ought to be members of this board. The mere fact that these men may be of the same political party as the man in White House ought not to disqualify them, for under our system a man who has no political convictions amounts to very little and ought not to be given any responsible position in the Government. [Applause on the Democratic side.]

But if it be suggested that the members of this Federal reserve board ought to be appointed by the banks themselves, as some of them desire and as was insisted upon yesterday by the gentleman from Illinois [Mr. MADDEN], I desire to say that that appears to me to be the most preposterous proposal that I have heard upon this floor since I became a Member of this House. The thought of such a thing is abhorrent to all the traditions of the Democratic Party, and the consummation of such an idea would prove subversive of the liberties of the people.

The banks themselves are the creatures of the people, and in legislating upon the subject of banking and currency we can not afford to lose sight of the distinction between the banker as an individual and the bank as an institution. The banker goes into the banking business simply and purely to make money, but the bank as an institution is a creature of the Government for the convenience of the people as a sort of clearing house for the commercial transactions of the community. They who, therefore, discuss this proposed legislation or any other without drawing a clear distinction between the banker as an individual and the bank as a quasi-public institution will fail to touch the vital features of the question. If it be true that the bank is a creature of the Government, and therefore of the people, and that it is organized and permitted to exist governmentally not to enable somebody to make money—for that is not a governmental function—but in order that the institution itself may serve a public purpose, it must then follow that this institution which has been created and authorized by the people must be regulated by them. And if this be true of the bank as an institution is it not still more urgently desired that the issue of currency for all the people, which is backed by the Government and redeemable by it, should be regulated and controlled absolutely by the Govern-

ment? Let me ask those who pretend to believe that this Federal board, exercising control and having regulating powers over the new banking system and the new currency to be issued, ought to be appointed by the bankers, would you be willing that the railroads of the country should have the right to name the members of the Interstate Commerce Commission? What sort of railroad regulation would we have in this country if the railroads were given the power to appoint the members of the commission which regulates them? What sort of a Supreme Court would we have if the trusts were permitted to appoint the members of that court? And what sort of a Federal reserve board would we have if the big banks were permitted to name its members? It is our belief that already certain bankers in this country have had too much to do with regulating and controlling the financial system of the United States, and one of the strong features of the bill which we are now discussing is the fact that it takes this control away from them and places it in the hands of the people, where it ought to be. [Applause.]

Mr. BALTZ. If this bill is enacted into law, will it not give the Government control of the finances of this country?

Mr. BARKLEY. It will; and the Government ought to have the control.

Mr. BALTZ. Who is the Government?

Mr. BARKLEY. The Government is the people, and the people act through their authorized agents, the chief of whom is the President of the United States. [Applause on the Democratic side.]

Mr. CALLAWAY. Is it not a fact that after this law goes into effect and the President has the power to put it into working order, so far as the franchise is concerned, he is absolutely dependent upon the bankers of the country to furnish the capital; and if they see fit not to furnish the capital for these 12 reserve banks, he will be absolutely powerless to act?

Mr. BARKLEY. Of course, if the banks should all go out of business and no more banks were organized, the law would fail. But in that event we would need no banking law, for there would be no banks to regulate.

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

Mr. GLASS. Mr. Chairman, I yield five more minutes to the gentleman from Kentucky.

Mr. CALLAWAY. Is it not a fact that you can take the six firms that the Money Trust committee found to control \$22,000,000,000 capital in this country, and if they, with their interlocking directorates, see fit to keep out of this organization, there will not be enough capital left which is free from their control to organize the 12 regional banks with the \$5,000,000 capital each?

Mr. BARKLEY. The gentleman is assuming an improbability.

Mr. CALLAWAY. Well, that is a possibility, you will admit.

Mr. BARKLEY. When you begin to survey the field of possibilities, you are groping into infinity. You might say that all things are possible. It is possible for the earth to dry up for lack of rain, but we hope it is not probable. But I know what is in the gentleman's mind, and I want to answer him. The gentleman's proposition is that if the banks refuse to go into the new system it will be a failure, and that we depend upon the banks to go into it. That is true in large measure. We expect the banks to go into it. In fact, they have to go into it within one year or lose their charters as national banks.

Mr. CALLAWAY. Here is the proposition: It is a possibility, and the big financiers never overlook a possibility to hold what they have or to increase their holdings.

Mr. BARKLEY. I say that there is not an intelligent or businesslike bank in the United States that will refuse to go into this system, because they can not afford to surrender their national charters and lose the prestige they thereby possess in the community by saying they can not exist and make money under the new system. You must not lose sight of the fact that the bank does not make money by loaning its own money. The bank makes money by loaning other people's money, which has been deposited with it by the people themselves.

Mr. CALLAWAY. But is it not a fact that—

Mr. BARKLEY. I can not yield further to the gentleman. I would be glad to answer his questions all day if I had the time. But I have been warned that my time is about to expire, and I must proceed. I do not entertain the fears of the gentleman from Texas, that the banks will not go into the system. I think they will all go into it, because they can not afford to stay out. There is no hardship placed upon the banks under this new law. They are required to pay into the organization of the Federal reserve bank of their respective districts an amount equal to 10 per cent of their capital. This is comparatively a small amount, taking all the banks as an average.

As I stated awhile ago, banks make a very small portion of their earnings from their own capital. They make their money by loaning the deposits that are placed with them by the people of the community. Let us take a bank that is capitalized at \$100,000. Suppose it has \$500,000 or \$1,000,000 in deposits, which it may loan to the people of its locality. This bank would be required to invest only \$10,000 in the capital of the Federal reserve bank, and upon that \$10,000 it is allowed under the new law to receive a net dividend of 5 per cent, and it may receive more if the reserve bank earns it.

Mr. TOWNSEND. That is no hardship.

Mr. BARKLEY. It does not operate as a hardship, but it will prove a benefit in the long run. There are many banks which loan more than \$10,000 every year at less than 5 per cent interest.

Mr. TOWNSEND. And their earnings may be more.

Mr. BARKLEY. Yes. After the banks receive this 5 per cent all over that is distributed as follows: One-half is required to be placed in a surplus fund until such fund amounts to 20 per cent of the paid-in stock. Of the remaining one-half, the Government of the United States receives 60 per cent and the member banks 40 per cent; and after the surplus fund amounts to 20 per cent of the capital all earnings in excess of the 5 per cent guaranteed to the banks are to be divided between the banks and the Government in the ratio of 40 and 60 per cent, respectively. The amount received by the Government from this source is to be placed in a sinking fund for the purpose of paying the outstanding bonded indebtedness of the United States.

There is another proposition to which I desire to refer. There has been some criticism leveled at this bill by its opponents because it is contended that the Government is going into the banking business. The Government has always been in the banking business, my friends. It is true that the Government has not heretofore received a portion of the earnings of any banking institution except indirectly; but the Government went into the banking business when it authorized the national banks to be created and authorized the Secretary of the Treasury to deposit Government funds in those banks and receive thereon interest at the rate of 2 per cent.

Mr. CALLAWAY. I want to know whether the Government went into the railroad business when it created the Interstate Commerce Commission?

Mr. BARKLEY. It went into the railroad-regulating business. And I will say that there were many people who objected to the creation of the Interstate Commerce Commission, and especially did the railroads object, because they claimed that the Government was interfering with private business and to that extent was "going into" such business. But no intelligent person would now advocate abolishing that commission, which has done such good service in protecting the people from the rapacity and greed of the railroads. It is for the same reason that to-day the big bankers object to the creation of the Federal reserve board, because they know this board will administer the law for the whole people and withdraw from the large financial institutions the power they now possess over the financial system of the United States. [Applause on the Democratic side.]

There has never been a State bank created except that the State went into the banking business to the extent that it authorized a set of individuals to conduct a business under a corporate name which they could not do as individuals; and when the United States Government deposits its money in a national bank and requires the bank to pay interest on it, that is going into the banking business to as great an extent as when it authorizes the creation of a Federal reserve bank and takes back as a part of its compensation for loaning its money to that reserve bank 60 per cent of the profits after 5 per cent has been guaranteed to the banks. And it seems to me that there is no force in the argument that this bill ought not to pass because somebody fears the Government is going into the banking business. If it is true, as it certainly is, that no bank can do business or exist except by the consent of the people, it is folly to argue to me that the Government ought not to exercise the strictest control over the bank that is thus created for the convenience of the public.

I support this measure because, in my judgment, it is not framed in the interest of a special class of our people, but in the interest of the whole people, in the interest of every man, from the lowest to the highest. It recognizes the laboring man, the farmer, the merchant, the manufacturer. It recognizes all avenues of legitimate trade and commerce and places our financial system upon a sound and secure basis and produces a uniformity and community of interest from the top to the bottom, and, reversely, from the bottom to the top. [Applause.]

I approve and support this measure, Mr. Chairman, because I believe the President of the United States and the Banking and Currency Committee of this House have worked with singleness of purpose in an effort to bring forth a great piece of constructive legislation, which all informed men admit is greatly needed to supplant the present antiquated system of banking, which has broken down in every period of financial stress which has afflicted the country. I have no patience with the criticism that has been hurled at the President because he has taken some part in the framing of this measure. On yesterday the gentleman from Pennsylvania [Mr. HULINGS] criticized the bill and the President, and all of us, because, he claimed, the President had dictated this measure to Congress; and stated that the Democratic Members of this House needed a guardian, and the President had set himself up as our guardian. I am thankful that the gentleman from Pennsylvania admitted that we have a good guardian and one who will make prompt settlement of his accounts as such when we arrive at our majority. [Laughter.] I should very much prefer to have a guardian in the White House who would carefully look after the interests of all the people rather than to have a man there who needed a guardian himself, as was true during the last Republican administration. [Laughter and applause.]

The President of the United States must approve this measure or disapprove it if it passes the House and the Senate. Would you have him sit idly by, close his eyes, and fold his hands on a corpulent abdomen, as President Taft did when the last tariff bill was in Congress, then sign it, whether he liked it or not, and be forced to go out and apologize for it? I honor the President of the United States for his earnestness in co-operating with Congress in order to bring about wise legislation for our country, and I recognize his leadership in striving to lead the country out of the wilderness, where it has been groping under recent Republican policies. I state here that he would be derelict to his own and the country's conception of his duty if he refused or declined to cooperate with both branches of Congress in framing legislation for the welfare of the people, and I feel quite sure that his methods in this respect will be approved by the American people, who see in the President a leader capable of leading and willing to lead. [Applause.]

Mr. Chairman, there are many other features of this bill which I should like to discuss, especially the provisions authorizing the creation of savings departments in national banks and authorizing national banks to loan upon improved farm lands and the provisions for a better system of bank inspection. But I have not the time. Permit me to say in conclusion that I believe that this bill will pass this House by a greater majority than has been given to any measure of similar importance in many years. And while it may be that in the future further changes may be needed, Congress will be here ready to amend or change it in all those particulars which experience may demonstrate as needful of amendment. No work of human hand or human brain can be perfect. We are constantly striving for better things in every human enterprise, and that should be our aim in legislation. I believe this measure will bring about better conditions in this country, and I give it my unqualified support. [Applause.]

Mr. HAYES. Mr. Chairman, I yield 45 minutes to the gentleman from Maine [Mr. GUERNSEY].

Mr. GUERNSEY. Mr. Chairman, I realize that it may be difficult to hold the attention of Members after the storm of eloquence that has just fallen from the lips of my Democratic friend in his frantic efforts to defend the currency measure now under consideration.

Currency legislation is of such vast importance and so far-reaching in its results that I hesitate even to discuss it before the membership of this House, but as a minority member of the Banking and Currency Committee I do not feel like shirking the responsibility imposed upon me by my position.

Currency legislation and its results, when we stop to consider, overshadow in importance all matters before this Congress. Important as the tariff question is, it has its limitations; but general currency legislation if enacted into law at this time may continue unchanged for half a century or more. Nearly that time has elapsed since Congress enacted the present national banking law.

I am in favor of the general principles of the currency measure now under consideration. I believe in most of its fundamental principles. It contains many of the features for a national banking system such as was recommended by the National Monetary Commission.

The measure carries, however, some provisions that I can not support and others that are unnecessary to its general purposes, provisions that are not only unnecessary, but dangerous,

and which I trust the majority membership of this House will allow to be eliminated, as I and many others here desire to support currency legislation, but may not be able to vote for this legislation unless amendments are adopted which will eliminate some of the objectionable features. Let Congress in providing a currency system for the country keep straight along the highway of its original purposes to improve our banking system, to prevent panics and unnecessary periodical stringency in the currency. Let us keep off the crossroads of politics and privilege; let us keep straight on to the port to which we set sail.

For years there has been a well-founded belief that our currency system was not only inadequate for the business of the country, but at times dangerous. Its weakness was driven home to the minds of men during the currency panic of 1907, when solvent banks were forced to close their doors and sound commercial houses and mills were driven into bankruptcy, while men connected with them blew out their brains simply because we did not have a proper currency system, one that could supply currency to sound banks and through them to sound industries in such a crisis. Those financial institutions that the Secretary of the Treasury was able to reach and those that the clearing house cared for were saved; many that were not assisted were ruined.

Public opinion demands changes in the national monetary system; changes broad and sound that will create a system that will carry the business of the country and prevent the recurrence of panics like that of 1907. We need a more elastic currency, but at the same time it must be guarded against inflation.

It seems to be generally conceded that there must be some agency controlled or, at least, supervised by the Federal Government that can increase or decrease the outstanding volume of currency as conditions in the country actually require, and that the circulating medium so issued shall be secured by sound banking assets, such as gold and short-time commercial paper guaranteed by solvent banks, limited, of course, to such percentage of commercial paper as sound judgment will justify. In time of panic it is currency and credit that banks and, through them, business need, but which under our present system are often lacking. There should be some agency that can meet the requirements of business at such times. With such a system the chief reason for currency panics would disappear.

EVERY FEW YEARS.

Money stringency or panics seem to occur every few years in this country. At these times business depression exists for one cause or another. Credits are strained, people become frightened and call for their money at the banks, the bankers become frightened and refuse credit to solvent parties; every bank locks up and holds onto all the cash it can secure regardless of the needs of other banks, their own customers, or the country. Their very acts increase the state of public alarm, with the result that the business of the country becomes paralyzed, industries come to a standstill, manufacturing plants close their doors, business men suspend operations for lack of currency and credit of which they have been deprived, while railroads are forced into the hands of receivers and labor throughout the country is thrown out of employment. The loss and devastation that follows such breakdowns in our financial system are beyond calculation, and are felt for many years afterwards.

There seems to be no way under our present system that the banks on such occasions can protect and save from loss the communities which they serve. The local bank of a town or community may have in its vaults securities of the most unquestionable character, the best bonds of the country, even those of the municipality and the State in which the bank is located. It may even have in its vaults far more cash than the law requires that it shall keep as a reserve, yet in time of general stress exhaust it quickly in trying to avoid suspension of payments. Our banking system should be made sufficient to protect banks and communities from loss in any crisis by a reserve system that can supply currency, extend credit, and protect business until normal conditions are restored.

INVESTIGATIONS BY CONGRESS.

In 1908 Congress appointed a National Monetary Commission, composed of nine Members of the House and nine Members of the United States Senate, for the purpose of investigating the monetary system of our country and that of other nations of the world. For three and one-half years that commission made a most careful study of the subject matter of the investigation. They visited the great money centers of England and Europe and secured information at first hand as to the tried and proven currency methods of such countries. In their report, as well as in the vast amount of information that the commission collected

relative to the banking systems of the world, is to be found a great amount of useful knowledge to reflect upon in reconstructing our banking and currency system.

In the United States there are some 7,000 national banks, each having the right to issue or withdraw from circulation bank notes as they desire, dependent not on the requirements of the country but as to whether the banks can make money by purchasing Government bonds and issuing circulation against them. Will it pay, is the question.

Nearly three times as many State banking institutions possess no such rights as to the issue of currency, but are dependent for currency to quite an extent upon the will of the comparatively smaller number of national institutions. The system makes a false market for our Government bonds, causing them to sell at high prices on account of their circulating privileges rather than on the conditions of the country's credit.

BANK RESERVES.

There are more than \$17,000,000,000 deposited in the banks of the United States. To protect these deposits the national banks are required to keep as a reserve on hand lawful money in amount equal to at least from 15 to 25 per cent of their deposits and notes in circulation—15 per cent for the country banks and 25 per cent for the reserve cities (banks located in New York, Chicago, St. Louis, and other cities named in the national banking act)—and from 6 to 25 per cent must be actual cash in their vaults.

The State banking institutions are required to keep a somewhat less reserve than the national banks. The cash reserves in all of the banks are something less than a billion and a half (June 4, 1913, \$1,492,866,335.37) with which to meet the seventeen billions of deposits. These reserves being scattered and divided in small amounts among all the banks make it impossible for the various banks to render much assistance to one another in times of general stress. It is at such times that reserve banks such as are proposed in this legislation are needed, from which the banks of the country can draw. Our present banking system is weak in this respect. Each bank is compelled to look out for itself, and this very condition adds to its embarrassment and danger and contributes to the panic.

THE EUROPEAN SYSTEM CONSOLIDATES THE RESERVES.

The Monetary Commission, in the course of its investigations, found that in other great countries of the world, such as England, France, and Germany, the banks were not required by law to keep cash reserves in their vaults. All the cash that was not desired for current use was kept in great central banks, from which they drew to the extent required as demands were made upon them. The commission learned that as a result of this system these great reserve banks—being also banks of issue—were able at all times to extend credit to the banks and enable them to meet the demands of depositors and business in any crisis.

BANK OF ENGLAND.

In the panic of 1907 the banks of this country were obliged to import gold from England. At the time the importation from England commenced the Bank of England had in its vaults as the basis in part of its outstanding bank notes one hundred and sixty-five millions in gold, and although we drew millions of gold from the great English bank it did not imperil the money situation in England in the least. It produced no disturbance, apprehension, or fear in England; the people and the banks had full confidence in their monetary system. The Bank of England proceeded to maintain its supply of gold and meet our requirements by drawing gold from the Continent and elsewhere, and it did this by simply raising the bank rate to 4½ and 5½ per cent late in October; in November it raised it to 6 per cent, and a little later to 7 per cent.

In so doing it drew an ample supply of gold for the bank vaults from 24 countries of the world, including the British colonies. The Bank of England can always meet the demands of business in the British Isles, as it can issue its notes without limit, except that they shall be based on a certain amount of securities fixed by law, and gold coin, gold and silver bullion in its vaults, which can always be increased to any amount that is needed for bank-note bases through the raising of the bank rate. The English banking system consists not only of the Bank of England, but there are joint-stock banks, discount houses, merchant houses, and postal savings banks, all existing side by side and filling their respective places in the English financial world.

BANK OF FRANCE.

In Paris the commission visited great French banks, with deposits amounting to hundreds of millions of dollars, and learned that they carried practically no cash in their vaults except in amounts sufficient for daily use, but relied on the

Bank of France to supply any unusual demand upon them, as all that was necessary for them to do in case of unusual calls for currency was to take from their vaults commercial paper to any amount they possessed bearing solvent names and take it to the Bank of France and bring back bank notes of that great national institution—good as gold throughout the French nation—and immediately meet the demands of their depositors.

The Bank of France regulates the currency of the whole country, and any bank in need of additional cash may present for discount at the Bank of France bills and other commercial paper which it has in its vaults. The Bank of France can issue its bank notes against cash and statutory discounts or loans. Every note has its counterpart either in the metallic reserve or in discounts or loans. In the French banking system there are in addition to the Bank of France joint-stock banks, mortgage banks, cooperative, agricultural, and savings banks.

BANK OF GERMANY.

In Germany the commission learned that the great Bank of Germany by increasing its gold reserve, say, by a hundred millions as a basis of one-third and commercial paper indorsed by solvent banks for two-thirds could create three hundred millions in cash or credit for the relief of the country to sustain business in time of pressure. The bank is charged with the issue and regulation of the nation's money, the amount of its bank-note issue being limited to three times the amount of gold and gold bullion, silver, copper, and nickel and Government notes held by the bank; and, furthermore, all notes issued in excess of the gold coin and gold bullion, silver, copper, and nickel and Government notes must be covered by bills discounted. While there is no restriction as to the amount of silver, there is a limitation on its coinage. The bank acts not only as a bank for banks but for the commercial and industrial enterprises of the Empire.

Supplementing the great Bank of Germany and existing along with it in the German Empire as a part of their financial system we find there are joint-stock banks, credit societies, which resemble very much mutual savings banks, in that they are managed by citizens of the locality in which they exist, to serve without compensation, and which institutions receive small deposits and loan the societies' funds locally as far as possible. They also have land-mortgage banks.

The great central or reserve banks of Europe in the three countries that I have mentioned perform most important functions by handling and making available at all times the banking reserves of those countries, and while engaged in general banking they do not tend to drive out of business the numerous other banking institutions to which I have called attention as existing in England, France, and Germany in addition to the central banks, but exist in perfect harmony with the smaller institutions, protecting and sustaining them in times of need.

The measure now under consideration has been prepared by the majority membership of the House, aided by the exhaustive investigations of the National Monetary Commission, which laid before Congress the banking systems of Europe with their hundreds of years' experience. Those who wrote the pending measure have sought to secure the benefits which result from the great central banks of the Old World without creating a central bank in the United States.

I would call attention to the fact that, while adopting many principles of the tried and tested banking systems of Europe, there is incorporated in this measure a wide departure from the European systems. While competition is maintained between banks and all classes of banks over there, the principle of extermination does not exist. The adoption of this measure as it stands will carry with it the principles of extermination.

In providing for this country a new currency system, including a series of great reserve banks such as proposed in this measure and which are to be in turn controlled by one central board, we should exercise great care not to create a system which will prove to be destructive to existing banks. It is uncalled for and unnecessary.

MEASURE MAY FORCE MANY SMALL NATIONAL AND STATE SAVINGS BANKS OUT OF BUSINESS.

In two instances I believe the legislation under consideration, if enacted into law as it now stands, will prove destructive. It will tend to drive out of business many of the small country national banks and the mutual savings banks. The compulsory provisions of the measure as to subscription to capital stock in the Federal reserve banks, I believe, will prove most burdensome to the small banks of the country. It will compel them to set aside a considerable portion of their capital for stock investments in the Federal banks, and if they fail to do so they will be compelled to surrender their charters. In other words, the measure seeks to compel them to enter the system or go out of business.

We of the minority believe the provision is unconstitutional. This system should be made sufficiently attractive so that the banks will gradually and voluntarily come in and develop the national banking system of the country in the natural way. Otherwise we may enact legislation that will disorganize our banking system generally, and in so doing it would prove most disastrous to general business. Commercial banks and investment banks in Europe, as a rule, are separate—an important fact for us to consider.

MAY DRIVE SAVINGS BANKS OUT OF BUSINESS.

In the measure now before the House is a provision that may drive out of existence the investment banks of the United States, commonly known as mutual savings banks. This class of banks fills an important place in our national development. They are neighborhood institutions; they are located in the small places as well as the large. The near-by people place their money in them and the money is loaned out, as far as possible, to near-by farmers, village people, and local enterprises. The officers are local and serve, generally without compensation, as a matter of public duty, except the treasurer, who is given a salary.

For years I have served as a trustee and in later years as president of one of these institutions, and without compensation. I tendered my resignation to the latter position early in this year, but my associates did not accept it, and continued me as president for no other reason, I suppose, than that they considered it a public duty that I should continue to perform.

These savings institutions pay no dividends; all of their earnings go to the depositors. It would be most unwise to wipe out these institutions, and it is unnecessary in the reform of our national banking system. The bill before us when originally introduced contained no savings-bank provisions. I felt that the provision ought to have been opposed in the report of the minority, but other members of the minority favored this section of the bill, and consequently I was unable to have my objections included in the report. Undoubtedly the objections I raise are less serious in the Western and Southern States, where savings banks are few in number, compared with the 11 New England and Eastern States, which contain 609 out of a total of 630 of these banks in the country.

The provision in the measure now before us which I believe will endanger the mutual savings banks is the savings-department provision that this measure contains. This authorizes the Federal banks to establish savings departments and conduct a class of business that the legislatures of the several States have found it was necessary to throw around special safeguards and rules of caution. In this provision there are no such safeguards or rules of caution, although the section was incorporated in the bill by the Democratic secret caucus after weeks of consideration and discussion. Under this savings-department provision the directors of a bank which conducts such department might offer any rate of interest that was considered necessary to induce depositors to make investments in savings deposits in any class of securities that they might consider desirable. These investments are not required to be, under the terms of the bill, of uniform character throughout the United States, but may be such that the condition of business in the different sections of the country afford. Under this rule the deposits in these savings departments might be used to promote the mines of the West or the exploitation of water-covered lands of the South, or possibly in enterprises to extract gold from sea water in the East, subject, of course, to the supervision of the Federal reserve board; but with the vast duties imposed upon this board by this measure it would be impossible for it to give proper supervision to the investments by the savings department.

The ordinary experience of the average man is that it is impossible to protect savings of this class in this manner. Long experience has taught the lesson that the law which authorizes a bank to accept them must in itself specify in detail the class of investments that the bank may place its funds in. Such discretion should never be left to unpaid and otherwise engaged bank directors or to the long-distance advice of a Federal board in Washington.

A FORMER NATIONAL SAVINGS BANK ACT AND THE FLAG OF THE UNITED STATES.

In 1865 the Congress of the United States granted a charter to the Freedman's Savings & Trust Co., a bank with branches established throughout the southern portion of the country. The flag of the United States was raised over its office, and a soldier in the uniform of the United States Government stood at its doors. Thousands flocked to these branch banks and deposited their savings. Millions of dollars were collected by reason of the indorsement of the Government of the United States which this bank was supposed to have.

Through careless legislation by Congress relative to the investments that these banks might make, and through lack of proper supervision provided by the congressional act, the banks eventually closed their doors. The depositors lost the most of their money, and they and their heirs have been haunting the Halls of Congress to secure reimbursement for nearly 40 years.

THE FLAG MAY AGAIN BE RAISED.

Under the legislation before us, if it becomes law, national savings institutions will again raise over their offices the flag of the United States. They will let it be known that officials of the United States stand at their door in the uniform of members of the Federal reserve board. It may not be that the disaster which overtook the depositors in the Freedman's Savings & Trust Co. will overtake these depositors in the new Federal savings institutions, but does the Government of the United States again wish to give its indorsement to the establishment of institutions to receive the savings of the people under legislation that is absolutely lacking in proper restrictions and safeguards, institutions which will invite wide latitude as to investments of a high-rate-bearing class but not savings investments, institutions with all the prestige of the Federal Government behind them, which will enter the field of the mutual savings banks of the country, restricted by State legislation to investments of the highest grade, but bearing of necessity low rates of interest, with the result that competition with the new Federal institution would be impossible?

8,000,000 DEPOSITORS.

The mutual savings banks of the United States in 1912 carried more than three and one-half billions of dollars in deposits, and their individual depositors numbered nearly 8,000,000; the average account was \$459.62, while the deposits in the mutual and stock savings institutions of the United States for the same year amounted to nearly four and one-half billion dollars, and the depositors numbered more than 10,000,000 individuals.

NEW BANK TAX EXEMPT.

The new Federal institution will possess an additional advantage over these mutual savings institutions of tremendous importance. I refer to the tax-exemption privilege, exemption from all State taxes on deposits wherever they operate.

The savings deposits in mutual savings banks and stock companies of the New England States in 1912 were taxed and paid into the several State treasuries the sum of \$4,715,536.

In Maine it was \$589,987; New Hampshire, \$563,505; Vermont, \$572,668; Massachusetts, \$1,808,462; Rhode Island, \$520,720; Connecticut, \$660,194; while in the great State of New York institutions carrying this class of deposits are taxed, although upon a different basis than in the New England States, the sum of \$3,407,942, making a total in the above-mentioned States of \$8,123,478. I have not the data at hand as to the other States, but the aggregate must be many millions more.

New national institutions will enjoy absolute freedom from these millions of taxation. The tax-exemption privileges that the Federal institutions will enjoy afford a tremendous advantage over competing State banks. Under the privileges that this measure would carry the Federal savings institutions, with all the prestige of the United States Government behind them, with all the privileges of investment in high-rate securities, and, lastly and vastly more important, the privilege of millions upon millions of tax exemption in the States, no savings institution could compete or exist in any State, county, or community where national institutions with these privileges opened their doors. Congress should consider the interest of the depositors in these State institutions, as they contain the small savings of "the boy in blue, the girl in white, the woman in black, and the man and woman old and gray."

WILDCAT INVESTMENTS.

If this legislation is to be adopted, it should at least provide against wildcat investments for savings deposits, and thereby equalize to some extent conditions under which the Federal savings institutions shall enter into competition with the State institutions. It is entirely practicable and possible to provide here that the savings deposits in Federal institutions in the States where they engage in business shall be invested according to the laws of such State regulating investments of savings banks, and that in conducting a savings department a Federal bank shall segregate deposits and investments that they may be entirely separated from the commercial business of the bank, and held in the first instance for the benefit of the savings depositors in liquidation. The paragraph providing for savings departments should be stricken from the measure or these safeguards adopted.

FEDERAL RESERVE NOTES.

The measure contains ample provisions, I believe, for the security of the new currency to be issued; that being so it seems

unnecessary to issue such currency as obligations of the United States. If unnecessary, why encumber the credit of the Federal Government by the issue of money for the use of the banks and through them business? In time of war, for instance, a large outstanding volume of this currency as a Government obligation might not only bring about unnecessary depreciation of the currency but add to the strain on the credit of the Government.

FEDERAL RESERVE BOARD.

This legislation contains a further objectionable feature in the provision that will cause five out of the seven members of the Federal reserve board to be selected from and represent the political party in power. The Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency will be direct representatives of the administration in control of the Government. The Federal reserve board will be the most powerful board to which this Government has ever delegated authority. Its powers over our financial system will involve the prosperity and happiness of every citizen in the land. The Federal reserve board should be so constituted that its action at all times will be regarded nonpartisan. It should be above the suspicion of political control or action, and it will always be subject to such suspicion if three members are high officials and direct representatives of the administration in power.

Mr. GLASS. Mr. Chairman, I yield 20 minutes to my colleague [Mr. HELVERING].

Mr. HELVERING. Mr. Chairman, it seems incredible to think that a nation which prides itself upon its intelligence and progress, a nation peopled by the descendants of those who not merely proclaimed the inalienable right of man to be free but sealed the proclamation with their blood, and thereby built an institution which is the admiration of the world and an inspiration to the oppressed everywhere, should be content to passively submit for so many years to the enthrallment of a system which retarded growth, shackled progress, and put a premium upon financial distrust and resultant panic.

And this we have done merely because we have insidiously yielded to an atmosphere in which money has been elevated to a position superior to man. We have both loved and feared it—worshiped and hated. We have made obeisance to its possessor and when manifest evils have become oppressive we have been loth to act until those who profited by the evils should point out the road we ought to take.

Money—what is it? To quote J. Stuart Mill:

There can not be intrinsically a more insignificant thing in the economy of society than money. It is a machine for doing quickly and commodiously what would be done, though less quickly and commodiously, without it; and like other machines it only exerts a distinct and independent influence of its own when it gets out of order.

Mr. YOUNG of North Dakota. From whom is the gentleman quoting?

Mr. HELVERING. John Stuart Mill. That is a succinct and comprehensive definition, but for purposes of application to argument I prefer to think of money as a token used to facilitate the world's work. From the cradle to the grave we are engaged in barter and trade. We are all producers and we have to exchange our products in order to supply our needs. The needs of the man who has only his labor to sell must be kept within the bounds of a meager income; the needs of the man who has inherited property, or who has products for which the world pays a higher price, may be no greater but he has more of them supplied. In either case we have to have a yardstick to measure or a pair of scales to weigh the things bought and sold, and so, in order to facilitate exchange, the world has evolved money.

We are now, for the first time in many years, engaged in the discussion of a plan which will radically change the issue, control, and utility of our currency, and that brings in, necessarily, many coordinate branches. To my mind no Congress in the past half century has had before it a problem which contains so much of weal or woe for the American people. How shall we approach it? Is it to be as American citizens, sincerely interested in the well-being of all of our people, or is it to be as blind partisans, concerned only with the fortunes of the organization whose faith we preach?

In 1890 the Canadian Parliament had to deal with a problem akin to ours and under conditions not very different from those we are facing. Their banking system had fallen down, as ours has done; it had failed to meet the needs of the people, had fostered distrust, discouraged cooperation, and was in no sense calculated to inspire confidence, stimulate business, or give opportunity for the individual to attain his natural growth.

Partisan lines are closely drawn in Canada, but to the credit of its people be it said that partisanship was forced into the

background when this question had to be settled. Men were actuated more with a desire to serve all of the people than they were a particular political party, and, speaking of the occasion, R. M. Breckenridge says in his work on the Canadian Banking System:

A bill to which long study and the attention of the ablest experts in Canada had already been given was presented to a House comprising many of the first men in the country in law, commerce, and public life. Using all the resources of their rich experience and excellent theoretical equipment they took up the question without a trace of party feeling and earnestly, ably, thoughtfully worked to bring the bank act as near as might be to the perfection of a scientific ideal.

And that is the spirit in which, to my mind, we ought to approach this subject—considerate of the common good of all of the people of these United States rather than of a favored portion of them, or of the fortunes of any political organization.

Approaching this subject, and as a basis from which to reason, we should first determine what are the things most needed to insure a currency and banking system suited to our system of government and calculated to meet and overcome every difficulty, bearing in mind the weaknesses developed in the past and the things required to meet the conditions liable to arise in the future.

THE THINGS NEEDED.

Such a system, I believe, ought to insure—

Stability, so that the purchasing value of the dollar will be fixed as closely as we can, regardless of the amount of money in circulation.

Elasticity, so that circulation will expand and contract in keeping with the needs of the Nation.

Fluidity, to the end that money will automatically flow to the point needed when it is needed and without danger to the business of the country.

Mobility, so that we will have the power to mass our resources quickly and defend every point of attack at the time when defense, successfully made, will avert economic and industrial disturbance.

BRYAN ON STABLE CURRENCY.

In relation to stability of the currency, I quote the following from a speech of the Hon. W. J. Bryan, inserted in the CONGRESSIONAL RECORD of date June 5, 1894:

The great thing to be desired is a stable currency; that is, a dollar whose purchasing power remains the same throughout long periods of time. The nations of the world will rise up and call him blessed who can devise an honest dollar—a dollar unchangeable in its purchasing power. To secure the desired stability in the value of the monetary unit the volume of money must increase or decrease, and in the same proportion. Lavaleye says: "It is desirable that the value of money should remain as stable as possible, and this will be the case so long as its quantity increases in the same proportion as the number of exchanges for which cash is required."

EXPANSION AND CONTRACTION.

Many men have given thought to the solution of the problem of stability of the currency, but as yet we have not had any workable proposition.

To the operations of the law of supply and demand we can and must submit, and as a general proposition they bring compensations which tend to even matters up, but the operation of man-made laws has hampered us, and it should be our duty to improve on them when we can. Irving Fisher in his excellent work "The Purchasing Power of Money," says:

For a hundred years the world has been suffering from periodic changes in the level of prices, producing alternate crises and depression of trade. Only by knowledge, both of the principle and the facts involved, can such fluctuations in the future be prevented or mitigated, and only by such knowledge can the losses which they entail be avoided or reduced. It is not too much to say that the evils of a variable monetary standard are among the most serious economic evils with which civilization has to deal, and the practical problem of finding a solution of the difficulty is of international extent and importance.

It is too much to hope that we can prevent all such fluctuations, but we can mitigate them, and I believe that we will do so by making this bill into law. By linking together our various banking institutions, by giving to them the power to make better use of their assets, by adopting the provisions relative to bank acceptances and branch foreign banks, and thus providing for and encouraging trade expansion we provide a freer channel for the movement of money, and by thus keeping it in steady and healthy use we aid in eliminating the constant changes from "cheap money" to "dear money," and vice versa, and thus aid in securing a greater stability and a closer approach to price levels.

INDICTING THE PRESENT SYSTEM.

Tying up our circulation with our national debt is unquestionably an economic error. That is clearly demonstrated by Irving Fisher in but a few words, and I can not better follow this argument than by quoting him here. He says:

The next feature of our currency to be considered is the bank note. Although the national bank acts wiped out the old, ill-assorted State bank notes it tied the new notes up with the war debt, and they have so remained tied ever since, in spite of the fact that the advantages of

the connection have long been terminated and the disadvantages have grown acute. National bank notes can not legally be issued in excess of the Government debt, however urgent the need for them, nor can the Government pay its debt without thereby compelling national banks to cancel their notes.

One of the curious anomalies of the situation is that the prices of United States bonds are so high and, therefore, the rate of interest returned on these bonds so low that there is actually less inducement to issue bank notes in regions where the rates of interest are high, as in the West, than in regions where the rate is low, as in the East.

Thus, when you logically follow this statement to its legitimate conclusion, you are bound to be convinced that our present system has a tendency to retard circulation when most needed instead of stimulating it. It substitutes rigidity for elasticity, solidity for fluidity, and scatters our resources at a time when prudence and public service demands that they should be mobile.

It is to be hoped that in time we may be able to get away from this antiquated system and secure a circulation which will automatically expand with the growth of our Nation. Only by doing this can we keep the per capita circulation at anything like a level, and as long as we fail to do this we are bound to constantly appreciate the value of the dollar. It is well known that labor is about the last thing to get any advantage in the fluctuations of the purchasing price of the dollar, and as long as we aim to secure the greatest good for the greatest number we should have their interests at heart. I regret that in providing for the retirement of the national bank notes we did not at the same time provide for a certain and automatic increase in circulation to keep pace with increase in population, but as there are so many good features in this bill and so few to criticize we can look to the future to have this remedied.

SAUCE FOR DEBTOR SHOULD BE SAUCE FOR CREDITOR.

Any time that a demand is made for an increase in circulation we are met with the plea that it is unjust to the creditor. It is, in so far as increase in circulation decreases the purchasing power of the dollar. There is a palpable injustice if money is borrowed at a time when lack of money makes its purchasing power great and the debt is canceled at a time when an unusual increase of circulation very largely diminishes the purchasing power of the dollar.

But there is another side to that question. It was John Stuart Mill who said:

There is no way in which a general and permanent rise in prices can benefit anyone except at the expense of some one else.

And when the creditor class takes advantage of conditions to secure cheap money and loans it on the chance of getting it paid back in dear money it enters on a gambling operation which should not receive aid from the Government. If it takes a chance in securing its pay in dear money, then it has no right to grumble when the game goes against it and it is forced to accept cheap money.

Wileman, in his work on "Brazilian Exchange," says:

There is no logic in the pretension that attempts to bind the debtor but leaves the creditor free to take all and every advantage that the oscillations in the value of currency may confer. If a moral obligation exists on the part of the debtor to indemnify the creditor for any loss that the further depreciation of the currency may inflict, surely a similar obligation must exist on the part of the creditor when by an accidental improvement in its value, to which he has contributed little or nothing, a similar loss is inflicted on the debtor.

That is the law of common sense and common decency. If a "moral obligation" rests upon the debtor, then should "moral obligations" bind the creditor. Sauce for the debtor should be the sauce served to the creditor.

DEMAND FOR CURRENCY.

The demand for currency is a most important factor which must be taken into consideration if we are to have any scientific adjustment of the currency problem. Demand rests mainly upon—

Local normal demand, dependent upon the variation of population.

Local business demand, varying with the volume and needs of business.

International demand, which is determined by our trade balances.

Any scientific currency system must provide for the normal demand, or else increase in population means decrease in per capita circulation and appreciation in prices.

Must provide for local business demands, or else money will be scarce and inordinately high when most needed—which is usually the time when crops must be moved.

And it must make allowance for the variations in international demand, or else after a period of unusual buying and decreased selling from and to the dwellers in other countries we find ourselves with property in the form of goods bought, but with a diminution in cash to the amount sent abroad and a certain increase in the purchasing power of the amount remaining.

MUST MAINTAIN CONFIDENCE.

The fact that a panic is quite often the result of an unhealthy state of mind is too well understood to need elaboration. Panics are caused not so much from a lack of resources as from an inability to secure the money tokens which render these resources available as capital, and in turn these tokens fail us when most needed because seeds of suspicion sown begin to sprout and from a small beginning they expand and grow into mammoth proportions. At such a time our entire banking system is threatened by even one weak link, for with the failure of one bank to meet its legitimate obligations on demand comes a dread which leads all depositors to hasten their steps to even the strongest institutions in their eagerness to secure what is theirs.

The English author, W. W. Carlisle, in his work, *Monetary Economics*, furnishes to us the proof of the foregoing deductions. He says:

In New York in 1860 each bank on the approach of the crisis naturally thought first of strengthening its own resources and was inclined to let its neighbors take care of themselves. This, however, it was soon discovered, would necessarily mean disaster for all. Accordingly the organization of the clearing house was brought into play to meet the situation. The banks agreed that for the purpose of enabling them to expand their loans the specie held by them should be treated as a common fund and, if necessary, should be equalized among the banks by assessments laid upon the stronger for the benefit of the weaker, and that for the purpose of settling balances between the banks a committee should be appointed, with power to issue certificates of deposit to any bank placing with them adequate security in the shape of stocks, bonds, or bills receivable, and that these certificates should be received in payment by creditor banks. The effect of this arrangement was that any bank which experienced an unusual demand for specie would be supported by the whole of the common stocks, and that the debt to the others which it thus incurred could be met by a pledge of its securities.

Here is an object lesson of the need and of the utility of making capital—assets, if you will—fluid when the demand is pressing. Unity of action between the banks of one city prevented calamity to any, and probably to all. Hence the obvious need of securing this unity not locally, but nationally; and if it is to be utilized for the benefit of debtor as well as creditor, and utilized without discrimination as to individuals, sections, or communities, it is essential that the central control should rest in the Government, which is the guardian and administrator for all the people. The power for good can be with equal ease transformed into a power for evil, and if we are all to derive equal benefits and be saved from possible dangers it is necessary that in the hands of the Government and not in the hands of individuals should this tremendous power be lodged.

THE HOUSE OF CARDS.

Quite often in the past few weeks I have read and have heard reference made to the beauty of the English financial system, while the Bank of England is ever held up as the model for the world. This is not surprising, for not alone has the Bank of England been a tower of strength in time of financial storm, but every monometallist in the world has used it as an object lesson when expatiating on the merits of the gold standard. But is it that this bank is strong in reality or has it been favored by fortunate circumstances? Let us see.

Carlisle, an Englishman, an advocate of the gold standard and an advocate and admirer of the Bank of England, points out that this bank, by treating all obligations as payable in gold, has made it not only possible but almost certain that no holder of good banking security who applies for gold shall be turned away empty handed.

And this condition has been brought about because England, or rather London, has been seeking to be made the clearing house of the world, and millions in profits have been made out of the banking and commission business attracted there.

But the condition of safety is possible only so long as the demand for gold upon that bank is not abnormal. Granted the birth of conditions which would precipitate a demand upon the bank for an excessive supply of gold and the house of cards would totter. The percentage of gold, while large—I speak now of reserves—could not resist a prolonged attack.

Bagehot, than whom there is no better authority, expressed the belief that "it is not possible to assign a superior limit to the demands which by means of bankers' balances may be made upon the Bank of England," and he added that at the time when the French indemnity was being paid over the German Government "could have broken the Bank of England if it had liked."

Now, then, it is not beyond the realms of possibility to assume that the time may come when England will face war with a power of comparatively equal strength. The preliminary step of the enemy would be to bring financial distress to England, and this could best be done by drawing gold from its great bank. Such a step would lead the world to follow, and that bank could not possibly stand the strain. The house of

cards would topple and fall, for it was built to weather only fair winds and was not braced to withstand foul weather. And remember that these deductions are not mine, but can be found in the writings of men who favored the single gold standard and who believe that the Bank of England is the ark of the gold-standard covenant and the stanchest financial edifice ever constructed by man.

MONEY AND CREDIT.

Admitting, as a starting point, that money is valuable only as a token by which we can facilitate the exchange of products, we are confronted with the necessity of having that token as little susceptible to change as possible. The purchasing power of the dollar is bound to vary on different products, in compliance with the law of supply and demand, and therefore in judging of its stability we must make our comparisons of purchasing price by taking groups as the unit.

In order to further facilitate business and make easier the exchange of products we have evolved bank checks and a system of credit on which the bulk of the business of the country is now established.

At the very first whisper of the approach of a financial storm credit begins to fade out of sight; the holder of the check seeks at once to convert it into a more substantial token of value—the money which can be exchanged for property; the man who has money in the bank seeks to get it out, so that it can be cared for by himself personally rather than by an agent, and as that money has been disseminated in the channels of business and is represented in the bank vaults by other tokens of property—notes, bonds, and so forth—there is not sufficient money to pay to those who are actual depositors.

There you have the elements of a panic. Once a breath of suspicion is breathed against credit, confidence begins to waver. From a surmise, or a hint, suspicion is soon evolved. There is not less money than there was on the preceding day, or in the preceding year; property may have appreciated in value, rather than depreciated, but with the loss of confidence comes an insane desire to secure that which can not be had—money—which is but the token of exchange and represents only a fraction of the wealth of the world—the bank fails and with the snapping of the weakest link comes a train of evils almost unbelievable.

How then can there be a difference of opinion in regard to any proposition which we all admit will help to add strength in time of need and is not to be used except when confidence needs a tonic? We have a crazy-quilt system of currency legislation which operates to the end that money disappears when most needed and only comes out of its hiding place when the necessity is at an end. We have a system in which elasticity plays no part and we have so manipulated it that we have lodged in the hands of a small group of men the power to precipitate a panic and profit by it. We are here to legislate—not for a class, but for the mass—and if it is in our power to bring relief and provide insurance against foolish panics, by providing the machinery necessary to meet and overcome the difficulties which will come, if the history of the past is any index of the future, and if we now fail to make use of our opportunities then shall we be held accountable by the people for our neglect.

It is not in the power of Congress to create property, but it is in our power to create confidence. It is not my belief that the time will come in the course of ordinary conditions when this \$500,000,000, or any considerable part of it, will be needed in the channels of business. But the knowledge that it is available will provide the tonic needed to keep confidence healthy, and if any financial storms should beat around us the very fact that we have this circulation ready and are prepared to use it will render it unnecessary that we should use it at all, for when you are ready to admit that neither the amount of money nor of property is decreased during time of financial stress, it must be evident that any and every means which operate to strengthen confidence make for the stability of business and the happiness of the people.

THE HOUR AND THE MAN.

If proof were needed that the proposed emergency fund of \$500,000,000 would give the confidence needed in time of danger it can be found in the following financial letter, written to the Washington Star during the time of the recent flurry in Wall Street. No one will accuse the Star with being a champion of this administration, but we can give it credit for being fair in disseminating the news and in this case the facts would seem to bear out the contention made by me in the preceding statement:

NEW YORK, June 21, 1913.

Ten days' recovery from bottom prices ranged from 3 to 7 points, most of which was held. The improvement was extremely grateful, after a declining movement that had carried quotations down \$15 to \$55 a share, and rolled up a gross record paper loss of \$3,000,000,000 to \$4,000,000,000. There was enough actual loss in this shrinkage in

quotations to constitute a calamity, for the annihilation of a sum even in excess of a single billion dollars represents the cost of a mighty war between nations.

The record of the tape shows that at the extreme inside range thus far reached there was a loss of 55 points in Canadian Pacific, 25 in Union Pacific, 30 in New Haven, 27 in Lehigh Valley, 25 in the Cans (allowing for 24 per cent payment of accrued dividends on preferred), 18½ in Steel, 19 in Amalgamated Copper, 18 in Reading, 15 in Southern Pacific, 17 in Pennsylvania, 13 in New York Central, 15 in Baltimore & Ohio, 14 in Atchafalpa, and 12 in Erie.

The sacrifices among the standard and well-tried stocks were as serious, on the average, as among the rainbow and good-will promotions. In the class last described the shrinkage did not seem real. In many cases distribution of the shares of the new promotions had not succeeded, and the certificates were left on the hands of the promoters and underwriters. The loss in such cases was largely "paper," and consisted of fortunes not realized—the disappearance of something that never existed.

In more cases, however, real loss accompanied the slump in prices. It assumed the proportions of a disaster. The total ravage was probably as great as that in 1907, but the conduct of the massacre was more orderly. The death list was horrifyingly long, and the hospitals the country through are filled with a myriad of men financially mutilated.

The change in the tone of the market dates from the unexpected and placid announcement by Secretary of the Treasury McAdoo that he was custodian of a Treasury reserve fund of \$500,000,000, created for the salvation of the financial situation in case of panics or for protection against panics. He called attention to the fact that he had authority to issue the entire amount if the occasion should arise, or any part of it, borrowers being only required to put up good collateral and pay 7 per cent for the accommodation. The country at large and half the bankers had forgotten all about this Aldrich provision against financial convulsion.

The bankers were keeping quiet about this enormous salvation fund. They had plenty of money on hand, but were giving open and somber currency to dark talk about "tight money" and the need of excessive caution in making loans. Frightened borrowers were only too willing to pay liberal "commissions" for back-door accommodations, and for weeks there were fat pickings for a none too scrupulous corps of brokers of influence in Shylock manipulation. The practice had grown to the proportions of a greedy scandal and threatened the safety of the financial situation. The scare, which had been developing for weeks and going from bad to worse, to the expressed consternation of the leaders, was becoming genuinely very, very serious, and the Street looked in vain for succor in quarters where it should have been offered.

And then, lo! upon the stage sauntered the quiet and homely figure of Mr. McAdoo, Secretary of the Treasury. The great bankers and their allies had not given Mr. McAdoo a thought. Who was McAdoo, anyway, and what did he know about national finances? Least of all, what did he know about hidden and forgotten Treasury resources and the uses for which they were created? It developed, however, that in the construction of a \$75,000,000 tunnel under the Hudson River and sections of New Jersey and Manhattan he had acquired several of the rudiments of the art of subterranean financing. He had been obliged to pay dearly for his education, and the great truths he had absorbed were not forgotten. He did not have to dig far to uncover that \$500,000,000 and recall its existence and purpose to the recollection of the multitude.

The resurrection of that half-billion-dollar asset was as effective a piece of stage business as Wall Street had witnessed in years. The entire absence of fireworks blinded the audience for a time to the significance and importance of the play, but when the bankers began to squirm and scream about the blunders of the tunnel-digging financier, transplanted from the New Jersey swamps to the management of Uncle Sam's Treasury, the meaning and magnitude of the move struck in. Wall Street (the big bankers excepted) broke into a hoarse roar of amusement and satisfaction.

Interest rates have been sliding down steadily for fully a week. Money is being placed generously within easy reach of borrowers. They are told that the financial stringency has relaxed and that unlimited capital at 1½ to 2½ per cent could be had on call and 4 to 4½ per cent on time. It filled the bankers with rare joy (?) to feel that conditions had suddenly improved and that it was once more in their power to accommodate legitimate demands.

The panic mills ceased grinding, the tumult of approaching disaster changed to inspiring music, sunshine superseded darkness, market temperament was transformed from gloom to cheerfulness, and Wall Street once more smiled broadly. Prices boomed in every quarter, but nothing boomed in comparison with "McAdoo preferred."

Here was a case where Mr. McAdoo's announcement in no way altered or amended existing facts. His statement did not add one dollar to the wealth available for use by the Nation or by Wall Street, but the mere announcement that the fund was ready and would be let loose when wanted served to check declining values, lowered interest rates, and built up confidence.

How much greater, then, would be our insurance against money panic if we, by the passage of this legislation, serve notice on the people of the country that we have at all times a reservoir ready and the machinery installed and capable of turning the fluid currency into the channels of business at the time when most needed?

THREATS OF NATIONAL BANKS.

I have seen it frequently stated in the columns of the public press that if this measure becomes a law many of the national banks will give up their charters, preferring to operate under State laws.

I can not believe this to be a fact—can not believe that banks will forego the opportunity to avail themselves of the many excellent features of this law—the advantages of discounting and rediscounting, dealing in bank acceptances, and the manifest benefits arising from cooperation, with national protection and assistance. The bankers have admitted that this bill is

in many respects a vast improvement over the system which we seek to remedy. They have come to us with advice and with suggestions. Some of the latter we have accepted and some rejected, but we have at all times endeavored to act with the idea that we are here to safeguard the interests of all of the people—debtors as well as creditors; borrowers as well as lenders. We offer this measure in the belief that it deals fairly with all, and we have the right to demand fair play in return. The national bankers have secured far more through their connection with the Government than the Government or the people have secured from them. Bankers have been and are of the class favored, for as Murray Covington truly says:

The banking business, when limited in its own proper sphere and conducted with fair and reasonable, not brilliant, ability, is the most certain of all businesses to yield a profit; and, taken as a whole the country over, it involves the least risk and yields the greatest profit of all.

We propose to deal fairly with banks and bankers, for we realize that when working in harmony with the business interests of the sections they serve they are of great value. But we are not to be moved by threats.

If some of the national banks prefer to give up their charters and operate under a State charter, well and good. The States can be depended upon to deal with them, and practices illegal in any of the States will not be considered legal because they may be so in the State in which their charters were issued; that is, when their business at any time becomes interstate in character.

THE WEAKNESSES OF RESERVES UNDER PRESENT SYSTEM.

To quote J. Laurence Laughlin:

The fall of reserves is always a signal of danger under the present system. Indeed, when reserves fall to the legal limit we have no reserves in the proper sense of the term. The surplus reserve is the only one which can really be made use of. Consequently, our rigid legal percentage of reserves causes a sudden stoppage of loans and often failure and ruin to needy borrowers. Hence, at present all attention is centered on the quantity of a bank's cash reserves. If trouble threatens, each separate bank clutches at reserve money in selfish isolation. Herein is our great danger. At such a time the large banking institutions have exceptional power to aid or refuse help to smaller institutions. Under present conditions when small banks must go for assistance to the large banks we have a system of practical decentralization, based on special favors to desirable correspondents.

That is a strong indictment of the present system and a true one. In time of stress the life of a bank and the security of its depositors is not based on the strength of its assets, but upon the ability of the bank to secure favors from the larger institutions. Such a system is damnable, because the granting of favors means the seeking of favors in return in the future. What we want is a banking system in which the units are in reality independent, and we will have it when this bill becomes a law, because then the individual banks can demand from the Federal reserve association as a right that which they must now beg as a privilege.

FAILS US IN TIME OF NEED.

Too much stress can not be laid upon the fact that our present banking system fails us at the time when most needed. Between March 6, 1893, and October 3, 1893, the loans and discounts of the country banks fell from \$1,267,000,000 to \$970,000,000, and in the same time individual deposits fell from \$970,000,000 to \$764,000,000, while in the same period these banks increased their reserves to 30 per cent. In other words, at the time when the customers were in the greatest need of help the banks had to refuse it because they had to build up reserves so as to guard against disaster. If it was a period of prosperity they would not have hesitated to deplete these reserves for no danger would possibly result.

In the panic of 1907 the loans of country banks fell from \$2,272,000,000 in March, 1907, to \$2,198,000,000 on February 14, 1908. Deposits fell from \$2,502,000,000 to \$2,411,000,000, and the reserves were increased 2 per cent.

Is any greater proof needed of the lack of elasticity in the present system, which tends to take money out of circulation at the time when it is essential? If this bill did not do anything else other than provide a means by which the banks could protect themselves by making liquid their assets in time of financial danger, I would favor it, for I believe that in doing this it grants an inestimable boon to every honest banker and to every business man.

THEIR SELFISHNESS OUR CURSE.

An eminent authority on banking has well said:

The fact that there is no fixed relationship between the banks makes it possible for selfish institutions, so to speak, to help themselves to the country's stock of cash. They play the part of dogs in the manger, accumulating cash in their vaults often to guard against a fancied threat rather than any real harm. Although they are precisely the institutions which ought to be helpful and inclined to place their funds at the disposal of the community, those banks which are in most liquid condition are able to practice this kind of selfishness to the greater extent. Very often this process is carried to an extreme. During the

panic of 1907 there was a mad rush for actual money, and many local banks grasped all that they could get, piling the coin and currency in their vaults and advertising the fact to the public. In some cases this unnecessary reserve was raised as high as 50 or even 75 per cent of outstanding liabilities. The cash, if left in the hands of other banks, would have enabled many which got into difficulties to keep afloat and at the same time supply the needs of borrowers who are looking to them for aid.

If any great number of banks were to pursue the policy of increasing reserves, it is manifest that ruin would result. The comparison of actual money in circulation, with the amount of debts owed, convinces that ruin would follow in the wake of any general demand for liquidation, and the situation is all the more dangerous when banks attempt to build up reserves. The proposed law would make such a condition practically impossible, because it provides a reservoir from which we can draw in time of drought, and it provides also the one and only market to which we could go at all times with the assurance that we could secure cash for assets which now are useless to us in time of panic.

PALPABLE LOSS FROM LACK OF ELASTICITY.

If there is one thing in which the Canadian banking system is superior to our own, it is in the aid and protection given to all customers, even in the most remote sections. By a system of branch banks, cooperation, and the power to rediscount the Canadian system affords the means by which the customer of the bank in the small hamlet in the far Northwest can secure terms equally as good as those given to the prosperous merchant in Toronto or Montreal. The variation in interest rates rarely exceeds 2 per cent. This is vouched for by B. E. Walker, in his article on "Banking in Canada," published in the Journal of the Canadian Banking Association.

Compare that condition with our own, where the variation, even in normal times, runs, according to Prof. Laughlin:

New York, 2½ to 3 per cent.
Chicago, 3½ to 4 per cent.
Atlanta, 5 to 6 per cent.
Macon, 6 to 7 per cent.
Greensboro, 8 to 10 per cent.
Small towns, 12 to 15 per cent.
And—

Declares the same authority—

under a system by which mobilization of reserves was made possible, the rates to banks in the smaller towns, on the same basis of security, would be as low as to the large banks in New York or Chicago.

Certainly such a consummation is to be wished for, and it is largely provided for in the bill now under consideration. Cooperation is secured through the agency of the Government, and when banks everywhere are on the same footing and can secure equal rights and privileges from the Federal reserve banks, the interest rate the country over would automatically adjust itself, for extortion would be certain to invite keen competition and a resultant lowering of rates.

NO ELASTICITY UNDER PRESENT SYSTEM.

As A. D. Noyes clearly puts it in his History of the National Bank Currency:

The sum of the whole matter is that under the existing system of bank notes based upon Government bonds normal and authentic expansion and contraction of the currency in response to the needs of trade is flatly impossible. The currency supply may be greatly enlarged in the dull midsummer months and suddenly contracted when the active autumn season begins. It may increase rapidly at a time when trade reaction has reduced to a minimum the necessities for even the existing bank-note supply, and it may as rapidly be reduced when large harvests, full employment of labor, and active hand-to-hand use of currency most need a larger circulating medium. That there is no remedy for this abnormal situation except the substitution of some other system for that which prescribes the United States Government bond as a basis for bank-note issues every economist at all familiar with the question agrees.

In other words, the prop on which we must at times depend is certain to break when we most need it. While I regret to say that we have not reached the time when we can get away from the bond as the basis of circulation, we are nevertheless making a very important improvement over the old method. In place of a system which is pilloried and derided by even its beneficiaries we propose to substitute one which will be more responsive to the needs of the people and to which we can look for protection in time of danger. Granting all that the critics of the proposed measure claim—and much of this criticism is based either on selfishness or blind partisanship, the fact remains that the legislation now before us marks a progressive step toward currency reform and cures many defects. The people realize this, and they will have but scant patience with those who would delay the day of industrial and commercial freedom merely because every clause and every word is not in accord with the ideas of the critics.

BANK CONTROL OR GOVERNMENT CONTROL.

The Democratic Party has long held to the belief that the "issue of money is a function of government." With that as a basis to govern our conduct in legislation, there can be no room

for disagreement as to whether we shall have bank or Government control in charge of the machinery necessary to carry out the provisions of this bill.

We provide that the notes of the banks shall be gradually retired from circulation and their place filled by Government currency.

We further provide a fund of \$500,000,000 which can be drawn upon as the needs of the country demand.

All other provisions grow out of or are intimately related to these two.

The association which we propose to form is to be the custodian of all Government funds and is also empowered to safeguard the industrial and commercial interests of the Nation, knowing no north or south, east, or west, New York or Squash-town Center, but placing all upon an equality where they will be certain to obtain equal rights.

Consequently, while there are innumerable reasons why this trust should be administered by representatives of the people and for the people, not one can be advanced as to why it should be administered by the banks, with every prospect of it also being administered for the banks, with the interests of the whole people treated as being of secondary importance.

You might as well contend that the railroads should name the members of the Interstate Commerce Commission; that the trusts should name the members of a special court before which all trust cases must be tried; that tariff bills must be framed only by representatives of interests protected—and we have had some legislation along that line to our sorrow; that National and State bank examiners should be selected by the banks; and that the prisoners in our various penal institutions should have the right to select their own wardens.

I could continue this list indefinitely, but it is useless. Under this bill we grant to the banks many favors and we take away from them no right. In their legitimate sphere we give to them ample protection—they can receive deposits, loan and discount, and in doing so we provide the means to insure their safety when help is needed. But we do this to some extent with the money of all of the people, and it is absolutely necessary that representatives of all of the people should be on guard to conserve the trust.

I have no fears of a Government-appointed board ever showing sectional favor or partisan bias. Responsibility always tends to clarify judgment and makes men appreciate what they owe. That unfit men may at times find place upon these various boards is to be expected, but public opinion is to be relied upon to secure a speedy change, and no Federal reserve board could impose on any class or any section or show partisan bias or favor without arousing the people of this country to the extent that the board and the party responsible would quickly fall.

The responsibility owed and the knowledge that every act is scanned by the people of these United States must cause each President to be particularly careful as to the men he names to run the machinery which we provide in this bill, and I had far rather trust any President to do what is right, under such conditions, than I would any group of eminent bankers who measure men by dollars, success by affluence, and opportunity by percentage of interest.

COUNTRY BANKERS.

In this connection I want to state frankly that in my objection to bankers I have no intention to reflect upon the men who are engaged in the banking business in the rural sections. They serve a useful purpose; they are a part of us and "bred in the bone," as it were. To them success means that the community in which they operate must be successful, and with them we have a community of interest—we all must prosper or fail together.

To each of the bankers in my district I have sent a copy of this bill; from each I have asked for an expression of opinion, and have had but two who objected to the bill, and their objection was confined to governmental control.

Who are these country bankers? They are mainly men who have profited in farming or in the mercantile business. They realize the needs of both the farming and the mercantile interests, and as a general thing they are ready to sacrifice personal and immediate profit with a view to community and greater profit in the end.

How different, then, is their position from that of the speculative bankers of New York and Chicago. These men profit by ruin. The greater the demand for money to move crops in the rural sections brings with it a greater demand for money for speculative purposes, and it is not to be wondered at that this cripples production, for man is in the main selfish and he will take the greater profit offered by speculation when production has to be denied relief when speculation can secure it readily.

Give the country bankers a free hand; divorce them from Wall Street—and that is what this bill does—and there can be no question as to their readiness, eagerness, and ability to serve the agricultural districts, for we have had ample proof of this in the past.

BANK ACCEPTANCES.

Two features of the bill under discussion which will be of inestimable value to American commerce directly and to American prosperity indirectly must not be overlooked, and by these I refer to the provision authorizing the acceptance of time bills and the one which paves the way for the establishment of branch banks abroad.

Under the law now in existence national banks are not permitted to accept time bills, according to the decision of the courts. This has materially hampered us in our foreign trade and has built up European cities at our expense. Much could be said on this subject, both as to the losses resulting and the court decisions which have prevented our expansion; but in order to give impartial testimony as to the operation of the present method I will insert a very fair statement from the able work of Lawrence M. Jacobs on Bank Acceptances, which reads as follows:

The weakness of our banking system as compared with the systems of Europe may very certainly be attributed in part to the omission of the bank act to permit bank acceptances. It is a weakness, furthermore, which involves the country in serious economic loss. Without a national discount market the great majority of our merchants and manufacturers are compelled to confine their borrowings to American capital, either through the discounting of their paper with their local banks or through its sale to note brokers. All but the strongest and largest are practically excluded from the benefits of foreign competition for their paper. Aside from the great concerns with international ramifications, which are able to arrange their own credits abroad, our merchants and manufacturers are not benefited by low foreign discount rates, except in so far as note brokers, who make it a practice to borrow in Europe with commercial paper as collateral, are better able to finance their purchases. What is more, they receive relatively little advantage from an accumulation of funds in New York banks. Low call-loan rates have an indirect rather than a direct effect on the rate which the mercantile community has to pay for money. Low call rates, in other words, are an indication more especially of stagnation in the stock market than of a lack of demand for accommodation from merchants and manufacturers. Such rates do not act as a stimulus to trade in general any more than high call rates act as an immediate check to overexpansion.

It is not only in our domestic trade that the country suffers through the want of a discount market. Without bank acceptances we are at a distinct disadvantage in connection with our foreign trade. Our importers, unable to open credits with their banks, as is done abroad, are not in a position to finance their purchases upon as favorable a basis as the importers in other countries, as English cotton spinners, for example. The English spinner about to purchase cotton in America arranges for his bank to accept 60 or 90 days' sight bills drawn on it by the American shipper. The latter draws his bills on the English bank and attaches the documents covering the shipment, such as the bills of lading, insurance certificates, invoices, etc. He then sells them to a New York bank, thereby receiving immediate payment for his cotton. The New York bank forwards the bills to its London correspondent, which presents them for acceptance to the bank upon which they are drawn. Upon the acceptance of the bills the documents are delivered to the accepting bank, which then turns them over to the spinner upon whatever arrangement has previously been made. The accepted bills are discounted by the New York bank in London and the proceeds placed to its credit there. The New York bank can afford to pay a high rate for such bills, as they are drawn on prime bankers, rendering certain their ultimate payment. The purchase of the bills does not, moreover, necessitate any outlay of money, as against the credit to be received through the discount of the bills the New York bank can immediately sell its checks on London.

Without such banking facilities—that is, the ability to arrange with his bank to accept time bills drawn on it by a foreign shipper—the American importer is compelled to finance his purchases in either one of two ways. He may pay for the goods at once by remitting funds direct to the shipper. This, however, ordinarily necessitates the negotiation by the importer of a loan on his promissory note. If he is not in a position to secure such an advance, he must shift the burden of providing funds to finance the shipment from the time it is forwarded until it is to be paid for upon the foreign shipper, who is then in a position to exact terms more favorable to himself through an adjustment of prices. The practice in connection with this method of making payment for foreign purchases is for the shipper to draw his draft on the American importer and turn it over to his banker to forward for collection. Such drafts, drawn as they are on individual importers and not on banks whose standing is well known abroad, must be sent for collection, since there is no general market for them. Practically the only way in which a foreign shipper can realize immediately on bills of this character is to dispose of them to his own banker or get him to make an advance on them.

Either of these two methods of financing our imports is expensive, even when the time between the shipment and the receipt of the goods is short. When the time is much longer, as in the case of imports from South America and the Far East, the cost is almost prohibitive—that is, so great that we can not compete on an even basis with foreign buyers. In fact, we might be practically excluded from these markets if a makeshift were not possible. Our importer gets around our lack of banking facilities by having his bank arrange a credit with its London correspondent. He receives an undertaking, called a commercial letter of credit, giving the terms of the credit; that is, the name of the London bank upon which the bills are to be drawn, the amount which may be drawn, the character of the goods which are to be purchased, the tenor of the bills, and the documents which must accompany them. On the strength of such a letter of credit the shipper in South America, for example, is able to dispose of his bills on London and thus receive immediate payment for his goods. The local bank which buys the bills sends them with the documents to its London correspondent, which presents the bills to the bank on which they are

drawn; that is, the bank with which the credit was opened. Upon the acceptance of the bills the documents are delivered. They are then sent by the London accepting bank to the New York bank which opened the credit and the latter delivers them to the importer against his trust receipt. Twelve days prior to the maturity of the bills in London the New York bank presents a statement to the importer indicating the amount of pounds sterling which must be remitted to London to provide for their payment at maturity or rather a bill stated in dollars for the amount of pounds sterling drawn under the credit. In this purchase of exchange the importer makes payment for his goods. This method, while workable, is obviously cumbersome, yet it is practically the only one which the American importer can follow in connection with such imports. It is expensive for the importer, for not only must he pay his bank a commission for arranging the credit, but there is included in this commission a charge made by the London bank for its acceptance. Further than that, the importer must take a material risk in exchange. At the time a credit is opened the cost of remitting, say, £10,000, to take up the bills in London, might be only \$48,600, or at the rate of \$4.86, whereas by the time the bills actually mature exchange may have risen and cost him \$4.87, or \$48,700.

As a result of the inability of our banks to finance imports through the acceptance of time bills, American importers are then made dependent to a large extent upon London, and are required to pay London a considerable annual tribute in the way of acceptance commissions. This practice not only adds to the importance of London and militates against the development of New York as a financial center, but it at the same time works serious injury to our export trade. Since time bills can not be drawn on our banks from foreign points against shipments of goods to the United States, there are consequently in such foreign countries very few bills which can be purchased for remittance to the United States in payment for goods which have been bought here. In other words, under our present banking system our imports do not create a supply of exchange on New York, for example, which can be sold in foreign countries to those who have payments to make in New York. This means that our exporters are also, to their great disadvantage, made dependent upon London. It means that when they are shipping goods to South America and to the Orient they can not, when they are subject to competition, advantageously bill them in United States dollars. They naturally do not care to value their goods in local currency—that is, in the money of the country to which the goods are going—so their only alternative is to value them in francs or marks or sterling, preferably the latter, owing to the distribution and extent of British trade, creating throughout the world, as it does under the English banking system, a fairly constant supply of and demand for exchange on London. When we come to bill our goods in sterling, however, it is at once seen that our exporters are obliged to take a risk of exchange, which is a serious handicap when competing with British exporters. Our exporters, who are to receive payment for their goods in sterling, must previously decide on what rate of exchange will make the transaction profitable. If in an effort to safeguard themselves against a loss in exchange they calculate on too low a rate for the ultimate conversion of their sterling into dollars, their prices become unfavorable compared to those made by British exporters and they lose the business. If they do not calculate on a sufficiently low rate, they get the business, but lose money on the transaction through a loss in exchange.

The prohibition of bank acceptances not only acts as a hamper upon our domestic and foreign trade, but is detrimental to our banks as well. It is the small country bank which is chiefly affected. The business of the country bank, so far as the employment of its funds is concerned, may be divided into two classes—that which relates to advances to local customers and that connected with the investment of its surplus.

It is in respect to the latter that the matter of acceptances is important. Under the present limitations of the national-bank act there are three principal ways in which a country bank may render its surplus funds productive. It may deposit them with its reserve agent. This means a low interest return; too low, in fact, to permit of more than a relatively small amount being thus employed. It may invest in bonds. In this way an increased interest return can be secured, providing a wise selection of securities is made, but it partakes of the nature of speculation. The third way is to buy commercial paper. Such purchases give an ample interest return, and there is no savor of speculation. Even this method of employing a bank's funds, however, is far from satisfactory. It means the investment in a security for the strength of which the bank must depend on the word of note brokers, the rating of the mercantile agencies, or the opinion of some correspondent bank. It means, furthermore, the tying up of the bank's funds for a fixed period. If national banks were permitted to accept time bills, the country bank could then invest its funds in paper bearing the guaranty of some great bank with whose standing it is perfectly familiar. Risk such as now has to be taken would be eliminated. What is vital, however, is that with a national discount market an investment in a bank-accepted bill is one which could be realized upon immediately.

Since the reserves of interior banks are so largely concentrated with them and it is essential that they keep their assets in an especially liquid condition, the prohibition of bank acceptances works injury to the banks at the country's financial center, New York, in a different way. It deprives them of what London banks, for example, have—that is, a mass of the soundest securities against which to loan their money on call or in which they may invest their funds for very brief periods—bills of exchange, covering genuine commercial transactions, bearing the acceptance of prime bankers. Unquestionably such securities as a basis for loans are preferable to stocks and bonds, but without them New York banks must have recourse to day-to-day loans on the stock exchange. Moreover, when the demand for such loans is limited, New York banks are forced into the keenest kind of competition, a competition which, as has been pointed out, is not only of little benefit to trade, but which, through the lowering of the money rate, actually stimulates speculation. Furthermore, without a steady money rate such as exists in countries possessing discount markets, New York banks are left with no reasonable or satisfactory basis upon which to fix a rate of interest to pay for the deposits of country banks. In London interest on bank deposits is fixed at a certain percentage below the Bank of England discount rate—usually 1½ per cent—that is, a rate which fluctuates with the value of money and normally leaves a certain margin of profit to the London bank. The same practice is followed in all the great financial centers of Europe. With us, country banks receive a fixed rate of interest for their deposits—usually 2 per cent—the year around, regardless of fluctuations in the value of money. The unscientific nature of such a rate is obvious. When the call-loan rate is high, country banks do not receive interest in proportion to the value of their deposits. When it is low the New York banks pay more interest than the deposits are worth. In the latter instance the New

York bankers are forced into injurious competition with one another. They are in much the same position as competing railroads were earlier in our history, with results similarly baneful. With the railroads it was worth while to secure traffic even at a losing rate, as no matter what the return it helped, if only a little, toward meeting fixed charges. Oftentimes with the New York banks to-day any rate which they can secure for their money, whether losing or not, is acceptable as helping to meet this fixed interest charge on bank deposits. To pay 2 per cent for deposits and to keep a 25 per cent reserve a bank must loan its money at 23 per cent to come out even, taking into consideration the actual expense of making and recording the transaction. It is better to loan at 13 per cent, however, than to let the money lie idle. It is better to lose 1 per cent than to lose the entire 23 per cent, as would be done in case no loans at all were made, clerk hire being just as much a fixed charge as interest. With the amendment of the national-bank act to permit the acceptance of time bills, such ruinous competition would cease. The funds of the banks would come to be principally invested in trade paper, and stock-exchange loans would be relegated to a position of secondary importance, as in London and on the Continent. The field for the investment of their deposits would be greatly broadened, to the benefit both of the banks and trade in general.

To remedy this primary defect in our banking system; to trade along the lines which have proved so advantageous in other countries; to provide negotiable paper of a character suitable to the investment of foreign funds, paper which can not only be discounted but rediscounted; to give trade the advantage of bank surpluses accumulated both in the country at large and in New York; to lessen the evils of speculation; to afford a reasonable basis for the calculation of interest rates on bank deposits in central reserve cities; to bring New York into the circle of those financial centers between which funds move naturally as discount rates rise or decline; to secure the advantage of the competition of foreign capital for our trade paper—can be put in the way of accomplishment by the insertion of a paragraph or two in the national-bank act.

To permit bank acceptances would not require the revision of the entire bank act. To remove the barrier to scientific banking, as it is known abroad, no complicated piece of legislation would be necessary. Time only would be required for the development of a great national discount market.

The remedy was within our reach for many years, but the national-bank act was looked upon as a thing sacred—it was not to be altered or amended—and for that reason our banking business as well as our commercial interests and our export trade have all been hobbling along in shackles. It remained for this Congress to attempt to frame a workable and an intelligent system, and to the men responsible for the framing of the legislation now before us all credit is due.

Apply the arraignment made by Mr. Jacobs to existing conditions, then study the proposed measure and note the relief afforded. The one provision of this bill which authorizes bank acceptances is alone worth more in the way of material gain than we possibly could lose if all the forebodings of the critics of this measure were to come true.

BRANCH BANKS ABROAD.

And no less important, and intimately related to the preceding, is the message of cheer contained in the provision which gives to us the opportunity to secure a system of branch banks abroad.

There was a time when many of our people were content to look with equanimity to an America bounded by a Chinese wall, behind which we could monopolize our own trade and shut the world out. But sound political economy teaches that you can not shut out without penning in, and while this policy might operate to our advantage as long as all we had to sell was the product of farm or mine and the world had to buy from us or else starve or suffer industrial collapse, nevertheless such a restriction would be intolerable when the time came that the products of our toilers in factory and in shop were vastly in excess of the amount we could absorb behind our wall.

That time came, and we have broken down the wall in order to secure commercial freedom and a fair field on which American intelligence and skill can have the opportunity to compete with the world. During the fiscal year ended on June 30 last we exported manufactured articles, other than manufactured foodstuffs, to the amount of \$1,187,000,460. In 20 years our iron and steel manufacturers have increased their exports from \$30,106,482 to \$304,605,797 per year; cotton manufactures from \$11,809,355 to \$53,743,977; copper manufactures from \$4,525,573 to \$140,164,913. Despite the disadvantages of legislation calculated to dwarf, we have expanded and made breaches in the wall.

But now, with legislation in sight which will remove much of our handicap, there is every probability that our foreign exports will expand to an extent unprecedented and the plaint of coming industrial disaster will be changed to paeans of praise at the opportunity offered by the opening up of new markets which will absorb all that factory and farm can offer.

With no change in the existing law our trade will enter into this new field with hobbles on. We may progress, and probably will, but the lack of banking facilities will continue to operate against us and the foreigner, who is competing with us in the markets of the world, is not to be expected to show us

favor when he has his own kith and kin to protect against our competition.

With foreign branches of our banks we are placed on terms of equality with the nations of the world and that is all we ask. American industry, intelligence, and skill have demonstrated our capacity to hold our own and win out, even when crippled by adverse legislation. How much of hope is there, then, in sight when we are made industrially free? And who can justify his acts to himself or to his country who would vote against a recommendation which is so palpably fair and wise?

AGRICULTURAL CREDITS.

Objection has been made that in revising our currency system we have not made allowance for a system of agricultural credits.

I do not believe that such an objection is well founded. No one more firmly believes in the necessity of securing a lower interest rate for the men who till the soil than I do. I have seen the handicap under which they have labored, as compared with their European competitors. I have seen them made the prey of Shylocks and have seen where, after years of honest toil and struggling months and years, where their day's work was measured on no union scale but stretched from daylight to darkness, they have fallen under the weight of debt and after earning a period of rest they have found themselves penniless in their declining years.

All this have I witnessed and for that reason I am ready to work and vote for any measure which would bring to them relief. But this bill is not the place for such remedial legislation. You can not link short-time loans with long-time loans—fluid assets with rigid assets. In this bill we deal with banks and with the currency system, and before this Congress goes out of power I feel confident that we will have a system of agricultural credits, standing on its own merits and meeting every need of those who require, not charity but the opportunity to make better use of their property, increase the productivity of the land, and be placed on the same footing as their more fortunate neighbors, who, because they are in trade and have a stock of goods convertible into cash, can get financial aid denied to the men who own the assets on which the major portion of our wealth is founded.

THE BANKERS AND THIS BILL.

It is to be regretted that a certain element among the national bankers have taken a position antagonistic to this bill, not so much because they deny the necessity for reform as from the fact that they would have their own particular brand of reform or none at all.

With these worthy gentleman I have no quarrel. Human nature is so constituted that selfishness is a common vice, so common that in the opinion of many it is a negative rather than a positive one and should be classed as the "original sin," which is an unavoidable inheritance. But these gentlemen should realize that it is for the ninety and odd millions of people of the United States that Congress is acting. No one here has in mind the idea of imposing a hardship on a man merely because he is a banker, neither does the fact that he is a banker give to him the right to demand special favors. The issue and control of money is too intimately connected with the welfare of every inhabitant of the United States to leave it in private hands, and while the banker is a most important cog in the economic life of the Nation, yet his powers are so great and his opportunities for good or evil so many that it is absolutely necessary that he should be the servant of the Government in dealing with the people instead of a separate and independent entity.

While the bankers would have preferred the Aldrich bill to the measure which we now offer to them, nevertheless it does not follow that the Aldrich bill is better in any way—except to the bankers. The people of this country are not ready to submit to a slavery such as is contemplated by the Aldrich bill, and I hope they never will be. It is true that the Aldrich bill would give to us many improvements over the present system, but at the same time it would make for a centralization of control which would ultimately leave the people of this country completely at the mercy of a small group of individuals, just as it would tend more and more to draw money to a few financial centers and at the expense of the rural sections. We want the reforms which would result; but the price is prohibitive, and we are not yet ready to sell our birthright for a mess of pottage.

That the sentiment of the people of this country is in favor of this bill is clearly expressed in a letter written by Holland on August 24, and I know no man better fitted to analyze the financial situation in the country in general. Speaking of the

Chicago convention of bankers and the address of President Reynolds, Holland says:

Apparently President Reynolds has discovered some evidence that the bill now before Congress has been so written as to limit, if not completely destroy, the concentration of credit and resources at the large financial centers in such manner as to make them available for those who speculate or operate in the New York Stock Exchange.

If that be one purpose in this measure which actuated those who wrote the present bill, there is hardly any doubt that the majority of the people in the United States will give that purpose their cordial approval.

I do not doubt but that approval will be forthcoming and that it was the purpose of those who framed the bill to prevent concentration of the Nation's stock of money to be used for speculative purposes. The flow of cash to New York works all right in time of fair weather, but when the storms come it is the people in the rural sections and in the smaller cities who have to suffer. In times of fair weather the country banker can draw on New York, Chicago, or St. Louis for the amount which he has on deposit; but let the conditions prevailing in 1907 be repeated and he can not command that which is his own, and in turn is compelled to put the brakes on the depositor, as was done in 1907, when many a man with money in bank and needing it badly could draw but \$10 or \$25, as the case might be. The history of that period is fresh in the memories of the people, and it is no wonder that they approve a bill which will make the needs of the producers superior to the needs of the stock gamblers, who can make it profitable to the banker to loan them money at a time when it is denied to the industrial world.

While we admit that bankers—and I speak of the large bank interests, not the small banker who comes in contact with his customers—should have a thorough knowledge of their own business, and presume such to be the case, nevertheless it does not follow that we should look to them to write for us a currency measure. Their main interest is the interest of the creditor, while we have to consider both debtor and creditor. And there are times when we have doubts of the ability of bankers to write a bill which would be understood even by themselves, for while we are told that banking is a science, still we have evidence in plenty that some eminent bankers are not scientists. At the recent convention of bankers in Chicago ex-Comptroller of the Currency Charles G. Dawes, now president of the Central Trust Co. of Illinois, alarmed the bankers by stating that the measure we now have under consideration would result in such an expansion of credits that it would invite disaster. That is certainly important, if true, and deserving of serious consideration.

But, lo and behold, a few moments later James B. Forgan, president of the First National Bank of Chicago, came forward with the statement that the effect of this bill would be the "most damnable contraction of credit ever proposed in this country, such that it would be impossible for business to go on."

You can take the opinion of either or neither of these eminent authorities, for it is evident that you can not take both, and very many of us are inclined to choose neither.

THE DAWN OF ECONOMIC FREEDOM.

For years we have lived in the shadow of fear, knowing our own weakness, and yet not having the courage to break the shackles which prevented us from securing commercial, industrial, and economic freedom. Prosperity has been but a bubble which would shatter at the first breath of suspicion, and in the midst of plenty we have seen actual want. As we have been informed, it was the custom in China to strap and bind the feet of the female infant so as to retard growth of the pedal extremities, and as a natural consequence the Chinese woman goes through life halting, stumbling, and ever afraid of a fall. So have we bound the industries and the individuals in America in shackles of steel, which have permitted no expansion to meet the natural wants of the lusty infant, and we, too, have moved lame and halting and ever fearful of a danger known but not to be averted.

But, thank God, we see the dawn of freedom. With the breaking down of an archaic banking system will come greater opportunity for the individual, room for trade expansion abroad, and industrial growth at home. Prosperity will be built upon a foundation so stable that the pessimist, the panic breeder, and the speculator may fan the winds of distrust only to have them beat harmlessly against a Gibraltar of American honor and credit.

The new era will be one of freedom—industrial and commercial; it will be one of prosperity, for with the factors which make stability always present our advantages can not be weakened by speculation, and it will be one of opportunity, for each and every American citizen will have his chance to use his five or his seven talents so that they will produce and reproduce

instead of burying them in the sands through fear of loss from causes beyond control.

We can see the day longed for and hoped for by you and I and all of our countrymen, and as it is our privilege by aiding in the passage of this legislation to bring so much of good to America and to Americans, let us not divide as partisans, but unite for the general welfare, and acclaim with one voice, "Speed the coming of the day." [Loud applause.]

Mr. GLASS. Mr. Chairman, I yield 30 minutes to the gentleman from Georgia [Mr. HARDWICK].

Mr. HARDWICK. Mr. Chairman, the task that I have set for myself this afternoon is not an easy one. In the first place, let me say that it is my purpose to vote for this bill, not because I like it, not because it is my judgment that it ought to be enacted into law, but because I conceive it is my duty to do so because of the caucus action of my party on this bill; and I feel, on the other hand, if I should let this occasion pass without embalming in the permanent record of the country for the benefit of my constituents and of the people who are to come after us the objections I have to the bill I would be recreant in my duty to my constituents and to my conceptions of what is right. Of course, in this Chamber and elsewhere some gentlemen may take issue with me on the proposition that, feeling as I do about this bill, I ought to vote for it because of the caucus action. Let me say to these gentlemen that I have this view of that question: This Government is now and, in my judgment, always will be conducted through political parties. Whatever my objections to this bill may be, after all, when all is summed up, the Democratic Party gives me so many more things that I firmly believe in than any other party and accomplishes so much more that, according to my judgment, is right and for the best interest of the country than any other party can hope to accomplish that my duty lies with that party. Let me further say that I have this conception of party duty—supposing that my first premise is right and that this is a Government of political parties. The maintenance of party solidarity and discipline is essential, and party discipline can not be maintained unless on each question that is the subject matter of party action the majority of the party shall control its attitude. Otherwise, we would have chaos and anarchy. If every man sets up his own judgment and conscience as the supreme court that shall determine each question, no party can maintain an organization, and therefore I conceive it my duty when I go into a caucus to abide by the result of that caucus. Otherwise I ought not to participate; otherwise I ought not to have been there; and yet I am not complaining at the performance of this duty to-day, although I feel a still greater obligation resting upon me to voice some of the forebodings I feel about this particular legislation.

Besides that—although there are some in this Chamber who may not understand it and others who may not appreciate it—I want to say that down where I come from the love of the Democratic Party is almost a religion. Down there we do not all always agree with every proposition embraced in the national platform. Down there we do not all always agree with every policy that the majority may propose. Down there we do not all believe the Democratic Party is right on everything that comes up. But we have suffered so much for the Democratic Party and with it that we not only love it devotedly, but we are thoroughly devoted to its principles, because they represent our ideal of government, and we are prepared to make sacrifices for it because we love it, and to-day I want to assure the committee and the country that when I vote for this bill it will be a sacrifice that I shall make for the Democratic Party, because this bill, in many respects, violates my conceptions of the fundamental principles of Democracy on this great question and is dangerous to the country.

I have always thought that there was a vital and fundamental distinction, in the first place, between money and bank credits. I have always belonged to that school of political thought that believed that the Constitution of the United States meant what it said on the money question, and that the sole power to issue money—real money that should discharge private debts and public dues—rested solely with the Government of the United States. On the other hand, if there is to be provision made for a system of bank credits, a currency system, if you please, of bank checks or notes, then such checks or notes should not be either legal tender for the payment of public dues or private debts and ought not to have any of the functions of real money in any respect. In other words, I believe that all of the real money of the country ought to be issued by the Government, and it ought to be full legal tender for the payment of private debts and public dues, and that nothing else except this money issued by the Government ought to be

received by the Government for public dues or ought to be or indeed can be made legal tender for the payment of private debts, but unfortunately this bill violates that conception and violates it both ways.

The money or currency—I do not know which to call it—that it provides for is neither fish, fowl, nor good red herring. It partakes of both; it does not pay private debts, although it is accepted for public dues. It is neither bank currency nor full Government money, and I think any legislation that is well considered and is expected to endure must preserve this fundamental distinction. If we are to issue real money—and that is the sole as well as the exclusive function of the Government—then it should have the functions and attributes of real money and should be made legal tender for all debts, public and private, and should, in my judgment, be redeemable in gold. On the other hand, if we are to authorize mere bank notes, then neither the Government nor any of its citizens should be required to accept them in payment of debt. In this bill what have we done? We provide for notes to be issued directly by the Government, but exclusively to the banks, redeemable in "gold or lawful coin," and yet we do not give them the full strength that the power of the Government could bestow, in that we do not make them legal tender for the payment of private debts, though we do provide that the Government shall take them for all public dues. So that, it seems to me, we either have gone too far or have not gone far enough. If the currency we provide is real money, then it ought to have all the functions of real money; it should discharge private debts as well as public dues. It should have every ounce of the sovereign power behind it.

On the other hand, if the currency we provide is mere bank-credit currency, then it should have none of the functions of real money, and neither the citizen nor the Government should be forced to accept it.

Another objection I have to this bill, Mr. Chairman, is that it seems to me it is liable in the years to come to create serious trouble along another line. Why are we enacting this legislation? What is the real reason for it? It was clearly stated at an early stage of this discussion, in another body, by a distinguished gentleman who is not here this afternoon, to be this: The credit of the country has expanded so that the banks' reserves have sunk below 10 per cent. The credit of the country is topheavy. There is too little real money on which to base this vast volume of credit. The gentleman was right. The real purpose of this bill, as stated by the able gentleman from Ohio [Mr. BULKLEY] who spoke here this morning, is to expand credits. We all know it. It is to give expanding and increased credit to the great business interests of this country. It is to enlarge the credit of the country, and yet, Mr. Chairman and gentlemen, if this is the purpose of the bill, and it is, and it shall work successfully for a few years, then, if we are to have any stability and safety in the future, if we are to maintain the existing volume of credit or if we are to enlarge it, as the gentleman from Ohio insisted a few moments ago, we ought to have a more substantial foundation on which to rest this great credit system, and we ought to have more real, primary money, with all the sovereign attributes of money, as such a foundation for that credit system. And yet, unfortunately, there is not a dollar of the currency provided in this bill that has all the necessary functions of real money. There is not a dollar of it that any bank can pay to a creditor who demands real money. There is not a dollar of all this "money" that is to be issued without limit or without any other limit except the clear blue sky of the Almighty that any bank can force any creditor to take, except the Government.

So that it seems to me that we are in this position: We provide a splendid mechanism to enlarge and expand credits, to increase trade, to boom things, and, although the reason we are doing it is that the present basis on which the trade and credit of the country rest is insecure and insufficient, we do not increase the foundation on which credit must rest. There is no solidity here, no strength. Gentlemen, this is "progressing" entirely too rapidly and recklessly to suit me. I believe that a great deal of this high cost of living comes from the extravagance of the people. [Applause.] Not all. The tariff has done a great deal—do not cheer me too soon. Your trusts and combinations have done more. Not only that, but on top of that, adding to it, is the extravagance of our people everywhere, North, South, East, and West. People are mortgaging their farms and homes to buy automobiles. No statement of the case can be stronger than that. They are trading and overtrading. Credit has expanded, and expanded until it has reached the danger point and everyone says something must be done. Hence this legislation. Now, the gentleman

from Ohio [Mr. BULKLEY] contends, if I understood him correctly, that this bill is going to still further expand credits, still further increase all this overtrading, and he is right; it is bound to do it. It proposes 12 great central banks called regional reserve banks with ample facilities for rediscounting commercial paper with the unbounded resources of the Government behind them.

Credit is already cheap, far too cheap. And yet when the splendid facilities afforded by this bill for turning promissory notes and commercial paper into Government currency are fully utilized, what prophet among us can tell how cheap it will finally become, before the day of reckoning finally arrives. It may be pleasant enough and easy enough for a time, but what is the end to be?

The proposition that these gentlemen give us as a remedy reminds me and makes me think of the doctor's proposition, who treated a man who came to him with a case of acute indigestion. The doctor said to the man, "Just go out and eat all you want. Eat more, and more, and more, and if that does not kill you you will get well." [Laughter.] I am afraid that is what this bill proposes and invites, when you boil it down.

Now, I make this prediction about it, and I want my friend from Virginia [Mr. GLASS] to bear it in mind in the years that are to come. If this bill passes, as it doubtless will; if this bill becomes a law, as I believe it will, you will have prosperity, expansion, more loans, more credits, boom times—for a while. The goose will hang high and everything will be lovely—for a while. But I tell you, gentlemen, it is equally true in the case of a nation and of an individual, that pay day comes after a while. We will go on perhaps five years more getting our notes discounted and rediscounted, and double discounted, and triple discounted, flooding the country with too much credit and engaging in overtrading of all sorts, but after a while the day of reckoning will come.

John Law went from Scotland to France with a scheme just about as beautiful as this one, and for a while that wizard of finance was the most popular man who ever entered the French Kingdom. Kings and lords and peers and noble ladies did obeisance to him in order that they might share in the golden prosperity that he was heaping upon France. But after a while the bubble burst, pay day came, and John Law had to run for his life.

Mr. GLASS. Mr. Chairman, will the gentleman submit to an interruption?

The CHAIRMAN. Does the gentleman yield?

Mr. HARDWICK. With pleasure.

Mr. GLASS. I am ready to agree with the gentleman from Georgia that there will be expansion under this bill.

Mr. HARDWICK. Yes.

Mr. GLASS. I think it will be a wise expansion. But I would have the gentleman indicate his opinion of the view expressed by eminent bankers in this country, such as James B. Forgan, that there will be an enormous contraction under this bill. My friend will agree that both of these things can not occur at the same time.

Mr. HARDWICK. Yes; and against the opinion the gentleman has referred to, I will put the opinion expressed by Charles G. Dawes, formerly Comptroller of the Treasury, who says that there will be a great inflation. He says what I predict is liable to occur.

Mr. GLASS. I ask the gentleman to essay the difficult task of reconciling those two widely divergent opinions.

Mr. HARDWICK. I can not do it any more than the gentleman from Virginia can. Either one or the other of these gentlemen is wrong. Each man has got to judge for himself of this bill; but the fact that I am inclined to agree with the view expressed by Charles G. Dawes, rather than that expressed by Mr. Forgan, is one of the reasons why I have hesitated to support this bill.

Mr. CALLAWAY. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. HARDWICK. Yes.

Mr. CALLAWAY. Are not both of those things possibilities under this bill? If the bankers should refuse to come in and surrender their charters and retire the present bank-note circulation, contraction would occur, would it not?

Mr. HARDWICK. Yes.

Mr. GLASS. But I call the gentleman's attention to the fact that Mr. Reynolds did not predicate his statement on the question of the banks coming in.

Mr. CALLAWAY. I am not talking about what Mr. Reynolds said. On the other hand, if all the banks come in and take advantage of the opportunities presented under this bill, what Mr. Dawes says would come true, would it not?

Mr. HARDWICK. I would say to the gentleman that to the bank that will come in this bill offers so many advantages,

such as furnishing a ready and ample market for the rediscount of its commercial paper, that I am satisfied they will all come in. They may fuss around and pretend they will not come in and attempt to get something into the bill which they want and fix it more to suit themselves, but the gentleman from Virginia [Mr. GLASS] need not worry about that. They will come in. They will come in by swarms and by droves.

Mr. GLASS. Yes; I believe with the gentleman that they will come in.

Mr. HARDWICK. Yes; they will come in, and they will be obliged to do it. Take the little town where I live, a town of 3,000 people, down in Georgia. It is a right prosperous community and has several banks. If two or three of those banks went in and the others did not, those that went in would have a tremendous advantage over those that did not, because they can go out to the regional reserve bank, whether located at Atlanta or New Orleans or Birmingham, and turn their notes into crisp bank notes or currency, or whatever you call it—something that will circulate for a while, at least. Therefore, in my judgment, it is reasonably certain that they will all come into this system.

But, gentlemen, there is no limit on this thing now. The committee started with \$500,000,000. Then they put it at \$700,000,000, and finally they said, "These figures are too small for us to trifle with, and we will lift the limit and play it up to the clear blue sky." So we are going without any limit, and God knows when the time will come that too much of this stuff will be issued and somebody will come down on the Treasury and say, "You promised to redeem this stuff in gold or lawful money"—which is it?

Mr. BURKE of Pennsylvania. Gold or lawful money.

Mr. SIMS. That is the same thing.

Mr. HARDWICK. Gold or lawful money. They will come up and say, "I want gold." How are you going to get the gold? Under the present law we redeem the bank notes from the redemption fund, which the banks maintain. In order to maintain the parity of our silver money and other forms of our money with gold, to keep up the gold standard, we have a gold reserve. How have we been able to obtain the gold during all these years? Bad as your national-bank law was—and I am utterly opposed to it—it provided that these national-bank notes should not be received at the Treasury for customs dues, and in that way the Republican Party did keep an avenue open from which they could get \$300,000,000 a year in gold if they wanted it.

Now, although you render it necessary to have a still larger gold reserve if this bill goes through, because this Government assumes all this responsibility for this currency, you have absolutely destroyed the only way of getting gold except by issuing bonds in time of peace, and I do not think any of us want any more of that, by saying that these bank notes which you are going to issue shall be received generally for public debts, as the present bank notes are, but, unlike the bank notes, shall also pay customs dues. That is another practical reason why I think the bill is of doubtful wisdom, to say the least of it.

I have some other ideas about this sort of legislation, with which I will not trouble the committee too long. How much time have I occupied, Mr. Chairman?

The CHAIRMAN. The gentleman has occupied 20 minutes.

Mr. HARDWICK. I will not trouble the committee to outline at any great length many of the other reasons that make me doubt the wisdom of this bill. I have always had old-fashioned ideas. I reckon I will have to modify some of them, although I hate to do it. I have always had the old-fashioned idea that this Government ought not to engage in either the banking or money-lending business. If I wanted to make a speech against this bill that would be really vicious, that would make the hair of my friend from Virginia [Mr. GLASS] almost stand on end, I would read from this desk the speech that Thomas H. Benton, of Missouri, made in the Senate on February 2, 1831, on the United States Bank bill, instead of using my own language. I would read the remarkable arraignment that John C. Calhoun, of South Carolina, made of schemes of this sort at about that same time in the Senate of the United States. I have always believed that the United States Government should be in but one business on this earth, and that is the governing business.

Mr. GLASS. The gentleman knows that Mr. Calhoun changed his mind on that?

Mr. HARDWICK. Never.

Mr. GLASS. Oh, yes.

Mr. HARDWICK. Mr. Calhoun never in his life did that. The gentleman will have ample opportunity to present the evidence of it if he did; and I ask him to present it to this House if he can.

Mr. GLASS. Did not Mr. Calhoun advocate the establishment of the second United States Bank?

Mr. HARDWICK. Never, as I recall it.

Mr. GLASS. I distinctly recollect that he did.

Mr. HARDWICK. Either the gentleman is wrong or I am.

Mr. GLASS. That is true.

Mr. HARDWICK. According to my reading of the life and writings of Mr. Calhoun, he was never an advocate of a Government bank. I do not know but what at some time they may have got him into the fix like you have got me into, and made him vote wrong at some time, but he never did believe in it that I know of, and I do not think the gentleman from Virginia [Mr. GLASS] will find on refreshing his memory that such was the case. Mr. Calhoun was a hard-money man, a strict constructionist, and a consistent believer, as I recall his record, in the old Jeffersonian doctrine that "the least governed people is the best governed people."

Mr. HARDY. If the gentleman will pardon me, I think Mr. Webster quoted Calhoun's speech against him.

Mr. HARDWICK. He could probably have replied by quoting Webster the other way.

Mr. HARDY. I think he did.

Mr. BRUMBAUGH. I think I can set that matter right. On the first effort to recharter the United States Bank Mr. Clay and Mr. Calhoun both voted against rechartering. That was in 1810 or 1812.

Mr. HARDWICK. Yes.

Mr. BRUMBAUGH. The bill, however, passed both the House and the Senate, and then President Madison vetoed it. When the bank came up again to be rechartered the bill passed both the House and Senate, Mr. Calhoun at that time voting for it.

Mr. HARDWICK. I will not yield to the gentleman any further, because I think he has his history wrong. I believe the gentleman is mistaken in his statement as to Mr. Calhoun's position. Of course I may be in error, but I think that the records will show that whenever the issue of a Government bank was distinctly made Mr. Calhoun was always against the Government bank. Certainly that was his mature and final conclusion, made after careful reflection and when the Government bank was the great issue of the day.

Mr. MONDELL. Will the gentleman yield?

Mr. HARDWICK. If the gentleman will make it short.

Mr. MONDELL. Calhoun was finally coerced against his will and judgment, just as the gentleman from Georgia, I assume, is on this occasion.

Mr. HARDWICK. I frankly admitted that I was, so that the gentleman puts me in good company to-day.

Now, gentlemen, I do not believe, regardless of whether Calhoun believed it or not, that the Government of the United States should be in but one business on this earth, and that is the business of governing. I do not believe that it ought to be in the business of banking; I do not believe that it ought to be in the business of transportation; I do not believe that it ought to be in the dry-goods business; I do not believe that it ought to be in any other sort of business except giving the people of this country a square and honest Government. [Applause.]

I have some good Democratic authority on this question. Let me read the conclusion of an eloquent paragraph in the inaugural address of Thomas Jefferson, when he assumed the reins of government on March 4, 1801, in which he defined the character of the republican Government that we had established on this continent. Mr. Jefferson said:

Still one thing more, fellow citizens. A wise and frugal government which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and of improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicity.

That may be old-fashioned doctrine, but I believe it yet. Times may change, conditions may change, but great principles like this do not change. They are immortal. They may be forgotten or ignored at times, but however far we may wander from them, we always return. I have an abiding faith that we will finally do so, even on this currency question.

In every other branch of industry and effort the Democratic Party has contended, down with combinations, down with monopolies, down with trusts. We have said that about the Steel Trust, we have said it about the Standard Oil Trust, we have said it about every other trust on earth. And yet it seems likely in this bill—I fear it is true, but I hope it is not—that we have established a gigantic Money Trust, with all the banks of the country concentrated in 12 great central banks, with the Government forming the connecting link between them, and the Government in actual partnership with them, lending them money, issuing "money" to them, and taking 60 per cent of their profits. [Applause.]

That may be proper; it may be right. A majority of my brethren say so, and I am forced, under my conception of the doctrine of fair play and party loyalty, to submit, and I must follow them. I am going to do it without any more murmurs than are contained in this speech. I do not accept it willingly and I fought as hard as I could against accepting it. I did not do it because I thought I was wiser than they, but because I have been brought up in that school and I do not believe in all these new-fangled things. I am not going to follow them along such paths unless they tie me, and tie me pretty tight at that. [Laughter.]

Now, gentlemen, what position did we occupy in the recent campaign? We said, "We will strike down monopoly; we will give a chance for individual efforts; we will replace combinations with competition." That is what we said. My heart was glad because we were returning to the old doctrines of Jefferson and Jackson. And yet in this bill it seems to me that we have abandoned the position that was taken by the Democratic Party in the recent campaign, and we have gone over, boots and baggage, to the Roosevelt position. We are giving as a substitute for the alleged private monopoly of Wall Street a gigantic monopoly that binds together all the banks in the country, issues to them unlimited paper money from the Treasury at Washington on their assets, creates 12 great central banks, and puts a Government board in charge of the whole combination. In other words, fleeing from the evils of Wall Street and private monopoly, we rush headlong and pell-mell into the arms of a great public monopoly—a system that we create to-day, but may not be able to destroy to-morrow; that we control now, but that may control us before the end is reached.

I know that the people of this country desire to get rid of the undue influence of Wall Street and Wall Street bankers over our fiscal and financial affairs. So do I. I know that the majority of the people, at least in that section of the country where I live, are opposed to the present national banking system. So am I. But I have not in my heart been able to say that simply because we want to get rid of Wall Street influences and the national banking law we ought to enact this particular bill. I think there are safer and saner ways that will not lead to all of these dangers of expansion of Government banking, Government money lending, and of paternalism and socialism. For that reason, Mr. Chairman, my judgment has been and is very much against this bill. A man in the particular frame of mind that I am about this bill—

Mr. MANN. He is between the devil and the deep sea.

Mr. HARDWICK. That is right, and I am not very sure which side is the devil. [Laughter.]

The CHAIRMAN. The time of the gentleman from Georgia has expired.

Mr. HARDWICK. Mr. Chairman, may I ask the gentleman in charge of the time to yield me two more minutes?

Mr. GLASS. I yield the gentleman two minutes.

Mr. HARDWICK. As I said before, I have not taken back here anything that I have said in the Democratic caucus. I do not propose to do that. I do not propose to alter it; but I do say this, that while I sincerely entertain the sentiments that I have expressed to the committee this afternoon, I realize that the Democratic Party, in this House at least, is for this bill. I still very much fear that it is unwise and dangerous, and I have said a few of the things that I have said this afternoon in the hope that in another body there might be some amendments to it, in the hope that there may be some turning back toward correct and sound principles, and that something may be done to it to avert at least some of the dangers that threaten us from this bill. I hope my friends understand my position in this matter, because when I enter a Democratic caucus I always support the nominee, no matter how much I dislike him or how great a rascal I think he is. Square dealing requires that. [Laughter.]

Mr. GLASS. Will the gentleman not do this; will he not say that in the many weeks given to this bill he did not propose any great change in its fundamental effects?

Mr. HARDWICK. On the contrary, I did propose, in speech at least, what I considered a proper substitute for the bill. I submitted on the floor of the caucus that very contention. I think the Canadian banking system, which, of course, came from Scotland, could with very few changes very easily be adapted to American conditions.

Mr. GLASS. But the gentleman did not propose that.

Mr. HARDWICK. Oh, yes; I did.

Mr. GLASS. In the form of an amendment?

Mr. HARDWICK. Oh, no; I was not on the committee and did not have charge of the legislation.

Mr. GLASS. The gentleman offered an amendment?

Mr. HARDWICK. The gentleman knows as well as I do that it was virtually useless to propose anything in the form

of something that we could vote on. The gentleman knows that I have always contended that the Canadian banking plan was really the best thing we could adopt under the circumstances, but the duty of preparing the details was not upon my shoulders. My brethren in their superior wisdom saw fit not to accept the idea. They outvoted us, and here I am, as my friend from Illinois would say, "hog tied"; but for the sake of my future reputation and to make my present position plain I want to put myself on record here saying publicly that I am not responsible for this thing. While I vote for it as a matter of party loyalty and duty, I do not like and did not help to frame it. When trouble comes from this bill, if unfortunately it does come, as I fear it will, but as I sincerely hope it will not, I want to be in a position where I can say "Shake not your gory locks at me."

Mr. BURKE of Pennsylvania. Will the gentleman please repeat what he said in reference to offering an amendment?

Mr. HARDWICK. Oh, the gentleman ought not to get worried about the Democratic caucus. I said the condition of affairs was such in the caucus that it was practically useless to offer any other system as a substitute.

Mr. BURKE of Pennsylvania. What was the condition? [Laughter.]

Mr. HARDWICK. Oh, I do not mind telling my colleague. The caucus was pretty nearly solid for the bill. [Laughter.] At least, it was when all the precincts were heard from and the final returns were in.

The CHAIRMAN. The time of the gentleman from Georgia has again expired.

Mr. GLASS. It was about the same condition that prevailed in the Republican caucus when the gentleman participated in it five years ago, and they would not permit any amendment to the Vreeland bill.

Mr. MANN. Oh, they did; and we did not attempt to bind Members by the caucus at that time, when we brought in the Vreeland bill.

Mr. GLASS. That rule provided for four hours' debate and would not permit even a Republican Member to offer an amendment.

Mr. MANN. The chairman of the Committee on Banking and Currency and the ranking Republican member of the Committee on Banking and Currency were not bound by that caucus action. We never attempted to bind anybody—

Mr. GLASS. Your rule prohibited any amendment to the bill on the floor of the House even from that side of the House.

Mr. MANN. That rule was a motion to suspend the rules and adopt an order which was probably voted for by the gentleman from Virginia.

Mr. GLASS. No, it was not; it was voted against by the gentleman from Virginia, but was voted for by the gentleman from Pennsylvania [Mr. BURKE], who sought information a while ago.

Mr. MANN. It was not a partisan matter. We did not attempt to bind people by the caucus.

The CHAIRMAN. Whose time is this to be taken out of?

Mr. GLASS. Out of the time of the gentleman from Pennsylvania. Mr. Chairman, I yield 15 minutes to the gentleman from Mississippi [Mr. COLLIER].

Mr. COLLIER. Mr. Chairman, it is with some diffidence that I arise to discuss this question before the House. The many questions involved in this bill are complex and technical in their nature, and the stupendous task of undertaking in one bill to revolutionize the banking and currency system which has prevailed in this country for half a century reminds me that I must approach this subject with care, deliberation, and caution. In the limited time allotted me for discussion I feel that I can only touch briefly upon a few of the important provisions in this measure.

Those who support the present bill, and who for several days have listened to the dismal prophecies of financial ruin and commercial disaster which the opponents of this measure have assured us will swiftly follow the passage of this bill, are yet comforted by the reflection and consoled by the knowledge that it would be indeed difficult for the ingenuity of man to devise a more cumbersome, antiquated, and useless system of currency than the one now in operation throughout the United States—a currency system which in time of stress always failed to give relief, and under which we have frequently been threatened with financial disaster.

Our present system did not come down to us as the cool, calm, deliberate judgment of the American people through their accredited representatives. It is not a gradual evolution of currency legislation, but was born at a time when the American people were engaged in a death struggle with each other. In times of war, with debts piling mountain high, with expenses

constantly increasing, with the credit of the Nation becoming impaired, with the need of money becoming more acute day by day, the present financial system, the result of a war measure, sprang into existence. The creation of national banks was authorized, charters were granted to these organizations, the privilege of circulation was given to our greatly depreciated bonds, and millions of dollars of bank notes were issued by these banks, which did much at the time to relieve the situation.

I am not prepared to criticize the act of the United States in passing this war measure. The financial condition of the country was so desperate and the Government bonds had become so depreciated that the credit of the United States was becoming seriously impaired and something had to be done.

Government bonds were worth little as promises to pay, but with the privilege of circulation they at once began to advance. Especially was this true by reason of the attractive field of investment the purchase of these bonds offered to one who possessed gold. A dollar in gold was at one time worth over \$2 in greenbacks. These bonds could be purchased much below par in greenbacks. Therefore the fortunate ones, those who got in on the ground floor, put their gold in greenbacks, and then put their greenbacks into Government bonds, which were considerably below par. The banks would then take these bonds and, turning them over to the Government, issue notes upon them. For instance, if \$150,000 in gold could be exchanged for \$300,000 in greenbacks, and if our bonds were worth only 75 cents, then this \$300,000 in greenbacks could purchase \$400,000 in bonds. Upon the \$400,000 in bonds the Federal Government would permit a bank to issue 90 per cent in circulating bank notes, or \$360,000, all growing out of the original capital of \$150,000 in gold. This system for a time proved a rich harvest to those who possessed gold, and the demand for Government bonds, because of the circulating privilege, soon forced them above par.

So I repeat that I am not prepared to criticize the act of the Federal Government in adopting the currency war measure as an expedient to relieve a distressing situation.

One of the greatest troubles with our present system is the amount of money that is withdrawn from circulation and held in reserve, which reserve is not used in time of disaster. A reserve has a high-sounding phrase. The very name is synonymous with confidence, a bulwark of protection; it is the last resort. That is the commonly accepted meaning of the word "reserve"—something to fall back upon, to rely on when all else is wavering. That is its common-sense application. But this definition is unknown in our present currency system. Under the present system a reserve means so many forces withdrawn forever from the conflict. It means that when the tide of battle is raging at its highest, when help is needed or all will perish, instead of bringing up these reserves and adding new forces to the conflict, it means that of those still struggling as many as can be found are to be withdrawn from the struggle and added to a reserve which it is intended will never be called into action.

That is the practical operation of the bank reserves in the present currency system. These reserves are not used in times of stress, and the bankers during a panic are calling in all demand notes and adding these collections to the reserves and at the same time refusing to lend money on security, no matter how ample.

The panic of 1907 is a fair illustration of the utter uselessness of the present currency system. It shows that the reserves are not only helpless in times of financial disaster, but are in reality a source of weakness. It teaches in unmistakable terms that the inelasticity of our currency system is one of our greatest troubles. The present bill will correct that glaring evil and will give us an elastic currency which will be a tremendous source of strength at all times and, I believe, will prevent the recurrence of a panic.

The panic of 1907 was of more magnitude than is generally supposed. It was not felt so much in the South and West, because the crops of those sections began to move at that time, and prices for agricultural products were good. This panic was due to an overspeculation on the stock market. It was preceded by an era of financial prosperity and speculators in bonds and stocks became largely overstocked. When demand was made upon these borrowers, they did not have the money to deliver and had to turn loose their stock. There was a general dumping of these securities upon the market, and of course the market went down. Every dollar's worth of stock placed upon the market was like pouring oil on fire, and these borrowing speculators, seeing their holdings about to be swept away, became desperate in their demand for money and their eagerness to sell. Of course, this eagerness to dispose of these securities caused them to greatly depreciate and the bottom be-

gan to drop out. The bankers in New York were hard pressed by their customers and began to call in all the demand notes they had in circulation among the country banks. The country banks, in order to meet the demands of the New York bankers, began to call in their loans from their customers. Credit was refused, confidence was destroyed, and the panic was on. There were immense sums of money held in reserve by the different banks of the country at that time. According to the United States Statistical Abstract, in the central reserve cities in the national banks alone on the 22d day of March, 1907, there were \$638,000,000, which was increased by the banks in these reserve cities to \$676,000,000 on August 22. There was in reserve in national banks alone in States and Territories, exclusive of the reserve cities, in March, 1907, \$426,000,000, which was also increased by the latter part of August of that same year to \$443,000,000. Thus, we find that in the national banks alone there were in reserve in March, 1907, in the vaults of the banks, \$1,068,000,000, which reserve was increased by the latter part of August to \$1,119,000,000, an increase in the year of panic of over \$50,000,000.

If our currency laws had been elastic, less than 5 per cent of this reserve would have broken the backbone of that panic; but not one dollar of the lawful reserve was used.

Nor was this all. Confidence had been destroyed, the market was still falling, financial conditions were becoming more acute, the demand for money was increasing, but it was locked up in those reserves. So, instead of relieving the situation by using these reserves, the bankers, both State and National, called in all the demand loans that they could collect and added this money to the reserve. Every dollar that was called in and taken out of circulation aggravated the situation. The bankers, fearing a run on their respective banks by reason of a destroyed confidence, refused to make any loans, but continued to call in all their collections and made the situation more acute by retiring from circulation all the money they could lay their hands upon and adding it to their reserve. The bankers, fearing a run upon their respective banks, were practically forced to do this, because they owed a first duty to those who had intrusted their money to their keeping, and a run on a bank in times of panic is easily started.

Mr. Morgan, with less than \$30,000,000 of the Government's money, broke the backbone of that panic and restored confidence, yet less than 5 per cent of the money in reserve would have accomplished that purpose.

Therefore, Mr. Chairman, when they tell us that this system of currency as outlined in the present bill is inadequate, I tell them it can not prove to be as cumbersome and as utterly useless a system of currency as the one now prevailing in the United States.

This bill may be divided into three important divisions, as follows:

First. Governmental control of Federal reserve banks, which banks have the power to issue currency.

Second. Mobilization of reserves.

Third. An elastic currency expanding and contracting as the occasion may require.

I will first discuss the governmental control of the different regional or Federal reserve banks.

The bill provides for the districting of the United States into 12 regional or Federal reserve banks, each bank having a minimum capital of \$5,000,000. Every national bank in the United States must within one year after the passage of this bill become a member of the Federal reserve bank in the district in which it is located or else surrender its charter and wind up its business. In order to become a member or stockholder of this Federal reserve bank it will be necessary for each national bank to subscribe a sum equal to 20 per cent of its capital stock to the Federal reserve bank. One-fourth of this subscription shall be paid at once, one-fourth in 60 days, and the balance subject to demand. It is believed, however, that it will never be necessary to call in this balance. All of the stock subscribed by a national bank to a Federal reserve bank shall be exempt from Federal, State, and local taxation. It further provides that after the passage of this act any State savings bank and trust company may make application to the Federal reserve board and be admitted under such regulations as the Federal reserve board may adopt.

Each of these Federal reserve banks shall be managed by nine directors, and the 12 Federal reserve banks shall be under the control and management of a Federal reserve board composed of seven members. Four of these members shall be appointed by the President and confirmed by the Senate, the remaining three shall consist of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency.

This Federal reserve board shall exercise a general supervision over the affairs of the Federal reserve banks. It shall have authority to examine whenever it sees fit all the accounts, books, and affairs of each Federal reserve bank, and shall publish once each week a statement in detail showing the condition of each of these 12 Federal reserve banks, and also a consolidated statement showing the condition of all of these banks.

This board has the power to permit and in time of emergency to require one Federal reserve bank to rediscount the discounted prime paper of another Federal reserve bank, but this compulsory exercise shall be subject to an interest charge to the accommodated bank of not less than 1 nor more than 3 per cent above the higher rates prevailing in the district immediately affected. It has the power to suspend for 30 days and can renew this suspension for 15 days any reserve requirement, and can also suspend the officers of the Federal reserve banks for cause; but these officials are entitled to be heard in their own defense. This Federal reserve board even has authority to remove these officials, but such removals are subject to the approval of the President of the United States.

It is the duty of this Federal reserve board to require the writing off of the worthless assets upon the books of these various Federal reserve banks and, if necessary, suspend the operation of the bank and appoint a receiver.

One of the most important powers vested in this Federal reserve board is the provision in this bill which gives this board power to supervise and regulate the retirement and issue of Federal reserve notes and to prescribe the form and tenor of such notes. If any Federal reserve bank is in need of currency to carry on its business, it is empowered to make application to the Federal reserve board, and upon presentation of rediscounted prime paper, together with a reserve of 33½ per cent lawful money, currency will be issued to this reserve bank.

Now, the affairs of these Federal reserve banks are managed by a board of nine directors. Six members of this board shall be elected by the stockholders, which are the member banks, and the remaining three shall be appointed by the Federal reserve board. Three of the six directors elected by the member banks shall be directors of some member bank and the other three directors shall be representatives of the general public interest and shall in no instance be officials of any bank or banking institution.

It has been contended that entirely too much power is vested in this Federal reserve board, and that this power used arbitrarily might endanger the free institutions of our Government. Much has been said about putting the banking business into politics—that by reason of this great power a President of the United States could perpetuate himself in office. It has been strongly urged against the enactment of this bill into law that it will put the Government in the banking business, and that the general tendency to centralization and power is hurtful and harmful.

It is true that this bill does, to a limited extent, put the Government in the banking business. It is true that great power is vested in this governmental board. It is true that this system of currency and banking has a tendency to centralization, and if the powers of this board were grossly abused much harm would result.

I am as much opposed to centralization of the banking business as any Member of this House, and I would not countenance any plan which had the merest suggestion of centralization, if the control of these plans were to be in private hands.

One of the most serious objections to the Aldrich plan of currency reform was that it contemplated placing this control in the hands of the bankers themselves. I would never agree to support such a proposition. I would never be willing to place this power, this control, in the hands of the bankers or the lawyers or the merchants or any other set of men. Human nature is too strong in the best of us to permit such power to be vested in private hands. This power should properly be placed under the control of the Government itself—under the control of a Government placed into power by the ballots of the American people and responsive to the will of that people.

Under such control every act of the Federal board is a matter of official record open to the scrutiny of the public. There will be, there can be, no star-chamber proceedings in a back room in Wall Street as are now practiced by those who control the finances of this country. The country will be kept informed as to what is going on in financial circles; the condition of these regional reserve banks must be published each week, and in the event of approaching disaster, of gross mismanagement, of criminal dereliction of duty, an alert, enlightened, and awakened press will spread the news broadcast, serving a two-fold purpose. First, the knowledge that publicity will be given to mis-

management and wrongdoing will make the officers more careful, and, second, this knowledge will notify the country in time to avert a financial disaster.

That the passage of this bill will put the banking business of the country into politics is, in my opinion, unfounded. Two members of this board are Cabinet officers, another member is the Comptroller of the Treasury. These men, under existing law, are already appointed by the President. Of the remaining members of the board, the four appointed by the President, not more than two shall belong to the same political party. They must be selected from the different geographical sections of the country. They shall certify under oath that they will not hold office or act as a director of any bank or banking institution. Every possible safeguard to prevent this board from getting into politics has been taken.

The power of this board is considerable; it can wield an immense influence. But I for one will never believe that the power of this board is greater than that of the American people. This board will be created by a statute, enacted into law by the representatives of the American people, and there is no danger that this child of the statute can become the master of its creator.

The office of President of the United States is the greatest political office in the world. Rare, indeed, will be the instance when the American people will elevate to that high office a man with so little character that he will attempt to corrupt this Federal reserve board for the use of his own selfish ambitions. Any man receiving the honor of being elected President of the United States has reached the summit of political fame. Any man receiving this token of confidence from 100,000,000 people has left but one ambition, and that is to conduct the affairs of his administration so that they will justify the confidence which has been reposed in him.

The President of the United States has too much at stake to blacken his record, sully his fame, degrade his character, and betray his people by prostituting his office in the appointment of unworthy members of this Federal board for the sole purpose of furthering his own selfish ambitions. If the honesty of the President of the United States would not prevent him from degrading the high office to which he had been elected, then ambition, one of the strongest emotions found in the human breast, ambition to leave behind him a respected name, free from odium, would stay his unholy hand, because swift upon his head would fall the sword of condemnation wielded by the indignant hands of a betrayed and outraged people.

The power of this Federal reserve board will not be greater in the control and management of financial affairs than is now exercised by a dozen Wall Street financiers and speculators, who now meet in secret and by their gambling contracts corner the money markets of the world.

As additional proof of this statement I ask permission to insert in my remarks an extract of the testimony of Mr. George M. Reynolds, of Chicago, before the Pujo investigating committee during the investigation of the Money Trust. Mr. Reynolds is president of the Continental & Commercial National Bank, with a capital of \$21,500,000 and \$9,000,000 surplus and profits, with average deposits of over \$180,000,000 per annum.

In answer to a question asked him by Mr. Untermeyer, the attorney for the committee, if he did not think that the present concentration of the control of money and credit was a menace to the country, Mr. Reynolds replied:

I am inclined to think that the concentration having gone to the extent it has does constitute a menace.

Mr. UNTERMEYER. I have before me a copy of an address delivered by you, or purporting to have been delivered by you, before the National Business Congress. In what year was that? Do you remember?

Mr. REYNOLDS. It was either in 1910 or 1911. I am not sure.

Mr. UNTERMEYER. It was in 1911, was it not?

Mr. REYNOLDS. I think it was.

Mr. UNTERMEYER. You are reported as having made this statement: "I believe the money power now lies in the hands of a dozen men, and I plead guilty to being one, in the last analysis, of those men." Was that statement made in connection with a discussion of the currency question?

Mr. REYNOLDS. Yes, sir. My purpose in making that statement, Mr. Untermeyer, was this: I talked extemporaneously and perhaps was not as explicit as I should have been in making my explanation. I have no desire to in any way disclaim responsibility for it, however, because I have reiterated it fifty times since.

Mr. UNTERMEYER. And you believed it?

Mr. REYNOLDS. And I believed it, and still believe it. What I was trying to say was that I did not believe that the bankers of the country generally were combined together and had secret meetings to control and influence this thing called money and credit. What I meant to say was that, under our national banking laws, requiring that the national banks in three central cities should carry a reserve of the national banks of the country, there was a natural concentration of the money power or the power to issue credit against reserve, which they would carry, in the hands of a few men. What I meant by saying that I was one of them was this: Our bank probably carries a larger percentage of accounts of outside banks than any other institution in America, both in number and volume. I meant to say that I was conscious of the responsibility that that thing placed upon me, and

was urging currency legislation which would correct any faults that existed.

Mr. UNTERMEYER. You also said in that connection: "I believe that two or three in New York, two or three in Chicago, and two or three in St. Louis could control the question of whether or not loans should be made to correspondents throughout the country."

Mr. REYNOLDS. If there was collusion, I do believe that; yes, sir; if there was collusion.

These speculators of New York, who have gathered up from the different sections of the country all the reserves and the money that they can lay their hands upon, are now wielding more control and influence than is contemplated by this Federal reserve board. They are exercising this control and exerting this influence in secret and often without authority of law. While, on the other hand, this Federal reserve board, restrained by the strong grasp of public opinion and sanctioned by law, will use its power and its control to mobilize these reserves, to equitably distribute the financial benefit throughout the different sections of the country for the use and benefit of the American people.

I will now briefly discuss the second and third important features of this bill, and, as they are so intimately connected with each other, I will discuss both features together. The second important feature in this bill is the mobilization of reserves, and the third feature is the provision for an elastic currency, expanding and contracting as the exigencies of the occasion may demand.

Under existing law the national banks are required to keep 15 per cent of their total demand liabilities in reserve for the benefit of their depositors. Of this 15 per cent, 6 per cent is required to be kept in the vaults of the banks. These banks could then send to the banks of the reserve and central reserve cities 9 per cent of these reserves and receive 2 per cent interest upon the amount so deposited in the reserve bank. In the proposed bill no interest will be paid upon the amount of the reserve kept by the member banks with the regional reserve bank, but, instead, the member banks are in a way a partner of the regional reserve bank. They receive 5 per cent dividend upon the amount of stock subscribed, which dividend shall be cumulative. And in addition thereto, after the 5 per cent dividend claim shall have been met, one-half of the net earnings of the Federal reserve bank shall be placed in a surplus fund until such fund shall amount to 20 per cent of the paid-in capital of such bank. Of the remaining one-half net earnings, 60 per cent shall go to the United States Government and 40 per cent to the member banks in proportion to the average of the balance they may carry with the Federal reserve bank.

Under the present system the greater part of the reserves of the different banks find their way to New York, as that is the financial center of the United States. The banks in New York have been using these reserves and paying the country banks 2 per cent interest upon them and then lending them back, in some instances, to the same banks for 4 or 5 per cent. These New York banks also lend this money to the speculators in New York. The greater part of these reserves are used in this way. These loans are based upon demand notes and are supposed to be especially liquid. But if any great amount of these loans are called in at once they are no longer liquid, and they at once begin to depreciate, as was the case in 1907. It was the over-lending of this money in this way to the Wall Street speculators that caused the panic of 1907.

This bill provides for the mobilization of these reserves in the 12 Federal reserve banks instead of having it all concentrated in New York. Then if a condition should arise like the panic of 1907, when money was scarce and good collateral was unable to secure loans, under the provisions of this bill the banks in need of money could take their commercial paper to the Federal reserve bank and have this paper rediscounted, and if more currency was needed the Federal reserve bank could take this rediscounted paper and with the consent of the Federal reserve board have notes issued upon such collateral. A money stringency seldom lasts over 60 days; at the end of that period, or as soon as conditions assumed the normal, these notes could be turned over and canceled, the security would be returned, and thus we have an illustration of an elastic currency expanding in time of need and automatically contracting when conditions were once again normal.

In the fall of the year, when the agricultural crops begin to move, a great deal of money is required. It costs millions of dollars to move the cotton crop and other agricultural crops. It is at this time that the banks in the central and reserve cities turn loose their money by the millions to the country banks, lending them, in some instances, their own money at 5 or 6 per cent. In the spring and summer little money is required; therefore this system of expanding our currency in the fall and winter and automatically through the cancellation of these notes contracting this currency in the spring and summer will prove

of inestimable benefit to those living in agricultural regions and will release them from the grasp of the Wall Street financiers, who are now lending the money of these country banks to the gamblers of Wall Street.

There are some who are opposed to these Federal reserve banks rediscounting paper which is based upon staple agricultural products. A fine distinction has been attempted to be drawn along this line. It has been contended that rediscounting such paper will tend to speculation and an inflation of the currency. The charges are manifestly unjust. Take, for instance, the staple agricultural product of the State I have the honor in part to represent—cotton. Cotton is our greatest product. It is nonperishable, except by fire. Cotton in a bonded warehouse properly insured is worth its equivalent in gold. It is one product the sale of which brings into the United States more gold than any other product.

Now it is contended that it is all right and proper for the reserve bank to rediscount a note signed by a farmer if the money is to be used for the making of that crop; but after the cotton has been ginned and baled and taken to a bonded warehouse, that then a note—using this cotton as a basis of security—is not subject to rediscount, because the farmer or owner of the cotton is holding it for a better price, and that is a species of speculation which should be discouraged. There never was an argument seriously advanced with less real merit. It would be an injustice to the great agricultural masses of the people. The farmers in my State have never asked for any advantage over their fellow man, they have never asked for any special privilege, but they do ask and they expect to get justice at the hands of this body. The farmer sells his cotton without being given the right to place his own price upon it, yet everything he buys for his home, his farm, and his family has a fixed, determined price and is charged up to him at that price if it is bought on credit. Now the price of cotton is fixed by others, and if the farmer finds that the price of cotton at the time he has ginned is not so high as he thinks it should be, if it is not enough to compensate him for his labor and his toil, why should he be forced to sell at once or else be branded as a speculator? The cotton crop moves in the fall. There is more cotton ginned and baled in September, October, November, and December than can be used by the world in 10 months. Then why should all this cotton be forced upon the market at once? The spinners can not use and do not want all this cotton at one time. If the farmer is forced to sell as soon as he makes his cotton it will not be to the mills, but to the speculators, for the mills can not use it all during that period, and the mills will not buy actual cotton to be delivered 6 or 8 or 10 months before it can be used, for the purchaser can not find use for all that cotton as fast as it is ginned. Then it will be the farmer who is forced to sell, and the speculator who buys the cotton will hold it and reap the reward of the higher price, if the price should rise, because the world can use only so much cotton each month. Permitting these notes, backed by cotton-warehouse certificates, to be rediscounted will not necessarily mean that the price of cotton will be raised to the consumer.

It will mean that when the rise in price does come, the farmer and not the speculator will get the benefit of this rise, and the consumer pays the same, whether he pays it to the farmer or to the speculator. But if it is contended that a note based on cotton receipts, properly stored in a bonded warehouse, fully insured, backed by the credit and first assets of the bank taking this note, and reinforced by two indorsements—if it is contended that that kind of paper is not subject to rediscount by the Federal reserve bank, it will mean that the farmer will have to sell his cotton as soon as it is ginned, because he owes his merchant for money and supplies advanced to make that crop. If the bankers can not use this kind of paper for rediscount purposes, then, of course, there will be no incentive to them to loan upon this kind of security, which is to-day the very best security in the United States, and the farmer will be forced to sell at once. But the majority in this House believe that this kind of paper is good paper, that it is safe paper, that it is the best kind of paper for rediscount purposes, because the cotton itself can be sent abroad and sold for gold. There will be no inflation of the currency, because as the cotton is sold the notes will be redeemed, and the currency, if any has been issued by the reserve bank upon such notes, will be canceled as fast as these notes are redeemed.

That the passage of this bill will cause an inflation of the currency seems to dwell in the minds of some. There is no reason why this apprehension should be entertained. This currency is backed by the prime commercial paper which has been rediscounted by the Federal reserve bank. This paper has behind it the original security which moved the member bank to accept

the paper and make the loan, and, in addition thereto, this paper is further backed by two indorsements and is secured by the first assets of the member bank. Nor is this paper which has been rediscounted by the Federal reserve bank the only security for these notes. Every dollar of currency issued by the Federal reserve bank must have, in addition to this paper, behind it 33½ cents in lawful money, held in reserve by the Federal reserve bank.

Such security is too liquid and valuable to remain long tied up and the value of the security is such that the danger of an inflation is remote.

Another feature of this bill which appeals to me is that provision which permits the Government to take some of the money now lying idle in the vaults of the Treasury and place it on deposit in the Federal reserve banks. This will put more money in circulation and give the Federal reserve bank ample capital along with the deposits from the member banks to operate on, and prevent any possible tendency toward a money stringency which might arise.

If I had the time I would like to dwell upon that feature of the bill which permits national banks to make loans upon farm lands. This should have been permitted long ago, and it is a step in the right direction. The provision in this bill limiting these loans to 9 and 12 months is not long enough, and I would like to see the time of such loans extended, but it is much better than the existing conditions. I hope that in due time there will be enacted a system of rural credits which will go thoroughly into this situation and remedy all defects which now exist in this bill along this line.

Mr. Chairman, I have touched briefly upon what I believe to be the important provisions of this bill. I do not contend that this bill is a perfect measure. I would like to see it amended in some of its details. I would like to see the exchange feature amended; I would like to see a longer extension on farm loans, and there are other provisions that I would like to see amended in some of their details.

I do not suppose that there ever was a bill as important as this which in all its details suited any one Member of this House. All legislation is a matter of compromise, and while there may be a provision here and there in this bill which is objectionable to some of us, yet there has been no real currency revision for over half a century. It would be unfair to expect that at one time we can bring in a bill which will cure all the financial ills the country has been suffering with for so many years.

This bill may not cure all our financial ills, but this plan of currency reform is infinitely superior to the antiquated system now in operation throughout the United States. It is a step in the right direction. If there are imperfections in this bill, as these imperfections develop succeeding Congresses, guided by the lamp of experience, can make the proper amendments. There have been numerous substitutes offered, but none of these substitutes have, in my opinion, nor, I believe, the opinion of a great majority of the Members on both sides of the Chamber, equaled in merit the bill before us to-day. I believe that when this bill is in operation that it will create confidence and will prevent panics and financial depressions, which in the past have paralyzed industry, destroyed commerce, and left ruin, failure, and disaster in their wake. [Applause.]

Mr. POWERS. Mr. Chairman, that there can be improvements made in the present banking and currency laws of this country there is no room for honest doubt. That the country has witnessed years and years of unequaled prosperity and unparalleled progress under the present banking and currency system no well-informed man will attempt to deny. No one expects perfection in man-made laws nor in the men that make them. Our banking and currency laws can be and ought to be improved, but there is a wide difference in improving a banking and currency system that has worked reasonably well and is the result of years of study and experience, and substituting therefor an entirely new system, doubtful in wisdom and untried in experience. But the Democratic majority here seems to feel that it has been divinely chosen by a minority of the electorate of this great country to make a noisy assault with an ostensible intent to change all things done by the Republicans, leaving them the while, however, in the main but little changed, but nevertheless proclaiming that little altered legislation as simon-pure Democracy and 24-karat fine Democratic legislation, free from the taint of Republicanism. Such is their tactics and such is their jobbery. But in the currency legislation they have swung further loose from the old system and are attempting to and will establish, in its political features at least, a new one therefor. How it will work the acid test of time alone can tell. Whether it will benefit and bless or wreck and ruin time and experience alone will reveal. The

changes wrought are so radical and far-reaching, the scope of legislation so extensive that it will be impossible for me to do anything like discuss the various provisions of the bill now under consideration. That being true I have decided to confine my remarks to but two or three of the 30 sections of the bill. Section 11 of the bill provides:

That there shall be created a Federal reserve board, which shall consist of seven members, including the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, who shall be members ex officio, and four members chosen by the President of the United States, by and with the advice and consent of the Senate. In selecting the four appointive members of the Federal reserve board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of different geographical divisions of the country. The four members of the Federal reserve board chosen by the President and confirmed as aforesaid shall devote their entire time to the business of the Federal reserve board and shall each receive an annual salary of \$10,000, together with an allowance for actual necessary traveling expenses, and the Comptroller of the Currency, as ex officio member of said Federal reserve board, shall, in addition to the salary now paid him as comptroller, receive the sum of \$5,000 annually for his services as a member of said board. Of the members thus appointed by the President not more than two shall be of the same political party, and at least one shall be a person experienced in banking. One shall be designated by the President to serve for two, one for four, one for six, and one for eight years, respectively, and thereafter each member so appointed shall serve for a term of eight years unless sooner removed for cause by the President. Of the four persons thus appointed, one shall be designated by the President as manager and one as vice manager of the Federal reserve board. The manager of the Federal reserve board, subject to the supervision of the Secretary of the Treasury and Federal reserve board, shall be the active executive officer of the Federal reserve board.

The Federal reserve board shall have power to levy semiannually upon the Federal reserve banks, in proportion to capital stock, an assessment sufficient to pay its estimated expenses for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, etc.

I will insert here as part of my remarks a little off-hand speech I made on the floor of this House the other day regarding the political complexion and power for harm of this proposed Federal reserve board. Upon that occasion I said:

Mr. Chairman, I have offered an amendment, which will be reported in due time, and if it should be enacted into law it would place the appointing of the entire seven members of this Federal reserve board in the hands of the President, and there would be no ex officio members of this board.

Not only that, but my amendment provides that not more than three members of this Federal reserve board shall be members of any one political party. In other words, it would give the Democrats three members, the Republicans three members, and the Progressive, or Bull Moose, Party one member of this board; that is, as long as the Bull Moose Party lives. [Laughter.] After it is dead, which will not be long hence, that one member could be transferred to the Prohibition Party or some other political organization. [Applause.]

The argument has been made on the floor of this House that there is no danger of this board becoming a political machine; that it will be appointed mostly—a part of it—by the President of this great country; that the limelight of publicity will be upon the actions of this Federal reserve board, and for that reason its members can not afford to let politics enter at all into the transactions or doings of this particular Federal reserve board.

Why, politics has entered into the transactions of every President who has been in the White House. There never has been one there yet that has not attempted to serve his party, and there never will be one that will not attempt to serve the political party that put him in power. There is no politics in the official duties rendered by the postmasters anywhere over this great country, and yet for years the incoming administrations have turned out of office all the postmasters all over the country differing from them politically and have put men in office of their own political persuasions.

It is true, of course, that a good deal of that pernicious habit has been remedied by the Civil Service Commission and the laws that govern it; but at every opportunity which President Taft and President Roosevelt had, they put into office postmasters of their own persuasion, and the present President exercises every opportunity that he has to put his friends in office as postmasters. There is no politics in the performance of duty by the postmasters in this country. Now, if politics enters into the appointing of postmasters all over this land, when postmasters have no political duties to perform, what do you suppose will enter into the appointment of this board and into the actions of this board—a board that has control of the national banks all over this great country? You say there will be no politics in it. You put up the plea that it is going to be nonpartisan and nonpolitical; and yet, making that plea, you put on this board the Secretary of Agriculture, in accord with the administration of course, the Comptroller of the Currency, in accord with the administration of course, and the Secretary of the Treasury, in accord with the administration of course, and it will be in accord with the administration if the Republicans come into power. Then you provide that the four remaining members to be appointed by the President shall not belong to the same political organization. What is the use of that? What is the use of having that provision in the law, after you provide that the three members shall virtually be of the same political party? What is the use of dividing the four remaining members? Of what service can they be? Will that render it nonpolitical? Why, gentlemen, these two members who are Republicans, or whoever they may be—of a different political persuasion from the other two—will have nothing more to do in shaping the action of this Federal reserve board than the Republican members on the tariff conference committee are now having to do with the shaping of that measure. [Applause.]

Section 1 provides that the continental United States shall be divided into at least 12 Federal reserve districts; that there shall be a Federal reserve bank; and that every national bank located within a given district shall be required by the Federal reserve board, appointed by the President, to subscribe to the capital stock of the Federal reserve bank in that district a sum

equal to 20 per cent of the capital stock of such national bank; that one-fourth of this subscription shall be paid in cash, another one-fourth in 60 days, and the other one-half shall be paid upon call; and if any national bank should fail to heed this gentle and persuasive "call," the Federal reserve board has the power to put it out of business as a national bank.

Section 1 provides in part that—

Every national bank located within a given district shall be required to subscribe to the capital stock of the Federal reserve bank of that district a sum equal to 20 per cent of the capital stock of such national bank fully paid in and unimpaired, one-fourth of such subscription to be paid in cash and one-fourth within 60 days after said subscription is made. The remainder of the subscription or any part thereof shall become a liability of the member bank, subject to call and payment thereof whenever necessary to meet the obligations of the Federal reserve bank under such terms and in accordance with such regulations as the board of directors of said Federal reserve bank may prescribe.

While section 8 provides:

That any national banking association heretofore organized may upon application at any time within one year after the passage of this act, and with the approval of the Comptroller of the Currency, be granted, as herein provided, all the rights, and be subject to all the liabilities, of national banking associations organized subsequent to the passage of this act: *Provided*, That such application on the part of such associations shall be authorized by the consent in writing of stockholders owning not less than a majority of the capital stock of the association. Any national banking association now organized which shall not, within one year after the passage of this act, become a national banking association under the provisions hereinbefore stated, or which shall fail to comply with any of the provisions of this act applicable thereto, shall be dissolved; but such dissolution shall not take away or impair any remedy against such corporation, its stockholders or officers, for any liability or penalty which shall have previously been incurred.

The fifth amendment to the Constitution of the United States provides in part that "no person shall be deprived of life, liberty, or property without due process of law; nor shall private property be taken for public use without just compensation." The fourteenth amendment to the Constitution of the United States in part provides that "no State shall deprive any person of life, liberty, or property without due process of law." The fifth amendment is an inhibition upon the Federal Government; the fourteenth amendment an inhibition upon the States.

The one prohibits the Federal Government from depriving anyone of his property without due process of law and without just compensation; the other amendment prohibits the States, or any one of them, from doing a like act. The language in the fifth amendment is as broad, as absolute, and as inclusive as the language in the fourteenth amendment, and the Supreme Court of the United States so held in the case of *Twining v. New Jersey* (211 U. S., 101) and in other cases. The court in the above-cited case said:

If any different meaning of the same words as they are used in the fourteenth amendment (and the fifth amendment) can be conceived, none yet has appeared in judicial decisions.

So we start out with the proposition that the fifth amendment to the Constitution of the United States is as broad and as comprehensive as the fourteenth amendment.

CONSTITUTIONALITY OF CURRENCY BILL.

Now, the question is whether section 1 and section 8 of the currency bill, which I have quoted, are in violation of the fifth amendment of the Constitution of the United States, to which I have made reference.

I do not claim to be a constitutional lawyer—I have but a mere smattering knowledge of the provisions of that great instrument—nor am I appearing as a special pleader for the national banks. I do not own a dollar's worth of stock in any bank in the world, State or national. I do know, however, that if this bill became a law in its present form and if later it should be held unconstitutional by the Supreme Court of the United States, in that event harm and disaster in the form of a great financial disturbance will be inevitable, with a consequent injury to every constituent of every Member here. I know that in this day and age there are those who have but little respect for the Constitution of this great country; those who boldly assert that it has outgrown its usefulness, that it is antiquated, and so on and so forth; but that is not the judgment of the sober-minded, level-headed people of this country.

Is the bill before us constitutional? Is it lawful to force the national banks to subscribe 20 per cent of their capital stock and 5 per cent of their deposits to a fund to be used as the working capital of the reserve banks? Is this depriving the banks of their property without due process of law? Is it the taking of private property for public use without just compensation? Or did Congress, in passing the banking and currency act of 1864 and other banking and currency acts, reserve to itself the power to forfeit the charters of the national banks at its pleasure or to alter or amend them at its will?

CONGRESS CAN FORFEIT THE CHARTERS.

However unjust and unfair to the national banks it would be, I concede that Congress has the power, if it chose to exercise

it, to forfeit the charters of all the national banks in this country. I concede also that Congress has the power to alter and amend, within a just scope, the charters of the national banks of this country. But I deny that Congress has the power, under the guise of amendment, to take from the national banks their property or any of their substantial property rights. In the case of *Shields v. Ohio* (95 U. S., 324) the Supreme Court, speaking through Justice Strong, said:

The power of alteration and amendment is not without limit. The alteration must be reasonable. They must be made in good faith and be consistent with the object and scope of the act of incorporation. Sheer oppression and wrong can not be inflicted under the guise of amendment or alteration.

While it is in the power of Congress to forfeit the charters of the national banks, this Glass-Owen currency bill does not do that. It does not forfeit the charters of the national banks. It keeps them in existence. It only threatens to forfeit them in the event they do not come across with their money to help put the reserve banks on their feet. They are given one year to make up their minds about it, and if they do not put up the money within that time they "shall be dissolved" is the language of the bill. In other words they are commanded by this bill in the language of the highwayman, "Give up your money or die."

Congress has the power to forfeit the charters of the banks, but it has not got the power to keep them in existence and at the same time rob them of their rights under this charter. Justice Strong, in the case to which I have made reference, in Ninety-fifth United States Reports, says:

I agree, therefore, that the legislature reserved the power to repeal, alter, or amend the charter, but I deny that under this reserve power it was competent for the legislature to take away the right given to the company, while at the same time continuing the company in existence subject to all the duties imposed upon it.

This Glass-Owen currency bill has not taken away the charters of the national banks. It continues them in existence. It seeks to take away their rights under their charters, and if they fail to surrender those rights it threatens them with death by "dissolution." It says they shall die if they refuse to give up their money. I have heard of burglars and highwaymen calling upon their victims to surrender their purse or give up their life, but it remains for a Democratic administration to legalize, or at least try to legalize, such methods of highwaymanism, brigandage, pillage, and plunder. In this the Democratic administration will not succeed. Unless this bill is amended so as to relieve it of its plunder provisions, the Supreme Court of the United States will declare it unconstitutional. Private property can not be taken in this way. Private property can be taken by only three methods: First, by the exercise of the right of eminent domain; second, by the taxing power; third, by the police power. Private property can be condemned under certain conditions for the use of the public. Property can be taken for taxes. It can be taken in the shape of fines and forfeitures in enforcing the criminal and penal laws of the country. With these exceptions, no impious hands can legally be laid upon your property or mine. The Government of the United States, except in the cases to which I have referred, has no more power to take your property or mine than the humblest citizen in the land.

The Glass-Owen currency bill does not seek to take the property of the national banks in any one of these three ways.

The national banks in the United States have about \$1,000,000,000 of capital and \$8,000,000,000 of deposits. Twenty per cent of the capital, the amount they are required to subscribe by the Glass-Owen bill, would amount to \$100,000,000, while 5 per cent of the deposits would amount to \$400,000,000. In other words, the national banks are required to subscribe \$500,000,000 of the money which is to constitute the working capital of the reserve banks. The national banks are not allowed to draw any interest on this money. They can not draw on it; under no circumstances can they use it. All this this Democratic Congress proposes to do in the face of the fifth amendment, which says that no person shall be deprived of his property without due process of law, as well as in the face of the other equally binding declaration that private property shall not be taken for public use without just compensation. The proponents of this bill, of course, maintain that the banks are compensated; that they get due return for all the loss they will sustain; that they, along with the rest of the country generally, will be benefited. If that be true, the banks would gladly do the things required of them in this bill without putting them to death in the event they do not. Your actions belie your words, gentlemen, when you make such a statement.

POWERS OF FEDERAL RESERVE BOARD.

The next question to which I want to call your attention is the powers given the Federal reserve board by the bill. As

enumerated by an influential Member of this House the other day, they are as follows:

1. To readjust Federal reserve districts created by the reserve bank organization committee.
2. To create new and additional districts to those created by the reserve bank organization committee.
3. To prescribe regulations for establishing branch offices of Federal reserve banks.
4. To designate the three directors of the Federal reserve bank specified in this act as class C.
5. To remove any director of class B in any Federal reserve bank.
6. To designate the chairman of the board of directors of Federal reserve bank.
7. To prescribe regulations for maintenance of local office of Federal reserve board on premises of Federal reserve bank.
8. To designate the Federal reserve agent.
9. To require and receive reports of Federal reserve agents.
10. To fix compensation of Federal reserve agents.
11. To review proceedings of boards of directors of Federal reserve banks fixing compensation of themselves.
12. To remove chairman of board of directors of Federal reserve bank at pleasure and without notice.
13. To prescribe rules and regulations for permitting State banks and trust companies to become members of Federal reserve bank.
14. To pass upon applications of State banks and trust companies to become members of Federal reserve bank.
15. To establish by-laws governing applications of State banks for membership.
16. To require surrender of stock of State banking association or trust company upon receipt from Federal reserve bank of cash-paid subscription.
17. To require Federal reserve bank upon notice to suspend State banking association or trust company and make payment to suspended member for its stock.
18. To levy semiannual assessments on Federal reserve banks for expenses.
19. To examine accounts, books, and affairs of each Federal reserve bank.
20. To require such statements and reports of Federal reserve banks as it may deem necessary.
21. To permit rediscount by Federal reserve banks of paper of other Federal reserve banks.
22. To compel Federal reserve banks to rediscount paper of other Federal reserve banks.
23. To suspend reserve requirements for not more than 30 days.
24. To renew suspensions of reserve requirements for periods of not more than 15 days.
25. To establish a graduated tax upon the amounts by which reserve requirements of act may be permitted to fall below level provided for in act.
26. To supervise and regulate the issue and retirement of Federal reserve notes and to prescribe the form and tenor of such notes.
27. To add to number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements of this act.
28. To reclassify existing reserve and central reserve cities and to designate the banks therein as country banks at its discretion.
29. To suspend officials of Federal reserve banks.
30. To remove officials of Federal reserve banks for incompetency, fraud, or deceit.
31. To require writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.
32. To suspend for cause relating to violation of any of the provisions of this act the operations of any Federal reserve bank.
33. To appoint a receiver for any Federal reserve bank for cause relating to violation of provisions of this act.
34. To determine or define the character of paper eligible for discount.
35. To fix the amount which cash reserve of Federal reserve bank must exceed outstanding demand liabilities to permit discount of paper for member banks.
36. To prescribe rules and regulations governing the purchase and sale in the open market by Federal reserve banks of bankers' bills and bills of exchange.
37. To review rates of discount fixed by Federal reserve banks.
38. To grant or refuse applications of Federal reserve banks to open and maintain banking accounts in foreign countries and establish agencies there for the purpose of purchasing, selling, and collecting foreign bills of exchange.
39. To approve apportionment made by Secretary of Treasury of Government funds deposited in Federal reserve banks.
40. To charge interest on Government deposits at joint discretion of Federal reserve board and Secretary of Treasury.
41. To issue Federal reserve notes.
42. To call upon Federal reserve banks at any time for additional security for Federal reserve notes issued to them.
43. To assign letter or serial number to Federal reserve bank for notes issued to it.
44. To require in its discretion Federal reserve banks to maintain on deposit in the Treasury of the United States a sum in gold equal to 5 per cent of notes issued to them.
45. To grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes.
46. To establish rate of interest to be paid on Federal reserve notes.
47. To prescribe regulations governing substitution of collateral security for the protection of Federal reserve notes.
48. To make and promulgate from time to time regulations governing the transfer of funds at par among Federal reserve banks.
49. To exercise at its discretion the functions of a clearing house for Federal reserve banks.
50. To designate a Federal reserve bank to act as clearing house for Federal reserve banks.
51. To require each Federal reserve bank to exercise functions of clearing house for its shareholding banks.
52. To prescribe period within which and regulations under which national bank notes remaining outstanding after 20 years from the passage of this act may be recalled and redeemed by national banking associations.
53. To require Federal reserve banks to maintain lawful reserve.
54. To appoint receivers for Federal reserve banks failing to maintain lawful reserve.
55. To require examination of affairs of national banking associations as often as it deems necessary.
56. To determine salaries to be received by bank examiners.

57. To assess expenses of bank examinations upon associations examined.
58. To require examinations of national banking associations in reserve cities.
59. To require examinations of Federal reserve banks.
60. To add to the list of cities from time to time in which national banks shall not be permitted to make loans secured upon real estate.
61. To exempt savings departments of national banking associations from any and every restriction upon classes or kinds of business governing national banks.
62. To prescribe rules and regulations governing savings departments of national banks.
63. To make and publish lists of securities, paper, bonds, and other forms of investment which savings departments of national banks shall be authorized to buy, it not being necessary that said lists be uniform throughout the United States.
64. To prescribe conditions and circumstances under which national banking associations capitalized at a million dollars or more may establish branches in foreign countries.
65. To approve or reject applications of national banks to establish foreign branches.
66. To perform the duties, functions, or services specified or implied in this act.

These are the express powers. What the implied powers are Heaven alone knows. At no time in the history of this country has any such power ever been given over the national banks of the land. At no time in the history of the oldest national bank on American soil has there ever been such a bold and brazen attempt made to browbeat them by Federal enactment into becoming servient tools of a great political organization. "You scratch my back if you want me to scratch yours," says the Federal Government, spokesman for the Democratic Party, to the national banks of the country. It says much more than that. It says, "Do our bidding or die."

We hear much of Jeffersonian and Jacksonian Democracy. Often the teachings and preachings of these great men are rolled as sweet morsels on the tongue and under the tongue of the faithful—the latter-day saints of simon-pure Democracy. But in their banking and currency bill they are flying in the face of the teachings of Andrew Jackson.

When he was President he read a report to his Cabinet, in September, 1833, in which he said:

The bank is thus converted into a vast electioneering engine, which means to embroil the country in deadly feuds and, under cover of expenditures in themselves improper, extend its corruption through all the ramifications of society. It is the desire of the President that the control of the banks and the currency shall, as far as possible, be entirely separated from the political power of the country, as well as wrested from an institution which has already attempted to subject the Government to its will.

These are the words of Andrew Jackson. They were spoken with reference to the power given the national banks at that time; but this power, compared with the power that the Glass bill proposes to confer upon the Federal reserve board, amounts virtually to no power at all. And President Jackson, in his farewell address, speaking again with reference to the power of the national banks in his day, said:

In the hands of this formidable power thus perfectly organized was also placed unlimited dominion over the amount of the circulating medium, giving it the power to regulate the value of property and the fruits of labor in every quarter of the Union and to bestow prosperity or bring ruin upon any city or section of the country as might best comport with its own interest or policy.

And yet how weak, feeble, and puerile the power of the national banks at that time compared with the gigantic power of the Federal reserve board under the provisions of this bill.

The sponsors of this Glass-Owen bill contend that they are putting the banks under governmental control. But instead of placing the banks under governmental control they are putting them under political control. They are putting them under the control of a political board, at least five of whose seven members, in this instance, will be Democrats—Democrats, at least, distinguished for party service. Under their control will be put the 7,400 national and the 20,000 State banks and trust companies of this country.

These banks and trust companies have an aggregate deposit of \$18,000,000,000. The Federal reserve board will have the power to compel these banks, or the banks have the right to get power from the Federal reserve board, to issue and distribute an unlimited amount of paper money to such sections of this country as the Federal reserve board may see fit and to deprive such other sections of this country as they see fit of the privilege of getting and using such paper money.

This Federal reserve board, composed of seven members, five of whom are to be Democrats, will have it in their power to have issued and distributed to the Democratic sections of this Union an unlimited amount of paper money and to deny such right to the Republican sections of this great country.

I am opposed to this partisan, unjust, and unfair bill, and I shall vote against it from the beginning to the end of its unholy passage.

Mr. HAYES. Mr. Chairman, I now yield 45 minutes to the gentleman from New York [Mr. PLATT].

Mr. PLATT. Mr. Chairman, I hardly expected to come in so soon after the gentleman with whom I so violently agree and disagree, the gentleman from Georgia [Mr. HARDWICK], but I want to congratulate the gentleman on his loyalty to his party in spite of his opposition to the bill. I am afraid I shall have to disagree in part with some things that have been said by some of my colleagues on this side of the House in regard to the long-continued secret-caucus process to which this bill has been subjected. If I belonged to a party which included so many men who believe in fiat money, in coining cucumbers and corn tassels, in chasing bogie men, and in other forms of idiocy, I should be in favor of getting the bunch together in secret caucus and in administering chloroform and discipline, too. And, furthermore, in spite of the fact that I have been roasting here in Washington all summer waiting for an opportunity to do some work with the members of the Banking and Currency Committee, I feel like congratulating the gentleman from Virginia upon the success of the chloroform and discipline which he has administered.

On the 23d of June the President of the United States came into this House and delivered a message on the currency question, which, boiled down and stripped of its rhetorical setting, was, in substance, as follows:

This tariff bill, which you are about to pass in fulfillment of the pledges of the Democratic platform, is likely to cause trouble, and therefore it is necessary to pass as soon as possible a currency bill to relieve the situation.

In pursuance of the recommendations of that message we are now considering a currency bill.

Mr. Chairman, I congratulate the gentleman from Virginia [Mr. GLASS] and the Democratic majority in this House on having annexed so much of the Hon. Nelson W. Aldrich. This banking and currency bill before us is none other than the much-discussed "Aldrich plan" in disguise, so disguised as to make it seem to harmonize with the Democratic platform and with the financial ideas of the distinguished Secretary of State, who has won his present exalted position by being always wrong on all currency questions that have come before the people up to this time. The disguise is pretty thin in some places, a sort of X-ray disguise, so thin that you can see right through it to the motive back of it without spectacles. Thus what are really in effect bank notes "purport on their faces" to be greenbacks; that was the language of the bill as it was first introduced, but "purport on their faces" was a little too much of a joke and was stricken out. In its place we find the statement that "the said notes shall be the obligations of the United States"; yet they are in fact made the obligations of the Federal reserve banks, which are required to keep a reserve of 33½ per cent against them and to mortgage all their assets for their security. The explanation of this contradiction lies in the fact that the Democratic platform and Mr. Bryan have declared that "all money must be issued by the Government," and Mr. Bryan regards bank notes as money.

The Democratic platform and Mr. Bryan also declared in no uncertain tones against a central bank and against the Aldrich plan, yet this bill creates a central bank just the same. You can not see it easily—it is disguised so as to fool the good people who believe in Mr. Bryan and in the Democratic platform—but it is there just the same. The central reserve association of the Aldrich plan has been split up into not less than 12 regional or Federal reserve banks in order to get votes and to disguise the fact that their main features are borrowed from a wicked Republican measure; but, horrible as it may seem, the central bank peeps through the cracks, the spaces made by splitting up the central reserve bank into regional banks. It is a Government-controlled central bank, to be sure, and confined to the rediscounting of notes and the issue of paper currency, but no less a central bank—a bank within or behind a group of banks.

A careful comparison of this bill with the bill introduced by the National Monetary Commission—the Aldrich commission—will show that more than half of the former is taken from the latter. All the main outline ideas of the bill come from the Aldrich plan—the idea of organizing for the pooling of reserves, to be available for aiding individual banks through rediscounting their short-time commercial paper; the idea of obtaining capital for the banker's bank or banks by subscriptions from the national banks themselves; the 20 per cent subscription idea, with 10 per cent to be paid in and the other 10 per cent to be subject to call; the idea of having the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency serve as an organization committee and also serve on the board of control—all these and many minor ideas are borrowed from the Aldrich plan.

This bill obtains much of its strength and some of its weakness from the Aldrich plan. Some ideas that were good if applied to a single central reserve association are sources of

weakness as applied to a series of comparatively small Federal banks, with a capital no greater than \$5,000,000. Doubtless \$5,000,000 looks like a good deal to many of us. It did to me until I reflected that there are in every one of the large cities of the United States single buildings that are worth as much or more than that, and in some cities a great many such buildings. Now, a \$5,000,000 institution in a city which has a revenue from taxation of \$150,000,000 would not seem like a very large or a very imposing or even a very substantial institution. In such a city many business firms and corporations, and doubtless some banks, would have far larger capital than the minimum capital of the Federal reserve bank. I do not suppose there will be more than one Federal reserve bank in the city of New York and the surrounding metropolitan district, but under the terms of this bill there might be three or four of them there, as the capital of the national banks alone of the city of New York is about \$120,000,000. You would need to add only a few of the great State banks to bring it up to \$150,000,000. Even one Federal reserve bank with a capital of \$15,000,000 in New York City would be overtopped by five national banks of the great city, and a \$20,000,000 Federal reserve bank would be overtopped by three of them.

This points to one of the weaknesses of this adaptation of the Aldrich plan to the Democratic platform. It was all well and good to obtain capital for a central reserve association by subscription from member banks, with the provision that increases or decreases should be in proportion to increases or decreases of capitalization of member banks, but with the central reserve association split up into not less than 12 Federal reserve banks this plan of raising capital becomes a source of weakness.

The failure of a member bank decreases automatically the capital of the Federal reserve bank of the district and might impair its capital just when its assistance would be most needed. The National City and the Bank of Commerce of New York City alone will own \$5,000,000 of the capital in the New York City Federal reserve bank, or one-third of it, supposing that the Federal reserve bank will have \$15,000,000 of capital, or one-fourth if a \$20,000,000 capital. Now, what would happen to the Federal reserve bank of New York if those two national banks should fail? Perhaps you will say they can not fail. Well, then, they are safer banks to-day in which to keep country reserves than the New York Federal reserve bank will be. What would happen if one of them should fail? Would the Federal reserve bank be able to extend any help to the other banks of the city? It would not; and its inability to help would cause other failures and the suspension of specie payments in New York and probably all over the country. There are at least 10 other banks in New York whose failure would cause serious embarrassment to a local Federal reserve bank in that city.

Now, let us look at this weakness of the split-up Aldrich plan in another light. The New York City national banks combined have a capital of \$120,200,000 and the banks of New York State a capital of \$171,600,000. Add the capital of the New England banks, \$105,776,000, and you have \$277,376,000, or about one-fourth of the capitalization of the banks of the whole United States. Add the capitalization of the banks of Pennsylvania, \$118,034,000, and you have \$395,410,000, or considerably more than one-third of the capitalization of the whole United States. Your Federal reserve banks in New York, New England, and Pennsylvania then will have a capitalization of \$39,541,000, out of a total of about \$105,000,000, without counting any State bank or trust company capitalization. Call it \$40,000,000 for convenience of figuring, or \$45,000,000 with New Jersey, Delaware, Maryland, and the District of Columbia figured in. Now, you have only \$60,000,000 left for all the rest of the country. Suppose three Federal reserve banks to be organized for this territory and nine for the rest of the country. Those nine would have an average capital of less than \$7,000,000 each, and as the Chicago Federal reserve bank would certainly have a capital of \$15,000,000 all the others would be held down pretty close to the minimum; there would be scarcely \$6,000,000 left for each of them, and as St. Louis, a central reserve city, would probably have a bank of \$10,000,000, most of the rest would be \$5,000,000 banks and of no great strength.

In all probability neither the banks nor the people would have any great confidence in these numerous reserve banks—at least not until they had demonstrated their soundness and usefulness. If even a small number of the national banks in some of these districts should elect to take out State charters, and if none of the State banks should choose to come in, some of the districts could not organize Federal reserve banks at all.

All that were organized would be greatly overtopped by the Federal reserve bank in New York City; and in case of a seri-

ous financial disturbance we should probably have a recurrence of the breakdown of the check-collection machinery that we saw in 1907, for each individual Federal reserve bank would be under the same inducements to strengthen its own reserves at the expense of the Federal reserve banks of other districts, as the individual, national, and State banks have to-day in a crisis. In the end there might even be a resort to the great clearing-house associations for help, and clearing-house certificates might have to be issued despite the prohibition on page 36, line 7.

It will be noted that the bill provides that not less than 12 Federal reserve districts shall be created. There may be as many more as can obtain a capital of \$5,000,000, the apparent purpose being to create as many as possible of these Federal reserve banks and make them as small and as weak as possible. It has been stated that Mr. Bryan wanted to create as many as 50 of them and that a well-known Senator wanted one for every State.

The effort in this bill to compel national banks to contribute to the capital of the Federal reserve banks follows as a necessary corollary to the effort to organize as many as possible of the reserve banks. The Aldrich plan provided for voluntary subscriptions from the banks, as, obviously, sufficient capital could be obtained in that way to start a single strong central reserve association; but without compulsion certainly sufficient capital can not possibly be obtained for 12 or more Federal reserve banks. I believe this effort at compulsion is, nevertheless, one of the most inexcusable and most dangerous features of the bill. It may disrupt our national banking system and is, in my judgment, entirely unnecessary to the carrying out of the general scheme of the bill. Enough capital to organize two or three strong Federal reserve banks can undoubtedly be obtained without compulsion, and the system would develop naturally and gradually without the compulsory feature and without the provision for not less than 12.

The framers of the bill seem to think that if they take out the "not less than 12" provision the result will be a single central bank, because bankers generally favor that plan. I think they have not reckoned upon the force of local pride and enterprise. Certainly each of the present central reserve cities will want a Federal reserve bank. San Francisco and other large centers will not be far behind in their demands if they can raise the capital. Doubtless there is some politics in the plan of having not less than 12. It is expected to obtain votes and local favor, and the same force would operate to create more than one bank by voluntary subscriptions. It would furthermore be easy to insert a provision that there should be not less than 4.

I believe the single reserve association provided for in the Aldrich plan would be very much superior to the plan of this bill, but I should have no serious objection to a division of the country into five or six Federal reserve districts. In fact, the latter plan has some advantages, especially in facilitating the redemption or recall of Federal reserve notes or currency issued. I regard the provision on page 31 that no Federal reserve bank can pay out the Federal reserve notes of another Federal reserve bank as one of the most valuable features in the bill. It is, of course, borrowed from the Canadian banking system, and should work to produce real elasticity in the issues of Federal reserve notes, if such issues ever amount to anything. It would be difficult, if not impossible, to arrange such a system with a single central reserve association with branches, and the scheme of taxing the issues provided in the Aldrich plan, borrowed from the German Reichsbank, is distinctly inferior.

On the other hand, the central association with branches would provide for more nearly uniform interest rates throughout the country, even if the rediscount rate were not fixed by law at a uniform rate. The Democratic Party, by breaking down the old United States Bank, and by persistent opposition to a really national system of banking, has condemned the South and West to the payment of much higher rates of interest than they should be paying.

Mr. CALLAWAY. Will the gentleman yield for a question?

Mr. PLATT. Yes.

Mr. CALLAWAY. The gentleman spoke of the Democratic Party breaking down the national banks—

Mr. PLATT. The old United States Bank.

Mr. CALLAWAY. Did not the Southwest get along all right until the Republican Party passed this banking act? We never suffered from 1836 to 1860.

Mr. PLATT. The gentleman can answer that question as well as I can.

Mr. CALLAWAY. But have not I answered it better?

Mr. PLATT. That is for the gentleman to judge, or the House. I shall have a further answer later.

We have really no national banking system in this country. Our national banks are local institutions. Doubtless there are great advantages in our free banking plan, as it has been called, as there are also great disadvantages, particularly for rapidly developing sections like the West and South. We have no safe, easy means of loaning the money which accumulates in the reservoirs of capital in the East, where it is often most in demand in the West and South, as Canada has.

I was very much surprised to find that a small country bank in my district, a bank with only \$25,000 capital, located in a little village of about 2,000 people, was loaning a considerable part of its deposits to cotton planters in the South. This bank, like many other country banks in the long-settled portions of the country, has much larger deposits than it can possibly loan at home. It is making its loans to cotton planters, however, not directly, but through middlemen; that is, by purchasing guaranteed notes through note brokers and guaranty associations, who, of course, make a profit. The cotton planters pay 7 per cent or 8 per cent for their money, and the bank gets 6 per cent. Inasmuch as considerable of the money in my district is still loaned at 5 per cent, the transactions are profitable to the bank, but if we had some safe way of loaning directly in the West or South the borrowers would pay a lower rate through elimination of the middleman.

If you should go through North Dakota or Montana, you would find people paying 8 per cent on perfectly well secured notes, though right over the border in Canada people are borrowing at 6 and 7 per cent from the great Canadian banks.

The Bank of Montreal, the Dominion Bank, the Canadian Bank of Commerce, and other Canadian banks collect the money which accumulates in the East and loan it through their own branches where their greatest demand for it is in the West, and the differences in rate between Montreal and Manitoba or Saskatchewan are, I am told, seldom more than 1 per cent.

Mr. WINGO. Would it disturb my friend for me to ask him a question?

Mr. PLATT. Not at all.

Mr. WINGO. The gentleman mentioned a few moments ago that he was surprised to learn that a small bank in a small village in his State was loaning its deposits indirectly to the cotton planters of the South. Has the gentleman any data to show the size of the notes which this bank handles?

Mr. PLATT. No; I have not. That is something—

Mr. WINGO. They were to the large cotton planters, were they not?

Mr. PLATT. I suppose they were, because they came from guaranty associations that would not be likely to guarantee notes unless they were the notes of large planters.

Mr. WINGO. What per cent did they get?

Mr. PLATT. The bank got 6 per cent.

Mr. WINGO. Has the gentleman in his experience found any banks in New York State that loan to the small farmers of the South at 7 per cent?

Mr. PLATT. Directly?

Mr. WINGO. Directly or indirectly.

Mr. PLATT. Not excepting in that once instance, in which I understood the cotton planters paid 7 per cent. They may have paid more. I do not know exactly what the rate of interest was.

Mr. WINGO. That is the extent, is it, of the gentleman's information as to the rate of interest that the small farmers of the South pay?

Mr. PLATT. I think they were large farmers.

Mr. WINGO. They were land notes, were they not?

Mr. PLATT. They were loans that were made on the cotton crop. They purchased the notes in the early spring, and they were paid off in the fall, I think in November.

Mr. WINGO. The gentleman will recognize that there is quite a difference between the problem that confronts the small farmer who makes only 8 or 10 bales of cotton a year and the large plantation that produces 10,000 bales. The gentleman recognizes the difference that confronts them, does he not?

Mr. PLATT. Yes; and those conditions ought to be taken care of by local associations, something of the kind that was spoken of by the gentleman from Indiana [Mr. Moss] last night. There should be farm credit associations all over this country that would loan directly to the farmers and that would have control, so that they would know that they are loaning safely. There are something like 50 granges in my district, where the farmers are largely dairymen. They all know each other and they know what every man is worth, but for some reason or other they have not formed such a credit association yet. They are talking about it, but so far they have not got busy.

Our individual banking system, with its multitude of small local units, is better for the East, which gets a very low rate, but unfortunate for the West and South, where the rates are sometimes double those that prevail in New England and New York. The banks in most eastern cities, small and large, at times have deposits much larger than are needed at home, and this is particularly true of the country banks in neighborhoods that are attractive as places of residence, as in my district. Nearly all such eastern banks invest their funds largely in bonds, railroad bonds, municipal bonds, State bonds, and so forth. This they do partly to obtain liquid assets, to be considered a secondary reserve, and bankers in my district have told me that they consider it good banking to invest about one-third of their deposits in bonds; but as these bonds never yield more than 5 per cent, and often do not yield as much as 4 per cent, such investments would not be made if there were a steady demand for their funds on the security of good commercial paper at home. Of course they purchase such commercial paper as comes into the market from time to time through the note brokers, but here again the middle man intervenes and gets part of the profit.

In my own city, a city of about 30,000 inhabitants, the deposits in the banks—four national banks, a trust company, and a savings bank—amount to about \$25,000,000, the savings bank alone having on deposit about \$15,000,000. Naturally no such enormous sum can be profitably employed at home and the savings bank has made a great many of its loans in New York City on mortgages bearing as low as 4 per cent interest. Our national banks all have large investments in bonds.

I might say that their statements show that nearly all of them have their capital and surplus invested in bonds. The average bank of this kind, when it wants help, does not take commercial notes for rediscount, but the method is to take some bonds down to New York and get money on collateral in that way at a low rate of interest. The same thing is true of a great many other eastern communities, and the most notable example I know of is to be found within 75 miles of Washington, at the little city of Frederick, Md., a city of scarcely over 12,000 people. One of the four national banks in that city, a bank with a capital of \$100,000, has deposits amounting to \$3,300,000 and owns bonds to the amount of \$1,300,000.

Now, the point I am getting at is that if President Andrew Jackson and the Democrats of his day had been wise enough to know how to reform the old United States bank, instead of destroying it, even if they had not been willing to give it national competition by allowing the great eastern banks to establish branches in other States, much of this wealth that accumulates in eastern centers could easily and naturally be spread throughout the country, without the intervention of middlemen, at lower rates than those which have prevailed and are now prevailing throughout the West and South.

I think there are some valid objections to the provision in the Aldrich plan for uniform rediscount rates, regardless of local conditions, but they are objections which appeal more to the student of banking than to the people at large, and I should think the Democratic Party would have pretty hard work defending them among people who are paying from 8 to 10 per cent on good paper. Even without the legal provision that the rediscounting rates should be uniform, a single central reserve bank or association would undoubtedly automatically operate toward greater uniformity and toward lower rates for the West and South than can possibly be the case with the scheme provided in this bill of not less than 12 Federal reserve banks.

Mr. HARDY. Mr. Chairman, will the gentleman submit to one question?

The CHAIRMAN. Does the gentleman yield?

Mr. PLATT. Yes.

Mr. HARDY. If this central and branch bank system is so clearly the right thing, why in the world has not the Republican Party put that system into operation during the 60 years of its reign?

Mr. PLATT. I will say to the gentleman that the same prejudices that built up the opposition in the Democratic Party have prevailed to a certain extent in the Republican Party and have only recently been cleared away a little.

Mr. HARDY. The gentleman thinks his party is tarred with the same feather?

Mr. PLATT. I think if the people understood that you could go over to Canada and borrow money for 2 per cent less than it can be had on this side of the line they would know that there is something wrong about the present system. It is because now you can not spread the capital that accumulates in the East over the West safely.

Mr. HARDY. I understood the gentleman to criticize the Democratic Party for not providing a remedy for the conditions

he speaks of, and yet there has been a delay of 60 years under the Republican administration to bring about these reforms.

Mr. PLATT. Really the Republicans led to the views expressed in the bill that is before us.

NOTE ISSUES.

I have said that the currency provided for in this bill is really bank currency, though on its face it appears to be United States Government currency. I have also said that the Federal reserve board, which is to issue it through and to the banks, has been constituted practically a central bank of issue under Government control. You will notice on page 32, lines 7 to 10, that the Federal reserve board is given discretion with regard to the issues of Federal reserve notes to applying Federal reserve banks, and you will also notice on the same page that the Federal reserve board or the local Federal reserve agent is authorized to charge "such rate of interest on said amount as may be established by the Federal reserve board, which rate shall not be less than one-half of 1 per cent per annum."

This, of course, is said to be merely the equivalent of the present tax of one-half of 1 per cent upon bank notes, but it is not called a tax but a "rate of interest," and may be fixed at any point above one-half of 1 per cent which the board shall determine. The word "interest" is apparently used with malice prepense. In other words, the board is given full powers of a bank except the receiving of deposits. It issues notes on collateral security, practically rediscounting the once rediscounted notes of the Federal reserve banks applying to it.

Now, apart from the question of the advisability of issuing these notes as Government notes, and apart from the danger of allowing them to be redeemed in lawful money—greenbacks—it is certainly a clumsy means of getting notes into circulation in response to the demand, almost as clumsy in fact as that provided in the Vreeland-Aldrich emergency currency plan, and there is clearly the possibility that politics or favoritism to some particular locality for political effect may at some time become a factor.

It may be said also that if the Government, or a board appointed by the President, is going to be given full discretionary powers of note issue on collateral security, it should also be given the right to receive deposits. In other words, the Federal reserve board might as well become in every respect a central bank with full power as to be merely a bank of issue half concealed behind the reserve banks, over which it is already given so much control as to make them little more than branches.

I agree fully with what has been said by my colleague from California about the folly of issuing these notes as Government obligations. They should be bank notes, pure and simple, dependent wholly upon good banking and a sufficient reserve for their security.

It seems to be particularly difficult, as has already been said, to make many people understand that a bank note is not money any more than a certified check is money. A bank note, like a check, is merely a promise to pay on demand. To make it read on its face as the obligation of the United States, like a greenback or a Treasury note, is to be guilty of practicing a certain amount of deception, and may lead to defeating in time to come one of the chief purposes of this bill, the establishment of an elastic currency. Checks provide an elastic currency so far as they go. They are issued when wanted, and come back to the bank for cancellation naturally when they have fulfilled their mission of transferring credit from one person to another. Bank notes ought to come back in a similar fashion after fulfilling their mission in order to be elastic. Being issued for uniform small amounts, they naturally pass through more hands than a check drawn to pay only a particular account, but they are none the less instruments of credit and not money. Nor is there any considerable increase in profit to a bank from issuing notes which regularly come back to it, as in Canada through the clearing houses, than there is from giving credit on the books of the bank upon which to draw checks or drafts. The difference in profit is mostly caused by the greater bookkeeping involved in collecting the checks and transferring the credits on the books.

In other words, the much-discussed note-issue privilege is not a privilege, as banking goes to-day, of any great value to a bank. It does not give the bank the right or privilege of controlling the money of the country, nor does it give to private individuals the right of "coning paper," as it is said by so many cranks.

UNFAIR TO COUNTRY BANKS.

This bill though improved in its sections applying to reserves is still unfair, in my opinion, to the country banks, and in spite of some efforts to create a contrary impression it is the country banks which are the real objectors to the bill rather

than the big city banks. Every Member of this House whose constituency lies in a country-bank district knows this from the letters he has received. Scarcely a single country bank can be found that is in favor of the plan. Most of them resent particularly the effort to force them to subscribe to the capital of the Federal reserve banks on pain of forfeiture of their charters, and some have declared flatly that if this provision is retained they will give up their charters as national banks and reorganize as State banks. In my own city all but one of the four national banks were formerly State banks, organized before the national banking act passed, and they are still known by the same names they took as State banks. They would lose little or nothing in prestige by going out of the national system, and two of them would lose little through the sale of the bonds they hold to secure circulation.

Mr. MURDOCK. Will the gentleman yield?

Mr. PLATT. Yes.

Mr. MURDOCK. When those four banks reorganized as national banks, did they include in their names the word "national"?

Mr. PLATT. Yes; but here is a strange thing: You will find in nearly every old town a First National Bank, and that First National Bank is generally the bank that was organized last. The first national banking act, passed in 1863, did not allow the State banks to organize with their old names, and they would not come in. They did not want to give up their old names. They thought the new system was something of an experiment. Consequently in every town a group of men got together and organized the First National Bank, which, of course, was a younger organization than any of those already in existence. So the First National Bank in my town is the last bank that was organized in that town.

In 1865 the law was amended so that State banks could come in with their old names, and the Merchants' Bank reorganized as a national bank and was called the Merchants' National Bank, and the Farmers' Bank was reorganized as the Farmers' National Bank, but in popular language the word "National" is not used except with regard to the First National Bank.

Mr. MURDOCK. In ordinary banking circles what is the advantage that a national bank has over a State bank?

Mr. PLATT. I think to-day it is very little. Of course originally, when Government bonds bore 6 or 7 per cent interest, there was quite a profit in the note circulation, but to-day, with 2 per cent bonds, there is very little. One of our banks has 3 per cent bonds, and the cashier of that bank told me: "We can get out of this system and not lose a cent on our bonds." To-day there is practically no profit in circulation, except when the needs for currency are a great deal more than any ordinary demand.

Mr. YOUNG of North Dakota. I understand the gentleman to say that he believes that most of the country banks are opposed to this measure.

Mr. PLATT. That is true in my district, and so far as I have heard in many other districts.

Mr. YOUNG of North Dakota. Does not the gentleman think that it is confined very largely to banks where the demand for money is not as great as the deposits and other resources, to banks where the deposits are very large, and where the local demand for money is not sufficient to take up or utilize all their deposits?

Mr. PLATT. I hardly think so. Of course that is true of my district and of many of the country bankers with whom I have talked. I have talked with the country bankers in parts of Maryland, more or less, and I know they feel just as our bankers do at home. I should like to ask the gentleman whether his country bankers, in his district in North Dakota, are in favor of the bill or against it?

Mr. YOUNG of North Dakota. The majority of them are in favor of it, and that leads me to believe that where the demand for money is greater than the supply, where the deposits are not sufficient to take care of the needs of the locality, the banks are in favor of this Glass measure.

Mr. PLATT. In other words, some of them have an idea that this measure is going to draw money out of New York and deposit it where they can get at it, I suppose?

Mr. YOUNG of North Dakota. No.

Mr. PLATT. I am afraid they are going to be disappointed.

Mr. LINDBERGH. The gentleman said that formerly the banks made more money on their circulation than they now do. Is it not a fact that formerly they had to pay such a high premium on the bonds that they did not like to take out circulation?

Mr. PLATT. When they first went into it that was hardly true.

Mr. LINDBERGH. You mean formerly, under the State banking law.

Mr. PLATT. When the State banks were reorganized as national banks there was quite a profit. They bought bonds with greenbacks and got them below par, sometimes.

Mr. LINDBERGH. I did not understand that that was what the gentleman meant at first.

Mr. PLATT. Then there is a special injustice in requiring a 20 per cent subscription, of which 10 per cent is to be paid in, for a 5 per cent stock, from country banks as compared with city banks, because it represents from country banks generally a larger percentage of their actual working capital than from city banks. It should be remembered that surplus and undivided profits are a part of the working capital of all banks. Now, the 37 national banks of New York City have a surplus larger than their capital, and the same is true of the Philadelphia banks and of the banks of several eastern reserve cities, like Albany. In Boston the bank surplus is more than two-thirds of the capital, but outside of New England, New York, New Jersey, and Pennsylvania the surplus item in bank statements generally shows less than one-half the capital. In only two States, Pennsylvania and New Jersey, is surplus greater than capital. In 12 others, including the District of Columbia, it is more than one-half the capital. In Iowa, a typical agricultural State, the national-bank surplus is less than one-third of the capital, in Oklahoma it is only a little more than one-fourth, and in Florida and North Dakota just over one-third. Obviously the banks of Iowa, Oklahoma, Florida, and North Dakota must contribute a considerably greater proportion of their resources to the capital of the Federal reserve banks than the banks of Pennsylvania and New Jersey or New York City. The New York City, New Jersey, and Pennsylvania banks are called upon for a paid subscription of less than 5 per cent, while the Iowa, Oklahoma, Florida, and North Dakota banks must pay from 7 to 10 per cent of their working capital. Some of the big New York City banks have surplus funds much larger than their capital, and will subscribe considerably less than 5 per cent, one of them, the Hanover National, less than 2 per cent of its working capital. Country banks generally have smaller surplus funds than city banks, and this is particularly true of the West and South. The forced subscription of 20 per cent, with 10 per cent paid in, is particularly unjust to recently organized banks, which have had no opportunity to accumulate any surplus.

Mr. AUSTIN. Has the gentleman any figures with relation to Tennessee or the Southern States upon this point that he is just upon?

Mr. PLATT. The gentleman will find them in the report of the Banking and Currency Committee, on page 92, I think.

Mr. YOUNG of North Dakota. Will the gentleman yield?

Mr. PLATT. I will.

Mr. YOUNG of North Dakota. I would like to ask the gentleman whether any bankers from the large reserve centers have made any complaint along the lines he mentions respecting the basis upon which the banks come in; that is to say, the percentage of their capital which must be paid in toward the capital of the regional reserve banks?

Mr. PLATT. I think the complaint of the large city banks has been exaggerated. They do not like some sections of the bill, but I think the chief complaint is from the country banks. The New York City banks will not suffer as much as the country banks from the terms of the bill.

Mr. GLASS. Will my colleague yield?

Mr. PLATT. I will.

Mr. GLASS. Can the gentleman account for the fact that the American Banking Association, without a dissenting vote, swallowed whole, without a grimace, the Aldrich bill, which required precisely the same thing in the way of capitalization?

Mr. PLATT. I have said that this provision was copied from the Aldrich bill.

Mr. GLASS. Yes; but that does not explain why they were willing to go in under the provisions of the Aldrich bill and are not willing to go in under the same provision in this bill.

Mr. PLATT. I think the gentleman must admit that the Aldrich bill was voluntary.

Mr. GLASS. That does not explain why they were willing to come in under precisely the same conditions, indorsing that provision of the Aldrich bill and bitterly complaining against the same provision in this bill.

Mr. PLATT. You mean contending against having to pay 10 per cent?

Mr. GLASS. Yes.

Mr. PLATT. I can not reconcile those views. I do not think the present opposition of the big banks to that feature of the bill is of any great account.

Mr. YOUNG of North Dakota. Is it not a fact that the small country banks have not in the past or up to this time, to any extent, been represented in the American Banking Association?

Is it not a fact that the association is composed largely of men from the stronger banks, either from the great cities or the larger banks in the rural communities?

Mr. PLATT. I presume that is a fact.

Mr. GLASS. The smaller banks are largely represented in the association. I will agree that the larger banks speak for the smaller banks.

Mr. YOUNG of North Dakota. I do not think the country banks have been heard from, at least not officially before the committees. The large, powerful bankers have assumed to speak for them.

Mr. PLATT. If the gentleman has received as many letters as I have, he has heard from them.

Mr. YOUNG of North Dakota. Yes; I have heard from them, and most of them in my district are in favor of this bill. Some of them are opposed to the bill in toto, and some of them would like to see certain amendments made. They would like to have the Federal reserve board made nonpartisan, and they realize that they will be required to pay in more than their share of the capital of the regional reserve banks, because the percentage of 10 per cent is figured only on the capital. The item of surplus is not considered. In the country banks the surplus is usually much smaller in proportion to capital than the large city banks, as the gentleman from New York [Mr. PLATT] has already pointed out.

And if the courteous gentleman from New York will yield for a couple of minutes longer, I will say that I have also heard from a large number of my constituents, and almost all of them who have written to me are in favor of this bill; but many of them are much more interested in the establishment of a system of rural credits, and some of them have criticized the present leaders of Congress for delaying the consideration of the establishment of a system of rural credits or rural banks designed to lighten the burdensome rates of interest which the farmers now pay.

Mr. PLATT. Then the compulsory terms of this bill are unjust, because forcing country banks to give up relations with their city correspondents, which, generally speaking, have been profitable and pleasant. If your constituency is one in which there are only country banks, as is the case with mine, I will venture the assertion that you have rarely heard of any complaints on the part of those banks of their treatment at the hands of their correspondents in the reserve and central reserve cities. They have generally been very well treated. For my part I think it exceedingly unwise to attempt to break up these relations, and I should so amend the bill as to allow at least 2 per cent of the reserve of the country banks to be deposited with their present correspondents, or would cut down the reserve requirement of country banks to a flat 10 per cent, which is high enough for safety if the new Federal reserve system proves at all successful.

Now, the gentleman from Ohio [Mr. BULKLEY] showed that the central reserve city banks would have to rediscount in order to comply with the reserve requirements of this bill. The reserve city banks are accustomed to rediscount and the country banks are not. I talked with one banker in my district who said he had not rediscounted a note in 12 years and he did not intend to. He considered it a source of weakness. You have got to break up the whole trend of American banking customs to make this bill work. The city banks, through the clearing houses, are accustomed to rediscounts, and will fall into the thing easily, because they think they are likely to get some benefits from it.

Mr. Chairman, if it is the expectation of those who framed this bill that they are going to drain New York of money and so prevent loans upon stock-exchange collateral, I fear they are doomed to disappointment. You can not prevent capital from seeking the best and safest investments, wherever they offer themselves, any more than you can prevent water from flowing downhill. Stock-exchange loans are the safest and, generally speaking, the most liquid that can be made. The Canadian banks have something like \$150,000,000 on call in Wall Street for that very reason. Such loans, however, because they are the safest, are made at low rates, and if higher rates on equally safe collateral can be obtained in the West and South some of the funds now loaned in Wall Street will be drawn away. A central reserve bank would do this by providing greater facilities for loaning at points of greatest demand, but I am afraid the divided regional scheme of this bill will have just the opposite effect.

I have here an item from a New York newspaper which I cut out, showing the money conditions in New York yesterday. It is as follows:

Time money was inactive and steady. Rates were 4 to 4½ per cent for 60 days, 4½ to 4¾ per cent for 90 days, 5 to 5½ per cent for 4, 5, and 6 months.

That looks as though money was at a pretty low rate in New York. A central reserve bank, in my opinion, would tend to spread these low rates all over the country.

Mr. CONNOLLY of Iowa. In speaking of the safety of loans on stock-exchange collateral the gentleman mentions that that is the safest form and the most liquid. As a matter of fact, in time of great stress and financial flurry, does not the gentleman think that a bank, for instance, like a State savings bank in the Middle West would have a large portion of its money on land?

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. HAYES. Mr. Chairman, I yield 10 minutes more to the gentleman.

Mr. CONNOLLY of Iowa. As a large part of their money is invested in farm lands on the basis of 50 per cent of the actual value of the land, is not that a better form of security or just as good security as when stock fluctuates from 10 to 20 and 30 points a day?

Mr. PLATT. I should doubt that. That may be true of farm mortgages in Iowa, where lands are quickly salable; but, as a matter of fact, fluctuations on the stock exchange are not very large. They go up and down some, and in the case of panic they go up and down a good deal. I do not see any material difference between loaning money on divided property like stocks and bonds—which mean simply divided ownership—than on loaning money on whole property. Most of us can not go out and buy a bank or a factory or a railroad, and the best that we can do is to raise a little money and buy a part of one. We can go to the bank and borrow part of the money. I will say this, that as a basis for issuing notes commercial paper is better than bonds. Commercial notes are supposed to be based on actual goods on the way to market, goods which will pay the notes at maturity. As a matter of fact, they do not pay themselves off. They are frequently renewed. This idea of commercial paper is largely based on the old-fashioned idea that when people buy goods they give notes for the goods. That is not done to-day nearly as much as formerly. We pay nowadays by discounting our own notes and pay the bills in 10 days to obtain a reduction or discount. The notes so made are on their faces accommodation paper. Whether they are negotiable under this bill or not I can not say. It is doubtful. The use of that class of paper is increasing all of the time, and the old class of paper where people gave three months' notes to those from whom they bought goods is going out of use.

Mr. Chairman, I shall not touch upon the possible effect of the initial contraction and final expansion and inflation probable under this bill, as others will cover those points, but shall conclude my remarks by saying that if this bill could be amended to take out the compulsory feature and to make the note issues distinctly bank notes, I believe I should vote for it. Without those amendments I must vote against it, for I do not believe there is any reason for rushing through an imperfect bill of this kind at this time even though it does contain many good features. [Applause.]

Mr. HAYES. Mr. Chairman, I yield 40 minutes to the gentleman from Illinois [Mr. HINEBAUGH].

Mr. HINEBAUGH. Mr. Chairman, strange as it may seem, the two classes of our citizens—the farmer and the laboring man, the food and wealth producers of the Nation—whose interests are most directly affected by this legislation, have had less to say about the terms and provisions of this bill than the banker and the politician. In my innocence and lack of wisdom of the devious and uncertain methods employed in effecting important legislation I sometimes wonder who it is that is being represented by the American Congress—the masses or the classes. The Democrats say they represent the masses in secret committee and in secret caucus. The Republicans confess and avoid the charge that for a generation they have represented the classes.

The Progressives aver that they will honestly endeavor to justly represent all our people and give to each an open, square, honest deal; and when intrusted with power I believe they will.

It is not my purpose to consume much time or to attempt a scientific discussion of the banking business. There are three reasons for that statement: In the first place, I could not get the time from those that control it in this House; in the second place, I have no scientific knowledge of the subject; and, in the third place, very few of us would understand it if I did.

My knowledge and experience in banking covers a period of about 20 years. I feel warranted in asserting that during that period I have had an intimate knowledge of banking from the standpoint of the man who pays the interest. I do not boast when I say that during that time I have contributed my full share toward the prosperity of the banks in my home town.

It is the man who pays the interest that makes the business profitable.

It is very possible that my particular kind of banking experience has influenced me somewhat in favor of honest methods and against interlocking directorates and dishonest manipulations of the people's money by the kings and queens of frenzied finance.

It may be that my knowledge of banking, acquired as it was, has created in me a desire to live to see the moisture soaked out of all stocks and bonds which do not honestly represent intrinsic value, dollar for dollar.

I hope the day is not far distant when it will be a crime to capitalize hot air and sell it to the people. A system of banking that makes it possible for men like B. F. Yoakum and his associates to use the deposits of the people to buy a railroad for \$3,000,000 and then issue \$10,000,000 worth of bonds on that same property and not put a dollar of that vast sum back into the property by way of road extension or betterments of equipment is badly in need of reform.

I hope, Mr. Chairman, the day will speedily come when enough men in Congress will have the courage to pass a law in the interest of the people that will make such transactions a criminal offense.

Mr. Chairman, I believe that day will come just as soon as the Progressive Party assumes control of the Government. I warn you gentlemen of the second minority to leave your sinking ship before the life preservers are all gone and get aboard the good ship "Progress" while there is still opportunity for "all ye who are weary and heavy laden"; for I say to you that she is steaming ahead full speed under the flag of an awakened public conscience and she is due to arrive in port March 4, 1917, loaded to the gunwales with a cargo of machinery intended to place the Government back in the hands of the people, and that machinery will be labeled: "Initiative, referendum, recall, preferential presidential primaries, equal suffrage for women, and the short ballot."

Mr. BURKE of Pennsylvania. Will the gentleman permit me to ask him a question?

Mr. HINEBAUGH. If it is a short one.

Mr. BURKE of Pennsylvania. Has the good ship "Progress" been taken off the rocks since last Tuesday?

Mr. HINEBAUGH. If the gentleman refers to the election in Maine I am very glad to answer the question. I want to say to the gentlemen of this House that until the election occurred in Maine I was not dead sure whether I belonged to a real party. I want to say to you now, Mr. Chairman and gentlemen of this House, that I do know that I belong to a real party and that they cast nearly 7,000 votes in a standpat, rock-ribbed, hidebound Republican district in Maine, with unlimited money and machinery, and at a time when a Democratic tariff bill was waved in their faces as a reason why they should vote for the Republican candidate; and the result of the election in Maine demonstrated to me, gentlemen, that I do belong to a party that is in this land to stay, and if you live long enough you will observe the truth of that statement. I want to say in further answer to the gentleman that on the basis of the percentage ratio of the vote cast in Maine, in the presidential election of 1916 throughout the Nation there will be enough Progressive votes to keep the second minority—the Republican Party—where it is to-day.

Mr. ADAMSON. Will the gentleman permit a question?

Mr. HINEBAUGH. A short one.

Mr. ADAMSON. When gentlemen persist in asking questions about Maine is it not well to remember, according to the poet, that Maine always was "hell bent" even in times when a more respectable party was running against them than now?

Mr. HINEBAUGH. Mr. Chairman, the action of the gentleman from Minnesota [Mr. ANDERSON] in resigning from the Ways and Means Committee and the reasons given by him are significant of a new order of things in governmental affairs in this country. The gentleman should, and I believe will, become a member of the Progressive Party. After nearly three years of service in this House he finds that the system built up by the Republican Party and perpetuated by the Democratic Party makes his efforts to represent his district so hopeless that he felt constrained to say:

I have had no part in making the tariff bill which passed the House and is now pending in the Senate. I shall have none. I am overwhelmed, discouraged, disheartened by the uselessness and the terrible fruitlessness of it all.

Mr. KELLEY of Michigan. Will the gentleman yield?

Mr. HINEBAUGH. For a question.

Mr. KELLEY of Michigan. Only to suggest to the gentleman that Mr. ANDERSON was up in Maine advising voters to stand by the Republican Party only last week.

Mr. HINEBAUGH. Well, I can only say to that, if it is a question—

Mr. KELLEY of Michigan. It is a suggestion.

Mr. HINEBAUGH. That Mr. ANDERSON evidently, when he got back from Maine, found out the thing for him to do was to stand up on the floor of the House and read his declaration to the rock-ribbed members of the Republican Party, and that is what he did, and he said—I quote:

There is yet another essential to good legislation. It is that the acts of Representatives should be always open to the scrutiny of the public. The Constitution recognizes this, for it provides:

"Each House shall keep a Journal of its proceedings and from time to time publish the same * * * and the yeas and nays of the Members of either House on any question shall, at the desire of one-fifth of those present, be entered on the Journal."

The caucus destroys the force of this provision. The caucus is the real legislative body, and its proceedings are essentially secret. The yeas and nays and the proceedings of the House are valuable records to the public only when they record the real transactions of the House and the real attitude of its membership. The real attitude of the majority party, under which the caucus system is in complete control of legislation, is disclosed only in the caucus, and hence the record provided by the Constitution is a false or at least inaccurate and useless one.

The same reasoning which now attempts to justify a caucus would justify a despotism. I can not believe in a despotism because I know that despots have done some good in the world. Nor does the right of representation seem less precious because it is denied by this benevolent beast, the caucus.

The caucus holds the same place in legislation that the holding company does in finance.

The holding company enables a few men to control the policy of great corporations by the investment of a small amount of capital.

The caucus enables a few men to control the policy of legislation by the exercise of a limited amount of power.

Mr. SHACKLEFORD. Will the gentleman yield?

Mr. HINEBAUGH. Yes.

Mr. SHACKLEFORD. I want to ask the gentleman if he does not think that the gentleman from Minnesota [Mr. ANDERSON] has occupied two positions, one being that of a Member of the House where the majority kept him from having anything to say, and another on a committee where he had nothing to say, and just to point a moral and adorn a tale, he gave up that position to which no salary attached and held on to the one that did. Was not that good judgment?

Mr. HINEBAUGH. Well, I do not think that is a question I am really called upon to answer. I believe Mr. ANDERSON was actuated by a high patriotic sense of duty to the people of his district, and from his standpoint did the only thing for him to do, feeling as he did. If he had asked my advice I would have said to the gentleman from Minnesota, "For God's sake stay where you are and stand by Mr. MURDOCK on that committee and make its hearings open and not secret," and then he would be able to come in the Progressive Party, as surely he will in the next election, and say "I have done all that I could to help the people of my district."

After all, gentlemen, what a farce are these debates that are being carried on here in this House? Four hundred and thirty-five Members constitute the membership of this House. Of that number, less than 75 at any time have listened to the different Members as they have presented their remarks and their ideas upon this important question of currency legislation.

Mr. YOUNG of North Dakota. That is true now. [Laughter.]

Mr. HINEBAUGH. I presume that the American people suppose that these conditions do not exist. Our only excuse, perhaps, for taking up the time of the House at all in these discussions is that our views on these important subjects may be inserted in the RECORD and sent out to the people at home, so that the people may have at least some way of finding out what we think on these subjects and how we propose to vote on them.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield right there?

The CHAIRMAN. Does the gentleman yield?

Mr. HINEBAUGH. I will yield for a question.

Mr. MURDOCK. The gentleman began his speech with a statement that his relation with the banks had been as a borrower. I would like to ask the gentleman if he knows from his banking experience how a banker tells to what use the money that the borrower takes from the bank is to be put?

Mr. HINEBAUGH. I will say to the gentleman that if an applicant has an honest face and looks as though he belonged to the Progressive Party, the banker does not ask him any questions. [Laughter.]

Mr. MURDOCK. I am serious about the question. I will ask the gentleman this: If he applies to his local bank for money he gives his local bank a note, as a rule, and there is no inquiry passing between the banker and the gentleman as to what use the money is to be put. But how does the bank in a city determine whether the money borrowed is not to be used for the purchase of stocks or bonds?

Mr. HINEBAUGH. The banker does not ask the borrower a question unless he suspects that the borrower is untruthful. But I will say this: I believe it is the rule, especially in country towns, for bankers in loaning a large sum of money to first ascertain what that money is to be used for.

Mr. GLASS. Mr. Chairman, will the gentleman allow an interruption?

Mr. HINEBAUGH. Yes.

Mr. GLASS. Is it not the rule everywhere, whether it is in the small town or in the large town, to ascertain that information? And as a matter of fact under the Canadian system does not the banker require each one of his patrons who does a considerable business with him to furnish him with an itemized statement of all his business transactions or prospective business transactions during the year?

Mr. HINEBAUGH. Yes; that is true.

Mr. MURDOCK. I do not think that is done in the majority of cases in this country.

Mr. GLASS. Oh, undoubtedly it is. Probably it would not be the case if the gentleman from Kansas wanted a small accommodation merely, but if the gentleman should want to borrow money to the extent of ten thousand, twenty thousand, or thirty thousand, or forty thousand, or fifty thousand dollars, it would be a very improvident banker, indeed, who would not first find out what use was going to be made of that money.

Mr. LINDBERGH. Mr. Chairman, will the gentleman allow me to interrupt him?

The CHAIRMAN. Does the gentleman from Illinois yield to the gentleman from Minnesota?

Mr. HINEBAUGH. Certainly.

Mr. LINDBERGH. Does not that depend entirely upon whether or not a man is acquainted with the bank? I know as a matter of fact, by my own experience in the banking business, that the bankers do not ask such questions if they know a man himself. Of course, if a stranger comes to the bank and wants to borrow, they find out.

Mr. GLASS. That is to say, if they know the man and his habits and to what use he is going to put his money, they will not ask the questions.

Mr. HINEBAUGH. I think, as a rule, the country banker knows what his patron is going to do with the money.

Mr. RAKER. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. HINEBAUGH. Yes.

Mr. RAKER. In the case of city banks, when a man desires a loan he files a written statement of the amount he wants, the amount of property he owns, and what he wants to do with the money.

Mr. HINEBAUGH. I will say to the gentleman that if a real estate mortgage is to be given as security, that is usually so, but not unless a mortgage is to be given.

A North Carolina preacher is authority for the statement that "When hell was dropped out of religion, justice dropped out of politics." [Laughter and applause.] In view of some very recent happenings, I incline to the belief that the preacher was right.

On the 28th day of July last the market quotation of the Government 2 per cent bonds bearing the note-circulation privilege was 95½ bid, 96 asked, in the city of New York.

The Secretary of the Treasury very soon thereafter was reported to have said that—

The 2 per cent bonds are worth par, notwithstanding their decline on the New York market, a decline due not to any impairment of their intrinsic value but almost wholly to what appears to be a campaign waged with every indication of concerted action on the part of a number of influential New York City banks to cause apprehensions and uneasiness about these bonds in order to help them in their effort to defeat the currency bill.

If the Secretary of the Treasury was warranted in making that statement, as I believe he was, surely justice has dropped out of politics, whether hell has been dropped out of religion or not. We are told that a panic is a collapse of credit and that the corner stone of credit is confidence. We have been visited by at least three collapses of credit in our day—the panics of 1873, 1893, and 1907.

It has always been asserted, and to my knowledge never denied, that a very large share of the blame for those panics was due to the unwise manipulation of the people's money by the banking world, and especially the banks of New York City, which have always held the lion's share of the banking reserves of the country.

Whether or not the New York bankers are to blame for these frequent disgraceful smash-ups of our financial system, or whether it is due to our cumbersome and unscientific banking system, or to both, the self-evident fact remains that legislation of some kind is needed, and it is the duty of the Sixty-third Congress to provide such legislation.

It is apparent that this Glass currency bill is in many respects like a railroad time-table—subject to change without notice.

The impossible task of an outsider endeavoring to study and analyze a bill that changes its spots like a leopard overnight can only be appreciated by those of us who have had the temerity to attempt it.

Not being able to break into the Democratic committee room or secret caucus with a sledge hammer or a catapult, we were reduced to the painful necessity of doing the best we could under the circumstances.

A study of our financial history during the last 50 years will convince anybody that the United States has experienced more great financial disasters and currency makeshifts than any other civilized country in the world.

You need not be a banker to discover that fact. It is probable that we would all agree that the most serious defects of our present banking system are lack of coordination and centralization and lack of elasticity in credit.

Under the law at present in times of threatened disaster a bank is a place where you can not get credit. It should be a clearing house for credit.

In times of threatened panic the banks need the power to extend credit much more than they need the authority to issue notes, which only increase their liabilities.

Every banker conducts his business on the theory that honor or common honesty is a basis for credit as well as actual securities.

He is limited in his power to extend credit by the assumption that from 15 to 25 per cent of the depositors of the country may demand their money at any given time.

We should not be surprised that Members of this House do not agree on the probable effect of this bill. The bankers themselves are unable to agree.

Mr. Forgan, president of the First National Bank of Chicago, says the bill as it stands would contract the loans of the national banks \$1,800,000,000.

Mr. Charles G. Dawes, president of the Central Trust Co. of Chicago, says it would result in such an expansion of credits as to invite disaster.

These men are both eminent in the banking world, and assuredly must be students of finance, but they certainly can not both be correct in their interpretation of the effects of this measure.

Let us briefly examine the bill and see what it does provide.

This bill is to be known as the Federal reserve act. It provides that the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency shall comprise a committee to be known as the reserve bank organization committee. It empowers this committee to establish Federal reserve cities, and to divide the United States into not less than 12 Federal reserve districts.

The committee is authorized to organize in each of these districts a Federal reserve bank, and the name of each Federal reserve bank shall include in its title the name of the city in which it is located, as for example, the Federal Reserve Bank of Chicago or the Federal Reserve Bank of New York.

It provides further that every national bank located within a given district shall be compelled to subscribe to the capital stock of the Federal reserve bank of their district an amount equal to 20 per cent of its unimpaired capital, one-fourth of such subscription to be paid in cash and one-fourth in 60 days, and the other half, or any part thereof, is made a liability of the subscribing banks, subject to call and payment whenever necessary to meet the obligations of the Federal reserve bank.

It will be noted that this provision is compulsory. The only alternative is for a national bank, in any given instance, to reorganize as a State bank.

Each Federal reserve bank must have a paid-up capital at the time of beginning business of at least \$5,000,000. The capital stock of the Federal reserve banks is to be issued in shares of \$100 each and may be increased from time to time as the subscribing banks in the various districts increase their capital, or as new banks are established, and become subscribers to the Federal reserve bank.

Provision is also made for the decrease in the capital of the Federal reserve bank in each district as subscribing banks reduce their capital or go out of business or go out of the organization.

A Federal reserve board is created, consisting of seven members, including the Secretary of the Treasury, the Secretary of Agriculture, the Comptroller of the Currency, and four members to be chosen by the President of the United States, by and with the advice and consent of the Senate, not more than two from the same party. The four members chosen by the President are to receive a salary of \$10,000 each and the Comptroller of the Currency, in addition to the salary now paid him, is to

receive the sum of \$5,000 annually for his services as a member of the board.

This section of the act has received more adverse criticism than any other part of the proposed law, the most serious objection to the organization of the board being directed against the method of selecting its members. It is contended that a board so appointed would obviously be dominated and controlled by political expediency.

Politicians, and even some bankers, affirm that the three ex-officio members of the board would hold their positions by reason of their political affiliations, and that the other four places on the board would be treated as party plums and handed out as a reward for party service.

Personally, I do not believe that this would of necessity follow. Certainly under our form of government we must assume that the President of the United States is and always will be an honest, broad-minded, capable man, and therefore a man who would not use the power of appointment in such a case simply to build up a personal political machine at the expense of the general welfare of the people.

I am inclined to the opinion that the real milk in the coconut is whether or not the Federal reserve banks shall primarily be under the control of the bankers or the Government. It is only human for bankers to object to Government control.

In the provision for a Federal advisory council, composed of as many members as there are Federal reserve districts, each of whom in all probability will be an experienced banker, we find that the objection to Government control is largely overcome. While, of course, the Federal reserve board has absolute and final power, still the right of the advisory council to meet at least four times each year and confer directly with the Federal reserve board on general business conditions, and the right of said advisory council to make written representations and suggestions concerning any action proposed to be taken by the Federal reserve board, is a wise provision which, in my judgment, overcomes very largely the objection urged against a politically controlled board.

The Federal reserve board may establish branch offices within each Federal reserve district, but the total number of such branches shall not exceed one for each \$500,000 of the capital stock of each Federal reserve bank.

ORGANIZATION.

Each Federal reserve bank must be organized and conducted by a board of directors, whose powers are to be the same as the board of directors of national bank associations under the existing law. Each board of directors will be composed of nine members, who shall hold office for three years, and be divided into three classes. Class A shall have three members, chosen by the stockholding banks; class B shall have three members, who shall represent the general public interests of the district; and class C shall consist of three members, to be named by the Federal reserve board. The directors of class A and class B are to be chosen by the member banks of the district who are stockholders in the Federal reserve bank. These member banks are to be divided into groups containing, as nearly as may be, one-third of the entire number of the banks holding stock in the Federal reserve bank of the district and as nearly as may be of the same capitalization, and each, through a representative, shall vote for a director of the Federal reserve bank.

DIVISION OF EARNINGS.

It is provided that after the payment of all expenses and taxes the share-holding banks shall receive annually a dividend of 5 per cent on paid-in capital. One-half of the net earnings, after the payment of such dividends, shall be paid in to the surplus fund until that fund amounts to 20 per cent of the paid-in capital, and of the remaining one-half 60 per cent shall be paid to the United States and 40 per cent to the member banks in the ratio of their average balances with the reserve bank.

Every Federal reserve bank is to be exempt from Federal, State, and local taxation, except taxes upon real estate.

Any bank or trust company incorporated under the special or general law of the State may make application to the Federal reserve board for the right to subscribe to the stock of the Federal reserve bank within the district where the State bank or trust company is located, and it is within the discretion of the board to accept or reject the application of any State bank or trust company organized under State laws. The State banks and trust companies are required to have a paid-up, unimpaired capital sufficient to entitle them to become national banking associations under the provisions of the national bank act. This will prevent many State banks from becoming member banks of their reserve district.

We are to have in the Department of the Treasury an additional bureau, charged with the execution of all laws passed by Congress relating to the issue and regulation of currency, and

the Comptroller of the Currency is to be the chief officer of that bureau.

POWERS OF THE FEDERAL RESERVE BOARD.

The Federal reserve board is authorized and empowered to examine the accounts, books, and affairs of each Federal reserve bank and to require the bank to make statements and reports as often as the board may deem necessary.

The board may permit, upon application, a Federal reserve bank to rediscount the paper of another Federal reserve bank, or in time of emergency may require the reserve banks to rediscount the discounted prime paper of other Federal reserve banks, but such compulsory action may not be taken without the consent of every member of the Federal reserve board.

This provision has been bitterly denounced by many of the leading banks of the country. They are opposed most strenuously to any provision which would make rediscounting compulsory and insist that all such transactions should be left to the option and discretion of the individual bank. I believe there is merit in this objection.

The board is also authorized to regulate and supervise the issue and retirement of Treasury notes to Federal reserve banks. It may add to the number of cities classified as reserve and central reserve cities under existing laws or it may reclassify existing reserve and central reserve cities and designate the banks therein situated as country banks.

It may require the removal of officers of Federal reserve banks for incompetency, neglect of duty, fraud, or deceit. It may require doubtful or worthless assets on the books and balance sheets of Federal reserve banks to be written off.

The board also has the power to suspend all operations of any Federal reserve bank and to appoint a receiver when necessary.

Any Federal reserve bank may receive from any of its stockholders deposits of currency funds in lawful money, national bank notes, Federal reserve notes, or checks and drafts upon solvent banks, domestic or foreign. The bank may discount the notes and bills of exchange arising out of any commercial transaction of any member bank upon the indorsement of such bank. That is to say, all notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes may be discounted at the Federal reserve bank by any member bank, subject, however, to the right of the Federal reserve board to determine or define the character of the paper eligible for discount.

Notes or bills issued for the purpose of trading in stocks, bonds, or any investment securities may not be discounted by the Federal reserve bank, except such notes or bills which mature within a period not exceeding four months and which are secured by United States bonds or bonds issued by any State, county, or municipality of the United States.

The Federal reserve board may authorize each reserve bank to discount the direct obligations of member banks whenever, in the judgment of the board, the public interest demands. The member banks are required to deposit satisfactory securities. The amount to be loaned the member bank shall not exceed three-fourths of the actual value of the securities deposited, nor more than one-half the amount of the paid-up capital of the member bank.

The Federal reserve banks, under the supervision of the board, may buy and sell in the open market, from or to domestic or foreign banks or individual bankers, bills, cable transfers, and bills of exchange of the kind made eligible for rediscount, as provided in the terms of the bill.

The reserve banks are also authorized to deal in gold coin and bullion both at home and abroad; to make loans thereon, and to contract for loans of gold coin, giving therefor, whenever necessary, acceptable security, including United States bonds. The reserve banks are also given the right to invest in United States bonds and in short-time obligations with the United States, or any State or foreign Government.

All moneys now held in the general fund of the United States Treasury are to be deposited in the Federal reserve banks, and thereafter the revenue of the Government shall be regularly deposited with the reserve banks.

The Secretary of the Treasury is directed, from time to time, to apportion the funds of the Government among the Federal reserve banks, and to fix the interest charge thereon from month to month, at a rate which shall be regularly paid by the banks holding such deposits.

The only depositors in the reserve banks shall be the United States Government and the various member banks of the Federal reserve districts.

With the evident purpose of making it possible to increase the amount of money in circulation provision is made for the issue of Federal reserve Treasury notes in such an amount as the Federal reserve board may deem necessary.

The Federal reserve Treasury notes are to be a legal tender for all taxes, customs, and other public dues, and are redeemable in gold on demand at the Treasury Department, in the city of Washington, or at any Federal reserve bank, and when any such notes are deposited as aforesaid they may be struck off by the bank making the deposits against Treasury balances on its books.

If the directors of any Federal reserve bank so vote, the bank may apply to the Federal reserve board for such an amount of the Treasury notes as it may require. The application must be accompanied by a tender of collateral security to protect the notes, and the security must be equal in amount to the sum of the notes applied for.

The Federal reserve board is given the power, in its discretion, to require the banks to maintain on deposit in the Treasury of the United States a sum of gold or lawful money equal to 5 per cent of such amount of Federal reserve Treasury notes as may be issued to them, and the board is given the right to reject in whole or in part the application of any Federal reserve bank for Treasury notes.

The Federal reserve board is empowered to suspend for a period of 30 days—and to renew such suspension for periods of 15 days—any and every reserve requirement specified in the act. The importance of this provision is very ably stated by Mr. Stickney, who says:

The reserve requirements of the present law are so drastic and unelastic that they have greatly aggravated, if not produced, many of the past financial disasters.

The present reserve laws provide that whenever the lawful money of the national banks shall be below the legal requirements they shall make no new loans or discounts until the required relation of its money to its deposit liabilities is restored.

As all commerce and other business transactions are carried on with bank credits, with an extremely limited use of actual money, the constant creation of banking credits is a matter of vital necessity; hence, while the reserve provisions can be enforced as to a single bank which would get the necessary cash to restore its reserves from other banks, whenever conditions arise whereby the reserves of all the banks have been depleted, the literal and complete enforcement of these drastic provisions would ruin a majority of the industries of the country.

Besides it would not produce the desired results. These conditions have occurred and they have always produced a run on the banks for actual money without proportionately reducing their liabilities. History is replete with illustrations.

In 1844 the system of transferring bank credits was largely with bank notes instead of checks. Hence to limit by law the amount of notes by which the Bank of England could issue in strict relation to its gold reserve was in effect the same restriction as our own reserve laws.

In 1846 there was a commercial panic in England which caused unusual demands for bank notes—discounts. The bank restricted its discounts, but continued to loan its notes until it was within £2,558,000 of its legal limits. This restriction of loans did not decrease the bank liabilities, but it did decrease its gold reserve in seven months from £16,000,000 to £9,800,000.

I quote: "When the public saw that the whole loanable resources of the bank was only £2,558,000 a complete panic seized both the public and the directors. The latter adopted severe measures to check the demand for notes. The interest rate was not only raised to 5 per cent, but this was only applicable to bills having only a few days to run, and a limit was placed on the amount of bills discounted, however good they might be. Merchants who had received loans were called upon to repay them without being permitted to renew them. Many failures followed. In one week there were failures amounting to £15,000,000."

Finally the Government sent a letter to the directors of the bank recommending a disregard of the reserve laws and if necessary an unlawful issue of notes, but to restrain their operations within reasonable limits a higher rate of interest should be charged which, under the circumstances, should not, they thought, be less than 8 per cent; that if such a course should lead to an infringement of the law they would be prepared to propose to Parliament a bill of indemnity.

"This letter was made public about 1 o'clock on Monday, and no sooner was it done than the panic vanished like a dream! Mr. Guernsey stated that it produced its effect in 10 minutes! No sooner was it known that notes could be had than the want of them ceased! Not only no infringement of the act took place, but the whole issue of notes in consequence of the letter was only £400,000, so that while at one moment the whole credit of Great Britain was in imminent danger of total destruction, within one hour it was saved by the issue of £400,000 sterling."

Substantially the same experiences were repeated in the panics in 1857 and 1866, when there were failures and distress while the banks were restricting credits in conformity with the letter of the law, all of which disappeared with the reception of the letter from the Government authorizing a disregard of the law.

Of late years none of the European banks attempt in times of commercial crises to arbitrarily restrict the issue of their credits, but rely entirely on the manipulation of the interest rates.

The suspension of our reserve laws in times of commercial crises would have the same effect upon panics as the letter from the Government had in the English precedents which have been cited.

Mr. MURDOCK. Is this the Mr. Stickney who was once the president of the Chicago Great Western Railway?

Mr. HINEBAUGH. Yes.

Mr. MURDOCK. He was early an expert in the matter of railroad rates.

Mr. HINEBAUGH. Mr. Chairman, it is estimated that at the present time the national banks of the country hold, locked securely in their safes, the tremendous sum of \$800,000,000 as reserves, which they can not touch, and in addition the United States Treasury contains approximately \$250,000,000 of the same kind of money.

The entire reserves of all the banks of England are only about one-fifth of that amount, and she is supposed to be the principal credit nation in the world.

I am told that under the provisions of this bill it is estimated that about one-half of these reserves will become available for use by means of the Federal reserve banks. If that be true, nearly \$500,000,000 will be obtainable for emergency purposes without using a single dollar of the Federal reserve Treasury notes.

If this be protected by the power to fix rates of interest sufficiently high it will prevent the use of this vast sum of money for speculative purposes, and at the same time serve as a guard against possible panics.

REFUNDING BONDS.

Section 19 provides for the gradual retirement of approximately \$700,000,000 of national bank notes now in circulation. All national banks holding 2 per cent bonds of the United States bearing the circulation privilege are permitted, upon application to the Secretary of the Treasury, to exchange each year 5 per cent of their bonds bearing the circulation privilege for 3 per cent bonds of the United States without the circulation privilege payable 20 years from date of issue and exempt from Federal, State, and municipal taxation, both as to income and principal.

It is provided that in proportion to the outstanding 2 per cent bonds deposited with the Treasury and exchanged, the power of the national banks to issue circulating notes shall cease, and after the expiration of 20 years from the passage of this act every holder of United States 2 per cent bonds shall receive in exchange for said bonds 3 per cent bonds of like denomination payable 20 years from the date of issue with the circulation privilege, and at the end of 20 years all outstanding national bank notes are to be recalled and redeemed under such regulations as may be prescribed by the Federal reserve board.

All national banks in central reserve cities are required to maintain a reserve in lawful money for a period of 60 days, such reserve to be equal to 25 per cent of their deposits, and thereafter they must permanently maintain a reserve in lawful money equal to 20 per cent of their outstanding deposits.

Under section 22 every Federal reserve bank is required at all times to have on hand in its own vaults, in gold or lawful money, a sum equal to not less than 33½ per cent of its outstanding demand liabilities.

Just what is meant by the term "lawful money" in this connection I should be glad to have the framers of this bill explain.

BANK EXAMINATIONS.

The Federal reserve board may require examination of the affairs of every national banking association at least twice each year, and as much oftener as the board shall consider necessary; and the Secretary of the Treasury is also authorized, at any time, to direct the holding of a special examination. In addition to such examination, every Federal reserve bank may, with the approval of the board, arrange for special or periodical examinations of the member banks within the district. Such examinations shall show in detail the total amount of loans made by each bank on demand or on time and the different classes of collateral held to protect the various loans.

Under section 24 the national banks are forbidden to make any loan or grant any favor to any bank examiner, and it is provided that the officers of a bank violating this provision shall be deemed guilty of a misdemeanor and shall be fined not to exceed \$500; and any examiner of a bank accepting a loan or gratuity from any bank which he may examine shall suffer a like punishment, and he shall be forever disqualified from holding office as a national bank examiner.

This is an excellent provision, in my judgment, and will, if enforced, guarantee careful and honest bank examinations.

FARM LOANS.

Section 26 contains the very excellent provision authorizing any national bank not situated in reserve cities to make loans, secured by improved and unencumbered farm lands, and repeals so much of section 5137 of the national banking act as prohibits the making of such loans by banks so situated. It is to be regretted, however, that the loans upon farm lands are limited to 12 months. Everybody knows that farm loans are usually made for a much longer period.

This provision will be of little practical advantage to the national banks in competition with State banks unless it is amended, extending the time of the loan to at least three years.

Any national banking association, one year after becoming a stockholder in a Federal reserve bank, may open a savings department with the permission of the Comptroller of the Currency, provided that not less than \$25,000 in assets or in cash be set apart for the uses of the proposed savings department.

FOREIGN BRANCHES.

Provision is made for any national banking association having a capital of \$1,000,000 or more to establish branches in foreign countries, for the purpose of extending the foreign commerce of the United States and to act, when necessary, as fiscal agents of the United States, under such conditions and circumstances as may be prescribed by the Federal reserve board, and when such branches are established in foreign countries the Comptroller of the Currency may demand information concerning the condition of such foreign branches from time to time, as he may deem proper.

This provision ought to be appreciated, especially by the larger banks in Chicago and New York.

Mr. Speaker, I regret that the President and his advisers have conceived it to be the duty of the administration to make this banking and currency law a party issue. Men of all shades of political faith believe that reform of some kind in our banking system is absolutely necessary to meet the demands of our ever-expanding commerce and our industrial prosperity. We all know that our entire financial structure stands on a basis of clearing of credits—the scheme of using the token for the actual cash—and we also must realize that any banking system which is not so formed that a general demand for cash as a result of fear and distrust is not made impossible will be unsafe and no improvement over our present system.

It does not require the expert knowledge of the banker to know that a system which makes the commercial paper which the banks buy an immovable asset is not only wrong in principle but it locks up the capital of the banker and leaves the cash in his vault, the only quick asset he has, and this he dare not use.

It surely must be a fundamental principle of good banking that any plan which makes the reserves of the bank unavailable at the very moment when they are most needed is radically defective. Every man's love of country rather than his political prejudices should be appealed to in framing and passing this law. The secret caucus and the secret committee hearings should have been avoided and every Member made to feel his personal responsibility. It is not true that the majority party alone is charged with the entire responsibility of this particular legislation. This bill is more important and will have a more direct influence upon the prosperity of the people than the tariff bill which passed this House last spring and which is now wending its devious and uncertain way through the Senate. It is the patriotic duty of every Member of Congress to forget politics and to unite his efforts with the members of all parties to effect legislation in the interest of the whole country on this most important subject.

It may be true, and, if all reports are to be believed, it doubtless is true, that there has been money in politics, but it certainly can not be true that there is or should be politics in money legislation. Men differ on currency legislation very materially, but it is a difference of opinion based on what each man believes the plan should be, rather than any deep-seated political conviction. When this bill becomes a law it should be the result of the most careful study of the banking systems of the great nations of the world, and should contain the best features of all these systems, so far as they can be made applicable to American industrial and commercial conditions.

The history of the Banks of France, England, Germany, and the United States should be gleaned for information, and we should be able to profit by what history shows to have been their mistakes. In my judgment the Bank of France is an ideal institution and is doubtless the strongest banking system in the world to-day. It had a stormy history, and it was not until 1849, when the departmental banks were abolished and the Bank of France was given a clear field in the issuance of circulating notes, that it became a powerful agency in the prosperity of France. The Bank of England, by a series of changes in the law, now enjoys a substantial monopoly of the note issue in England and Wales. Since 1844 its circulating notes have been issued upon securities and deposits of coin and bullion.

The first Bank of the United States was incorporated by the first Congress in 1791 and was a part of Hamilton's scheme to strengthen the new Federal Government. The men in public life at that time who had opposed the adoption of the Constitution, because of its centralizing effects, also opposed the granting of a charter to the bank upon the ground that the Constitution contained no express grant to enable Congress to establish such a corporation. They argued that the case fell within the rule which was subsequently embodied in the tenth amendment; that powers not delegated to the United States by the Constitution nor prohibited by it to the States are reserved to the States, respectively, or to the people. Jefferson and Randolph both held that the bill was unconstitutional, but Washington followed the advice of Hamilton and approved the bill.

The bank's capital was fixed at \$10,000,000, and the charter provided that the Government should subscribe one-fifth of the capital, and a loan was made to the Government equal to the amount of the Government's subscription. The bank was authorized to establish offices of discount and deposit in the several States, and \$4,700,000 of the capital was reserved for the central bank at Philadelphia. The remainder was divided among eight branches which were established at New York, Baltimore, Boston, Washington, Charleston, Savannah, and New Orleans, something like the proposed district plan in this bill.

Opposition to the Bank of the United States did not die with Washington's administration. The strict constructionists opposed the renewal of the bank's charter, and on the 12th day of July, 1803, Jefferson wrote a letter to Gallatin, in which he said:

I am decidedly in favor of making all the banks republican by sharing deposits among them in proportion to the dispositions they show.

The Bank of the United States finally went down, if we read history correctly, because so powerful an institution in a republic like ours could not or at least did not escape political entanglements and the suspicion of the abuse of political power.

The political dangers of a great central bank or 12 great central banks under the proposed bill are yet to be demonstrated. Let us hope that the future may prove this objection groundless.

Banking and politics are twin devils, driven by some wild Mephistopheles roughshod over the backs of the people. From every standpoint of legitimate banking they should be kept separate. The principal objection to the Aldrich plan was the proposed concentration of all reserves in a single bank, subject to political control. The present bill overcomes this objection in a measure, I believe, in its proposal to establish not less than 12 Federal reserve banks with independent boards of directors, each of which will hold part of the reserves of its member banks, and each of which it is contemplated will be strong enough to lend whatever assistance may be necessary in the way of credit or cash to the member banks of its district on demand.

Whatever criticism we may make of the plan it must be remembered that the power to mobilize credits and reserves must exist somewhere in time of need. It has been well said "that next to the inelasticity of our currency there is nothing in our monetary conditions that calls more urgently for a remedy than the immobility of our cash reserves." The National Monetary Commission regarded the latter to be the greater evil and it proposed as a remedial measure the establishment of a central bank where such reserves, including cash in the Treasury, would be concentrated and mobilized in time of trouble for the purpose of aid and defense. Under the present conditions the reserves are either scattered or concentrated in the wrong places. It very frequently happens, also, that when there is any very serious change from normal conditions reserves are called in by the individual banks, the result being stringency at the time when extraordinary extensions of credit are required.

Mr. Speaker, in my opinion one of the gravest defects of our present banking system is that by which the legitimate credit and successful operation of any sound business in the country may be made entirely dependent upon the whim or malice of a local banker. Everybody knows that the loaning power of every financial institution in the country is less than the deposits of the people in those institutions. It follows therefore that by controlling the people's money, when the country was otherwise prosperous, a few men have acquired tremendous power, and in times of unrest have been able to bring about panics by unfair manipulations. The panic in 1907, in my judgment, is an excellent illustration of just such a condition. There were no business reasons for a financial panic at that time. The farm value of the crop of 1907 exceeded that of 1906 by \$482,739,929. The year's business for the United States Steel Corporation for 1907 exceeded that of any other year in its history. The net earnings of the railroads in 1907 exceeded those of 1906 by \$206,147,835. The total amount of cash held by all banks was \$100,000,000 more in 1907 than in 1906. The balance of trade was with us. The excess of exports over 1906 was more than \$500,000,000.

There were no commercial reasons for a panic in 1907. There were speculative reasons why a panic might serve special interests. A panic came.

Mr. Speaker, the Progressive Party, to which I have the honor to belong, and which—as we all know—is the first and most powerful minority party, believes, and so declared in its national platform, that there exists imperative need for prompt legislation for the improvement of our national currency system. We believe that the present method of issuing notes through private agencies is harmful and unscientific. We emphatically

declared that the issue of currency is fundamentally a governmental function, and the system should have as basic principles soundness and elasticity. The control should be lodged with the Government and should be protected from domination or manipulation by Wall Street or any special interests.

We can not, however, develop a banking system in a day. It requires years for the people to adjust themselves and their business operations to the financial policy of the Nation, and for that reason uprooting changes can not be made immediately but must come gradually.

Andrew Jackson killed the second Bank of the United States because he believed it to be a great private monopoly. We want a system that will prevent monopoly, and for that reason the earnings of the shareholders are limited to 5 per cent by this bill, and removes to a large degree the danger of monopoly.

I believe an honest effort has been made by the framers of this bill to gradually place in the hands of the Government the function of currency issues, and I also believe an earnest effort was made to provide against domination or manipulation by Wall Street and to provide for Government control; and, although the bill is defective in some particulars, and should in my judgment be amended in some important sections, and doubtless will be before it becomes law, I am thoroughly convinced that it is a very great improvement upon our present banking system, and I shall, therefore, vote for the bill. [Applause.]

Mr. HAYES. I yield 10 minutes to the gentleman from Pennsylvania [Mr. LEWIS].

Mr. LEWIS of Pennsylvania. Mr. Chairman, seated in a smoking compartment on one of our trains in the West some time ago, four gentlemen were talking about the famous inventors of this country. One contended that the greatest inventor was Robert Fulton, the inventor of the steamboat. The next one contended that in his judgment the greatest inventor was Bell, the inventor of the telephone. The third man contended that the greatest inventor was Edison. Over in the corner of the compartment a small weazen-faced man was sitting, his face bearing strong marks of his Hebraic origin. One of the men inquired, "Who do you think was the greatest inventor?" After considering awhile he said, "Well, the men you have named were great inventors, but the fellow that invented interest was no slouch." [Laughter.]

And I want to say, Mr. Chairman, that those who are responsible for the framing of this bill, particularly so far as it relates to certain clauses and provisions in the bill, were certainly no slouches.

Mr. Chairman, in my experience of a number of years as president of what is commonly known as a country national bank, I have reached the conclusion, after much discussion with others versed in banking lore, that "elastic currency" is like electricity—its many uses are known, but no one has been able up to this time to determine what it really is.

To establish an elastic currency, my understanding of the question would be the providing of a means whereby a bank can provide the community in which it is located with the currency or money at all times which the legitimate needs of that community demand, subject, however, to effective Government supervision so that the bank is compelled to make its circulating notes good when presented for payment.

With this understanding of what an "elastic currency" is to provide, will the Glass bill, as drafted, provide relief from existing economic evils?

A careful perusal of the bill will convince any person, I believe, that the thought uppermost in the minds of those who prepared it, is to redistribute present bank reserves, returning them to the section of the country from whence they came.

It will, of course, be apparent that this, interpreted, means a desire to decentralize the reserves now held in the centers. Why this should be done or what good is to be accomplished by it I do not know, but I have reason to believe it has as its basis a desire to stifle speculation, and, more specifically, to prevent the flow of money to New York to be loaned in stock exchange transactions. It may be possible that to pass a law determining the question of where and how bank reserves are to be carried will change human nature, but I do not believe it.

Speculation will exist so long as the desire to "take a chance" is inborn in the human race, and since business is a means through which gain is sought, speculation will exist as long as business exists. All the legislation in Christendom can not stop it. You may try to regulate it by attempting to regulate the business which is most inclined to breed speculation, but destroy it, never.

I am of the opinion that this drastic and unwarranted removing of reserves from the natural centers where business re-

quirements have caused them to be without manipulation will disturb business and hamper the public in securing credit accommodations.

Another defect in the Owen-Glass bill is that while it compels all national banks to come into the scheme within one year or be dissolved (national banks can exercise no authority save by permission of the Congress), there is no attempt to compel State banks and trust companies to do so, but it is with them merely optional. Either the system to be established by the bill is right in principle or it is not. If it is right Congress should compel State institutions to join or else to retire from business by making it impossible for them to otherwise carry on business successfully. If the system is not right the bill should not be passed. It is competent for Congress to compel them to join by legislation, and the failure to do so appears at present to assure the failure of the system. If State banks and trust companies in New York or Chicago should form a clearing-house association and have it guarantee deposits it would be difficult, if not impossible, for national banks in such a city to carry on business. One of the greatest evils of the present banking system is that the banks very frequently do both a speculative and legitimate banking business of a commercial nature. The country banks, through their correspondent banks in the large cities, speculate in bonds and stock, with the result that very frequently speculation gets the greater part of the banking capital, and when the speculation fails the legitimate business interests of the bank invariably suffer. This bill gives to the banks all the money they care to use. Is it not evident that, as a plentiful supply of money inevitably invites wild speculation and hazardous financing, it will follow that this supply will become a certain stimulant to speculation by the banks?

To make loans on farm lands for a period not longer than 12 months is neither fair to the farmer nor the bank.

It is an error to try to make provision for loans on real estate, presumably for the benefit of the farmers. No bank which accepts deposits payable only on demand has any business to make loans on long time. All real-estate loans should run from one to three or five years, and farmers who contract such loans for shorter periods invite trouble. There should be separate banks, or else a separate department of existing banks, having authority to accept deposits on long time only, say, nine months to three years, and to loan funds on similar long time; and these two kinds of deposits, demand and time, should at all times be kept and accounted for, each wholly independent of and distinct from the other. And, finally, Mr. Chairman, the vital objection to this bill lies in the fact that if this bill is passed our banking system will be again projected into politics. If anyone would know what this means to the business and prosperity of the Nation, let him read the financial history of this country from 1830 to 1840. In an editorial in a recent edition of the New York World the danger is clearly stated, as follows:

President Wilson thinks the country can more safely trust its Chief Executive than it can trust its bankers, and that is what most people think. That is what the World thinks, too, but at the same time the bill makes the Presidency a financial prize such as American institutions have never yet known. This is unfortunate. With the President in complete authority over banking and finance, the banks have the strongest possible inducement to control the Presidency. This should not be so if it can be helped. Thanks to publicity laws and corrupt-practice legislation, the obstacles in the way of such control are much greater than they were even four years ago, but they are by no means insurmountable.

The bill provides that two Cabinet officers and the Comptroller of the Currency are to be empowered to organize Federal reserve banks throughout the United States. There must be no less than 12 of these great banks, and each must have a capital of not less than \$5,000,000. Every national bank in the district served by the reserve bank must subscribe to the stock of this reserve bank in an amount equal to one-fifth of the capital stock of the national bank. Every bank and trust company in the country is to be invited to become a stockholder in the Federal reserve banks. While this invitation may sound optional, it certainly is a command, for it stands to reason that it would be difficult for a bank or trust company to maintain prestige as against its competitors which had joined the vast organization controlled by the Government.

The Federal reserve board created by this bill is to consist of seven members, including two Cabinet officers and the Comptroller of the Currency. The four members who are not part of the administration are to be appointed by the President. This board is to have full power over the new Federal banks, to require or permit the rediscounting of bank paper, to establish the rate of discount, to regulate the issue of Treasury notes, to remove officers of Federal banks, to pass upon the value of securities in Federal banks, and to suspend the operation of such banks. The bill authorizes the board to issue \$500,000,000 in

Federal reserve Treasury notes, which may be issued by the Federal banks. The banks are not required to hold in their vaults more than one-third of the amount of gold or lawful money required to redeem these reserve notes.

While the bill is intended, no doubt, to serve a good purpose, yet it will revolutionize the financial system of this country and lodge in the hands of the seven members of the Federal reserve board a power greater than that now wielded by the President of the United States—the power that would enable an administration to build up an invincible political machine, depress or stimulate the market, inflate the currency, favor one section of the country and discriminate against another, and absolutely control the financial affairs of the people of this whole country. No one believes that President Wilson will place in the hands of his party a means that might be used to perpetuate a party in office, but it seems clear that the effect of the bill would be to enable politicians to accomplish these ends.

Mr. MURDOCK. Will the gentleman yield?

Mr. LEWIS of Pennsylvania. Yes.

Mr. MURDOCK. I should like to ask the gentleman, who has knowledge of the banking business, what emphasis he puts upon the work of the advisory board of bankers as provided in this legislation? What does he think the advisory board of bankers will do in their connections and relations with the central reserve board?

Mr. LEWIS of Pennsylvania. They will pass upon paper.

Mr. MURDOCK. In their advice about the control of this system, does not the gentleman think the advisory board of bankers, who are to be associated with the national reserve board, will have a good deal to say about this system and how it is conducted?

Mr. LEWIS of Pennsylvania. I will say to the gentleman that they will have a good deal to say, and it depends entirely upon what motives prompt them to determine what they may say.

Mr. MURDOCK. The gentleman puts particular stress on the fact that there is great danger in having a political board at the head of our banking system. I want to know if he does not think the advisory board of bankers will in the end dominate the political board? I think they will.

Mr. LEWIS of Pennsylvania. That would be a safe proposition, provided the advisory board were not imbued with political motives.

Mr. SLOAN. Has that advisory board any power whatever to say anything, and will they determine anything? I do not so read it. I may be mistaken.

Mr. LEWIS of Pennsylvania. Absolutely not. It is just as the gentleman says.

Grave political dangers are involved in this great centralization of power, for under this system the President, through the Secretary of the Treasury and the Comptroller of the Currency, would practically hold a power of life and death over the national banks and over the whole financial system of this country.

While it is true that either the Government is to control or the bankers must control the financial system of the country, yet it would be safeguarding the interests of our people by putting neither in absolute and unrestrained control, as this bill provides.

My judgment is that the bill is wholly wrong in principle and will be vicious in operation, for which reason I am unable to see my way clear to support it.

Mr. GLASS. I yield 15 minutes to the gentleman from Indiana [Mr. GRAY].

Mr. GRAY. Mr. Chairman, I believe that the small banks, the moderate and strictly commercial banks, have a common interest in the currency of the country with all the people, because they are a part of the people and interested with them in the every-day affairs of all business transactions.

But I believe that the speculating, the manipulating, and investing banks have a special interest in currency which is adverse to the small banks, to the moderate banks, and the strictly commercial banks as well as to the masses of the people.

I believe that the issue of money and its control and distribution is a vital public function which should be exercised only by the people themselves through the instrumentality of government.

As between any or all banks of the country and the Government I believe that the money should be issued by the Government.

But as between the many banks which are now issuing money and a central bank under private control, I am in favor of leaving the issue of money where it now is—among all the banks.

For 50 years the people have been striving to recover and reclaim to the Government its constitutional power to issue and

control the volume and distribution of money, but with every effort they have been met with the claim by the special banking interests urging the great merit and superiority of national-bank issues and their declaration that this money was the best in the world.

After this long and losing fight for more than half a century to reclaim this constitutional right to issue their own money and control their own credits, with defeat following defeat, finally in 1906 the advocates of the people's money, discouraged and despairing of all hope of ultimate success, ceased their efforts.

The usurpers of the people's rights, taking courage from their long successful defense and the discontinuance of all efforts of the people to reclaim their rights to issue and control their own money and feeling secure in their hold upon the currency of the country, but with greed for power, which is never satisfied, and to furnish an argument and to pave the way for a greater and more complete control over money, the great banks began a series of concerted criticisms against the national-bank system, declaring that system to be dangerous and inefficient for want of flexibility, elasticity, and power to assemble and shift reserves, and as liable at any time to bring a panic upon the country and a paralysis of business, seeking thereby to arouse apprehension and distrust, and to secure an abandonment of that system to rear upon its ruins a central autocratic bank.

What was but yesterday the best system in the world was now the worst system in the world and none were so poor as to do it reverence.

The great investing, manipulating, and speculating banks, while enjoying a great measure of control over money and credits under the national-bank system were continually compelled to maintain an organization to control and secure the cooperation of the smaller banks, which always involved a question of some degree of uncertainty in their plans for the manipulation of the currency.

When this movement was begun to acquire increased power and control over money by supplanting the national-bank system with a central bank under private control, there was no greater necessity or emergency existing for monetary reform than had existed from the day the national-bank system was created in 1863. The national-bank system was not only as good as it ever had been, but in some respects it had been made better. In 1881 William Windom, Secretary of the Treasury under Garfield, secured the passage of a law to prohibit the contraction of national-bank currency by the banks without notice to the public. While this law has never been carried out to effect the purpose intended, it has remained upon the statute books for enforcement.

But there always has been during every day and every hour from the time of the enactment of this law a pressing need, not for its amendment or modification but for its repeal and the restoration to the Government of its right under the Constitution to issue money and to control its volume and circulation among the people; and the pending bill is to accomplish this purpose, for which the people have so long striven in vain, and when it shall have been enacted into law they will at last have come into their own.

I quote from the Bankers' Magazine of January 5, 1906, volume 72, page 10, showing the launching of this currency scheme, later to be known as the Aldrich central-bank plan, by Jacob H. Schiff, a Wall Street banker, before the New York Chamber of Commerce:

Jacob H. Schiff, of the banking firm of Kuhn, Loeb & Co., New York City, made a speech at the meeting of the Chamber of Commerce of the State of New York January 5 favoring an elastic bank-note circulation. The speech has attracted wide attention, both on account of its character and its source. As with many similar matters, the discussion in regard to an elastic currency has been thus far of necessity more or less academic. But Mr. Schiff's speech at once lifts this question out of the domain of the theoretical and makes of it a problem of immediate practical importance. Mr. Schiff is at the head of one of the leading international banking houses of New York, and is far removed from the doctrinaire type of currency reformer.

As the speech is printed elsewhere in this issue, we shall only refer to its specific proposal, which is contained in the following extract: "If any increase of circulation is secured solely by legitimate commercial paper—commercial paper based upon, possibly, a deposit with certain clearing houses in the country—it is certainly safe."

This suggestion contemplates the issue of bank currency based on a deposit of commercial paper with certain clearing houses, and this is one of the soundest and most practicable plans yet devised for issuing an elastic bank-note circulation. It is to be hoped that the marked impression created by Mr. Schiff's timely and forceful address will lead the chamber of commerce to take steps to give practical effect to his recommendations.

This movement was inaugurated to bring about a change in our monetary system under a plea for elasticity and the mobilization of reserves to guard the country from panics and financial disasters, as claimed, a basis was to be secured for an unlimited bank-note issue, the currency was to be centralized under

private control, and the money in the Public Treasury was to be gained possession of for manipulation and private use.

I also quote from the same publication, volume 72, February, 1906, page 201, showing the favorable reception of the movement in New York and an outline of the scheme contemplated as being the same ultimately indorsed by bankers' conventions and later embodied in the bill reported to Congress by the Monetary Commission and known as the Aldrich bill:

The movement inaugurated by the Chamber of Commerce of the State of New York for reforming the bank currency of the United States promises to have far-reaching and beneficial results. By taking the initiative in this movement the oldest and most prominent commercial body in the country has set an example that is certain to be followed by other trade organizations.

While political instrumentalities will have to be employed before this agitation can produce results, the question of an adequate and efficient currency is largely a commercial problem. It is a hopeful sign that this fact has been recognized by the business men of New York, and that they have taken proper steps to arouse public opinion so as to give effect to the demand for a bank currency based upon the trade of the country, not upon its public debt, and which shall be as perfect a means for carrying on and developing that trade as it is possible for experience and skill to devise.

No bond-secured bank notes or "emergency currency" can possibly meet this requirement. A bank note to be truly serviceable to commerce must be issued on the short-term negotiable paper to which the commerce itself gives rise. When thus issued the volume of notes will agree exactly with the demand as indicated by the volume of sound commercial paper, and no emergency issues will be needed. Through what agency the notes shall be emitted, the method of redemption, the proper reserve required—all these are matters of detail that can be worked out at the proper time.

We believe that the effort to secure a judicious reform of our currency system should be made now while the country is prosperous and not wait until action is forced by the disasters incident to a panic. It is not too much to hope that a wise revision of the currency may greatly lessen the shock of such disasters, or even altogether prevent panics such as we have experienced heretofore. This is a good time to begin work with that end in view.

The special currency committee of the New York Chamber of Commerce on October 4, 1906, submitted its report to that body approving the central bank currency plan which was adopted by that body, and I quote from New York Chamber of Commerce Reports, volume 49, 1906-7, page 20, the following:

By the control of its rate of interest and of its issues of notes, it would be able to exert great influence upon the money market and upon public opinion. Such power is not possessed by any institution in the United States.

In the answers prepared by the currency commission of the American Bankers' Association to questions formulated by a subcommittee of the Banking and Currency Committee of the United States Senate, said answers being approved by the special meeting of said currency commission held at Atlantic City, N. J., June 18 and 19, 1913, the following appears:

32. Are you familiar with the recommendations of the National Monetary Commission to Congress in January, 1912? If so, what is your opinion of the plan and what modifications would you suggest, if any?

Answer. We are familiar with the recommendations of the National Monetary Commission made to Congress in January, 1912, and are on record as having indorsed and recommended that measure.

4. Should national banks continue to have a bond-secured currency?

Answer. No. In the use of Government bonds as security for circulation the volume of currency, instead of fluctuating with the varying requirements of trade, is limited by the volume of bonds and fluctuates according to their market prices. These prices are determined, not by the general investment value of the bonds, but by the profit possible to banks in using them as security for circulating notes, resulting in artificial stimulation of Government bond prices. One unfortunate consequence of this artificial condition is that the Nation's bonds, which should be widely held by its citizens as their choicest investment, are held almost exclusively by banks to secure circulation or Government deposits.

So bold and brazen was this plot to seize the last vestige of control over the people's money that it amazed even the most audacious financiers of Wall Street. The Bankers' Magazine of August, 1907 (vol. 75, p. 315), in discussing the new movement initiated by the chamber of commerce, scoffed at its acceptance by the people and commented as follows:

But even if it could be demonstrated that it is preferable to have a central bank to issue currency and act as a regulator of the money market instead of depending upon existing independent scattered banks to perform those functions, it does not follow that such an institution could be had. Many plausible arguments might be adduced to show that a limited monarchy or even a benevolent despotism is better than a republican form of government, but whoever would undertake to supplant our present form of government with any of these systems would have an uphill job. But it would be child's play compared to the task of securing the consent of Congress to the introduction of a central bank into this country. That this is true is well known to everyone conversant with public opinion in the United States.

The report of the Monetary Commission recommending the Aldrich currency plan filed January 8, 1912, shows the object of the bill is to secure a basis for an increased bank-note issue in order to prevent the issue of money by the Government, the same as urged by the New York Chamber of Commerce in 1906, as shown by that report at pages 16 and 17, and from which we quote the following:

That our present system of bank-note issues based upon Government bonds is defective and that a change in the manner and character

of issues must take place at an early date is admitted on every hand. There are now outstanding less than \$200,000,000 of United States bonds with the circulation privilege attached not owned by the banks and held for circulation purposes. These bonds are largely of a class which it would not usually be profitable for the banks to buy as a basis for circulation. Congress has inaugurated the policy of issuing bonds without the circulation privilege. It is evident from these facts that if we are to provide for any future demands of the country for currency the adoption of some other basis for note issues will be necessary. Our bond-secured currency has all the qualities of ultimate safety, and its prompt redemption is guaranteed by the United States, but it is not, as our experience has amply shown, responsive, either in expansion or contraction, to the ever-changing conditions and demands of business.

The next year, 1907, when nature responded with a most bountiful harvest, when the granaries and warehouses were bursting with grain and all the wealth of the farm, when manufactories were running full time and their output was far beyond the normal product, when labor was employed everywhere at fair wages, when the channels of commerce and trade were choked by an unprecedented tonnage of the products of factory and farm, when our exports were exceeding all former years, and the excess of exports over imports was more than \$400,000,000, when the production of the world's gold supply was exceeding all former years, when the total money in circulation had reached a greater volume than ever before, when every natural condition favored the greatest prosperity and were such as to preclude and prevent a panic, a panic was suddenly precipitated upon the country and the only explanation given to the people was that it was a money panic. The deposits of the people all over the country in the local banks were found hoarded in the banks of New York City, made possible under a law which prohibited the use of reserve by banks in their own locality, even upon the most stable security, but permitted the same to be kept in the banks of other localities to be loaned out to stock gamblers and bond speculators. The people could not obtain their money which they had placed on deposit for safe-keeping for their use.

The panic came like a bolt from a clear sky, a hurricane without a cloud in the horizon, not as a business depression, nor as a commercial stagnation, but as a money stringency with more than the normal amount of currency available for the business of the country.

Under the provisions of the national bank law as amended for the benefit of the great manipulating banks of the country, the reserves required held by the banks generally to safeguard depositors, and which under the law could not be loaned in the localities where the deposits were made by the banks receiving them, were permitted to be deposited in so-called reserve banks in the great cities.

Under this law millions of the people's money had been collected from the little banks all over the country and concentrated in the New York City banks and there loaned out to stock gamblers for use in speculating and in manipulating the stock market.

When the annual crop-moving time arrived in that year the New York banks not only denied the country banks the usual accommodations of currency upon which they had come to depend for that purpose, but withheld from them even their deposits of reserves. Thus the New York bankers, while loudly proclaiming a great stringency in the money market of New York, where millions of the people's funds were being held, and while holding all their own funds under lock and key they were able to enforce an actual stringency throughout the country and thereby to assure the success of the panic as an argument for currency reform.

But this was not all, and to guard against the possibility of relief to the people from the stringency which the banks had thus created by the General Government supplying funds to the country banks, the New York bankers hastened to Washington and secured from the Public Treasury a loan of the money which might have been made available to the country banks.

In all \$42,000,000 was thus obtained, and the possibility of the country being relieved by the direct interference of the General Government was thereby obliterated.

The Bankers' Magazine of December, 1907, volume 75, page 778, currently comments as follows on the runs made on the banks in the course of the panic:

The bank runs in New York at first were made almost entirely by the well-to-do, and at no time did the ordinary depositors take fright in large numbers. There may have been exceptions to this in the case of some of the banks, but it was true generally.

It will be observed that the managers of the panic had not taken the small depositors into their confidence, and therefore the small depositors were not advised when to make the run, it being evidently expected and counted upon that they would join in the run as soon as the hue and cry was raised and the run started by the "well-to-do." This failure and inadvertence to arrange for concerted action by the small depositors was not

fatal to the success of the panic, as the "well-to-do" generally participated in the runs.

In order to appreciate the full force of this current comment, it must be realized what the phrase "well-to-do" signifies. It has a different meaning in different localities. In some localities it would only signify a moderate amount of wealth. In New York City, however, it has a special significance, and the phrase there would include only millionaires and multimillionaires. These were the men who made the runs.

Incidentally with the creation of a great argument for a central private-controlled bank, in the form of a panic, the occasion was taken advantage of by the interests in control of the financial situation under which the panic occurred. A great amount of stock which had depreciated as a result of the panic in the hands of innocent bystanders and unsuspecting investors was purchased at a ruinous sacrifice and held and resold at par value. Twenty-five million dollars, together with other sums to the amount of \$42,000,000, under an indirect threat of continuing the panic unless their demands were complied with, were extorted from the Public Treasury.

And the opportunity was further taken advantage of to secure the absorption of the Tennessee Coal & Iron Co. by the Steel Trust, its only formidable competitor, thereby making monopoly in the steel industry complete, in violation of law, under a threat of continuing the financial disaster in progress unless such absorption should be submitted to.

A great object lesson and warning to the people was now before the country. The Government had been humiliated by the invasion of its Treasury and its pillage by the few, and its laws against monopoly had been defied and trampled under foot.

The next year, 1908, with the practical example of the panic before the country to point to, Congress was successfully importuned to act and to enact legislation to prevent a repetition of the disaster so vividly portrayed to the public; the banks were given authority to issue more notes and more control over the currency and greater latitude over the manipulation of reserves, all as a safeguard to the country, as claimed.

But the act of May 30, 1908, was not intended to afford the banks the power over the currency which they were demanding and seeking to obtain under the plea of elasticity and the mobilization of reserves. It was enacted only as a temporary measure to pave the way for a great central bank under private control, with power to issue bank currency based upon general bank assets instead of bonds, and to control the volume and distribution of money independent of real Government supervision, and directly to afford an opportunity to appoint a commission to formulate the legislation ultimately contemplated for presentation to Congress in the most favorable form to secure public approval. A Monetary Commission was thus created under the following sections of the act:

SEC. 17. That a commission is hereby created, to be called the "National Monetary Commission," to be composed of nine members of the Senate, to be appointed by the Presiding Officer thereof, and nine members of the House of Representatives, to be appointed by the Speaker thereof, and any vacancy on the commission shall be filled in the same manner as the original appointment.

SEC. 18. That it shall be the duty of this commission to inquire into and report to Congress at the earliest date practicable what changes are necessary or desirable in the monetary system of the United States or in the laws relating to banking and currency, and for this purpose they are authorized to sit during the sessions or recess of Congress, at such times and places as they may deem desirable, to send for persons and papers, to administer oaths, to summons and compel the attendance of witnesses, and to employ a disbursing officer and such secretaries, experts, stenographers, messengers, and other assistants as shall be necessary to carry out the purposes for which said commission was created. The commission shall have the power, through subcommittee or otherwise, to examine witnesses and to make such investigations and examinations, in this or other countries, of the subjects committed to their charge as they shall deem necessary.

SEC. 19. That a sum sufficient to carry out the purposes of sections 17 and 18 of this act and to pay the necessary expenses of the commission and its members is hereby appropriated out of any money in the Treasury not otherwise appropriated. Said appropriation shall be immediately available and shall be paid out on the audit and order of the chairman or acting chairman of said commission, which audit and order shall be conclusive and binding upon all departments as to the correctness of the accounts of such commission.

While the above provisions were appended to the act as an incident to the main object, they evidently embodied the principal purpose to be obtained, as the Monetary Commission thus created has been constantly uppermost in the horizon of Wall Street financiers, while the increased power assumed to be given to effect elasticity and the mobilization of reserves has fallen into obscurity for want of exercise or even casual attention.

The Monetary Commission during its investigations visited many countries in Europe, interviewing foreign bankers and capitalists in quest of financial data, and conducted hearings in many cities of the United States during prolonged and continued junketing trips. The commission also collected a vast amount of miscellaneous monetary laws, reports, and financial essays

written to uphold and support the special views of their authors, most of the matter published being a revision of books and a recast of documents of value mostly as history, without any special reference to present-day problems, and more calculated to bewilder and awe the mind and impress both the common bankers and the citizens generally of the magnitude of the subject under investigation and the impossibility of a full comprehension of the problems involved by the ordinary mind, to the end that the special few, assuming superior wisdom and financial judgment, might be allowed to dictate without question the reforms so urgently demanded.

In the meantime a great nation-wide campaign of education had been organized to create public opinion and a demand for currency legislation to be reflected upon Congress, and thereby to blaze the way for a central bank under private control. The New York bankers who had initiated this movement in the New York Chamber of Commerce through Jacob H. Schiff, January 4, 1906, had entered upon this campaign and were conducting their operations through the American Banking Association for the education of their country correspondents and the western bankers. To show the plan and system of education carried on among these bankers I here quote a circular letter which was used by this association in 1893 during a similar campaign, bearing date March 11, 1893, and circulated among the influential national banks of the United States.

This circular letter was read at the time by Hon. CHARLES A. LINDBERGH, of Minnesota, now a Member of Congress from that State, and is as follows:

The interest of national banks requires immediate financial legislation by Congress. Silver, silver certificates, and Treasury notes must be retired and national-bank notes upon a gold basis made the only money. This will require the authorization of five hundred millions to one thousand millions of new bonds as the basis of circulation. You will at once retire one-third of your circulation and call in one-half of your loans. Be careful to make a monetary stringency among your patrons, especially among influential business men. Advocate an extra session of Congress to repeal the purchasing clause of the Sherman law and act with other banks of your city in securing a large petition to Congress for its unconditional repeal per accompanying form. Use personal influence with your Congressman, and particularly let your wishes be known to your Senators. The future life of national banks as fixed and safe investments depends upon immediate action, as there is an increasing sentiment in favor of Government legal-tender notes and silver coinage.

Later, to act in conjunction with the campaign in progress for the special education of the bankers, the National Citizens' League was organized to cooperate in the education of the country bankers and for the advisement of the people generally. The plan of cooperation by the New York bankers, through the American Bankers' Association, with the National Citizens' League thus organized is shown by the following letter sent out by the New York bankers to their western correspondents during the time the same bears date, and read in the House of Representatives by Hon. CHARLES A. LINDBERGH, Member of Congress from Minnesota:

THE CHASE NATIONAL BANK,
New York, February 21, 1912.

GENTLEMEN: We inclose a letter from the National Citizens' League, which we have been asked to forward to you. The campaign of education which the league is conducting in favor of currency and banking reform is nonpartisan in character and national in scope. We believe it of direct importance to the business interests of the country. The merchants interested in the work have felt that while they regard themselves as responsible for the raising of funds for the prosecution of the work the country at large should know that the banking interest is in sympathy with the work. Any correspondence should be taken up with Mr. Isidor Straus, treasurer, Broadway and Thirty-fourth Street, New York, and any contributions made direct to him.

Yours, sincerely,

A. H. WIGGINS, President.

In a circular issued by the National Citizens' League, showing its headquarters at 223 West Jackson Street, Chicago, Ill., and giving its officers and State branches, the following language appears in explaining its origin and objects:

At the annual meeting of the National Board of Trade, held in Washington on January 25, 26, and 27, 1910, the following resolutions were unanimously adopted:

"Whereas we assume that a plan for the revision of our currency system will be formulated after the National Monetary Commission has made its final report."

On January 17, the day preceding the conference, the tentative plan of the National Monetary Commission for banking reform was published and copies were already in the hands of the delegates. Many of the details failed to find acceptance, but it was recognized that it contained essential features which would give us a constructive banking and credit system of the highest value to the country.

Acting on the authority of these resolutions a committee was created, which held a conference in Chicago, April 26, 1911. It was agreed by this committee that the responsibility of creating a national organization would be left with the business men of Chicago, who would conduct a nation-wide campaign from their city.

The new movement was initiated by the Chicago Association of Commerce. A joint meeting of the board of directors and the executive committee of the association was held on May 29 and took action by passing the following resolution.

"Resolved, That the Chicago Association of Commerce, recognizing the distressing effects of panics on trade, capital, and labor, the conse-

quent need of a sound banking system in the interest of all the people in the country, and the suggestion made for the creation of a national reserve association, hereby requests John G. Shedd, Marvin Hughitt, Graham Taylor, Harry A. Wheeler, B. E. Sunny, Cyrus H. McCormick, Julius Rosenwald, Charles H. Wacker, Frederic A. Delano, John Barton Payne, A. C. Bartlett, A. A. Sprague, J. Lawrence Laughlin, John V. Farwell, Clyde M. Carr, Fred W. Upham, F. H. Armstrong, and Joseph Basch to form a national citizens' league, the object of which shall be to give organized expression to the growing public sentiment in favor of and to aid in securing the legislation necessary to insure an improved banking system for the United States of America."

The organization was named the National Citizens' League for the Promotion of a Sound Banking System, and a certificate of incorporation was granted by the secretary of state under date of June 6, 1911. Article 2 of the certificate of incorporation is as follows:

"The object for which it is formed is to give organized expression to the growing public sentiment in favor of, and to carry on a campaign of education for, an improved banking system for the United States of America."

It will be observed that while the movement was initiated by the New York Chamber of Commerce in New York City, and while the banks of New York City were conducting the campaign of education among the bankers of the country and their respective correspondents, the headquarters from which the campaign for the education of the people generally was to be conducted had not only shifted from the New York Chamber of Commerce and the New York City banks, but it had been relocated far to the Middle West, and with its change of location there had also come a transition in name and style under which it was to operate—the National Citizens' League.

The following is taken from the report of the National Citizens' League, Chicago:

The league was obliged to get publicity through other sources. It printed and distributed in the first six months of 1912 nearly 1,000,000 pamphlets. It began the publication of a semimonthly—now published monthly—news bulletin, and, as interest increased under this system, it prepared hundreds of newspaper articles.

The league's textbook, "Banking Reform," was published in May. It was sent free to members of the league, and about 1,500 copies were distributed. The circulation of the news bulletin, "Banking Reform," is now 30,000 copies.

Subsequent to the Monetary Commission's report indorsing the central bank under private control and reporting a bill to carry its recommendations into effect, the National Citizens' League held a conference at the Great Northern Hotel, Chicago, Ill., at which James P. Farwell, the president, during the course of his opening address, said:

The National Citizens' League, with organizations in 44 States of the Union, with its members drawn from all our agricultural, manufacturing, and mercantile interests, is the strongest organization of its kind ever enlisted in a great public service.

Mr. Farwell also stated in the course of his remarks:

We do not advocate any bill now before Congress.

And while the president of the National Citizens' League assumed to advocate no special bill, he stated:

We do, however, recognize in the report that has been unanimously made by the National Monetary Commission the greatest step that has yet been taken in this country to give us a sound banking system. We believe that this report embodies those fundamental principles for which we all stand. The report is a conscientious, painstaking effort to provide a working basis for legislation in Congress. We will continue to advocate these principles, confident that Congress will give us the legislation the country demands.

During the course of this campaign of education by the New York bankers in connection with the National Citizens' League hundreds of thousands of letters were circulated through the mails. Speakers were everywhere on the platform, editors were publishing daily column after column, both as editorial and as news matter, all showing the imperative necessity for the creation of a central bank to be operated under private control.

The report of the Monetary Commission indorsing a central bank of issue under private control, with currency based upon general bank assets, was scheduled in the regular order of things to appear early in 1911 following the congressional elections in the fall of 1910.

But just at the time when the plans for the Aldrich central bank scheme were to be consummated the unlooked for happened, the unexpected came about. The administration in power suffered a reverse in the 1910 elections and lost the House of Representatives to the Democrats. This reverse, and with the administration facing an unfriendly public and a presidential election already approaching, had made this an inopportune time for the Monetary Commission to submit its report urging a central bank. Legislative strategy necessitated a postponement. The educational campaigns in progress among the people generally must be continued to steady the administration and the party in power, and the evident necessity of dealing with a new House of Representatives called for further time in which to make a canvass of its membership and to provide for their special advisement in financial matters.

This delay and change of program in the time of reporting out the Aldrich central bank bill seems not to have been generally understood by those who were watching for the report to

come out on schedule time, and they manifested much impatience. Laboring under a misapprehension of the cause for the delay, the commission was criticized and even accused of withholding its report for the purpose of continuing salaries. This criticism was not well founded, as the commission had evidently completed its work on schedule time and the bill was prepared and ready for report out, for a draft of the same was on January 17, 1911, submitted to the National Board of Trade, largely attended by bankers, then in session in Washington, to consider currency reform, where the bill was indorsed. The bill as drafted and the report reporting the same, however, were still withheld from the public.

The following report of the meeting of the National Board of Trade, which convened at Washington January 18, 1911, is given in the annual report of the New York Chamber of Commerce for 1910 and 1911, at page 165, as made to that body March 2, 1911, and as embodied in the remarks of Paul M. Warburg, chairman of the delegation to the monetary conference:

I think you could not fail to have been impressed upon the reading of our report with the remarkable degree of unanimity with which the proposed central reserve association was approved. The delegates met, and after 10 minutes they knew that they agreed on that question. We then met with the delegates of the New York Produce Exchange and Merchants' Association. It took us about half an hour to agree. We went to Washington to the conference. At that conference there were representatives from all over the country and from Canada. After discussion the central reserve association was agreed on, with but one dissenting voice.

Meanwhile, Senator Aldrich's plan had been brought forward, and it recommended the same plan that had been recommended by our resolution. Since then a body of bankers has met in Atlanta—over 20—representing all parts of the country, and they again, after going over this plan most thoroughly and giving it searching criticism, unanimously adopted it, with some amendments as to details. They adopted the underlying principles of the report. So there can be no doubt that the country is ready for this plan and for its adoption.

Finally the educational campaign which had been continued, having been considerably advanced and favorable public opinion believed to be sufficiently crystallized to reflect approval upon Congress, and the new Members having received special advisement, and hastened by the criticism of needless delay by the friends of the bill who had not been taken into confidence respecting legislative strategy, the commission reported the Aldrich central bank bill, January 8, 1912, with full explanation of the merits of the system and reasons for its adoption. But the favorable public opinion expected to be reflected from the people and the approval of the new Members looked for as the result of their special advisement failed to materialize, and a growing Democratic sentiment was found to prevail instead. The praises of the Aldrich bill by the report fell on dull and irresponsible ears.

Most fortunately for the people, a change in administration came just in time to warn the party in power and defeat a colossal conspiracy to wrest from them the last vestige of public control over their currency, and to prevent a central bank octopus from being fastened upon them for 50 years, and as well as a most opportune time to reclaim to the people their full dominion over their money. The change had come at a moment when the breastworks of the money power had been thrown down for its assault upon the finances of the country and when it would be estopped from opposing Government control by its old-time defense of declaring the great merit of existing bank-note issues.

Heretofore all attempts to obtain such full control of the money of the country by the Government have been successfully opposed and defeated by the claim of the great merit of the national bank currency. The special money interests in order to effect greater private control having condemned the national bank currency are thereby precluded from making their old-time defense against public control, and it is certainly a most opportune time for the people to gain control of their money system and lodge this vital public function in the General Government, where it rightly belongs.

The favors of fortune are not more mysterious than the calamities of fate.

Accordingly, the Aldrich bill, under which it was intended to create a central bank under private control, has been changed, modified, and revolutionized to conform to Democratic principles of control by the people. Private control over the currency by a central bank has been supplanted by public control in the Government. The power to issue money has been taken from a central bank under private control for selfish interests and vested in the Government for the general welfare. The basis of money has been changed from general bank assets and made to rest upon the obligation of the Government supported by all the property of all the people.

And the act of 1908, while not intended seriously or for actual use, but only to furnish an opportunity for the creation of the Monetary Commission, yet it has been taken advantage of by

the Government to relieve the people from the very interests which secured its enactment to serve their special purpose. Thus fortune has again strangely favored the people and the instruments which were forged for their further enthrallment have been made use of not only to resist further encroachments, but to throw off the burden already existing upon them. The fortress of the special money interests has been captured and the guns which had been forged and mounted for use against the people have been turned upon the special financial interests in retreat.

The outcome of this attempted usurpation illustrates a common occurrence in the affairs of man. He who would gain the whole world shall lose the whole world. The men who have attempted to defy all law have lost the protection of all law. Greed and monopoly, by reason of their avarice and their efforts to usurp all and subject all to their control, must finally fall the victims of their own acts and selfishness.

The CHAIRMAN. The time of the gentleman from Indiana has expired.

Mr. GRAY. Gentlemen, I have just got into my speech. My time and not my subject is exhausted. It is to be continued under the five-minute rule. [Applause.]

Mr. GLASS. Mr. Chairman, I yield 15 minutes to the gentleman from Tennessee [Mr. McKellar].

The CHAIRMAN. The gentleman from Tennessee [Mr. McKellar] is recognized for 15 minutes.

Mr. McKELLAR. Mr. Chairman, for many years there has been an urgent and insistent demand for currency legislation. Practically ever since the foundation of our Government periods of financial depression and panic have come to our people, entailing great hardships and losses, and these panics have invariably been attributed to a deficient or a pernicious currency system. These various panics have always come from artificial rather than natural causes. Our country has been so rich in resources that there has never been such a failure of crops as to cause famine, or actual want, or even anything bordering on famine or want. Indeed, it seems remarkable that a country so rich in resources as ours should ever be visited by times of real depression, and yet we know that these periods have come frequently in our history, and so often that we hear on every side that "hard times" come in regular cycles.

Since I have been old enough to understand such things I have witnessed two of these distressing periods of hard times or panics. One was in the years 1890 to 1893 and the other was in 1907, the one in 1890 to 1893 being the much severer of the two. In both of these periods, however, the crops of this country were abundant, and there was apparently no natural reasons for these panics. Evidently they grew out of artificial conditions and for the lack of a safe, uniform, practical, proper, and efficient currency system.

PRINCIPAL FINANCIAL PANICS.

The first great financial panic came in the fall of 1814. We were engaged in a war with England, and the first United States Bank had gone out of business, its charter having expired in 1811 and not having been renewed. All deposits of the Government had been placed in State banks. In the fall of 1814 every State bank outside of New England failed or suspended specie payment. The Government alone lost \$9,000,000 of its deposits which had been placed in nearly 100 State banks. This period of depression lasted for several years.

The second United States Bank was formed in 1816, and specie payments were nominally resumed in 1817. Upon the reopening of the second United States Bank there was a great inflation of paper money, and in 1819 the second great panic came on, which lasted for three years. In 1837, upon the failure of the Government to recharter the second United States Bank, there was the third great panic. In 1857 there was a fourth great panic, and various expedients were resorted to by the Government to restore nominal conditions. One of these expedients was the issue of \$52,000,000 of currency notes bearing interest at the rate of 6 per cent, which notes circulated as money. Of course, shortly after the Civil War came on the banks all suspended specie payment, and this condition of affairs remained until 1879. The severest trouble, however, came in 1866 and 1873. In 1884 there was a panic of smaller proportions. The next severe panic came in 1890 to 1893, and the last one in 1907.

SHORT FINANCIAL HISTORY.

Before going into the subject matter of the present bill itself, I desire very briefly to give a short history of the currency systems that have been used in our country since the organization of our National Government. I need not refer to the currency used during the colonial period, as it was for the most part a variegated, "wildcat" currency, a discussion of which would perform no useful purpose here.

Our financial history must be divided into three distinct periods: First, the period from the organization of our Government in 1789, or shortly thereafter, to 1837, which may generally be called the United States Bank period; second, the period from 1837 to 1863, which must be called the State-bank and Independent Treasury period; and, third, from 1863 to date, which may be termed the national-bank period.

THE FIRST UNITED STATES BANK.

In 1791 Congress, upon the recommendation of Mr. Hamilton, the first Secretary of the Treasury, concurred in by President Washington, passed a law chartering the first United States Bank. By the terms of this act this bank was given a life of 20 years. The object and purpose of the bank was to furnish a single fiscal agent for the new Government. At that time, notwithstanding that the Constitution provided that "Congress should have the right to coin money and regulate the value thereof," and, further, that "no State shall * * * coin money, emit bills of credit, make anything but gold and silver coin as tender in payment of debts," yet every State in the Union was exercising the right to establish banking corporations, which emitted notes and bills, and which passed as money. There was no limitation of any kind upon the amount of this State-bank money and practically few restrictions governing its issue.

The result was that the value of the issue of each bank depended upon the solvency of the individual bank and there was the widest variation in the value of the circulating medium of the country. A great many people have supposed that during the period of the United States Bank we had a system of currency somewhat like the Bank of England. This is wholly incorrect. The United States Bank was simply the only bank chartered by the United States Government, and was more powerful than most State banks because the financial operations of the Government were conducted through it and its revenues were deposited in it. It is proper to say, however, that during the existence of this first United States Bank the financial affairs of our country were in fairly good condition and no unusual panic occurred. This central bank was advocated by Hamilton, Washington, and Knox, and opposed by Jefferson, Randolph, Madison, and others. Mr. Jefferson believed that the States had a right and it was their duty to provide the currency of the country. This view was also shared by Mr. Madison. The bank charter expired in 1811, during the administration of Mr. Madison, and because of the administration's opposition to its recharter the bill for its recharter failed.

THE INTERIM.

Accordingly, therefore, between the years 1811 and 1817 the Government's money was deposited in the various State banks under the direction of the Secretary of the Treasury, the first United States Bank having gone into liquidation. Much of the Government's business was transacted in the private bank of Stephen Girard, of Philadelphia. Almost immediately there was a strong demand made in Congress for the incorporation of a new United States Bank. A bill for this purpose passed in both Houses in 1814, but was vetoed by Mr. Madison. It will be remembered that this was during the time of our war with England of 1812, and our financial affairs became greatly confused.

THE SECOND UNITED STATES BANK.

In 1816, however, a new bill was passed meeting the presidential objections and it duly became a law. By this bill the United States Bank was incorporated, with \$35,000,000 capital. As gentlemen have frequently referred to the present bill as a rejuvenation of the old United States Bank which Gen. Jackson fought and killed, it may not be amiss here to point out some of the principal provisions of the charter of this second United States Bank. As stated before, the capital was \$35,000,000. Seven millions, or 20 per cent thereof, was subscribed by the United States Government. The remaining stock was subscribed for by individuals and corporations. About \$7,000,000 of the stock was owned abroad. Five of the directors were appointed by the President and all of them were resident citizens of the United States. The bank was a private corporation purely, the Government simply being one of its stockholders and the President simply having the right to appoint 5 of the directors, which constituted a minority of the board of 25.

Practically speaking, the Government had no control of the bank. The Government, it is true, was to deposit, and did deposit, all of its funds in the bank. It gave the bank a monopoly of the Government's business, and for a while the Government's deposits, but it was in no sense a Government institution. It was a private corporation, and its officers and directors were not responsible to the Government or in any sense subject to governmental control. The five Government directors were powerless. The bank was not a success from the beginning. There

had been a great financial depression, or crisis, or panic, in the years following the British war, and the abolition of the first bank and the consequent inflation of the country with paper money by State banks. The directors of the bank at first boomed its stock. They did not require the stockholders to pay in full, but in some instances allowed them to draw out what they had paid. There were gross irregularities for the first four or five years, both in the management of the parent bank and in its branches, and much political agitation rose in reference to the bank. Frequent efforts were made in Congress to forfeit the charter of the bank or to modify it. In 1823 Nicholas Biddle became the president of the bank, and during his presidency the bank greatly prospered, and the industries of the people and the finances of the Government prospered from 1820 to 1835, and in this interim the national debt was paid, and the stock of the bank rose in the market until it commanded a premium of 20 per cent. (Knox, p. 61.)

During this prosperous period under the presidency of Mr. Biddle, who was a strong, self-willed man, this bank became a great power not only in finances, but in politics, and it appears that Mr. Biddle felt that he and his bank were really stronger and more powerful than the Government which created it. This brought about a political controversy in reference to the bank as early as 1824, when Gen. Jackson was an unsuccessful candidate for the Presidency. When Gen. Jackson became President, in March, 1829, doubtless knowing the views of Mr. Biddle and being convinced that the Government was greater than any creature which it had made, President Jackson became greatly incensed against this national bank and against Biddle. The bank and Biddle were the subject of controversy during President Jackson's entire administration. Naturally, this spirit of opposition was encouraged in President Jackson by all those who believed in State banks and all those who were interested in State banks. The result was, several years before the bank's charter expired the President, through the Secretary of the Treasury, withdrew all funds of the Government out of the United States Bank and deposited them in the various State banks. He kept up an incessant and determined warfare against this bank, and the bill for its reincorporation never became a law. In this connection it may be remembered that a vote of censure was passed upon President Jackson on account of his attitude toward this bank in the Senate, which resolution of censure was afterwards literally expunged from the Journal of the Senate by a resolution fathered by Thomas H. Benton. With the expiration of the charter of the bank in 1837 the last central United States bank was at an end. The State of Pennsylvania chartered this bank, and it was continued by Mr. Biddle for three or four years, when it went into bankruptcy.

NO ANALOGY BETWEEN UNITED STATES BANK AND BANKING SYSTEM PROVIDED FOR IN THIS BILL.

Some people profess to see some likeness between this bank and the system established by the Glass bill. There is not the slightest analogy between the United States Bank which Gen. Jackson fought and killed and the banking system proposed in this bill. The United States Bank was a monopolistic private corporation. This bill provides for a system of banking under the direct supervision of the Government and prevents private banking monopoly. The United States Bank was a private corporation wholly uncontrolled by the Government. The present bill provides for a banking system with supervisory control by the Government. The United States Bank was a chartered concession to certain individuals for profit, and gave those favored individuals the right to make as much profit out of the same as possible. The present bill provides the terms and conditions upon which banks may use the money entrusted to their care, and puts a limit upon their charges for the use of the money. The United States Bank permitted a concentration of the funds of the Government in the hands of a favored few. The present bill provides for the distribution of the Government deposits in such a way that they will be most available for the commercial, industrial, and agricultural demands of the people. In short, by the charter given to the United States Bank the Government gave its vast revenues to certain individuals in return for those individuals conducting the Government's private banking transactions, and without any regard whatever to the necessities of all the people for a safe circulating medium. The present bill, on the other hand, enlarges and makes more perfect our banking system, frees the people from the domination of any particular set of banking interests, and provides for the distribution of the deposits of the Government so that all the people in all sections of the country shall receive the benefits of the Government funds and the Government's activities, and secures a safe, flexible, elastic, and practical currency.

STATE BANK PERIOD.

As I have said before, State banks of issue flourished or failed, but were in common use all during the United States

Bank period, but after President Jackson had overturned the United States Bank there was no other kind of banks or of paper money, except the issue of State banks. This currency was issued in great quantities. It had no uniformity of value, and there was no method of determining what its real value was. The issue of some banks in some States was worth par, while the issue of other banks in the same States was worth 50 cents on the dollar, and so on.

The National Government exercised no control whatever over these State banks, and the States themselves exercised very little control over them. A more haphazard, ineffective, speculative kind of money could hardly be imagined than the currency known as State-bank currency. The only thing that could be said in its favor was in those days communication between States was so slow and difficult that the necessity for a circulating medium uniform in kind and value was not so great then as it would be now. Nothing but the natural resources of our country kept it from disaster during this period.

THE PERIOD OF NATIONAL BANKS.

Upon the outbreak of the Civil War the National Government found itself in need of funds, and many plans were offered by which these funds to carry on the war might be raised. The general plan of the national-bank system was suggested in a report of the Secretary of the Treasury, Salmon P. Chase, as early as 1861. This was referred to a committee, and in 1862 Mr. E. G. Spaulding, a Member of this House from Buffalo, N. Y., drafted the original banking law and is commonly regarded as the father of that law. However, late in February, 1863, substantially the same bill was reported by Senator John Sherman, and this Sherman bill was passed in both Houses and became a law. Mr. Spaulding, however, was the real author of the bill. This national-bank law has been amended or modified by almost every Congress since its passage. Everybody seemed to realize that the law in many of its features was a good one, but at the same time it needed and still needs modification and perfecting. At the time of the passage of this law State banks were still issuing money on their own account, but in 1865 a tax of 10 per cent was placed upon the issue of State banks, and it was thought that this would perfect the national-banking system and prevent the issue of money by State banks. This first prohibition of the State banks, however, seemed not to have been effective, and in 1875 an amendment was passed, and since that time there has been no issue of money by State banks. This was one of the most important amendments to the law. By these acts the issue of State banks was prohibited from circulating as money.

LEGAL-TENDER NOTES, OR GREENBACKS.

During the war the Government issued \$400,000,000 of legal-tender notes, or mere promises to pay, commonly known as greenbacks. This circulated as money and was receivable and is still receivable for public debts, except duties on imports and the interest on the national debt. These notes were issued as war currency, and it was expected to call them all in and retire them as soon as possible after the war. The amount was reduced until the sum outstanding was \$346,000,000, and that amount is still outstanding and commonly used as money. In 1873 the coinage of silver was discontinued, and the only currency from then till 1879 was national-bank notes and greenbacks and a small amount of subsidiary currency. In 1879, however, there was a resumption of specie payments, and in 1890 there was a compromise silver measure, known as the Sherman law, and the coinage of silver was resumed. Laws were passed allowing gold and silver certificates to be issued based upon the gold and silver deposited with the Secretary of the Treasury, and this paper was used instead of the actual specie. From 1868 to 1873 there was a violent panic in this country, which lasted until 1879 with more or less severity and which caused great hardships and suffering.

GREENBACK PARTY.

It was during this period, or just before, the Greenback Party was started in this country—a political organization which had for its cardinal principle the issue by the Government of paper money of the kind hereinbefore referred to; that is to say, merely a promise by the Government to pay. This party became popular and had a candidate for President, but with the resumption of specie payments in 1879 it became a thing of the past, leaving, however, a sentiment in the public mind in favor of greenback currency or legal-tender notes that has prevented any retirement of the three hundred and forty-six millions of greenbacks outstanding; and though few scientific financiers believe in fiat money, yet no one has offered to retire this particular fiat money—a very interesting fact.

FREE SILVER.

After the passing of the greenback craze, the next monetary propaganda was that of free silver. This continued from the

early eighties until 1896. It reached its zenith when the Sherman bill was passed in 1890. This law was repealed by the Democrats under Mr. Cleveland, and thereafter the celebrated campaign of 1896 was waged by Mr. Bryan, with free silver as the principal issue. Mr. McKinley was elected, and in 1900 a law was passed extending the provisions of the national banking act and allowing the national banks to issue money to the limit of the par value of bonds held by them. This greatly increased the circulating medium of the country, and new gold fields being discovered and developed the supply of gold in our country was enormously increased—that is to say, some five or six fold—and for a time our currency system seemed to be adequate. However, it lacked elasticity. It was subject to being centralized in the great monetary cities, especially in New York, and when so accumulated it produced great speculation; and in 1907, almost without notice and in a season of almost unexampled prosperity, the country was plunged into a great panic, showing the great defects in our currency system.

During Mr. Taft's administration a monetary commission was established to examine into and report upon our currency situation, and a bill was passed, known as the Vreeland bill, providing for the issue of five hundred millions of what was known as emergency currency. This, of course, was a makeshift and no general bill for the reform of our currency was passed during the Taft administration, though Senator Aldrich had reported a bill known as the Aldrich bill, which, however, never became law.

PLATFORM PLEDGES.

The Democratic Party, in its Baltimore convention, declared against the Aldrich bill and central bank. It declared for systematic revision of our banking laws. It declared that banks should exist for the accommodation of the public and not for the control of business. It declared against methods of depositing Government funds in a few favorite banks largely in the control of Wall Street.

It will thus be seen that the platform sets a high standard, and the question is, Does this bill meet the promises of the platform and the needs of the people? My proposition is that it does. The full provision of the platform is as follows:

We oppose the so-called Aldrich bill or the establishment of a central bank, and we believe the people of the country will be largely freed from panics and consequent unemployment and business depression by such a systematic revision of our banking laws as will render temporary relief in localities where such relief is needed, with protection from control or dominion by what is known as the Money Trust.

Banks exist for the accommodation of the public and not for the control of business. All legislation on the subject of banking and currency should have for its purpose the securing of these accommodations on terms of absolute security to the public and of complete protection from the misuse of the power that wealth gives to those who possess it.

We condemn the present method of depositing Government funds in a few favored banks, largely situated in or controlled by Wall Street, in return for political favors, and we pledge our party to provide by law for their deposit by competitive bidding in the banking institutions of the country, national and State, without discrimination as to locality, upon approved securities and subject to call by the Government.

COMPARISON OF THE PENDING BILL WITH THE SO-CALLED ALDRICH BILL.

The Aldrich bill provides for the incorporation of a central bank fashioned exactly after the United States Bank hereinbefore referred to. The bill provides that the capital of \$300,000,000 shall be subscribed to only by national banks having a minimum capital of \$25,000. It having been contended that the Glass bill is a revamp of the Aldrich bill, it will be of interest to point out the essential differences between this bill and the Aldrich bill.

DIFFERENCES BETWEEN GLASS AND ALDRICH BILLS.

Under the Aldrich bill the Government was to have no control of the central bank or its branches, except that the President of the United States was given the right to appoint and discharge for cause the governor of the bank. The Glass bill gives the Government absolute control of all the banks obtaining Government deposits. The Aldrich bill would give the individuals controlling the national banks an exclusive monopoly of not only the banking business of the United States for 50 years, but an exclusive handling of all the Government's funds without interest for the same length of time, without any governmental control of the institution whatever.

In addition to this, under the rule of law laid down by our Supreme Court in the Dartmouth College case, this charter would be a contract with the central bank which could not be amended by Congress. In the Glass bill, if any mistakes are made, they can be remedied at any time by amendment.

The Aldrich bill makes the central bank the principal beneficiary of the Government's power to tax, in that all of the Government's funds are to be placed in said banks without interest and without the Government being given any control over the bank. The Glass bill, on the other hand, gives the Government absolute control of its own money and a supervisory control over the entire banking system, which all fair-minded men must consider just and right.

The Aldrich bill creates a banking monopoly. The Glass bill prohibits a banking monopoly. The Aldrich bill would permit the central bank to centralize all the money of the country in a few hands, and at one or more places, just as it saw fit, as the Government would have no power to prevent it. The Glass bill, on the other hand, prevents a concentration of money in any particular locality, but provides an elastic currency sufficient for the needs of any particular locality. The Aldrich bill provides that the local branch banks shall be governed by a manager and deputy manager, who shall be appointed by the governor of the central bank, thus absolutely taking away the right of local self-government. On the other hand, the Glass bill provides that each Federal reserve bank shall elect two-thirds of its own directors, thus giving local self-government to this reserve bank and merely the right of supervision to the central reserve board, which is not a bank at all.

Complaint by the favored bankers has been made that the Glass bill provides that the subscribing bank is entitled to only a dividend of 5 per cent of its capital and a possible division of the remaining profits in the future, the bank getting only 40 per cent thereof after the surplus reached 20 per cent. The Aldrich bill provided that the shareholders should receive only a profit of 4 per cent and that future earnings shall be divided, one-half to go to the surplus of the central bank until that surplus amounted to 20 per cent, one-fourth to go to the Government, and one-fourth to go to the shareholding banks until such banks received 5 per cent, and thereafter they were to receive no more. This provision was entirely satisfactory to the banks under the Aldrich bill, but these same bankers now claim that a better and more satisfactory provision in the Glass bill is not satisfactory to them. Naturally the New York banks ought to have been pleased, as they doubtless were, with the Aldrich bill, and I do not see how the country banks could have ever agreed to it.

The Aldrich bill provided that the national banks may subscribe to the stock of the central bank in amount equal to 20 per cent of the capital of such subscribing bank. The Glass bill provides that each national bank in a reserve district is required to subscribe stock in such Federal reserve bank in amount equal to 20 per cent of the capital of such subscribing bank within one year, under a penalty of dissolution if it did not within one year.

These are the principal differences between the Aldrich bill and the Glass bill. These differences are fundamental. They go to the heart of the question.

SIMILARITIES BETWEEN ALDRICH BILL AND GLASS BILL.

There are a number of similarities between the Aldrich bill and the Glass bill. The committee framing this bill has evidently not turned down good provisions simply because they happened to be incorporated in another bill.

The first similarity is that the country is divided into 12 or more Federal reserve districts partially after the manner of the Aldrich bill.

Second. The amount of stock that a national bank would be required to subscribe, the difference being that under the Aldrich bill the subscription would be to the stock of the central bank, and under the Glass bill the subscription is mandatory and would be to the stock of the Federal reserve bank.

Third. The division of the earnings is substantially the same, the Glass bill giving the banks a slight preference.

Fourth. The establishment of local associations under the Aldrich bill with a capital of \$5,000,000 each is similar to the establishment of Federal reserve banks of \$5,000,000 each. The election of the directors of these local associations are in some manner similar.

Fifth. The election of the directors of the reserve association of the Aldrich bill, which is the real bank, is quite different from the election of the directors for the central reserve board provided for in the Glass bill. They are similar only that the Secretary of the Treasury and the Comptroller of the Currency are to be members of the board under both plans. The executive officers of branches are provided for in a wholly different way.

Sixth. Function of the local association in the matter of rediscount of paper is much the same as the function of the Federal reserve bank of the Glass bill, but the provisions in the Glass bill are much more elaborate.

Seventh. The rate of discount is to be fixed by the Federal reserve board in the Glass bill, and it is to be fixed by an executive committee of the Federal reserve association in the Aldrich bill.

Eighth. The central bank in the Aldrich bill is given the right to deal in bonds of the United States, gold or bullion, to deal in foreign exchange, and to maintain branches in foreign countries. These rights in a general way are given to Federal reserve banks in the Glass bill.

Ninth. The functions of national banks are enlarged in both bills. In the Aldrich bill they are allowed to conduct business in foreign countries, they are allowed to have State savings deposits, and they are allowed to organize as trust companies. Generally speaking, these functions are given to the national banks in the Glass bill.

Tenth. The last striking resemblance in both bills is it is provided that the national bank notes are to be retired as rapidly as possible, consistent with the public interest, and that, in room and stead of these notes, notes shall be issued by the various national banks in this country. In the Aldrich plan the central reserve bank is to issue this currency, and under the Glass bill the Government is to issue under the direction of the Federal reserve board. The reserves required under each bill are virtually the same.

It will thus be seen that practically all of the good provisions of the Aldrich bill are brought forward under the Glass bill. In other words, the committee bringing forward this bill has included all the good that was in the Aldrich bill and rejected all the bad therein. It has declined to recommend a bill that would build up a money monopoly in this country in the hands of a few people, but have brought in a bill that is manifestly to the interest of all the country banks and all the people—that is, all the banks outside of New York City and other great money centers—and in my judgment will eventually bring about a money system in this country under which there will be no panics.

THE INDEPENDENT TREASURY.

The Independent Treasury idea, which is in effect abolished by the Glass bill, was first established by a law that was enacted in 1840 during the administration of Mr. Van Buren. This law was repealed in 1841. The Whigs, under the leadership of Mr. Clay, passed another United States Bank bill which was vetoed by President Tyler. This bill and its veto caused the disruption of the Whig Party. In 1846 a new Independent Treasury bill was passed by Congress and signed by President Polk. By this bill the Treasury became the financial bank of the Government, and has remained so ever since. That this Independent Treasury system has been a success—that is to say, it has been better than the system of depositing public money in State banks and better than the system of giving to the banks a monopoly like the old United States Bank, the exclusive use of the Government money—no one can deny, and yet it is interesting to note what the bankers of that day thought about it. In a review of the subject the editor of the *Bankers' Magazine*, representing the banks of that day, 1846, said this:

That scheme [Independent Treasury scheme] we consider utterly impractical and indefensible, and such a law can not be enforced for six consecutive months, or will, it is our opinion, be strictly complied with for 48 hours.

This statement from the bankers is interesting in view of the published statements we see from Mr. Reynolds, Mr. Forgan, Mr. Wade, Mr. Wexler, and bankers of national fame every day in the newspapers. While on this subject it is interesting to note what the bankers thought of the national banking system when it was first suggested. They claimed that the proposed bank, from the fact that the applications were chiefly for banks with small capital, and judging by the locality where they were located, it was evident that the national law encouraged the organization of banks for circulation only, and not regular banks for deposit and discount, and was what was known in our Western States by the expressive term of "wild-cat" banks.

The banking interests further declared that the proposed currency was to be a depreciated currency; that—

it was not a legal tender between man and man, nor has any banking association or banking institution a right to pay them out in discharge of its debts to an individual or corporation; that it would be a depreciated currency, and when used by the laboring man or the poor woman they would find 5 or 10 per cent added to the price that they would be required to pay, provided they could offer legal-tender notes.

Lastly, these New York bank officers claimed that this national currency "would, by its issue, supplant a like amount of legal-tender notes which the Government could issue free of all interest and which amount the Government would have to borrow and pay interest on at the rate of 6 per cent. This loss on \$300,000,000 would amount annually to \$18,000,000." This was a report of a committee of bank officials held in New York in December, 1863. None of these predictions have been fulfilled.

How similar in tone are these fulminations of these bankers to their present diatribes against this bill! In 1846, when the Independent Treasury system was started, and when, in 1863, the national banking system was started, throughout Wall Street the lamentations of these same banking interests were heard against the proposals. And now when a better system is being started we hear the same predictions of financial disaster. The

truth is that the principal business of bankers is to make money out of running their respective banks. They take the system as they find it. They are able to make money out of it, and they do not want it changed. They have fought consistently and historically every improvement and betterment of our banking system. They fought the State banks and the Independent Treasury system in favor of the United States bank. Later on they fought the national banking system in favor of the Independent Treasury system, and now they are fighting governmental supervision and control of our banks in favor of private monopoly of our public and private finances. In making this statement I do not mean to include all of the banks. It is my belief that while Chicago and St. Louis bankers are taking the lead in this fight, this is only so nominally, and the real fight is being waged by the banking interests of New York. The great body of bankers throughout this country are not fighting this measure. At heart they are in favor of this measure. No one knows better than they do their present and past absolute dependency upon New York bankers for their money. They get this money in crop-moving periods at 8 per cent, an outrageously high and extortionate rate of interest. The New York banks will say they charge but 6 per cent. Yes; but they require the country banks to keep on deposit in their banks in New York an amount about equal to 25 per cent of what they borrow.

MR. McADOO'S RECENT ORDER.

Mr. McAdoo's recent order depositing money in country banks for the purpose of moving the crops on prime commercial paper as security was the first rift in the clouds for the country banks.

In the early part of July, this year, at Atlantic City, I talked with a leading banker of my district. This banker told me that he had just been to New York and that he was very uncertain as to the future; that the banks in New York were looking for hard times; that they were all uncertain and worked up over the pending currency bill; that they did not believe in bringing forward the currency question just at this time. He did not know whether his New York correspondents were going to furnish money to move the crops or not, and he thought the outlook was exceedingly dark and gloomy.

I talked to other country bankers who had been to New York about this time. They all talked in this despondent mood. They all denied that the New York banks were threatening, but were all afraid the New York banks would bring on a crisis if the administration persisted in its course of having currency legislation at this session of the kind proposed. About a week or two afterwards Mr. McAdoo, with that promptness and fearlessness that has characterized his life and that has made him one of the leading figures in public life, issued a statement in which he said the Government would deposit money in country banks for the purpose of moving the crops on prime commercial paper, and the financial scare was over. The very bankers that had before claimed that there would be no money to move the crops were loudest in their assertions that New York had all the money necessary and would lend all necessary money to move the crops. This caused criticism by the New York bankers of Mr. McAdoo for thus lending the money. They could not say the Secretary of the Treasury had no precedent for depositing Government funds and thus relieve financial trouble, because other Secretaries of the Treasury had frequently done so. But other Secretaries of the Treasury had deposited money in New York banks. Mr. McAdoo's offense consisted in lending or offering to lend the money to country banks. The proposal of Mr. McAdoo at once had the desired effect. The amount of money thus deposited in the country banks was immaterial. The fact that these banks could get it from the Government was the all-important one. It at once created two markets for money.

And this is what I regard as one of the most important features of this bill. It establishes in this country a competitive money market. As all of us who have had anything to do with banks—and I have had to do with them all my life—know that we have now but one real money market in this country, and that is in New York. How different it will be when these reserve banks throughout the country are established. Then the country banker can either make his arrangements in New York, just as he now does, or he can deposit his paper with the regional reserve bank and secure there what he wishes. It means an immense lowering of interest rates all over the country, in my judgment, to the benefit of all the people.

Mr. MURDOCK. Will the gentleman yield for a question?

Mr. McKELLAR. With pleasure.

Mr. MURDOCK. Under the new system the reserve bank will have the right to fix the discount rate, subject to the veto of the central reserve board.

Mr. McKELLAR. That is my understanding.

Mr. MURDOCK. But the reserve board, as I understand it, will have no power to fix the rate of interest made by the member bank to the individual borrower. How will the discount rate made by the reserve bank to the member bank reach the individual borrower so as to benefit him?

Mr. McKELLAR. In this way, that it will establish the principle of competition; and if the country bank gets the money cheaper it will be enabled to lend the money to its customers at a cheaper price. As I say, after Mr. McAdoo's order the country banks were no longer solely dependent upon New York, and I do not believe that there is a fair-minded man in this country, be he New York banker or anyone else, who in his heart does not know that this proposal of Mr. McAdoo was wise, just, beneficent, lawful, and right, and that it averted a financial crisis which many New York bankers hoped would come on is the firm belief of many intelligent people. My own view is that it was the wisest stroke of financial statesmanship that has ever been made by any Secretary of the Treasury in this country. It has given the people of this country absolute confidence in our Democratic administration. It has made the great body of the people believe that the financial interests, commonly known as Wall Street, did not control this administration, as, indeed, they do not. It has made the great body of the people feel that the revenues of the Government during these four years are not to be a pawn to be fought over by rival individual banks in New York City, but that they are to be used for the protection and development of our agricultural, commercial, and industrial interests throughout the country.

In 1907, when the stock and produce gamblers had gambled all their money away in New York there was a panic, and the Secretary of the Treasury then, after the panic had come, remedied the situation by depositing \$25,000,000 of money in the New York banks to relieve the situation. In that case the Government did the work and gave Mr. J. P. Morgan the credit for it, but the damage had already been done to the country. This time practically the same situation was staring us in the face when Mr. McAdoo placed the money in honest and legitimate channels, where it could perform a real work, and there was no panic, and the country in general is receiving the benefit.

Verily this administration is living up to its promises made to the people in the Baltimore platform.

NO FURTHER HOARDING OF MONEY BY THE GOVERNMENT UNDER THIS BILL.

Under the Independent Treasury system, which has been discussed by me before, necessarily the Government has had to hoard money. The hoarding of money has always been regarded as an evil. Money is simply a circulating medium of exchange. That is the only service it can do in this sense. When it is hoarded by an individual and taken out of the channels of trade and commerce it can not do any work. If individuals or corporations lock their money up in vaults or private boxes it is withdrawn from circulation and the business of the country is to that extent injured. And so when the Government hoards money it is withdrawn from circulation and injures business. The Government has necessarily had to do this under the present currency system. That is shown by a reference to the circulation statement of date September 2, 1913, issued by the Treasury Department. This shows that there was held in the Treasury as assets of the Treasury on that date \$367,000,000.

Mr. MURDOCK. Does the gentleman mean outside of the reserve?

Mr. McKELLAR. Yes; outside of the reserve.

Approximately that amount is kept on hand in the Treasury habitually. It is hoarded. It does no money work. By section 16 of the Glass bill it is provided:

That all moneys now held in the general fund of the Treasury shall, upon the direction of the Secretary of the Treasury, within 12 months after the passage of this act, be deposited in Federal reserve banks, which banks shall act as fiscal agents of the United States, and thereafter the revenue of the Government shall regularly be deposited in such banks, and disbursements shall be by checks drawn against such deposits.

It is further provided in said section that the Secretary of the Treasury must apportion the funds equitably between the different sections, and a small interest charge is provided for.

The practical result of this provision of the law will be to add this heretofore hoarded treasure to the circulating medium of our country. It withdraws it from the strong box of the Treasury and distributes it among banks, where it may do money work. In my belief it is one of the best provisions of the bill and will add greatly to our national prosperity.

THIS BILL EVOLUTION NOT REVOLUTION.

This is not a revolutionary measure. There is no violent change in the system. The change from a system of national bank notes to notes issued by Federal reserve banks is extended over a period of 20 years. It is arranged this way so there

might not be any violent convulsions. On the contrary, it is arranged so that it is but a natural and simple growth and development. Experience has taught us that national-bank notes issued upon Government bonds does not form an elastic currency. Accordingly, there is provided in the bill that this national-bank currency shall be gradually superseded by the Government notes based upon collateral security, not only of Government bonds, but of various State, county, and municipal bonds and prime commercial paper, as provided in this act. In other words, the currency provided for by this bill is to be issued upon a legitimate demand of trade and commerce and not upon ability to deposit bonds of the United States. This has been the demand by bankers for a long time, and I believe it will form a safe, elastic, and efficient currency. It is exactly the kind of currency that the Aldrich plan provided for, except that this currency is to have the backing of the Government instead of the banking monopoly provided for in the Aldrich plan. The plan is the same, but the control is different. The Aldrich plan was a good one, but was conceived in the interest of favored private bankers. The Glass plan has the same elements of goodness in it, but it is put in the hands of the Government, and safeguarded so that the benefits may go to all the people instead of the favored few.

A COMPETITIVE MONEY MARKET.

Another beneficent feature of the Glass bill is that it creates a competitive money market for the country banks. Now they all have to go to New York. Under this plan any national bank or State bank complying with the terms of this act can go to its own Federal reserve bank and get money if it so desires. The country bank is not in any way prohibited from going to New York and borrowing its money there, as usual, but it does not have to do so. It can get money from its own Federal reserve bank at its election. The principle of competition is applied to our national finances where there has been heretofore financial monopoly. This principle will tend to reduce the amount of interest charged. This will be a great benefit to the people of this Nation. The days of lending southern and western banks money at 8 per cent will be over. This does not mean that the banking interests of New York will be ruined at all. They will lend money just as usual, but will lend it more safely, and they will have to take a smaller profit, and they still have the same opportunity to grow and prosper.

SPECULATION LESSENER.

The prohibition of rediscounting paper for speculative purposes is another feature of the bill. This matter of stock and produce gambling has been carried on to such an extent in our leading financial centers that there seems to be a wide demand for its curtailment. New York as our leading financial center has drawn money and now draws money from all over the country and will continue to do so. New York bankers find it exceedingly profitable to lend their money on call at enormous rates of interest, running oftentimes from 10 to 50 per cent. Naturally, much of the money of the country is used in this way, because those who have the capital want to get the best returns therefor. At the same time these gambling transactions are of great hurt to the agricultural, commercial, and industrial interests of the country, in that they withdraw just this much money from the more legitimate avenues of trade and commerce. Any man that pays 10 per cent or more is in essence a gambler, and this kind of use of money is, in my judgment, largely responsible for the various panics that we have had in the past.

THE AUTHORSHIP OF THIS BILL.

Much has been said in the newspapers and elsewhere about the authorship of this bill. It was introduced in this House by Mr. GLASS, the chairman of the Banking and Currency Committee of the House, for and on behalf of that committee.

I have heard the discussion of the bill by Mr. GLASS and the Democratic members of that committee, and surely while the bill, as all such bills are, in a sense is of composite authorship, still I do not believe that any fair-minded man could say, after hearing Mr. GLASS and these Democratic members, that this bill was anything else than the bill of the committee. Mr. GLASS himself being its principal author. Some have asserted that the President had something to do with it. Others have asserted that the Secretary of the Treasury has had something to do with it.

If they took any part in its making they should feel very proud of their work, and the country should be very grateful to them for aiding Mr. GLASS. I have no doubt the suggestions of the President and the Secretary of the Treasury have greatly aided Mr. GLASS in the preparation of this bill, and I say that it is a great credit to both of these gentlemen that they have taken part, as it was their duty and their right, to bring about a

better banking system in this country, and to carry out the pledges that the Democratic Party made to the people in its platform last year. But to Mr. GLASS and his colleagues on the committee the greatest credit is due for this splendid measure, and I believe that the whole country will, in less than a year after it has been in operation, unite in saying that it is the greatest currency measure that Congress has ever enacted.

RURAL CREDITS.

The provision of the bill permitting national banks to lend money upon farm lands, of course, is a step in the right direction. It is unfortunate that this provision is not more elaborate. It, perhaps, would have been better if we could have had a report from the commission which has been sent abroad to study foreign systems of rural credits before any action was taken at all, inasmuch as a postponement of any relief in this regard might have been misconstrued. It may be and is just as well that the provision should now be included in the bill. We hope that at some future day, after the report of this commission is made, to extend and enlarge the system of rural credits in a way that it will be to the best interest of the farmers. No more important legislation could be devised than a safe system by which the farmers could get the money with which to produce the greatest results on their farms. We owe all to those who are engaged in the tilling of the soil, and we should leave no stone unturned in giving to them the best and cheapest methods of obtaining the necessary means to make their crops at the smallest cost. [Applause.]

Mr. GLASS. I yield to the gentleman from New York [Mr. LEVY] 10 minutes.

Mr. LEVY. Mr. Chairman, in voting for the pending measure, which I shall do because my party has deemed it wise, I desire to bear testimony to the display of a high order of constructive legislation shown by its authors, to its inherent adherence to true economic principles, to its manifestation of an earnest and patriotic desire to serve the true interests of all the people, but I would not be true to myself nor to my constituents if I did not call attention to what I consider manifest defects in some of its provisions, with the hope that before the bill comes back to this House further discussion may tend to perfect the measure by the introduction of amendments which will meet with general approval as being conducive to the general welfare.

There has been a tendency shown on this floor and in the party caucus preceding the presentation of this bill to repress the expression of adverse opinion by those who happen to represent a locality where the predominant financial interests of the country are, upon the theory, expressed or implied, that these interests are antagonistic to the general welfare of the country, and that some local or sectional advantage is sought. I deplore more than I am able to express the encouragement of such inferences, for when men in high places indulge in the public expressions of such thoughts it gives encouragement to socialistic tendencies, which should find no lodgment among a free and self-governed people.

I beg to repeat what I said in the Fifty-sixth Congress, which seems equally applicable now as then. "Every currency bill or financial measure which comes before this House for discussion is made the pretext for these unjust attacks. New York is characterized as the abiding place of all the evils that ever have afflicted or ever will afflict this Government and as the home and refuge of all the enemies who seek to destroy the welfare of our Nation. But wherein lies the reason for these charges and calumnies? New York rejoices in the prosperity which has come to every State in the Union, and her own prosperity is only an index of the advancement of the whole country. She does not hoard her wealth, but is constantly applying it to the betterment of the various sections of the United States seeking her aid.

"She builds railroads and highways. She sells your securities and finds a market for your properties. She is the clearing house and clearing port of a majority of the States. She is their market for supplies to be purchased from or sent abroad. She controls, as it were, the markets of the world and brings them to your feet. She moves your crops and finds investment for money from East, North, West, and South. She does everything that brains can devise and activity carry out for the advancement of our Union."

In the time of distress New York has been foremost with her assistance. She contributed \$2,408,983.10 to the San Francisco earthquake fund, of which amount the New York Chamber of Commerce collected \$782,881. The total amount subscribed for this fund throughout the United States was \$8,228,978.25; therefore New York contributed over one-quarter of the total amount subscribed. When contributions were being solicited throughout the country for the relief of the western flood sufferers during the spring of 1913 New York contributed \$595,303.41. The

total amount collected for this fund was \$1,750,000, and it will be observed that New York contributed over one-third of this fund.

A financial center or predominance of wealth in one place is not peculiar to this country; it must and does exist in every country and will always continue to so exist. If men of wealth and fortune congregate in one locality more than in another is that any reason to suppose such association is a combination for the disadvantage of others, for the restraint of the rights or the liberties of those in other places? Does the Virginian or the Georgian or the Texan or the Californian because he locates in New York thereby lose the influences of his previous environments or lose his loyalty to his native State? Will change in locality destroy men's inherent natures? Does not the great cosmopolitan character of New York City prove the contrary? No matter what our legislation may be, New York will always continue to have predominating financial influence. Nature has made it so from her location, and men in congregating there—who thereby add to her development—have only given expression to these natural advantages.

From the publication by the Monetary Commission I am enabled to gather the following statistics, which I have worked into percentages. Though the figures are not the most recent reports the percentages still apply:

The total capital and surplus of all the banks and banking institutions of the United States reporting April 28, 1909, is \$3,624,000,000, of which New York's share is \$901,000,000, or 24.8 per cent. The total deposits in all the banks are \$14,006,000,000, of which New York's share is \$4,039,000,000, or 28.8 per cent. The total resources of all such banks are \$21,046,000,000, of which New York's share is \$5,960,000,000, or 28.3 per cent. Perhaps a more striking feature is shown in the clearings of New York as compared with the rest of the country. The total clearings of the United States of all reporting cities, from this source of information, is \$165,608,000,000, of which New York's share is \$103,588,000,000, or 62½ per cent. In comparison with the clearings of the three next largest cities, it may be mentioned Chicago has \$13,781,000,000; Boston, \$8,440,000,000; and Philadelphia, \$7,021,000,000.

It may be of interest to note that the clearings of New York City are the largest of any city in the world, being nearly double the clearings of London and much more than double the clearings of Berlin and Paris combined.

Assets.

[From the Monetary Commission Report. Figures below one million omitted.]

	All banks.	New York State banks.
Capital.....	\$1,793,000,000	\$263,000,000
Surplus.....	1,831,000,000	538,000,000
Total.....	3,624,000,000	1,901,000,000
Total resources.....	21,046,000,000	5,960,000,000
Individual deposits.....	14,006,000,000	4,039,000,000

¹ 24.8 per cent.

² 28.3 per cent.

³ 28.8 per cent.

Clearings, 1909.

New York.....	\$103,588,000,000
Chicago.....	13,781,000,000
Boston.....	8,440,000,000
Philadelphia.....	7,021,000,000
Total of all reporting banks.....	165,608,000,000

New York's percentage of whole clearing, 62½ per cent.

This predominance has never been abused. The cosmopolitan nature of the development makes abuse of local power and influence in reference to tributary localities impossible. The exercise of power in financial and commercial affairs everywhere is made through individual control of resources, and the influences which control any one individual located in a financial center may be and probably are so identified with other parts of the country and so interwoven with other individual interests that a cosmopolitan representative can not seek advantage for one locality to the detriment of another. I maintain, therefore, that when I speak for the material benefit and advantage of New York City I speak for the material benefit and advantage of the whole country as exemplified in its financial center.

It should not be presumed that the business growth and development of the financial center of the country is or can be made antagonistic to the general welfare of the country. The success of this center, wherever it may be, is so intimately interwoven with the general prosperity of the country and, indeed, is so dependent upon that prosperity that any legislation which would hamper or destroy one would hamper or destroy the other.

When we, therefore, seek to enforce by law some provision which we think will benefit the general welfare of the country

by interfering with the acknowledged welfare of some particular locality, we might as well try to regulate the digestive system of the human body, under the theory that the circulatory or nervous system will not be thereby affected.

New York has always been helpful in her supremacy. She has been instrumental in furnishing the capital for all the large enterprises of the country. She has built our railroads and our steamship lines and has gathered from the uttermost parts of the earth the necessary capital for our wonderful industrial development. And when grim-visaged disaster has come to any section of our beloved country by flood, fire, or earthquake what has shown that it pulsed more in unison to humanity's cry of distress than this noble and princely city, where I am proud to say I was born and reared? [Applause.]

I have heard it stated on this floor that the commercial panic of 1907 was caused by the speculative excesses of Wall Street, and some have gone so far as to say that it was intentionally brought on by the financial interests there represented. This latter is so absurd to any thinking and normal mind that it is hardly worth while to combat or consider.

A few days ago a prominent bank officer of Chicago, who was during that panic in the position to know the facts, stated before the Banking and Currency Committee of the Senate that the pride of many bank officers throughout the country, as an excuse for maintaining their reserves at abnormal proportions and not meeting their obligations in currency, induced them to encourage the idea that it was caused by their inability to realize on their New York balances, when in point of fact the demand for New York exchanges which could not be supplied proved these balances had been paid.

The truth is that New York City did more to alleviate the panic than any other city. Her banks, regardless of reserve requirements, shipped \$106,000,000 of currency outside of New York and received but \$57,000,000; or, in other words, New York City paid out \$109,000,000 more than she received between July and December of that year. During the entire year of 1907 the total receipts of the New York banks were \$140,898,000 and the shipments were \$247,563,000, or an excess of \$106,665,000 over receipts, and this proves conclusively the banks of New York paid out more than they received during the panic of 1907 and relieved the situation.

Any student of the economic causes which brought on that panic knows that the suspension of the banks throughout the country was caused by the defects of our banking and currency laws, which prohibited and prevented the utilization of credit in the form which the necessities of commerce and industry demanded.

Happily, Mr. Chairman, the recurrence of such a needless calamity in the commercial and industrial world as that of 1907 can not recur if the purposes sought to be attained by this bill are enacted into law. I believe I correctly stated the problem which had to be met when, at the beginning of the consideration of this question before the Glass committee, I said we had to legislate whereby the people could safely substitute for coin in their daily interchange of property and service bank debts represented by deposits and circulating notes, giving the banks a reasonable profit for such substitution.

I introduced a bill which I thought, and still think, would meet the necessities of the case, but those in charge of the legislation, while conforming to the general principles of that bill, which principles must be followed in any and every effort for sound currency reform, have adopted somewhat different variations as to the form of remedy to be applied.

I propose now to consider some of these variations and give reasons why I think the bill under consideration should be amended before being finally enacted into law.

I am opposed to the compulsory or mandatory character of the measure. I do not believe there is any conflict of interests between the general prosperity of the whole country and the welfare of the banking community. I think the two go hand in hand, and that the growth and development of the banking interests arises by reason of general prosperity, and in a measure contributes thereto. I therefore want to see the present banking interests of the country indorse heartily the measure we adopt. I want them to feel that they are willing, enthusiastic adherents of the Federal reserve system, and that we have no intention or desire to uproot the present organization for the purpose of building up new ones to conform to a new system. I do not expect universal indorsement. Some men are so constituted that they can not survey with satisfaction a field of general prosperity in which they form a part, and can see no benefit except in the returns from the particular patch they cultivate. But I do not want to see the "big stick" wielded. Our predecessors came to grief under its compulsory blows, and we may take warning from their experience.

NOTE ISSUES.

My thought is that the bank function of note issue should not be taken away from the individual banks and confined exclusively to the Federal reserve banks. It is true that under the bill the bond-secured currency may be continued over a period of 20 years, with a graduated annual reduction of 5 per cent, but there is no provision for a bank currency to take the place of this annual reduction, except the issue of Government obligations through the Federal reserve banks, which involves a rediscount of commercial paper.

I apprehend this feature of rediscounting is very much overestimated. It has never been a weakness of our financial system and never so contended until very lately that there was ever difficulty in finding a ready market for actual commercial paper with a bank's indorsement. You can inquire in any of our financial centers and this statement will be confirmed. The difficulty, whenever it existed, in finding such market has been in abnormal times, under panicky conditions, and has been created by the want of currency—a want caused by our defective currency system entirely distinct from a market for the sale or rediscount of commercial paper. In my opinion, we have ample facilities now for the rediscount of commercial paper, and I do not believe it is wise to encourage banks to engage in this practice nor to legislate whereby they must do so in order to exercise the normal function of note issue. You may set it down as a fact, which will be confirmed by every experienced banker, that any bank which is continuously asking rediscounts is trading beyond its means, and instead of requiring facilities for rediscounting requires more capital for the safe conduct of its business. As stated, under this bill there is no method for the exercise of the bank function of "note issue," except through the exercise of an entirely different and dissociated bank function called "discount." No matter how urgent the demand of a bank's customer may be for currency, the Federal reserve bank can not issue a circulating note unless some member bank asks for the discount of commercial paper.

The reserve bank might be urgently in need of gold for its reserves and some member bank might at the same time desire to exchange gold for notes, and yet, under this bill as it is now written, that bank could not have the use of circulating notes unless it produced time commercial paper and paid the discount or interest charges thereon.

If the Federal reserve banks are intended to exercise the note-issue function only in times when there is a general demand for note issues or bank indebtedness in this form, which, in my opinion, should be the case, then the plan as outlined is admirable for this purpose, but the ordinary demands of business often require bank notes by men who do not need to ask discounts; some men already may have the amount available in the form of bank deposits and do not find it convenient or desirable to use checks. It appears to me the two functions of discount and note issue are too closely united in the reserve banks to meet all commercial needs. The exercise of the bank function of note issue should be made at the option of the customer of the bank and solely for his convenience. The individual bank is in contact with the customer, knows his needs, and should be in the position to supply them without being hampered with unusual and onerous restrictions beyond safety in giving the customer the choice of the form in which he desires the bank debt, nor should there be any special inducement in the way of profit to the bank for putting its debt in the form of a circulating note. The safety and convenience of the public should be the ruling factors, not the sale of bonds nor the profits of the bank, as was the case in providing for our present bond-secured currency.

The bill wisely provides to finally get rid of this undesirable, inelastic bank currency, and I want to see such currency replaced *pari passu* with a true bank currency safe beyond any possible doubt on a gold basis in contact with and hence responsive to the demand of trade, while at the same time preserving the individual initiative of our financial system, coupled with "equality of opportunity." This can be had by amending this bill so as to allow any national bank being a stockholder in a national reserve bank and having outstanding circulation notes to the extent of 50 per cent of its capital secured by United States bonds to receive from the Comptroller of the Currency additional circulating notes not exceeding in the aggregate the amount of its capital by depositing with the Federal reserve bank of its district as collateral security an amount of discounted paper equal to the amount of notes received, with the right of substitution. Such notes when issued to be additionally secured by 50 per cent gold reserve, of which 25 per cent must be kept with the Federal reserve bank of its district or with the United States Treasury, where all notes are to be redeemable, in addition to the counter of the issuing bank, the notes to have priority of lien in case of liquidation.

This will give us a safe, elastic bank currency, secured as is provided for Federal reserves notes. It is confined to member banks of the Federal reserve system, so as to induce not only all national banks to willingly come into the system, but also State banks, in order to avail of the circulation privilege. The gold reserve provided is suggested 50 per cent, not so much on account of the added security but to prevent note issue as a matter of profit per se.

BRANCH BANKS.

Another amendment which, in my opinion, is essential if we would have State banks as members of the Federal reserve system is that they may be allowed to retain their branches located in the same municipality. It should be the purpose of the measure to have all banks, whether national or State, as members of one complete and perfect whole (*quam fluctus diversi quam mari conjuncti*), with their individuality preserved yet united for the common weal. Unless this amendment be made it is folly to expect State banks or trust companies which have already large established businesses to consider any change.

DISCOUNT OF COLLATERAL LOANS.

Under the bill as it is drawn a reserve bank can not discount paper which is secured by United States or State securities or municipal bonds. The framers in their anxiety to prevent the speculative dealing in securities have actually prohibited the discount of paper when it is secured by bonds which the reserve banks are allowed to invest in. The same paper with a satisfactory personal or corporate indorsement may be discounted, but if in addition to the indorsement the member bank should take collateral security the security would have to be separate from the obligation before offering for discount. This is a grave defect and should be remedied.

The interest of New York is so vast that you can not pass a bill unless you consult her great and gigantic institutions. The savings banks in the State of New York alone have deposits of \$1,724,607,300, or more than all the gold in the United States Treasury. The deposits in the State banks, trust companies, and savings banks throughout the Empire State are nearly equal to the entire money in the United States.

I trust my colleagues will give due consideration to the suggestions I have made, for my earnest purpose is to see the bill, when enacted into law, receive so hearty indorsement from the whole country as to advance the material prosperity of all interests and redound to the fame and glory of its authors, and mark an epoch in the successful administration of the triumphant Democratic Party. [Applause.]

Mr. HAYES. I yield 15 minutes to the gentleman from West Virginia [Mr. Moss].

Mr. MOSS of West Virginia. Mr. Chairman, no man who has a proper conception of his duty as one of the Nation's lawmakers will oppose a really meritorious bill for partisan reasons. I concede the fact that party organization is indispensable to the country's welfare and that the clash of party arms oftentimes gives a clearer vision of important public questions. I have always been a party man, believing that through organization alone can great progressive measures be initiated and consummated; but I trust the time will never come when I shall help to stand in the way of a measure that is beneficial to the people merely because my party does not especially advocate that measure. To be a party man one must concede, must yield, along certain lines; must not stand out for the dotting of an "i" or the crossing of a "t"; must make concessions, in order that the great primal object shall be attained, but need never stultify his conscience. No party in this country can afford to stand still. This is not a standstill age. Medicine, law, chemistry, astronomy, business, invention, and even religion are developing daily, and progress is the great watchword of the times. And in keeping with that progress the Republican Party, with its honorable and historic past, must lead, or else lose its prestige as the great party under whose leadership have been accomplished the great progressive measures of our Nation's history. I sincerely believe that this party has awakened anew to the realization of this demand for progress. Every indication points to that fact, and those who at one time felt it necessary to leave that party are coming back and working together for the common good with their compatriots of the past and are receiving a hearty welcome home from those who after all espouse the same basic principles; and I venture the prediction, Mr. Chairman, confronted as we are by the peril of Democratic tariff rule, that before the next battle of ballots this splendid band of Progressives, with their great leader at their head, will be found fighting side by side and shoulder to shoulder with the mighty host of Republicans to again redeem this fair land from the ruinous invasion of European competition. [Applause.]

This great party realizes full well the necessity of reform in our currency. It has long recognized the weakness of the pres-

ent system and has given much study to its improvement. It realizes that it is not a partisan question, but purely and simply a business proposition. When currency legislation was demanded by President Wilson this demand met with no hostile reception on the part of the Republicans. They may have objected to the form of the Executive demand, but not to its substance, and so I believe that there is no real reason why the Republican minority in this House, collectively, or any of us individually, should oppose the currency bill that has been introduced merely because it has been introduced by our Democratic brethren on the other side. The truth is that, for one, I recognize the absolute necessity of extraordinary measures to relieve the financial stringency that must follow the passage of an un-American, illogical, irresponsible, and repugnant tariff bill. [Applause on the Republican side.] If no one else in the country agreed with President Wilson as to the vital necessity of securing some kind of artificial aid to administer in large doses to the industries of this land as an antidote to the poison of tariff legislation that will be poured down their throats within the next three weeks, still would I agree with the President on this point. The truth is we all realize that something must be done, and even those Congressmen who are clamoring for return to their native heath, after spending their summer months in this delightful summer resort, do not loudly complain when from the innermost recesses of the White House there issues forth, in stentorian tones, "Thou shalt not go."

Seriously, Mr. Chairman, something is needed, and needed quickly, to stem the tide of depression that will start as soon as this new tariff law has played its part for even a short time upon the stage of American politics. I have wanted to support this money bill, because while I realize that the greater the disaster that overtakes this country as a result of unwise tariff legislation the quicker will be the transition in the political complexion of this House, yet I believe that a man must always put patriotism before partisanship, and I had thought that this present bill, although framed in secret caucus, and about to be rushed through this House by the mere dead weight of the Democratic majority, without deliberate consideration, might at least be an improvement upon our present system. But, Mr. Chairman, as I have studied this bill, there are features of it which seem to me to demand correction before they should be incorporated in the law of the land. Time will not permit even an attempt at analysis of the different provisions of this bill. Suffice it to say that, in my judgment, many of its features are good and meritorious, and if enacted into law would certainly have a tendency to relieve money stringency at critical times. But over against this fact must be placed the vital proposition that in enacting measures for the relief of some people we must not infringe upon the constitutional rights of other people. I despise the rantings of the demagogue who seeks to profit by declamation against certain classes in this country. I have no respect for the man who is willing to ride into public office or to stay in the saddle by arousing class hatred in this country. We are all one people, bound together by ties of brotherhood, by the inspiration of a common ancestry, by a glorious history, and the promise of a splendid future. I refuse to put the laboring man against the capitalist, the consumer against the producer, the borrower against the banker, to prejudice one class against the other for political reasons. And so I say in the consideration of this money bill, "The bankers of this country are entitled to a square deal—the little bankers as well as the big bankers." It is, after all, the little fellow that is often hit the hardest by injustice. The big fellow is usually able to survive.

I say that the provision in this bill which gives to these little banks only 5 per cent on their money and makes it mandatory that they shall put up for Federal reserve 20 per cent of their capital and 5 per cent of their deposits and accept the provisions of this bill, whether they desire to do so or not, is in direct violation of their charter rights and of the Constitution of the United States. There is no better settled legal proposition than that you can not pass any law which violates the terms of an existing contract. I am aware of the fact that it will be claimed that a bank charter or a Government permission to establish and maintain a national bank is not a contract. But I respectfully submit that this view is absolutely untenable. The great decision of Chief Justice Marshall in the case of *Trustees of Dartmouth College v. Woodward* (17th U. S. Supreme Court Reports, p. 518) and the long line of decisions based upon that great case settled this question. In that case the court held that—

the charter granted by the British Crown to the trustees of Dartmouth College in New Hampshire, in the year 1769, is a contract within the meaning of that clause of the Constitution of the United States (Art. 1, sec. 10), which declares that no State shall make any law impairing the obligation of contracts.

And further, that—

an act of the State Legislature of New Hampshire altering the charter without the consent of the corporation in a material respect is an act impairing the obligation of the charter and is unconstitutional and void.

In that great case the act of the Legislature of New Hampshire was entitled "An act to amend the charter and enlarge and improve the corporation of Dartmouth College," just as the title of this money bill indicates that there will be an enlargement and an improvement. But you can not enlarge and improve according to your judgment unless the judgment of the other party with whom the contract is made coincides with your view that it is to be enlarged and improved. And in that case Daniel Webster, whose eminence could well have rested alone upon his argument therein, asserts—

If the legislature can at pleasure make these alterations and changes in the rights and privileges of the plaintiffs, it may, with equal propriety, abolish those rights and privileges altogether. The same power which can do any part of this work can accomplish the whole.

And, that—

These acts are not valid and binding upon them without their consent, 1, because they are against common right and the constitution of New Hampshire; 2, because they are repugnant to the Constitution of the United States.

A law which deprives a national bank of the use of a portion of its capital, or discriminates between the Government and an individual as to the legal rate of interest the bank shall charge, and reduces that rate to the Government to a less per cent than many small banks can afford to accept, is a violation of the charter of the bank; is depriving that bank of property without due process of law, and without just compensation; is a retroactive or retrospective statute—all of which is absolutely contrary to specific provisions of the Constitution of the United States, namely, the fifth amendment, the fourteenth amendment, and the very spirit of the Constitution, which prohibits any State from passing any law impairing the obligation of contracts. If a State is thus prohibited surely the legislative branch of the Government has no such privilege.

In the case of *Farrington v. Tennessee* (95 U. S. Supreme Court Reports, p. 679) the syllabus is as follows:

The charter of a bank granted by the Legislature of Tennessee provides that the bank shall pay to the State an annual tax of one-half of 1 per cent on each share of capital stock subscribed, which shall be in lieu of any other taxes.

It was held, first, that "this provision is a contract between the State and the bank, limiting the amount of taxes on each share of the stock"; second, that "a subsequent revenue law of the State, imposing an additional tax on the shares in the hands of stockholders, impairs the obligation of that contract and is void." And in this case the learned court, treating the charter as a contract, says:

A compact lies at the foundation of all national life. Contracts mark the progress of communities in civilization and prosperity. They guard, as far as is possible, against the fluctuations of human affairs. They seek to give stability to the present and certainty to the future.

In the case of the *Planters' Bank of Mississippi v. Thomas L. Sharp et al.* (6 Howard, 301) it was held that where a bank was chartered with certain powers ordinarily possessed by banks that a statute of the State declaring it to be unlawful for any bank to transfer any note, bill receivable, or other evidence of debt conflicted with the Constitution of the United States and was void, the court holding to the well-established doctrine that a charter can not thus be modified and annulled.

I venture to say that there is not in all this broad land a country bank that charges less than 6 per cent discount or interest. Their money at this present time is bringing them that interest. They have, therefore, a right to charge the Government the same rate of interest as they charge an individual, and yet this great Government proposes by this money bill to forcibly take out of their vaults 1 per cent on the money that they have and to say to them, "There is no relief, because the Government demands it." Mr. Chairman, to me the Government of the United States is the most truly beneficent institution of a civil nature that God Almighty ever created. It represents, in my mind, justice, equality, and liberty before the law, and I can not hear with patience the argument that that great Government is entitled, any more than an individual is, to deprive a person or a corporation of its property without just compensation. What is a banking corporation? It is a collection of individuals, banded together under one name, to carry out a lawful object. There are worthy and there are unworthy corporations. The acid test is, Do they obey the law? If they do, give them the protection of the law and of the Constitution. If they do not, lawfully punish them, or rather their officers, and, if necessary, take away their charters by proper judicial procedure. The stockholders of the 19 national banks in the fourth congressional district of West Virginia, which I have the honor to represent, consist of men and women, mostly of

limited means, who, in many instances, have put their all into these institutions. And so it is that we must consider them, and the thousands like them who are scattered throughout this Nation, who are little stockholders in little banks. Under the terms of the charters which authorized these banks they were not compelled to take a large part of their capital and deposit it with the Government at a reduced rate of interest. They came into being with that understanding. Their stockholders became such with that understanding. Can you say to them now, "We will make you do it, whether you want to or not"?

Ah! But some gentleman will say, "You little banks should not complain of this, because, while it is true we are taking from you, yet in other ways we are giving to you." On the same principle you would peel a man's skin off his face and put it back on his arm. The point of the whole matter is that these little banks are entitled to say whether they want their anatomy to remain the way it is or whether they want it changed.

I do not contend that Congress can not pass laws regulating national banks and providing for their strict examination and proper conduct, and restraining usurious charges, and, in fact, I believe the power of Congress to enact laws governing national banks is ample, but what I want to make clear, from this argument, and from the high authorities I have cited, is that you can not compel them to enter into and become part of the scheme provided in this pending bill, and this bill should therefore be so amended as to make it discretionary with the banks to enter into the plan and to bear its burdens, as well as to receive its benefits, and should not be made compulsory, when compulsion is clearly against constitutional limitations. To enact an unconstitutional statute is to defeat the very object that you seek.

Mr. MURDOCK. Will the gentleman yield?

Mr. MOSS of West Virginia. Yes.

Mr. MURDOCK. The gentleman's contention is that if the bill passes as it is, unamended, the courts will hold it unconstitutional?

Mr. MOSS of West Virginia. They will, in my judgment.

I trust that it will be the pleasure of the majority in this House to so amend this bill as to obviate this constitutional objection. The bill is by no means otherwise perfect, but perfection can not be expected in the product of the human mind, and, for myself, I say I shall not permit mere trivial objection to prevent my support of a bill covering legislation which in the time of stress will be so badly needed. But if the bill is not amended in certain material matters I now believe it will be my duty to vote against it, believing, as I do, that it is unconstitutional.

I am not of those who fear the creation of a political hierarchy by the terms of this bill. I can not yet bring myself to believe that any American President would so far prostitute the honor of his lofty position as to construct a political machine from the material supplied by this bill. His honors are so high, his responsibilities are so great, his patriotism is so lofty that no man whom the American people would select to sit in the presidential chair could ever stoop so low as to barter away our Nation's credit for a mess of petty politics. You can not make me believe that such men as William McKinley, Theodore Roosevelt, William H. Taft, and Woodrow Wilson would for a moment betray their sacred trust for party advantage. No man in this House has a higher respect for the intelligence, the lofty purpose, and the patriotism of our present Chief Executive than I have; and while I believe that especially in his attempt to reduce this country to European industrial standards he has gone far afield, and has departed from the traditions and the very principles upon which this Government was reared and upon which alone it can endure, yet I give him credit for absolute honesty of purpose and purity of thought. His service will be brief. His time is short, for already from the rock-bound coast of Maine there echoes forth the glad refrain that the American people will once more return to the faith of their fathers and that in the year 1916 the great party of Lincoln will again come into its own and by an overwhelming vote will place in the presidential chair a man who stands for and exemplifies the great and eternal principle of protection to American industries, American labor, and American homes, for sound finance, for national prosperity, who belongs to a political party that has always been able to successfully solve the momentous questions that have confronted the American people. [Applause.]

Mr. HAYES. Mr. Chairman, I yield 30 minutes to the gentleman from Nebraska [Mr. SLOAN].

Mr. SLOAN. Mr. Chairman, the debate thus far had on the pending bill in this House, in the press, and by the public generally, seems to tend toward a conclusion that this bill, in its present form, under the present whip and spur, will pass this

House, but in its ultimate form of enactment into law will be fundamentally different and we hope vastly improved. For this reason I shall attempt no complete or comprehensive analysis of the bill, but shall content myself with discussing certain phases which seem to me important.

The American people, regardless of faction or party, recognize and expect amendment to our banking and currency laws growing out of our expansion and evolution of business. We need a more elastic system of currency and a more flexible means of handling our credits so that the supply of credit and of money may wait upon demand with a reasonable certainty of meeting it.

My first objection to the bill is the lodging of the complete control of our whole banking and currency system in the President without such salutary check and restraint as might be obtained through the Government's dominance, but with a minority representation in the controlling body fairly representative of the interests of those who furnish the capital and those who are interested in business, at least in a measure, separated from politics.

The constitution of the reserve board provided in this bill being all nominees of the President, this board in turn having much to do with the business policies of the regional reserve banks, which in turn must obey authority above, while doing business with those below clear down to the humble borrower at the village bank, makes a system so involved and complicated with politics that a change of administration in this country could not be effected short of revolutionary process. I feel that I can speak frankly on this subject without offense to the present administration. Its head was elected upon a platform limiting his tenure to one term. I think when this bill reaches a deliberative body which will not be caucus bound there will be wrought out a general system which will recognize the Government's supremacy, with proper checks and safeguards, and a system of banking and currency subordinate thereto which will be bound neither by the ties of our past systems nor dictated by the systems of England, Germany, or France, but which will be a fair reflection and outgrowth of our industries, commerce, and financial advancement, and which may be properly called an American system of banking and currency. That my point of view may be understood, permit me to say that I have had for a number of years a limited experience in banking, both State and national. However, I have not for several years past had any interest in any national bank. In my home county, with more than \$2,000,000 on deposit, there is no national bank. There are in my district, which is essentially agricultural, 34 national banks. The capital is practically all locally owned, and a very large portion of it by the farmers and landowners of the district.

The largest capitalization in the district of any national bank is \$100,000. If the 12 regional banks were established, the average distance from the several banks in my district to the nearest probable regional bank would be 100 miles. If that probability did not mature, the distance would be several hundred miles. A study of the capitalization and surplus of national banks suggests to me the following generalizations: First, the farther the banks from the regional point the smaller the capital; second, the smaller the capital the less the percentage of surplus. This bill proposes to lay forcibly the hand of the law upon each bank and require the absolute payment of 10 per cent of its capital and the conditional payment of 10 per cent more, should necessity present, for the formation of the regional reserve bank.

We know that the permanent bases to banking are: First, its capital; second, its accumulated surplus. After that, the loaning of deposits, and so forth, is uncertain as to amount and stability. As a matter of practice, it is known that a surplus once set aside is seldom diminished, but is usually merged, if its form be changed, into increased capital. So it seemed to me that the proper basis for demanding contribution of the banks for the regional bank would be the capital and surplus treated as a unit. Under the bill as it at present stands, for every thousand dollars of the bank's capital and surplus there would be contributed by the city of Philadelphia \$72.50; by the city of Boston \$100; by the city of New York \$101; by the city of Omaha \$115; by the city of Lincoln, the capital of my State, \$150; the average of the banks of my district, \$135. This injustice is emphasized when we consider that from the small banks is taken out and far away from their communities this contribution to be placed in one of the large cities for addition to its growth, while in the large cities, at least some of them, their small and forced contribution may be invested in valuable improvements and increased business in the immediate vicinity of original ownership.

Another objection from the standpoint of the agricultural interior is found in section 14. Authority is given for any Federal reserve bank to discount paper based on domestic transactions, the same to have maturity of more than 60 and not more than 120 days, but provided that not more than one-half of such discounts should have a maturity of more than 90 days. It further provides that a Federal reserve bank may discount acceptances of any member bank which are based upon exportation or importation of goods and which mature in not more than 6 months. So the average time upon which banks could discount domestic paper would be 105 days, as against 6 months given to the foreigner and the importer on similar paper. So, if the farmer of Nebraska or elsewhere in the interior should endeavor to trade with a great grain merchant in New York for grain or supplies to be used in metropolitan consumption, the grain merchant can say to the farmer or his dealer: "On matters between us we are confined to an average of 105 days. If we operate upon a credit basis and if I do business with the Canadian or the Argentinian I have two advantages: First, both in point of time are nearer the port of New York than are you. There are no tariff obstacles under the Underwood bill, and under the new currency bill I have 180 days' time with them, while with you I have but 105."

How long and how far do you gentlemen desire to press this special favor to the foreigners? Well did your Committee on Ways and Means say in passing upon its own bill: "In our judgment, the future growth of our great industries lies beyond the seas." [Applause on the Republican side.]

It would seem that this bill is shrewdly intended as a companion piece of legislation to run with the Underwood tariff bill to the favor of the capital and the labor "beyond the seas" against the laborer and producer in the United States. I may be prejudiced in tariff and currency legislation, but I believe in an American tariff and an American currency drafted and operated in the interest of the American people. And if they operate to the prejudice of the foreigner, well, we can not help that. Thus far he has had his choice upon what shore to pitch his tent.

There has been seriously urged against this bill the unconstitutionality of the Government's requirement of banks to invest in a venture which will bring profit to the Government or lose their charter. The serious question is raised as to the financial readiness to effect the changes necessary to set in operation the machinery of the proposed system. Its advocates upon the floor of this House have presented with no degree of certainty the reasonable probability of effecting such change without danger of such financial friction as to precipitate a more or less serious stringency bordering upon a panic.

Other objections are presented, so that at this stage more than heretofore supporters of this bill who once spoke with enthusiasm and superconfidence are now pausing and deliberating. Caution for the first time seems to have been found in the lexicon of the caucus members. This being true, and assuming that all Congressmen and substantially all our citizenship are patriotic, and while differing as to methods, all desire sound business, prosperity, and the common weal, the sponsors for this bill needed every supporting factor available to not only evolve a working financial machine but to reduce all possible friction, but more particularly to inspire public confidence in the feasibility and the desirability on the part of the whole people after the enactment of the law to put it into successful operation.

This leads me to the most important objection to the bill in its present situation. Of all people interested in banking from whom I have heard in my district, but one thus far has spoken favorably of this proposed legislation. He expressed his limited study and understanding of the measure itself, but urged the one great fact that the legislation, if adopted, should not be partisan. He was a Democrat, and his suggestions were made in view of the winding and uncertain course followed by his party on the currency and banking question for the last 16 years. [Applause.]

From the arguments presented by the chairman of the Banking and Currency Committee and other members, as well as numerous speakers on the floor supporting the bill, have come the strenuous statement that the bill is a nonpartisan measure. These statements were made in part before any attack had been made on the floor of this House on the bill as being partisan, it being given in anticipation, and would lead one to think that the importance of the proposition was highly appreciated by the supporters of this bill. Now, however little that consideration was given up to this time in the progress of the bill, it seems to me that they "protest too much." Is it partisan? Abraham Lincoln once propounded this question: "Calling the tail of a dog

a leg, how many legs would he have?" The answer was given, "Five." "No," said Lincoln, "only four; calling a tail a leg does not make it one."

If this were a nonpartisan bill, it would have been introduced by a Member, referred immediately to the Banking and Currency Committee; there considered by the 21 members of that committee, who are presumed to have been students of those subjects and experienced in legislation thereon, who would with unbiased minds consider the plan, adopt it or reject it after full interchange of thought and argument, or evolve a new general plan; then amend and change it in detail where the wisdom of the collective membership might dictate; then report it to the House for its action, buttressed with the support of men of the three political parties representing various angles of financial thought, theory, and experience; then in the Committee of the Whole House, with every Member "wearing his rights as royal robes, his manhood as a crown," forgetting partisanship, labor and strive in untrammelled debate to bring out of the bill, the report of the committee, and the collective wisdom of the House a law which would drop the shackles of the past and copy no system of any continental nation; but which would be a fair expression of our industrial, commercial, and financial conditions and necessities woven into constructive legislative phrase; constitute a distinctively American institution, operating with no injustice to anyone, but relieving the necessities of sections and classes; constitute an American system of banking and finance through which the greed and oppression of capital might not operate, nor yet through which vast political advantage and opportunity might be gained by whomever the people in the future should choose as their ruler. [Applause.]

If we were to accept the statement of Chairman GLASS, that this bill is a nonpartisan bill, our ideas of nonpartisanship must be essentially modified.

This is the history of the proposed legislation: The original bill was introduced by Chairman GLASS on the 26th day of June, 1913. The Speaker referred the bill to the Committee on Banking and Currency, but the Committee on Banking and Currency, as a committee, never received that bill. True, the committee room was taken charge of by the 14 majority members, the 7 minority members excluded, and there given distinctively secret and partisan consideration. After those members of the committee finished their deliberations, slightly amending the original bill, it was taken up by the Democratic House caucus, which for several weeks, with guarded approaches, closed doors, and secret sessions, gave it such partisan consideration as was seen fit, the account of which could not reach the public. The bill, then, as amended by the caucus, was sent to the Banking and Currency Committee, where all the membership were called in and discussion begun; but the majority members informed their minority colleagues that they felt themselves bound by the instructions of the caucus, which, of course, rendered futile and made a mockery of any discussion which might ensue. So that the bill itself is perhaps the most distinctively partisan measure ever presented to this House for consideration.

Even now an amendment proposed by a minority member is met by a rule of the caucus that the majority members shall not vote for it. So that, beginning with the unknown authorship of the bill, up to the present time no element of nonpartisanship has yet appeared.

Chairman GLASS may be able to convince the ultra loyal members of the majority that this bill is not partisan. He may influence some members of the minority that it is not absolutely partisan; but he will never be able to convince the American people that it is nonpartisan. If you go up against that proposition, you will have a task before you that the rolling of the Sisyphæan stone up the hill will, in comparison, be a case of mild calisthenics, and you can not obtain that confidence in your bill which nonpartisan action would have inspired in the American people.

I say this with all due respect to the Democratic Party, though old, rejuvenated, and strong, and for many facts of whose record I have a great deal of admiration, that for its record on currency and banking, which has been the product, not of study nor of nonpartisan consideration, but to the heated action of caucuses and conventions, the American people have not confidence in its record or ability. In 1896 you unfolded to the American people a "cure all" for banking and currency.

In the heated atmosphere of the Chicago convention you declared in favor of the free and unlimited coinage of silver at the ratio of 16 to 1. In 1900, in the torrid atmosphere of Kansas City, on the 4th of July, you again declared in favor of the sacred ratio and the twinning of the metals. In 1904 your platform was silent on the money question; you left that blank, and your money plank was a gold telegram sent from New

York by Mr. Parker. In that place where a declaration on banking and currency might have been we find in your platform as follows:

We favor the nomination and election of a President imbued with the principles of the Constitution, who will set his face steadily against Executive usurpation of legislative and judicial functions, whether that usurpation be veiled under the name of Executive construction of existing laws or whether it takes refuge in the tyrant's plea of necessity or superior wisdom.

In the present-day discussions held upon this floor the foregoing paragraph needs little further consideration. In 1908, with the panic of 1907 fresh in vision, your means of rectifying all banking and currency ills was a declaration in favor of a guaranty of deposits in the banks. This is your record for 16 years on banking and currency questions.

In all fairness I desire to ask which one of you gentlemen on that side, under the five-minute rule, which we will soon enter for debate, will rise in his place and ask to amend this bill, which is a gold-standard bill, by inserting a clause declaring the Government in favor of the double standard and the sacred ratio?

Again I ask, Who will rise in his place and ask to amend this bill by providing for the guaranty of bank deposits? These were the articles of your faith for 16 years. No man among you will say you believe in any of them now. If you so solemnly in conventions declare as heretofore, and having so declared have so soon abandoned, what warrant have you that the American people have any confidence in your caucus-canned currency legislation of to-day? [Applause.]

Mr. PHELAN. Mr. Chairman, will the gentleman yield for just a second?

The CHAIRMAN. Does the gentleman from Nebraska yield to the gentleman from Massachusetts?

Mr. SLOAN. Yes.

Mr. PHELAN. Will not all that lack of confidence be removed when a lot of Republicans vote for the bill?

Mr. SLOAN. I do not know whether any Republicans will vote for this bill. I do not think it should be a bill that should divide political parties. When you gentlemen go into secret caucus to draft your bill and do not give your real reasons here on the floor of the House for its passage, you are serving notice to the American people that you want the entire credit for passage of the bill. You do not invite anybody else to support it. But let me tell my friend from Massachusetts [Mr. PHELAN] this: Put this bill into operation for six months, and you will be looking around, not for the purpose of claiming the exclusive credit for its passage, but you will be looking vainly for a distribution of the responsibility. [Applause from the Republican side.]

Mr. J. M. C. SMITH. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. SLOAN. Yes; briefly.

Mr. J. M. C. SMITH. Speaking of the control being placed in the hands of the President, what has the gentleman to say about the appointments to the central board being made by the President by and with the advice and consent of the Senate and House of Representatives?

Mr. SLOAN. I would simply say this, that that would amount to simply the same as any other line of patronage that the President of the United States had. I am not afraid of offending President Wilson, and that is why I speak so boldly on this proposition. Neither President Wilson nor his friends can take umbrage about our protest against a political power that is to be transferred to the President of the United States through the operation of this bill; because we know that President Wilson ran on the Baltimore platform, which says only four years for him. Of course, I presume, whether that platform said so or not, when the American people get at him in four years it will amount to just the same thing, whether the platform be binding or not. [Applause on the Republican side.]

Mr. HELVERING. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. SLOAN. Yes.

Mr. HELVERING. Did not the gentleman see on yesterday where Senator Sherman of Illinois objected to the appointment of a Democratic postmaster, and he was not confirmed?

Mr. SLOAN. Oh, yes; those things happen; the little fellows die; but it is an exception, they say, that proves the rule. The gentleman knows that it is a matter of courtesy among Senators, which has been recognized in the Senate for years, that when a post-office appointment in a Senator's own home town is sent to the Senate for confirmation and the nominee is personally objectionable to the Senator he never is confirmed.

Involved in this bill is the greatest grant of power ever transferred to the Presidency since the inauguration of George Washington. Its effects can not be measured by the judgment, and the imagination quails at the task. The use of this power in the hands of a good and wise President, of course, would not be abused; but well has it been said that jealous restriction of power rather than the too confident placing of it, coupled with continued vigilance, alone can thwart the grasp of power which is sweet to the being of every man who attains a measure of control over his fellow man or that which is his.

OSCAR W. UNDERWOOD, speaking about the power that was granted to the seven appointees of the President, is reported as saying, as to whether it would be good or bad "that fact depends altogether on whether these men were angels or devils." We have been fortunate in usually having wise and good rulers. That may not always be the case. It is easier to grant power in this Nation of ours than it is to recall it, and the high virtues of present occupants of high places is no guaranty of equally high-charactered succession through the ages.

In commenting upon this phase of the question, Chairman GLASS graphically depicted a dramatic and solemn scene recently had in the presidential chamber, when a banker suggested that sometime some President might misuse the power delegated in this bill for political purposes. He quotes the President, saying:

I shall not soon forget the emphasis with which the President of the United States declared that "no man would ever be found who would be willing to imperil his reputation or tarnish his fame by so flagrant a prostitution of his high office."

The chairman said he was wonderfully impressed, but his impression, apparently, was that of hero worship and political idolatry rather than a critical consideration. Had others been there less devoted to the political fortunes of his fellow Virginian, they, too, might have been impressed; but that impression would prompt retrospection as future vision is denied.

They would recall the 13th day of August, 1787, in the Constitutional Convention held at Philadelphia, when, after sharp and profound debate, it was determined to make this House the origin of all revenue legislation. The most important reason seemed to have been given by the great Randolph, himself a Virginian, that origin of revenue measures should be withheld from the Senate and lodged in the people's representatives to the exclusion of all other powers and influences, for the reason that the Senate would be amenable to the influence of the President and that the House would not, because that part of the Constitution already framed provided for many conjunctive acts in the administration of the Government between the Senate and the President.

This would immediately recall the fact that the last Congress, having the same majority party as this one, placed itself on record as favoring free sugar at once and retaining wool upon the dutiable list. This was approved by the great Democratic national convention. They would further remember how, early in this session, Mr. UNDERWOOD, the great Democratic leader of this House, stood up and humiliated every one of you by saying that the House was in favor of giving free sugar now and was in favor of keeping a duty on wool, but owing to the insistence of the President these two important positions of the House were reversed.

In that constitutional convention no Member dreamed that any President of the United States would, under any circumstances, except of course by public message in person or in writing, ever dare seek to influence the action of the House of Representatives on a tariff measure however much he might mingle with the question in the Senate. And with these facts of political history in mind well might the President of the United States and Chairman GLASS find themselves mistaken as to what some future President might do if the grant of power proposed in this bill should be conferred.

Who is asking for this action? Who is asking for this transfer of power? It is not the House of Representatives. The House is not traveling fast. It is not exceeding the speed limit in the matter of transfer of that power except in the matter of limiting the general debate. And is the Senate itself in haste? Yes; it has moved with alacrity, with speed, zeal, and enthusiasm in transferring this power; but it is the speed, the zeal, and the enthusiasm of the galley slave scourged to his dungeon. [Applause.]

It is unfortunate that a bill of this character comes from the mintage of the caucus. It is at least criticizable that an Executive should call and hold both Houses of Congress in session for the long and weary months which the Constitution contemplates shall be their opportunity to mingle with their people and do the work that should be done at the district end, and then, after coming here with commissions from our people, find our-

selves barred from the Hall which was constructed for national legislation, while we know that there are those within who are usurping the power and prerogative of effective legislation in that secrecy which the Constitution of the United States and the genius of its institutions abhor. Then, when the doors are finally thrown open, we meet on the floor a majority pledged not to legislate as the Constitution contemplates; not bound by the oath of office, but by the shrewd coercive act of an artificial majority of a majority. And then but a few hours of debate are given—debate which amounts to hollow-sounding mockery, because it falls upon ears of those who overrule reason, judgment, and rights and interest of the people by the blind obedience to caucus command. It is not reassuring to the American people who have their interests and future under consideration to know that back of darkened doors men are plotting to aid or injure, to make or mar, to raise or ruin their fortunes or their prospects.

Effective as may be caucus action for a time, its results are objectionable because in time it breeds lack of confidence, distrust, and suspicion. During the caucus consideration of this bill there was generally reported to the public and proclaimed by the press that the great Secretary of State, who is engaged in the solution of delicate international questions, the far-reaching consequences of which in the final analysis would seem to require that all political forces and influences should be marshaled back of our Government for the contest of diplomacy or, possibly, the clash of arms—it was reported that at the critical period of the life of this bill in the caucus the great Secretary sent a letter carrying with it the full force and influence of the State Department, in which he successfully urged, and did effect, the adoption of this bill by the partisan caucus. A great many will refuse to credit this statement for a number of reasons. First, we would not expect the great Secretary to be partisan at such a time; second, the adoption of this bill would mean the fastening of the gold standard on the American people for an extended period of time. We well remember in 1896 when he was asked why he did not assail protection, he stated, "while protection has slain its thousands, the gold standard has slain its ten thousands." And now since protection is stricken down he would take an opportunity to perpetuate the gold standard, thus causing the ruthless slaughter of the 10,000 innocents to go remorselessly on. I for one will not credit it; can not credit it. Palsy the imputation, perish the thought. And yet how and when can we determine its truth or the lack of it? Not until "graveyards yawn," "the sea gives up its dead," and the awful records of the caucus are revealed. [Applause.]

Mr. PHELAN. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to; accordingly the committee rose, and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 7837, and had come to no resolution thereon.

LEAVE OF ABSENCE.

By unanimous consent, Mr. EVANS was granted leave of absence, for three weeks, on account of sickness in his family.

RECESS.

Mr. PHELAN. Mr. Speaker, I move that the House do recess until 8 o'clock to-night.

The motion was agreed to; accordingly (at 6 o'clock and 23 minutes p. m.) the House stood in recess until 8 o'clock p. m.

EVENING SESSION.

The recess having expired, the House was called to order by the Speaker.

RELIEF OF DESTITUTE AMERICAN CITIZENS IN MEXICO.

Mr. UNDERWOOD. Mr. Speaker, I ask unanimous consent for the immediate consideration of the resolution which I send to the Clerk's desk.

The SPEAKER. The gentleman from Alabama [Mr. UNDERWOOD] asks unanimous consent for the present consideration of the joint resolution which the Clerk will report.

The Clerk read as follows:

Joint resolution (H. J. Res. 130) to provide for the relief and transportation of destitute American citizens in Mexico.

Resolved, etc., That there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, for relief of destitute American citizens in Mexico, including transportation to their homes in the United States, to be expended under the direction and within the discretion of the Secretary of State, and to be immediately avail-

able, \$100,000. Authority is hereby granted to the Secretary of State to reimburse from this appropriation the appropriation for "Emergencies arising in the Diplomatic and Consular Service," for such sums as shall have been expended from that appropriation for purposes of relief and transportation in and from Mexico since January 1, 1913.

Mr. UNDERWOOD. Mr. Speaker, I have a letter from the Secretary of State explaining the urgency of this matter.

The SPEAKER. The Clerk will read the letter.

The Clerk read as follows:

DEPARTMENT OF STATE,
Washington, September 12, 1913.

The Hon. OSCAR W. UNDERWOOD,
House of Representatives.

MY DEAR MR. UNDERWOOD: At the time the department's recommendations to Congress were made for appropriation for the relief of Americans in Mexico, and even as late as the time when the deficiency bill containing the proposed appropriation was reported to the House, it was believed that the appropriation for emergencies arising in the Diplomatic and Consular Service would be sufficient to cover the expenses of extending relief to Americans in Mexico and transporting them to their homes in the United States until the deficiency bill had become law. Contrary to expectations, the expenditures have increased more rapidly than was anticipated until the department now finds itself with less than \$12,000 available and a daily expenditure for relief and transportation approximating \$2,000. In view of the fact that the deficiency bill is still pending in the Committee on Appropriations of the Senate and will not become law before the available appropriations have been exhausted, it is essential that there should be placed at the department's disposal at once a sufficient sum to enable it to carry on the work of relief and prevent the hardship and dissatisfaction which a discontinuance of that work would entail. Besides the obligations resting upon this Government under existing conditions of affording a safe and speedy means by which Americans may leave Mexico and reach their homes in the United States, there are political reasons which render it of the highest importance that the work which is being carried on should not be brought to a sudden stop.

The amount already expended from the emergency appropriation since January 1, 1913, for the relief and transportation of Americans in and from Mexico is at the present moment approximately \$52,788.29. Nearly all of this amount has been expended since March 4, 1913. It is highly important that the emergency fund be reimbursed by the amount so expended, in order that the department may be in a position to meet other demands upon it during the remainder of the fiscal year.

If the proposed appropriation shall be made, there will be left for purposes of relief and transportation after the reimbursement of the emergency fund only approximately \$47,211.71, which will probably be inadequate for the purpose for which it is intended. It is therefore suggested that all, or at least half, of the appropriation proposed to be made on the deficiency bill be retained in that measure and be placed at the disposition of the Secretary of State in case he should be called upon to afford relief and transportation to an amount in excess of that appropriated by the appended resolution.

Very sincerely, yours;

W. J. BRYAN.

The SPEAKER. Is there objection to the present consideration of the joint resolution?

Mr. KELLY of Pennsylvania. Reserving the right to object, Mr. Speaker, I would like to ask the gentleman from Alabama [Mr. UNDERWOOD] as to what effect the passage of this resolution will have on the appropriation carried in the urgency deficiency bill of \$100,000?

Mr. UNDERWOOD. This resolution will not have any direct effect, but I suppose this resolution will be taken up immediately in the Senate and passed, making the \$100,000 that is in the urgency deficiency bill immediately available, and then if no more money is needed it will be stricken out of the urgency deficiency bill.

Mr. KELLY of Pennsylvania. That may be taken up later?

Mr. UNDERWOOD. Yes; and if they need more money they will keep the item in. It is an emergency, and that is the only reason why I take it up at this time.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The question is on the engrossment and third reading of the joint resolution.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. UNDERWOOD, a motion to consider the vote whereby the joint resolution was passed was laid on the table.

CURRENCY.

Mr. PHELAN. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes, with Mr. GARNER in the chair.

The CHAIRMAN. The House is now in Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. PHELAN. Mr. Chairman, I yield 30 minutes to the gentleman from Missouri [Mr. RUBEY].

Mr. RUBEY. Mr. Chairman, money in some form or other has been used as a medium of exchange by people, both civilized and uncivilized, in every age of the world's history. We read in that holiest of holy records, the Bible, the wonderful story of the creation. We are told of the land of gold and that the gold was good. Abraham, it is related, was rich "in cattle, in silver, and in gold." When the Lord prospered him and he had journeyed into a strange land, we read the pathetic story of the death of Sarah, his wife, and how he begged to be allowed to buy for her a burial place. A burial place was generously offered him by the sons of Heth, who declined, however, to receive pay for it, but Abraham was insistent, and we read: "Abraham weighed to Ephron the silver, which he had named in the audience of the sons of Heth, 400 shekels of silver, current money with the merchant." Thus we see how the term "money" found its way into sacred writings and how it was recognized as a measure of value among the earliest people of whom we have any authentic record.

Barter, which is the exchange of one commodity directly for another, existed among the uncivilized, but only to a very limited extent, for even the barbarous savage soon learned the value of a medium of exchange, and beads, shells, ornaments, and various other things of value soon became his money.

IN COLONIAL DAYS.

In every age, as we study the world's history and read the story of the rise, progress, and fall of nations, money has been an important factor, but it has been only in modern times that its true relation to the progress and development of a nation's growth has been recognized. The history of money during our own colonial days is quite instructive and interesting, but the time allotted to me in this discussion will not permit me to go into it at any great length. Practically every colony had a medium of its own—tobacco in Virginia, rice in South Carolina, and fur in Massachusetts. Arbitrary laws were enacted in each colony to protect its own money or medium of exchange. For example, when the abundance of the crop of tobacco in Virginia increased the supply of money or "expanded the currency," as we would say now, the farmers were limited in the amount that each could raise, and when that failed to decrease the supply they were even prohibited under heavy penalties from raising it at all for limited periods.

The wise old fathers who were called upon to frame our Constitution were fully conversant with the difficulties under which the colonies had labored, and they realized by actual experience the unwise policy of having a different kind of money or circulating medium in each of the States. They realized the importance of having a uniform standard recognizable and receivable everywhere and coming from one source, namely, the Government of the United States. They therefore stipulated that—

Congress shall have power to coin money, regulate the value thereof, and of foreign coin * * *

And they further decreed that—

no State shall emit bills of credit, make anything but gold or silver coin a tender in payment of debts.

STATE BANK CURRENCY.

Notwithstanding this latter provision of the Constitution, State banks supplied the currency of the country in a very large measure for more than three-quarters of a century; in fact, until the prohibitive tax of 10 per cent was placed upon their notes, in 1866. The existence of State-bank-note circulation was probably due to the fact that in the early days of the Republic communication between the States was slow and difficult and each State found it absolutely necessary to have some kind of circulating medium to be used in the transaction of its own affairs, and, besides, the United States Government in those days did not attempt to supply a currency to take care of the business of the whole country. State-bank circulation was issued in great quantities; its value varied in the different States. There was no uniformity in value; the issue of some State banks was at par, while that of others was below par; indeed, some of it was worth less than 50 cents on the dollar.

Be it said to the credit of many States that their notes were always paid at par. The Suffolk Bank of New England, organized as early as 1824, was one; the Bank of New Orleans was another that paid dollar for dollar in gold until Gen. Butler swooped down upon it during the Civil War, captured it, and

took away its gold. The banks of Missouri, Indiana, Iowa, and Kentucky were all well-managed institutions and paid their notes at par until taxed out of existence in 1866. I may be pardoned if I refer with some State pride to the fact that the bank notes of the old State Bank of Missouri are good to-day, and it has been only a short time since one of these old notes was found, presented to the State, and paid in full.

BANKING AND CURRENCY LEGISLATION.

Before taking up the consideration of the pending measure let us briefly advert to the history of banking and currency-legislation in this country. In 1791 Congress passed a law chartering the first United States bank. Under the terms of its charter it was given a life of 20 years. It did not attempt to furnish any kind of a currency circulation, and its purpose was to be a fiscal agent through which the Government could conduct its financial operations and in which it could deposit its funds.

The charter of this bank expired in 1811 and Congress refused to renew it. From 1811 to 1817 there was no United States bank and the Government deposited its funds with State and private banks and transacted its business through those institutions. In 1816 Congress passed a bill chartering for a second time a United States bank. This institution began its operations in 1817 and continued until the expiration of its charter in 1837. This is the bank against which President Jackson made his memorable and successful attack. Much has been said in this debate about this bank, and some of the opponents of the pending measure have tried to make it appear that the proposed bill is but a reestablishment of a similar financial scheme. They are in error in this regard, and to prove it we have only to recount briefly the provisions of the charter of the United States Bank and state the facts concerning it. As with the first bank the charter for this one extended for a period of 20 years; it was capitalized at \$35,000,000, and of this sum the United States subscribed one-fifth, or \$7,000,000—the remaining shares being subscribed for by individuals and corporations. Its affairs were managed by a board of directors composed of 25 men, of whom the President appointed 5. It was in no sense a Government institution. It was a private corporation incorporated, it is true, by the Government, and in which the Government was a stockholder—a minority stockholder at that. It was not even controlled by the Government, but by its board of directors—20 of which were chosen by the individual stockholders and 5 chosen by the President. The Government deposited its funds with this bank as it did with the first United States Bank until during the administration of Jackson, when, at his direction, its funds were withdrawn by the Secretary of the Treasury. During the first few years of its existence its affairs were badly managed and it fell into disrepute. Efforts were made, but unsuccessfully, to forfeit its charter. In 1823 Nicholas Biddle was made President of this bank, and under his management the bank prospered. It was a gigantic financial corporation. It had an absolute monopoly of the Government's financial business and was without the pale of the Government's slightest control. Jackson made his fight against it, and in that great struggle he had the sympathy and hearty cooperation of the American people. Anyone who professes to see any resemblance whatever between the United States Bank which Jackson fought so bitterly and so successfully and the system sought to be enacted must, indeed, see through darkened glasses or view the matter from a prejudiced standpoint.

From 1837 to 1863 we have a second period in the history of our country in which the banking business was done wholly by State banks and in which the currency of the country was supplied through State-bank notes. In 1863 the present national banking act was passed and national-bank notes were put into circulation. In 1866 a tax of 10 per cent was levied by the United States Government against the note issue of State banks and soon thereafter their circulation ceased. The national-bank act has been amended from time to time and supplemental legislation in reference to currency has been enacted.

During the war \$400,000,000 in legal-tender notes—promises to pay, commonly known as greenbacks—were issued, of which nearly \$350,000,000 are still outstanding. To this has been added in more recent years gold certificates, silver certificates, Treasury notes, and these, together with the national-bank notes and the gold and silver and subsidiary coin, make up what in general parlance is termed "the money of the country."

In 1908 an emergency bill known as the Vreeland bill was passed. It was brought into the House under a rule which prohibited the offering of amendments and limited debate to four hours. The provisions of the bill have never been put into operation. It is a dead letter, and will become a dead bill in 1914, as it expires then under its own provisions.

The Monetary Commission was provided for in the Vreeland bill. This commission made an extensive investigation, visited foreign countries, spent over \$200,000 of the people's money, and finally reported to Congress, recommending the passage of what is known as the Aldrich bill. The findings of this commission, however, were never acted upon by the Congress of the United States.

DEFECTS OF THE PRESENT SYSTEM.

Having thus briefly outlined the history of banking and currency legislation, let us next turn our attention to some of the defects of the present system and the attendant evils that have come with them. The national banking act was established and the national bank note created with but one end in view, that of selling Government bonds at a time when the United States was in the midst of a great civil war and when our credit was at the lowest ebb. From the standpoint of purely banking institutions the national banks have been highly successful and have played an important part in the development of the country.

They have been safe, well managed, and are a credit to the financial history of the country. It is not my intention to find fault or criticize them as purely banking institutions. As to the currency they have furnished to the country, however, such is not the case. A currency founded upon the indebtedness of a nation may perform its functions well in times of war, but when peace comes and that indebtedness is or should be diminished, then some other basis should be found upon which to base the country's currency. During the 50 years that this system has been in operation, notwithstanding that in all these years, with the exception of the brief period of the Spanish-American War, the country has been practically at peace with all the world, no effort has been made to pay the national debt. In fact, the debt can not be paid without first doing away with the national bank notes. A system of currency with such a basis of circulation is radically wrong. Again, the currency furnished by the system is rigid, not elastic. It can not be expanded and contracted to respond to the fluctuating business demands of the country. There can be no question about that; all men are agreed upon that point.

The bill now under consideration has for its object not only the establishment of an elastic currency, but it goes much further, and seeks to eliminate the evils which have sprung up under the national banking system. Let us see what some of these evils are. It seems to me that the greatest evil of the present system is the fact that under its workings the money and credit of the entire country is concentrated into one financial center and are there used by the gambling speculators on the stock exchange, to the detriment of legitimate business. There are in the United States over 7,300 national banks, classed as follows:

First. The banks of the three central reserve cities—New York, Chicago, and St. Louis.

Second. The banks of the 47 reserve cities.

Third. The remaining banks outside of the central reserve and reserve cities, which are designated in law by the name of "country banks."

All national banks located in central reserve cities are required by law to keep 25 per cent of their deposit liabilities in actual cash in their own vaults. Those in reserve cities are required to keep 25 per cent, of which 12½ per cent shall be in cash in their own vaults and the remainder deposited with banks in central reserve cities. Country banks are required to keep 15 per cent, of which 6 per cent shall be in cash in their own vaults and the remainder in banks in either reserve or central reserve cities. These reserve funds find their way from country banks to reserve city banks, then to central reserve city banks, until they finally accumulate in the one great money center, New York City. The great banks located in New York City give every encouragement to the country banks and to reserve city banks to deposit their money with them, offering as an additional inducement interest on daily balances. These influences combined with the requirements of the law bring about the accumulation of vast sums of money in this great center. Idle money within a bank's vaults is of no advantage to that institution. Something must be done with it to make it remunerative. It can not be loaned on long-time paper. It must be loaned in such a manner as to be readily available should it be called for by the depositing bank. Under this system there have sprung up in New York what are denominated "call loans." Hundreds of millions of dollars are loaned on "call" to the men who buy and sell stock upon the stock exchange and who deal in what is ordinarily termed "futures." These speculators do not deal in the commodities themselves; they buy and sell without any intention of delivering the commodity sold or receiving the commodity purchased. It is gambling, pure and simple. Not only that, but by their manipulations they control the markets of the country and are enabled

to raise and lower prices at their own sweet will to the detriment of both the producer and the consumer. These conditions are deplored by all right-thinking men everywhere. Congress can remedy this evil by legislation. I have introduced a bill which prohibits the use of the telegraph and the mails in dealing in "futures," and I hope that it or some similar measure will be passed.

The people throughout the length and breadth of the land are, unknown to themselves, silent partners. The farmer who sits by his fireside in the evening and reads in his daily paper of these operations in Wall Street little dreams that he himself, with his small sum deposited in a near-by country bank, is an unwilling and unknowing party to these great gambling transactions. He and hundreds of thousands of others are furnishing the capital with which the stock gambler carries on his nefarious business.

The reserves deposited by country banks should always be subject to their call. Of what benefit is a reserve to a bank if it can not use it when it is needed? Yet it has often happened that at the very time this reserve money is needed the banks of New York City have refused payment. Such was the case in 1907, and their refusal to deliver to country banks what was their own was the cause of the financial panic of that year.

It has been said on the floor of this House that the money and credit of the country is controlled by the banks of the country. Such is not the case. As I said before, there are over seventy-three hundred banks; these seventy-three hundred banks do not control the money and the credit of the country. Not all, but just a few, of the banks do the controlling. Under the present concentration of the finances of this country the money and the credit are controlled by a few great banking institutions located in the great money center, New York City; and a few men—it is said, less than a dozen—who own and control these great institutions are to-day in absolute control of the finances of America, and every banking institution in the land is subject to their dictation.

The proposed bill, which we are going to pass and place upon the statute books, will change this situation. It will decentralize the money of the country and place it in 12 regional reserve banks, where it will be under Government control and where it will be subject at all times to the call of the bank to which it belongs. The money and the credit of the country, instead of being controlled by a few men in a few banks, will be placed in these regional reserve banks, each managed by a board of directors of nine members, all under the supervision of the Federal reserve board, appointed by the President, representing and acting for and in behalf of the entire people of the country. By the passage of this bill we will not only decentralize the money and credit of the country, but we will strike a deathblow to the stock gambler in New York City, who has during all these years been depending upon the people of the country to furnish him the capital with which to transact his business.

As I said before, we will take the control of the money and credit of the country out of the hands of the few and place it, where it justly belongs, under the absolute control of the Government itself.

In 1907 the country was in a prosperous condition, crops were bounteous, manufacturing industries were prosperous, and yet without the slightest warning the country was thrown into a financial panic and all because hundreds of millions of dollars were in the hands of the speculators in New York City, and the banks of that city, for their own protection and safety, refused to ship currency to their corresponding banks, and they in turn were compelled to resort to questionable means to meet the emergency of the hour and to tide over the great crisis. Had it not been for the common sense and confidence that the farmers, merchants, manufacturers, and laborers had in the local banks of the country there would have occurred a financial crisis such as had never before been seen in this or any other country. It has been said, and truly said, that under the present system panics have been more frequent than under any other system in the world. If we can so modify this system as to prevent these oft-recurring financial disasters, we shall have done the country a service that will be appreciated not only by every banker in the land, but by every depositor, every borrower, and everyone interested in the development and progress of the country.

FLUIDITY UNDER PROPOSED SYSTEM.

Under the present financial system, the money and credit of the country does not flow readily from place to place, and is not found where it is most needed. We have seen that demonstrated during the crop-moving period, and the Secretary of the Treasury has had to come to the aid of the great agricultural sections time and again and furnish money from the Treasury

to assist in the moving of the crops. As water seeks its level, flowing from a higher to a lower point, so should the money of the country be made to flow readily from the place where it has been accumulated and not needed to the place where it is not so abundant and where it is needed in the legitimate transactions of business. Such will be the case under the provisions of the pending measure.

Under the provisions of this bill it will be the duty of every Federal reserve bank to furnish accommodations to its own member banks. Not only that, but the funds of the Government itself will be deposited with the 12 reserve banks, and whenever in any community money is needed for legitimate purposes the local member bank will be enabled by the discounting of its paper with the reserve bank to secure the money necessary to protect and to promote the commercial, the agricultural, and the manufacturing interests of its community.

A WORD AS TO MY OWN PEOPLE.

The district which I have the honor to represent is a purely agricultural one. My people are for this measure not because of any special benefit they will derive from it, but upon the broader ground of the general good. There are in my district 79 banks, of which 7 are national banks and 72 State banks. I take it, Mr. Chairman, that the banks in my district have but one interest in this measure, and that is a patriotic one; they want a banking system which will win for the banks of the entire country the increased confidence of the people. They know that such a system will inure to the general welfare and progress of the country and will at the same time, as a matter of course, vastly benefit the banks themselves.

BANK CHECKS—CONFIDENCE IN BANKS.

This brings me to the consideration of a character of "medium of exchange" which has been discussed but little in this debate, and yet it has to do with more of the business transactions throughout the country than all of the various kinds of currency put together. I refer to bank checks. Nearly 90 per cent of the business of the country is done by the use of checks and drafts, without the transfer of a single dollar of currency or money of any kind. The farmer is in need of furniture, clothing, and groceries. He takes to a near-by town some of his live stock or grain or produce of some kind; he sells it and receives for it a check upon the bank. He takes his check to the bank, deposits it, goes to the furniture store and buys his furniture, to the other merchants and buys his clothing and groceries, giving in each case his own check upon the bank. He returns to his home in the evening, having disposed of his products and purchased his necessities, it may be, without the use of a dollar in money of any kind.

The greater the confidence of the people in banks, the greater will be their use of the bank check. Give us a system of banks having the absolute confidence of all the people and the necessity of a large circulating medium of currency will be greatly reduced. No one knows this better than bankers, and they have always favored rigid laws and strict supervision of banks by both State and Nation. It therefore seems but natural that they would heartily welcome a change, such as is proposed in this bill, which takes from a few great bankers and financiers the absolute control of the money and the credit of the country and places it with the Government, thereby assuring to all alike, both great and small, fair play and honest treatment.

WHAT THIS BILL ACCOMPLISHES.

Now, let us see what this bill accomplishes. It decentralizes the money and credit of the country and places it in 12 reserve banks, which are under Government control, where it will always be available when needed by the bank to which it belongs. It will tend to break up gambling upon the stock exchanges by making it more difficult for the speculators to get funds with which to carry on their business. It will render it impossible for a few men to control the money of the country, fix discount rates, and regulate prices. In other words, the passage of this bill will do much to break up and destroy what is popularly denominated the Money Trust. It will give us an elastic currency, mobilize credits, make them readily available, and bring about that condition so much desired by all and referred to by the President in his address to Congress, when he said:

We must have a currency, not rigid as now, but readily, elastically, responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings. Our banking laws must mobilize reserves; must not permit the concentration anywhere in a few hands of the monetary resources of the country or their use for speculative purposes in such volume as to hinder or impede or stand in the way of other more legitimate, more fruitful uses. And the control of the system of banking and of issue which our new laws are to set up must be public, not private, must be vested in the Government itself, so that the banks may be the instruments, not the masters, of business and of individual enterprise and initiative.

There are many other benefits to come from the passage of this bill, but the limited time at my disposal prevents the discussion of all of them. Under this bill the Government funds will be placed in the reserve banks, will be available, and will go into circulation instead of being kept idle in the vaults of the Treasury and subtreasuries or deposited in part in favored banks here and there throughout the country as is done under the present system. National-bank notes will be gradually retired and the Government debt paid. Savings-bank departments are authorized in connection with national banks, and branch banks will be established in foreign countries to take care of the foreign trade. For the first time in the history of banking and currency legislation this bill opens the doors to State banks. They will be encouraged to come into the system from its very inception. There are now in our country between seventeen and eighteen thousand State banks. There is no doubt but that many of them will come into and become a valuable part of this great system.

This bill has had the careful study of the Committee on Banking and Currency. It was considered for nearly three weeks by the Democratic Members of Congress in caucus, and before it passes this body will have had its careful consideration for the greater part of two weeks. No bill can meet the approval of all in every detail. I must confess that some of its provisions do not meet with my entire approval, and while the measure was being considered in the caucus I offered a number of amendments, some of which were adopted, others were not. All legislation is more or less the result of compromise, every important provision of our National Constitution was written only after long discussion and was the result of compromise; yet that instrument stands to-day as the greatest of its kind in all the history of the world. Taking it all in all, the pending measure is excellent and will meet the requirements of the country. Should defects be found here and there in its administration it will be an easy matter for future Congresses to correct them.

RURAL CREDITS.

Mr. Chairman, I trust I may be pardoned for devoting a part of the time allotted to me in this debate to the discussion of a kindred subject, one which, in my opinion, is of equal importance to that now under consideration. I refer to the subject of rural credits. The pending measure, the currency bill, while it by no means goes far enough, benefits very much the farming interests of the country. At the very beginning of the formulation of this bill the Secretary of Agriculture was selected as one of the three members of the organization committee, and also designated as one of the members of the Federal reserve board. This was indeed a compliment to the greatest industry in the country, and is an absolute warrant that the agricultural interests will be treated fairly in the administration of this new system.

Under the section making provision for rediscounts we find agricultural paper specifically taken care of and the farmer's note made subject to discount at the reserve bank. The rediscount and note-issue features will provide the means of moving capital and credit from one part of the country to another and thus furnish an adequate supply to agricultural communities during the crop-moving periods, and at the same time the Federal reserve board, exercising its authority, will equalize interest rates and thereby benefit the farmers.

Loans on real estate are legalized for the first time in the history of bank legislation. The national-bank act, when it discriminated against the farmer and prohibited the loaning of money to him upon real-estate security, worked untold injury to that industry. The removal of this unjust discrimination is but an act of simple justice too long delayed. When the national banks were prohibited from making real-estate loans, the State banks naturally looked upon this kind of security as undesirable, with the result that the farmer has been compelled to pay commissions and unjust rates of interest. While the provision in the bill legalizes real-estate loans, the benefits to the farmer are minimized by the time limit of 12 months; hence, as a real help it will only apply in so far as it assists him to meet his temporary annual necessities. It should have gone further. The time limit should have been eliminated, and it would have been had an amendment to that effect which I offered in the Democratic caucus been adopted.

It is to be regretted that a comprehensive rural credit system could not have been worked out and made a part of this pending measure. Every industry in the land except agriculture is able to secure money at reasonable interest rates. The great railway systems issue their bonds, float them, and vast sums of money are secured at low interest rates. It frequently happens that the bonds are issued, sold, and the money in the hands of the company long before the railroad is built, equipped,

and put into operation. The manufacturer, the merchant, the mining operator, every corporation, great and small, gets loans at comparatively low rates, while the farmer, representing the greatest industry in the land and the one upon which every other industry is dependent, is compelled to get money wherever he can and pay whatever rate is asked.

The rate the farmer pays is excessive, it is exorbitant, and frequently confiscatory. It has often happened that because of the high rates and the short time of the loan the farmer has found it absolutely impossible to meet his obligations, and the result has been the foreclosure of the mortgage and the loss of everything.

The average rate of interest paid by the farmer, we are told, is 8½ per cent, while the average rate paid by other interests is 5 per cent. Cities, towns, and school districts are able, by the issue of bonds, to borrow large sums of money for improvements at low rates of interest. Large farming communities, offering the best security in the world, are compelled to pay high rates of interest. This is because under present conditions the farmers must act separately and independently and not as a community. Can not some plan be devised whereby the farming communities, acting in cooperation, can secure equally as satisfactory rates as those secured by cities, towns, and school districts? This has been done in foreign countries. In the countries of Europe where rural credit systems exist we are told that the average rate of interest is below 5 per cent, which is more than 3 per cent less than the average rate of mortgage loans in our own country. In this country there were, according to the last census, 6,688,722 farms, which, together with buildings, machinery, and live stock, were worth over \$40,000,000,000. More than one-third of the farms were mortgaged, and the annual interest charge was \$510,000,000, a sum nearly equal in value to the entire yearly wheat crop of the country. These figures clearly indicate that it is our duty to do something to relieve the enormous burden under which the American farmer is laboring.

The financial needs of our agricultural population may be thus classified:

First, The permanent capital requirements of the farmer; that is, the money needed by him to be permanently invested in land, buildings, machinery, and other things necessary to thoroughly equip his farm for successful operation.

Second, The temporary capital requirements of the farmer; that is, the money needed by him to meet his annual expenses, such as fertilizer, seed, planting, cultivating, harvesting, storing, and marketing the crop.

The first of these financial needs, permanent capital, can be supplied only by some system of long-time loans, based upon real-estate security, bearing a low rate of interest, containing a sinking-fund provision, so that it may readily be accepted as an investment security in the money markets of the country.

The second, or temporary needs, can and will be taken care of by the bankers of the country, under the provisions of the pending measure.

I respectfully submit, Mr. Chairman, that the farmers have a right to demand of the Congress the enactment of a rural credit system. The farmer's needs are just as important to the farmer as the merchant's are to the merchant, or the manufacturer's are to the manufacturer. A system of rural credits is just as important to agriculture as a system of commercial banking is to the commercial world. The farmer is the bone and sinew of the country; upon his prosperity depends the continued greatness of the Nation. Give us bumper crops and prosperity reigns; give us a crop failure and want and desolation follow.

In conclusion, Mr. Chairman, I will say that the farmers of this country will not ask in vain of this, the Sixty-third Congress. President Wilson has taken a decided stand for the establishment of a system of rural credits. The commission sent abroad to make an investigation of the systems in other lands has returned and will soon report to this body; the Democrats in caucus assembled have instructed the Committee on Banking and Currency to prepare and submit without delay a bill, and before the close of the coming regular session this body will have legislated upon that important subject.

We have been told, Mr. Chairman, in every campaign for several years that the Democratic Party is a party of negation—that it tries to tear down and not build up; that it finds fault but never furnishes a remedy; that it is a party of destruction, and not a party of construction.

If proof be necessary to refute these unjust charges made by our opponents in the heat of political contest, we have only to point to the work of the present Congress. Already the House has passed the Underwood tariff bill; it will pass the Senate and soon be the law of the land. That this currency measure will soon be enacted into law no one doubts. These are two

of the greatest constructive measures ever enacted by the American Congress. Within a few months another great constructive measure will be passed, and that will be the enactment into law of a just and equitable system of rural credits.

Mr. PHELAN. Mr. Chairman, I yield 30 minutes to the gentleman from Illinois [Mr. GRAHAM].

Mr. GRAHAM of Illinois. Mr. Chairman, I doubt very much if there has been a bill before this House during the service of any now present which is of greater importance to the American people than the pending one. The currency of the country is to the business of the country what the blood is to the body. It should be pure and healthful, it should be of sufficient quantity, and it should circulate without unnecessary or unhealthy obstruction.

There has been and there can be no civilization, no real progress without money of some kind or other. True there may be direct barter or exchange of products or commodities, but it can be only on a very narrow and limited scale. When a common measure of values exists, however, there is no practical limit to the amount of barter which may be carried on by that means. This common measure of value is what we call money. It may be of any material; it has been of a great many different materials in different times and places.

The Indians, and in some instances the early New England settlers, used wampum as money. Tobacco was used as money in Virginia and Maryland. Beaver skins, musket balls, corn, and wheat, and even fish have been used as currency in the early colonial days. Iron, copper, platinum, nickel, silver, and gold have all been used for that purpose. At present most of the countries of the world use gold as their real money—their standard of values.

To provide by law for the proper amount and the proper kind of currency is a great problem. It is the problem Congress is now trying to solve.

In considering this subject it should be constantly borne in mind that the great bulk of the business of the country is not based on the payment of money at the time of the transaction. Over 95 per cent of it is based on credit. It is only rarely and as a rule in small transactions that the money or currency actually passes. Those who have money generally deposit it in banks, where they get credit for the deposit, and check on the bank. The person receiving the check may and often does deposit that check to his credit in the very bank on which it was drawn, so that the barter or exchange is effected without withdrawing a cent from the bank's funds. And even if the check were deposited to his credit in some other bank the difference would not be great, for other checks drawn on the one and deposited in the other bank would substantially offset it, so that when the banks came to settle up on their various check accounts they would find that a very small sum in money would pay the difference, the actual money, except this balance, remaining all the time in the banks. Thus the money deposited in the banks is helping to do the business of the country, and thus, too, the banks become the means or the instruments by which credit is created and sustained.

The fact that the money on deposit in the bank is thus used by the banks for their own profit impresses on them a sort of public character—they become trustees, as it were—and so far as laws affecting them are concerned puts them on a different plane from ordinary corporations or individuals. In becoming the custodians of the money of a community they are in a position to keep it going, making it a real circulating medium, keeping the business of the community in a state of healthful activity, and promoting credit on which the great bulk of business transactions rests.

Thus it is clear that the more money there is deposited in the banks and the more it is kept in circulation the better for business and, of course, for the banks, too. Money that is hoarded or hidden away is doing nobody any good, but when it is taken out of its hiding place and deposited in a bank it soon gets into the channels of trade and helps business along, or, to use a common figure of speech, it becomes a part of the lifeblood of commerce and promotes the general business health of the community. Hence, the greater the extent of these bank credits the greater will be business activity. Indeed, the largest possible expansion of bank credits consistent with safety is the real objective, the great desideratum in banking and currency legislation.

That we have not reached a solution of that problem is apparent from the fact that we have had more money panics than any other nation in the world. Prof. Laughlin says:

The national banking system as at present conducted is in a sense a breeder of panics, while it fails entirely to grant any adequate relief from these commercial convulsions. It entirely fails to supply a note circulation—elastic, sound, adequate, and well adjusted to local necessities. It furnishes no general market for commercial paper, no matter

how high the quality of such paper may be. It fails to meet the legitimate demands of the farmer, the depositor, the small merchant, and of other customer classes, just as it imposes upon the banks themselves severe hardship, due to their inability to protect themselves adequately against loss of confidence.

Another writer on the subject of banking and currency compares our system to a ship that can sail only in fair weather and is apt to founder in the first storm. The pending bill is intended to correct these evils and to remedy these defects.

In preparing remedial legislation consideration should first be given to the evils to be remedied. What, then, are the defects and evils in our present Federal system of banking and currency?

First. All agree that a good currency should be elastic—that is, it should contract and expand readily to meet the changing needs of business; that it should be mobile, moving easily and quickly from where it is not needed to where it is needed; and that it should aid in keeping credit good and safe at all times. Our present currency is defective in all these respects. It is a menace to credit, and it is neither mobile nor elastic.

Second. With a sound currency system there should not be dangerous currency concentration at any one place. Our present system, naturally and almost necessarily results in concentration at the national metropolis—New York City.

Third. A sound currency system would discourage undue speculation. Ours leads to and encourages such speculation.

Fourth. A sound system would give us a currency justifying the name; that is, a currency which would be current—moving, circulating, helping to do the country's business, and helping to maintain the stability of prices. Ours does not meet this requirement.

Fifth. Under the existing law large amounts of money are gathered into the United States Treasury and subtreasuries, piled up there, and kept out of circulation. So far as its effect on business is concerned it might as well be in some other country. This should be and can be remedied.

Sixth. Under the present system we have not and can not have any banks or branches of banks in any foreign country, a very grave and injurious defect, so far as our foreign trade is concerned. This should be and can be changed.

Seventh. There is no cooperation among the various national banks. They are entirely independent of each other and can not have a general or uniform policy with reference to the use of reserves, the rates of discount, the making of loans, and all that. This bill provides for coordination and cooperation.

These are some of the manifest defects in our present system.

On the other hand, this system—if such it may be called—has effected some good. It has given us a uniform, stable, and convenient, though inelastic, form of currency which is accepted without question everywhere in the country. It has also given us a fairly good system of bank supervision.

Surely a system can be devised which will retain whatever of good there is in the present one, eliminate what is harmful or useless, and add such provisions as are necessary to give us a sound and practical currency and banking system.

Let us consider the objections suggested in their order.

First. As to an elastic currency.

Most of our present currency rests on a foundation of Government bonds. The national banks have to buy these bonds as a foundation or basis for the bank notes or currency which they issue. They very naturally issue all the bank notes or currency the bonds they own will permit of, and this maximum amount of currency is in existence at all times and at all seasons of the year. The amount is rigid and inelastic. It does not rise or fall with the necessities of business.

There is no safe provision for increasing or expanding it, and there is no desire on the part of the banks to diminish or contract it. They naturally want to keep it all on hand in the hope of making a profit by loaning it to customers. But more currency is needed when the crops are being harvested and marketed than at other times; hence if the amount of currency issued is enough for the harvest season it is too much for the other seasons, and, on the other hand, if it is only sufficient for the cropping time it is insufficient for the harvest time. This condition is equally applicable to industrial and commercial affairs.

Second. When there is more currency in the banks than the transaction of the country's business requires it naturally drifts to the banks in the great centers of wealth and population, where inducements are offered to those who will borrow it. Under such circumstances many are willing to take chances in the stock market by borrowing and investing in stocks and bonds of various kinds, investments of a speculative character, which can not always be realized on when the loans become due and the money is needed for legitimate purposes. In this way the excess of currency in the dull season leads to its being tied up

so that it can not get to where it is needed when it is needed, thus tending to stagnate business and leading to unsettled and even panicky conditions.

Third. The present bill aims to correct this evil by a discount provision which will lead to the withdrawal of the excess from circulation when it is not needed for agricultural and business purposes and making the issue of additional currency easy when it is needed for such purposes, always, of course, provided there are plenty of sound assets back of this additional issue. In this way elasticity can be assured.

By a system of central reserve banks, not less than 12 in number, scattered over the country, under the control of a governing board having power to compel loans from one reserve bank to another, currency and other forms of credit can be easily passed from a portion of the country where it is not greatly needed to another portion of the country where it is greatly needed, but under restrictions and conditions which will constitute an inducement to the borrowers to pay it back as quickly as they can. This will result in mobility, in ease and readiness of movement.

The present arrangement, as has been suggested, tends to concentrate money in New York and a few other great centers of wealth and population, and the fact that the country banks are now allowed by law to keep a part of their reserves in the metropolitan banks and draw interest on it exaggerates this tendency, thus centralizing money and credit in the great cities, mainly in New York, where, as I have shown, it tends to promote stock speculation and stock gambling and other unwise and improvident forms of investment. In this way, in a financial sense, the law induces the people to sow the wind, and in due course, when the money thus tied up in vicious speculation is needed for legitimate purposes elsewhere, we reap the whirlwind, and the New York banks, as they did in 1907, refuse to let them have their own reserve money with which to pay the reapers.

Fourth. A currency system which produces such results as were experienced in 1907 is unworthy an intelligent people. As I have already explained, at that time much of the country's circulating medium and of the bank reserves found their way to New York City, where they were virtually tied up. This money was very badly needed throughout the country, where it belonged, but the New York banks refused to part with it, even to the owners. It was practically out of circulation. Then, too, the large sums held in the Federal Treasury and subtreasuries added to the stringency. As a matter of fact, there was money enough in the country, but under our absurd system it could not be made to circulate where it belonged and where it was so badly needed. The proposed measure will greatly improve these conditions.

By making not less than 12 reserve centers, as this bill does, it goes without saying that it will tend very strongly to break up the present concentration or centralization of credit and money.

Fifth. Under the present subtreasury plan large amounts of revenue are collected by the Government and kept in the Treasury and in the various subtreasuries, where it lies idle, entirely out of the channels of trade. The money thus stored might as well be at the bottom of the sea, so far as business is concerned, if existing law were observed. In the past large sums have been transferred from the Treasury to favorite banks in times of stress, and perhaps at other times, and some of this money is now being placed in small amounts in various banks all over the country. This is not done in pursuance of law, but rather in violation of law. It is an official recognition of the utter insufficiency of our present system, which is so impractical and absurd that Secretaries of the Treasury have felt and still feel compelled to ignore it.

The pending bill would abolish such a mistaken policy and would place the public money not in hidden vaults to lie dormant, but in the regional reserve banks, where it would be in the channels of trade activity, assisting to do the business of the country.

Sixth. A very serious defect in the present system is that it provides no plan for our foreign exchanges. It is a humiliating if not a shameful confession that nearly all the trade balances between the United States and other countries, including the South American countries, are paid by exchange on London banks. There is no way under our present system by which a national bank can have a branch in any foreign city or country. This has been and is a great hindrance to our foreign trade, and now that American enterprise and energy are about to be unshackled and given a fair opportunity to enter foreign markets, it is essential that proper banking facilities should be arranged. Under this bill such arrangement is provided for and can be and doubtless will be speedily made, and when

made it will mark our financial and final declaration of independence of Great Britain.

Seventh. The lack of a provision for cooperation among the national banks is a very grave defect. So far as the present law is concerned each one of the 7,437 national banks is absolutely divorced from every other one of them. There is no coordination, no connection, no plan for cooperation, for combining and utilizing their reserves in time of need, no cooperation with reference to rates of discount, or, indeed, with reference to anything connected with the transaction of their business.

This is unfortunate, and especially so with reference to the bank reserves.

It is strange, indeed, that some plan has not been put in operation for the purpose of mobilizing bank reserves; that is, so using these reserves that portions of them could be quickly assembled in regions where there was no strain and concentrated where there was pressing need for them.

In the early colonial days, when Indian raids might reasonably be expected, the settlers usually built a stockade or rude fort at some central strategic point and kept in it a good and sufficient supply of food, arms, and ammunition in anticipation of danger. In other words, they mobilized their reserves in this stockade or central reserve. In case they feared their central reserve force was not strong enough to meet the emergency they managed to send a call for help to the nearest settlements—that is, they got assistance from the nearest available central reserves—and if they were vigilant enough to act in time they were almost certain to escape the threatened danger, and the Indians soon ceased to make attacks where they knew the defense was complete.

Had each settler kept his entire means of defense in his own cabin they would all probably have perished.

Just so in times of financial stress. If each bank holds its reserve independent and without cooperation or coordination with the others, it is in great danger of disaster in time of stress or panic; but if all the banks in a given territory cooperate, build a stockade, so to speak, and fortify it with a fund taken in proper proportion from the reserves of all, so that in time of danger they are combined into a phalanx to meet an assault on any one or more of them, they will be well-nigh impregnable.

If, however, the assault is too vigorous to be met in that way, what is to be done? To meet such a contingency the whole country is to be organized into cooperative, coordinated regions, and if the assault could not be resisted in the region where it occurred, other regions, under the discretionary power of the governing board, will be required to come to its assistance. It is quite improbable that financial disaster would overtake every part of the country, every region, at one time, so that those not affected would be in a position to aid those that were. Thus the common reserve will prove a common defense. It will ward off panics even more certainly than the stockade warded off the attacks of the aborigines.

With a portion of each bank's reserve in its regional reserve bank, and with 12 or more such regional reserve banks under the control of a single Government board having power to direct the combined strength of all in any required direction, I think it is not extravagant to say panics will be virtually impossible, a consummation most devoutly to be wished. What a triumph it will be to abolish those hysterical business convulsions in a country which has suffered more from them than any other on the face of the earth!

National bankers have long complained that they are not permitted to loan money on real estate security. There is no better or safer security than a mortgage on improved agricultural land. It ranks side by side with Government bonds. All are agreed that this prohibition should be removed. This bill provides for its removal.

Let us examine some of the objections urged against the bill.

First. It is said the governing board will become a political body, bringing the banks and the money of the country into partisan politics.

This board is to consist of seven members, the Secretary of Agriculture, the Secretary of the Treasury, and the Comptroller of the Currency as ex officio members, and four other members, to be nominated by the President and confirmed by the Senate.

I am inclined to think this method of choosing them is as good as any. It would be difficult to provide for their popular election, as the boundaries of the regional reserve districts may not, and doubtless will not, coincide with present lines of political units. A single regional reserve district in the far West would necessarily embrace many States and vast extent of territory. Such a plan would not be practicable; and even if it were, would it eliminate politics or would it insure the selection of men better adapted for the positions? I doubt it very much.

The members of the Supreme Court of the United States and members of the Interstate Commerce Commission are chosen in the same way which this bill provides for the choosing of the members of this board, and while some may claim that partisan politics has at times been manifest in Supreme Court action, yet I think it will be admitted that neither the Supreme Court nor the Interstate Commerce Commission is fairly open to the charge of being under partisan control or of being a political body.

The Comptroller of the Currency under the present system has been in complete control of the national banks for 50 years, and I think all will admit that those who have held that office have been reasonably, if not absolutely, free from the charge of partisanship in the administration of that great office.

It is claimed that the bankers should be allowed to choose the four members or at least some of those who are not ex officio members.

Few except the bankers would support such a claim, and a great many bankers would not support it. The ordinary banker devotes very little of his time to a study of financial systems. He devotes himself rather to the immediate management of his bank, such as determining the soundness of the paper he discounts, the character of the loans and investments made for the bank, and all that. In fact, he is so close to this part of the field that it is quite difficult for him to have a clear and disinterested view of the entire field. If the bankers were allowed to choose the members of the governing board, then the lawyers should be allowed to choose the judges of the Supreme Court, the railroad officials should be allowed to choose the Interstate Commerce Commissioners, and the packers and others who prepare our foodstuffs should pick those who administer the pure-food laws. It is not likely that such a plan would meet public approval.

Nor would the experience of other countries justify turning the board over to the bankers. There is not a single banker on the board of directors of the Bank of England, and I think the same is true of the Bank of France. I feel very confident that the American people want Government control of the currency rather than bank control. Indeed, it is fairly open to suspicion that the difference between Congress and the banks on this point is fundamental and irreconcilable. The banks want a bill which will increase their profits or, at least, that will not diminish them.

The purpose of the bill is not primarily to benefit the banks, although it is hoped and believed it will ultimately have that effect. It is intended rather to secure depositors, to aid in the transaction of business—agricultural, industrial, and commercial—and to prevent panics. If it accomplishes these results, as we hope and believe it will, then it will benefit banks and bankers as well as all other classes of citizens.

The bill provides that the four members who do not act as ex officio members shall serve eight years each. This long term of service will prevent a President from making radical changes in the board during a single presidential term.

Without reflecting in any way on the bankers, it seems to me wiser to have the legal control of the currency and of the banks in a Government board rather than in one chosen by or under the domination of the banking interests. If the banks were allowed to control this board, it would be but a short time till all the power possessed by the board would pass into the hands of one or a few of the big banks, to the detriment of the small banks and the people.

Second. It is said that the bill works an injustice to the banks, and particularly to the country banks, by compelling them to subscribe 10 per cent of their capital stock to the Federal reserve bank, on which amount the subscribing bank can get only 5 per cent per annum interest.

This criticism is based on a misapprehension. The bill allows 5 per cent interest, cumulative; that is, if the interest falls below 5 per cent in any year, the deficit may be made up out of the earnings of any subsequent year or years; and the excess of the earnings over 5 per cent is divided in the ratio of 60 per cent to the Government and 40 per cent to the subscribing banks, so that if the reserve bank earns 10 per cent per annum the local bank would get 5 per cent straight as interest, and 40 per cent of the other 5 per cent, or 7 per cent in all. If the earnings of the reserve bank reached 15 per cent, the local bank's interest would be 9 per cent. This additional and contingent interest furnishes a stimulus for better management.

Third. It is objected that taking so much of the local bank's capital will decrease its loaning power and thus tend to injure it.

This is also a misapprehension. Indeed, the contrary is more likely to be the truth. The plan provided in the bill to enable the local bank to discount its prime commercial paper in the reserve banks and the arrangement for enabling the reserve

banks to draw on each other will, in my judgment, tend to extend rather than to curtail its loaning capacity.

I do not claim the bill is perfect. It would be idle to do that. That portion of the economic field is too little understood to justify such a claim. Indeed, currency is not a matter which can be handled with scientific accuracy. Jevons, one of the most learned and profound writers on that subject, says that currency is to economics what squaring the circle is to geometry or what perpetual motion is to mechanics; in other words, there is and can be no such thing as a perfect currency system. But this bill, should it become the law, will lead to higher and safer ground than we have ever occupied. It will throw into the channels of legitimate trade hundreds of millions of dollars heretofore used for stock-gambling purposes; through the 12 regional reserve banks it will furnish a constant market for agricultural, industrial, and commercial paper, superior to any market that has heretofore existed in this, and I think I might say or in any, country; it will tend to keep the country bank reserves within the zone in which these banks are located, and it will go very far, when in complete operation, toward rendering panics practically impossible.

It is said the reserve provisions will encourage inflation. That is true to some extent, but when a panic is threatened because of a scarcity of currency reasonable inflation is rather desirable.

The inflation will result from discounting absolutely good commercial paper. The discount rate—that is, the interest to be paid on the additional issue—is fixed by the Federal reserve board and can be made so high that the additional currency will be retired as soon as the necessity has passed. By its control of the discount rate the board can easily prevent dangerous or undue inflation.

As I have said, I do not claim that the bill is a perfect one. It has, no doubt, imperfections in it, but it is unquestionably a good long start in the right direction, incomparably better than the present law or than the Aldrich-Vreeland law, or than any law of the kind we ever had. Time and experience will soon locate its imperfections, and as the main features are sound the less material matters can be easily corrected by future Congresses. For the reasons given, and for other reasons which lack of time forbids me giving, I shall cheerfully cast my vote to pass the bill.

Mr. PHELAN. Mr. Chairman, I yield 45 minutes to the gentleman from Kansas [Mr. NEELEY].

Mr. NEELEY. Mr. Chairman, the pending currency bill provides for the division of the United States into 12 regional districts to be apportioned with due regard to the convenience and customary course of business of the community and without any reference to State boundaries. These districts may be readjusted and new districts carved therefrom by the Federal reserve board whenever the exigencies of the situation demand that such action be taken, upon the application of 10 member banks desiring to be thus organized. Each bank located within a given district is obliged to subscribe to the capital stock of the reserve bank located therein in sum equal to 20 per cent of the capital stock of such bank, of which sum 5 per cent shall be paid in cash, 5 per cent additional shall be paid within 60 days from the time such subscription is made, and the remainder of the subscription or any part thereof being subject to call and payment whenever such action may be necessary to meet the demands of the Federal reserve bank or consistent with the demands of sound banking.

The capital stock to be issued to each member bank is to be divided into shares of \$100 each; each Federal reserve bank must be incorporated, with rights of succession for a period of 20 years from its organization, unless sooner dissolved by Congress, and shall be conducted under the oversight and control of a board of directors possessing the same powers and performing what will doubtless be practically the same duties as now enjoyed and performed by the boards of directors in national banking associations under the existing law. This board of directors is to consist of nine members, three of which are to be selected by the banks, three others to be representative of the public interest of the reserve district, and the last three to be designated by the Federal reserve board to represent the Federal Government in the actual management of the business of such district.

Each regional reserve board of directors is presided over by a chairman who is subject to removal by the Federal reserve board at its pleasure, without notice.

Each of the shareholders of the different Federal reserve banks shall, after the payment of expenses and taxes, be entitled to receive an annual cumulative dividend of 5 per cent on the amount of capital paid into the bank and any additional profit that may be left after the payment of these ex-

penses, and such dividend is to be held for the surplus fund to the amount of 20 per cent of the paid-in stock of each regional bank; from the remaining one-half, 60 per cent is to be paid to the Federal Government and 40 per cent to the member banks according to the amount of balances held in each reserve bank for the preceding year. Each reserve bank is exempted from Federal, State, and local taxation, except for taxes upon real estate, and national banks are allowed one year within which to become members of the reserve bank of the district within which they are located. State banks or trust companies are permitted to become members of any regional reserve district in which they are located upon complying with the rules and regulations of the Federal reserve board, provided such State bank or trust company possesses a paid-up, unimpaired capital of at least \$25,000 in any event, or a sum sufficient to entitle it to become a national banking association in the place where it is situated; but should such State bank or trust company fail to comply with the banking law or with any valid rule or regulation of the Federal reserve board, the Federal reserve board may require it to surrender its stock upon the repayment of the original subscription.

The Federal reserve board is to consist of seven members, including the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, together with four other members appointed by the President and confirmed by the Senate. Of the four members thus appointed by the President, not more than one shall be from any one Federal reserve district, each shall be selected so that the different geographical districts shall be as nearly represented as is possible, and each one shall devote his entire time to the business of the board. This board is to have general supervisory powers over the entire currency system; shall make an annual report of its fiscal operations to the Speaker of the House of Representatives; may examine the affairs of each Federal reserve bank; may require one reserve bank to discount the paper of other reserve banks; may suspend the reserve requirements of the act; supervise and regulate the issue and retirement of reserve notes; add to the number of reserve cities; suspend officials of reserve banks and remove them for incompetency, dereliction of duty, fraud, or deceit, subject to the approval of the President; require the charging off of worthless paper in reserve banks; suspend Federal reserve banks and appoint receivers therefor; and perform any other functions directed or implied by the act.

To this board is added an advisory council of 12 members, 1 from each district, who are to serve without compensation, but may confer with the Federal reserve board and make such recommendations as in their judgment are necessary and proper under the terms of the bill and the limited powers which such advisory board possesses.

The reserve banks are authorized to receive deposits from their member banks and other Federal reserve banks and may rediscount notes and bills of exchange arising out of commercial transactions; and the bill then provides—

but such definition shall not include notes or bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, nor shall anything herein contained be construed to prohibit such notes and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise, from being eligible for such discount—

thereby withdrawing the privileges of the act from stock-exchange transactions and providing for the discount of what is commonly termed agricultural paper.

Moneys now held in the general fund of the Treasury are to be deposited in the reserve banks, and such reserve banks will hereafter be the fiscal agents of the Government, subject to the right of the Secretary of the Treasury to apportion these funds equitably among the different sections of the United States and to charge interest thereon, but prohibiting such reserve bank from paying interest other than to the United States and also limiting them to the receipt of deposits from their member banks and the Federal Government.

The bill provides for the issuance of Federal reserve notes, to be the obligations of the United States, acceptable for the payment of all taxes, customs, and other public dues, and redeemable in gold or lawful money on demand, and also provides for the refunding of what is known as the 2 per cent bonds, now eligible for deposit by the national banks to secure the circulation privilege. In their place are to be issued 3 per cent bonds without the circulating privilege, payable 20 years from the date of issue, but limiting the redemption of such 2 per cent bonds to 5 per cent of the amount of bonds on deposit in the Treasury by any bank in any one year. At the expiration of 20 years the holders of all 2 per cent bonds outstanding at that time are to receive payment therefor at par, together with accrued interest, but in the meantime national banks owning the 2 per cent bonds bearing the circulating

privilege may deposit them with the Secretary of the Treasury and secure circulating notes therefor.

Country banks, as defined by existing law, shall maintain a reserve of 12 per cent of their aggregate deposits, not including savings deposits. Of this sum five-twelfths must consist of money now counted by national banks as legal reserve, and must be in the banks' vaults; for a period of 14 months after the passage of the act, at least three-twelfths, thereafter five-twelfths of such reserve must consist of a credit balance in the Federal reserve bank, the remainder of the 12 per cent for a period of three years may consist of balances in central reserve cities as now defined by law; but after the expiration of three years from a date to be fixed by the Secretary of the Treasury the remainder of the 12 per cent reserve shall consist either of reserve money in the banks' vaults or a credit balance in the Federal reserve bank of the district in which such bank is located.

If a reserve city bank, it shall hold for 60 days a reserve equal to 25 per cent of its aggregate deposits, not including savings deposits, and 18 per cent thereafter. At least one-half of this amount must be such money as is now counted as legal reserve by national banks and held in its own vaults; after the expiration of the 60 days and for a period of 1 year, three-eighths, and thereafter five-eighths of the reserve shall consist of a credit balance in the reserve bank of the district in which the member bank is located. The remainder of the 18 per cent of reserve for a period of three years may consist of balance in central reserve cities, but after the expiration of such three years the entire 18 per cent of reserve shall consist either of reserve money in the banks' vaults or a credit balance in the reserve bank.

If a central reserve city bank, it shall keep a reserve of 25 per cent of its aggregate deposits for a period of 60 days from such date as may be fixed by the Secretary of the Treasury, and thereafter it must keep 18 per cent. At least one-half of this reserve shall consist of money which national banks may now count as reserve, and must be held in its own vaults; at least one-fourth shall consist of credit balance in the reserve bank, and the remainder of the 18 per cent shall either be reserve money in the banks' vaults or credit balance in the reserve bank.

Each Federal reserve bank must keep on hand in its own vaults gold or lawful money of not less than 33½ per cent of its outstanding demand liabilities, and the act gives the Federal reserve board authority to compel a compliance with this provision.

Every national bank must be examined at least twice each year, and as much oftener as the reserve board may deem necessary, and the examiner has authority to make an examination of the directors under oath, touching the bank's business. It also places bank examiners on a salary instead of giving them a fee allowance as now provided, and provides that no two successive examinations shall be made by the same examiner, giving the Comptroller of the Currency the right to arrange for special examinations of any member of the reserve bank, and prohibits officers and directors of banks from accepting fees, gifts, or commissions for negotiating purchases and sales of securities or the making of loans on behalf of the bank of which he was an officer, providing a penalty of a fine of \$5,000 or imprisonment of five years, or both, for violation of such law.

The bill provides that national banks may make loans on improved, unencumbered farm lands for periods not exceeding 12 months, and for amounts not exceeding 50 per cent of the value of the property, such loans to be in an aggregate sum not in excess of 25 per cent of its capital and surplus and of 50 per cent of its time deposits; and in addition thereto, national banks may open savings departments, upon the apportionment of a part of its capital and surplus for such purpose, the savings department to receive deposits, make loans, and buy and sell such securities as may be specified by the Federal reserve board.

FOR IMMEDIATE ACTION.

Mr. Chairman, I trust that we may add any amendment that will make this bill stronger and better, will promptly pass it, send it to the Senate, and that it will promptly pass there, be signed by the President, and become a law.

Ever since this proposition has been under discussion, I have favored early action. On the 20th of last June, I stated on the floor of this House:

I favor currency reform at the earliest possible date, not only to meet present-day needs, but to be built upon a foundation broad enough to care for the emergencies of the future.

No person conversant with present conditions will dispute the necessity for this action, and I have full confidence that this Democratic Congress, acting in conjunction with the President, will be able to devise a plan free from the control of special and profit-expecting interests ample to meet the demands of the country and conserve the interests

of all our people alike. The good faith of the Democratic Party is pledged to do this as soon as we may, even though it be necessary to remain here the entire summer and until the regular session convenes in December to accomplish the task before us.

We have now spent the entire summer considering these questions and are entering upon the last leg of our journey to the fulfillment of the promise to the people for which our party pledged its good faith and best endeavor.

The pending bill is not a perfect one. It is a radical departure from our present financial system, lays the foundation for an entirely new plan conceived upon broader lines and founded upon principles that I believe will meet with the general support and commendation of our people.

FOUR SPLENDID FEATURES.

The bill has four features that make me enthusiastic for its final adoption. They are: (1) Governmental control of the Federal reserve board; (2) prohibiting the rediscount of paper executed for the purpose of securing funds with which to speculate and gamble on the stock exchange; (3) the recognition of agricultural paper by directing its rediscount by the central reserve bank on the same basis as other paper; and (4) permission granted to national banks to make farm loans.

Considerable discussion has been provoked by the provisions of the bill giving the Government complete control of its administrative features, and the charge has been frequently made that this will result in partisan administration instead of for the best interests of the country. This objection is not well founded. The members of the Federal reserve board will doubtless be in full sympathy with the national administration, but this is as it should be.

The Democratic Party is here charged with the creation of a great piece of constructive legislation; upon the success or failure of this plan depends the material welfare of a hundred million people, and it is both reasonable and just that if you are to charge it with the responsibility of the installation of this great plan, the President, as the leader in this movement, will desire the active cooperation and assistance of individuals who believe in the plan itself, and who desire to see it safely pass the shoals of destruction. The failure of this plan would be directly charged to the administration in power, and justly so. Therefore in installing it and in its future ministrations, no matter what political party may be in power, it should be directed by those who are in sympathy with the administration charged with the responsibility of its proper conduct.

There is another good reason why the Government should have control. All Government funds are to be deposited in the reserve banks, and they are henceforth to be the Government's fiscal agents. This means that from \$125,000,000 to \$150,000,000 will be immediately deposited in these banks, and that such deposits will be gradually increased to perhaps \$200,000,000 to \$250,000,000. These regional banks are under the immediate control of a board of nine members, selected to represent the banks, the citizenship of the district where the reserve bank is located, and the Federal Government alike, and it would certainly be the height of business folly for the Government to deliver its entire funds into the custody of these reserve institutions, clothe them with all the powers provided by this bill, confer all of the privileges and benefits that must follow the distribution and use of this great sum of money, and then sit idly by during the time that these gentlemen would band themselves together, unhampered by governmental regulation or control, into the most gigantic combination ever conceived by the finite mind. The time has not yet arrived in this country when that may be done.

Public opinion has long since vindicated the provision of the bill prohibiting the rediscount of paper for stock-gambling purposes. I have yet to learn of a single disinterested individual who has even attempted to justify present-day practices since the publication of the Pujo report. The public has been led to believe that the practices of the stock exchange were the outgrowth of business experience and necessary to the creation and retention of a public market for the country's commodities. This has been fully exploded, and they now understand that many of its practices are the result of an arrogant assumption of power, illegally and often viciously exercised for the advancement of selfish interests. There is a place for the properly organized and controlled stock exchange in this country as a market for existing commodities, but that section of this bill prohibiting the use of Government funds to fleece the unwary or to bolster up values that exist principally in the imagination of the individuals seeking to dispose of bogus securities will receive the hearty commendation of an intelligent public.

For the first time in the history of financial legislation in this country the agricultural industry and the agricultural section has been recognized in currency legislation. The clause in this bill recognizing notes and bills of exchange "secured by

staple agricultural products of other goods, wares, or merchandise," on the same basis and under the same terms and conditions as other paper, is a splendid recognition of equality in financial legislation.

This proposition was vigorously debated by the majority members of the committee, and its rejection provoked the caucus and the minority report by the gentleman from Texas [Mr. EAGLE], the gentleman from South Carolina [Mr. RAGSDALE], and myself. The caucus began its labors under an agreement for eight hours' general debate, four of which was to be controlled by the earnest and hard-working chairman of our committee [Mr. GLASS], and four hours by myself. But as the interest in the discussion grew the debate lengthened, until before we were ready to report the bill back to the committee we had consumed nearly three weeks of time in its discussion.

The incorporation of this principle for which we contended, both in the committee and in the caucus, is a recognition of our desire to be of service in presenting constructive legislation along lines sufficiently broad to meet the general approbation of the country and is an added evidence that the Democratic Party intends to treat every section and every interest alike. I have discussed this subject with many persons, have received hundreds of letters with reference to it, as well as many telegrams, and have yet to find a single person able to give any substantial reason why the paper of a farmer secured by a mortgage on staple agricultural products, goods, wares, or other merchandise, is not as good as any commercial paper that may be offered. In fact, the bankers of my State say that the most liquid and best paper handled by them is paper secured by cattle and wheat, and which, under the terms of this bill, is given that full recognition to which it is entitled. The insertion of this amendment fully answers the criticism that this is a sectional bill, and while it still has some defects that I trust the Senate will cure, it is entitled to the enthusiastic support of every Member of this House.

The provision authorizing national banks to make short-time farm loans is in response to a demand from every section of the country. I do not believe the privilege will be very generally exercised, but will be reserved for emergencies. The real advantage in it arises from the fact that it is the opening wedge for the establishment of a national system of farm loans, sufficient in scope to meet the demands of the country.

During the time that this section was under consideration in the caucus the gentleman from Oklahoma [Mr. MURRAY] offered a motion that certain pending amendments be referred to the Banking and Currency Committee with instructions to report a complete bill providing for the establishment of a national system of farm loans before the expiration of this Congress. The motion was amended by myself so as to direct the Banking and Currency Committee to report such a bill at the next session of this Congress, and was thereupon unanimously passed. We have already received the assurance of the President that he is in hearty sympathy with this plan, so that I believe as an outgrowth of our contention for the recognition of agricultural credits and farm loans in the pending bill we will soon secure the establishment of a national farm-loan system.

THE OPEN CAUCUS.

I believe this bill would have been a better one had it been framed in the clear light of the open day, where the public could have the privilege of criticizing, commending, or suggesting anything of value to the subject itself. [Applause.] Because of this belief, I voted to throw open the doors of the committee, and after a majority of my brethren had declined to incorporate certain propositions that to me seemed fundamental, and it became necessary that the bill go to the caucus, I there made a motion to open the doors of that caucus, so that the white light of publicity would not only be turned on the bill itself, but might beat down directly upon the membership of that caucus and the public see and understand the motives that actuated every man who participated in the deliberations therein. [Applause.]

Mr. Chairman, there may have been a time when secret caucuses were justified in this country. There doubtless are conditions at this time when it might be both desirable and eminently proper for a political party to frame legislation protected by an obligation of secrecy, but this was not one of the times nor this bill one of the subjects. I can see no good reason why in this day of enlightened public opinion it should be necessary for any body of men engaged in legislating for the whole people to thus act, and if the Democratic Party is to maintain its position of supremacy and justify the faith of our people in the honesty of its purpose it is necessary that it take those same people into its confidence when framing legislation of vital interest to them. Some may attempt to justify the secret caucus by saying that the Republican Party was enabled

to perpetuate itself in power by the machine constructed in its secret caucus, but you know that very machine was one of the most potent agencies in the disruption of that party and that we are in power to-day because of the faith of the people in our promises of above-board legislation.

SHARP PRACTICE.

One William C. Van Antwerp recently circularized Members of this House with copies of two letters sent me, taking exceptions to certain of the disclosures in the Money Trust investigation. This circular was sent all over my State, to newspapers, bankers, and other business and professional men; but notwithstanding that we have 798 newspapers in Kansas, only one lonesome little paper in the entire State, with a total circulation of 575, according to Ayer's Newspaper Directory for 1913, made any unfavorable comments relative thereto. The well-meaning editor of this paper has a "pain" because of having recently been repudiated for postmaster by the patrons of the local office by a majority of 153 out of a total referendum vote of 687, which fully explains the interest this Kansas paper has in Van Antwerp and the New York Stock Exchange.

These letters have been given wide publicity, however, by the Wall Street Journal and the New York Journal of Commerce, both recognized as official spokesmen for the stock exchange and other Wall Street interests; by the Independent, published at 119 West Fortieth Street, New York City; as well as by the Kansas City (Mo.) Journal, the official organ of the interests both in Kansas and Missouri, and all of which find fault because I did not accept Mr. Van Antwerp's invitation to be his guest and be convinced that the Money Trust investigation was a mistake and that the admissions made by the officers and members of the New York Stock Exchange under oath, as well as the statements of individuals who had been fleeced by the shell game maintained by this exchange, were untrue.

I did not answer this letter because I was under no obligations so to do. Mr. Van Antwerp had an opportunity to appear before our committee and present any evidence he cared to offer. He failed to avail himself of this privilege, and if as a member of the New York Stock Exchange he now chooses to defend the exposed iniquities and infamies of that institution that is his privilege, but life is too short for me to spend it quarreling with a man whom I have never seen and never expect to see.

Mr. Chairman, this is not the first invitation I have received to go to New York City as somebody's guest and be privately convinced that all of the evidence offered the committee was false and its findings and conclusions entirely wrong; but when I went there as a member of the committee, clothed with the authority of this House, to compel the attendance of witnesses and the giving of testimony under oath, we were not so happily received or kindly treated. On the contrary, they met us with three or four of the highest priced lawyers at the American bar, who at the very outset disputed the right of this House to inquire into the business of their institution or any of its practices. So anxious were they that we should not meet at that time that at one time we had 32 deputies from the office of the Sergeant at Arms of this House commissioned to persuade them into our presence, and when they did come we were obliged to "corkscrew" the information which Mr. Van Antwerp now denies from interested and unwilling witnesses over the constant objections of counsel and the insistence of the officers of the exchange that it was not amenable to this House, the American Congress, or any authority in the United States. Some of these gentlemen were so anxious that we should not make their acquaintance that it was reported they sought the colder climate of Canada, and even of Europe, but after the committee had ceased its labors and there was no longer danger of being called before it and compelled to disclose dirty deals under oath some of these same gentlemen became exceedingly anxious to have us accept of their hospitality and investigate such matters as might be of interest; but nobody went.

These letters make certain bald statements, some so closely interwoven with fact, that I desire to call your attention to a few instances to illustrate just how careless people sometimes are with the truth.

HYPOTHECATION OF SECURITIES.

Mr. Van Antwerp dwells long and lovingly upon what he pleases to term the misstatement of fact relative to the hypothecation of a customer's securities, and says that the rules of the exchange prohibit the practice, but overlooks the evidence produced before the committee. On page 794 of the transcript of the testimony Mr. Frank Knight Sturgis is asked the question:

Q. I think you understand the custom as well as anybody. Do you not know it is the uniform custom of brokers who hold stock exchange securities of a customer as collateral to hypothecate them regardless of the amount owing to the broker?—A. I think it is very rarely done; and if it is done, it is done against the requirements of

business. But the exchange as a body has no rule applicable to that condition.

Q. It has no rule prohibiting it at all?—A. It has no rule applying to it at all.

Q. It has no rule prohibiting it?—A. Not to my knowledge.

Q. You have been very active in stock exchange business for years, have you not, until lately?—A. Yes, sir.

Q. Your firms of Wilkes-Sturgis and Strong-Sturgis were very large operators for customers on the stock exchange?—A. True.

Q. You were one of the largest houses in the Street, were you not?—A. I think so.

Q. You know, then, the custom pertaining to lending on customers' securities, do you not?—A. I do.

On page 796, Mr. Sturgis was asked the question:

Q. That being all, there is not in the rules, is there, any regulation specifically and in terms prohibiting the use of the securities of a customer that are deposited with a member?—A. Not that I recall, Mr. Untermyer.

It will thus be seen that notwithstanding the statement of this circular letter, the sworn testimony of one of the biggest operators on the stock exchange conclusively shows that the hypothecation of the stock of the customer was constantly practiced by the exchange members, and was condoned, if not actually authorized, by the exchange.

He also refers to an act of the legislature, passed May 14, 1913, to refute the committee findings in this regard, and states that the law prohibits the hypothecation of securities, and therefore my statement is untrue. He neglects to state that these disclosures were made in January and February, 1913; that the report of the committee was presented to the House February 28, 1913; and that the law to which he so proudly points was passed upon the demand of the people of the State of New York that these larcenous practices thus disclosed be prohibited by law. His own statements prove the need of the investigation, and the now criminal practices it uncovered.

OTHER CORPORATE CONTROL.

The same circular disputes that the evidence shows the New York Exchange to have the control of the New York Telephone Co. On page 334 of the record, Mr. George W. Ely, secretary of the exchange, testified as follows:

Q. Does not the stock exchange control the telephone service of its own building?—A. They own the stock of the telephone company of the New York Telephone Co.; and then there is also the Golden Stock Co.

On page 335 of the record Mr. Ely testified as follows:

Q. Do you not control the telephone service there through your contract with the company, so that nobody but members can use those phones?—A. Yes; that is right. I did not understand you.

The circular also disputes that the evidence disclosed a prohibition against free intercourse between the members of the New York Exchange, but this was also answered by Mr. Ely, on page 327, as follows:

Q. And any man who is a member of the stock exchange, who sends a message or clerk from his own office to the office of a man who happens to be a member of the Consolidated Exchange, is guilty of violating this rule and is liable to expulsion from the stock exchange, is he not?—A. That is the book, what it says there. I do not want to add to or take from it.

Q. You know that men have been punished for it, do you not?—A. For that?

Q. Yes.—A. Yes.

Q. Members of the New York Stock Exchange have been punished and disciplined for sending a messenger or clerk or telephone from their own offices to the office of a man who is a member of the Consolidated Stock Exchange; that is so, is it not?—A. Yes; that is what the book says.

Q. But that is what has been done, is it not?—A. Yes.

The rule of the exchange supporting the contention of Mr. Ely, its secretary, is as follows:

That any connection, direct or indirect, by means of public or private telephone, telegraph, wire, or any electrical contrivance or device, or pneumatic tube or other apparatus or device whatsoever, or any communication by means of messengers or clerks, or in any other manner, directly or indirectly, between the New York Stock Exchange Building, or any part thereof, or any office of any member of said New York Stock Exchange, and any building of the Consolidated Stock Exchange, or any part thereof, or any room, place, hallway, or space occupied or controlled by said Consolidated Stock Exchange, or any office of any member of said Consolidated Stock Exchange who is engaged in business upon said Consolidated Stock Exchange, or any transmission, direct or indirect, of information from said New York Stock Exchange Building, or from the office of any member of said New York Stock Exchange, to the said Consolidated Stock Exchange, or to the office of any member of said Consolidated Stock Exchange who is engaged in business upon said Consolidated Stock Exchange, through any means, apparatus, device, or contrivance as above mentioned, is detrimental to the interest and welfare of this exchange and is hereby prohibited.

From this it will be readily seen that these statements of Mr. Van Antwerp are on a par with the statement of the secretary of the exchange, who, after reciting that the New York Stock Exchange owned the large building in which it is located, controlled the New York Telephone Co., controlled the Golden Stock Co. and its ticker service, listed and permitted the sale on its premises of hundreds of thousands of shares of stock and millions of dollars of other securities, and collected and paid out immense sums of money annually, yet blandly smiled

at the committee and told them under oath that the stock exchange was not engaged in doing business.

WASH. SALES.

Mr. Van Antwerp challenges my statement that the California Petroleum Co. was a speculative proposition manipulated by means of wash sales and winked at by the exchange, so that the manipulators made an immense profit out of the deal. Let us see. The testimony of Mr. Frederick Lewisohn, who manipulated the transaction, shows as follows, on page 920 of the record:

Q. You acted as the market operator, for the first syndicate, did you not, with five millions of preferred and and two and one-half millions of common?—A. I acted in conjunction with other brokers in the transaction.

On page 924 of the record Mr. Lewisohn testified further:

Q. Did you give out orders to telephone brokers to buy and sell?—A. Yes.

Q. How many brokers did you use in making the market for this stock?—A. I do not know exactly. We have given orders to quite a few of the brokers.

Q. Did you give out orders every day to buy and sell?—A. Yes; I bought stock and sold stock; and bought on a scale down and sold on a scale up.

Yet, notwithstanding these sworn statements of the man who manipulated the deal that he bought and sold to himself, every day, through different brokers, resulting in the sale of 362,270 shares of this unknown stock, in three weeks, Mr. Van Antwerp, with characteristic audacity, promptly challenges the statement and defies both the record and the man who performed the coup.

MORE MANIPULATION.

But this was not the only skin game that has been recently manipulated. I am in receipt of a communication from a widow, who details some of her experiences along the same line in the following language:

I wish to personally thank you for the grand and noble stand you have taken in defense of the public from the wicked, unmerciful robberies of stockbrokers. Surely some definite and fast laws should be passed to protect the public from such accomplished and heartless thieves, especially to protect widows and minor children. Pooling worthless stocks and causing the price to soar from 8 or 9 to about 95 and unloading at top prices on innocent investors through any and every sort of trick and lies and then letting the stock drop to almost nothing and calling in assessments instead of paying the promised dividend.

The president and directors getting the large salaries, besides the vast fortunes stolen from the public. This was the case of * * * Co., with * * * president, and is one of his many promotions. During the past 15 years he has harvested about \$20,000,000 from the public in this method, yet no law seems to reach him.

In 1898 I married * * *. I was 23 years of age and he was 49 years of age. He died in 1904, leaving me a young widow and an adopted invalid daughter 3 years of age and about \$100,000, besides my home and contents. * * * attended my husband's funeral; knowing I had no father, no brother, or husband to protect me, he immediately offered to advise me in investing my insurance and other money. He gained my confidence absolutely and I went to him as I would a father, but * * * was a thief; he invested my money in his worthless pooled mining stock, and robbed me of over \$100,000; then snapped his fingers at me and told me "I drew a lemon"; that he thought I would be a good sport, but that I was a squealer. I have sold many of my diamonds, have mortgaged my furniture, and am taking in sewing * * *. Widows and orphans or minor children are the special preys of stockbrokers, and a woman stands almost no chance to recover against such a thief as he is, * * *. Let the good gentlemen in Washington, who have the power, protect the women and children from such cruel outrages.

If Mr. Van Antwerp can find any consolation in defending a system that permits such practices, he is welcome to it. The day of reckoning will surely come.

I sincerely hope that the good work so well begun in this currency bill will be pushed to its completion; that the Judiciary Committee, acting under the instructions of the Democratic caucus, in referring my interlocking directors' amendment, will report a bill so comprehensive in its terms as to settle that evil once and for all; that operations on the stock exchange will be justly and wisely controlled; that a national system of farm loans will be inaugurated; that individual industry will be promoted and legitimate competition fostered in every branch of human endeavor, and peace, prosperity, and happiness reign throughout the land. [Loud applause.]

Mr. HAYES. Mr. Chairman, I yield 45 minutes to the gentleman from Pennsylvania [Mr. BURKE].

Mr. BURKE of Pennsylvania. Mr. Chairman, this bill should be entitled "An act to destroy the national banking system, cripple the people's currency, and create a political machine to control a people's credit."

Mr. Chairman, 10 years ago the generous people of my district honored me with a seat in this body, and since subsequently entering upon my duties I have had a growing conviction from day to day that as a school it has no peer and as a place of pleasant and honorable associations it ranks with, if not excels, any other legislative body in the world.

My sincere regard for its membership and my profound respect for the House as a most important branch of the Govern-

ment both impel me strongly to resent any step in its history that either detracts from its dignity or impairs its rightful influence in the eyes of the American people.

Therefore, I trust that whatever I may say regarding the manner in which this bill has been handled, the rights of committees ignored, and the House itself belittled may be regarded as an expression of regret rather than one of criticism of any individual Member, for the reason that when my career in this House closes I shall carry with me the rarest collection of happy thoughts, inspiring memories, and cherished friendships from both sides of this Chamber that any human being could wish for. [Applause.]

Now to the important measure before us for consideration:

STRANGE HISTORY OF THE BILL.

This bill should be defeated for the honor of Congress and the good of the country.

Should it pass the House, survive the senatorial storm that awaits it, and finally receive presidential approval, it would be as useful to the country as a dollar to a dead man. We would have a bill, but not a bank; a sketch, but not a structure.

Both its career and its contents invite the condemnation of everyone familiar with the record behind it and the ruin before it.

As a lawyer I question its constitutionality, and as a man of business I question its expediency.

Conceived in haste and born in darkness, it was presented to the Banking and Currency Committee of this House after it had attained its full stature during a long and lively career in the nursery of King Caucus.

Ordinarily a great committee selected by the House of Representatives to frame a measure involving the most far-reaching changes in our entire banking and currency system would precede the construction of such a bill by eliciting from every source and section the opinions of those whose industrial, commercial, and agricultural interests are bound to be materially affected by a complete destruction of our present national banking system and the establishment of an entirely new financial structure to meet the requirements of the American people in the exchange and conservation of their credits at home and abroad.

The fact that the majority has seen fit to convert the proposition into a party measure, and by secret committee conference and subsequent secret party caucus treat it as one of political expediency rather than one for the impartial and earnest co-operation of the representatives of all parties, renders it naturally open to suspicion and one of extremely doubtful merit.

POLITICAL METHODS UNDER OUR "NEW FREEDOM."

The double denial of hearings to the public and the right of members of the Banking and Currency Committee to consider and aid in its construction, save those of a single political faith, made it almost inevitable that a bill which was neither wise nor workable would be presented to the House.

But in the light of the new dispensation and under the benign influences of the "new freedom" new methods supplant the old.

The most important question the Congress has been called upon to solve in 50 years—affecting every man, woman, and child who earns, saves, or spends a dollar—is dragged from the field of open debate into the closed room of the caucus and made the subject of the secret machinations of a party which a majority of the American people repudiated at the polls and a minority were enabled to clothe with temporary power.

From the hour the Sixty-third Congress first came into being and the Democratic Party assumed complete control of the Government the question of reforming our currency system engaged the attention of the disciples of our "new freedom."

The Banking and Currency Committee of the House was revolutionized and the groundwork carefully laid for carrying out the plans of the executive department rather than the views of the legislative branch of the Government.

On the 26th of June the first bill was introduced by the chairman of the Banking and Currency Committee. When a majority of that committee voted to dispose of this vitally important question in open meetings it was boldly withdrawn from the committee's consideration and taken charge of by the Democratic members, who proceeded to keep it in secret conference for an indefinite period.

Mr. WILSON of Florida. Will the gentleman yield?

Mr. BURKE of Pennsylvania. Yes; I will yield.

Mr. WILSON of Florida. Does not the gentleman know that there were exhaustive hearings on this subject that could be read by the gentleman and all others before this bill was presented?

Mr. BURKE of Pennsylvania. I know that from the time this bill was written until this very hour there has never been at any time or place a hearing held upon the measure. [Applause on the Republican side.] And I know more—

Mr. WILSON of Florida. Yes; but does not the gentleman know that the hearings that were had were upon every topic of this bill?

Mr. BURKE of Pennsylvania. I know absolutely nothing of the kind; and when the gentleman is more experienced in legislation and in the procedure of this House he will know that the regular method of proceeding on legislation of this kind is for the bill first to be framed, then presented to the House, then referred to the committee, and then to have witnesses, or those who may be affected, adversely and otherwise, summoned before the committee and heard; but that was not done in this case.

Mr. WILSON of Florida. The gentleman was a Member of the House when the Vreeland-Aldrich bill was passed. I want to know what hearings they had then?

Mr. BURKE of Pennsylvania. On the day of judgment, when the Angel Gabriel blows his horn, should the gentleman be late in appearing before the judgment seat and reprimanded, he will blame it on the Vreeland-Aldrich bill.

Mr. WILSON of Florida. That is no answer to my inquiry.

Mr. BURKE of Pennsylvania. There has not been a question asked since the opening of this debate relating to the merits of this measure that has not been answered by a sneering reference to the proceedings on the day the Vreeland-Aldrich bill was passed in 1908.

Mr. GLASS. May I interrupt the gentleman a moment?

Mr. BURKE of Pennsylvania. Yes.

Mr. GLASS. The gentleman's own sincerity and consistency are involved in what he is saying.

Mr. BURKE of Pennsylvania. Certainly.

Mr. GLASS. The gentleman is insisting that a bill of this description should go in regular course to a committee; that there should be formal hearings, and all that sort of thing. In such circumstances it is entirely pertinent to inquire if, when the gentleman was a member of the majority and had an opportunity as a member of that majority to legislate upon a currency bill, the course of procedure which he now advocates was had; whether the gentleman himself, when charged with responsibility, contended for that course of procedure; whether or not the gentleman himself, when opportunity presented, voted for that course of procedure? [Applause on the Democratic side.]

Mr. BURKE of Pennsylvania. I hope the gentleman will concede me the time he is using for these speeches while I have the floor.

Mr. GLASS. That is a fair question.

Mr. BURKE of Pennsylvania. I will say to the gentleman—

Mr. PHELAN. I should like to ask just one question.

Mr. BURKE of Pennsylvania. Let me answer one at a time, gentlemen. The Vreeland-Aldrich bill was an emergency measure. What the gentleman from Virginia [Mr. GLASS] says about the procedure attaching to it is substantially true, and as a consequence of that the distinguished gentleman from Virginia [Mr. GLASS] and every gentleman on that side of the House capitalized it for political purposes and from every rostrum in this country you painted the Republican Party as an unholy alliance engaged in improper procedure under the Dome of the Capitol, and partially because of that you drove the Republican Party out of power; but now that which was a vice on our part becomes a virtue when perpetrated by you. [Applause on the Republican side.]

Mr. GLASS. I take it, then, that the gentleman from Pennsylvania is confessing his sins and repenting. He does not wish us to repeat his folly. He is admonishing the Democratic Party to avoid the evil consequences of his wickedness and that of his party.

DOUBLE SIN OF DEMOCRACY.

Mr. BURKE of Pennsylvania. But our sin was only a single sin. It was a sin committed without a preceding promise not to commit it. Yours is a double sin, because you are committing it in the face of your solemn promise not to commit it, that promise being made by your party leaders throughout the entire Nation in the last and previous campaigns. [Applause on the Republican side.]

Mr. PHELAN. First, you admit that it was a sin.

Mr. BURKE of Pennsylvania. Oh, well, I will allow the gentlemen on that side, who are experts in the use of language from long practice in juggling with phrases in the construction of this bill, to place any interpretation they please to place upon it, especially my learned and genial friend from Massachusetts.

Mr. PHELAN. I am not placing any interpretation upon it except the gentleman's own. I should like further to call the

gentleman's attention to the statement he made to the effect that every time anybody has asked a question with reference to the merits of the bill the question has been answered by a reference to the Vreeland-Aldrich bill.

Mr. BURKE of Pennsylvania. The gentleman himself is a notable exception to that rule.

Mr. PHELAN. I should like to ask him if he means that with reference to any member of the committee, in speaking about the merits of this bill.

Mr. BURKE of Pennsylvania. I will say that in nearly every instance when a critical question was asked, affecting either the procedure in framing the bill or the actual contents of the bill, in nine cases out of ten it was evaded. In some cases the questions were frankly answered, particularly by the gentleman who now propounds this query; but in many cases when the gentleman having the floor was particularly embarrassed the chairman of the Committee on Banking and Currency usually arose and made reference to the Vreeland-Aldrich bill.

Mr. PHELAN. The gentleman spoke about the merits of the bill. I want to know if the merits of this bill have been discussed, or rather the procedure of how the bill was framed or how the bill was gotten into this House, and whether on the merits of the bill anybody has ever referred to the Vreeland-Aldrich bill.

Mr. BURKE of Pennsylvania. And I reply to the gentleman by saying that many questions regarding the merits of this bill have not been answered by the majority members of the committee; and now, since the majority has asked questions with reference to "exhaustive hearings" on this subject, the record printed and paid for by the American people will itself furnish a denial of the assertion that at any time or place there was a hearing held upon this bill. This is what took place: In the month of January there was a special committee appointed to conduct hearings on the question of banking. These "exhaustive hearings," we have heard stated from the leaders on that side of the House, "covered months." I will tell you how long they lasted. They covered 52 hours and 28 minutes and then ceased. And by whom were they conducted? Three of the men who are members of the present Committee on Banking and Currency of 21 were permitted to sit in that room and ask questions, and only three. Some of the men who conducted the hearings are not Members of the present House. The hearings were conducted before many Members of the present House had ever taken a congressional oath.

Mr. GLASS. Surely the gentleman does not want to have a statement of that sort to go in the RECORD.

Mr. BURKE of Pennsylvania. Absolutely. I want every word I say on that subject to go in. I would like to go on now without further interruption. Let me say this and then I will yield to the gentleman [Mr. GLASS], although the gentleman proceeded with his speech for an hour and forty minutes and never allowed a question. Still, I have yielded many times already, and I will yield to him again for any question he may ask, but I do not propose to have all my time consumed by his speeches.

Mr. GLASS. It is not a question of interrogation, but a question of fact. The gentleman said these hearings were held before three men. As a matter of fact these hearings were held—

Mr. BURKE of Pennsylvania. The gentleman did not say that.

Mr. GLASS (continuing). Before a committee of seven men, not three, with all the Republican members present, as well as the Democrats.

Mr. BURKE of Pennsylvania. The chairman of the committee [Mr. GLASS] is evidently laboring under a misapprehension. I said these hearings were conducted by a committee composed of men, only three of whom are members of the present Committee on Banking and Currency, and some of whom are not Members of the present House of Representatives.

Mr. WILSON of Florida. Will the gentleman yield?

Mr. BURKE of Pennsylvania. The gentlemen who conducted those hearings—now, I propose to speak for at least five minutes without being interrupted.

The CHAIRMAN. The gentleman declines to yield.

Mr. BURKE of Pennsylvania. Those gentlemen who are now members of the Banking and Currency Committee, who conducted those hearings, were the Hon. CARTER GLASS, the present chairman; Mr. KORBLY, of Indiana; and Mr. BULKLEY, of Ohio, and there is no other man on the present Banking and Currency Committee who participated in those hearings, or—

Mr. WILSON of Florida. Will the gentleman yield?

Mr. BURKE of Pennsylvania. Not for the time being; I will yield later on. Three men out of the present 21 members were permitted to sit in hearings before this Congress was convened, and let us see what sort of hearings were then had on

this subject, which every statesman should approach with an open mind. On the first day, January 7, 1913, the chairman of the committee admonished Mr. Hepburn, the first witness who appeared, regarding his testimony. Now, mark you, the procedure of that committee—mark you, the announcement of these "investigators" who approached this great problem with free and open minds.

PREJUDICED FROM THE BEGINNING.

The chairman said:

Perhaps I might say without impropriety that, speaking for the majority members of the committee, while we do not propose to restrict the gentlemen who appear in anything that they may desire to say, it is nevertheless a fact that we must recognize and deal with that the party of the majority members (the Democratic) has specifically declared against what is known as the Aldrich bill. We would like to find out from you, though—assuming that you think the Aldrich bill, so called, is the best thing to be had—what is the next best thing to get.

[Laughter and applause on the Republican side.]

Here were the business men of the country answering your summons, and you gave notice at the outset that you were going to give them their second choice. But you did not want their opinion on their first choice. You rejected their opinion. You did not want their convictions expressed, although the subject has perplexed the Nation for a quarter of a century. You wanted them, so far as possible, to coincide in their second choice with your first choice. And that is American statesmanship. That is the statesmanship that has control of the Government at the dawn of the "new freedom."

Mr. GLASS. Now, may I interrupt the gentleman?

The CHAIRMAN. Does the gentleman yield?

Mr. BURKE of Pennsylvania. Yes.

Mr. GLASS. Does my friend object to the frankness of that statement?

A CANDID CHAIRMAN GAGGED.

Mr. BURKE of Pennsylvania. Not at all. I admire it. I admire the candor of the chairman throughout these proceedings. But the candor of the chairman apparently is not one of the assets of the Democratic Party, but rather one of its liabilities, as I find it. Because of the fact that the chairman is candid and wished to be frank with the people and the press, his Democratic colleagues by a vote commanded him to keep silent with reference to the proceedings in the conference of the majority members. [Applause on the Republican side.]

Mr. WILSON of Florida. Mr. Chairman, will the gentleman yield?

Mr. BURKE of Pennsylvania. I can not yield now.

The CHAIRMAN. The gentleman declines to yield.

Mr. BURKE of Pennsylvania. Because, perchance, they knew the gentleman's [Mr. GLASS's] desire to be honest and frank with the American people, they by a vote put the seal of silence upon his lips, and what went on behind those closed doors, while this bill was being altered, never will be disclosed because I know the gentleman from Virginia will never violate that pledge unless the seal is lifted by the Democrats who placed it thereupon. [Applause on the Republican side.]

Mr. GLASS. May I make one statement in the public record?

Mr. BURKE of Pennsylvania. Yes; certainly.

Mr. GLASS. That is that my colleagues complained that I talked too much rather than commanded me to keep silent.

Mr. BURKE of Pennsylvania. My statement and his both lead to the same conclusion. He wanted to be frank but his associates for some reason feared publicity. His candor, therefore, was a Democratic liability not a Democratic asset.

Mr. GARRETT of Texas. Mr. Chairman, will the gentleman yield to one question?

The CHAIRMAN. Does the gentleman yield?

Mr. BURKE of Pennsylvania. Yes.

Mr. GARRETT of Texas. Is the gentleman's opposition to this bill based on the fact that there were not public hearings conducted on it?

Mr. BURKE of Pennsylvania. That is one objection, but not the primary objection.

Mr. GARRETT of Texas. Was the gentleman's opposition to the tariff bill based on the fact that public hearings were not held on it?

Mr. BURKE of Pennsylvania. If the gentleman will ask me a pertinent question, I will answer it, but I do not propose to have my time consumed by useless, irrelevant, and impertinent questions. [Laughter on the Republican side.] And I know that that question did not originate in the splendid intellect of the gentleman from Texas, but it originated somewhere else that is hardly worthy of gentlemen participating in this debate.

Mr. GARRETT of Texas. Does not the gentleman know this fact, that—

Mr. BURKE of Pennsylvania. Mr. Chairman, I decline to yield for irrelevant interruptions. If the gentleman has a question to ask with reference to the procedure upon this bill or

its contents, I will yield to him, but my time is being consumed, and I can not yield all my time for trifling questions.

Mr. GARRETT of Texas. Will not the gentleman be kind enough to discuss the merits of the bill for a few minutes?

Mr. BURKE of Pennsylvania. Oh, the gentleman would, if the bill had any merits, but it has not. [Laughter on the Republican side.]

Mr. GARRETT of Texas. Has the gentleman any word to say in defense of the present system?

Mr. BURKE of Pennsylvania. Certainly. Under the present system we have lived since the Civil War, and the people have prospered, and, according to the declaration of the gentleman's own colleagues, the American people have never lost a dollar on its account.

Mr. GARRETT of Texas. Then why did the gentleman want the Aldrich system?

Mr. BURKE of Pennsylvania. Oh, everybody knows why those who favored it wanted the Aldrich system. It had its defects, but it had its merits also.

Mr. GARRETT of Texas. Not everybody. [Laughter.]

Mr. BURKE of Pennsylvania. Now, Mr. Chairman, I shall be very glad if I can use a little time of my own. I think I have been very generous with my time in yielding for interruptions.

Mr. PHELAN. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. BURKE of Pennsylvania. For a question, certainly.

Mr. PHELAN. When the gentleman says that gentlemen on the other side admit that since the Civil War the American people have not lost a dollar on account of the currency system, he surely does not mean it, does he?

Mr. BURKE of Pennsylvania. I say that under the present national banking system, as a consequence of either its existence or its administration, the American depositors have not lost a dollar. That is what we are talking about. We are talking here of the destruction of the present banking system, and, as the Congress of the United States has no jurisdiction over any other than the national banking system, it is therefore speaking directly to the issue, the only system under consideration. I presumed the gentleman, when he asked the question, had sufficient knowledge of the Constitution to know that the Federal Government has no jurisdiction over any other than the national banking system. [Laughter on the Republican side.]

Now let me proceed where I left off at the last interruption.

Finally, despairing of ever getting the bill through the committee because of dissensions among our Democratic brethren and overwhelmed by the fear of their inability to pass it through the House by the use of normal methods, the bill was sent to a secret Democratic caucus, with instructions by the Democratic members of the committee to the chairman not to divulge what had taken place in the committee conference. What they feared to expose still remains a mystery, and will until the "new freedom" lifts the sacred seal of secrecy from the chairman's lips.

STORMY CAREER IN SECRET CAUCUS.

The caucus began amid a storm of Democratic protests.

Here the whiplash of the taskmaster was heard cracking around the Capitol, and amid wailings and gnashing of teeth the spirit of independence subsided, the opposition faded away, and with that humility which characterized the serfs of other days the Democratic caucus yielded to their masters and did their bidding. [Applause on the Republican side.]

Mr. GLASS. Will the gentleman yield?

Mr. BURKE of Pennsylvania. Yes.

Mr. GLASS. What days does the gentleman refer to; the days of the Aldrich bill?

Mr. BURKE of Pennsylvania. No; the days of slavery before the war. [Laughter.] I will agree, Mr. Chairman, for the sake of satisfying the gentleman on the other side, to have the question about the Vreeland-Aldrich bill inserted at the end of every paragraph of my speech.

STRONG MEN SHAMED.

What took place in that caucus I do not know with any degree of certainty, and the world will probably never know. I do not know except from members of your party, who made limited and lachrymose confessions on the floor. To-day it made my heart bleed when I sat here and listened to the confession and observed the humiliation of my friend the little giant from Georgia [Mr. HARDWICK], one of the ablest men your party boasts of, one of the keenest debaters and most capable parliamentarians, one of the profoundest students of law and economics in your body—when I heard him confess that the whiplash of the taskmaster had brought him into submission. His

manhood revolted against it, but he thought so much of his party that he yielded to the will of the majority.

At the end of that speech I pitied him, and I pitied every man in your ranks who buried his individuality, who laid aside his convictions and yielded to the processes of browbeating that were resorted to by the Democratic bosses in this blessed era of our "new freedom." [Laughter and applause on the Republican side.]

Mr. GLASS. Will the gentleman yield?

Mr. BURKE of Pennsylvania. If it is a question; yes.

Mr. GLASS. I want to ask the gentleman if the complaint he heard to-day from my friend from Georgia—and he is my friend, a gentleman whom I respect—did not sound a little like that from Mr. Prince—

Mr. BURKE of Pennsylvania. O Mr. Chairman, I am not going to allow my time to be taken up by the gentleman quoting words of a man that has not been on this floor, is not a Member of this Congress, and has never had an opportunity to vote on the bill or to discuss it.

Mr. GLASS. It is only a sentence, and I want to show the similarity of the complaint.

Mr. BURKE of Pennsylvania. Now, up to the hour the bill came back to us in the Banking and Currency Committee on the second day of this month not a witness was called to criticize it, no member of the financial or the commercial or the business world was allowed to make a statement of his views or to submit himself to cross-examination on that subject before the committee.

When your humble servant, a member of the committee, offered a resolution that the Comptroller of the Currency, members of the American Bankers' Association then in this capital, and such other persons as the chairman might select be given the opportunity to appear before the committee and be examined it was promptly voted down and in its stead they adopted the Wingo resolution declaring upon its face that "exhaustive hearings" had been held upon these questions, when, as a matter of fact, not a single minute had ever been devoted to that purpose by this committee.

DOORS BARRED AGAINST FREE EXPRESSION.

When or where our Democratic friends held hearings our committee do not know.

But perchance it may be claimed that they refer to the hearings by a small subcommittee in the last Congress. Let us inquire what was the guiding spirit of the committee that did hold its hearings in January? The chairman said, substantially, "We are not guided by our own desire for broad and generous information. We are limited by our party's declaration." Think of it. The Congressmen of the United States, the men who had taken their solemn oaths of office, were limited by a declaration made by somebody over at Baltimore. In the heat of a summer day, in the privacy of a hotel room, somebody wrote something that deprived every Democrat in this House apparently, or at least the members of that committee, of the power of investigating in all its features and discussing in all its phases this great currency and banking question. Is not that statesmanship? Is that the freedom, the receptive spirit, and the willingness to secure facts with which statesmen should approach a great subject, announcing in advance that their hands are tied, their ears closed, and that only certain movements can be made, only certain views can be heard? That was not the case in the old days. But that is the case now in the new days, since the blessed dawn of the "new freedom." [Applause on the Republican side.]

They said in this resolution that was adopted, and we were told by my distinguished and handsome friend, that master of the English language and capable statesman from Arkansas [Mr. WINGO], that these hearings were both long and exhaustive. When and where they were held I do not know. Whether in the White House, in the Treasury Department, in Wall Street, at the headquarters of the Farmers' Alliance, or in the editorial sanctum of our beloved chairman in old Virginia. That fact has never been revealed. It, too, is one of the dark secrets of the "new freedom."

How blessed, indeed, is this "new freedom," which enables the "three wise men" of a past Congress to conduct the investigations and do the thinking for 21 members of a committee which once was a power, and really do the legislating for a House of 435 Members that should be the most influential and potential body of lawmakers in the world. [Laughter and applause on the Republican side.]

Mr. WILSON of Florida. Will the gentleman yield?

Mr. BURKE of Pennsylvania. Not now. Later on in the report and in the speech of the chairman presenting the bill to

the House he used this language: "Those members of the committee peculiarly charged with the framing of this bill."

Mark you, not all the members of the committee, but those members "peculiarly charged" with it. Now, let us see what interpretation we can attach to the word "peculiar."

PECULIAR CHAPTER IN HISTORY.

Peculiar, it is true, that the election machinery of a great Nation should clothe with all the powers of government a party which was repudiated by a majority of the people at the polls.

Peculiar, too, that the party so enthroned and intrusted with financial legislation has been the parent and the guardian of every financial fallacy that for half a century has marked the history of the American people. [Applause.]

Peculiar, again, in the fact that this assumption of power by the majority members of the committee is a violation of every pledge and proclamation of liberty and fairness which the Democratic Party has made for 20 years.

Peculiar, too, is the fact that a few men, without conducting a single hearing, could close their doors to the world and in the darkness of partisan strife solve, with the bewildering swiftness of enchantment, a problem that for over a quarter of a century has perplexed the master minds of a nation. [Applause.]

But, after all, under our "new freedom" miracles will become commonplace, and that which in the past would have been peculiar in the future will become ordinary.

To be entirely consistent with this attitude, which excluded all views except those born in the hotel room amid the excitement and anguish of the Baltimore convention, when the Democratic bosses were busy thwarting the will of the majority and depriving the Hon. CHAMP CLARK of a nomination to which a large majority of his party had declared him entitled, the majority members of the Banking and Currency Committee, when this bill was laid before the whole committee for the first time, on September 2, courteously but firmly notified the minority that the Democrats were so bound by the action of their caucus that no amendments affecting the fundamental features of the bill would be considered.

Like martyrs we grinned and bore our humiliation.

PERIL OF GOLD STANDARD.

Whether the hand that wrote the Baltimore platform dictated the provisions of this bill we are not informed, but it is significant that the bill introduced on June 26 provided that all Federal reserve notes should be redeemed in "gold." It is both significant and amusing also that the bill so "maturely" considered last winter at the same time provided a redemption fund not of gold but composed of "gold or lawful money." It was like commanding a child to go to the spring for a pail of milk.

When the Democratic caucus was reputed to be stormiest, and oratorical fire and smoke and strange sounds reverberated through the corridors of the Capitol and distress signals were going out through every wing of a many-sided Democracy, the aid of the boss of the Baltimore convention was invoked, and, odd as it may appear, he came to the rescue of the sinking ship, and about that same time the word "gold," which was stricken from the Democratic platform in 1896 and carefully excluded ever since, was stricken from the bill and "gold or lawful money" inserted in its stead. If the terms "gold" and "gold or lawful money" mean one and the same thing, why the mysterious and repeated changes of the language in secret caucus?

Mr. MADDEN. Will the gentleman yield for a question?

Mr. BURKE of Pennsylvania. Yes.

Mr. MADDEN. Does the gentleman construe the language "gold or lawful money" to mean that the Government of the United States through this bill repudiates the gold standard and goes back to the fiat proposition advocated in 1896?

Mr. BURKE of Pennsylvania. In so far as this bill can do it, it is an open declaration to the world that we are departing from the gold standard, and that the new money to be handled by the American people in the needs of exchange shall have a basis not of gold, but of gold "or lawful money." And when called upon to redeem it the option may be exercised to redeem it either in gold or possibly in the \$300,000,000 of greenbacks.

The moral and legal effect of the act of March 14, 1900, will be seriously impaired, and those who would artfully dodge the gold standard may triumph at the cost of the country's credit.

The danger in this provision is apparent to every banker and business man who understands this measure's possible consequences. There should be an unqualified requirement for the redemption of these notes in gold on demand at the bank of issue.

LANGUAGE SHOULD BE CERTAIN.

Ambiguity has no place in currency legislation. The language contained in the statute which declared a dollar to "consist of 25.8 grains of gold nine-tenths fine" is the kind of certainty that should mark every measure relating to our monetary system.

Mr. PHELAN. Will the gentleman say wherein that differs from the present national-bank laws?

Mr. BURKE of Pennsylvania. I will tell you where it differs from the present national-bank laws. Our present national-bank notes are not receivable at the Treasury for customs, and thus, and to that extent, they do not bar gold from finding its way to the Treasury. Our present national-bank notes are secured by Government bonds, and in addition the Secretary of the Treasury may call upon the bank for other security in case of depreciation. Of course there is now a statute that provides, as I said before, for our keeping all money on a parity with gold, and fortunately that standard has been preserved; but you are providing now an entirely new system, with no limit to the possible inflation in the end. You are creating a new issue of a new kind of money, and that money is worth on the first day just what it is worth on the last day when it is to be finally redeemed. In a crisis it is worth what I can get for it when I take it to its final destination for redemption.

And what does this bill provide? It provides that the Treasury may redeem these notes either in gold or in lawful money. Now, it may be all right in prosperous times and their parity be self-sustaining. You and I may be satisfied in our private transactions, and while times are good they may readily pass. They may be perfectly satisfactory to people for a while and no question may be raised about them, but in times of stress, when the Treasury is depleted of gold, when the gold is not there to redeem them and the American people and the people of the world, who hold the notes, know there is no gold there to redeem them, and know, further, that they may be redeemed in greenbacks, what will be the inevitable consequence?

Will that money remain to the end as valuable as gold or will it depreciate like every other species of fiat money that has been issued in the past?

Mr. PHELAN. Will the gentleman kindly state what national-bank notes are redeemable in under our laws?

Mr. BURKE of Pennsylvania. I am speaking now of these new notes that are to be issued by an entirely new process, and by which you create an entirely new condition in the Treasury itself by opening the doors to the payment of debts due the Government in a new kind of money. The national-bank notes are based on Government bonds. These are not. Under the act of 1864 national-bank notes are barred from being received by the Treasury in payment of duties on imports. These are purely Government notes, issued by the Government, redeemable by the Government, or you might call them the joint and several promissory notes of 13 institutions—12 regional banks and the Government. Furthermore, they may be received at the Treasury in payment of all taxes, customs, and other public dues. Where, then, is the Treasury going to get its gold?

Now, it may throw some light upon the subject, as I said before, to remember that at the very time this "friend" of the gold standard was called upon to help out in the caucus the word "gold" disappeared, just as it disappeared from your platform in 1896, and has never appeared since. [Applause on the Republican side.] Yet I would hardly call this the Bryan bill, as I do not know who wrote it, and no living man, so far as I have ascertained, is able to tell who wrote it. It bears the name of our able and courteous chairman; it is called the "Glass bill."

A "GLASS" BILL—OF WHAT SORT?

Mr. MADDEN. Can you see through it?

Mr. BURKE of Pennsylvania. Well, at first I thought to call it the "window-glass" bill, until I found that no one was to have a look-in during its make-up. When it came out of the committee conference, altered as it was, I thought we might call it the "cut-glass" bill, but when it came from the Democratic caucus I concluded it should be called the "stained-glass" bill, because no living man could see through many of its provisions.

But there is one thing certain, it will end its career as the "broken glass" bill, for the reason that if the Senate does not smash it the American people will. [Applause.]

When the bill was submitted to us on September 2 for the first time, and we were notified that no change of a substantial character would be allowed because of the caucus decree, the last function of our committee was destroyed and the last legitimate privilege of our committee wiped out.

Do you wonder that such a bill possesses many absurd features and vital defects?

Do you wonder that those who have set aside the usual order of legislative procedure, thwarted investigation, and denied deliberate consideration of a measure so vital to the Nation have in the bill itself reversed the order of everyday life and ignored the lessons of everyday experience?

Do you wonder, in the presence of such procedure, that Members of Congress who have a profound respect for the influence of the House in legislation and the dignity of membership on its important committees regret this entire procedure?

INFLUENCE OF HOUSE IMPAIRED.

It is such chapters as this that lower the standard and destroy the influence of the House, and lead the people to believe that legislation is no longer perfected in the House, but merely started in crude form on its way to the Senate, where it is more maturely considered and made worthy of Executive consideration.

As a consequence, in this very case the eyes of the country are not upon the House, for that has already determined by gag rule that the measure will not be amended in any substantial manner or treated as a great deliberative body should treat it, but must pass it on to the Senate as it came from the secret chambers of a party caucus.

You have practically effaced the Banking and Currency Committee and made a legislative cipher of the House of Representatives.

In their place you give the American people a star-chamber conference and a star-chamber caucus of a single party. [Applause on the Republican side.]

AN ACT TO DESTROY.

As for the bill produced by this caucus it might well be entitled "An act to destroy a national banking system, cripple a people's currency, and create a political machine to control the people's credit." [Applause on the Republican side.]

By its terms you bar all persons experienced in the science of banking from participating in the real management of our fiscal affairs; you destroy the incentive for individual initiative and place a premium on carelessness in the management of banking institutions.

You might as well in time of plague place the afflicted patients in a hospital in charge of a board for treatment and provide that only one of them may be a physician. [Applause.]

As well might you create a judiciary general committee of the House to pass upon the constitutionality and construction of the statutes and provide that only one of them may be a lawyer. [Applause.]

INJUSTICE TO BANKERS.

Thirty-five thousand men whom the Nation clothed with credibility in granting them national-bank charters and who have never dishonored their position are told to turn over the vast fortunes held in their own right and in trust for others to a political machine, and they step aside while the novice experiments, the partisan plays politics, and the cunning commercial schemer ruins the well-managed bank in one section by depleting its resources to repair, perchance, the criminal carelessness in the management of another.

Ninety-five per cent of business is done on credit and eight dollars of actual business is done for every dollar of cash that exists.

Therefore, the banker's business is far beyond the realm of coining money, fixing the value thereof, and punishing counterfeiters, which properly are governmental functions under the Constitution.

That the Government has the legal or the moral right to invade the banking world to the extent of assuming complete and absolute control over every department of its activities is a doctrine to which no trained lawyer or sensible legislator will subscribe.

When you attack the system already erected upon Federal laws for the purpose of forfeiting charters before their expiration, and not only paralyzing present institutions but ostracizing from the higher councils of the country's future banking systems the individuals who have erected a creditable monument to the American people, you do that which no fair-minded people will tolerate and no enlightened court sustain. [Applause.]

A ROLL OF HONOR—A RECORD OF ACHIEVEMENT.

You not only bar the banker, but you would indict him before the world as unworthy of confidence or devoid of ability. And yet you admit that for half a century, with all the thousands of billions of money that have passed through the national banking institutions of the country it is substantially true that the American people have never lost a dollar.

You bar the doors against the men who in the very nature of their profession have been acting as the chosen trustees of the thrifty merchants and toiling masses of the Nation. You bar the doors against the men who are a part of the very

backbone of nearly every community's commercial soundness. You bar the door against the men whom millions of people intrust with their savings from day to day; whom the lawyer, the physician, the merchant, the minister, and the church of every creed intrust with their earnings and their donations with undiminished confidence from year to year [applause]; men who from the foundation of the Government until now have guarded the trust funds of widows and orphans in every section of the Republic; men whom the school children of our country have intrusted with millions of dollars representing the savings of pennies in their early lessons of thrift; men who have encouraged legitimate enterprise and marshaled the financial forces with which railroads have been stretched across the plains, pierced the hills, and skirted the valleys, annihilated distance, and united sections together as one; by which farms have brought forth harvests of golden grain, deserts have been made to blossom as the rose, and by which towns and cities have been erected and great enterprises launched and sustained in every section of the Nation—these men for the first time in our history you bar from those activities for which their moral, intellectual, and financial equipment fits them beyond a doubt. [Applause.] If the Government is afraid to trust them, why should they trust the Government's political machine?

Had these views and this practice governed in the early struggles of our national existence a different story might cover the pages of history and the world's map present a different picture of that of to-day.

TRUSTED BY WASHINGTON AND LINCOLN.

With all these splendid achievements rightfully credited by the historian to Washington and Wayne and Green, to Jefferson, Madison, and Hamilton, there was one without whose aid all of these great leaders would have failed. He contributed his private fortune to enable the infant structure of our Government to sustain itself through the most trying period in the world's history, and with a skill and a genius unsurpassed in all the annals of finance, without credit abroad or resources at home, he devised the plans and furnished the money that kept the Continental armies in the field, our ships upon the seas, until our Republic was recognized as an independent Nation. That man was a banker, a Pennsylvania banker, who bore the immortal name of Robert Morris. [Applause on the Republican side.]

In that other hour when the Nation's life was imperiled a million men were kept in the field and our ships were sustained upon the ocean by the skill and patriotism of another banker, whom Lincoln called to the Nation's service—Salmon P. Chase. [Applause.]

And so in every military and commercial crisis in our history the bankers have never been found wanting in the brave and patriotic discharge of their duties to the American people. [Applause.]

Upon what blind prejudice, therefore, is this you feed that induces you to discredit them and bar them from the management of their own and their patrons' business?

Why, in the erection of a great structure based upon the accumulated wealth of the most enterprising people the world has ever known, do you bar from its management the men qualified by experience to preserve it and promote its development into what should be the strongest financial structure on earth?

You reply that the members of the Interstate Commerce Commission are not railroad men. No; but you only give that commission the power to curb abuses and prescribe reasonable rates and methods for the public safety. These roads enjoy the great privileges of eminent domain and are quasi public highways. But you do not take the control of the railroads out of the hands of the officials chosen by the stockholders; nor would that commission think of ordering a well-managed railroad in Illinois to send its cars for indiscriminate use or abuse on a railroad in another section whose roadbed was rotten, whose bridges were unsafe, and whose management was notoriously incompetent; much less would they dare to divert the dividends of one to furnish rolling stock for another.

You say the Supreme Court is appointed by the President, as the central reserve board will be. Yes; but they are appointed for life and beyond the whims and caprice of political leaders. Their proceedings are public, and their decisions are controlled by a century and a quarter of legislation and those well-defined principles of jurisprudence which are the pride and glory of the Anglo-Saxon race. [Applause on the Republican side.]

The proceedings of the reserve boards and central reserve boards are private, and selfishness, which always thrives on secrecy, will feed and fatten on its new opportunity.

DEFECTS AND DANGERS OF THE BILL.

The bill is defective in the provision which forfeits the present charters of our national banks before their expiration or

forces the bankers to join and contribute \$105,000,000 of their capital and \$410,000,000 of their deposits to a new institution in whose management they are practically without a voice. It is defective in the unlimited powers conferred upon a board, five-sevenths of which belong to one political party and two-sevenths to another; and as all are appointed by the titular head of a single party, those two, it may reasonably be assumed, will differ little from or with their associates on the board.

The Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency are partisan appointees, and, as I stated, the other four may reasonably be presumed to be partisans or political ciphers.

All are removable by the President. He also designates which shall be manager and which shall be vice manager.

CENTRALIZATION GONE MAD.

The manager is the "active executive officer," subject to the control of the Secretary of the Treasury, which official is also given additional powers through the increased authority conferred upon the controller's office under him. And what is the Secretary of the Treasury? He happens only to be chairman of the board, supervisor of the manager, and director of the vice chairman.

Shades of Andrew Jackson! How is that for centralization of power?

Was ever a board as abundantly clothed with power? Let us enumerate some of the central reserve board's powers.

First. They appoint three of the nine directors of each Federal reserve bank, including the chairman, who is the official representative of the Federal reserve board.

As a member of the board, chairman of the board, agent of the central board, he might easily dominate the institution unless he be a man of putty, in which case he should not be appointed.

Second. They may remove three of the six directors elected by each Federal reserve bank, thus giving them control of six of the entire nine men in charge.

Third. They may close the doors of the Federal reserve banks and appoint their receivers.

Fourth. They may fix the salaries of the chairman of the board of each Federal reserve bank and also grant or deny compensation outside of actual expenses to all the other directors, and compel the Federal reserve bank to foot the bill.

Fifth. They may control the volume of currency by granting or denying the reserve banks' requests.

Sixth. They may define such commercial paper as may be rediscounted by Federal reserve banks and fix the amount of such paper of certain maturities as may be rediscounted.

Seventh. They may force one Federal reserve bank to rediscount for another Federal reserve bank.

Eighth. They may compel each Federal reserve bank to write off any assets which in their judgment alone are worthless.

Ninth. They may approve or reject the rates of discount fixed at any time by each Federal reserve bank.

Tenth. They may constitute themselves into a clearing house or allow or compel Federal reserve banks to exercise these powers.

Eleventh. They may grant or deny reserve banks the right to do a foreign banking business.

Twelfth. They may join forces with the Secretary of the Treasury and apportion as they see fit the entire volume of Government funds.

Thirteenth. They may increase or decrease the number of reserve and central reserve cities.

Fourteenth. They may accept or reject the application of State banks seeking admission, remove practically all restrictions as to the character of the business to be done by the savings departments of national banking associations, and may define limitations under which savings departments may purchase certain securities.

Fifteenth. They may suspend for 30 days at a time indefinitely every reserve requirement except as to reserve cities.

Sixteenth. They may dismiss the chairman of the board of directors and without assigning cause therefor may suspend all other officials of Federal reserve banks, and, with presidential approval, may give written reasons and remove all officials of a Federal reserve bank.

These are the 16 powers of the new fiscal-political oligarchy.

SIXTEEN TO ONE.

How many powers are left to the bankers?

One.

What is that?

Come under the yoke or go out of business.

Thus, a favorite Democratic doctrine of 16 to 1 is revived again in a new form at the very dawn of our "new freedom."

In fact if there is any power they failed to confer upon this oligarchy, it was because it was difficult for the most fertile Democratic imagination to give it birth.

It is defective, because it makes the reserve notes the notes of the Government and not the notes of the bank.

It is defective, because at a time when we are compelled to make our most desperate struggle to hold our place in the markets of the world our money is placed on a basis long since repudiated by every enlightened nation on the earth.

Great Britain coins gold as full legal tender and silver as subsidiary coin and stops there.

The Bank of England issues its notes and is bound by redemption in gold to maintain their parity.

Germany has discarded and repudiated the different State systems of fiat money and now coins full legal-tender gold and limited legal-tender silver, and the Imperial Bank issues bank notes and maintains their parity by gold redemption.

The Bank of France issues the circulating notes and redeems them in gold.

WEAKENED AS WE ENTER WORLD'S CONTEST.

Every one of these nations is to-day stripped to the waist and armed with the strongest of weapons, a healthy currency, and thus fortified and prepared for the coming commercial struggle in the great international arena.

We should not be behind. Let the banks issue their notes and let us compel their redemption in gold. Let us be leaders in sound finance, not trailers, among the nations of the earth. [Applause.]

It is fatally defective, because every member of the central reserve board may be removed with or without real cause at the whim of a single individual.

VICIOUS CLASS LEGISLATION.

It is fatally defective, because it discriminates between the wage earner and the farmer; because it invites the farmer with unencumbered real estate to participate fully in its privileges, while the millions of toilers in the Nation's towns and cities who either own or seek to own a humble home are barred from the benefits conferred upon the wealthy farmer a few miles beyond the city lines. [Applause.]

It is fatally defective, because it is another example of that class legislation with which the Democratic Party has stained our statute books and for one of which you compelled the present Chief Executive to make a humiliating apology to the world when he attached his name to the sundry civil bill a short time ago.

Such vicious and unfair legislation can not fail to arouse those jealousies and inspire those hatreds which inevitably undermine the structure which the fathers of the Republic intended should shelter all alike.

May it die on its way to the White House and save its sponsors from sorrow, its intended victims from ruin, and our country from ridicule in the eyes of all the world. [Loud applause on the Republican side.]

Mr. GLASS. Mr. Chairman, I yield 10 minutes to my colleague on the committee, the gentleman from Florida [Mr. Wilson].

The CHAIRMAN. The gentleman from Florida [Mr. Wilson] is recognized for 10 minutes.

Mr. WILSON of Florida. Mr. Chairman, it was not my purpose to address the committee to-night on the pending measure, but after listening to the gentleman from Pennsylvania [Mr. Burke] I am moved to make some remarks in regard to the bill which we have presented for the consideration of the House.

The gentleman from Pennsylvania has discussed everything, Mr. Chairman, except the merits of the pending measure. He has made a partisan, a political, speech. He has made a speech which he wishes to read into the RECORD, to use in the campaign next fall.

The burden of his complaint, Mr. Chairman, is that the Republicans were not brought into our committee to help frame this bill. He decries against a secret caucus. He decries against a conference of the members of the Democratic majority of this committee. I wish to know from the gentleman from Pennsylvania when he found his redemption, because it is a fact that under the domination of the Republican Party, more stringent and more powerful than ours, he was a suppliant follower of Joe Cannon and of every method that he pursued when he was at the head of this House. He followed not a caucus of the Republican Party, perhaps, but one man who dominated this House, when he voted for the Vreeland-Aldrich currency bill. And now he comes in here, not with the purpose of doing a patriotic duty for the benefit of the country, but for the purpose of using what he has said against the Democratic Party in the next election.

If we have erred in the matter in which he says we have erred, the party upon the other side of the aisle has erred more grievously than we have. But, Mr. Chairman, this bill, presented to a Democratic caucus and passed upon by a Democratic caucus, is the will of the majority of this House. It is not the will of one man. It is not the will of a few men, but it is the solemn judgment of the majority of this House that this bill, as presented here for your consideration, should become a law.

It is astounding to me to hear the remarks of the gentleman from Pennsylvania [Mr. BURKE] in criticism of this measure, making it upon a political and partisan basis. When I sat in the committee when there was a roll call upon the question of whether or not this bill should be reported to this House favorably every member of that committee, as I recall it, voted "present" except the Democratic members, who voted "aye," with the exception of the gentleman from Pennsylvania. He voted "no." He ostracizes and criticizes his Republican fellows on that committee in the speech that he has made here to-night.

Mr. Chairman, no such speech would ever have fallen from the lips of my distinguished friend from California [Mr. HAYES]. The gentleman from California, I believe, has looked at this measure not in a partisan spirit, not in a spirit of political partisanship, but he is looking at it, Mr. Chairman, as we are trying to look at it—in the spirit of broad patriotism, in an endeavor to do something for the good of our country. [Applause on the Democratic side.]

Another word, Mr. Chairman, in regard to the secret caucus. I heard the other day the gentleman from Pennsylvania [Mr. MOORE], who has been, so far as I know, an abject follower of the Republican tenets, decrying against the methods we have pursued in presenting this measure to this House. I have heard it from the gentleman from Pennsylvania [Mr. KELLY], a Progressive—indeed, they are all from Pennsylvania—a gentleman who seeks to lead this House out of the wilderness of darkness, that we are pursuing measures which will be repudiated by the American people. It is amusing to me, it is amusing to everybody who has read American history, to hear from the lips of my good friend from Pennsylvania [Mr. BURKE], my good friend from Pennsylvania [Mr. KELLY], and my good friend from Illinois [Mr. MANN] speeches decrying against the methods that we are here pursuing. I hope that the American people have sufficient intelligence, and I believe they have sufficient intelligence, to disregard the mimic and mock warfare that is being waged upon the other side of the aisle.

Now, with reference to this bill, Mr. Chairman, I want to say only a few words. As a member of the committee, and zealously trying to do what I think should be done for the benefit of the American people, I have voted for and zealously supported the pending measure. For some seven or eight weeks we considered this bill in the committee. It is true that I came here as a new member of this committee, but I have studied the fundamentals of the bill, I have tried to learn what ought to be done with reference to banking and currency, and I stand strenuously for the pending measure.

I have heard criticism after criticism of the majority members of the committee. I have heard shafts aimed at our beloved and distinguished chairman. And let me pause for a minute to say that I believe that no man ever lived who has a more sincere, a purer, and more patriotic desire to present a measure for the benefit of the whole people of the country than our distinguished chairman. [Applause on the Democratic side.]

I shall not attempt to analyze the manifold features of this bill. They have been covered very carefully and studiously by the gentleman from Virginia [Mr. GLASS] and by other gentlemen on the committee.

But let me say, Mr. Chairman, that it must be readily understood by all gentlemen who have studied our financial system that our present national banking act is not the act which will serve the needs of the country. It has been more than 50 years since any measure of this kind has been attempted to be passed by the Congress. The Republican Party have delayed and trifled with the national banking act which was passed in 1863-64, but they have never offered a large, complete remedy, as we seek here to offer to the American people.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GLASS. I yield to the gentleman 10 minutes more.

Mr. WILSON of Florida. This is the first time in the course of half a century that the Congress has sought to remodel and remedy a system which is inadequate to our commercial requirements.

It has been the solemn promise of the Democratic Party in many platforms that it would revise the present system. And now, since we are in power in the House, the Senate, and at

the other end of the Avenue, we do not shirk the promise we have made, but we bring before the American people the measure which we have here given you for your consideration. It is obviously necessary that we should have legislation upon this subject. Gentlemen have said that the present system has proven good, and that we have prospered under it. That is true to some extent, but gentlemen must also recognize that at regular stated periods we have had calamities in our commercial life which call imperatively for some legislation on our money system.

This bill may not be perfect, may not be exactly what we want it to be, but it is, in my opinion, a very long step in the right direction. Whether it brings entire strength, whether it cures the evil entirely or not, yet it may be said that it is a measure which is in the direction of curing the existing evil. We have here a system of cooperative banking. We have here a system which will keep in the communities that want it, and where it should be kept, the reserve fund and the deposit funds of the banks of the district. Instead of sending our money to New York and getting 2 per cent for it, instead of relying upon the big central cities for the money when we need it, under the system which we propose we will be able to get it at home, or not a long way from home. The United States is divided into 12 regions under this bill and more if necessary in the opinion of the Federal reserve board, and each region will take care of the territory adjoining it. It will not be as it has been heretofore in times of crisis and disturbance, that we will have to seek aid from New York or seek aid from Chicago or from St. Louis or the central reserve cities, but we will have it at home where we can go to our own regional banks and discount the commercial paper in the banks of that region.

It seems to me one of the best systems devised that a bank becoming a member of this association will be able to use its commercial paper and its agricultural paper for the purpose of rediscounts in the regional banks, thereby procuring notes which will circulate among the people of the region in which the bank is situated. That is what we want, Mr. Chairman. Under the system which we have devised it will readily go out when needed, and as readily come back when not needed, assuring to the people that there shall be no inflation of the money and no contraction of the money.

In conclusion, Mr. Chairman, I will say a word in reference to the Federal reserve board. I have heard it from the other side of the aisle that this board will be a partisan and political board. I wish to state to the gentlemen upon the other side of the aisle that the same opposition, as our distinguished chairman told us the other day, was raised to the creation of the Interstate Commerce Commission. The Interstate Commerce Commission has the right to fix rates and the right to suspend rates over all the great railway systems of this country, and I believe there is not a gentleman in this House who will deny that the Interstate Commerce Commission has done a good service for the American people.

Besides that, in the transaction of governmental affairs you must let some power and some discretion rest with human beings. There is no law that you can hedge about that will not leave to the discretion of frail humanity the disposal of important questions.

The President of the United States possesses more power, probably, than many of the monarchs of Europe. The judges of the Supreme Court of the United States possess a power over us in saying that which we do is within the provisions of the Constitution. You will say that they follow precedents, but, Mr. Chairman, they oftentimes blaze the way, just as this Federal reserve board will.

I will not consume further time, Mr. Chairman, but I will say that it was the promise of the Democratic Party to revise the tariff downward. It was the promise of the Democratic Party to revise our currency system in this country, and it is the purpose of the President of the United States and his party associates here to fulfill those pledges. [Applause.]

Mr. GLASS. Mr. Chairman, I yield 10 minutes to my colleague [Mr. BALTZ].

Mr. BALTZ. Mr. Chairman, I feel a little embarrassed to be called upon to discuss this most important legislation. I have never before held a political office in my life, but am greatly interested in the discussion of the Glass banking and currency bill. There are several reasons why I am interested in this proposed legislation. I am the vice president of a country national bank, but make no pretense of being a scientific banker. I am a farmer, and when I make that statement it means that I actually do the work. Besides that, I have other business interests in my home city.

I represent the twenty-second congressional district of Illinois, the State which sent a delegation to the national Democratic

convention at Baltimore that for 42 ballots stood by that grand Democrat, that great harmonizer of the Democratic Party, the present Speaker of the House, the Hon. CHAMP CLARK, of Missouri. [Applause.]

In my younger days I never dreamed that I would to-day have the honor of representing my congressional district in this body. It would be unnatural, indeed, if I did not appreciate the honor of being one of the successors of one of the most illustrious of Americans, a wise statesman, a great scholar, true patriot, Col. William R. Morrison, who now sleeps the sleep which knows no waking in the beautiful cemetery of the little city of Waterloo.

Mr. Chairman, I have read and studied with much interest the proposed bill establishing national banks and Federal reserve banks to provide additional circulation when required. I have given this bill a great deal of thought, and in my opinion it comes as near covering the ground and at the same time providing a medium of circulation, meeting the requirements of the banks of the country, as it would be possible to devise. I can not see wherein any person who has the good of his country at heart can criticize this bill as being one drawn for the purpose of favoring any class or creed. That it is vastly superior to the old national-bank act and system no honest man can deny. The principle underlying the establishment of the Federal reserve board is wise and sound, while the supervising powers of this board are necessary and proper precautions in the interest of legitimate business.

A provision that appeals to me as being very much justified is that one which allows State banks to become subscribers to the capital stock of the Federal reserve bank, thus giving State banks all of the benefits of this great regional bank, which will insure to State banks the right to discount their prime commercial paper and to procure regional reserve notes at times when an emergency exists. This privilege in the hands of both the National and State banks makes it almost an impossibility for this country to ever be the victim of another money panic such as our people suffered in 1907. The system of the Federal reserve board and the regional reserve banks is a great victory in the interest of the people.

For years many communities have suffered because national banks have been prohibited from making short loans upon real-estate securities. This bill authorizes loans to be made for a period not longer than one year; that is, by national banks which have no savings department; but if they have a savings department organized under this bill then they can make real-estate loans for any reasonable and proper period. From my actual knowledge of the banking business I know this will be a great assistance to national banks and the cities in which they are located.

There are a number of other important provisions in this bill that I would like to discuss, as I indorse them unreservedly, but the limited time allotted to me will not permit me to discuss them with you. Technical questions involved in this bill I leave to the lawyers in this body. There are a great many of them, and I know they are more competent to discuss questions of that kind than myself.

I shall endeavor to speak from the standpoint of a business man and a farmer, as I view it. In my judgment, this is one of the most important bills ever introduced in the House of Representatives. The whole bill is a patriotic offering toward the solution of a problem the right working out of which will immeasurably benefit the people of each section that puts the plan into successful operation.

The evils of the present system have borne heavily upon the producers of wealth in this country. The system of reserves of national banks by which the larger part of the available money in this country is collected and put into the hands of a few big bankers in New York City, who loan it to stock brokers who use it for purely gambling purposes will be ended forever when this bill becomes a law. It positively prohibits the national banking system from being used in stock and bond gambling on Wall Street. This financial cancer has eaten into the vitals of American business, and nothing short of such a measure as the Glass banking and currency bill will put an end to it. The people have suffered enough; it is time to let them rule. The big bankers, who have always handled our money, never produced anything, but always got all of the money. Now, we propose that the producers of this country, those who do the real work of the world, shall get the benefit of their own labors.

The producers of this country are the first to feel the effect of a panic and also the last. In this bill we propose to prevent any money panics in the future. The only objection any of the big bankers make to this bill is that they think the banking system should be managed by the big bankers in Wall Street. As for me, I think we have reached the time when we are compelled to make a choice between Wall Street regulating the

banks of the country and the Government itself, or, the country regulating the banks. This bill permits the Government to regulate the banks, including the big ones in New York as well as the smaller country banks; and I am a firm believer in the ability of the officers of this Government to perform this duty. The banking business of America, involving, as it does, the hopes, the happiness, and the prosperity of 90,000,000 people, is of too vast importance to be made the plaything of an aggregation of stock and bond gamblers in one of the great cities of this country. The Government should control it, and it will control it as soon as this bill passes the Senate and is signed by President Wilson.

During the tariff debate in the United States Senate I heard some Republican Senators say that the tariff bill discriminated against the farmers, while at the same time, in the other end of the Capitol, I heard Republicans claiming that the banking bill was written in the interest of the farmer and against the interest of the banker, while Progressive Members of this body claim that the bill is written in the interest of the banks; and I want to say to you that if this bill is satisfactory to the farmers and the bankers of the country, and I believe it is with a few slight exceptions, then it is a mighty good bill. [Applause.] In my opinion, the passage of the present bill will materially benefit the farmers, merchants, manufacturers, and the laboring class, who can then look forward with certainty to securing at a reasonable rate of interest the funds necessary to meet their legitimate needs.

Under the present system it has been shown repeatedly that a small group of men could expand or contract currency or credits at their pleasure. I do not believe this is so much the fault of the men as the law and the lawmakers who made the law. You can not blame men for assuming the power which is given them. Knowing these facts, it is our duty to pass a law that will correct this evil. We must pass a law that will provide for an elastic currency, one that will expand and contract automatically in the interest of all the people instead of being expanded and contracted at the behest of a few men who wish to either run prices up or run them down. Knowing these things, as we all do, it is our duty to meet them squarely and provide against them in the interest of the people who sent us here.

For a few years I had experience in a private bank, which was later changed to a national bank. While the people of my community had confidence in the private bank, when we reorganized into a national bank our deposits very greatly increased. I saw money come to that bank that was moldy and unsanitary; money that had been hoarded in the homes of the community because of the fear of private financial institutions. The national bank had their confidence, and they believed they would in it receive adequate and proper protection for their savings. I am confident that within a radius of 6 miles of this country bank there are thousands of dollars buried in mother earth, and when the people know that the Government will safeguard their finances the money will flow into banks out of hidden places.

Objection is made by the opposition to this bill, claiming it would give the President too much power in appointing the Federal reserve board. The bill provides these appointments shall be made with the advice and consent of the Senate. They also claim this board would be under political control. Political control is governmental control. Who constitutes the Government in this country? The people. Do you want to deny the people the right to govern themselves?

Heretofore a few financiers on a certain street in New York City have controlled the finances of the Nation. This bill is constructed so as to prevent speculation in stocks, bonds, and other securities. All the panics we have ever had in this country were caused by wild speculation. This measure guards the interest of the people, strengthens the banking system, and widens and makes available the credit and financial solidity of the United States. This should not be viewed as a partisan political measure, and I appeal to my friends on the other side of the House, and especially to my Progressive friends, to support this proposed progressive legislation. Let us not delay the enactment of this law, which will give the public such assurance of stability of the financial institutions in which they are interested that all the people of this country may with confidence participate in the unexampled prosperity which in the near future seems destined to pervade this entire Nation. [Applause.]

In conclusion, let me say that this Congress enjoys the confidence of the American people in a higher degree than any Congress since the Civil War. The Republican Party is absolutely discredited, and its leaders are so disconcerted that they do not know what step to take. They are simply waiting for us to make a misstep. That is the only hope they have. If we give

the country a sound banking and currency system, the people will keep our party in power for half a century. [Applause.]

This bill will be passed by the House. It will then go to the Senate, where it may be amended in some particulars and then passed. When that is done it will go to the President, who will affix his signature to it. Then we will have placed upon the statute books of the United States the best banking and currency bill ever introduced in Congress. [Applause.] And this is not all. The President will attach his commendation of that law in these words, "The people shall rule." I firmly and honestly believe that Woodrow Wilson is the greatest President we have ever had since the days of Thomas Jefferson. [Applause on the Democratic side.] With his inauguration we inaugurated in truth and in fact that Democratic doctrine of equal and exact justice to all and special privileges to none. Under his administration the blessings of government will fall, as Gen. Jackson said they should fall, "like the gentle dews of heaven, unseen and unfeigned." I will give the banking and currency bill my hearty support. [Applause on the Democratic side.]

Mr. GLASS. Mr. Chairman, I yield 10 minutes to my colleague [Mr. GORMAN].

Mr. GORMAN. Mr. Chairman, in supporting the measure now before the House I do so not because I believe it to be the best possible bill that might be proposed, but because it is a vast improvement upon our present banking system and will correct in a large measure the defects and guard against the dangers which constantly present themselves to the business, banking, and commercial interests of the country under the existing law. That there is room for improvement in our monetary system no one will deny; that this need is pressing and imperative is testified to in no uncertain terms by the expressions of approval which came from all parts of the country and from all lines of business when President Wilson presented his message to the Congress inviting its attention to the necessity for currency legislation.

We are operating to-day under a banking system which has outlived its usefulness. Organized in 1863, and largely with a view to meeting the exigencies of war, and with but few substantial alterations since its organization, our national banking system as it at present exists is inadequate to meet the constantly growing and expanding needs of trade and commerce, and is out of harmony with the best thought of the present day on the subject of banking and currency. A number of bills have been presented to Congress during the past 10 to 15 years, and while the attention of Congress and the country generally was directed to these attempts to improve our currency system, nothing substantial came of them.

The Democratic Party, charged with the responsibility of government, both in the legislative and executive departments, and alive to its obligations to the country, presents for the consideration of the House a bill which we on this side of the Chamber believe is much better adapted to the current needs of the commercial community, and is better designed to furnish suitable protection to the business interests, to the farmers, and to the salaried and consuming masses of the country than the existing law. As a Democrat it is gratifying to me to know that in our efforts to relieve the pressing and legitimate needs of the commercial community our efforts meet with the approval of the distinguished gentleman from Kansas, leader of the Progressive Party on the floor of this House [Mr. MURDOCK], and that the distinguished gentleman from California [Mr. HAYES] finds many features of the bill possessed of substantial merit and worthy of his approval. I know of no subject which is likely to engage the attention of the present Congress upon which so vast a variety of opinions have been expressed as upon the subject of banking and currency, and the number and variety of remedies for our banking and currency ills are equaled only by the number of nostrums which flood the market and which are advertised to cure all the ills to which human flesh is heir.

Finance and credit have been the bulwarks of the greatest glory and power of governments since organized government began, and they have also proven to be the rocks upon which individuals and governments have crashed and gone to destruction. This entire subject of currency legislation, when placed in the crucible of final analysis, resolves itself into a question of facilities for extending credit. The possession of credit means power; the lack of it means weakness, and possibly destruction.

I shall not bore the committee with a discussion of all the provisions of this bill. I intend to vote for it in its present form, and in voicing my approval of it I shall limit myself to a few observations on one feature of it which marks a long advance in our banking and currency system, and which we will do well to emulate in all branches of our industrial and commercial pursuits, and that is cooperation.

I cherish the hope, Mr. Chairman, that before many years will have elapsed the spirit of cooperation will have so taken possession of us all that even here, in the greatest legislative body in the world, partisan rancor and the desire for partisan advantage shall have vanished, and that we will be actuated solely by motives of purest patriotism, cooperating cheerfully one with the other for the common good of all our people. With the coming of that happy day the only protection which will be urged in this House will be a protection against the shafts of genius which are from time to time hurled at us in poetic form by the popgun poet from Pennsylvania, and the gentleman from Kansas [Mr. CAMPBELL] will probably arise to inform us how the people of our poverty-stricken country, whose mills will be idle, whose factories will be closed, whose men, for lack of employment, will be dressed in rags because of the passage of the Underwood tariff bill, will earn the money with which to pay his friends from France for the cargoes of goods, wares, and merchandise of French manufacture which they are about to dump upon us.

I have listened to some criticisms of this bill during this debate which appeal to me as being sound; but, as I understand it, it is not presented to the House upon the theory that it is a perfect bill. If no legislation ever passed this House until it had attained perfection, there would be no legislation. This bill has been criticized by some as a banker's bill, by others as a violation of the rights of the banking fraternity. Some bankers have said that if this bill passes in its present form they will surrender their national-bank charters and go out of the national-banking system; so that some of those who oppose this bill predicate their opposition upon the ground that it gives the bankers of the country too much power, and others object to it on the ground that it curtails the rights of bankers and strips them of power heretofore exercised by them. Both these views are unwarranted, in my judgment. This bill confers no favors on the bankers, nor does it deprive them of any right they now enjoy and for which they are not duly compensated.

If we legislate so as to injure the banks, we injure the entire country. If our legislation does harm to the business interests of the country, as distinguished from the banking interests, the banks can not escape harm. The ideal legislation is that which comprehends and seeks to conserve the interests of all, and I firmly believe that this bill does so in full measure. When reference is made to the banking interests of this country in its broad sense, we comprehend not only the officers, directors, and stockholders in national banks, but we also include every man, woman, and child who has money on deposit in such banks. They are all interested in the banking business in the broadest sense of the term. I have heard the criticism that under the terms of this bill the Government will engage in the banking business. I do not think there is anything in this bill to warrant such a criticism.

It might as well be asserted that the Government went into the law business when we established the Supreme, appellate, and inferior courts and charged costs to litigants who applied to the courts for relief, or that we engaged in the transportation business when the Interstate Commerce Commission was organized, or that we engaged in the produce business when the pure-food laws were passed, but if there is any warrant for the claim that this bill forces the Government into the banking business, if the proper control of the national banking system requires that the Government shall engage in or participate in the banking business, I think it far better that that course should be adopted than that the banks should be permitted to engage in Government business.

I, too, have indulged in some criticism of this bill because of its failure to prohibit interlocking directorates. I was in hopes that the Banking and Currency Committee, when they presented their bill to the House, with the knowledge which they possessed resulting from the disclosures made before the Pujo investigating committee, would incorporate in their bill a provision making the interlocking of directorates a penal offense. I trust to the assurances, however, made before the Democratic caucus that such legislation will be enacted during the regular session of Congress beginning in December. I had hoped, too, that when this bill came before the House it would provide a limit on the rate of interest and commission that may be charged by national banks on call loans and thereby make unprofitable the loaning of funds by national banks in wildcat speculations. On reflection, I incline to the view that the practical operation of the proposed law, with the large powers and the wide discretion granted to the Federal reserve board, may render unnecessary the provisions I have here suggested. Under this law, the banks of the country will be brought under closer scrutiny of the Government officers and the bankers will be less disposed to take doubtful risks with the money of de-

positors. In this connection, I desire to direct the attention of the committee to the statement of Comptroller of Currency Murray, who, when testifying before the National Monetary Commission during the second session of the Sixty-first Congress, quoting from Senate Document 404, page 280, said:

In going over the records of 500 banks which have failed, it is shown that nearly all of them, except those where there were defalcations and stealing, have failed because the directors have paid no attention to the banks at all but have just let them drift until they finally became insolvent. The history of the office shows that no bank which has stayed within the law or where the directors have required the executive officers to stay within the law has ever failed, and I believe one never will fail. I make that broad statement. The records of the office show it. A bank which has stayed within the law and heeded the directions of the comptroller has never failed.

Then, too, the proposed measure is so vast an improvement upon our existing system that it ought to be passed without delay, and the proposition of altering or amending its provisions in any respect may be safely left to a future session of the present or some succeeding Congress when the knowledge gained from experience in its operation may illumine the pathway of the legislator in proposing amendments to or changes in the bill now under consideration.

One of the admirable features of our present banking law is its freedom from monopoly. There is no legal restriction on the number of banks which may be organized, nor as to the persons who may engage in the banking business. As a business it is open to all, and this is likewise true of the Glass-Owen bill. The development of clearing houses, which are a great help to the banking fraternity, has been so manipulated as to develop a sort of monopoly among certain banks, especially in the larger centers of population, and this tendency to monopoly and domination by a few banks in large centers will be effectively controlled under the provisions of this bill, which permits the Federal reserve board to act as a clearing house for Federal reserve banks and authorizes the board to designate one of such banks to act in that capacity for the others.

With this brief reference to a few of the details of the bill and to some of the criticisms directed against them, I call the attention of the committee to what will prove to be one of the strongest features of the Glass-Owen bill, and the lack of which is one of the greatest defects of our present system. The first question propounded by a subcommittee of the Banking and Currency Committee of the United States Senate, to the currency commission of the American Bankers' Association was, "What are the essential defects of our banking and currency system?" and the answer, in part, is as follows:

A principal defect of our system is the absolute rigidity of our currency. A bank in order to take out circulation must invest more money in Government bonds than it is permitted to issue in currency, thereby impairing, rather than increasing, its power to aid commerce and trade. The system lacks cohesiveness, there being no provision for cooperation among the banks in it. Under ordinary conditions this is not so much felt by the banks individually, but under strained financial conditions, when each bank is thrown on its own resources and must in self-protection act independently of all the rest, the lack of a system under which all could cooperate through a common policy of action becomes keenly felt, and it becomes evident that what is really lacking is a system. The requirement that the banks must individually control their own portion of the legal reserve money of the country, without being provided with the proper means for the protection or replenishment of their legal reserves, is unscientific and economically wasteful. An unsound system of reserves under which in periods of anxiety it becomes necessary in the protection and maintenance of individual reserves for each bank in the national system to contend against every other bank: the dissipation and scattering of the great bulk of the reserve money of the country into a large number of smaller hoardings, completely destroying in times of stringency the strength and power which might be gained by unification and massing of reserves for the mutual support of the banks and the common good of the public.

So that in addition to the defect in our national banking system so frequently referred to, the absolute rigidity of our currency, the next great fault complained of by the bankers is the absolute lack of cooperation among the bankers and the absence of facilities to make cooperation possible. Of course there are fair-weather friendships among the bankers. They have their associations and they attend banquets, and they discuss measures with a view to promoting the banking interests. They greet each other as friends and associate as companions, but under strained financial conditions, at a time when cooperation, fellowship, friendship, and mutual assistance would be genuine, all of these elements are lacking; each banker is looking to his own resources, competition becomes accentuated, the struggle for existence takes on its most brutal form, the cry of the banks is "Each one for himself and may the devil take the hindmost."

Now, a word about our currency and our reserves. This country is now, and practically all commercial countries are, upon a gold basis. Our currency consists of gold certificates, silver or silver certificates, Treasury notes or greenbacks, national bank notes, and bank checks. These are all demand-credit instruments, and when they pass in discharge of a debt are intended to be so many grains or ounces of gold. They do

not take the place of gold, but they represent gold, and the creditor accepts these credit instruments, confident that they will be redeemed in that metal when presented at the proper place for redemption. Bank deposits are also a form of demand credit. While our currency is rigid and inelastic, our demand credit in the form of bank deposits is very elastic and susceptible to great expansion. This expansion may be due to legitimate business transactions, as when a merchant borrows money at his bank and gives security for his loan in the form of commercial paper or other approved security. Such transactions are perfectly legitimate, the volume of demand credit being based in such cases upon existing wealth in tangible form. There is, however, another method of increasing the volume of demand credit which is purely speculative, and this process has a disastrous effect upon our financial system.

As a concrete instance, take the case of a railroad which was purchased for \$40,000,000, and the purchaser then bought it and common-stocked it and preferred-stocked it to the tune of \$120,000,000. The stocks and bonds of this railroad were deposited in banks as security for loans or sold in the stock exchange, and this increased capitalization was made the basis for demand credit to the amount of the capitalization. In polite society this process is called "financiering," but in simple truth it is grand larceny, so grand, in fact, that the law does not reach it, and this process of inflating our volume of demand credit will continue to go on as long as financial pirates are permitted to sail the financial seas unrestrained by law.

This process has been going on to a very great extent during recent years. A brief reference now to our reserve requirements will further illumine the process we have been discussing. Banks in central reserve cities are required to carry 25 per cent of their deposit liabilities in actual cash in their vaults, and there are three central-reserve cities. Banks in reserve cities—there being 47 such cities in all—are required to carry 25 per cent of their deposit liabilities, of which 12½ per cent may consist of deposits with banks in central-reserve cities. Country banks—that is, banks outside of reserve and central-reserve cities—are required to maintain a reserve of 15 per cent, 9 per cent of which may consist of balances with other banks. Now, when this process of increasing the demand-credit liabilities of banks by the grand-larceny method heretofore referred to is carried on in profusion, when stock gamblers are running riot and money is being made in fabulous sums not by honest industry, not by any increase in the tangible wealth of the country, not by honest toil, nor the results thereof, but by the stroke of a pen in a stock-gambling den, the bank which negotiates the deal in consideration of the interest, commission, and increase of dividends involved must increase its reserve in proportion to its increased though fictitious deposit liabilities, so that the banks in central-reserve cities where these gambling transactions are carried on call for funds from the banks in reserve cities, and they in turn call upon the country banks, so that the money of the country is being drained into the banks located in cities where this saturnalia of gambling is going on, and this continues into the fall of the year, when the country banks need funds for the crop-moving period.

This was the situation in 1907 when the worst panic of our history came upon us. The country was in a flourishing condition, the people generally were prosperous, work was plentiful, crops were good, and although we had a Republican majority in Congress and a Republican President in the White House, and a Republican high protective tariff bill on the statute books, all of which, according to Republican philosophy, is absolutely preventive of a panic and disaster, the country nevertheless found itself, under a Republican administration, plunged into a panic. What was the cause of this panic of 1907? Simply this: While the farmers were busy in their fields, during the summer of 1907, raising cotton with which to clothe the world, and corn and grain to feed the millions; while the miner was digging in the depths of the earth at the risk of his life to produce the coal with which to keep the fires of industry burning and give the glow of heat and cheer to the winter firesides of the masses, producing metals and ores for use in the arts, in trade, and commerce; while the workman and mechanic were toiling from day to day to reduce the raw materials into finished products that contribute to our comfort or provide for our necessities and add to the world's wealth; during this same period the money barons and stock gamblers of Wall Street were vigorously plying their stock-gambling trade. They had absorbed the bulk of the money of the country and had tied it up in so-called securities of inflated and fictitious values. When the demand of the country banks began to come in for their deposits, the money barons of New York, the knights of the interlocking directorates, the manipulators of bloated bank deposits and demand-credit liabilities, were unable to give back to the country banks the money they had

deposited. The money barons of Wall Street had taken the money of the country which was needed in the channels of legitimate trade and commerce and used it in prosecution of their gambling enterprises in stock-jobbing dens of Wall Street.

The only cooperation which has heretofore existed among national banks was that cooperation brought about by the interlocking of directorates and which was in turn responsible for the cooperation or conspiracy between the banks and the stock-market operators. This kind of cooperation is fatal to legitimate business.

The Glass-Owen bill proposes a cooperation which will aid legitimate business and not speculations. I hurl no indictment against banks or bankers generally. The vast majority of the bankers in America are among the best men in our country, are ornaments to American citizenship, but there are among the banking fraternity, as among other lines of business, men whose worship of the golden calf prompts them to sacrifice every element of honorable manhood and prostitute every impulse to the service of selfish ends to satisfy their greed for gold, and the power those men arrogate to themselves, made possible by virtue of the wealth they control, makes them the most dangerous men in the community when their power is directed along selfish lines.

Henceforth there will be cooperation among national banks, not only in fair weather but at the time when cooperation is most needed, when an emergency arises.

Paragraph B of section 12 requires—

to permit or require, in time of emergency, Federal reserve banks to rediscount the discounted prime paper of other Federal reserve banks, at least five members of the Federal reserve board being present when such action is taken and all present consenting to the requirement. The exercise of this compulsory rediscount power by the Federal reserve board shall be subject to an interest charge to the accommodated bank of not less than 1 nor greater than 3 per cent above the higher of the rates prevailing in the districts immediately affected.

The illuminating statement of Comptroller of the Currency Murray is reflected in section A of paragraph 12, which provides that the Federal reserve board shall be authorized and empowered—

to examine at its discretion the accounts, books, and affairs of each Federal reserve bank and to require such statements and reports as it may deem necessary. The said board shall publish once each week a statement showing the condition of each Federal reserve bank and a consolidated statement for all Federal reserve banks. Such statements shall show in detail the assets and liabilities of such Federal reserve banks, single and combined, and shall furnish full information regarding the character of the lawful money held as reserve and the amount, nature, and maturities of the paper owned by Federal reserve banks.

I want to remind my Democratic friends that I do not regard lightly the absence of a provision to prohibit the interlocking of directorates in national banks. I have no hesitation in saying to you that if I believed such a law would not be enacted during the next session of Congress no caucus rule could prevent me from voting for such an amendment if offered in the House now. But recognizing the force of the suggestion that such legislation should not be limited to national banks, but should apply to all corporations exercising public franchises, and that the Committee on the Judiciary will report such a law to the regular session in December, I am content to accept this bill without such an amendment. I have heard much about the unconstitutionality of this bill. The Constitution has been mentioned in connection with the tariff bill, the income-tax law, and it could not be overlooked in connection with the present bill.

The Constitution is a grand old document, and it has as many friends among the proponents of this measure as among the opponents. The Constitution is being read and interpreted to-day in the light of modern progress, and it adjusts itself readily to our marvelous growth and development. It keeps pace with our progress. The Constitution possesses the quality of being at once elastic, expansive, and sound. It is as much the bulwark of our liberties to-day as it was when it applied to 3,000,000 people and 13 States. It has adjusted itself to the requirements of 100,000,000 people and 48 sovereign States; and not only this, but it defines the status of the people in the distant islands of the sea where the flag of our Union floats.

Many of our statesmen frequently invoke the aid of the Constitution, but I fear it is very much misunderstood. Like the naturalist who adjusts his glasses so that he can distinctly see the flea on the lion's hide but can not see the lion at all, many of our statesmen so restrict their view of the Constitution that they see the letter clearly, but they do not see the spirit at all. It is the spirit of the Constitution which has made it responsive to the requirements of the increase and complexity of our population and our marvelous Territorial expansion.

As an illustration of the development of constitutional interpretation, let me cite this instance: Some years ago the Legis-

lature of Illinois passed a law prohibiting the employment of women in certain industries for more than a certain number of hours a day.

The women in the affected industries were satisfied with the limitations, the public generally approved, but the employers of women who made their dividends out of the labor of women were not satisfied. So they appealed to the Supreme Court on the ground, not that their rights were being infringed, but on the ground that the constitutional rights of the women in the affected industries—their constitutionally guaranteed right of freedom of contract—was being violated, and the court very solemnly decided that the Constitution was violated in that regard, and the statute was wiped out by judicial interpretation. The right of the women to enjoy freedom of contract was preserved and the opportunity of the employer to take advantage of their necessities and drive them to the limit of physical endurance was also upheld.

A few years ago another statute was passed by the Legislature of Illinois limiting the hours of labor for women in certain industries. Again the employers went to the Supreme Court, invoking the aid of the grand old Constitution. Again the Supreme Court put on its glasses and examined the Constitution. This time they saw something which they had not seen before. Perhaps it was the spirit of the Constitution; perhaps it was the figure of a woman, feeble and gaunt and worn; perhaps it was the figure of a distorted and disfigured child. I do not know; but certain it is they saw something they had not seen before; or perhaps they heard the footsteps of the marching hosts of human progress, with which the spirit of the Constitution has ever kept pace. I can not say; but this time I know the statute was declared to be constitutional, and the right of the employer to exploit the womanhood of Illinois was forever terminated.

The Constitution is a grand old instrument and its grandeur increases with its age. Its letter may be fixed, rigid, and immovable, but its spirit is marching onward. [Loud applause.]

Mr. GLASS. Mr. Chairman, I yield five minutes to my colleague [Mr. JOHNSON of South Carolina].

[Mr. JOHNSON of South Carolina addressed the committee. See Appendix.]

Mr. GLASS. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to; accordingly the committee rose, and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 7837, and had come to no conclusion thereon.

ADJOURNMENT.

Mr. GLASS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 10 o'clock and 31 minutes p. m.) the House adjourned to meet to-morrow, Saturday, September 13, 1913, at 11 o'clock a. m.

EXECUTIVE COMMUNICATIONS.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on examination of Black River, Mich. (H. Doc. No. 234); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

2. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on examination of Nueces River, Tex. (H. Doc. No. 235); to the Committee on Rivers and Harbors and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. SIMS, from the Committee on Interstate and Foreign Commerce, to which was referred the bill (H. R. 6635) to authorize the county of Hamilton, in the State of Tennessee, to construct a bridge across the Tennessee River at Chattanooga, in the State of Tennessee, reported the same with amendment, accompanied by a report (No. 71), which said bill and report were referred to the House Calendar.

Mr. ADAMSON, from the Committee on Interstate and Foreign Commerce, to which was referred the bill (H. R. 7472) authorizing the city of Beaufort, a municipality chartered under the laws of the State of South Carolina, to construct, maintain,

and operate a bridge and approaches thereto across Beaufort River, in Beaufort County, S. C., reported the same with amendment, accompanied by a report (No. 72), which said bill and report were referred to the House Calendar.

Mr. BARKLEY, from the Committee on Interstate and Foreign Commerce, to which was referred the bill (H. R. 7469) to authorize the construction, maintenance, and operation of a bridge across the Little River at or near Lepanto, Ark., reported the same without amendment, accompanied by a report (No. 73), which said bill and report were referred to the House Calendar.

He also, from the same committee, to which was referred the bill (H. R. 7470) to authorize the construction, maintenance, and operation of a bridge across Black River at or near the section line between sections 8 and 9, in township 20 north, range 5 east, being a short distance south and east of the town of Corning, Clay County, Ark., reported the same without amendment, accompanied by a report (No. 74), which said bill and report were referred to the House Calendar.

Mr. HUGHES of Georgia, from the Committee on Education, to which was referred the joint resolution (S. J. Res. 5) providing for the appointment of a commission to consider the need and report a plan for national aid to vocational education, reported the same with amendment, accompanied by a report (No. 75), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Invalid Pensions was discharged from the consideration of the bill (H. R. 6620) granting an increase of pension to All McKisic, and the same was referred to the Committee on Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. FERRIS: A bill (H. R. 8081) to authorize the President to provide a method for opening lands restored from reservation or withdrawal, and for other purposes; to the Committee on the Public Lands.

By Mr. ANDERSON: Resolution (H. Res. 251) providing for the election of a commission on legislative methods and practices in the House of Representatives, and for other purposes; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. AVIS: A bill (H. R. 8082) granting an increase of pension to G. W. Shipman; to the Committee on Invalid Pensions.

By Mr. CLARK of Florida: A bill (H. R. 8083) granting a pension to Adolphus N. Pacetty; to the Committee on Invalid Pensions.

By Mr. CLARK of Missouri: A bill (H. R. 8084) granting an increase of pension to Letitia R. Whitehouse; to the Committee on Invalid Pensions.

By Mr. FESS: A bill (H. R. 8085) granting an increase of pension to Elmore W. Strawn; to the Committee on Invalid Pensions.

By Mr. FRANCIS: A bill (H. R. 8086) granting a pension to John Roberts; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8087) granting a pension to Eliza A. Stevenson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8088) granting a pension to Ithamer Pugh; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8089) granting a pension to Eloise McKee; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8090) granting a pension to Margaret A. Trimmer; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8091) granting a pension to Jennie Saylor; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8092) granting a pension to John Creighton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8093) granting a pension to Peter Gilner; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8094) granting a pension to Isaac Gossett; to the Committee on Pensions.

Also, a bill (H. R. 8095) granting an increase of pension to Jesse Davidson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8096) granting an increase of pension to James Douglass; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8097) granting an increase of pension to Mary B. Carroll; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8098) granting an increase of pension to Cyrus Spriggs; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8099) granting an increase of pension to Joseph A. Pyle; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8100) granting an increase of pension to George W. Pitner; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8101) granting an increase of pension to Martin Overholt; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8102) granting an increase of pension to William L. Morris; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8103) granting an increase of pension to Abram McCoy; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8104) granting an increase of pension to William T. Beckett; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8105) granting an increase of pension to James S. Stewart; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8106) granting an increase of pension to Samuel Weaver; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8107) granting an increase of pension to John D. Liddick; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8108) granting an increase of pension to Abisha C. Thomas; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8109) granting an increase of pension to George W. Guthrie; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8110) granting an increase of pension to Mary Daugherty; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8111) granting an increase of pension to George W. Grisinger; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8112) granting an increase of pension to William Henderson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8113) granting an increase of pension to Jonas S. Giesey; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8114) granting an increase of pension to John L. Hefling; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8115) granting an increase of pension to Oliver Harding; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8116) granting an increase of pension to David Martin Howell; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8117) for the relief of George E. O'Neal; to the Committee on Military Affairs.

Also, a bill (H. R. 8118) for the relief of Henry Noble; to the Committee on Military Affairs.

Also, a bill (H. R. 8119) for the relief of Jonathan Milburn and granting him a pension; to the Committee on Military Affairs.

Also, a bill (H. R. 8120) for the relief of Frederick Horning; to the Committee on Military Affairs.

Also, a bill (H. R. 8121) for the relief of George Duncan; to the Committee on Military Affairs.

Also, a bill (H. R. 8122) for the relief of Joshua Algeo; to the Committee on Military Affairs.

By Mr. JOHNSON of Washington: A bill (H. R. 8123) granting a pension to Hiram A. Walker; to the Committee on Pensions.

Also, a bill (H. R. 8124) granting a pension to Charles L. Taylor; to the Committee on Pensions.

By Mr. KIRKPATRICK: A bill (H. R. 8125) granting an increase of pension to William E. Hill; to the Committee on Invalid Pensions.

By Mr. LAFFERTY: A bill (H. R. 8126) to correct the military record of Richard Prendergast; to the Committee on Military Affairs.

By Mr. LA FOLLETTE: A bill (H. R. 8127) granting an increase of pension to Luisa M. Carothers; to the Committee on Invalid Pensions.

By Mr. TAVENNER: A bill (H. R. 8128) for the relief of Austin Mondon; to the Committee on Military Affairs.

By Mr. TOWNSEND: A bill (H. R. 8129) granting a pension to Louise Frances Hastings; to the Committee on Pensions.

By Mr. MOSS of West Virginia: A bill (H. R. 8130) granting an increase of pension to Absalom Shingleton; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. GARNER: Petition of sundry citizens, bankers, and business men of various towns and cities in Texas, favoring the passage of legislation to give Government aid in securing a better marketing system for farm products; to the Committee on Agriculture.

By Mr. JOHNSON of Washington: Petition of the Washington Bankers' Association, Bellingham, Wash., requesting the reduction of letter postage to 1 cent and the readjustment of the rates of each class of mail matter so as to make them self-sustaining; to the Committee on the Post Office and Post Roads.

By Mr. LA FOLLETTE: Petition of the Washington Bankers' Association, Bellingham, Wash., favoring the passage of the 1-cent letter postage rate; to the Committee on the Post Office and Post Roads.

By Mr. RAKER: Petition of the San Mateo (Cal.) Development Association, favoring the passage of legislation to increase the naval defense for the Pacific coast; to the Committee on Naval Affairs.

By Mr. BELL of Georgia: Papers to accompany bill (H. R. 7140) for the relief of Elizabeth R. Nicholls and Joanna L. Nicholls, heirs of Joshua Nicholls; to the Committee on War Claims.

HOUSE OF REPRESENTATIVES.

SATURDAY, September 13, 1913.

The House met at 11 o'clock a. m.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

How deep are Thy mysteries, O God! How exacting and insistent Thy mandates! We think; we plan; we aspire; we struggle; we fall. Thy will is supreme, and Thy will is good will.

Our wills are ours, we know not how;
Our wills are ours, to make them Thine.

The spirit is willing, but the flesh is weak. Bear with our infirmities, and help us from our heart of hearts to say, "Thy will be done," not only in the spirit of humility, but in a firm resolve to act with Thee in the furtherance of Thy plans, under the spiritual leadership of Thy son, Jesus Christ. Amen.

The Journal of the proceedings of yesterday was read and approved.

CURRENCY.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, the currency bill.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, the currency bill, with Mr. GARNER in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. GLASS. Mr. Chairman, I yield 30 minutes to the gentleman from Texas [Mr. CALLAWAY].

The CHAIRMAN. The gentleman from Texas [Mr. CALLAWAY] is recognized for 30 minutes.

Mr. CALLAWAY. Mr. Chairman, a paper in Texas, called The Home and State, in its issue of August 23, said editorially:

Sit down and write a short letter to your Representative in Congress as soon as you have read this, and urge him to steadfastly support the administration currency bill. There is nothing to be gained by discussing the details. It is enough for us to know that it is heartily indorsed by Woodrow Wilson and William Jennings Bryan.

Such fidelity as that will certainly appeal to the sympathies and good will of the President and the Secretary of State however much such blind adherence must excite their pity. Be it said to the credit of the electorate of Texas that none have followed the advice of that paper. Those who have written have given reasons for the faith that was in them, whether they were for the administration bill or against it. I had some young mocking birds when I was a boy. They were pretty well feathered out and should have had some sense, but they had a way of throwing back their heads and opening their mouths whenever a hand was passed over them. One day a devilish chap was pranking with them, they shut their eyes, threw back their heads, and opened their mouths. The temptation was too much and he filled them full of the only thing in reach, green china berries. Next morning they were dead. Their faith was all right, but it digested no china berries.

Loyalty is one thing and blind following is another. I want to see this administration succeed as much as any living man, and I want to help in every way possible by thoughtfully giving the best that is in me to make it a success, a success for the whole people, a restoring to them of their equal rights, and opening to them equal opportunities; not giving them something, not fostering them, not flattering them, and not fathering

them. The manhood that is the hope and the reliance of this Republic does not ask to be coddled, fondled, and fathered; it understands that the Government can not favor some without oppressing others; can not give to one without taking from another; and that manhood asks simple justice, even-handed justice. It does not ask for legislative preference nor governmental license to oppress by means of superior strength, superior skill, superior mind, or superior wealth, nor to take from those who earn what is their just due; it asks only that this Government shield it from deprecation while it does and dares, and see that it is not robbed of the usufruct of its endeavor. If this be the purpose of the administration, I am with it heart and soul, but I do not think I can help by shutting my eyes and closing my mind the while I swallow down without question whatever it feeds into me; and seeing and thinking, I must be honest with myself and with those whose commission I hold, and must candidly protest when a measure is laden with dangers to the party, to the people, and to representative government, as I believe this bill to be.

THE REAL SOURCE OF THIS BILL IS THE ADMINISTRATION.

It is true that the Democratic caucus had a report from the majority members of the Banking and Currency Committee, but not one of the majority members, though a majority of them voted to report this measure to the caucus, believes this the best legislation that can be devised, and no thinking man on that committee believes this bill is what it ought to be. It was whipped through the committee by the administration, brought into the caucus and made a party measure by the administration, and whipped through the caucus by the same power. It is now before this House as a Democratic measure. It is not the product of the committee; it is not the product of the caucus; the administration handed it to us, and because it did the committee took it and the caucus took it, and that settled it for this House. Why should this legislation have been made a party question? The platforms of each party in the last national campaign denounced the present banking and currency laws and demanded legislation. Has there been such a clear line of demarcation between the parties on this question as to conclude us that no suggestions the Republicans could offer would render any assistance? Why shut them out completely by binding the overwhelming Democratic majority to this administration bill verbatim et literatim? That was done to protect the bill from Democratic criticism, thinking it would be easier to answer the arguments made against the bill by calling them Republican arguments than to answer them on their merits. You cut off all Democrats from offering amendments and bound them to vote down any offered because you thought it would be easier to vote them down as Republican amendments than to let them be voted on on their merits, and you will excuse yourselves when criticized for your vote and unable to meet the argument by saying you were following the fortunes of the administration and that you are willing to rise or fall with your party. I think this bill ought to have come into this House on its merits, and if it has not got merit enough to survive the criticism of the Democrats and the assaults of the Republicans, who are a hundred in the minority—and divided at that—it must be woefully lacking in merit. I believe it would have gone down. I do not believe a measure promising so little good and capable of so much harm as this could have stood the open fire in this House. I regret as much as any man could that my party has indorsed a bill the fundamental principles of which I consider so dangerous that I am forced to part company with them on it, but that is my situation on this bill.

PLATFORM DECLARATION AGAINST A CENTRAL BANK.

Mr. Chairman, in our platform adopted at Baltimore, and on which we won such a signal victory at the polls last November, we said, "We oppose the establishment of a central bank." I thought we meant that. I was honest in proclaiming that as the real sentiment of the Democratic Party. True, we did not say, "We oppose the establishment of a central board," but I submit in all candor that there is no real difference, so far as the concentration of power is concerned, between a central bank which controls the entire banking interests of the country and a central board which controls the entire banking interests of the country. James B. Forgan, pleading for a central bank before the Senate Banking and Currency Committee on September 2, said this bill practically gives us a central bank. I believe in the platform denunciation of a central bank because of the power concentrated by it. Mr. Wexler, of New Orleans, before the Senate Banking and Currency Committee, said, in answer to Senator REED, that a central bank such as they desired would have as much power over the business interest of the people of this country as the Czar of Russia had over the business interest of his subjects. I believe such power is dangerous, and it

does not lessen my fears to call such a centralization of power a central board instead of a central bank.

PLATFORM PLEDGE OF ABSOLUTE SECURITY FROM MISUSE OF POWER.

We said in our platform:

All legislation on the subject of banking and currency should have for its purpose the securing of those accommodations on terms of absolute security to the public and of complete protection from the misuse of the power that wealth gives to those who possess it.

We were commanded to secure the public from the power that wealth gives. There may be some, with the faith of the home and State editor or of the mocking birds, who will protest that in our platform we did not inveigh against power given by the Government or by the people and contend that power so given will not be abused, but I tell you, and in your heart of hearts you must admit the truth of it, when you have power and are hard pressed you use it to save yourself and crush the opposition, no matter how you obtained that power, whether through the accumulation of wealth, the confidence of your fellows, appointment to place, or by election to office. You claim that you use it properly. The individuals or businesses you crush claim you abuse it. The men with the power of wealth use it. That is all the power they have. Men with political power use that. It is always the instrument at hand that we use when pressed. Give a man political power and the power of wealth combined and when he is pressed he will use the one or the other as the exigencies of the case demand, or both should he understand their use and find it necessary. Men prate of confidence in great officials, and say they have faith that they will not misuse their power, and yet the world's history is full of instances that rebuke such credulity.

John Clark Ridpath, the great historian, in an article in the Arena of April, 1898, on the Government of this country from the adoption of the Constitution, speaking of the abuses of governmental power, said:

This "divine fact," called government * * *, may call itself a prince, an emperor, a czar, a shah, a mikado, a sultan, a president, a Speaker of the House of Representatives. Whatever it is and in whatever shape it comes, whether it be angel or devil, its peculiarity is that it exists and maintains itself and exercises its authority outside of and upon the people governed. Did space permit I should gladly summarize the work of this monstrous thing among the nations of the earth. History is replete with the story of the abuses, cruelties, and tyrannies of the fact called government. It is composed also of the ignorance, superstition, and horrid profanation of the truth done in the name of government. It is composed of the inhumanity and cunning and mock religion which government has practiced. It is composed of the insatiable ambition and gilded pretense and pampered obesity which have been the most conspicuous signs of government. Government has killed one third of mankind, starved another third into specters, and reduced the remaining third to slavery.

You tell me men in great office will not abuse the power given them because of the confidence reposed in them and because of their great responsibility. One of the most dramatic struggles that has taken place in this House in years was the fight to take away from the former Speaker, Mr. Cannon, the power which you claimed he abused; and when I came here I heard men who are now fighting for this bill and contending that there is no danger in giving the President's board of seven power, according to Chairman GLASS, to determine the welfare, prosperity and happiness of every man, woman, and child in the United States arguing for a rule adopted at that time taking away from the Speaker the right to appoint the committees, because they said such concentration of power was dangerous. "Consistency, thou art a jewel." Were you sincere when you claimed the former Speaker had abused his power and that such power would be dangerous in the hands of the present Speaker, or are you sincere now when you claim there is no danger of abuse of power by public officials? We had a fight quite recently over the organization of a budget committee, and though I favored a budget committee, I opposed that organization because I believed too great a concentration of power would ensue if the budget committee was to be composed of the chairmen of the different big committees of this House. I did not oppose it because of the personnel of the committee, but because of the concentration of power. The chairman of the great Ways and Means Committee would have become the chairman of that budget committee. He knows my confidence in him and my love for him. He knows when I oppose him on any question I am following my judgment on a matter of principle and not my feeling. I hope he knows me well enough also to know that my confidence in his judgment and in his integrity and my affection for him, great as it is, does not lead me to follow him further than my judgment is convinced by the reasons he advances. I am sure that I have more real affection for one of the men who will become a member of the board proposed by this bill, should this bill become a law, more confidence in his judgment and integrity, than any man in this House has. I refer to the Secretary of Agriculture. But that does not take the deadly upas contained in this bill out of it nor lessen my fears for the per-

petuity of our free institutions should it become a law and be accepted generally by the 25,000 banks of this country.

OUR FINANCIAL LEGISLATION ALL ANTI-DEMOCRATIC.

Mr. Chairman, in the light of the history of the financial legislation we have had in this country, it occurs to me that we should proceed with the most extreme caution. Alexander Hamilton, one of the greatest of the men who figured in the founding of this Government, but not a Democrat, organized a national banking system by chartering what was known as the first Bank of the United States, in 1791. The charter ran for 20 years. The question of extending it came up during Jefferson's administration, in 1808. Gallatin, who was then Secretary of the Treasury, recommended the extension of the charter. Jefferson, the Democrat, opposed it, and the Congress backed him. In 1811, when the charter actually expired, Congress, dominated by the same men who had served in Congress with Jefferson as President, refused to recharter the bank.

The reasons Jefferson gave for refusing to extend the charter were that the bank had a monopoly that it should not have, a favoritism from the Government that it should not have, and a concentration of power that should not exist. He favored the banks in the different States, and said the small banks were as little apt to abuse the power given them as the gigantic central bank, and when a little bank abused its power the effect was inconsequential, whereas when a giant central bank abused its power the effect was destructive and the disaster widespread. What would Jefferson say about this bill, subject to every objection made to the United States Bank organized by Hamilton?

The second bank was chartered in 1816 during Monroe's administration, and its charter ran for 20 years, expiring during the administration of the immortal Jackson, the second great Democrat. His refusal to allow it to be rechartered is a part of the really great history of this country. The power of the bank was such, with \$55,000,000 capital, that it influenced the House of Representatives and the Senate of the United States, and was claimed to be able to make and unmake Presidents—but not such Presidents as Jackson. Only God and the people can make one of his heroic mold. It succeeded in forcing through the House and the Senate a bill rechartering it, and with a less determined, patriotic, and heroic man in the White House it would, with its great power, have forced Executive approval.

JACKSON SAID "DO NOT TRANSFER POWER FROM THE BANK TO THE EXECUTIVE."

Jackson said, in a paper on the refusal of the bank charter read to his Cabinet:

In ridding the country of an irresponsible power which has attempted to control the Government, care must be taken not to unite this same power with the executive branch. To give a President the control over the currency and the power over individuals now possessed by the bank of the United States, even with the material difference that he is responsible to the people, would be as objectionable and as dangerous as to leave it as it is.

NATURAL AND PROPER BANKING KILLED BY LAW.

The second United States Bank did not control the entire banking interests of the country as this bill seeks to do, nor did it have the monopoly of the note issue, as this bill gives to the reserve board. Its power did not compare with the power given to the President and his board by this bill. The Suffolk Bank of New England, organized in 1824, issued notes redeemable in gold and did the banking business of the New England States until 1866, when it was taxed out of existence in order to give place to the national-bank-note circulation; the bank at New Orleans, organized in 1842, had power to issue notes redeemable in gold and continued to do business with every note worth its face in gold until Gen. Butler captured New Orleans during the Civil War and took away the gold; the Bank of Indiana, with the note-issuing privilege, as stable a financial institution as the country had, answered every demand of that developing State until taxed out of existence in 1866 to give place to national-bank-note circulation; the Bank of Missouri, the Bank of Iowa, and the Bank of Kentucky were all great banking institutions that stood during Democratic administrations as the bulwark of the greatest progress and greatest and most uniform development of this country from 1836 to the Civil War. These banks were redeeming their notes at their face value in gold till taxed out of existence in 1866, when greenbacks of the United States were depreciated and Confederate money was valueless. These institutions are proof positive of the soundness, safety, and common sense of a rightly operated banking system with the note-issuing function, and they were allowed to live while Democracy ruled.

Had this Government maintained the banks scattered throughout the country, left them the right of note issue, but required a uniform note prepared by the Government to avoid counter-

feiting, subjected them to Government inspection, and required them to come to a safe standard of sound and conservative banking, the financial history of this country would have been very different from what it is; but in 1863 the Government, controlled by the Republicans, passed a national banking act which gave to organized national banks the exclusive right to issue notes on United States bonds. This was done for the purpose of forcing a market for Government bonds at an exaggerated price. It would not be difficult to figure the amount of fictitious value created by this iniquitous legislation, but the extent to which it has burdened our industries, kept back our development, and destroyed our institutions could not be estimated.

This privilege of issuing notes on the bonds, however, did not immediately give as ready a market for them as those responsible for the scheme desired, and in 1866 they taxed all other bank-note issues out of existence. This legislation was for the purpose of forcing national-bank-note circulation, and was as damnable and far-reaching in its effect as legislation usually is which is designed to force values, grant privileges, or stimulate industries. It was a fit companion for the protective tariff and other similar legislation indulged in by the party that was in power at that time. This national-bank act based the circulating medium created by it on the Government debt. If we have years of peace, development, and prosperity, during which our debt is not increased, our circulating medium stands still. Should we pay off part of our national debt our circulation is decreased; if we have war or other trials, increasing our national debt, our circulating medium increases. The expansion or contraction of our circulating medium under the present law bears no relation whatever to our commercial or industrial needs or our increase in wealth. The Republicans, even, have grown ashamed of this statutory iniquity, the Democrats have always protested against it, and each party in its platform of last year denounced the present financial system as inadequate and demanded currency revision.

WHY NOT LEGISLATE PROPERLY RATHER THAN HURRIEDLY?

The whole country is aroused at last to the enormities of the present system, and Congress, in obedience to that popular demand, has to legislate. Will you try to excuse yourselves or claim you have obeyed that demand by allowing this bill to be enacted? I had rather endure for a while the bad system we have, the iniquities of which we understand, than to usher in this Trojan horse, loaded with we know not what, and have to go through years of struggle and suffering before we understand its evils. The people of this country are entitled to banking and currency legislation that will be permanent, answer automatically the demands of commerce, be responsive to the strains of business, not subject to the control of any individual or board, safe from the domination of any coterie of financiers, and giving to the people and to trade the most mobile, inexpensive, elastic, safe, sound, and stable currency system that it is possible for the combined wisdom and courage of this Congress to work out; and they are entitled to it as soon as it can be worked out, but they do not want a measly makeshift, and there is no such hurry and pressure as to justify putting on the statute books any half-baked and imperfect legislation.

We can save more time to the people of this country, their industrial interests, and the future of the Nation by taking the necessary time to do this thing right, examine this spectacular monster inside and out, through and through, than we can by hurriedly putting through this legislation, which has been shoved inside the walls of the Democratic majority without them knowing the fatal possibilities lurking in its body. This piece of legislation is before this House for action with the Democrats pledged to pass it; but it is no more understood by this House nor by the Democratic Members of this House than the historic horse was by the Trojans, and should the banks refuse to accept it and thereby retire the \$750,000,000 in bank-note circulation we now have, it will prove as disastrous to the industries of this country as the Trojan monster proved to the people of Troy. Mr. BULKLEY says this is an emergency system. We want and we ought to have a permanent system. Why should we not inaugurate a lasting system now, a system not dependent on the will or caprice of a President or a board?

THE ALL-PERVASIVE POWER OF THE PRESIDENT UNDER THIS BILL.

This bill provides a board of seven, appointed directly by the President, subject, of course, like the Cabinet, to the President's will, which board has discretionary control over the 12 regional banks. The capital of these regional banks is to consist of one-fifth of the capital of the respective banks of their districts, together with 5 per cent of the deposits of these banks. The board has the exclusive power of note issue to the reserve banks,

the power to cancel the membership of any member bank at discretion, the power to accept or reject the security or any part of the security offered by the banks, and the power to fix the discount rate, with the accompanying power to increase or contract the circulating medium of the country at will. Summarize these powers, and you will find that power centered in this board, which Chairman GLASS said "could determine the welfare, happiness, and prosperity of every man, woman, and child in the United States," and majority leader UNDERWOOD declared "resolved itself into faith in the President's board, the whole question being whether the board was angel or devil."

The amount of capital subject to the direct control of this board, should all the national banks come into the scheme, would be 20 per cent of the capital of the banks, or \$206,600,000, plus 5 per cent of the deposits, or \$291,250,000, making a total of \$497,850,000, together with a dominating influence over the entire national banking interests of the country, composed of capital, surplus, and deposits amounting to \$7,708,000,000. Should the State and private banking interests come into the scheme, it would put under the direct control of the board additional capital amounting to \$200,400,000, being one-fifth of the capital of such State and private banks, plus 5 per cent of their deposits, amounting to \$254,450,000 more, aggregating under their direct control from State and private banks \$463,850,000, and giving them a dominating influence over the entire wealth affected by the State and private banking interests, amounting in capital, surplus, and profits to \$7,000,000,000. Jackson said Biddle's bank, with a capital of only \$55,000,000, had attempted to control government and "possessed a power over individuals that should not be intrusted even to the Executive, though he was directly responsible to the people."

If that central bank was a menace because of the enormous power it possessed over individuals, the interests and the commerce of this country, with a capital of fifty-five millions, with no control over the general banking interests of the country except as given it by its capital, with no insight into the innermost workings of each and every banking concern in the country such as this board will have, with no monopoly of note issue such as is given to the board by this bill, what think you of giving into the hands of this board the absolute control of \$661,000,000, together with a dominating influence over the entire capital and surplus and deposits of the banking interests of this country, amounting to \$14,907,000,000? Not only that, besides putting into the hands of the President and his board a power infinitely greater than a central bank would have, the President has combined with this the political power given him by that great office, which is now a dominating influence that most Federal officials stand in abject awe of. He appoints the members of the Cabinet, has the right to call for their resignations at will, and controls the general policy of each department of the Government. Combine this with a controlling partnership with the entire banking interests of the country and you have the President controlling the political and financial interests, and under this bill his board operates in partnership with the bankers. He has to have their cooperation before this bill can become effective, and the banks must have his cooperation after they enter the scheme before their business can be profitable. Necessity makes them act together. Where will the people come in? We are told to ask no questions; have faith, simple faith. Who usually gets a hearing, the man on the ground or the trusting man? Who has been favored in this Government, the principal business of which for the last 50 years has been granting favors to those who were sufficiently close, powerful, and persistent to get what they wanted? Has it been the people with faith? Is it faith or "eternal vigilance" that insures us "life, liberty, and justice"? Jackson said to give the President control over the currency and the power at that time possessed by the bank of the United States over individuals would be as objectionable and as dangerous as to leave it as it was, but here is a proposition to concentrate a power in the Executive infinitely greater than was dreamed of by President Jackson when he made that statement. Jefferson said he had an abiding faith in the common judgment of mankind and full confidence in their voice when honestly and freely expressed. Think you that the people of this country would freely express themselves at the ballot box in the face of such power as this concentrated in the hands of the President? If they did, they would do something this House has not done and will not do when the administration steps in with its present power, but combine with this the power which is given by this bill, according to Mr. GLASS and Mr. UNDERWOOD, and you have enormously reduced the possibilities of a free expression of the Congress or of the people.

It may be argued that all the banks will not come into this scheme, and therefore the wealth subject to the President's

board will not be as great as I have stated; but if they do not come in the scheme is only an iridescent dream, and the business of the country and the administration is at their mercy. If part come in and part stay out, it is not a national financial system, but a mess that gives us a national system in part and a private system in part. The whole argument for this scheme is the necessity for elasticity in the currency and taking the dominating control of the finances away from Wall Street and the Money Trust. If the bulk of the financial interests of the country does not come into this scheme, the domination of Wall Street is not broken, general elasticity of the currency is not obtained, and the bill is worthless. If they do come in, the partnership is established between the Presidency of the United States and the banking interests of this country, and when once the partnership is established they are bound to act together. Then, with the great financiers acting with the President, where are we? There is a partnership formed that must be regarded by each—a power in the President's board, Mr. GLASS says, to affect the interest of every man, woman, and child in the United States; a power, Mr. UNDERWOOD says, which makes the whole question whether the board be angel or devil. With such power in the President and his board, is this a free people and a free country? When a board appointed by any one man has discretionary power to determine the welfare of every man, woman, and child in the country, have we liberty? Is this a free people and independent when subject to a board which means weal or woe as it is angel or devil? The proponents of this measure assure us that the President will not abuse this power, but I tell you this is not a free country when its citizens are subject to any man's will. No man is a free man, no nation is a free nation, and no people is a free people which is subject to the will or caprice of any living mortal or bunch of mortals. This would not be chattel slavery, where men and women are put on the auction block and sold, but it would be industrial slavery, in which the welfare of the people would be subject to the President's board, a worse kind of slavery, said Horace Greeley, than chattel slavery. I am glad it was not left for me to say how absolute and far-reaching the power given by this bill to the President's board would be. I am glad the administration's agent in this House, Mr. GLASS, said it; I am glad the great leader of the majority, Mr. UNDERWOOD, said it. You, the proponents of this measure, can not answer by saying this power has got to be lodged somewhere, that it is now lodged in Wall Street, and that we are commanded by our platform to take it away from there; and then, in feigned obedience to that command, excuse yourselves by claiming that you have moved it to Washington and put it into the hands of the President and his board. We are commanded by the platform to obtain banking and currency accommodations on terms of absolute security to the public and under complete protection from the misuse of power. What protection have we here from the misuse of power? Faith, faith, faith; faith in man, fallible man, swept by all the passions, prejudices, and ambitions, mental misgivings, short-sightedness, and misconceptions of man. You may have such faith and confidence in the present Executive that you are willing to put such power in his hands, with an absolute faith that he will never abuse nor misuse it; but he is not always to be President; his term or terms will expire; and even should he prove to be such a beneficent and wise President as to induce you to abandon the platform and keep him two terms, or even sweep all precedent aside and continue him in office for life, he will not live always, and we hope this Republic will endure.

THE ATTRACTIVENESS OF THE PRESIDENCY TO GREAT BANKING INTERESTS.

When he is gone the control of this board becomes the greatest prize to the financial interests of this country ever held up to an interest such as the banking interest to be fought for; and it does not mean the same to one who would administer it honestly and rightfully as to one who would make it serve his personal ambition and private ends to the utmost. To the one it carries with it the honor and the salary; to the other it carries with it whatever his ingenuity can make of it. The race for it is not equal, nor the reward the same. A prize is the same only when it is of equal value to the different opponents when obtained. This place becomes to the one a prize inestimable, while to the other its limits are fixed. In the formation of this Government we hedged our Executive about by law. He had certain functions to perform within a given sphere; he was bound by law as other officials. Our legislative and judicial branches were also hedged about by law, limited to a given sphere, but this bill proposes to break down the barriers, gives the financial initiative to the President's board, and enables it, directly or indirectly, to hold the reins over the legislative and judicial branches also.

THE DRAIN ON THE INDUSTRIES IN THE COUNTRY.

The administration bill forces all national banks to come into the system and subscribe one-fifth of their capital stock, paying in half of it immediately with the other half subject to call. It allows banks 5 per cent cumulative dividend on the capital paid in, and an interest in 40 per cent of what the reserve bank makes over and above the 5 per cent on the paid-in capital in proportion to their average annual balances with the bank. This requirement that the bank subscribe one-fifth of its capital and pay one-half of it into the Federal reserve bank a thousand miles from home does not weaken or impair the capital of the bank, but the community loses the capital and the bank will be compelled to withdraw exactly that amount from the business of that community and send it as a reserve to the regional reserve bank. The community will suffer the loss, and where industries are already suffering from lack of capital to develop their resources there will be a calamity. This bill collects a reserve by diverting capital from sections now starving for more and profitably utilizing every cent they have, and you console us by telling us we can come to this reservoir and borrow it back provided our industries successfully stand the shock of having one-tenth its capital drawn off and can convince the President's board that our securities are better and our needs greater than other sections that are clamoring to have their paper discounted.

EXEMPTION OF BANKS FROM TAXATION.

This bill exempts the capital of the regional reserve banks from municipal, county, State, and national taxes. The schools, the eleemosynary institutions, the local government are weakened in the exact proportion this capital bears to the wealth of the community. The requirement that the reserve be kept with the reserve bank or in its own vaults cuts small banks off from correspondents which have heretofore, because of reciprocal relations, accommodated the small banks throughout the country and in a way thoroughly satisfactory to the small banks.

This bill is not in answer to any complaint from the small banker that he has not been properly treated by his correspondent banks. He makes no charge against them. His complaint is against the banking and currency laws that make rigid and inelastic our currency, prohibit it from responding to trade demand, and concentrate funds in central reserve cities. He is satisfied with the treatment he gets at present from his correspondent banks. They evidently answer his demands. Will your regional reserve bank do more than answer his demands in a way satisfactory to him? His present correspondents answer his demands without taking away from him control of one-fifth of his capital and taking away from him one-tenth of his capital in cash. What the small banker lacks is capital, and what the community he serves lacks is capital, and you propose to benefit them by hitting them in the weak place. In this bill you are following the doctrine practiced by this Government for 50 years.

To him that hath shall be given, and he shall have in abundance, while from him that hath not shall be taken away even that which he hath.

REFUNDING 2 PER CENT BONDS INTO 3 PER CENT.

The concentration of power—unlimited power—in the President's board is not the only bad feature of this bill. It proposes to refund \$750,000,000 of 2 per cent 20-year bonds into 3 per cents. This change will cost the people of the United States 1 per cent more on the bonds, and they lose the one-half of 1 per cent on the bank-note circulation, which makes this transaction cost them $1\frac{1}{2}$ per cent annually until the bonds are paid off—20 years at least. It amounts to \$11,250,000 annually, or \$225,000,000 in 20 years, nearly a third of that bonded debt. The whole interest on those bonds could be and ought to be saved to the people of the United States by the use of a little backbone, common everyday horse sense, and a pencil. The Government at present guarantees the bank-note circulation, holds the bonds owned by the banks to secure the Government for circulating the bank notes. The Government owes the banks the amount of the bonds. The bank owes the Government the amount of the bank notes, or is bound to call them in and pay them off before it is entitled to its bond placed with the Treasury to secure the Government against the note circulation. The Government pays the bank 2 per cent on the bond; the bank pays the Government one-half of 1 per cent on the note circulation. The Government could, by agreement with the banks, assume complete liability for the note circulation, which amounts to the face value of the bonds, and cancel the bonds, carry a sufficient redemption fund in the Treasury to secure the note circulation, just as it does to-day for the \$346,000,000 greenbacks outstanding, and retire those bank notes as they find it to the public interest. But this bill, instead of doing a

sensible thing like that, refunds the 2 per cent bonds into 3 per cent bonds. If you would do the economical, simple, and wise thing I have just suggested, the Government could retire these bank notes at will as it had the funds, and in such a way as not to disturb currency conditions at all. That would not add to nor take from the circulating medium one cent. Any individual operating his own business would at once take advantage of an opportunity like that to simplify and economize his affairs.

Now, another proposition, and I hope if I get to the end of my time before I get to the end of my paragraphs, either Democrats or Republicans—one will give me time to finish. [Laughter.]

THE CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. CALLAWAY. I hope the gentleman from Virginia will give me five minutes more.

Mr. GLASS. I have no more time.

Mr. CALLAWAY. Will the gentleman from California give me five minutes?

Mr. MURDOCK. Has not the gentleman from Minnesota [Mr. SMITH] got some time?

Mr. HAYES. I will yield five minutes to the gentleman from Texas.

THE CHAIRMAN. The gentleman from Texas [Mr. CALLAWAY] is recognized for five minutes more.

Mr. CALLAWAY. It is a bad way where a Democrat has to get time from a Republican to discuss a measure that is undemocratic. [Applause on the Republican side.]

THE ADMINISTRATION PROSTRATE BEFORE THE BANKING INTERESTS.

If you would make that provision with reference to the bank-note circulation you would remove one of the embarrassing propositions that subjects you absolutely to the will of the bankers. Should the banks fail or refuse to come into the scheme, surrender their charters, and thereby stop the \$750,000,000 of bank-note circulation, contract the circulation that much, you and your majestic system would go up Salt River together. In this bill you are dependent on the bankers with whom you propose to enter into a partnership business. You are going to force them into the partnership or force them out of the national banking system, and should they go out the crash comes. There are 17,000 State and private banks and only about 7,300 national banks. State and private banking seems to be more popular than national banking under the present system. It does not therefore seem improbable that national banks would surrender their charters as national banks and take out private charters unless they get such concessions in this partnership as they desire. They have certainly got the last say. Suppose this measure, so dear to the heart of the President, should pass this House, go to the Senate, and they should pass it and the President approve it. It is then a splendid paper system, without a dollar with which to operate it and no power to get a dollar except the bird in whose presence the fowler has spread his net sees fit to come in and furnish the capital on the terms you have made to him. Has not the banker, then, got the President and his system at his mercy? Can not they say to him, "You can not have a dollar unless you appoint the four men we will name for you"? That is a possibility under this system, and in my judgment a probability.

Not only can they do that before they come in, but they can draw out at any time afterwards should they fail to get such concessions as they want and wreck the system, because it is wholly dependent on the banks furnishing the capital. If New York has the dominating influence in the banking world that is claimed for it, controlling by interlocking directorates and other devices one-sixth of the wealth of this country, \$22,000,000,000—and I do not at all question the claim—have not the New York bankers got the President at their mercy when you have passed this bill? He prepared this bill, pushed it through the committee, through the caucus, and through the House. Should he get it through the Senate, and then the bankers should balk him in putting it into operation, do you not think under such circumstances it would be hard for the President to refuse to accede to the recommendations of those who will have to put up the capital in the appointment of the board?

THE MONEY TRUST LEGALIZED AND DEIFIED.

The big banking interests have never at any time opposed this bill in its entirety. They have asked for changes in it here and there, but the general policy of the bill has suited them. Mr. James B. Forgan said before the Senate committee that this bill could be made, by a few changes not affecting the principle of the bill at all, thoroughly satisfactory to them. He said 12 banks did not suit them as well as 7, nor 7 as well as 5, nor 5 as well as 1; but since you had in this bill the control of all of them in a central board you had practically a central bank. You have 12 banks under one control each of the 12 regional reserve agents directly appointed by this board and

subject to its autocratic discretion. Through these reserve agents all paper has to be presented for rediscount and all issuances of notes made. You have 12 clerks in these regional reserve agents working at 12 respective windows of an immense institution presided over by 7 men who are subject to the will of the President. Forgan says that is practically a central bank, and it is a central bank so interlocked with the politics of the country that not only the banking business and the finances of the country will be controlled by it, but the politics of the country will be controlled by it. And now back to the control of this central bank:

This bill requires the establishment of 12 regional reserve banks of not less than \$5,000,000 each before business can begin. I have shown that the President is helpless when the law is on the statute books unless the banks come in with the required capital. A few big banks in New York, Chicago, Boston, Philadelphia, St. Louis, New Orleans, and San Francisco can stay the organization of the 12 regional reserve banks and force the President to grant such concessions as they demand, because the required capital is not subscribed and can not be had without these big banks come in. They can name the four members of the board, which he must accept or his scheme dies. These are possibilities. The Money Trust can take advantage of these possibilities for their own interest if they see fit. You can safely count on the bankers not overlooking anything that is to their interest, and you ought not to doubt they will take advantage of all possibilities.

These are some of the dangers in this bill as I see them. I have called your attention to them, have done my duty to my people and my country as God has given me to see it. If sustained by my constituents for daring to express my honest convictions, I shall be grateful and happy. [Loud applause.]

Mr. GLASS. Mr. Chairman, I yield 30 minutes to the gentleman from Texas [Mr. HARDY].

Mr. HARDY. Mr. Chairman and gentlemen of the committee, I can not understand the workings of the mind of my colleague [Mr. CALLAWAY] who has just addressed you. He bitterly complains that he has not time to discuss the merits of his own plan and demerits of this bill, and then he takes five-sixths of his time in discussing, not the measure, but extraneous matters, into which I shall not go, because they do not concern me. I am concerned only in the merits or demerits of this bill.

In another way I can not understand the operation of my colleague's mind, because in the time that he did devote to the discussion of the bill he began by trying to show that it is a Government tyranny of the most outrageous sort over the banks of the country and in the last half of his last few sentences on the bill he declared that it would be a tyranny of the banks, who would have a throttle hold on the Government of the country. [Laughter and applause.]

I do not know which he fears most under this bill, Government oppression of the banks or bank oppression of the Government. Mr. Chairman, I am as great a believer in personal freedom and in individualism as the gentleman from Texas or the gentleman from Georgia [Mr. HARDWICK]. I believe so greatly in individualism and personal liberty that I believe it is our duty to preserve the greatest possible amount of freedom of personal action and conduct and to promote individualism as the very highest type of citizenship; but I know that in order to secure such freedom and individualism every man must surrender to society just so much of it as will enable him to preserve the remainder of it. Much must be surrendered in order to preserve much. By refusing to surrender some of our liberty, our privilege, our individualism, we may lose it all. Place no shackles, no restraints on banking; give banks entire liberty, and they will end by enslaving government and commerce. Where to draw the line between absolute unrestraint and complete Government control in order to secure that which is best for a nation is the great problem for statesmen in questions of banking as it is in all other matters.

Now, I want to say just one word in answer to the gentleman from Iowa, Judge PROUTY. His authorities are all good, and he cites many of them, which all show that confiscation, taking property without compensation and without due process of law, is unconstitutional. The trouble with that argument is that there is no such thing done or contemplated by this bill. This bill will dissolve the present national banks, unless they accept its terms, which they are free to do or not to do. The law under which our national banks were created reserved the right in the Government to dissolve them—the right absolute and unconditional. To dissolve them, therefore, is not confiscation.

Now, let me give an illustration: Suppose the gentleman from Iowa and I make a contract, in which we agree that at any time either may terminate it. I come to him and I say: "I am

going to terminate our contract, but if you will accept certain alterations in it we will let it run another year." Is there any confiscation in that? That is all there is in this question of law, so learnedly presented by the gentleman.

I have said this much by way of brief answer to criticisms. I wish now to discuss the bill itself.

Mr. Chairman, the pending bill, when its structure and purposes are fully understood, will be found a startling departure from anything we have ever had in banking legislation in the United States. It violates many ancient precepts of supposed political wisdom. It ignores the protest of those who on all occasions hasten to warn us against paternalism; of those who insist that the Government should keep out of the banking business; of those who insist that the only proper function of government is to prevent crime and preserve property, meaning thereby to limit the definition of crime to such crude acts and deeds as assault, and murder and rape and robbery; and to limit the preservation of property to preventing the invasion of one's home, the taking by violence of one's personal property and the like. To prevent wrongs and preserve rights, both personal and property, is a great part of the proper purpose of government and just law, but the refinements and developments of modern civilization have taught us that our former narrow conceptions of the scope and functions of government must give way to broader views and higher estimates of the powers and duties of the State. We know now that murder may be committed by other means than the bludgeon or the dagger, and robbery by other persons than the highwayman, and that our homes and property may be taken away from us by other methods than violent ones. Therefore, we have entered the mill and the factory and the cities with laws to demand and insure the healthy home and workshop of the poor, the safe housing of the well to do, and sound and healthful food for all. We have said to the hotel builder, "In doing what you will with your own you must not build fire traps," and to the food vender, "You must not sell poison or tainted food." We have found that not the poor alone but the well to do need to be protected from the wiles and schemes and operations of the crafty, the greedy, and the strong, and so we have passed laws to prevent combinations and monopolies, laws that seemingly or perhaps really deny the freedom of contract, that fix hours of labor, that protect childhood and womanhood and even manhood against the strong and selfish who would oppress the helpless by lawful, because not heretofore prohibited, means beyond the power of endurance.

We have found there are other kinds of slavery than that witnessed by iron chains. We have begun to seek to lessen industrial slavery; we have gone even further than mere prevention of wrong, in this broader sense, and concluded that there is a wide scope for law and governmental activity outside of mere prevention of wrong perpetrated by the strong against the weak, and we are building schools and hospitals and giving aid in a thousand ways to help the weak and build up the feeble, but wherever we do, or try to do, any of these things for the betterment of the great masses we are met by the loud protest of fixed wrong and entrenched privilege. At least we are denounced as paternalistic and socialistic. Generally the cry is we are destroying vested rights, we are confiscating private property. I shall not discuss these questions except to say there is no vested right in wrong. That if this bill be paternalistic, the English-speaking peoples have never refused to adopt just such paternalistic laws when self-preservation or even the undoubted general welfare demanded; their wise purpose always being to preserve the greatest amount of individualism consistent with the highest good for the whole people, and to say further that there is no touch or taint of confiscation in the measure.

I grant that this bill does put the Government into the banking business. I shall try to give the reasons why I think the Government ought to go or ought to be in the banking business to the extent it is put there by this bill. What is a bank? A bank creates nothing. Banks keep the money and accounts of people who do create and help them deal with each other in their commodities. Banks have capital stock, which is money or property the banker has earned before he organizes his bank, and this practically is the pledge he puts up for the safe-keeping of other people's money. This is the national or State bank as we now have it and understand it.

But before the State took hold of the matter and authorized a bank charter there was no capital stock. Indeed, there is nothing now to prevent any man from building him a house with a vault in it and saying to all men, "Bring me your money and I will keep it for you and pay it out on your order or pay it back to you on demand." This was what was done by the first bankers. Such men were simply trustees of their depositors. There was nothing to prevent such a man from receiving money and giving a note for it and loaning money and

taking a note for it. Centuries ago the bank and banker proved themselves the finest development of commercial method, the best instrumentality of barter and trade, and of lending and borrowing money; but banking developed something else which I will try to illustrate. Let 100 men engage in gainful industry, earning money. They barter and trade and lend and borrow among each other. They select one of their number to keep their money and accounts with each other. It at once appears that the one man can do this with great saving and convenience to all. At first, doubtless, they would pay him a fixed wage and themselves take all the profits or interest paid by borrower to lender. If a whole State were to do this, employing their custodian and bookkeeper to keep the money and accounts of its citizens, we would have a Government bank pure and simple. But I expect the 100 men would soon say to the man they had selected, "We do not care to look after this matter. We will lend you our money and you loan it out to others. You pay us a certain interest and keep the money safely, loaning it safely for what you can get above what you pay us." In this way a private bank might start. At least this is the principle upon which private banking rested—the free banking so loved and lauded in the past. No capital stock was pledged to secure the deposit. Only the personal word and honesty of the banker was the depositor's security.

Now, in this little community of 100 men I have been talking about, the only man who added nothing of his earnings to the money in the bank was the elected or selected or self-constituted banker. But when that community was augmented to a thousand men or several thousand men and the bank had been running for 10 or 20 years it frequently happened that the earning members of the community had paid to their banker in interest enough more than the banker had paid to them to make the banker by far the richest man in the community. There was nothing wrong in this. The banker was wise, was honest, and effected a great saving to the other members of the community, and this was all fair and right so far. The free-banking advocates will say: Since this was all right, why not leave it at that? But people found that sometimes the banker did not have good judgment, made bad loans, lost their money, and was not able to pay back to his depositors, or he speculated and lost their money that way, or, as sometimes happened, he was dishonest and decamped between two suns with their money. Then people wanted something else. Apparently they applied to the Government to help them, and I have yet to find the man with the hardihood to say they ought not to have done so. Then the Government went into paternalism and into the banking business so far as to pass bank-charter laws, to provide for bank stock companies, the stock to be paid in by subscribers and to be held as pledge for the security of the depositors, and the law placed officers in charge of the bank and in custody of the assets of the bank subject to special pains and penalties for neglect of duty or for corrupt or dishonest acts; and then the paternal Government got very particular and had inspectors visit the banks, and did a great many other things in the interest of the public.

Now, under the extreme ideas of the gentleman from Georgia [Mr. HARDWICK], what had the Government to do with all this matter of safeguarding stockholder and depositor and the public generally? But banks, corporate creatures of the State, were still allowed great latitude, and we had in this country an era of wildcat banking, with thousands of bank notes issued. Other countries had the same, but we seem to have outstripped all others in the last century in the wildness of our wildcat banks. During all this time there were good banks and good bankers, but for a while they seemed the exception and not the rule.

In my opinion it was a good thing that came out of the War between the States, that war necessities caused the Federal Government to drive all irresponsible bank notes, together with some good ones, out of circulation by taxation and to permit no bank notes to be issued except such as were as good as the Government itself—notes based on the bonds of the Government. For that time that was perhaps the best law they could have passed. The same law threw its paternal care also very strongly about the depositors. It made stockholders in the bank subject to double liability for the debts of the bank, and provided periodical Government inspection of the books and condition of the bank, and assumed the right, without due process of law, to take charge of rotten banks. The Government went further into paternalism and into the banking business by, from time to time, going to the relief of banks when a crash or crisis impended and placing millions of dollars of its own in their vaults; but this act of paternalism banks and bankers have not complained of, since it gave them great benefit and brought nothing to the Government. And then we prepared to go into paternalism and into the banking business still further by passing the Aldrich-

Vreeland emergency currency measure, by which we proposed, if a panic threatened, to help the whole people, and especially the banks, by issuing and delivering to the banks five hundred millions of authorized notes on certain collateral they might be unable to realize on elsewhere, in order to enable them to meet their obligations and tide over emergencies; and this act of paternalism and socialism and going into the banking business was not objected to by the banks. And then we established postal savings banks, which would give safety to depositors when banks were not safe; and here the bankers did kick, since for the first time the banker was not to get all the benefit from the Government's banking activities. So that, Mr. Chairman, the Government is already in the banking business up to its neck. [Applause.] We are already paternally trying in every way, at all times, to help the people and the banks through our currency and money handling activities, without profit, but at some burden and some risk, perhaps, to the Government. Does it not seem late in the day to cry out against paternalism and the Government going into the banking business? Is it not all the cry of a selfish interest that is willing to ride on the back of the Government's horse, but unwilling to part with any of the profits it derives from the people through the service rendered with the aid of the Government?

But, Mr. Chairman, another phase of this question is that our Government is almost or perhaps quite the largest depositor in the world in banks. Its deposits have been practically heretofore without interest, and it is practically never a borrower from the banks. We must deposit it unless we would lock up the great revenues of the Government in the Treasury vaults, taking it out of circulation. We do not want to do this, so we ought to deposit our money in the banks that it may enter the channels of trade and industry. If we deposit it, who has more or as much interest in the banks as our Government. Ought these vast deposits be made without charge to the banks or profit to the Government? I say it with some diffidence, but it seems to me that a proper handling of the fiscal affairs of this stupendous Government requires that it be interested in what should be the great banking system of the United States. Any citizen or corporation having and handling such vast sums should take a very great interest in banking, and is the Government a faithful servant of the people if having the means of rightly earning something, having 10 talents, it buries them in a napkin or turns them over to another for another's profit?

But, Mr. Chairman, from another viewpoint, paternalistic, if you please, the question of the Government's participation or at least controlling supervision of banking seems more important still. All the people are interested in having a banking system as nearly perfect as may be. The great revenues of the Government should not be locked up. Neither should the great banks be allowed to lock up their currency as they do in times of stress, because there is no coordination and cooperation between them. It happens under our present system that in times of stress the only money not locked up is the Government's money. In Germany the great national bank, the Reichsbank, practically controls the cash or currency of the Empire, but holds itself at all times ready to discount to any amount the prime paper of any of the solvent banks of Germany, so that practically what cash the Reichsbank has each and every bank in Germany also has to the extent of its prime commercial paper, and in time of stress every bank has a ready helper. Here in the United States, with a crisis eminent, no bank holds itself ready to aid another. Each bank is independent of every other, and is scurrying to and fro to get cash in its vaults.

It is every man for himself and the devil take the hindmost. They all, and each of them, may in a vague way desire that other banks might not fail on account of the ultimate evil consequences to the public and therefore to themselves, but that desire is weak and remote in comparison with the desire to protect themselves individually and especially against immediate danger, and consequently has practically no effect upon their conduct. In the mad panic desire to escape from the burning building every man tramples and crushes every other man who may fall in his pathway. This condition will be greatly relieved, if not entirely removed, by this bill because it will provide each member bank with a source from which it can draw needed cash or currency by discounting its prime paper. It will render the prime paper of our banks equal to cash, just as it is in Germany. I believe this system stronger and better than the German Reichsbank. Let me present another matter. I said a while ago that if one man as banker kept the money and accounts for a thousand other men who were engaged in creative industry, earning money, that the banker by receiving deposits from some and loaning to others would perhaps in 10 or 20 years become the richest man in the community, having in the meantime created nothing.

Now, Mr. Chairman, we have reached a worse point than that in this country, and perhaps it is the same over the world. The community of a thousand men for whom the banker keeps money and accounts, from whom the banker borrows and to whom the banker loans, has become, here, a great Nation of 90,000,000 of people, and to go back no further under the system we have had since our great war our bankers have been steadily accumulating by the interest route the earning of the industries until the national banks alone have a capital stock of over one billion with a surplus, perhaps, of more than another billion and with deposits from the people of perhaps eight billions, all of which they control and all of which constitutes their working capital with which they are building up still further accumulations and by which even now they dominate the large transportation companies and to a great extent the whole industrial empire of the United States. Is not it time for the Government to wake up and get into the banking business for its self-preservation if not for the protection of the liberties and general welfare of the people? The bill before the House, Mr. Chairman, is such a waking up.

I wish to present its main features in such a way as to give a clear idea of its character as a banking system; in such a way as that the people of my district may fairly understand it if they will read what I say. The system begins with a "reserve bank organization committee," whose function is simply to place the system on its feet—to organize it. This committee is composed of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, and when it has divided the country into 12 Federal reserve districts and organized in each such district a Federal reserve bank having a capital of at least \$5,000,000, as directed by the law, its functions cease. After that, when the Federal reserve board, as provided, has been appointed by the President, the system is upstanding. It is on its feet; it is organized. The Federal reserve board is its capstone. Its pillars are the 12 regional reserve banks, and its foundations are the member banks in each of the regional districts.

The Federal reserve board is composed of seven members. The Secretary of Agriculture, the Secretary of the Treasury, and the Comptroller of the Currency are ex officio three of the members, and the President appoints four others. In naming these four not more than two of them may be of any one political party and no two may be from the same Federal reserve district or the same geographical division of the country. All the members of the board must be confirmed by the Senate. No member may be an officer or stockholder in any bank or banking institution. The creation of this "Federal reserve board," with the powers given it, so criticized and belabored by the enemies of the bill, is the strongest evidence that our Government is at last awake. It is appointed as I have stated, it meets in the Nation's Capital, under the eye of the Nation's chief and the people's representatives, and must report its operations, which in great measure direct or control the operations of the 12 Federal reserve banks, annually to Congress.

It has power—

First. To examine all the books, and so forth, of the reserve banks, require reports, and publish weekly a statement showing their condition.

Second. To permit or require in emergency the rediscounting by one reserve bank of the discounted prime paper of another reserve bank, a power that may be needed to make liquid the entire resources of the whole system and make its whole strength available where it is needed in time of strain.

Third. To suspend the reserve requirements as to deposits and so render bank assets available for emergencies in which they would be needed.

Fourth. To regulate and supervise the issue and retirement of Federal reserve notes and thus break the strangle hold, if necessary, of any giant money combination, while ordinarily giving only such elasticity as any truly proper currency should have by making prime paper readily convertible into cash or currency.

Fifth. To increase the number of reserve districts, if needed; that is, if it shall be found that there is still further need to decentralize money or banking power.

Sixth. To remove for just cause the officials of the reserve banks and to remove at discretion certain of the directors of such banks, if they do not truly represent the agricultural, industrial, or commercial interests as required by the law.

Seventh. To write off worthless assets of such banks.

Eighth. To suspend the operation of a reserve bank for violations of the law and to appoint a receiver therefor.

These are the board's substantial powers and they are ample. Under them the reserve banks will be cooperative and, by the aid of the reserve banks in the rediscounting of prime paper,

all the member banks will be coordinated into a system of such strength as to weather any storm. They are great powers, but they are all for good. Let me tell you some of the powers for evil which this reserve board does not have, things it can not do, which a central bank, so much desired by Wall Street, could do:

First. This board can not loan one dollar.

Second. It can not earn one dollar.

Third. It can not own one dollar.

Fourth. It can not borrow one dollar.

Fifth. It can not finance an enterprise.

Sixth. It can not be interested in an enterprise.

Seventh. It can not crush an enterprise.

Eighth. It can not finance a candidate or a campaign.

After the Federal reserve board comes the Federal reserve bank. There will at first be 12 of them, one for each Federal reserve district. They are about as much public as private institutions. They are severally based and built on the individual or member banks of the several districts. The member banks are each required to subscribe for stock in their respective reserve banks to an amount equal to 20 per cent of their own capital stock and to pay in one-half that amount. The other half is subject to be called for only in case of need to meet the obligations of the reserve bank. The stock so subscribed by the member banks is the only stock in the Federal reserve banks, so that the latter is the link that binds together all the banks of each district.

The reserve bank has nine directors. Six of them are elected by the member banks, each bank, great and small, having an equal voice in their election. Three of these six may be officers or stockholders of the member banks, but the other three must not be officers or directors of any other bank or banking institution and must be fairly representative of the commercial, agricultural, or industrial interests. These latter three are subject to removal at discretion by the Federal reserve board. The remaining three directors are chosen by the Federal reserve board, and one of these is made chairman of the board of directors of the bank and "Federal reserve agent," representing the "Federal reserve board" in its relations and dealings with the bank. It is provided that these banks shall be the fiscal agents of the Government, and all the revenues of the Government are to be regularly deposited with them and disbursed by checks drawn on them, this service to be free to the Government. The Government funds are apportioned among these banks under equitable provisions by the Secretary of the Treasury, with the approval of the reserve board. The reserve banks have no other depositors, and may have none, except the Government, the member banks, and other reserve banks, when permitted or required to make deposits by the reserve board. Underlying, as I have said, the reserve banks are the individual or member banks, which are national banks organized as now—except they are not required to own any United States bonds—and State banks which comply with the requirements of the law. These hold the stock of the reserve bank and are the base of the whole system.

The reserve bank's operations are confined to the purposes named in the bill; that is, to conduct the fiscal operations of the Government and strengthen and support the member bank while making liquid the currency system. Its working capital consists of its paid-in stock and deposits made with it by the Government and by the member banks and of the Treasury notes provided by this bill. These Treasury notes are issued by the Government and loaned to the reserve banks in this way: Whenever a reserve bank needs such currency it takes from its prime paper which it has discounted for member banks the kind of paper described in section 14 of the bill, to the amount desired, and applies to the reserve board through its own local Federal reserve agent for the currency, tendering such prime paper as collateral. If the application is granted by the reserve board, the currency is turned over to the bank through the reserve agent. Whenever the reserve bank pays out any of these notes it segregates and sets aside in its own vaults 33 1/3 per cent of the amount thereof in gold or lawful money for their redemption.

The bank is charged when it receives the notes such rate of interest as is fixed by the reserve board. It may use this currency in rediscounting paper of the member banks of the kind described in section 14 and member banks use it as currency just as present bank notes are used. These notes are not legal tender, but are receivable for all public dues, and the ample provisions for their redemption by the reserve banks or the Government on demand makes them as good as gold.

It is provided that the earnings of the reserve banks shall be, after payment of all necessary expenses and the interest paid to the United States on its deposits, divided thus—

First. A dividend of 5 per cent shall be paid on the paid-in capital stock.

Second. One-half of the remaining net earnings shall be paid into a surplus fund until the surplus equals 20 per cent of the paid-in capital stock.

Third. Of the entire remaining net earnings, 60 per cent shall be paid to the United States and 40 per cent to the member or stockholding banks in proportion to their average deposits with the bank. The bank is allowed to pay no interest on deposits except to the United States. The earnings of the United States from the reserve banks go to pay off our bonded debt.

Mr. Chairman, bankers have complained of the burdens placed on them by this law. It has been claimed that the stock subscription with only 5 per cent dividend allowed is a great burden, and that the advantages arising under this law would not inure to the benefit of country banks, because they would have no paper eligible to rediscount under the law. I desire to examine both of these claims. A bank having \$100,000 capital stock must subscribe for \$20,000 stock in the reserve bank of its district and pay in \$10,000, on which it may receive only \$500 as dividend. If the normal earnings of the bank were 10 per cent on its capital stock, it would seem that instead of earning \$10,000 per annum, as it would under the present law, it would only earn \$9,500, or 9 1/2 per cent, under this law; but let us look a little closer.

A bank with \$100,000 capital stock usually has a surplus and deposits, and its working capital now consists of its paid-in capital stock, its surplus, and 85 per cent of its deposits (when it keeps all its reserve in its own vaults or gets no interest on any of it). Now suppose the First National Bank of Smithville has \$100,000 capital stock, \$100,000 surplus, and \$200,000 deposits. The proposed law reduces the reserve requirement from 15 to 12 per cent, but counting the reserves as the same under the present and under the proposed law, a correct statement of the earnings of this bank under the two different laws would be as follows:

Under present law:	
Capital stock	\$100,000
Surplus	100,000
Deposits	200,000
Working capital	370,000
Under proposed law:	
Capital stock (less subscription)	90,000
Surplus	100,000
Deposits	200,000
Working capital	390,000

If this bank earns 8 per cent on its working capital, under the present law its earnings would be \$29,600, or 29.6 per cent on its capital. Under the proposed law its earnings would be \$29,300, or 29.3 per cent on its capital. If its earnings were 6 per cent on its working capital, under the present law it would earn \$22,200, or 22.2 per cent on its capital, while under the proposed law it would earn \$22,100, or 22.1 per cent on its capital stock. If its earnings were 5 per cent on its working capital then, under the present law it would earn \$18,500, or 18.5 per cent on its capital stock, while under the proposed law it would earn precisely the same. I submit these figures and hope to be shown my error, if there is any error in them, and I submit that the national banker who can not bear the burden shown has only a weak strain of patriotism if this system is well designed for the good of the country, save and except for this burden on the banks.

But, Mr. Chairman, the figures I have given are unfair to the proposed system. In the first place, I have made no allowance for the fact that under this bill the bank will be required to hold 3 per cent less reserve against its deposits than is required now, which would give this bank \$6,000 more working capital from its deposits under the new law than under the old. Furthermore, I have assumed that the bank would not earn anything from its deposits in the reserve bank, although I believe it will. This is offset in part by the fact that I have not taken account of the 9 per cent of their reserves which country banks now generally deposit with the reserve city banks and draw some interest on. I did not do so because I think that practice ought to be stopped, whether we pass this bill or not. It is the lure of a small gain that tempts the smaller banks, to their own hurt and to the country's hurt. Certainly it will not be contended that country banks will have less deposits or make fewer loans by reason of this law. On the contrary, I believe that with better discounting opportunities, less reserve requirements, and a justifiable feeling of greater safety under this law the banks can and will make greater loans.

I come now to the rediscount feature of the bill and the claim of some of our country banks that they are not to receive any benefits under that provision. I have read section 14 of the bill over and over again. I have listened to every discussion of it in Congress. In my own opinion and in the opinion of

the chairman and every member of the Banking and Currency Committee that section will come to the relief of every small bank in the United States if they desire to use it. I think bankers should acquaint themselves and their merchants and other customers with its terms and advise their customers how to arrange their credit paper for possibly utilizing its benefits.

Under this section, if a farmer trades with his merchant all during the spring for supplies while he is making his crop and gives his note, due October 1 or November 1, and the merchant wants money from his banker, he can indorse that note to his banker and get the money, and on the 1st day of August the banker can rediscount that note with the reserve bank of his district and get the cash on it; and thus the local bank can get in the crop-moving season practically the full sum of all the moneys he has advanced during the crop-making season, and with this new supply of cash he is ready again to help the farmer and all other classes needing ready money. The merchant's paper and industrial paper has the same standing as the farmer's. If the banker sees proper he may loan the money to the farmer in the first instance and have the note rediscounted by the reserve bank. The Federal reserve bank will always be able to rediscount such paper as described in section 14—that is, "Notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes"—and having a maturity of not more than 90 days, because if it has not sufficient funds on hand it may make application to the Government and secure the Treasury notes authorized by this law upon this kind of paper as collateral. I have said "having a maturity of not more than 90 days"; by that is meant that when the paper is rediscounted with a reserve bank it shall have not more than 90 days to run. When made it might have had 6 months or longer to run.

Of course, there are restrictions and safeguards in the law, but its terms are so broad and liberal that good short-term paper of the kind described will always be convertible by the banks into cash. Perhaps I ought to further discuss the details of the issue and circulation of the Federal reserve notes, but I can only take time to say a few words. There is no limit to them in amount except the discretion of the Government, but the Government has no interest in them except to provide for the necessities of commerce, industry, and agriculture. They are issued by the Government, but the Government does not pay them out on its own obligations. They are not issued by the banks, but they are issued only to the reserve banks and through them to the member banks, and through them to the people. They are the obligations of the Government in name and fact, but they have back of them and between the Government and any loss, first, the Government's absolute control of their issue; second, 100 per cent collateral, approved by the Government and indorsed by some member bank; third, the entire assets of the reserve bank to which they are issued, and, besides this, one-third of its amount in gold or lawful money of the United States is set apart for its redemption by the reserve bank whenever it is paid out by the reserve bank.

In conclusion, this banking system will give our farming community, our working people—the small man—everywhere an opportunity to make paper that can be rediscounted by the local bank with the reserve bank. By such rediscount the local bank can get further money in order to extend further credit. This system when put into operation will revolutionize the banking conditions of the country banking communities and of the great masses of our people. It is a grand conception, that, in my mind, will work out a grand fruition for the benefit of the whole country. It will break down the tyranny of the money power in the great centers, which grows every year more potent for evil. A new era will come to our people who have nestled down in their homes without any conception of the subtle influences, undermining the independent status and individualism of the average man. It will give them a new and, I trust, a right conception of the power and beneficence of our great Government. It is a measure that will help our people and take away no shred of their liberties. It is a measure that will help our banks, while it subjects them to the power of the Government and subordinates them to the welfare of all the people. I thank you, gentlemen. [Applause.]

Mr. HAYES. Mr. Chairman, I yield 40 minutes to the gentleman from Minnesota [Mr. SMITH].

Mr. SMITH of Minnesota. Mr. Chairman, the National Government is charged with the duty of furnishing a system of currency which will meet the needs of its people. This duty is not peculiar to our own form of government, but is recognized by all the great nations of the world. Neither is this duty a recent economic discovery, but it has been generally accepted since the establishment of the earliest governments.

The framers of the Constitution recognized the necessity of placing in the General Government the power to provide a suit-

able system governing the medium of exchange. Article I, section 8, of the Constitution provides:

The Congress shall have power—
To coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures.
To provide for the punishment of counterfeiting the securities and current coin of the United States.

After the lapse of 125 years, notwithstanding the Constitution in express terms makes it the imperative duty of Congress to provide a monetary system suitable and adequate to meet the country's needs, it is admitted on all sides that our banking and currency system is inadequate to meet the requirements of the present day.

It is in response to a general demand for a better system that the proposed banking and currency bill was introduced in this House.

COMMITTEE METHODS.

If this bill when ready for passage is, on the whole, an improvement over our present system, I shall vote for it, notwithstanding its many defects and notwithstanding the methods adopted by the majority members of the Banking and Currency Committee and of the House in excluding the minority members from the committee room and from this legislative Chamber when this bill was being considered.

A more dangerous and unwarranted method of legislation has never been perpetrated—this in the face of the fact that the country as a whole has demanded that this legislation should be nonpartisan.

There is an imperative demand for legislation—

(1) That will prevent the concentration of the money and credits of the country in one financial center, there to be used on the stock exchange for speculative and gambling purposes to the detriment and often to the complete destruction of legitimate business and in utter disregard of the rights of the public.

(2) That will provide an elastic currency which will expand and contract with the rising and falling tides of trade.

(3) That will make it impossible for any set of men, either through private corporations or political organizations, to control the money and credits of this country.

As to the first of these, it is obvious that so long as speculation in futures and options is permitted to continue in the manner it is at the present time this bill will not be a complete remedy. I am inclined to believe, however, that it will tend to decentralize the flow of money, and to that extent will be an improvement over the present system, providing that the Federal reserve board is properly constituted.

As to the second, I believe that if the law is fairly and equitably carried out by the Federal reserve board without favor or prejudice against any section of our country, we will have a currency that will expand and contract according to the demands of trade.

As to the third, I likewise am of the opinion that if the Federal reserve board is properly constituted this bill will make it impossible for any set of men, either through private corporations or political organizations, to control the money and credit of this country.

POLITICS IN RESERVE BOARD.

The bill provides that the Federal reserve board shall consist of seven members, including the Secretary of the Treasury, the Secretary of Agriculture, the Comptroller of the Currency, and four other members chosen by the President of the United States, by and with the consent of the Senate. Of the four non-Cabinet members thus appointed by the President, not more than two shall be of the same political party. One shall be designated by the President to serve for a term of two, one for four, one for six, and one for eight years, respectively, and thereafter each non-Cabinet member appointed shall serve for eight years unless sooner removed for cause by the President.

Thus it will be seen that the Federal reserve board provided for in this act consists of seven members, four of whom—that is, the majority—shall retire immediately upon each change of administration, their successors to be appointed by the incoming President. To make the control of the banking and currency system of this country the prize of every national election is to place in the hands of partisan politics a power for evil the magnitude of which is almost beyond comprehension.

Where the majority of the board know that unless their party wins in the election their tenure of office will be terminated on the following 4th day of March, is it not within the range of probability that the majority will seek to perpetuate themselves and their party in power by using to their own advantage and for political purposes the tremendous power placed in their hands by this act?

BOARD IDEA NOT OBJECTIONABLE.

I do not wish to be misunderstood. I stand unequivocally for a governmental nonpartisan Federal reserve board, to be

appointed by the President of the United States upon the passage of this act; but I believe that the tenure of office of the members should be so arranged that in the future no incoming President shall immediately have the appointing power of a majority of the board as is provided for by this act. The board should be a Government board, but it should not be a political machine. To place in the hands of a political machine the powers vested in this Federal reserve board is dangerous. The misuse or abuse of those powers by a political machine for self-perpetuation would be a calamity.

POWERS OF BOARD.

The powers enumerated on this exhibit are the specified powers expressly conferred on the Federal reserve board by this act. They are as follows:

1. To readjust Federal reserve districts created by the reserve bank organization committee.
2. To create new and additional districts to those created by the reserve bank organization committee.
3. To prescribe regulations for establishing branch offices of Federal reserve banks.
4. To designate the three directors of the Federal reserve bank specified in this act as class C.
5. To remove any director of class B in any Federal reserve bank.
6. To designate the chairman of the board of directors of Federal reserve bank.
7. To prescribe regulations for maintenance of local office of Federal reserve board on premises of Federal reserve bank.
8. To designate the Federal reserve agent.
9. To require and receive reports of Federal reserve agents.
10. To fix compensation of Federal reserve agents.
11. To review proceedings of boards of directors of Federal reserve banks fixing compensation of themselves.
12. To remove chairman of board of directors of Federal reserve bank at pleasure and without notice.
13. To prescribe rules and regulations for permitting State banks and trust companies to become members of Federal reserve bank.
14. To pass upon applications of State banks and trust companies to become members of Federal reserve bank.
15. To establish by-laws governing applications of State banks for membership.
16. To require surrender of stock of State banking association or trust company upon receipt from Federal reserve bank of cash-paid subscription.
17. To require Federal reserve bank upon notice to suspend State banking association or trust company and make payment to suspended member for its stock.
18. To levy semiannual assessments on Federal reserve banks for expenses.
19. To examine accounts, books, and affairs of each Federal reserve bank.
20. To require such statements and reports of Federal reserve banks as it may deem necessary.
21. To permit rediscount by Federal reserve banks of paper of other Federal reserve banks.
22. To compel Federal reserve banks to rediscount paper of other Federal reserve banks.
23. To suspend reserve requirements for not more than 30 days.
24. To renew suspensions of reserve requirements for periods of not more than 15 days.
25. To establish a graduated tax upon the amounts by which reserve requirements of act may be permitted to fall below level provided for in act.
26. To supervise and regulate the issue and retirement of Federal reserve notes and to prescribe the form and tenor of such notes.
27. To add to number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements of this act.
28. To reclassify existing reserve and central reserve cities and to designate the banks therein as country banks at its discretion.
29. To suspend officials of Federal reserve banks.
30. To remove officials of Federal reserve banks for incompetency, fraud, or deceit.
31. To require writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.
32. To suspend for cause relating to violation of any of the provisions of this act the operations of any Federal reserve bank.
33. To appoint a receiver for any Federal reserve bank for cause relating to violation of provisions of this act.
34. To determine or define the character of paper eligible for discount.
35. To fix the amount which cash reserve of Federal reserve bank must exceed outstanding demand liabilities to permit discount of paper for member banks.
36. To prescribe rules and regulations governing the purchase and sale in the open market by Federal reserve banks of bankers' bills and bills of exchange.
37. To review rates of discounts fixed by Federal reserve banks.
38. To grant or refuse applications of Federal reserve banks to open and maintain banking accounts in foreign countries and establish agencies there for the purpose of purchasing, selling, and collecting foreign bills of exchange.
39. To approve apportionment made by Secretary of Treasury of Government funds deposited in Federal reserve banks.
40. To charge interest on Government deposits at joint discretion of Federal reserve board and Secretary of Treasury.
41. To issue Federal reserve notes.
42. To call upon Federal reserve banks at any time for additional security for Federal reserve notes issued to them.
43. To assign letter or serial number to Federal reserve bank for notes issued to it.
44. To require in its discretion Federal reserve banks to maintain on deposit in the Treasury of the United States a sum in gold equal to 5 per cent of notes issued to them.
45. To grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes.
46. To establish rate of interest to be paid on Federal reserve notes.
47. To prescribe regulations governing substitution of collateral security for the protection of Federal reserve notes.

48. To make and promulgate from time to time regulations governing the transfer of funds at par among Federal reserve banks.

49. To exercise at its discretion the functions of a clearing house for Federal reserve banks.

50. To designate a Federal reserve bank to act as clearing house for Federal reserve banks.

Mr. KINDEL. Mr. Chairman, if I may be permitted to interrupt the gentleman, has not the gentleman got his trolley mixed? I think the gentleman is reading two numbers ahead, and I want to call attention to that.

Mr. SMITH of Minnesota. In this list of powers from which I am reading I have combined some of the powers which are stated separately in the exhibit. Hence the numbers do not correspond.

Mr. KINDEL. But the gentleman is reading the wrong number.

Mr. SMITH of Minnesota. I have just stated why the numbers do not correspond.

51. To require each Federal reserve bank to exercise functions of clearing house for its shareholding banks.

52. To prescribe period within which and regulations under which national bank notes remaining outstanding after 20 years from the passage of this act may be recalled and redeemed by national banking associations.

53. To require Federal reserve banks to maintain lawful reserve.

54. To appoint receivers for Federal reserve banks failing to maintain lawful reserve.

55. To require examination of affairs of national banking associations as often as it deems necessary.

56. To determine salaries to be received by bank examiners.

57. To assess expenses of bank examinations upon associations examined.

58. To require examinations of national banking associations in reserve cities.

59. To require examinations of Federal reserve banks.

60. To add to the list of cities from time to time in which national banks shall not be permitted to make loans secured upon real estate.

61. To exempt savings departments of national banking associations from any and every restriction upon classes or kinds of business governing national banks.

62. To prescribe rules and regulations governing savings departments of national banks.

63. To make and publish lists of securities, paper, bonds, and other forms of investment which savings departments of national banks shall be authorized to buy, it not being necessary that said lists be uniform throughout the United States.

64. To prescribe conditions and circumstances under which national banking associations capitalized at a million dollars or more may establish branches in foreign countries.

65. To approve or reject applications of national banks to establish foreign branches.

66. To perform the duties, functions, or services specified or implied in this act.

Mr. YOUNG of North Dakota. Mr. Chairman, I would like to ask the gentleman whether he has made any enumeration of the implied powers conferred by this proposed bill?

Mr. SMITH of Minnesota. I wish to say that no man living could make an enumeration of the implied powers of this act. That is a matter only to be determined as the occasion for its exercise may arise. The implied powers often exceed the specified powers.

Mr. GRAY. I would like to inquire if the gentleman has made a list of the powers exercised by the President of the United States and compared that in order to see whether—

Mr. SMITH of Minnesota. No; I have not. Did I understand the gentleman to ask whether I had made a list of the powers of the President of the United States to see whether these powers overlap the powers given to the Federal reserve board?

Mr. GRAY. In order to see where the greater power lies—whether the office of the President should be abolished because of so many powers—

Mr. SMITH of Minnesota. I want to say it does not take much time to arrive at a conclusion on that. If this board is constituted according to the present bill, new and additional powers will be conferred upon the President of the United States far exceeding any he now possesses.

Mr. BARTLETT. Mr. Chairman, may I ask the gentleman has he got something else to suggest in place of this?

Mr. SMITH of Minnesota. Yes. I shall suggest an amendment, and will call attention to it later on.

The unenumerated powers so modestly and unassumingly embraced within the authority given "to perform the duties, functions, or services specified or implied in this act" are the most important and far-reaching of all of its powers.

Under the provisions of this act relating to the issue of Federal reserve or Treasury notes is this express power:

The said board shall also have the right to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes.

George H. Shirley, chairman of the American Bureau of Political Research, in a memorial entitled "Stable money, new freedom, and safe banking" (S. Doc. No. 135), after felicitating upon the success of the Democratic Party at the last election, calls attention to the tremendous political power in the hands

of the first and second national banks of this country in President Jackson's day by terming it the "greatest power then in politics." What was the power of those banks at that time compared with the power of the proposed Federal board if used for political purposes?

PRESIDENT JACKSON'S VIEWS.

Let us see what President Jackson said about that power. In the report read by him to his Cabinet in September, 1833, after stating the facts showing the abuse of its powers by the national bank, he summarizes his conclusion in these words:

The bank is thus converted into a vast electioneering engine which means to embroil the country in deadly feuds and under cover of expenditures in themselves improper extend its corruption through all the ramifications of society.

In that same report President Jackson further says:

It is the desire of the President that the control of the banks and the currency shall, as far as possible, be entirely separated from the political power of the country as well as wrested from an institution which has already attempted to subject the Government to its will.

In his farewell address, delivered March 4, 1837, President Jackson said:

Recent events have proved that the paper-money system of this country may be used as an engine to undermine your free institutions, and that those who desire to engross all power in the hands of the few and to govern by corruption or force are aware of its power and prepared to employ it.

In that same farewell address, referring to the power of the national banks of his day, he continues:

In the hands of this formidable power thus perfectly organized was also placed unlimited dominion over the amount of the circulating medium, giving it the power to regulate the value of property and the fruits of labor in every quarter of the Union and to bestow prosperity or bring ruin upon any city or section of the country as might best comport with its own interest or policy.

How much more "formidable" is the power of the Federal reserve board provided for in this act "to regulate the value of property and the fruits of labor in every quarter of the Union and to bestow prosperity or bring ruin upon any city or section of the country as might best comport with its own interest or policy"? Should this "formidable" power be vested in a political machine?

Should the incentive be legislatively enacted to bring about the condition which President Jackson in that same address so vividly depicted in these words:

The ruthless and unsparing temper with which whole cities and communities were oppressed, individuals impoverished and ruined, and a scene of cheerful prosperity suddenly changed into one of gloom and despondency ought to be indelibly impressed on the memory of the people of the United States.

If such were the effects of the misuse of those powers in that day for political purposes, can you picture the effect of the abuse of those powers in this day for those same purposes?

This bill, by reason of the manner in which the Federal reserve board is appointed, involves the substitution of political control for control by banks. What I contend for is the substitution of nonpartisan, nonpolitical governmental control for control by the banks. The bill falls far short of the ideal governmental control. The great political power which President Jackson saw in the first and second national banks of his day was the power of mere pygmies compared to the gigantic power imposed in the Federal reserve board, and which by the proposed bill is made the prize of each national election.

OPPORTUNITIES FOR ABUSE OF POWERS.

The proposal in the present measure to place in the hands of a political board the control of 7,400 national banks and over 20,000 State banks and trust companies, having aggregate deposits of \$18,000,000,000, with the additional right to issue and distribute an unlimited amount of paper money to such sections of the country as a majority of the Federal reserve board may deem fit and to deny to other sections of the country the privilege of getting or using such paper money, invites opportunities for abuse of this power, the extent of which no man can foresee.

If a method or means can be evolved by which the Government can maintain the control and regulation of the banking and currency system, and at the same time prevent it from becoming a tool and instrument of political pressure and party expediency, it would be a decided improvement over the measure now before this House.

ILLUSTRATION OF POLITICAL INFLUENCE.

The great civil-service system, which is intended to displace the spoils system and to secure to employees of the Government immunity from removal without cause and advancement according to merit, is one of the most praiseworthy institutions we have, and political influence enters less there than in any other branch of the Government. But even promotions of civil-service employees are not always free from the effects of political influence.

This was brought strikingly to my attention the other day. A Senator from a southern State, standing high in the councils of the present administration, secured the promotion of a friend to a more lucrative position in the Government service in the State of Minnesota over the heads of two other employees in the same office by simply writing a letter to the head of one of the departments here having charge of the office.

While the matter is a petty one, it is one of the clearest and most flagrant violations of the spirit of the civil-service law that has come to my attention. If political influence can sway the conduct of men who are sworn to uphold the law in such minor matters, how much greater is the likelihood of its swaying them when matters of moment are at stake and when the continuation of their party in power is in jeopardy and their own tenure of office is at issue?

I am glad to see that the majority members of the committee have seen fit to amend the original bill by providing that of the four non-Cabinet members of the board to be appointed by the President not more than two shall be members of the same political party. This is a step in the right direction, but it by no means changes the board from a partisan political board to a nonpartisan governmental board.

APPLICATION OF CAUCUS METHODS TO FEDERAL RESERVE BOARD.

Let us take as an illustration what is taking place every day in this House. I am a member of the Banking and Currency Committee, which consists of 21 members, 14 belonging to the majority and 7 to the minority. I will ask you gentlemen on the other side of this House, What part have the 7 minority members been permitted to take and what opportunity has been given to them by the majority members to participate in framing this measure?

By the action of the majority members the minority members have been practically excluded from taking part in the consideration of this bill in the committee. That is just what will take place with respect to the minority members of your Federal reserve board. Four members—a majority—will rule. Indeed, it will take four; it will take only three, because they can adopt the same system that you are now adopting, and a majority of the four will control the action of the board just as a majority of your caucus controls the action of this House.

Mr. STANLEY. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Minnesota. Not at present. I will yield in a minute.

Gentlemen, it has been said on the floor of this House that it does not matter how this board is constituted, because we shall always have sitting in the White House a man who is so patriotic and so big that he will never make a mistake as to an appointment on this board. Gentlemen, I yield to no man in my appreciation of the high office of President of the United States, but I want to say to you that I do not think he has any greater respect for the rights of the American people than the House of Representatives has. I would just as soon trust the membership of this House on a matter of business or governmental policy as I would the President of the United States, no matter who he may be. I am not referring to the person. I say it requires just as great a respect for the rights of the American people and your oath of office to be a Member of this House as to be President of the United States. Are you willing to admit that the practices of this House are such that they will never be resorted to by the President of the United States?

Mr. STANLEY. Mr. Chairman, will the gentleman yield now for a question?

Mr. SMITH of Minnesota. Just when I finish this. Then I shall have a little time.

COMPULSORY REDISCOUNT POWER.

The two powers imposed in the Federal reserve board which are most far-reaching in their scope and most likely to be abused when reposed in a political machine are the power to compel Federal reserve banks to rediscount the paper of other Federal reserve banks and the power to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes.

In the original draft of this bill the first of these powers—the compulsory rediscount power, the power to compel a Federal reserve bank in one section of the country to loan its funds to a Federal reserve bank in another section of the country—was made to depend on the will of a bare majority of the Federal reserve board.

The majority members of the committee undoubtedly recognized the far-reaching effect of this power, for they so changed the provisions of the bill as to require the unanimous vote of all seven members of the Federal reserve board in order to invoke its exercise.

This was a great step in the right direction and lessened the probability of the misuse of this power for political purposes;

but, unfortunately, this bill had to go into the caucus, and when it came out the compulsory rediscount power was again placed where it could be easily invoked.

This feature of the bill has been so well analyzed by Hon. A. Piatt Andrew, formerly Assistant Secretary of the Treasury, that I shall take the liberty of quoting him.

Speaking of "the power given to this political board to compel one reserve bank to lend to another reserve bank without regard to the desires and opinions of its managers," he says:

Conservatively managed banks in one section of the country would thus be kept in constant danger of seeing their reserves reduced through an arbitrary order from the Federal board in order to support a weak situation elsewhere arising from imprudent and incautious banking, for which they were in no way responsible and which they have been in no position to prevent. Such concentration of banking power would be unwise under any conditions. It would be most unwise if located in a political committee. This would inevitably tend to sectional jealousy and dissension, to continual suspicion and partisan criticism, even if it did not lead, as it easily might, to actual abuse of power for political purposes.

ISSUE OF FEDERAL RESERVE NOTES.

The power which lies absolutely in the hands of the majority of the board to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes is the most important power which this board has vested in it, and would be the most dangerous in the hands of a political board, because such a board could decline to issue currency to a section of the country that was hostile to the party in power, and it could grant an unlimited amount to a section of the country that was friendly to the administration in power.

ELECTIONS AND CROP MOVING.

The unlimited power of the Federal reserve board to issue Treasury notes through Federal reserve banks encourages inflation of the currency in sections of the country which are in good standing with the administration then in power, and will result in contraction of the currency in sections of the country in disfavor with the administration.

For example, the great Northwest needs over a hundred million dollars each fall to move its crops, and this demand for money comes always shortly before election. Suppose the administration in power, having absolute control of the Federal reserve board, were inclined to take political advantage of the great power of the board, as did the national banks of President Jackson's day. It could either favor or discriminate against that section of the country by either granting or refusing, as it saw fit, the application of our Federal reserve banks for Treasury notes, thereby causing in case of refusal a scarcity of money, which would reenact the scenes depicted by President Jackson in his farewell address, which I have already quoted. Is not just such a condition as I have referred to the thing that in all human probability will happen where the board having such power is always controlled by the governing councils of the party in power?

AMENDMENTS SUGGESTED.

At the proper time I shall propose such amendments as are necessary looking toward the making of the Federal reserve board a governmental board and eliminating the political features embodied in the present bill. The Secretary of the Treasury should not only be a member of the Federal reserve board but should be the chairman of it. The Secretary of Agriculture and the Comptroller of the Currency should be eliminated from the board. The Secretary of Agriculture is one of the members of the President's official family, as is also the Secretary of the Treasury. The Comptroller of the Currency is a subordinate officer under the Secretary of the Treasury. It is obvious that the Secretary of the Treasury will adequately represent the President's Cabinet as well as his own office without requiring the membership of any other Cabinet officer or of any subordinate in his own office. The only conceivable purpose for having all three of such officers on the Federal reserve board is to give each incoming administration those three appointments immediately, which, with the immediate appointment of one of the four non-Cabinet members of the board, insures political control, yielding to the beck and call of the administration in power. This is bound to be its effect and is its manifest purpose.

The Federal reserve board should consist of the Secretary of the Treasury and either four or six non-Cabinet members, to be appointed by the President for terms expiring at such times that no incoming administration will have in its power at its inception the appointment of a majority of the members of the Federal reserve board, so as to make the control of that board the prize contended for at each national election.

If such an amendment is adopted it will, to my mind, eliminate politics, so far as it can be eliminated, and at the same time keep the control of our money system where it belongs—in the hands of the Government.

Gentlemen, I call your attention to this exhibit; and I wish to say to Democrats, Progressives, and Republicans alike that you can not see all that that exhibit represents from any one point of view. Neither can anybody see and know from one point of view all that is to be known and all that should be known in order to enact a banking and currency bill to meet the needs of 100,000,000 people. You should have the combined intelligence of all parties in order to enact such legislation, and even then you will probably fall far short of having an ideal bill.

You can readily see from this exhibit that each incoming administration will immediately have to appoint the Secretary of the Treasury, the Secretary of Agriculture, the Comptroller of the Currency, and one non-Cabinet member of the board. Gentlemen said here yesterday that the Interstate Commerce Commission was comparable to this board in its make-up. Why, gentlemen, let me put the proposition to you: Are you willing now to change the method of the appointment of the members of the Interstate Commerce Commission and have each incoming administration appoint a majority of them? Are you willing to do that? Are you willing to change the method of appointing the judges of the Supreme Court and let each President that comes into office appoint a majority of that court? Whoever heard of such a proposition earnestly and honestly considered?

I am satisfied that the majority of this House believe that the Federal reserve board, as constituted in this measure, is wrong in principle. It is wrong from every angle. [Applause on the Republican side.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. HAYES. I yield 30 minutes to the gentleman from Ohio [Mr. FESS].

Mr. FESS. Mr. Chairman, when this special session of Congress was called, I knew that probably there would be at least two questions discussed, one the reform of the tariff and the other a change in the currency system, and being a sort of a student of these questions before I came here, I was naturally interested in a further discussion or investigation that would enable a Member on the floor of this House to vote intelligently upon some plan proposed on both of them. And when we got through with the tariff question I took up the study of the currency question anew. As a teacher of political economy for years, I had some sort of familiarity with the currency question. I do not agree with the distinguished chairman of this committee [Mr. GLASS] that there is uniformity of opinion upon this subject. On the other hand, he must recognize that there is no subject that has a greater latitude of opinion than the subject of the currency.

Mr. BARTLETT. And variance.

Mr. FESS. And variance. I prepared an elaborate address, which is written here and upon the table, but I have listened to the remarks of the various Members on this floor, and I find that they have covered almost every conceivable phase of the question, and it seems to me it would be utterly foolish for me at this time to arise to speak as I had prepared myself to speak, when I would be repeating so many things that have been said on both sides of the Chamber. Not caring specially to listen to myself talk, I am going to throw my manuscript away, pay no attention to it, and pay some attention to some of the features of the bill that I wish might be modified, so that we could vote for it.

Ever since I read Mr. Blaine's Twenty Years in Congress—years ago—in which he stated that our national banking system was based upon a Federal or national debt, and in that degree was weak and that it ought to be changed, I have thought about Congress sometime making the needed change. And yet, when President after President has called attention to the need, and when party after party have put it in their platforms, we have come here as a Congress and we find submitted to us this plan without the time for deliberation that we had hoped would be given to everybody, and we are asked to vote for it. I frankly confess to the Democratic Members that I shall be greatly disappointed if I can not vote for the measure, but I am afraid I can not, because there are three features in it that I think are serious. I am not going to take one minute of the time to speak of the strong points in the bill, for they are many. The bill seems to me to be quite comprehensive. But when you estimate the strength of a chain it is not necessary to see how strong the strong links are or how many are the strong links. You must estimate a law the same as you would estimate the strength of a chain, and if there is a weak link in the law that law can not be stronger than the weakest link.

Now, what are the weak features of this bill—not to take the time to discuss the strong ones, for nobody could discuss

them more elegantly, eloquently, persuasively, conclusively, and convincingly than they have been discussed by the chairman of this committee [Mr. GLASS] and my good friend the young Member from Cleveland [Mr. BULKLEY], for whose judgment as expressed upon this floor I have the highest regard?

I will not take a moment of time to speak of that side of it. But there are three features in this bill that are serious, and the first one is the fact that it is placed in politics. And of all the questions that ought to be kept out of politics, the currency question ought to be kept out. Somebody has said that the business of the country is like the business end of a wasp. You must not fool with it or you will get hurt. So it is with the currency question. You can not tamper with the currency question and place it in politics, which is to assure its being left in politics, without disturbing the business of the country. You make this a political bill, gentlemen. You bring it here as a partisan measure. You compel men to vote against it who would like to vote for it, placing certain partisan features in it that make you surrender your own views; and when you put it in that way you have the strongest assurance that that measure will come up in a succeeding Congress, for who can find anything so uncertain as the successive Congresses in this country. One party is on top to-day and another party is on top to-morrow, and what was done to-day as a partisan measure will be undone to-morrow for the same reason.

Why is it that we can not keep this question out of politics? You place it there, first, by creating a partisan board, and you fail to discriminate between the Government operating the banks and controlling the business of the banks. I will vote for any measure that is for Government control of the banking business. That is why I do not favor the Aldrich plan. It did not give the Government sufficient control, and it gave almost all of the power to the banking interests. Therefore it is faulty.

What does this plan do? Instead of putting the operation, the administration, the initiation on the part of the men whose money is used, whose property is used, and giving the operation to these men, under the plea of effective control of the Government you have used the control to extend it to the point of operation and have put the Government in the banking business. That is a thing we do not want to do.

The chairman of the committee said the Government was not in the banking business. Other men say the Government is not put in the banking business by this bill. I disagree. The Government is specifically put in the banking business. You make the Government the operating agent instead of the controlling agent, and what we want is the whole business to be operated by the owners under the most rigid control of the Government, the same as the railroads are operated by the owners of the railroads under the most rigid supervision of the Interstate Commerce Commission speaking for the Government. This is the thing we want. This bill does not give it. This bill supersedes the banking interests by the arm of the Government in making the Government the operating agent.

Somebody says that is not true. Gentlemen, if it is not true, point out why it is not true. I say it is true, and I want to point out why it is true. There are seven members to be appointed on the board, five of whom will be appointed by the same President, even after the present incumbent ceases to act. Out of the five members only one must not belong to the same political party that the others belong to. There at the start is your politics; that is the partisan phase of the matter. Look at the powers given to the board. Why should I take your time to enumerate them now, since they have been so many times enumerated? Take your textbook that accompanies this bill. There are 42 items in the textbook enumerating the powers of the Federal board. Then there is one item that covers all without enumeration of a single one, and that is the last one.

What is that? The board shall have such duties and services as may be expressed or implied in this act. What act? Why, this act. Not that clause, but this act, this bill—such power as may be expressed or implied. Gentlemen, what item of control is omitted in that implication? It covers the whole. The board does not operate directly only, but indirectly as well.

In the first place the board appoints three men of the local directory of each Federal reserve bank. One is to be chairman of this Federal directory. The same man is to be Federal agent. He is to speak as a representative of the Federal board. With them will sit two other men that are appointed by this Federal board, and then there are three more, subject to the Federal board. Hear me, you who believe in fair play. Three more appointed, by whom? Selected by the stockholders and then subject to removal by the Federal board.

Let me say to you that you do not end authority by the elective power in a body. In other words, the elective body does not necessarily imply all authority in the electors. Power to

control is power to remove, rather than power to elect. You have the same thing by removal that you would have by election, if not more. The power in the Federal board to remove three of the local directorate of the reserve banks, without stating the cause, places the local directorates of each reserve bank in the hands of the Federal board. So the board operates both directly and indirectly, and if you can conceive of a greater power than that I do not know what it can be. That is the thing I am afraid of.

Why, a man believing in the bill said to me, "But you need not fear that because the Federal board would not remove these three except for cause, and that cause stated, which is that they must represent an agricultural, commercial, and industrial interest, and if they do not represent these interests they will be removed." I do not want to speak, as would appear, for party reasons, for I hope that I can prove to this body that I will allow nobody to dictate to me as to how I shall vote on any question on this floor. This is what I ask you, my Democratic friend, to think of when I speak about this particular power. The power of this board being first direct and then indirect, what is likely to be its trend, as judged from what we have heard upon this floor recently of the charges that have been made from the Democratic side of the House in the discussion of the tariff question? What do I mean? I mean that every single time that any one of us has risen to speak on the subject of protection that we have had hurled back at us, "Oh, you are the representatives of the interests of this country and we are the representatives of the people of this country." I have heard coming from these men, for whom I have the highest personal regard, the constant charge that if I vote against the Underwood bill then I vote to represent the interests of the country—that I do not stand for the people of the country. What is to hinder a Federal board under the President, appointed by him, to indicate to the three local directors that they stand for a certain interest or they do not stand for a certain interest? Where is the appeal? There is no appeal. Of course, they can be reelected, but the power to elect is nugatory when the power to remove is in another power above the one to elect.

Mr. GRAY. Will the gentleman yield?

Mr. FESS. Yes.

Mr. GRAY. I want to inquire of the gentleman, which does he regard as sacred, the rights of property or the rights of persons?

Mr. FESS. Mr. Chairman, the question is in keeping with other interruptions that have been made upon the money question or the tariff question. Now, certain men would not ask that question, Mr. GRAY. [Laughter.]

Mr. GRAY. Does the gentleman refuse to answer that question?

Mr. FESS. Why, I would refuse to be interrupted because my answer would leave the gentleman where he is now.

The CHAIRMAN. The gentleman refuses.

Mr. BARTLETT. Will the gentleman permit me to ask him a question?

Mr. FESS. I will.

Mr. BARTLETT. I am very much interested in the gentleman's argument, and I want to call his attention to paragraph "(f)," on page 23:

(f) To suspend the officials of Federal reserve banks and, for cause stated in writing with opportunity of hearing, require the removal of said officials for incompetency, dereliction of duty, fraud, or deceit, such removal to be subject to approval by the President of the United States.

Now, I agree with the gentleman in that—

Mr. GRAY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. GRAY. Is it proper to interrupt a person to whom a gentleman has just yielded? Is it proper for a gentleman to yield to an old Member when he will not yield to a new one?

Mr. BARTLETT. That is not a parliamentary inquiry.

The CHAIRMAN. That is not a parliamentary inquiry. It is entirely discretionary with the speaker as to whom he shall yield.

Mr. FESS. I yield to the gentleman from Georgia because he asked a question that is pertinent; the other gentleman did not. [Applause.]

Mr. BARTLETT. I only wanted to ask the gentleman what further restrictions or safeguards would he suggest to guard against removals other than those embraced in this paragraph "(f)" of section 23?

Mr. FESS. I think, Mr. Chairman, the answer is, whenever the final power of appointment is lodged in the President to appoint a board, and that board so appointed is to appoint a local directorate with the power to remove the directorate or a part of it not appointed by that board, but elected by persons not holden to the board, the same power that originally ap-

pointed the men would refuse to retain them if retaining them would interfere with the measures or plan of the administration. In other words, if for partisan reasons the local directorate is removed by the Federal board, for the same party reasons the President who appointed the Federal board would listen to what the Federal board would recommend.

Mr. BARTLETT. They might do it.

Mr. FESS. I think they would do it. I am afraid they would.

Mr. BARTLETT. There is a man now in the White House who will not do that sort of thing even for his party friends.

Mr. HELGESEN. Is he there for life, though?

Mr. FESS. I will allow no man on the Democratic side of the House to go beyond me in his admiration for the personal qualities of the man in the White House. Here we have an opportunity to judge the very sincerity of the man in the White House as to the use of his power. But this very sincerity is the most dangerous thing about it, and the gentleman knows it. Were the President less sincere in his insistence upon early legislation of specific character, it would not matter.

Mr. TEMPLE. Is it not true that the gentleman who asked that question voted for that paragraph on page 22 which gives to the Federal reserve board the power to suspend the officials of the Federal bank?

Mr. FESS. Yes; and not the local directors.

Mr. BARTLETT. The gentleman has not voted yet.

Mr. FESS. Mr. Chairman, there are two other points that I wanted to reach, and I am afraid I shall not have time to reach them. I am not speaking here in the hope that I can convince the gentlemen on the Democratic side who favor this measure, but I do hope that friends on that side will give respectful attention to the things that I think are serious. If you can convince me, I will vote with you on the bill; otherwise not.

Now, on this point I would like to have the arguments of these men—

Mr. WILLIS. Mr. Chairman, will the gentleman yield there?

The CHAIRMAN (Mr. WILSON of Florida). Does the gentleman yield?

Mr. FESS. I yield.

Mr. WILLIS. Before my colleague leaves that portion of his argument I would like to know what his opinion is with reference to the probable political effect of this language, which I read from line 21 to line 24 of page 8, where the bill is undertaking to define the powers of the Federal reserve agent. Then it goes on to say, speaking of the Federal reserve agent:

He shall receive an annual compensation to be fixed by the Federal reserve board and paid monthly by the Federal reserve bank to which he is designated.

What does the gentleman think would be the probable political effect of such a provision in the law?

Mr. FESS. It would have this effect: It would subject the local control, through a local directorate as expressed through its chairman, over the Federal bank, by putting at the head of that local directorate an appointive head whose position as the Federal agent representing the Federal board in the local directorate and in turn acting as the mouthpiece of the Federal board, to do their bidding. It puts him absolutely under the control of the central authority, which the Democrats have always been afraid of. It is another attempt to use the appointive power to secure its purposes.

Mr. WILLIS. His salary is to be fixed by the Federal reserve board?

Mr. FESS. Certainly. That is modern Democratic doctrine.

Mr. WILLIS. Now I want to ask the gentleman another question. Does he know of any other instance in which the Congress has proposed to abrogate its authority to fix salaries than in the section just read?

Mr. FESS. I do not.

Mr. BARTLETT. If the gentleman will permit me, there are a number of cases.

The CHAIRMAN. Does the gentleman yield?

Mr. FESS. I will yield to the gentleman.

Mr. BARTLETT. Take the provision authorizing the physical valuation of railroads. Then there are many others besides.

Mr. LANGLEY. Do they not always fix a maximum and a minimum, beyond which they can not go?

Mr. BARTLETT. No.

Mr. FESS. The gentlemen who framed this bill, investing this dangerous authority in the general board, have ignored the instructions of Gen. Jackson. May I, for the sake of my Democratic friends and in the interest of consistency, read this extract from Jackson's message September 18, 1833:

To give the President the control over the currency and the power over individuals now possessed by the bank of the United States, even

with the material difference that he is responsible to the people, would be as objectionable and as dangerous as to leave it where it is. Neither one nor the other is necessary and ought not to be resorted to.

That is the utterance of Gen. Jackson. Then I want also to refresh the memory of my Democratic brethren by referring to certain things that were said by Thomas H. Benton. I may say with respect to the great representation on this floor by the State of Missouri that it is one of the strongest delegations on the floor, and, with great respect for the presiding officer of this House, I may say Missouri never had a more powerful leader at either end of this Capitol than Thomas H. Benton. You will remember that Thomas H. Benton was the man who stood in favor of Andrew Jackson when the great coalition of John C. Calhoun, Daniel Webster, and Henry Clay battled against him. Finally the influence of those three men put upon the Journal of the Senate a resolution of censure against Andrew Jackson. Thomas H. Benton, after being defeated in his powerful defense of his chief, Gen. Jackson, stood in his place and announced, "At the beginning of every session of Congress I shall renew my efforts to remove that censure"; and he did it after four years and had it expunged in 1837.

Now, listen to what Thomas H. Benton says on this same question:

First, he indicts it for the keeping of the public moneys, which amounted to \$26,000,000.

Query: What would he have said of a proposition to have the custody of a billion dollars?

Second, the notes are receivable for all Government obligations.

Compare that with the Glass bill. It is the same thing.

Third, the bank has the name of the United States and the Government is a party.

The Federal notes are also to bear the name of the United States.

Fourth, it can discriminate against other notes, and so on.

Compare this provision with the proposed bill.

Now this introduces the question that I should like to have my Democratic brethren think of, the note-issue question. You speak of it in connection with the national-bank issue. The note issue, as provided in this bill, is not a national-bank issue. The note issue in this bill provides that the Government is the primary obligor, and the Government must be the redeemer, while the national-bank note is an obligation not of the Government, but an obligation of the issuing bank, bearing its own name. Of course, while the Government will redeem that note if the bank fails, the Government redeems the note with the property of the bank and not with the property of the Government, and that is the difference.

Why did you put that provision in there that the notes are to be the obligations of the Government, to be issued without limit, and mark you, redeemable in gold or lawful money on demand? Do you mean to maintain the gold standard? In certain sections you answer yes. In certain other sections you answer no. To certain men you say yes; to certain other men you say no, and you are absolutely right. Do you know—of course you do—that the phrase "lawful money" opens up the question of 1896, with all the vigor of that fateful year. For what was it that gave rise to that tremendous enthusiasm in 1896 that carried Mr. Bryan on the top wave of political popularity in the country? I speak of him with great respect, understand, with no criticism other than in this particular. What was it that gave the opportunity? Why, it was the Sherman note and two words in it. Those two words are "in coin." The obligation is exactly word for word the same as the obligation of the United States note or greenback with the exception of the two words "in coin."

If you read a greenback obligation it says, "The United States will pay to the bearer ——— dollars," and stops there; but the Sherman note said, "The United States will pay to the bearer ——— dollars in coin," and the whole excitement of the silver campaign in 1896 grew out of the policy of the Government as to the interpretation of the meaning of the phrase "in coin." If you say that "in coin" means that you can pay in silver the same as in gold, which, of course, was the legal right of the Government, and if when the holder of a Sherman note presents it to the Treasury to claim redemption in gold because it says in coin and the Treasury refuses him gold, because we have not the gold, or for any other reason, and offers silver or other lawful money instead, what becomes of your gold standard? When I demand the gold and my Government says it will not give me the gold, but pays me with silver or other lawful money, that minute the Government discriminates against silver in favor of gold, and thus silver loses the protection of the Government and rests upon itself and you are on a silver basis. [Applause on the Republican side.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. HAYES. I yield to the gentleman 10 minutes. [Applause.]

Mr. FESS. Mr. Chairman, I greatly appreciate the kindness of the leader on the Republican side and the courtesy of the Democratic Members of the House. I was saying that lawful money, which is one of the redemptions of these notes, is first gold, with which may be included gold certificates, because they stand for the same, and silver, because the law of March 14, 1900, declared that there is no change in the original silver law which made silver a legal tender. Silver and greenbacks are lawful money. In other words, under the laws up to this present bill the Government has assumed the obligation of making a silver dollar worth about 50 cents in bullion and a greenback worth nothing on its face save the Government's credit, equal to gold, by obligating itself to pay out gold if necessary to preserve the current value.

This provision of the law will allow the banks to take these Federal notes and demand gold for them, and the Government has the power under this provision for lawful money to refuse to give gold and force upon the banks silver or greenbacks, for both are lawful money. If the Government will thus act, then you have the same question again of 1896. If the Government will not thus refuse gold, it does not mean so much. But the power is there to do it, if the Government so chooses, as it was in 1896.

Now, if you mean to maintain the gold standard and make it the redemption money in this bill, just observe what you are doing. Look at the burden which is put upon gold. First we have \$346,681,000 in greenbacks, with \$100,000,000 in reserve to keep them at par. This reserve fund, under law, must not be entrenched upon, even at the cost of issuing bonds. We have over \$2,000,000 of Sherman notes out of the \$156,000,000 of original issue, and we keep \$50,000,000 of gold in the Treasury to maintain them at par. Then we have over \$1,000,000,000 of gold certificates out in the country, and the gold funds must be kept without infringement to maintain the redemption of these certificates if the holders should call for them.

Then listen. We have in silver certificates and silver dollars nearly \$700,000,000, all of which since 1900 must be redeemed in gold. At least the Government is compelled to keep them at a parity. Add to the greenbacks, to the Treasury notes, to the gold certificates, to the silver certificates, to the silver dollars an unlimited amount of United States notes—Federal notes—provided in this bill, and where will you get the gold to redeem all of that? That is the question. What provision are you making for the gold?

Listen, men. Instead of your providing for an increase of gold you are keeping the gold supply out of this country by a provision in this bill. You say the Treasury note shall be receivable for customs, and customs have always been paid from the beginning in gold in order to supply our gold needed for redemption. Where on earth will you get the gold? You can not pick it off the trees; it can not be found that way. We collect it through the revenue officers in the customhouses of the country; but here, instead of doing with these notes what you did with the greenbacks, what you have done with the national-bank notes, what you really do with the certificates, both gold and silver, you make them acceptable for the payment of customs, whereby every note that you receive in payment of customs will deplete the gold to that degree. While you are providing for an increased demand for gold, if you mean to preserve it as a standard, you are cutting off the real source of its supply.

Mr. BARTLETT. Will the gentleman yield?

Mr. FESS. I will yield to the gentleman from Georgia.

Mr. BARTLETT. It is true that the national-bank note and the silver certificates can be received now for customs.

Mr. FESS. The national-bank note can not. I would not say as to the silver certificate, but am inclined to think not.

Mr. BARTLETT. They pay customs duties now in checks by a recent law.

Mr. FESS. The checks are redeemable in money which ultimately is gold.

Now, here is another question that I want to ask the Democratic Members. They will not agree with me in this, but I think it is worth while to think about it. Your tariff measure is professing to collect from imports into the country a large sum of money, and by your competitive system you promise a large increase of importations. If through the Underwood bill you increase the importations to this country to the point, which you might reach, of turning the trade balances against us instead of for us, so that we will be buying more goods from Europe than we are selling, then the balance will have to be settled in gold, the money of international exchange. If you reach that point, this country will be drained of its gold. Between the two bills, the tariff measure, which provides for

an increased importation, and the currency bill, which provides for receiving notes instead of gold for customs duties, between these two plans you are increasing the demand for gold and reducing the supply at both ends. Of course if, as I sincerely fear you are, you are planning to abandon the gold standard, it does not matter so much in either case.

Mr. PLATT. Could not the Government sell bonds as it did under the presidency of Grover Cleveland to obtain gold?

Mr. FESS. I do not believe in doing that unless it is necessary, and in this case it is plainly unnecessary. I defend President Cleveland in doing it when it was necessary to maintain the gold standard or to secure necessary money to care for the Government. I think it would have been wiser not to have made it necessary, though. What the Wilson bill of 1894 did the Underwood bill of 1913 may do. [Laughter.] There is another feature of the bill that is pretty serious to me. I want to say to my Democratic friends that I would like to vote for a currency measure. I wish to vote to assure my independence on this floor, but I want a measure that does not seem dangerous. Your bill has certain points that do seem dangerous to me. Now, what can I say about the one feature you have been so favorably and enthusiastically indorsing—the Federal reserve provision? You may be right there. It does not seem to me that you are. It is at least worth while to ask a few questions. Your point is to refuse to allow the money in the bank of my town of Xenia, Ohio, to go to New York, where it has been going; you want it to go to Cincinnati. You say that it ought to go to Cincinnati first, so it will not be out of the reach of Xenia, and, secondly, to develop Cincinnati. Now, why does it go to New York—or why does it not go to Cincinnati? Not because of some legal enactment of some legislature, but because it has opportunity to be employed in New York. Why does it not stay in Xenia? Because it is idle, much of it, much of the year. What good does money do in a bank if it is idle? Nothing. How does it in any way help the banker? Not at all. How does it help the country? It does not help it at all. What ought to be done is, the money ought to be allowed to seek the safest, the sanest, and the most profitable investment. Where would it go? To the centers. Why are you crying out against New York? Why do not you cry out against the growth of Detroit or Cleveland or St. Louis or Pittsburgh? Why is New York growing? Why is Pittsburgh growing? It is growing because all great movements in the city which need financing attracts money for the purpose. The \$2,000,000,000 to be demanded in the near future for electric utilities is a good example. The subway, next to the Panama Canal, the greatest feat of engineering in the world, is another good example. The money that is used and the work that is done are wonderful. Now, friends, you say we would not prevent its going to New York if it goes into these enterprises, but say you it goes into the gambling of stocks and we are going to prevent it. How do you know when you forbid the reserves going into gambling that your decrees are obeyed? How do you know where it goes when it leaves your hands?

The CHAIRMAN. The time of the gentleman has expired?

Mr. HAYES. Does the gentleman desire more time?

Mr. FESS. I would like to have a little more.

Mr. HAYES. I yield 10 minutes additional to the gentleman from Ohio. [Applause.]

Mr. FESS. I thank you, sir. I am glad to have that time, because this is one of the points of interest in the bill, and I want light from the men who know the bill, and I want to know whether I am wrong in this statement here. My position is this: You must not punish the innocent in the name of the guilty. If you want to punish the Stock Exchange of New York, get after them, if you have the power to do it from this floor, or let New York, which is the real power that ought to handle that question, take hold of it and solve it; but do not cripple the bank in my town in order to hit the evil in New York. That is punishing the innocent person in order to get at the guilty person. [Applause on the Republican side.] When you say money is going to New York out of these districts it is because New York demands it and New York has use for it. If it does not go to Cincinnati, it is because Cincinnati is not so active as New York and does not pay as good interest as New York, and would not take as short loans as New York, and would not therefore make use of the reserves as well as New York. A sane banking system must stand for the creation of a sound credit and then laws should be framed to maintain that sound credit in order that needed confidence in both the banks and the operators may be conserved.

Mr. SWITZER. I desire to call the attention of the gentleman as to whether or not the provision in this bill that obligations of the Government shall be payable both in gold or lawful money are not inconsistent with the provisions of the

act of 1890, which requires the money to be kept at a parity with the United States notes and Treasury notes to be paid in gold?

Mr. FESS. Does the gentleman refer to the act of July, 1890? Mr. SWITZER. Yes.

Mr. FESS. There were two laws, you know; that of July, 1890, which was known as the Sherman law and repealed in special session in 1893, and the law of March, 1900, which made gold the legal standard.

Mr. SWITZER. Are they not inconsistent when this bill provides that a Government obligation in the shape of money shall be paid "in gold and lawful money" instead of in gold?

Mr. FESS. To that, Mr. Chairman, I would say simply this, that the law of 1890 made possible the agitation over the standard.

Mr. HAYES. Mr. Chairman, I think the gentleman refers to the law of 1900.

Mr. SWITZER. Yes; the law of 1900.

Mr. FESS. The law of 1890 is what was called the Sherman Act, under which \$156,000,000 Treasury notes were issued.

Mr. SWITZER. I want to know what the gentleman's opinion is.

Mr. FESS. My opinion on that is that the law of March 14, 1900, was simply to establish by law what had already been established by custom since 1890, namely, the maintenance of the gold standard. This bill, if it becomes a law, will change that, as it provides money other than gold for the redemption of these notes.

Mr. SWITZER. Does it not change the law?

Mr. FESS. The feature of the bill touching the note issue would be inconsistent with the law of 1900 establishing the gold standard.

Mr. SWITZER. Does not the repealing section of this bill repeal the act of 1900?

Mr. FESS. In effect it does, though not in terms.

Mr. SWITZER. Then, in that event, Mr. Bryan would get in this bill what he did not get in 1896, would he not?

Mr. FESS. That is precisely what I said. Yes. In 1896 Mr. Bryan said the Government ought to exercise its option and discretion as to what a note should be paid in. This bill does exactly the same thing. That is what I tried to say a while ago. In my opinion the legal effect of this bill as written without amendment of the clause allowing other than gold to redeem these notes is inconsistent with the law of 1900, and in effect repeals the gold standard; that is, it gives the Secretary of the Treasury plenary power to refuse gold payment and force the holder to take silver, and thus place us on a silver basis.

Now I want to get back to these reserves. It seems to me when you are undertaking to prevent the money from going to the money center you are trying to do what is impossible, and I want my Democratic friends to hear this: When I spoke to one of the keenest students of finance in this country, a Democrat who is backing this law in influence, I said to him, "How can you, by law of Congress, prevent money going from my State into New York to be employed there in business?" What do you think he said to me? He said, "It will not do it. The best thing this law will do will be to disclose the hypocrisy of people who say they think it will." That is what he said to me, and he was right. You can not make water run uphill by declaring by an act of this Congress that it must. [Applause on the Republican side.]

You can not take a chip and, by the authority of the Government, stamp it a biscuit, and thereby make it a biscuit. You can not take a meal ticket and convince a hungry boy that the meal ticket is the meal, even though the Government said it was. [Laughter on the Republican side.] That is impossible. It makes no difference if the Government does say so. This Government can not say that money in my hands or in bank in my State can not and dare not leave my State. If it should say so its decree would not be observed unless that decree was in accordance with natural law. Neither can it say where it shall go. If money can be profitably employed in New York it ought to be allowed to go there, if there is better employment there for it than in Ohio, even if Cincinnati wanted it.

I understand the contention here. My friends from the far West will want a Federal reserve bank and they will probably vote for this bill, because their people think the bill will give it to them. The same can be said of the South, also of the Northwest. You can have a Federal bank in Maine, but that does not insure the profitable employment of money in business in that section, because that does not come by law or by decree. You have to observe the laws of trade, and if you undertake to counteract them, you might retard them, but you can not prevent them.

Therefore I say to you that this provision as to the Federal reserve is not what you think it will be, and I do not believe it should be put into law unless you can be assured that it can be made operative.

I would not be so unkind as to say in this magnificent presence of friends and thinkers that you are doing anything of that kind for the sake of favor at home, but it sounds a mighty sight like a good campaign proposition and a good campaign propaganda. [Laughter on the Republican side.] It sounds awfully like that, and yet I will withdraw that statement, because I may be wrong. But nevertheless this is true: This House, together with the Senate, can not counteract the laws of trade, and if New York is the center of growth, it is not because of law in this House, but it is because of the laws of trade. What are you going to do about it?

Mr. STEPHENS of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. FESS. Certainly.

Mr. STEPHENS of Nebraska. The gentleman does not mean to say that by statute we can not prevent the legal reserves of the banks from going to New York, does he?

Mr. FESS. No, I do not mean that. I mean that whatever bank has legal reserves, it will have other money. And when you follow that legal reserve, are you sure that the money you put in there is the same money?

Mr. STEPHENS of Nebraska. This bill does not prevent your bank from sending other money than its legal reserve to New York.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. HAYES. I yield one minute more to the gentleman from Ohio.

Mr. FESS. I want to say before I sit down that I do not share in the criticism that the bill has been prepared without thought. In my opinion the bill represents the keenest thinking of some of the keenest scholars on the subject. I am, however, somewhat distressed that it was made a partisan measure as it was. I wish it had been an open affair, where we could feel sure of safety in the multitude of council.

I want to congratulate the committee on the sort of bill they have brought in, but wish that some modifications might be made so that the rest of us could support it. [Applause on the Republican side.]

Mr. BULKLEY. I yield to the gentleman from Missouri [Mr. LLOYD].

[Mr. LLOYD addressed the committee. See Appendix.]

Mr. BULKLEY. I yield to the gentleman from Kansas [Mr. DOOLITTLE].

Mr. DOOLITTLE. Mr. Chairman, I have listened with some interest to the attacks of the opponents of this bill, and the more I listened the more certain I became that their diaphanous debate—and I think that well expresses it with only the requirement of casual thought and glance—is in reality a search for something in the bill to complain of and howl about. The opponents of the bill know it is a masterful piece of constructive legislation, destined to work wonders of good to all classes of the American people; and these opponents on the floor of this House will yet see, I venture to say, that their various and ridiculous positions are untenable, and that they will, to a large extent, vote for the bill regardless of party when the final roll is called. It is marvelous the discord displayed by those who think, or, rather, pose as thinking, for political effect, they are against the bill. We hear some gentlemen shouting at the top of their voices that the bill is class legislation in favor of the West, and against that we have others stating that the bill is all for the good of Wall Street, while a leader of a minority party on the floor calls it a make-believe device devoid of what he considers real worth. And with it all none of them offer anything that even they consider better.

No one has said this or any other bill is perfect; but it is as near perfect as the Democratic membership or any other membership of this House can make it. The bill is radical but rational. Their debate is transparent, ungeniue, and through it all we see their extreme displeasure at the tremendous and popular strides of progress accomplished by this great administration, hand in hand with the House and Senate. By their attacks they hope to detract from the unprecedented popularity of our President and his wise, patient, aggressive, businesslike administration. Mr. Chairman, these opponents will suffer disappointment. The people of our country have absolute confidence in the great Executive in the White House, and never before in the history of this Republic has there been greater accord among the party in power, and never before has there been so great a zeal to do something for the masses of American people, who have come into possession of their own Gov-

ernment through their votes and their champion and President, Woodrow Wilson.

But to get back to the currency bill—and in passing let me say that no other political party in the past half century has ever been able to agree on a currency bill within its own party; and it is not because the Democratic caucus approved this bill that I am for it—I am not bound by caucus action—but it is because I think this bill is brimful of merit. We are to place on the statute books a currency and banking law that will emancipate the business of America from the hands and control of Wall Street and the Money Trust and put it on a basis of individual merit and responsibility where it can not be crushed by the Money Trust and the credit monopoly, as many legitimate enterprises in the past have been crushed. As glaring instances of the methods and power of the money monopoly I have in mind the 1907 money panic, and later the receiverships for two great railway companies—the Orient and the Frisco. Every man here and every citizen of the United States remembers how the banks refused full payment on checks and how many suspended any payment at all in 1907. You remember that it came on in less than a day—almost instantly—and you know whose fault it was. It was not your home bank's fault; it was the fault of the speculating reserve banks in Wall Street and other money centers with whom the home banks carried their reserves.

The Wall Street banks had loaned so much of the country banks' reserve on deposit with them to speculators that when crop-moving time came in the fall of 1907, and the home banks began to recall their reserve deposits to meet these legitimate demands, the big speculating reserve banks could not pay them because they had loaned it out. So, as the home bank could not get its money, just so you could not get your check cashed, whether it was your own or some one else's. The home banks simply could not get their cash, and in consequence were unable to let you have yours. This Glass currency bill is an insurance policy against any such panics, as I shall presently show you.

If the Money Trust puts such huge companies as railways into the hands of receivers, what chance has smaller concerns against it? The Kansas City, Mexico & Orient Railway Co., commonly known as the Orient, is surveyed and graded almost the entire distance from Kansas City through the great agricultural and stock-raising districts of Kansas, Oklahoma, Texas, and Mexico to the Gulf of California, and several hundred miles of its lines are in operation, but its further construction is at a standstill, and has been for many months past. Why? Arthur E. Stillwell, former president of that road, in his attack on the Money and Credit Trusts gave the reason—those trusts composed of directors and stockholders in railways and other huge corporations simply did not want any more competition for the transcontinental railways, so they refused to finance his road further or to allow it to be done—our antitrust legislation the coming session will put an end to the evils growing out of interlocking directorates. And the result is that perhaps this railway may never be built and the opportunity for employment for thousands of men lost. The great expanse of territory sought to be traversed, the counties, towns, and farming communities, that for years have expected this new vein of commerce to put them into better touch with the commercial activities of the world, to enlarge their populations and properties, to give them cheaper and more satisfactory railway facilities, to increase the value of their possessions and to put the products of their institutions, fields, and feed lots nearer to market, appear due for further and continued inconvenience, disappointment, delay, and loss.

When we take the control of the money of this Nation from the hands of a few individuals and huge banking corporations and distribute it in the several regional reserve banks, as provided by this bill, not controlled by any set of capitalists, but by the Government itself, it will be impossible for any legitimate business to be made the victim of some whim or scheme of destruction hatched out in Wall Street or some other money center or even inadvertently brought about by a restricted currency. Under this bill we shall have all the money required for every legitimate enterprise, purpose, or industry, and without having to ask Wall Street's consent.

And why should Wall Street have refused to renew the notes of the Frisco Railway early this summer? Never before had there been any trouble in having them renewed, and the railway company was in excellent shape. Why? For the answer to that I will insert herein an extract from Bank Notes, a bankers' journal, published at Indianapolis, and not connected with the Money Trust. The editorial from this paper follows, and should be given great weight. It is worthy of sober reflection:

WILSON CHECKED BIG PANIC—BUSINESS SOUND.

A credit panic, carefully planned out by Wall Street, was well under way on Friday, the 13th of June, when it was stopped almost instantly

by Secretary of the Treasury McAdoo's announcement, made with full approval of President Wilson, that the United States Treasury was prepared to loan the country banks \$500,000,000 to paralyze the Wall Street gamblers.

There is apparently no doubt that big financial interests deliberately mapped out a panic to throw some of their enemies into bankruptcy and to give tariff and currency reform a black eye. For three months their paid representatives had been traveling around the country spreading alarm among bankers and business men. Trust-owned newspapers had been following them up and seconding the motion by announcing a coming shortage of money and a country-wide stagnation of business to result.

All this time prosperity was on a sounder basis than ever before. Crops, steel production, and exports had broken all records. Wall Street sulked, then planned a panic.

It hoarded gold until the money market was almost cornered and country banks were squeezed hard. Many big banks announced that money was scarce; at the same time their vaults were bulging. One of the loudest howlers had reduced its loans and increased its deposits by weakening securities until it increased its stock of money nearly \$20,000,000.

Then they began to apply the screws. Loans were refused. A great western railroad with over 7,000 miles of tracks was thrown into bankruptcy because Wall Street refused to loan it \$3,500,000, a loan that this road had often floated without difficulty.

That was on Friday, the 13th. It threatened to be a second black Friday on the New York Stock Exchange.

A panic started. The stock market almost went into chaos; many securities fell in an hour to lower prices than during the panic of 1907.

Then came the official announcement that country bankers no longer had to look to Wall Street. The United States Treasury would issue up to \$500,000,000 in emergency currency under the Aldrich-Vreeland Act to meet any crisis. This meant a Federal war against Wall Street.

There was no need of the money—after it was offered. One threat was enough.

Metropolitan banks suddenly "found" millions and dumped them on the loan market. The high call loan rate was cut in two in a few hours. One New York bank reduced its rates for time money, offered to lend freely of its surplus reserve of \$28,000,000, and in one day bought \$7,000,000 of commercial paper; the day before this bank had been the loudest calamity howler about a money shortage.

Wall Street has been given a terrific beating, and the panic has gone over our heads like a black cloud—probably for good.

Now, watch the other banking magazines jump on "Bank Notes." Not one of them will print the truth about this deliberately planned panic, because certain of the financiers who were in on the diabolical, anarchy-breeding conspiracy advertise in those publications. "Bank Notes" is for the country banker; this is the story of the panic from the country banker's side.

Shortly after the Frisco receivership and the further threats of the trusts and combinations to bring on a business depression, President Wilson came before Congress in person and delivered his epoch-making message calling on the American Congress to deliver the country from the powers of the monied interests and to set business free. Have we responded to his timely warning and patriotic request? We have, and this bill before us bears the hearty indorsement of the President, and is known as an administration measure, and will receive practically every Democratic vote and, again I predict, many Republican and Progressive votes.

I shall not enter into a discussion of the bill section by section, as you have already listened to many excellent addresses that have shown far greater knowledge of banking and currency on the part of their authors than I possess. But in passing I should like to refer to the able statement of the gentleman from Oklahoma, Hon. CLAUDE WEAVER, a member of the Banking and Currency Committee, regarding the splendid items of reform this bill inaugurates:

1. Government control is substituted for bank control. Creating a currency for a nation is the highest attribute of a sovereign power deeply affecting all the diversified interests of the social state. To surrender this power to banks or any private interests is destructive to good government and treason to the people.

The Federal reserve board consists of seven public officers appointed by the President of the United States, subject to confirmation by the Senate, and the President himself is a public officer, and if he violates his trust is subject to impeachment and removal.

2. The bill provides for the mobilization and use of the cash reserves of the banks whenever needed in times of trouble.

3. It provides as a basis of the currency, in addition to the present currency, that it shall be issued upon gilt-edge commercial paper of an established standard, issued for the agricultural, industrial, and commercial purposes, thereby promoting industrially, agriculturally, and commercially the great producing and distributing agencies of the wealth of the world.

4. The surplus money of all sections of the country under the present system has been concentrated in New York and loaned on call and on stock-exchange security. It is withdrawn and distributed over the different parts of the country equitably in proportion to business demands, thereby becoming available to the great masses of our citizens instead of being monopolized by the gamblers and stock speculators in Wall Street.

5. By withdrawing from New York this surplus money at a single blow the Money Trust is destroyed.

6. Notes or bills issued or drawn for the purpose of carrying on trade in stocks and bonds are denied the privileges of discount at the Federal reserve banks.

7. Credit facilities between different sections of the country, so long unequal, are made uniform by virtue of the power vested in the Federal reserve board to require Federal banks to rediscount the discounted prime paper of other Federal reserve banks, thereby taking from a bank that is plethora in funds its surplus to relieve another bank in a section of the country that is flaccid and drained.

Our friend embarrasses me somewhat with his big words.

8. Adequate banking facilities for all sections of our country are thereby provided to promptly and on reasonable terms meet the ordi-

nary or unusual demands for credit or currency for moving crops or for other legitimate purposes.

9. An instrument is afforded by this bill, namely, the Federal reserve board, that can deal effectively with the broad questions which, from an international standpoint, affect the credit and status of the United States as one of the great financial powers of the world.

10. The bill provides for American banking institutions and branches of the Federal reserve banks in foreign countries, thereby giving American citizens in foreign countries improved banking facilities, facilitating and expanding American trade with all the countries of the world.

11. The provision for national banks to establish trust and savings branches will enable that department of the banks to give the public far better accommodations by making loans of longer maturity than commercial banking justifies.

12. The State banks, banking associations, and trust companies are admitted to membership in the system and thereby accorded all its benefits.

13. National banks are given the power to loan money upon real estate, thereby enabling them to serve farmers and other borrowers in rural communities.

14. The independent Treasury system is abolished. The irregular withdrawal of money from circulation in periods of excessive Government revenues is avoided and the entire revenues of the Government are placed in circulation, becoming thereby available to all the people.

15. The gradual retirement of the national bank currency is provided for, thereby paying off the national debt and carrying out Jefferson's pledge—the honest payment of our debts and sacred preservation of the public faith.

And the bankers should not complain of this bill, and I certainly believe they will not seriously protest when they thoroughly understand it; I dare say I know they would not complain if they thought another 1907 panic was anywhere in sight. I know of no better example of the first workings of the bill as affecting a bank than that expressed by the distinguished chairman of the Banking and Currency Committee, the Hon. CARTER GLASS, when he showed its application to a country bank, and I shall insert that clear and simple example herein as a part of my remarks. Of course a larger or smaller bank would be affected proportionately:

Let it be assumed that a bank of \$100,000 capital (no surplus) is the owner of \$75,000 in United States 2 per cent bonds and has outstanding \$75,000 of circulation. Let it also be assumed that this bank has total outstanding deposits of \$400,000. The bank is a country bank.

How will this new plan affect this institution? In the first place, the bank in question, if it has \$400,000 of deposits, must have on hand in its own vaults 6 per cent of that amount in cash, or \$24,000, and must have 9 per cent of that amount, or \$36,000, as a balance with the reserve bank.

Under this bill this bank must have a reserve of 12 per cent instead of 15 per cent, of which 5 per cent, or \$20,000, must ultimately be placed with the reserve bank and \$8,000 may be kept either in the one place or in the other, when the whole measure has become operative at the end of three years.

As the bank has \$24,000 cash when it enters the system it is \$4,000 ahead of the amount required to be held in its own vaults. It can draw for the remaining \$28,000 required of it upon its present reserve city correspondent, with which it holds \$36,000, sending the \$28,000 check to the new Federal reserve bank. After the transaction is over its reserves will be complete and it will have \$4,000 in cash and \$8,000 in balances over and above what it needs to meet its reserve requirements.

The bank, however, must contribute \$10,000 to the capital stock of the Federal reserve bank which it has joined. If it pays this amount out of the \$12,000 surplus it will become the owner of \$10,000 stock in the new reserve bank and will still have \$2,000 surplus out of its former balances.

This bank was receiving probably 2 per cent upon the \$36,000 balances it carried, making in all \$720 a year. Assuming that the stock in the new reserve bank pays 5 per cent it will yield an income of \$500 a year. The bank, moreover, has \$2,000 of free cash still remaining, which it can loan after withdrawing it from its present correspondents—say at 5 per cent—bringing in \$100 annually. Or if it were to use this \$2,000 as a reserve upon which to build up new loans, it could lend about \$16,000 thereon, which at 5 per cent would yield it \$800. On this basis the changed situation of the bank might result in a loss of about \$120 a year or in a gain of \$580 or in anything between those two sums. The reasonable expectation would be that the bank would get a material increase in its revenue. Just how much would depend upon the extent of the loans it could make in response to demand in the community.

The bank would be able to exchange each year 5 per cent of its present \$75,000 of 2 per cent bonds, or \$3,750. If we assume that the bank sells the 3 per cent bonds it receives through this exchange at par and with the proceeds pays off the notes now outstanding against them, the effect is simply to reduce its assets and liabilities by equal amounts, at the same time releasing it from the necessity of retaining the 5 per cent redemption fund in Washington, which at once becomes available as a basis for reserve loans at home. This 5 per cent redemption fund would be on \$3,750 equivalent to about \$185. If this were loaned directly at 5 per cent, it would yield an income of \$9.25. If the \$185 were used as a 12 per cent reserve against loans, about \$1,500 of loans could be made, which at 5 per cent would yield \$75. This, if taken in connection with the showing made above, would reduce the loss to \$45 a year, or would increase the gain to \$655, with corresponding changes in intermediate points between these two extremes. If the banks had no notes outstanding against the bonds which it converted and sold, it would get fluid funds equal to the amount of the bonds thus sold, which could be loaned at 5 per cent, instead of the 2 per cent now paid by the bonds. This would be a difference of 3 per cent a year in favor of the new plan on a principal of \$3,750. On the other hand, if the bank simply paid off its outstanding notes out of the nonreserve money on hand—as in many cases it might—and held the new 3 per cent bonds as an investment, it would profit to the extent of 1 per cent over the existing situation on a principal of \$3,750 a year, or \$37.50 the first year, \$75 the second year, and so on. At the end of 20 years it would be 1 per cent ahead on its whole \$75,000 bonds, or \$750 annually. In this event it is clear that within three years the increased revenue from its bonds would offset any possible loss due to the sacrifice on the 2 per cent interest on reserves. Against this might fairly

be set off the income, if any, that it might have made by loaning the cash used to cancel its outstanding bank notes.

Summarizing, it is safe to say that upon the narrowest possible basis likely to present itself in the case of this bank the institution would, if it paid up its whole reserves under the new plan in cash, fully clear itself and make an additional revenue of from \$200 to \$500. If instead of paying up its reserves in cash it got the reserve credit by rediscounting, it might profit to a very much greater degree; how much greater can not be estimated without knowing the rate of interest in the community and the extent to which it could obtain paper eligible for rediscount.

The banks are inclined to complain about the reserve requirements, but certainly it is not unfair to require that they keep handy a few cents of the depositor's dollar as a reserve to pay that depositor when he wants his money. A reserve is a reserve and must be available at all times.

In my speech on the tariff bill I said that we had gone far toward lightening the burdens of the American people, and I am now able to say that we will have further relieved them of onerous burdens. And, Mr. Chairman, I am glad to observe that this administration and Congress has not yet completed its announced and fixed program of relief for the people. A farm-credit system is yet before us, and it is much nearer than when I mentioned in my tariff speech a farm-loan bill and my purpose to introduce one at this session of Congress. As many of you know, on June 17 I did introduce a farm-loan bill (H. R. 6158) to provide 3 per cent money on long-time loans, and provided for its repayment at 2 per cent per year, making 5 per cent per year all told, which would wipe out the entire debt in 50 years without the borrower hardly knowing it and without his having to pay out as large a per cent as he now does for interest alone. Such a law would put a family on every quarter section in the Middle West. President Wilson has already stated in a formal interview, widely published, that he would ask Congress to pass a farm-credit bill at the next regular session of Congress.

And that great statesman, for whom every man in this House has a deep affection, the Hon. Speaker CHAMP CLARK, has formally given his support and influence to Government farm credits; and as almost a guaranty that we shall have a farm loan and credit law, the Democratic caucus has instructed the Banking and Currency Committee to report in such a bill at the next regular session of Congress. I shall appear before that committee and urge the acceptance of and favorable action on my bill, with such additions as may be advisable. But whether it be my bill or some other bill I feel absolutely assured when I say we will put it into law.

In conclusion, gentlemen, let me say that the people of my native State—Kansas—a part of which I have the honor to represent here, have no banking institutions within its borders that we are afraid of—we live together and are friends—all we want is a guaranty that the big city banks will not ever again be able to bring loss and confusion to our people through the unwilling instrumentalities of our local banks and the curtailment of legitimate credit. There is nothing the matter with Kansas. A shortage in one or two crops this year can not daunt the courage of her people. I protest against the false and lurid stories recently printed in the eastern press about suffering in Kansas. It is true that we have had a light rainfall this summer and it has been hot, but we have not been in "sore straits" at any time. On the other hand, more money is coming into Kansas this year than on the ordinary good corn crop years. Our alfalfa crop, which has been planted in large quantities for several years past, is worth \$65 per acre from many fields. Our wheat crop is one of the best in our history—right at 80,000,000 bushels—and the oats crop was good. Our valuation is about \$2,700,000,000—an increase of \$43,000,000 over last year. Kansas has contributed her full share of meat and breadstuffs to feed the world. The truth about Kansas is her best praise; take her and her people as they stand, they are unmatched and matchless—the greatest domain under the stars.

What a complete emancipation of all the people from trusts, combines, and money powers when the Underwood tariff bill gets to working, the Glass currency bill is a law, and a farm-credit system is established. The possibilities and the opportunities of the immediate future are many. The outlook is roseate and bright. The people are ready. New activities in the business world have begun; continued and enlarged prosperity is with us.

MR. BULKLEY. I yield to the gentleman from Virginia [Mr. SAUNDERS].

MR. SAUNDERS. Mr. Chairman, the preparation, and passage of the pending bill, will be the answer of Congress to a universal popular demand that has become more exigent with the passing years.

From its inception our present banking and currency system has been under fire. Attention has been often called to its manifest defects, with the hope that some expert, or body of

experts, would prepare an alternative system that would rest upon some other foundation than the Nation's debt. But while many have essayed this task, their suggestions have not been approved by the business and banking community. The most ambitious of all of these schemes was the plan submitted to Congress by the National Monetary Commission, commonly known as the Aldrich bill. But this scheme which proposed to organize one great central bank, with 15 branches to cover the whole country, did not find either popular, or congressional favor. The popular objection to a central bank is inherent and deeply rooted. The fundamental difference between the Aldrich plan, and the scheme of the present bill, is that the latter utterly rejects the central-bank idea, and contemplates a division of the country, for working purposes, into 12 great divisions. In each of these divisions a Federal reserve bank is to be organized. These reserve banks are severally independent, but are subject to the supervision of a Federal reserve board, consisting of 7 members. This board has been described as the "capstone of the scheme." The composition of this board is as follows, the Comptroller of the Currency, the Secretary of Agriculture, the Secretary of the Treasury, and four others to be appointed by the President for respective terms of eight years. The personnel of this board gives ample assurance that the delicate duties imposed upon it, will be discharged with an eye single to the public good. With a view to making the appointments of a nonpartisan character, so far as possible, the bill provides that no more than two of the appointees shall belong to one political party.

Much criticism has been directed toward this feature of the bill, particularly by the big bankers of the country, who seem to apprehend that this measure will impose some limitation upon the opportunities for excessive profits which they have long enjoyed under the present system. But these criticisms are singularly lacking in merit. No banking function, in the proper sense, will be exercised by the board. Its powers are the essential and vital powers of oversight, and regulation. The chairman of the committee speaks of them as the powers that relate to examination, regulation, publication, and control. It is almost a sufficient answer to the savage criticisms which have been so directly aimed against this board, to say that the powers which are conferred upon it solely in the public interest, have, in large measure, been exercised for many years past by the Secretary of the Treasury, and the Comptroller of the Currency in the oversight, and regulatory control of the national banks. If the proposed system is to serve the purposes for which it is intended, namely the utilization of our banking resources in time of strain, so that the whole system will be tied together, one for all, and all for one, then not only must such a board be created, but it must be clothed with the very powers conferred by the pending bill. Chief among these powers is the right of the board to require that the Federal reserve banks shall rediscount the discounted prime paper of other Federal reserve banks in time of emergency.

It is one of the inherent weaknesses of the present system that "under strained financial conditions, each bank is thrown on its own resources, and in self-protection must act independently of all the rest. There is no provision whereby all can cooperate in time of danger, though it may be manifest that safety lies in a common policy of action, and cooperation. At such a time it becomes necessary in the protection and maintenance of individual reserves, for each bank in the national system to contend against every other bank, thereby dissipating and scattering the great bulk of the reserve money of the country, into a large number of small boardings, and completely destroying at the very time when strength and power are needed to retain and compel confidence, the strength and power that would be gained by unification, and massing of reserves for the mutual support of the banks, and the common good of the public."

In consequence of this and other defects in our present unscientific system, chief amongst which is the absolute rigidity of the currency which it provides, and the vast amount of reserve money impounded in the reserve safes of the national banks, and the United States Treasury, this country has been visited with frequent and dreadful panics during the last 50 years. Several times at least have these financial disasters occurred within the last three decades. At the very time when help was needed, the system found itself unable to launch a single lifeboat. No wonder that the financial experts of other countries have denounced the system in vogue in the United States as "barbarous." No wonder that our own experts, though smarting under the charge, have been unable to deny the justice of this criticism. For it has been patent to all that the "prohibition of the lending power of the banks, in the presence of unusual demands upon them, due to their lack of means to protect their reserves by the use of any satisfactory substitute

therefor, or of replenishing them through adequate rediscounting facilities" has caused them to be weakest, when they should be strongest, has curtailed their facilities, when the demand for credit was greatest. So long as the winds are fair, and the seas smooth, the most rickety and unseaworthy vessel may make headway. Such conditions are no test of the sailing powers, or reserve strength of the craft to which our fortunes are committed. The real test comes when the hurricanes blow, and the billows rise. Our currency system, sufficient under ordinary conditions, has been proved to be inadequate and insufficient when exposed to a real financial storm. If it may be fairly said in its behalf that at least it did not founder, it is further true that at such times it was water logged, and helpless. Small wonder, then, that all thoughtful men have been concerned to provide some sufficient alternative system for this fair-weather craft. Small wonder that President Taft, speaking of the currency problem, declared that it is more important than the tariff, more important than the question of trusts, and more important than any political question that has been presented.

Small wonder that bankers' associations, monetary commissions, and financial experts have in succession, suggested various remedies for an intolerable situation. Small wonder that even the Republican Party was moved to create the Aldrich commission which if it produced an impossible scheme, at least collected a valuable library for the benefit of all students of banking and currency problems. Small wonder that the Democratic Party, ever on the alert for legislation in aid of the interests of the people, committed itself in its last platform to a systematic revision of the banking laws of the United States. This bill is in redemption of that promise.

Fundamentally this measure is at variance in many directions with the Aldrich plan, but notably so in its provision for Government control, and precautions against the possibilities of undue inflation. The foremost advocates of the Aldrich scheme have been forced to admit that it contemplated "such vast credit extending power, as to be almost beyond belief, and certainly far beyond the requirements in any panic." President Wilson in his recent message happily stated the fundamental requisites of a sound and adequate currency system:

We must have a currency, not rigid as now, but readily and elastically responsive to sound credit, the expanding and contracting credits of every-day transactions, the normal ebb and flow of personal and corporate dealings. Our banking laws must mobilize reserves; must not permit the concentration anywhere in a few hands, of the monetary resources of the country, or of their use for speculative purposes in such volume, as to hinder, or impede, other more legitimate, more fruitful uses. And the control of the system of banking, and of issue, which our new laws are to set up, must be public, not private, must be vested in the Government itself, so that the banks may be the instruments, not the masters of business, and of individual enterprise, and initiative.

Surely these are wise words, and it ought not to be hard to choose between a carefully worked out plan in which the control of the entire system of banking and of issue, is in the hands of the Government upon which rests the responsibility for the welfare of the whole country, and another scheme which remits this control to agencies created by, and responsive to the system itself. Strange to say however the sharpest attacks of the opposition are directed against the constitution and the powers of the Federal reserve board. The teeming imaginations of the gentlemen who are opposing this measure, have been overworked in the construction of direful pictures of woes unnumbered, to follow in logical sequence from this feature of public control, and the exercise of the power which is committed to the reserve board. This power has been described as the "power that would enable an administration to build up an invincible political machine, depress or stimulate the market, inflate the currency, favor one section of the country, and discriminate against another, and absolutely control the financial affairs of the people of the whole country."

It is needless to say that these suggested dangers are purely visionary. Theoretically in our scheme of government many things are possible, which never occur in actual practice. The time will not come, except with the failure of popular government, when a President of the United States, in the discharge of his responsibilities under this act, will undertake to hold up the whole financial system of the United States in the vain effort to further thereby the schemes of partisan politics, and of personal ambition.

The whisperings of conscience and the dictates of prudence will alike constrain the officials charged with the oversight of this vast system, upon which will hang the hopes of their country, to walk in the straight and narrow path of duty well done. Nor will another impulse to honorable action be lacking. Co-eternal with hope in the human breast is the ardent desire to hand down the rich heritage of a good name to our descendants.

Honorable men charged with the responsibilities of great position, mindful on the one hand of the interests of their country, and on the other of their own fair fame and reputation, standing well out in the open in all that they say and do in the discharge of these responsibilities, are not likely to prostitute their offices. If it is suggested that there is at least a possibility that this may take place, the sufficient answer is that this is a risk which must be taken whenever power is lodged in an individual, or an aggregation of individuals.

In aid of the reserve board, the bill creates a Federal advisory council to consist of as many members as there are Federal reserve districts. It is provided that each reserve bank, by its directors, shall annually select from its own Federal reserve district one member of this council. The meetings of the council shall be held in Washington at least four times a year, and oftener, if called by the Federal reserve board. This council is empowered to meet and confer with the reserve board on general business conditions, to make oral or written representations concerning matters within the jurisdiction of the board, to call for complete information, and to make recommendations in regard to discount rates, rediscount business, reserve conditions in the various districts, the purchase and sale of gold, or securities by reserve banks, and the general affairs of the reserve banking system.

The value of this board composed of men of affairs, skilled in practical banking, and acquainted with the conditions of business not only in their respective districts, but in the country at large, can not be overestimated. It passes belief that the reserve board, in the discharge of their delicate and difficult duties, would be unmindful of the weighty recommendations of such a board as this, or would not at all times welcome their suggestions, and often defer to their judgment. Through this advisory council, the reserve banks, to a substantial degree, will have a potential effect upon the deliberations, and policies of the reserve board.

It is true that the advisory council does not vote in the deliberations of the reserve board, and has no veto power over its orders. This feature of the bill has been the subject of acrimonious criticism on the part of many bankers. But the fundamental conception of the pending measure is a banking system free from the dominating control of that mysterious but real power, known as the Money Trust.

Having agreed upon this fundamental concept, and provided that the firm control, and steadying hand of Government authority shall at once guide and restrain the further course of banking operations in this country, it would be a manifest incongruity to subject the action of the reserve board to a veto power lodged in a council created by the very agencies intended to be restrained. The reserve board must, of necessity, be paramount and supreme, or the bill will fail in its manifest purpose. This measure is a beneficent creation, and not a malign monster, and the Democratic Party, in good faith, tenders it as the solution of a problem which has engaged the best thought of this country for many decades past. It is a constructive, not a destructive work that we present. While many abuses in the banking world have been uncovered by the investigations conducted by authority of Congress, and great potentiality for mischief lurks in the present system, we have approached our task of reformation in no spirit of hostility to the banking business. Far from it. The Democratic Party is well aware, that in this, as in all countries, now and at all times, a properly conducted banking system is necessary to the prosperity of every well-ordered community. It is our sincere desire to furnish, through this bill, an up-to-date system, and thereby promote the welfare, not only of the bankers, and of their customers, but of all the industries and interests concerned. The present system is not wholly bad, nor is it a reflection upon what is good in that system, to seek to rectify its abuses, and correct its possibilities for mischief.

The Democratic Party is not alone in its belief that reform in our present system is a crying need, nor is this the first step in that direction. The Lovering bill, and the Fowler bill were tendered some years ago to our Republican confrères by their respective sponsors, and rudely rejected. Later, that hasty enactment known as the Vreeland-Aldrich bill, provided for an emergency currency which has never been emitted. Still later, the Monetary Commission formulated the famous Aldrich bill which has declined in favor from the first day on which it was presented to the public, and is now thoroughly discredited by reason of certain very objectionable, not to say dangerous provisions which it contains, and upon which its friends insist.

One thing, at least, may be said to the credit of the national banking system; and that is that whatever may be its defects in other directions, it has given us a good dollar, one good at all times and everywhere. This fact, and it is a material fact, for the paper money of this country prior to the Civil War, was

far from satisfactory, has so much impressed the public mind that it has served to perpetuate the system, and postpone the reformation of its vital defects. No alternative system that does not provide for note issues, or bank issues, as good as the present issues, would ever be acceptable to the country, or win any decided measure of public favor. The pending measure provides that the Government shall issue Treasury notes through the banks, and solely upon the application of the banks. The provisions of the bill are that Federal reserve notes are authorized to be issued at the discretion of the reserve board, and for the purpose of making advances to reserve banks. These notes are to be the obligations of the United States, and receivable for taxes, customs, and other public dues. They are redeemable in gold, or lawful money, on demand at the Federal Treasury in Washington, or at any Federal reserve bank. Any reserve bank may make application to the local reserve agent, for such amount of Treasury notes as it may deem best. This application must be accompanied with a tender of collateral security equal in amount to the sum of the notes applied for. This collateral security must be notes and bills accepted for rediscount.

At any time the reserve board may call upon a reserve bank for additional security to protect the notes issued to it. In addition, whenever a reserve bank shall pay out reserve notes issued on its request, it shall segregate in its own vaults, and shall carry to a special reserve account on its books, gold or lawful money equal in amount to 33½ per cent of the notes so paid out by it, such reserve to be used for the redemption of said reserve notes as presented. Any Federal reserve bank, so using any part of such reserve to redeem notes, shall immediately carry to said reserve account an amount of gold, or lawful money, sufficient to make said reserve equal to 33½ per cent of its outstanding Federal notes.

Hence, it will be noted, that the foundation of these notes is of a most solid and panic-defying character. First, there is the obligation of the Government. Second there is approved collateral, equal in amount to the face value of the notes. Third, the reserve notes issued to any reserve bank, shall, upon delivery become a first and paramount lien on all the assets of such bank. Fourth, a special reserve fund of gold or lawful money is provided, to be segregated in the vaults of the bank, and equal in amount to 33½ per cent of the reserve notes paid out by it.

Who will dare maintain that the new reserve notes, so buttressed and supported, will not be as good as gold anywhere, and under all circumstances? Certainly no critic of the bill has undertaken to maintain otherwise.

A cardinal defect in our present system, recognized as such by the currency commission of the American Bankers' Association, is its lack of elasticity, or, to use their language, its absolute rigidity:

A bank, in order to take out circulation, must invest more money in Government bonds, than it is permitted to issue in currency, thereby impairing, rather than increasing its power to aid trade and commerce.

Responding to the query, whether an elastic currency should be authorized by law, the same commission declares that an elastic currency is a vital necessity in connection with the banking and currency system of the country, and should be authorized by law.

The national-bank notes could never be made elastic, for the simple reason of their fixed relation to the bonds of the United States. For this reason they must remain rigid and unalterable in amount. It has been remarked, in the course of this debate, by the gentleman from California, Mr. HAYES, that these notes, so far from responding to the demands of commerce, that is increasing in volume in proportion to the demand, and diminishing as that demand passes, actually increase, as a rule, when "the demand is least, and decrease when the demand expands. In the fall, which is the time of great currency demand, the amount of bank notes in circulation, generally decreases several millions of dollars, and in the spring, when the demand is light, the circulation has many times increased, sometimes as much as \$20,000,000 over the circulation in the fall. This, of course, is very unnatural, and the results are evil, accentuating the shortage of currency in the fall, and stimulating speculation in the spring."

When crop-moving time arrives, the demand for money frequently becomes acute. The local banks are often unable to meet this demand, and in their distress turn to the great banks in New York City, which heretofore have measurably carried the balances of the country. It is unfortunate that this has been the case, for it has tended to give an undue and preponderating influence to these banks, and create a sense of weakness and dependency in the country banks. Another feature of the present system which has tended to localize too much of the money of the country in New York, has been the increas-

ing tendency among the small banks to keep balances for reserve and exchange purposes, in the New York banks qualified as reserve agents. Hence, at times, New York has been so abundantly supplied with money that many forms of vicious and dangerous speculation have been stimulated to the great detriment of honest business. This withdrawal of funds from the local banks, and consequent congestion in New York, has an evil effect in another direction. In time of panic the country bank finds that a large proportion of its loanable funds and reserve money is tied up in New York.

The local bank may be perfectly solvent, with an ample supply of commercial paper, but commercial paper will not be accepted by its demoralized and excited depositors, and there is no efficient way in which these securities may be turned into cash, or any system of coordinated banks to which, in its distress, it may turn for aid. Single handed and alone it must fight its battle.

The currency provided for by this bill, and issued to the regional reserve banks will be responsive to the "varying commercial demands of the business community." Any local member bank needing money can carry its commercial, agricultural, or industrial paper to a Federal reserve bank, and after indorsing these securities, may discount the same, receiving notes therefor. Under the operations of this bill expansion will certainly take place, but healthy expansion is not inflation, and therefore is to be desired, not deprecated. In every direction the tide of the world's business is continually rising. To this tide, there is no ebb. Local recessions may occur, but the general movement is ever upward. The extent to which these notes may be issued, is determined by the discretion of the reserve board, acting upon the collateral that is tendered by the member banks. There are no means of compulsion that can be set in motion by the banks which tender the collateral, to compel the issue of Treasury notes. In this respect they are subject to the wise discretion of the board, reinforced by the suggestions of the advisory council.

It has been noted as a further defect of the present system, that it "lacks cohesiveness, there being no provision for co-operation among the banks composing it." In recent years the banks gradually learned the lesson that they must provide for cooperation by voluntary agreement, and in various sections of the country during the panic of 1907, these agreements saved many banks from ruin and disaster. In numerous instances menacing runs were averted by clearing-house certificates. One main purpose of this act is to knit together the national banks by a scheme of definite coordination. State banks, banking associations, and trust companies may subscribe to the stock of the appropriate reserve bank, under the conditions prescribed by the act. Once the new system is put into operation, certain very definite and positive advantages will follow.

The sense of weakness that attaches to individual enterprise, will be removed. In its place will come the confidence that follows coordinated participation in a great plan of cooperative action. Heretofore, until the formation of clearing-house associations, the individual banks fought their own battles, and established their own connections. Sometimes these connections proved to be broken reeds. A run is the most dreadful thing that can happen to a bank. The community loses its head. The depositors in excited throngs jostle each other in their frantic efforts to be the first to remove their deposits from the institution under suspicion. If continued, a run will drive any bank, however inherently sound and well conducted, to close its doors. The new system will be a prophylactic. It will steady the public mind by giving them confidence in the banks. In addition, it will furnish the member banks with "sources of strength in time of stress." Any bank short on cash, but supplied with good collateral, can secure all the money that it needs, either to meet a run, or for crop moving, by application to a reserve bank. Freed from their dependence on New York, and strengthened by their relationship to the new system, the country banks will be increasingly potent in their contributions to the growth and prosperity of the country. A simple illustration will suffice to show the steps by which a member bank will secure the funds necessary to meet a shortage, however occasioned. So far as the public is concerned, the patrons of such a bank will do business in the accustomed fashion. A, B, or C, wishing to raise funds to pay for land, to purchase goods, or to conduct any legitimate operation, commercial, agricultural or industrial, will take his notes to the local member bank, and discount them. Later, the bank may find that its supply of money is running low, dragging it for loanable funds, or threatening trouble in other directions. Formerly it turned to New York as its port in time of storm, but in the future, safety and relief will be found nearer home, in a bank with which it is intimately associated, and created for just such emergencies.

The member bank will take its paper to the regional reserve bank for rediscount. Should the reserve bank need the money with which to complete the transaction, and supply the wants of the member bank, it will take the rediscounted notes to the local Federal reserve agent, and request the issue of Treasury notes to the amount of the paper presented. Crop emergency periods have heretofore proved to be occasions of trouble and anxiety for the country banks. During these periods the cry for money with which to move the crops is urgent and insistent. Sometimes the Treasury Department has furnished essential help. Frequently, the country banks finding themselves at the limit of their loaning power, have been compelled to secure the money required for their operations, at exorbitant rates. Ordinarily this may not have been true, but in times of stress the sources of supply were uncertain and capricious. The panic of 1907 is often cited as a money panic. Business was at high tide, and crops were abundant. Out of that very abundance proceeded trouble. Called upon to furnish the needed currency, the banks approached the danger line fixed by the reserve laws in their efforts to meet the demands of their customers. In proportion to the reluctance of the banks to trench upon their reserves, and furnish additional money, the clamor for more money became increasingly violent. Suspicion and distrust stalked abroad. The banks took fright, and organizing for mutual protection, refused to provide the money needed, and in many instances, even to pay the balances to the credit of other banks. Business halted at full tide, freights ceased to move, industrial operations were curtailed, men walked the streets vainly looking for work, and distress like a pall settled over our fair land. In time the cloud lifted, but the lesson of that near disaster is not far to seek, and that lesson is that no system is fundamentally sound which, so far from affording relief under these recurring conditions, actually aggravates the mischief. It is not enough to furnish a good dollar. This is only one necessary feature of a comprehensive financial and banking system. Such a system must go a step further, and furnish an abundant currency, when such a currency is required. This is what the pending bill proposes to do through the machinery which it provides.

The reserve banks are so constructed that they will be provided with ample capital, and their business will be of the most solid and substantial character. The national banks located within a given district, will be required to subscribe to the capital stock of the Federal reserve bank of that district, a sum equal to 20 per cent of the capital stock of such national bank, fully paid in and unimpaired. No reserve bank shall commence operations with a paid up, and unimpaired capital, less in amount than \$5,000,000, and the shares of the capital stock of Federal reserve banks shall not be transferred, or hypothecated. The member banks will receive a cumulative 5 per cent dividend on their paid-in stock in the reserve bank, and a participation in certain further profits. State banks, banking associations, and trust companies, as heretofore noted, may become stockholders in these reserve banks which hold out great possibilities of profit from their legitimate operations. Should a regional reserve bank find itself in difficulties, a section of the bill provides that the reserve board, in time of emergency, may require other Federal reserve banks to rediscount the discounted prime paper of that bank. Thus the banking strength of the whole system may be mobilized when occasion requires. The regional banks provide for the wants of the member banks, while a failing, or halting regional bank is taken under the sheltering wing of the whole system. It is apparent that under the operations of this bill, in normal times, the money of the country will be localized, and distributed with far greater uniformity than exists at present; while the resources of the whole system may be concentrated at any point of danger, or center of disturbance. One feature of the pending bill, which is of particular interest to rural communities, is the provision for rediscount.

Under section 14, any notes or bills, drawn for agricultural purposes, or the proceeds of which have been, or may be used for such purposes, may be discounted by the appropriate reserve bank upon the indorsement of the member bank, these notes and bills to have a maturity of not more than 90 days. It will be noted, that by the operation of this section, long-time paper may be discounted by the reserve banks. Suppose a farmer, needing funds, obtains a four months' loan from the local member bank. At the end of 30 days this note could be rediscounted with the reserve bank, and the proceeds of the note thereby made available for further loans. Should the member bank choose to renew the farmer's loan at the expiration of four months, its own liability to the reserve bank could be discharged from other funds received in due course of business, while at the expiration of 30 days, the renewal could be rediscounted. Thus the provisions of this section serve to multiply

the loaning power of the member banks. While some criticisms have been directed toward this portion of the bill, these criticisms have proceeded, in large measure, from a pure misconception of its meaning, intent, and effect. Another feature of interest in the pending measure, and one devised for the benefit of the farmers, is the section providing for savings departments in the national banks. Any national banking association, on application setting forth that it has complied with the terms of the statute, may be authorized to open such a department. The beneficial effect of such an annex, or department in the country banks, will be clearly manifest, when it is noted that in this department loans may be made upon the security of real estate. By this provision the present limitation on national banks, with respect to loans on farming, or other lands, will be removed, and the banks will thereby be enabled to supply a long-felt want.

The farmers have always complained, and justly for that matter, that the present system discriminated against them, and extended superior opportunities for credit to the merchants and manufacturers. This bill removes that inequality, and places the farmers upon a basis of equality, in the matter of credit extensions, with the other classes of the local community. We have tried the old way and it has proved to be insufficient. With the passage of this bill, the old will be replaced with the new, and I firmly believe, the better way. This bill is an intelligent and patriotic effort to take the great underlying principles of well-established banking institutions, including our own, and upon that foundation construct a modern, up-to-date system adapted to the habits, sentiments and business needs of our people. Too long has our financial legislation been of a patchwork character, a thing for the needs of to-day, rather than for all time. This bill marks the end of tinkering with the old system, of devising emergency schemes for anticipated trouble, of putting new cloth on an old garment. That system has been weighed in the balance, and solemnly adjudged by all men to be wanting. There are none so poor to do it reverence. It has been a conspicuous success in one particular, and a failure in many others. Even its commonly ascribed merits, namely that it has furnished the Government with a market for its bonds, and furnished a bank note circulation of undoubted strength and uniform value, are offset in the opinion of the bankers, by the fact that "the artificial market maintained for Government bonds, has been so maintained at the expense of the banking development, and commercial growth of the country, both of which have been seriously retarded by the costly periodical panics, for which the defects of the banking and currency system are principally responsible." This is a serious admission by the men who have been concerned with the administration and development of this barbarous and unscientific system. No language is too severe in criticism of a system, charged by the bankers themselves with responsibility for the ruin and misery occasioned by the panics of recent years, panics which have been worse than battle, murder, and sudden death.

The pending measure is not offered as a panacea for panics. Nay, rather, it is intended to avert panics. It is a challenge to the money power. It marshals the forces of the Government in one comprehensive plan, to afford the fullest opportunity for development to every healthful scheme of commercial, industrial, and agricultural development. It stabilizes our currency, and provides that an expanding want shall be furnished with an expanding supply. It opens the door of hope, and exorcises the specters of distrust and apprehension. The very magnitude of the institutions which it creates, the relationship which it establishes between those institutions, backed as they will be by the power of the Government, will steady the public mind, allay their fears, and thus avert panics. When money is required, it will not be afforded on terms that will increase in severity in proportion to the urgency of the demand, but a key is furnished whereby unfailing springs of supply may be unlocked, should occasion demand, or panic rear its horrid head. The country will save itself by the exercise of its own powers, and will be spared the humiliation of salvation through the efforts of agencies which have taken to themselves the powers, and assumed the attributes which belong to their creator. Never again will this country know the shame of dependency on the banks of one great city for the means to move its bumper crops, or find itself facing disaster when the money needed for such a situation, is not forthcoming.

This measure will compose the minds of those timid voters who deprecate any changes in the laws which establish our tariff rates, lest in that event the offended money power might, in some mysterious way, withdraw the money needed for the conduct of our industrial enterprises, and by closing the sources of supply, bring on ruin and disaster, thus compelling a return to the old ways, and the old rates. Surely a bill that will afford the reforms provided in this measure, deserves our ardent sup-

port, and the approbation of the entire country. It makes its appeal to the thoughtful and patriotic men of all parties. Conceived in no desire for partisan advantage, intended to promote no schemes of selfish interest, designed to enlarge the operations of the banks, and enable them to perform their functions in a more helpful and beneficent fashion, this bill undertakes to meet the requirements of modern conditions. It furnishes a currency "elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings." It arranges to mobilize the reserves. It renders impossible "the concentration of the monetary resources of our country in the hands of a few, or their use for speculative purposes in such volume as to hinder, or impede, other and more legitimate and fruitful uses." It vests the control of our system of banking and issue "in the Government itself, so that the banks may be the instruments, not the masters of business."

It is the answer of the Democratic Party to a long, insistent, and clamorous public demand, and on this measure we challenge an appeal to the country.

Mr. KINKAID of Nebraska. Mr. Chairman, in my estimation, rightly comprehended, the securing of a scientific banking and currency act is one of the most important, if not the most important, of our economic questions. Some high authorities even believe it comes near to comprehending all political economic questions in one. As our country advances changes will from time to time be made for better and more scientific banking and currency laws, but, optimistic as we may become, we can hardly hope to attain soon a perfectly fair and sound money or currency. But we may more nearly approximate the goal by legislating a new system, and such should be our earnest aim. Money standards are likened to the means of measurements and are often compared to the length of the yardstick, when the fact is the length of the yardstick does not change, but the values of real moneys, and likewise their substitutes, such as paper currencies, do constantly vary in values, both from natural and artificial reasons. There can be no question but that material increase and decrease in the production of our standard of value, gold, have their corresponding effects upon the value of products, of property, of labor and, consequently, on the cost of living. The theory of the virtue of gold as a money standard is that it contains no fiat, but instead rests upon its own intrinsic value; thus, it logically follows that its value must increase and decrease under the law of supply and demand like other commodities. We have had many demonstrations and verifications of this principle. Mr. Chairman, we can not control the supply of gold, hence can not commercially regulate its value; but when legislating for a paper or credit currency we should strive to so legislate as to prevent expansions and contractions for private gain, at the sacrifice of the public, and such safeguards should be secured in currency legislation. The aim should be to preserve intact the length of the imaginary yardstick, to the end that every individual shall be secured his own and no more.

CHECKERED CAREER.

Mr. Chairman, our banking and currency laws have had a checkered career. Our aims were all right at the start for a national currency. We made a good start by our second Government bank, but the successful war made against it by President Jackson and the nonfulfillment of the promises made by President Tyler to restore it by legislation, by his refusal to sign bills passed by the Congress in fulfillment of platform pledges made during his campaign, rendered impracticable and impossible, for a long term of years, the use and enjoyment by the United States of a national paper currency or a national system of banking and currency laws. The deplorable result was that the Government was inflicted until the Civil War with State bank currencies of many varieties, most of it unsecured and irredeemable, depreciated and depreciating, fraudulent and dishonest. True, there were some highly creditable exceptions; a few of the State banks were conducted upon issued notes which they were pledged to redeem and which they did redeem and constantly maintained at par. Such banks did much for the business and commerce of the country, and in many instances rendered praiseworthy and patriotic service to the Government.

NATIONAL BANKING ACT.

Mr. Chairman, our present system, our national banking laws, constitute the solution of the combined exigencies arising out of the operation of State banks and the demands of the Civil War. The national banking act as completed by amendment the year following the initial enactment, relatively considered, was one of the greatest achievements of financial legislation. True, experience has shown that it contained defects, but it must be plain that it would have been impossible, even if a system of elasticity such as is now generally commended had been con-

ceived, to have made it acceptable and successful under the then existing exceptionally unfavorable conditions. It was necessary to be constructive from the viewpoint of the then existing environments. With the Union itself imperiled, with the large Civil War debt already incurred, daily increasing by the millions, with the consequence of greatly impaired Government credit and interest rates increasing, and, added to this, the demoralized condition of State-bank currencies, the plan evolved and adopted in these darkest hours of our Republic, by the tests made of it for now nearly 50 years, show Secretary Chase and his most active supporters entitled to have their names placed with the greatest of the architects of financial systems. For this achievement Chase could not have been more than fully rewarded by an election to the Presidency. Mr. Chairman, I regard this tribute as due the great Secretary of the Treasury and the national banking act, despite the fact that I entertain a very decided conviction that the system is fundamentally defective and unscientific. The act was the very best that was securable under the unfortunate existing conditions.

Mr. Chairman, the effect of the national-bank act was to immediately emancipate the United States from the hitherto State-bank currencies, so pernicious and demoralizing in trade, and to supply instead a national currency—honest, safe, and sound, and redeemable at par and acceptable at its face value everywhere. Not the least of the virtues of the system was that a market was made for the bonds of the Government at lower rates of interest than hitherto obtained. With this added market for bonds and the agency of greenbacks the administration was able to keep pace with the extraordinary demands. Without particularizing, the act was one of the greatest of the war measures. Its effect was like a breastwork for the preservation of the Union.

Mr. Chairman, it is clear it has been the judgment of a large percentage, if not a large majority, of the membership that banking and currency legislation should not be hurried through at this extraordinary session. It was thought at the start that it would suffice to pass a tariff-revision bill at this session. I am frank to say I have personally shared in this predilection, but for the reason only that I felt sufficient time would not be permitted to do justice to the subject. I regard it as well settled by the consensus of opinion of those who have enjoyed the greatest amount of experience and have given the subject the most careful study and attention that our present banking and currency system is fundamentally defective and unscientific. It is my judgment that a new system should be legislated for so soon as the subject may be given that careful, deliberate, and thorough consideration which its very great importance requires. I am ready to meet the question now and to remain here even until the commencement of the next session, in December, assuming enough others are so disposed, for the purpose of passing the right kind of legislation. I am thoroughly convinced that much may be done for the public welfare by the adoption of a new system which will afford an elastic currency, to expand and contract in keeping with the volume of legitimate business and otherwise meet the reasonable wants of trade. I should have liked much to have voted for such legislation in the last two previous Congresses, after much preparation had been made in the gathering of statistics and information bearing upon the subject, but factional differences rendered this impracticable.

Mr. Chairman, I regret to be impelled to the belief that the provisions of the present bill, duly enacted and put into operation, would not facilitate and subserve business transactions and business interests as it is conceived a thoroughly scientific system should accomplish. Being truly desirous of a complete change in our banking and currency system, believing the welfare of the country may be greatly advanced thereby, I shall hold myself constantly open to conviction of the merits of the different provisions; but I am now duly admonished by the action of the caucus, adhering so determinedly to the provisions of the bill as they were when it was submitted to the caucus, and what has already transpired here on the floor of the House that while it is possible I do not regard it as probable that such amendments will be secured in the House as will remove the serious objections I entertain.

Mr. Chairman, unless most of my objections to the provisions of the bill shall be removed by amendments made in the House I shall deem it a duty I owe to my constituents and the country in general to persevere in behalf of such changes as my judgment commends; I shall consider it my duty to continue with my protests that the same may be considered, with the objections of others, by the Senate, and that such weight be there given to our views as in the judgment of that body they may be entitled to receive. I am optimistic enough to feel warranted in predicting that if amendments are not made in several

material respects here in the House that the bill will be changed in most, if not all, of these respects in the Senate and that finally I shall have the pleasure of voting for a bill containing provisions, if not entirely satisfactory to me, yet not so seriously objectionable as is the bill in its present form. So long as it is my judgment that the bill is not the best that ought to be attainable by the Congress and there is another body to appeal to in behalf of improvements I shall deem it my official and constitutional duty to earnestly continue my objections in behalf of changes which commend themselves to my judgment.

Mr. Chairman, what I have said so far is with respect to commercial banking, but really I think banking and currency legislation will only have been halfway completed when we shall have duly legislated for commercial banking. In my judgment it is equally important that we promptly legislate for a rural credit system, for banks or associations or institutions duly constituted to loan money in farming communities. More than a year ago I commenced my preparation for the drafting of a bill of this kind, but a press of work then more exigent caused me to delay the matter until one or two bills had been introduced by other Members upon the same subject, since when I have been content to join with others in behalf of the desired legislation to be secured through the agency of one of these bills. If the right kind of legislation can be secured for meeting the wants of rural communities with loans at living rates of interest, such rates and terms and times of payment as are consistent with the farming industry, I shall be gratified without being entitled to be credited with the authorship of a bill. The majority party having and fully exercising, in this instance, its control over the bill, has decreed, and that in solemn party caucus, that this branch of legislation must go over to the regular session, so all that the opposition can do is to respectfully submit; but I predict that if such legislation shall not be passed at the regular session the country will hold as very derelict the membership responsible for the omission.

POLITICAL.

Mr. Chairman, I regret very much to be impelled to the conviction that it is a mere theory to be talked about and commended—not to be fulfilled—that banking and currency legislation should and would be nonpartisan. If one side, and that the majority side, makes it partisan, this renders it impossible for the minority to preserve the legislation as nonpartisan, however much they may try. Quite a number on the minority side, and a lesser number of Democrats not feeling bound by the action of the Democratic caucus, have on this floor earnestly protested against the extremely partisan way in which the bill, constructed by whom they do not know, was put through the majority-side caucus, thus binding the majority membership to its support throughout. It would seem the bill was made up for the Democratic caucus for it to adopt, and that very few, particularly in the first instance, were permitted to participate in the very exclusive council self-appointed to draft the bill.

The secrecy, mystery, surrounding the origin of the bill is, to say the least, very incompatible with present-day professions that the white light of publicity be kept upon the acts of public officials, especially the acts of our highest legislative body.

Mr. Chairman, the public interests involved in this subject of legislation are too great to justly permit of any partisan predilection prejudicing the merits of the bill in the minds of those who seek only to conserve the interests of the public. Personally I shall strive to hold myself free from any political bias, however great the provocation, and to give the same favorable consideration to the provisions of the bill as I should have felt disposed to do had it come before the House with the unanimous report of the committee composed of the different political parties.

Mr. Chairman, that the principles involved in the provisions of the bill are so very inconsistent with and repugnant to the foundation policies of the old Democratic Party should not affect the bill unfavorably. The fact that the decentralization of Federal power has always been one of the principal tenets of the Democratic Party and that the bill is the very essence of power concentrated in the National Government need not be taken into consideration by Republicans. The Jeffersonian doctrine, so often affirmed by his Democratic devotees, "The least governed the best governed"—even the pending bill constitutes an extreme example of the most governed—need not be taken into consideration. The fact that the Democratic Party is changing its front on principles need not prejudice the bill. On the contrary, if the Democratic Party is to continue in power, the only hope of the country may be that it will make a radical change of its policies.

Mr. Chairman, it can not be gainsaid that the bill constitutes an intricate network of power over the banking business very strongly centered in the Federal reserve board. Function upon

function, power upon power, is heaped upon the board. It will possess the powers expressly given it, and with it its implied powers, which may prove greater still. It will possess all its own power, express and implied, and in addition, by reason of possessing the authority to discharge from office and fill vacancies, prescribe policies, and fix salaries, it will possess all the power of the subordinate officers.

But I shall grant that this may be necessary, in a large measure, in this kind of legislation, and I am willing to go to a reasonable limit in this respect, if the bill may be improved in other respects, for the purpose of affording a fair experiment of such provisions and the kind of a new banking and currency system we have in contemplation. I appreciate great latitude must be accorded and exercised to meet the different conditions which may arise, with their various extremes and at times exigencies, the extent of which latitude could hardly be fixed by statute, and to meet which wants our present system has proved to be wholly inadequate. But I do maintain more autonomy should be secured to the subordinate officers, or that they should be more exclusive in the sphere in which they act. Dominated as the bill with its present provisions would permit, the officers lower than the reserve board should hardly be called officers. They might be more properly called clerks of the Federal reserve board.

Mr. Chairman, I entertain very serious objections to the clause that notes authorized to be issued shall be redeemable in gold or other lawful money. My objection is to the words "or other lawful money." To retain these words in the enactment, the result of the legislation must be admittedly retrogressive rather than progressive, and I think it will be agreed on all hands that the Congress is now making an earnest effort to be scientific and progressive in banking and currency legislation. Payable in gold or lawful money renders the promise a no greater one than to pay in the least valuable money or currency. I think it will be agreed that it is against sound policy to have cheaper and dearer moneys, and while such conditions may unintentionally be brought about it certainly would be unpardonable to consciously legislate therefor, which this very clause would do. By adhering strictly to the law of 1900, establishing the parity of our different moneys and currencies, we avoid any disadvantage existing in the difference of their values. Not only this, we avoid multitudes of difficulties and injustices which would result with the old condition reinstated, which the words "other lawful money" would bring about. The interests of the public and the interests of every individual in our country will be subserved by maintaining as equal in value, or on a parity, every dollar made standard or lawful money; in other words, every dollar should equal in value every other dollar authorized by law. We should have no one money or currency better or poorer than another.

Mr. Chairman, I do not coincide with the views of those who find serious objection to the compulsory requirement that national banks shall adopt the new law or forfeit the charters they now have. To permit national banks to adopt the new law or continue under the present system at their option would, in my judgment, make the success of the new act wholly impracticable. Besides this, the principle would be wrong, while adopting a new system, believed to be a great improvement upon the old, to permit a bank, or even a number of banks, to constitute an obstacle in the way of its adoption and success. It seems plain to me that the new act could not possibly succeed without being generally, if not universally, adopted by the national banks. Therefore, to give national banks their choice either to adopt the new or continue under the old system, to say the least, must result in delay and confusion, with the resulting demoralization in banking, which would spell failure for the new system, however meritorious it might be. Prudently, Congress must say whether we are to have an exclusively new national system or adhere to the old. To leave it to the option of bankers to adopt the new or to divide in the use of two systems would augment rather than decrease the disadvantages of the present system. In my judgment such a division would result in a crisis. Its success would be even far better assured if in addition to being adopted by our national banks it be also largely adopted by our State banks, but, of course, State banks must have their choice to adopt or not the new system. Essentially the system must be very generally adopted, if not entirely adopted, by national banks in order that its merits may be afforded a fair opportunity for a test.

Mr. Chairman, I am not allowed the time either to make all the criticisms I would otherwise make of the provisions of the bill or to express specifically my approval of such parts as I find acceptable. The basic principle of the bill for an elastic currency meets with my hearty approval; but, in my judgment, in order to best subserve the interests of the public, material

amendments should be made in its details. Unless such amendments shall be made in the House I shall unhesitatingly vote against the enactment of the bill and await the action of the Senate, and with confidence, too, that more or less improvement will be made by the upper body.

Mr. BULKLEY. I ask the gentleman from California [Mr. HAYES] to use some of his time.

Mr. HAYES. I yield 15 minutes to the gentleman from Pennsylvania [Mr. KELLY].

Mr. KELLY of Pennsylvania. Mr. Chairman, with all others here present I have listened with great interest to the instructive speech of the gentleman from Ohio [Mr. FESS], and have appreciated it the more from noting in to-day's press that at a meeting of the Ohio bankers in Cleveland yesterday only one banker was willing to declare that he understood the contents of the Glass bill.

The bankers of this country are directly affected by this bill and should at least know its provisions, but of just as much importance is the effect upon the people, and their interests as well as those of the bankers depend upon the attitude of this lawmaking body toward this legislation.

Underneath the fact that this bill is before Congress and underneath all the speeches of this debate is the recognition of the predominant problem in America to-day. It has many phases, and some of them have already been considered, while others are yet to come before this body for action. But, however expressed, it is the same problem—that of securing a more just distribution of wealth between the factors producing it.

The production of wealth has monopolized attention largely, and America has astonished the world by her success in that direction. Crops and manufactured articles to the value of thirty billions are produced every year. Hundred-handed machines, directed by intelligent workmen, pour out a stream of all the countless products necessary to twentieth-century civilization. The increase of wealth between 1800 and 1910 was twice the entire value of the Nation in 1870. One year of modern American progress adds more to the total wealth than a century of earlier American history. The per capita wealth in 1870 was \$708; to-day it is almost \$1,400.

The problems of production have largely been solved, but the problems of distribution have been neglected, and they now confront us with a profound menace.

Concentrated wealth and diffused poverty have become national characteristics. With 96,000,000 of people and wealth of one hundred and twenty billions, 10 men have personal fortunes of three billions and one group of financiers controls twenty-two billions of dollars. While the average worker produces \$1,300 of wealth every year, after allowing for the cost of materials and necessary expenses, he gets but \$435 of the amount. Two-thirds of the wealth he produces goes to other men. As a result the average man is finding it increasingly difficult to make his income meet the actual expenses of livelihood for himself and family. Soaring prices for the necessities of life mean that he must live from hand to mouth and in constant dread of any misfortune which might prevent his ability to work for even a short period. Little children are compelled to toil while able-bodied men go idle. With all the marvelous production of wealth millions of American citizens are in poverty. With bumper crops and gigantic output of commodities, they are ill nourished, unprotected, and ill clad.

Such conditions, growing more pronounced every year, are filling the land with distrust and discontent. They vitally affect the Nation, for no nation can remain stable and secure when millions of its citizens are systematically starved in body, mind, and soul, while at the same time a few men add to their colossal fortunes through injustice and oppression.

Carlisle phrased a question and answer which applies most forcibly to the conditions of to-day:

How have you treated us, how have you taught and led us while we toiled for you? The answer can be read in flames over the nightly summer sky. This is the feeding and the leading we have had of you. Emptiness of pocket, of stomach, of head and of heart. Behold there is nothing in us, nothing but what nature gives her wild children of the desert—ferocity of appetite, strength grounded on hunger. Did you mark among your rights of man that man was not to die of hunger while there was bread reaped by him? It is among the rights of man.

It is not too much to say that concentrated wealth and widespread poverty form the greatest curse in this Nation to-day. It is the parent evil, and other evils are its offspring. It is the cause of the conflict between capital and labor. It erects a barrier between class and masses, and lends strength to the arms of anarchists and all assailants of government. It has a vital bearing on corruption in politics because some men are rich enough to buy others so poor that they are tempted to sell themselves.

That a large part of this inequality is due to financial jugglery is apparent to every unbiased and thoughtful observer. The

control of money and credit is the power of life and death. Through the exercise of that power in private hands inflation and contraction have reaped their harvest of gains to the few and losses to the many. Artificial panics have been manufactured and false booms engineered, while the masses of the people have paid the full cost. Through this control a few men in this Nation have secured a hunger hold upon the people, and it becomes the imperative duty of Congress to face the facts fairly and unafraid. To destroy so great an evil should be the first aim of every patriotic legislator. Justice and the common heritages of citizenship demand its overthrow, and that demand is at the bottom of the widespread desire for banking and currency legislation at this time.

I believe that determined and radical action is imperative, and that no milk-and-water remedies will avail. I would not in any degree lessen the regard for the rights of wealth. I believe it has its rights and should be accorded full justice. But when the confederated money interests of this Nation seek to rule the Republic, when they flaunt their power in the face of the citizenship, when they dictate the making of laws or prevent the fair and free administration of law, I maintain that the time for forbearance is over and the time to strike has come. These interests have themselves forced the issue and we must decide whether manhood or money is to rule in this Nation.

The banking and currency questions are at the very source of this problem of the distribution of wealth. The financial system determines the relative prices of commodities, and upon these prices rest in a large measure the distribution of wealth. If it be true that these questions are of such vital importance, it should follow that the political parties of to-day should have principles of action which should coincide with fundamental beliefs of the parties. But we do not see such a dividing line, and that accounts for the bitter denunciation of this measure on the part of Democratic Members and the support of its provisions on the Republican side of the Chamber. If any one thing is patent in this debate it is that there must soon come a new alignment among political parties of this Nation. There has been little said during this debate concerning principles, but there has been a great deal said about interests. There must come soon a real dividing line between the parties, and it must be a line of principles instead of interests.

To my mind, that dividing line will be that which separates the national idea from the individualistic idea and the commercial idea.

The gentleman from Georgia [Mr. HARDWICK] and the gentleman from Texas [Mr. CALLAWAY] have given able expositions of the individualistic idea, which is fundamental with the Democratic Party. They object to the centralization of authority contained in this bill and uphold personal liberty while they would enforce free competition. They have expressed the historic attitude of the Democratic Party, yet the Democratic majority in this House will vote solidly for this bill and a Democratic President gives it his complete approval and, in fact, has inspired its character.

The gentleman from Pennsylvania [Mr. BURKE] and others have given able expression to the commercial idea, which is fundamental with the Republican Party. They object to this Federal reserve board solely because it centralizes authority with the Government. They desire a central authority named and controlled by the banks, and with that provision would give full approval to the bill.

But neither of these ideas meet the demand of the aroused citizenship of America to-day. The people see and know that the individualistic idea meant simply the law of the jungle, with the strong always overcoming and overriding the weak. They saw the commercial idea following and giving all attention to these successful ones in the hope that if the few were made prosperous their prosperity would leak down on those below.

Now, the American people are turning to the national idea, the principle that this is a Nation created by the people, whose powers shall be used for the common welfare of all the people. They demand that their Government shall be used to prevent the triumph of strong-armed lust for gain, and to secure prosperity for the many, being content to allow that prosperity to find its way to the top.

In so far as the Glass bill is in accordance with that principle it is worthy of support, and where it departs from that principle it deserves only condemnation.

In its provisions it does not touch the question of enforcing fair and just dealings by individual banks. It follows here the individualistic idea in spite of the fact that the let-alone policy of the past has brought about a condition which menaces the entire fabric of the Nation.

The Pujo Money Trust investigation, one of the most important inquiries by Congress in the past decade, proved beyond

the shadow of a doubt that the concentration of credit in New York was due to combinations between great banks. That report was conclusive evidence that changes must be made in existing laws regarding banking if the liberty of business enterprise is to be safeguarded.

The uncontradicted testimony before the Pujo committee shows that one group in Wall Street has acquired such control of money and credit that, acting through 118 directors in 34 banks and trust companies, it controls total resources of \$2,269,000,000 and total deposits of \$1,983,000,000. With such power over money and credit it controls wealth of various kinds amounting to \$22,000,000,000.

The testimony further shows that many of the greatest banking institutions in the country have degenerated into instrumentalities for the control of money and credit, using the money of the people against the people themselves. This condition has been brought about through legislation and lack of legislation, and the cure must come through legislation.

All must admit that the banks render a valuable public service by safekeeping funds that are saved from earnings by economy and thrift or are temporarily idle, and at the same time loaning them out so that business undertakings may be carried out for the benefit of society. But all must also admit that banks are quasi public institutions and that their proper conduct has a vital relation with the public welfare. Justice demands that they shall not be permitted to have exclusive domination of business through the monopolistic control of credit. They are not the masters of the public but the servants, and it is the sacred duty of government to exercise control over them to the extent of making sure that the public shall be given a square deal and that the people are not left at the mercy of banks that have the power of sacrificing legitimate business to reckless and injurious speculation.

The national idea requires that very action, and I am confident that the people will be satisfied with nothing else. The Glass bill does not recognize this requirement, and as a result is a structure raised upon a shaky foundation. It is a weak measure, for however strong the building erected upon shifting sand it can not be stable and enduring.

To meet the demand of the people this bill should contain provisions for the strengthening of the present banking system so that it will inspire the unquestioning confidence of the public in its justice and in the ability of each individual bank to adequately and justly serve both depositor and borrower.

It does not require a wholesale overturning of the present system and the creation of an additional system to attain that end. The present national-bank system has shown that it has splendid characteristics of service and it has become a part of the web and woof of American business.

There is much merit in the axiom, "Prove all things; hold fast to that which is good." Our national banking system has been in use for half a century, and with the changes which experience shows to be necessary it can be made the best in the world. The defects are recognized and they can be easily remedied.

The Pujo report shows that the system of interlocking directorates has established a community of interest between banks which has practically destroyed competition and which is a vital factor in the control of money and credit. On page 140 of its final report it states:

When we find, as in a number of cases, the same man a director in a half dozen or more banks and trust companies, all located in the same section of the city, doing the same class of business, and with a like set of associates similarly selected, all belonging to the same group and representing the same class of interests, all further pretense of competition is useless. For all practical purposes of competition such banks and trust companies may as well be consolidated into a single entity. If banks serving in the same field are to have common directors, genuine competition will be rendered impossible. Besides, this practice gives to such common directors the unfair advantages of knowing the affairs of borrowers in various banks and thus affords endless opportunities for oppression.

Monopoly without the obligation of public service is always a menace to free institutions, but a monopoly of money and credit is more dangerous than any other. When it is evident that one of the chief causes for the united action of banks in the accomplishment of common purposes is in interlocking directorates it becomes a sacred duty on the part of Congress to prevent it. No new system is needed to deal with this evil, and no new system that does not deal with it will be effective. A simple provision that no director of a national bank should serve as a director of any other banking institution would cure this evil.

Added to that, a provision that boards of national banks should consist of not less than 5 nor more than 11 men, and that they should be fully responsible for every act of the bank, and a long step in the right direction would have been taken.

The concentration of money in New York City is another evil of the present system. It is dangerous because it induces speculation in Wall Street and robs the local communities of the money needed for legitimate business. Immense amounts are loaned by banks in stock-exchange loans. On November 1, 1912, 32 of the New York banks had \$240,480,000 outstanding in such loans, placed by them directly for their correspondents independently of the deposits of those correspondents. The deposits of out-of-town banks in these 32 New York banks at that time was \$493,373,000, and a large part of that sum was also used in stock-exchange loans.

This condition can be met by a change in the reserve system and the express prohibition that national banks shall not loan money on securities dealt in at stock exchanges which refuse to incorporate and submit to proper public supervision and control. The New York Stock Exchange and other similar associations are voluntary private associations that have steadily fought all attempts to subject them to such regulations of law as would provide an adequate safeguard against the methods by which stock-exchange quotations are manipulated according to the purpose of stock-gambling pools and individuals, and which costs the American people \$3,000,000,000 a year.

Another change necessary to insure safe and just banking is to prohibit bank officers and directors from borrowing from their own banks.

This practice has been a fruitful cause of bank failures, the First-Second National of Pittsburgh being a recent case in point. It is beyond reason that bank officials desiring money for speculative ventures will use proper caution in the use of bank funds, and the public, both the depositors and borrowers, should be protected against such a dangerous practice.

Another provision necessary to secure safe and just banking is the requirement that banks make public the list of assets held by them. Banks invest the money of depositors and stockholders and they have the right to know what disposition is made of their money. Not only that, but free and full publicity would benefit the banks themselves for it would add to public confidence. The list of stockholders and the assets held by the banks should be placed in a public place in the bank, where all who cared might see for themselves the investments made by the banks to which their money has been trusted.

The Pujo report shows, too, that much of the business done by many national banks is not properly banking business. They devote their energies and funds to the work of promotion, speculation, syndicating, and trustifying. They are extending their efforts in these unwarranted fields through a strained construction of the national banking act, although Chief Justice Waite declared that national banks are prohibited from dealing in stocks and bonds through the failure of the act to expressly grant that power. An express prohibition of the power to invest banking funds in such speculative securities would go a long way toward making the resources of the banks available for the needs of the legitimate business of the different communities in which they are located.

But while the banks are to-day engaging in transactions which are not a part of legitimate banking business, they are prohibited from engaging in some transactions which belong to them by right. They should be permitted to accept time drafts and bills of exchange, a provision which is one of the most commendable in the Glass bill, although an additional system of banks is not necessary in order to have its benefits.

At present the banks are not permitted to accept time drafts in spite of the fact that these bills of exchange, drawn by one bank and honored by another and bearing the names of one or more responsible indorsers, and having salable merchandise back of them, form the safest and most liquid form of credit in which funds can be invested.

Such a provision is a benefit to the banks and to business men. To-day American dealers must pay 7 per cent or 8 per cent for the money with which to discount bills, even though they borrow at 6 per cent nominally, for they must carry a portion of the loan as balance in the bank. The right to discount a bill of exchange would be a regulator of business. It would represent an actual transaction, and would be paid by the realization of money for goods sold. The use of such paper would rise and fall automatically with the needs of business, and would, in fact, assure a self-regulating currency, which in itself would be a great protection against arbitrary contraction and inflation.

The banks should also be permitted to establish savings departments by express provisions of law and not through the subterfuges which obtain at present. This department should be kept separate and distinct from demand deposits, and from its funds loans should be permitted on real-estate loans for maximum three-year periods. This right should apply also to city real estate and not be confined, as in this bill, to farm

lands alone, for the owner of a town lot should be given justice in this matter as well as the owner of farm land.

These changes would not injure, but benefit, every honestly conducted bank in this country. They would put the banking business on a safe basis and allow the banks to occupy their rightful field. I believe there is vision enough and leadership enough and courage enough among the bankers of the country to demand these remedies for existing evils. I know personally many bankers who desire the changes which will enable them to transact only banking business in a fashion which will recognize the rights of the public as well as the opportunities to make money. B. F. Harris, vice president of the First National Bank of Champaign, Ill., in a recent article in *World's Work*, sums up that thought when he says:

It is all-round good business for the banker to enlist himself as a militant campaigner in the field of public welfare and good citizenship.

But regardless of the attitude of the bankers the people of this Nation will have their way. They know the need of these reforms in banking conditions, and no private interests, however powerful and entrenched behind existing laws, can hope to succeed against the aroused majority in this land. The monopoly of money and credit in private hands strikes at the very equality upon which this Republic was founded. It is incompatible with the public safety and the common welfare, and this lawmaking body has no more sacred duty than to end the possibility of such control. It is not so much a question of establishing a new system as it is a matter of clearing away existing abuses and strengthening the good qualities of the system which is now an established part of American business and which has proved its right to survive. It is a recognition of the principle that the people of this Nation are sovereign and through the Federal Government have the power of enforcing their decrees in order to secure justice to all.

I have tried to prove that the best interests of the people demand that no one class of individuals be permitted to control credit, but that the power of government should be exerted to its full extent to prevent a few men, through the control of dominant banks, from dictating the terms on which credit can be secured.

But credit depends on money, and therefore it is of even greater importance that the control of money be vested solely in the government of the people. Money is the lifeblood of commerce. It makes it possible for men to divide the multitude of labors necessary to maintain our civilization. By means of it each man while performing his own special work benefits from the great variety of work performed by other individuals. It brings labor and capital together and associates them in productive capacity. It is the yardstick by which all products of labor are measured.

The control of this standard of value should be in the hands of the Government just as much as the control of weights and measures. Any power that can control the volume of money, increasing it or decreasing it arbitrarily to serve selfish interests, has the power of life and death over American business and industry.

If there is more money than is needed for the actual demands of trade, speculation is induced, production is overstimulated, prices rise much faster than wages, and all industry is deranged.

If there is less money than business requires, prices fall, goods are sacrificed, production is curtailed, wages are decreased and men thrown out of employment, and again all industry is deranged.

When the currency of this Nation is either inflated or contracted without reference to the demands of trade, industry is paralyzed and the people suffer, and one is as disastrous to the interests of the average man as the other.

It therefore follows that the best interests of the people demand that the volume of money be just sufficient to meet the demands of business, increasing as the demand increases and diminishing with lessened demand. The production of money must keep pace with the production of all other products of labor.

In other words, the first necessity is to have the value of money uniform from year to year, to have the standard of value retain the same purchasing price, for that means a stable price level of commodities, and security, and prosperity for the people.

And for my part, I would hesitate at no step necessary to secure that condition. I believe that the only function of a just Government is to promote the common welfare, and that any action is justified to secure that common contentment and prosperity which can only come when those willing to work can find employment at just wages, when the products of labor and the farm can find a ready market at profitable prices.

That is the prosperity we need to-day in this Nation. Not the prosperity of the few at the top, even though we admit that some of their prosperity may leak down on those below. Real prosperity means the prosperity of the many, which in just proportion will find its way to the top.

A stable price level of commodities is necessary to that prosperity and a stable price level depends on the volume of money and the freedom of credit.

It is admitted that the discount rate is a powerful factor in controlling the volume of money. It is believed that it can be kept where just enough money and ensuing credit will be used to produce a stable price level. It is presumed in this bill that the discount rate will be raised if prices should rise above the level and lowered if they fall below it. But the reserve banks do not deal with the people at all and borrowers must discount their notes with institutions not directly affected by this discount rate. The idea, of course, is that the control of discount rates to banks will affect the dealing of banks with their customers. But that in turn presupposes competition between the banks, and that brings us back to the fact that fair competition must be secured if that principle will operate.

If a system of reserve banks is deemed necessary, why do you not reach directly the ends desired by having them banks of the people and for the people. The banks object bitterly to enforced contributions to the capital of these banks. Why not have the capital stock subscribed by the people and controlled by them? Then all the powers granted would be used directly for the benefit of the public.

I believe that the ends which are declared to be desired by the passage of this legislation can be secured without the organization of reserve banks and the destruction of our present banking system and Independent Treasury. A Federal currency board, representing the Government solely, should be given the powers vested in the Federal reserve board in this bill and under requirements of law so rigid that it would use no discretionary power whatever as far as rediscounting commercial paper is concerned. The requirements could be fixed and currency issued on all Government-inspected and Government-passed securities. The Government funds would then not be in the hands of a private corporation—a system which has so many obvious disadvantages.

This board should have the power of fixing discount rates. None can deny that the present high price of commodities is due in large degree to the inflation of money and bank credits which has taken place in the past 14 years. This must be corrected, and the only way in which it can be corrected without bringing the dire evils of contraction is to vest control of the discount rate in the Federal board. Admitting that such a power is the power of life and death over industry and trade, I contend that it should be taken out of the hands of private interests which profit most when interest is high and should be lodged in the Government, representing the interests of all the people.

This control has been in the hands of private interests, and we have seen money increase 60 per cent faster than population in the past 14 years, while the prices of the necessities of life have been increasing to approximately the same degree. Bank credits have increased still more and have also affected the price of every article bought and sold.

What do the American people desire in banking and financial legislation at this time? They want the national idea recognized and the powers of Government used to promote the common weal. They want safe and independent banks, conducted on behalf of legitimate business interests, each serving its constituency adequately and justly. They do not want nor will they tolerate a central bank with its gigantic monopoly in private hands, as provided for in the Aldrich plan, and they will accept no substitute which masks the same powers and attributes, no matter what name may be given it.

They want an ample currency, adequately secured, and issued solely by the Government, so regulated as to maintain a steady price level. They want a national currency, intelligently controlled in the interests of the whole people, so that a dollar shall at all times represent the same amount of commodities and services. This bill aims to secure that kind of a currency and it is a step in that direction, even though slow and halting. Its composite character, its confused principles, and its yielding to expediency weaken it and make it certain that further steps will be necessary in the near future. It will without doubt better existing conditions, but it does not strike the blow the American people have a right to expect against the power which is desecrating their liberties, the irresponsible power of a few men over the great mass of the people. That great cause still demands champions and bitter battles; the cause age-old and never won but always winning; the cause of the throttled and thwarted and enchained against the despot and the tyrant; the

cause of the weak against the strong; the cause of every American who believes that the individualistic and commercial ideas have become outgrown and outworn and must give way to the national idea, with a government of the people, for the people, and by the people, exerting its every power to assure equal rights and equal opportunities for every man, woman, and child in the Nation. [Applause.]

Mr. GLASS. Mr. Chairman, I yield to the gentleman from Kansas [Mr. CONNELLY].

Mr. CONNELLY of Kansas. Mr. Chairman, it had not been my purpose to offer any remarks on the bill under consideration. I confess to you, and freely so, that I have no scientific knowledge on the question of banking, with which this bill largely deals. My remarks will necessarily be along the line of fundamentals, to which every Member has given some consideration. It is fundamental principles that I wish to discuss more than the intricate provisions of the measure. In the reading and consideration of so comprehensive a measure as this we are compelled to apply those standards of measures to it that we have learned to consider as basic principles. If the provisions of the measure are such that they conform to our ideals as we have set them up, we are liable to agree with them that far. If they do not, then we are prone to attempt to reason from the known to the unknown and try to arrive at a proper conclusion.

I am free to say that I have much more faith in the bill since getting a closer glimpse of its intent and its provisions than I had at the beginning. I confess that I have much faith in the honesty and ability of the members of this committee of distinguished gentlemen who have prepared it and who have defended its provisions so ably here. I have a great deal of confidence in the great leaders of the Democratic Party, some of whom I have unwaveringly followed for many years and have found them worthy at all times of this great leadership. These leaders, as well as some of the men in the Republican and Progressive Parties, whose patriotism and loyalty to the institutions of this great Government I do not doubt, have expressed a confidence in most of the provisions of this bill, and that to me is, to an extent, assuring.

I will say to you in the beginning, however, because it is true, that the bill is not in some respects what I would have made it had I been allowed to frame it. I am not one of those who feel or express the contempt for the teachings and the principles of the old-time greenbacker that has been manifested by some who have spoken here during the consideration of this measure, both in the caucus and in this committee. I am one of those who believe it possible for this Government to issue and maintain a full legal-tender paper money, limited in quantity to the needs of the country. I fear that when this bill is brought to the test that it may be found that you have exaggerated the inverted cone of your present financial system by making this money redeemable in gold, and thus make it possible for those who would profit by embarrassing the Government to gather up this money, carry it to the Treasury, and compel the Government to go out into the marts of the world to secure the gold to redeem it. I hope my fears and alarms upon this matter may prove groundless, but I am free to confess that I believe it is possible. That there are many wise provisions to the bill everyone must confess. The provision that places the supreme control of the whole system in the hands of the Government, where men who manage the monetary affairs of the country may be reached by the electorate, is to my mind so wise that I feel that I would be justified for that reason alone, if for no other, in supporting the measure. Then, again, I have faith in the future of this country and the men who will come here to make the laws when we are here no more. I believe that they will remedy by legislative enactment any defect that may show in the working of the scheme that this body, with its splendid endeavor to frame a good measure, may overlook. I believe that there is intelligence enough among the people of this country to demand that any weakness shall be remedied as soon as it begins to show in the fabric under the acid test in the great loom of experience. I believe that we have reached the happy time in our national life when men will have to appeal to intelligence in the future instead of to prejudice, as has been the case in so many instances in the years that have gone by. I believe the people of this country will not demand that the measure be perfect in all of its details upon its inception; they will only demand that it be honestly administered and promptly remedied when the weak places, if such there be, begin to show. I will not be ashamed in years to come to say that I voted for a bill that had so wide an application and was intended to ramify every fabric of our country's commercial and financial life that was in some detail imperfect. Perfection is a rare commodity. I have known but few in my life who claimed to be perfect, and not one of these would I care to imitate or make a day's journey with. The

people of this Nation are not demanding perfection. They are demanding honesty and a fair degree of intelligence.

I have spoken of my fears of the bill loading down the gold upon which it is based with too heavy a load; I would like the bill better if it made every one of these notes when issued a full legal tender for all debts both public and private, with the single exception that it should not abrogate any pledge or any contract now made by the Government. While I do not believe in gold redemption of money, I do believe that a contract made by a Congress is just as sacred and binding as contracts made by individuals, and I would never consent to violation of contracts that this Government has assumed, though under what I consider an unwise policy. I do think that future contracts should not be made in such a way as to place the Government under the possible condition of having to go out and sell bonds in time of peace to satisfy the demands of men who are unpatriotic enough to embarrass the Government for selfish gains. There are gentlemen who know the evil results of the present system who are not sure that they have exactly the right plan to remedy these evils. We see under the present system of loaning money that the fellow who borrows money must pay more for the hire than the average business will permit. We can see with conditions just right—with money drawing a fair and just rate of interest—it should be a strong indication of the prosperity of the individual, and a compliment to his ability as a business man, if it were known that he was a great borrower and was using a great deal of hired money. I find, however, that in the practice, under conditions to-day, the reverse is true, and if it is known that a man is a big borrower it is oftentimes counted against him, for there are few legitimate businesses that will justify him in hiring money at the rate of interest that for many years has obtained in this country. My idea is that if there is a just rate of interest for the loan of money it should be based to an extent upon the natural increase of the wealth of the country. *I do not know of any reason why the man who keeps his wealth or holdings in liquid assets should be especially favored over the man who keeps his holdings in other forms of property.* I do not see in this bill any particular thing that will promise any material lowering of the rates of interest that the final user will have to pay. While I believe the bill contains much more of the good than it does of the bad, and its sins that I would criticize are rather the sins of omission than sins of commission, I would like the bill better were more consideration given to these features.

Mr. Chairman, there is no ground for any class hatred in this country as between the borrower and the lender of money. You will find the banker averages very well with his neighbor in the civic and social virtues that we all encourage and admire. I do not know a banker in my county, my district, or my State that I am not proud to count my friend. I have along with other gentlemen found the friendship and confidence of my banker a valuable asset not a few times in my life. If he has fared better in the gathering together the wealth and goods of the world it is not because he is vicious but rather because he has taken advantage of the conditions, and for these he is not to blame. He is only one to the many who are engaged in other business. I have no sympathy for the sentiment that carries a class hatred. I think it has no place in the making of laws or shaping of statutes. I would approach all legislation with the common good in view and not with the idea of getting even. However, there is a great responsibility resting upon those who are intrusted with the making of financial law. I want to approach it in a spirit of fairness to the rich and the poor, the strong and the weak that should ever be shown in a task so great. I am persuaded that later on, in this Congress, the matter of farm credits should be given that rational consideration that its merit deserves. I know that in my district as well as in many of the other districts of the country, men with ample security are often compelled to pay through commissions and intermediate charges a much higher rate of interest for the hire of money than they should be compelled to pay. I want to have an opportunity to vote for a law that will not permit any class of men to stand between the Government, whose functions it is to coin money, and the user who needs it to conduct his business, and demand that they be given a rake-off in the course of the deal. I know that there are gentlemen here who look upon this proposition with some misgivings, but I believe that it is not only feasible but practical, and I stand ready to assist in every way in my power to place such a law upon the statute books of our country. I have heard some gentlemen of the opposite political faith blame the management of the Democratic Party here because this farm or rural credit plan that is contemplated has not been acted upon.

It seems strange, indeed, to see how placid were these same gentlemen through a term of 50 years that the Republican

Party failed to do these things, but who now grow so impatient in six months of Democratic rule, because the results are not already apparent. I believe that this Congress will pass a farm-credit law. I believe that the country wants it and that Congress will be responsive to the demand. I want to observe that it does not become gentlemen on the other side of the House who have so much fault to find with the way business is conducted by the Democratic majority. You profess to see great danger to the liberties of the people from the secret caucus, where representatives of a party meet to lay out their plans of procedure and make sure that they will carry out the pledges made to the people. This is another reform that has found recent lodgment in the minds of you gentlemen. You practiced this policy every day that you were in power in this country and will practice it again in all probability should the unfortunate day come when you will again be intrusted with its affairs. I have no fault to find with the honest reformer. I believe he will ever have an important place in the affairs of a republic. I submit, however, that the primary essential of the true reformer is to be willing to practice when he is in power the policies he pleads for when he is not in power.

Mr. Chairman, I represent, in the main, a great agricultural district where the sources of wealth are stock and grain raising. True, we have all of the other interests incident to the industries of such a community, such as banking and milling and mercantile business, but all are primarily dependent on the man who guides the plow. This great rectangle of land has all the elements of primal wealth in the line of agriculture. I may be pardoned in passing in saying to some of you gentlemen who live in the East, and who I fear at times get the idea that the range of great things is bounded on the west by the rolling waters of the Mississippi, that one county in the district that I have the honor to represent—Smith County, Kans.—in the year 1912 produced more corn than any five of the New England States combined. It produced more corn that year than any like amount of territory in this great Nation. We are a cosmopolitan people, where the interest of the banker, the farmer, and the merchant is so interlinked and interwoven that what affects one class quickly and surely affects the other.

These interests are so close in my country that I would hesitate to support a measure that would embarrass the bankers there. I am free to say that while I have taken some trouble to place the provisions of this bill before them I have not received a letter from a banker in my district protesting against the measure. I am therefore persuaded that they believe that this bill, which makes it possible for them to accommodate their people through the agencies of the discount features of the bill, makes it more easy for them to secure the money to meet any stringency in the times of panic; makes them less amenable to the greater banks in the financial centers, where money naturally flows under the present system; meets to a considerable measure their approval, and has their support.

Mr. Chairman, finally I want to again say that I have never held or expressed the feeling toward the teachings of these old monetary reformers that has been shown by some gentlemen who have spoken here—that old reformer pleaded for a limited full legal-tender money, composed of gold, silver, and paper money, each dollar the peer of every other dollar, and each armed with the sovereign power to walk the royal highway of commerce and slay every debt it chanced to meet. I have never held a contempt for their teaching, for I have never been able to see where it was capable of doing a wrong to any class or to any legitimate business. I know that the great majority of these men who believed in and taught this doctrine were farmers, who usually paid the interest instead of the high financier who collected it, but I have never considered that sufficient excuse for holding the theory in contempt.

These gentlemen who take so much pleasure in showing their disapproval for that class of money that they are pleased to call "gutter script" and "rag money" should quit abusing paper money for the good it has already done in the Nation's history, though it may never be called upon to do more.

In reading the history of my country I find that when Jefferson—who was, to my mind, one of the great characters of history—when he, through the eye of the sage and the patriot, saw the great possibilities of that vast empire known as the Louisiana Purchase and sought to obtain it, it was paper money that came to his rescue and made it possible for him to secure that great domain and dedicate it to freedom for all the years to come. When the haughty Britons waged a war of hatred against this struggling Nation in 1812 and sent her armies and navies here to pillage and destroy, it was paper money that again guided the pathway of our fathers and stood true in that great struggle.

When the Nation was rended in civil strife in the dark days of the early sixties, and gold had hid like a craven from the eyes and haunts of men, it was the old-time greenback that paid for provisions, equipped armies, and made it possible for Old Glory to continue to wave over a united country. It has stood in every crisis of our Nation's need as our sponsor and our friend. It has gone down into the valley and the shadow side by side with every patriot, only to be denounced and despised when the shouts of victory came. It has always been a friend in need, to help, to succor, and to save. It has never deserted humanity in the time of her distress.

Mr. Chairman, we hold no contempt for the old-time greenbacker. He thought he was right, and he had the courage to say so. He was not afraid nor ashamed to be on the losing side. It was such as he that the poet had in mind when he wrote:

And I honor the man who is willing to sink
Half his present repute for the freedom to think;
And when he has thought, be his cause strong or weak,
Will risk t'other half for the freedom to speak,
Not caring what censure the mob has in store,
Be that mob the upper ten thousand, or lower.

[Applause.]

Mr. GLASS. Mr. Chairman, I yield to the gentleman from Maryland [Mr. LINTHICUM].

Mr. LINTHICUM. Mr. Chairman, it is not my intention to take up the time of this House with a discussion of this measure in detail, for its provisions have been made plain by those who have given long months of study to the subject and who are therefore more familiar with what will be its probable operation than I am. Having kept in touch with those bankers living and doing business in my congressional district, and having always endeavored to accommodate them in all matters when it was consistent and possible for me to do so, I am sufficiently close to them to feel that if the present measure was regarded by them as one fraught with disaster to the banking interests of my city or of the country in general they would have availed themselves of their privilege to set forth their objections, and I should certainly have heard from them.

I have made a studious effort to keep the bankers of my district fully informed regarding this proposed currency legislation. I have mailed copies of the bill and the committee's report on the same far and wide throughout my district, and both in writing and in my conversation with individual members of the banking fraternity I have invited expressions of their views on the measure, stating that I would see that they were placed before those in charge of this legislation that no point worthy of consideration might be overlooked.

I have heard but little objection in my district to this measure, and the general tenor of the correspondence has been similar to that of this letter I hold in my hand, which was received this morning from Mr. William Ingle, vice president of the Merchants-Mechanics National Bank, of Baltimore. In acknowledging receipt of certain literature which I forwarded him relating to this currency legislation he says:

My offhand judgment is that the worst feature of the bill is its commitment of the Government to active banking and responsibility therefor, in that it guarantees the redemption of credit obligations. As far as Government control is concerned, I feel that as the general thought is in the air, right or wrong, once we admit that it is to be recognized we are able to very much more readily assent to many other principles found in the bill. Personally, I am in entire accord with one of its main purposes, and that is to give all sections of the country the same chance for the future, something which has been for 50 years denied under the provisions of the present banking act.

That the pending bill is the most comprehensive reform measure on this subject considered by this House within the past 50 years I realize. It is not to be expected that everybody will favor the provisions of this bill, and there is always a difference of opinion upon all important legislation; but so far as I am able to judge, I feel we have a measure which will meet the needs of our people, and I heartily indorse its passage. Furthermore, I am confident that such is not only the general opinion in my congressional district, but that of the country at large.

I regret, however, that this bill does not make provision for a system of agricultural finance, for, in my opinion, the subject is one of enough importance to have our attention at this time, and upon the need for such legislation I would like to address this House.

At a recent convention of the Associated Advertising Clubs of America, Col. Henry Exall, president of the Texas Industrial Congress, in the course of a most careful and interesting address upon the necessity of conserving the soil, raised the finger of warning when he stated that so general has our method of soil spoliation become that it has been stated upon good authority that more than half of all lands in cultivation in the United States have greatly deteriorated in the power to produce. Despite the fact that we have learned more about seed selection

and have had better agricultural implements for cultivating and for harvesting than ever before, so universally have we robbed the earth, milking without feeding, subtracting without adding, checking out without depositing, that we now produce less wheat and corn combined per acre than we did 40 years ago. In extracting everything from the earth we have failed to create a sinking fund to pay this debt and have in many instances destroyed both principal and interest.

The truth of Col. Exall's statement must be apparent to every man familiar with agricultural conditions in this country, and when one reflects upon this statement, dwells upon the gravity of the conditions which it conjures, the query which inevitably arises is, Why is this so?

CAUSES OF SOIL DEPLETION.

I do not believe that I am far astray the mark when I attribute our soil depletion to three principal causes:

First. Our wastefulness;

Second. Our failure to regard agriculture as an industry and to apply to it the business methods of such; and

Third. Our neglect to provide farmers with a financial system adapted to their particular requirements.

Through the natural alertness of our people, assisted by the educational efforts of our Federal and State Governments, our wastefulness has been in great measure checked. Literature and teaching has brought home to the rural resident dependent upon the soil for a living the realization that farming is an industry, and I am happy to say that the great majority of our farmers are managing their acres with as careful consideration of true profit and loss and with as wise regard to the financial aspects of the situation as is manifested by the most keen and enterprising business man engaged in the conduct of any industry. I am in hopes that this House will see fit to remove the last of these contributing causes by placing within the reach of our agricultural population, or assisting them in bringing within their reach, a system of agricultural credit that will enable them to have easier and quicker access to the dollar when it is required for farm purposes.

I believe that when we have done this not only will we have removed the last of the contributing causes of our present soil depletion, but we will have placed within the reach of the farmer the opportunity to make his farm a contented center of profitable industry.

To some Members of this House it may appear unusual that I, representing a congressional district in the city of Baltimore, should manifest so great an interest in a subject not immediately affecting my district, but I have a farm on the outskirts of Baltimore, and I am a farmer myself on a small scale. Furthermore, I was born and raised on a farm. For more than 50 years my father was a farmer, and we boys of the family were brought up to understand that we contributed materially to the successful management of the farm, and our counsel was invited when father considered the many problems which arose. In this way I gained an insight into the problems of agriculture, and I will say in passing that I do not believe any education gained in any institution of learning is of more practical value than those lessons of industry, thrift, and honesty which every farmer's boy has instilled in him through association with those engaged in cultivation of the soil.

Being thus conversant with the practical conditions of rural life, it is most natural that need for legislation of this kind should be so apparent to me, and I am sure it is equally so to every man who has any knowledge of farm life. I have come to learn that the prosperity of the farmer regulates that of the city dweller; that the ties of interdependence are manifold; that in no relation of society is cause and effect more strikingly illustrated. When the farmer is prosperous his prosperity invariably extends to the city dweller, and when it is at low ebb the prosperity of the city dweller is correspondingly restricted.

One of the anomalies of our financial legislation is the fact that always heretofore it has been shaped, molded, and adapted to the interests of the banks, bankers, manufacturing and commercial men, while our agricultural population have been either totally ignored or given but scant consideration. It has required a long time for us to awaken to the fact that the prosperity of those who are adding each year close to \$9,000,000,000 to our national wealth is worthy of attention.

IMPEDIMENTS OF OUR PRESENT SYSTEM.

Let us consider for a moment that the 12,000,000 farmers of the United States are actually adding each year to the national wealth \$8,400,000,000. They are doing this on a borrowed capital of \$6,040,000,000, on which they are paying annually interest charges of \$510,000,000. Counting commissions and renewal charges, the interest rate is averaged at 8½ per cent, as compared to a rate of 4½ to 3½ per cent paid by the farmer of France or Germany.

But an excessive interest rate is not the only hardship from which the farmer suffers. Countless are the cases in which the would-be borrower, often a small farmer of the best moral character, is unable to furnish the security required by institutions at present engaged in loaning in agricultural communities. In consequence he is deprived of that financial aid which is such a valuable ally of his more prosperous neighbor.

We should bear in mind that the pinch of an inadequate financial system is felt first by the small farmer or agriculturist. Inability to secure funds not only entails personal sacrifices and hardships, but neglect of the land, with consequent soil depletion, followed by diminished or restricted crops.

Farming is an industry, and the lubricant of all industry is capital. The farmer takes the seed and by labor and care and through exposing it to proper conditions of earth and air develops and converts it to food. It is an industry just as truly as that of the man who takes wood and builds it into furniture, or that of the man who takes leather and fashions it into shoes. To farm profitably requires the applied combination of intelligence, knowledge, human labor, beasts of burden, and implements of scientific husbandry. This necessitates the use of money, the investment of capital. The dollar is therefore a factor just as important and essential in successful and profitable farming as in any other industry.

It is not my present purpose to advocate any particular system of agricultural credit. At this time it is sufficient that attention be directed to the need for institutions designed to quickly furnish the farmer with financial assistance that his recurring necessities create. When we have decided that institutions of this character will prove of material assistance to our agricultural population, when we have dispensed with this preliminary phase of the subject, the wisdom of the American people may be trusted to adopt that plan which will best answer their purpose.

INADEQUACY OF PRESENT FACILITIES.

Much unjust criticism has been directed toward our present banking system and our bankers because of their failure to meet the financial needs of our agricultural communities. Those who have indulged in this criticism have quite overlooked that our present system has been built up to meet the needs of the commercial and manufacturing element rather than of the rural population. In vain it has been explained that our system of reserves in the national banks, which has been necessarily largely followed in the State banks, has tended to concentrate funds in the large institutions in the reserve and central reserve cities and has forced the banks to deal in "liquid" or easily convertible securities. The farmer's assets, not being liquid, are necessarily excluded from participation in our banking facilities, and until his assets are made liquid he is doomed to continue to be shut out from his fair and proportionate use of the great aggregations of money and credit representing the available working capital.

But even were there no restrictions to the loaning of this money for agricultural purposes the insufficiency of present conditions would be apparent. Many State banks are now loaning money on farms and in some sections securities based on farms are extensively dealt in. But these isolated instances go but a short way toward meeting our national requirements.

Let us glance for an instant at the magnitude of the field. In 1910 the value of all farm property, including land, buildings, implements, machinery, and live stock, was \$40,991,449,090. This amount represents the assets of the farmers. Upon the basis of this valuation to loan 50 per cent would require \$20,000,000,000, a total far in excess of the resources of all the banks in the country; yet, doubtless, this amount could be wisely and profitably used to bring these farms to an increased state of productivity. In 1910 there were 1,327,429 farms mortgaged and 2,361,283 un-mortgaged. In other words, 33.6 per cent of all farms in the United States were mortgaged. The rate of interest which these mortgages bore was approximately 8 per cent. It is apparent, therefore, that under our present restrictions it would be impossible for our financial institutions to loan at less than 5 per cent, which is what the European farmers are paying. Clearly, therefore, one of our needs is a means by which our farmers will be enabled to borrow the money they require at an interest rate as low as that which is aiding European farmers.

NEEDS OF THE SITUATION.

In considering the financial assistance we should extend the farmer, analysis will show that his needs may be divided into two classes: First, small loans of short-time duration; and, second, large loans of long-time duration. Many instances arise in which the farmer requires sums ranging up to \$300 for use in his work. These amounts he is generally able to repay after harvest; therefore they are merely required tempo-

rarily. There is also constant demand for large sums ranging from \$300 upward. I take it that the establishment of agricultural banks, operated under proper laws and possessing the necessary capital, will be able to meet the demands of those desiring the larger loans.

Those who have given much thought to the subject tell us that the rural bank must be a special bank, with special powers and obligations, in order to meet special requirements; that it must be initiated and operated by the farmers themselves, who know their own necessities and who will give their time to its management. Its fundamental principle must be the cooperative interest and effort of the neighborhood in neighborhood affairs, but it must also be conducted so as to insure a recognition of its sound financial standing and its unquestioned credit outside of the community to which its operations are confined.

The necessities of those requiring small loans must be met through the aid of an entirely different institution from that of a bank. Organizations or institutions patterned after those doing business in European countries, conducted along lines not wholly unlike our present building associations, will be required in order to look after the farmer without assets who desires a small loan for a short time.

In every community the man with assets usually possesses a corresponding amount of credit. He is, therefore, better able to care for his interests than the man with no assets. If we will aid in accumulating something for the man who has nothing we will have given a powerful stimulus to the basic foundation of our national prosperity.

In considering the needs of that class of our farming population having practically no assets, we should bear in mind that every man who tills the soil is, in the best use of the term, a creator of original wealth. Being a creator of original wealth, it is sound policy on our part to aid and encourage him. The difficulties confronting this class are particularly severe, and to familiarize yourself with these difficulties consider the situation of a farmer desiring a small loan who can not furnish the security desired. I want you to note how inadequate are the offices of present established institutions. I shall take a practical everyday case for example, that of David Selby, who really existed—not under the name I have given him, but in flesh and blood. There are many thousands whose experiences have paralleled his.

AN ILLUSTRATION.

David Selby was born on a farm and grew to manhood a tiller of the soil. A more industrious, steady man or better farmer never guided a plow or handled a hoe. Upon the death of his father and after the old home place had been sold, he secured under lease for a term of years with an option of purchase the best available farm he could find, comprising about a hundred acres of land. After paying a half year's rent, \$300, he had left \$500. To stock and equip his farm and have capital available until his first harvest it was necessary to pay half cash and give the dealer a chattel mortgage to secure the balance.

The farm he rented was the best his limited capital would secure. On closer examination he discovered that its soil was far from being in the condition required to produce abundant crops. He found there was as much difference in the soil of "rented" farms and "owned" farms as there was between a cab horse and a carefully groomed, well-kept racer. The soil had been so scantily replenished with fertilizer that its spots of unproductiveness suggested the hide of a mangy dog. Several of his friends, men of extensive experience, who had been friends of his father before him, came and viewed his new place. They were unanimous in the judgment that what the soil required was fertilizer and assured him that its application would more than repay the outlay necessitated. They pointed to the folly of attempting profitable farming on land whose vigor already was nearly exhausted.

It was an easy matter for his friends to tell what he should do, but the problem facing David was how to secure the funds necessary to carry those suggestions into execution. He thought upon the subject for several days and was convinced that his friends' advice was sound, that the farm required at least several hundred dollars in fertilizer, that as a result of such expenditure his crops would increase from 20 to 50 per cent within the next few years; but his capital was gone, and to secure this money he must borrow. The very word caused him to hesitate, for at once it brought before him the deep-set aversion of his father to debt in any guise for any purpose. The elder Selby had been a man of tenacious views, who feared debt more than he did the evil one. He would let the products of his field rot in the ground before he would incur a debt to purchase the necessary crates in which to ship them to market. He would suffer a short crop rather than borrow funds for

fertilizer to insure a maximum of production. In short, he inviolably adhered to his principle to deal with cash, and clung to it with the devotion of a martyr, although it entailed many sacrifices and was the author of innumerable lost opportunities. And to this persistency probably might be attributed the fact that, although he had been a hard worker all his life, a successful producer from the soil, and a systematic saver, he died comparatively a poor man. It was the fear of debt that caused David to hesitate before assuming the obligation he was already under, and only the absolute necessities of his position drove him to do so; and now the thought of plunging further into debt restrained him. He regarded the course urged upon him almost as the height of recklessness.

DEBTS FOR CONSUMPTIVE AND DEBTS FOR CREATIVE PURPOSES.

David Selby was a "good farmer" in the full meaning of that phrase. His father before him had been a "good farmer," and although both thoroughly understood the soil from which they got their living, neither had given any thought or study to the economic problems incident to agriculture.

It was a revelation, the unfolding of a new chapter in his education, when one of his father's friends explained to David that the same agricultural laws which govern in commerce control in the agricultural world; that farming was in reality an industry in which competition was becoming keener every day, and the rewards and exactions of successful management enormously multiplied. This friend made clear that debt was not always to be feared; from one point of view it was the measure of people's confidence in the debtor; that there were two kinds of debt, each as different as day from night; that debts incurred for consumptive purposes, where the money was not put to work to multiply and increase and return an additional amount to the borrower, marked the slipping back, the economic decline of the debtor, while those for creative purposes in which the money borrowed was to be multiplied and increased, placing the debtor in better position than he was before, were evidences of advancement and progress.

This line of thought was something new to David. It had never before occurred to him that such a distinction existed, but on reflection it was perfectly clear; he realized the soundness of the argument justifying debts for creative purposes. And with the recognition of this distinction came also the realization that the money he would borrow for fertilizer to multiply the production of his soil was a debt for creative purposes.

THE DYNAMIC DOLLAR.

Nor did his friend's instruction stop here. He took pleasure in explaining that in the commercial world money had two forms of employment; that a dollar used for creative purposes, which was continually reinvested and handled, became in itself an agency of force and was known as a "dynamic dollar." A dollar not so used, which remained unemployed and nonproducing, was immobile or dead, and known as a "static dollar." He pointed out that business men everywhere required the use of dynamic money; that to furnish this money banks are established, the office of which it is to make loans; that the merchant or manufacturer who did not employ the dynamic dollar was as poor a manager as the farmer who never fertilized his land. He explained that the dynamic dollar ordinarily was secured through a bank, not through mortgage of the property of the borrower, for by means of an account with a bank every dollar borrowed when not actively at work might be returned, ceasing to pay interest. A mortgage, on the other hand, gives merely a fixed amount for a stated period, an arrangement too rigid for successful commercial usage. Again, if the sum obtained on a mortgage were employed and found insufficient, an additional loan would mean a second mortgage, and then, perhaps, a third mortgage. It was plain that a commercial house or business man compelled to secure funds in this manner soon would be driven to bankruptcy.

THE SMALL FARMER VERSUS SECURITY.

When Selby finally decided to borrow money for fertilizer with which to increase the yield of his land the next question which presented itself was how and where he should get it. He knew that he was generally known as a "good farmer." He knew also that neither he nor his father had ever contracted a debt which they failed to pay. He was of good moral character, worked hard for his money, and always had been most careful to see that it was wisely expended. A few days later he drove to the county seat, where was located the only bank his section boasted. The cashier received him courteously, and to that gentleman he explained the object of his visit. The cashier complimented him upon the wisdom of his decision and expressed the hope that he would be able to accommodate him, but his first question went to the weakest point in David's case.

"What security have you to offer?" he asked. David explained that he did not own his farm. Reluctantly he admitted that even the stock and equipment were only half paid for and were mortgaged to cover the balance due. The cashier easily surmounted these difficulties by suggesting that David secure the help of several of his friends as indorsers on a note for the amount desired.

When David left the bank he went direct to the one man in the county whom he believed would help him. This man was the president of his district grange. In David's mind there was no question but that he would be glad to help him. He was a man of large means, prosperous far beyond the average, and sincerely interested in the welfare of the county. Only a few weeks before David had attended a grange meeting in which this gentleman had pointed out with impressive sincerity that the progress of every agricultural community was measured by that of its individual members; that it was the plain duty of every farmer to assist his fellow man in the upbuilding of his farm; that the owner of a good farm surrounded by poor farms was not much better off than the owner of a poor farm surrounded by good farms; hence it was to the interest of each of them to encourage improvement, to aid, if necessary, in making their neighbor's farms as valuable as possible.

David could not see how the grange president could refuse to assist him in face of these emphatic declarations in behalf of the doctrine of mutual aid.

The money he desired was needed to improve his farm, to make it produce more abundantly. Certainly in improving the value of his land he was adding to the wealth of the district in which he lived. His case was clearly and fairly within the mutual-aid doctrine, and it baffled him to foresee how the president of the grange could fail to assist him without being guilty of the most arrant hypocrisy.

The grange president listened with attentive and sympathetic ear to David's statement of his case. When he concluded, he said to him:

I sympathize with you, young man, and believe that money expended as you propose will amply repay the outlay. In fact, I have helped in quite a number of cases of this kind. The great majority have recognized their obligations and promptly met them; but in some cases I was not so fortunate, my credit was tied up, and I was put to much trouble. I am now getting along in years, and I do not wish to add to my responsibilities. I believe that you will repay this money, but, beginning this year, I resolved never to indorse another note, and to that resolution I shall adhere. Not that I am averse to doing my share toward the upbuilding of this county, for I am willing to loan you outright a third of what you require; but I do not wish again to enter upon a practice that may involve me in the indorsement of several thousands of dollars of paper and keep me continually harassed as to when I shall be released from those obligations. Find one or two other men in the county who will aid you, and I will join them in advancing the amount you need. This I am willing to do, and it is all that I can do consistently with my duty to my family and myself.

When Selby left the president of the grange he was deeply angry. It appeared to him as though he were the victim of a conspiracy. The bank cashier had pointed out how impossible it was for the bank to make the loan unless he could secure the necessary indorsements, and the one man in the county in position to help him declined to do so because of his trouble with others who had failed to meet their obligations. He was convinced that a man who had no money could get none, regardless of how good his moral character might be or how certain repayment at the time promised.

Of what value, then, was the county bank to him and those in his situation? He had always been given to understand that the bank was an institution that would aid the farmer when he needed it, but of what help was the bank unless the farmer had security to offer or friends with money willing to indorse his paper? It was self-evident that a man who had money would not need to borrow. The more he thought over the matter the more bitterly he felt, and it was several days before this feeling subsided sufficiently to allow him to consider the subject calmly.

Little by little it dawned upon him that possibly the bank cashier and the president of the grange were both sincere and prohibited by their limitations from assisting him. It was evident the county bank was not designed to offer help in cases like his. He could see now that were they to make a practice of accepting loans of such character and were not extremely fortunate it would not be long before they might be involved in interminable difficulties.

Upon reflection, too, he saw that he had no right to expect the president of the grange to indorse the paper of his neighbors. True, he was a man of large means. But he had accumulated these means through hard labor, and he owed a duty to himself and his family to conserve them through the observance of reasonable precaution. Selby admitted that he had no claim on him; that it was no more the duty of the grange president to indorse his paper than it was that of several less public-spirited men, almost as wealthy, of whom he never would have

thought of making such a request. Obviously his lack of success was owing to the fact that no institution, society, or other organization existed whose object and facilities it was to give the assistance required in cases such as his.

His experience was the subject of his reflection for a number of weeks and he made many inquiries and gained much additional information. Then he awoke to the realization that his case was not an isolated one; that there were many farmers in his district who needed precisely the assistance he sought, who had made the same efforts which he put forth, and after meeting with failure were struggling along as best they could unaided. And if he had gone further in his investigation he would have found that the same condition which he faced was true in every district of his county, in every county of the State, and in nearly every State in the Union.

REPORT OF COUNTRY-LIFE COMMISSION.

Although he did not know it at the time, the conditions of which David Selby was the victim were the same discovered by the Commission on Country Life appointed by President Roosevelt in 1909 for the purpose of calling attention to the opportunities for better business and better living on the farm. The findings of that commission, based upon a study of rural life as a result of 30 public hearings and 120,000 answers to printed questions sent out by the Department of Agriculture, were such as to induce the commission to refer specifically to the limited credit facilities of the farmer. Question No. 10 on the circular of questions was as follows:

Have the farmers in your neighborhood satisfactory facilities for doing their business in banking, credit, insurance, etc.?

The commission's views on the subject were expressed in the following language:

A method of cooperative credit would undoubtedly prove of great service. In other countries credit associations loan money to their members on easy terms and for long enough time to cover the making of a crop, demanding security not on the property of the borrower, but on the moral warranty of his character and industry. The American farmer has needed money less perhaps than land workers in some other countries, but he could be greatly benefited by a different system of credit, particularly where the lien system is still in operation. It would be the purpose of such systems, aside from providing loans on the best terms and with the utmost freedom consistent with safety, to keep as much as possible of the money in circulation in the open country where the values originate. The present banking systems tend to take the money out of the open country and to loan it in town or to town-centered interests.

Selby was not a man of broad education; the only schooling he had was that gained at the district school. He was of German extraction, but he did not know that the same problem which baffled him and brought discouragement and heartburning was the identical one with which his Teuton ancestors had struggled long before he was born. Nor did he know that in the storm and stress of their travail, through the ingenuity and philanthropy of two men—Frederick William Raiffeisen and Francis Frederick Schulze—there were evolved in the years 1849 and 1850 two systems of cooperative rural and urban credit societies destined to give to the small farmer and town resident facilities he could obtain through no other channels, the success of which systems was to place the achievements of their authors "among the greatest romances of finance."

ORIGIN OF THE RAIFFEISEN SYSTEM.

We are told that it was in 1848—the year in which the acute distress of the poor at last found vent in revolutions and uprisings throughout Europe—that the seeds were first sown of that great system of cooperative credit, whose influence on the agricultural world it would be difficult to overestimate.

The circumstances which called forth their energies were the same in each case, namely, the helpless distress of the poor. They saw, as others did, that it was the economic waste caused by want of capital which lay at the root of the evil. But they alone were able, in the face of general incredulity, to devise a remedy. The first efforts of both were of the nature of individual attempts to relieve distress in their districts. And when experience taught them that permanent amelioration could only come through self-help, it was in the direction rather of cooperative supply than of cooperative credit that they set out. They organized small cooperative societies for the purchase of necessities of life and raw materials. This, however, they soon saw was not sufficient, because the poor were already deeply in debt to money lenders. It was the presence of money lenders in their midst that led the way to cooperative credit. Relief measures were of little avail while the burden of debt remained. Their efforts were thus directed toward the establishment of credit societies, and as the outcome we have the two distinct systems.

The small agriculturist, while he needs credit and can put it to good use, suffers from the great disadvantage that he has no adequate security of the type usually required to offer. Now,

the place of material security can only be taken by personal security, by a system, in fact, by which the borrower will borrow on the security of his own character, together with that of a number of his friends, who may be willing to back their good opinion of him by guaranteeing the payment of his loan. For the success of this plan it is manifestly essential for the members of the society in general, and the guarantors of a loan in particular, to keep a sharp watch on the borrowing member to see that the loan is duly applied to the purpose for which it was granted, and that its repayment is not jeopardized by the folly or incompetence of the borrower. The situation is summed up with characteristic felicity by M. Decharme, of the French Ministère d'Agriculture, when he describes credit banks of his country as being "in communities where everybody knows everybody else, and they always ask what the man wants to borrow for, and if he says he wants 400 francs to buy a cow they watch him, and if four or five days afterwards he has no cow, they know it."

The system is, in fact, an extension of the cash-credit system of Scotland, to which, in the words of Macleod, "The marvelous progress and prosperity of that country is mainly due." Its fundamental characteristic is that the supervision of loans is conducted without expense, and conducted efficiently, because it is to the interest not only of guarantors, but of all the members of a society, to exercise the strictest vigilance.

ORGANIZATION OF RAIFFEISEN SOCIETIES.

Raiffeisen societies are organized along simple lines, and have maintained this simplicity with few changes to the present day. The organs through which the society acts are four:

1. The general assembly of the members.
2. The supervising council.
3. The board of directors, whose president is the president of the association.
4. The secretary.

The general assembly, composed of all the members, is the source of all power in the society. It elects all officers and receives their annual reports, determines the amount of money to be borrowed by the association, the rates of interest to be charged for loans, terms for which loans shall be made, salary of the secretary, and so forth.

The supervising council is, as its name implies, a supervisory board, one of the principal duties of which is the quarterly revision of the debts due the association, which it examines one by one, taking into consideration the guaranties furnished by the debtors and their sureties, respectively.

The board of directors, which meets once a month, or oftener if the business of the association requires, makes the loans. In order that it may have as wide an acquaintance as possible with the members, their characters, and circumstances, the members of this board are chosen from different parts of the district in which the society operates. It also passes upon the admission or exclusion of members.

The secretary, who is the only salaried officer of the society, is required to furnish bond. He is responsible for the cash, keeps the books, receives and pays out the money, and usually conducts all the correspondence.

Applications for loans are made to any one of the directors, who obtain information as to the object of the loan, character of the security, and so forth, sufficient to enable him at the next meeting of the board to recommend the granting or refusal of the application.

That the circumstances and character of all the members might be easily known and the members keep themselves informed as to the action of the officers and the operations of the society, Raiffeisen laid special stress on limiting each association to a local area of small extent with a population not exceeding 2,000.

In order to avoid any danger of capitalistic speculation, Raiffeisen excluded shares altogether from his banks, but in 1876 he was obliged to comply with the law which compelled cooperative societies to have foundation capital, and fixed the shares at a maximum value of 10 marks (about \$2.40). In societies where the liability is unlimited a member can not take more than one share; in societies with limited liability, however, he may take more. The value of the shares, and, in the latter case, also their number, are fixed by the rules. The shares are repayable to the members upon withdrawal from the society, and interest is paid upon them at a rate which must not in any case exceed the interest which borrowers pay upon loans from the society.

The following are the principal safeguards of loans made on personal security:

Loans are only made to members of the group and only those known to be trustworthy are admitted.

Membership is confined to persons residing within a small district, so that members are personally known to one another.

Members being mutually responsible, it is to the interest of all members to keep an eye upon a borrower to see that he makes proper use of the money lent to him.

It is to the interest of all members to help a member when he is in difficulties.

The borrower furnishes sureties or gives other collateral security for the repayment of the loan.

The borrower binds himself to apply his loan to a specific purpose which will bring in a monetary return sufficient to enable him to repay the sum borrowed and leave a profit for himself.

The whole of these safeguards are not adopted in all cases, for loans are sometimes given on the borrower's note of hand without any collateral security.

The fixing of the amount of the loan is most important where the borrowers are small cultivators unaccustomed to commercial methods, and is usually relaxed as their economic education becomes more advanced. We thus find it more generally insisted upon by the Raiffeisen banks in Austria and Italy, where they are of more recent introduction than in Germany, where the members have now become familiarized with the commercial uses of credit.

SPREAD OF RAIFFEISEN METHODS.

That the societies devised by Raiffeisen met fully the purposes for which they were created is best shown by their growth in Germany and their almost universal adoption by other nations. Out of the few small banks which Raiffeisen and Schulze started midway through the nineteenth century there has grown up in Germany a vast system of more than 15,000 separate offices, of which over 13,000 are of the Raiffeisen type. As a whole the management has been efficient, and most of the banks are on a sound financial footing, while it is claimed that there has not in either system been a single failure—a truly remarkable achievement in view of the difficulties with which they have had to contend.

From Prussia the idea extended, little by little, to all the other nations of Europe. Austria adopted it in 1851. The same year Hungary attempted its first experiments. In 1864 Belgium inaugurated its special movement by founding the People's Bank at Liege, while at the same time, in Italy, through the incentive of Signor Luzzatti, similar banks were instituted at Milan and Lodi. The example gradually became contagious, and the movement extended, with varying success, to Russia in 1866, to France in 1883, to Scotland in 1889, to Ireland in 1894, and spread to the youthful Balkan States—Roumania, Servia, Bulgaria—and finally, crossing the seas, the idea took root in Syria, under German influence, in the Antilles and India, through that of England, in Algeria, Tunis, Isle of Reunion, and Canada, through that of France.

These associations are in fact the only banks which the farmers will patronize for short-time loans in the nations where they abound in the greatest numbers. With their aid poverty and usury have been banished, sterile fields have been made fertile, production has been increased, agriculture and agricultural science raised to the highest point. Their educational influence is no less marked. They have taught the farmers the uses of credit as well as of cash, given them a commercial instinct and business knowledge, and stimulated them to associated action. They have encouraged thrift and saving, created a feeling of independence and self-reliance, and even elevated their moral tone.

The picture can hardly be overdrawn. Every traveler who visits the places where these little associations exist speaks in glowing phrases of the prosperity and contentment that prevail. They are organized on such simple lines that their management requires only ordinary intelligence. Failures have rarely occurred. In France and other countries they hold a record of having never lost a cent.

The Raiffeisen system alone has been able to utilize satisfactorily the only security which the small agriculturist has to offer, namely, his personal pledge to repay, supported by the guaranty of men of his own class and standing. It alone has been able to perform all that is demanded of an agricultural credit bank, without subsidy from charity or the State; not, indeed, without the assistance of the man of education and the philanthropist, but at least without his financial assistance, which alone could deprive it of that spirit of robust independence in which lies half its value. And this it has done, not in one country alone, or even in Europe alone, but throughout the civilized world wherever it has been tried, with a success that is beyond question and has all but silenced criticism.

NEED FOR THE DYNAMIC DOLLAR.

What is sorely needed by the American farmer to-day is easier access to the dynamic dollar. Never can this be secured so long as he persists in depositing his surplus in town-centered institutions and paying interest funds to the same sources. If the American farmers had a thoroughly organized system of mutual credit societies they would not only annually save two hundred or two hundred and fifty millions of dollars to themselves individually, but in course of time the entire debt would be transferred to the societies, the interest paid to them, an economic waste stopped, and this stupendous sum restored to agriculture. This assertion is neither fanciful nor extravagant. It is below the actual ratio obtained by a comparison with the German figures.

There is practically no limit to the amount of capital that could be advantageously employed for rehabilitating worn-out and abandoned farms, opening up new areas, and introducing modern methods of cultivation; and it is of vital importance that this capital be obtainable at once in sufficient volume and on easy terms. The world-wide problem caused by the pressure of population upon the means of subsistence now confronts the United States in the very face of its matchless natural resources and vast acreage of arable lands still remaining untouched by the plow. The \$385,000,000 of foodstuffs exported last year barely equaled 76 per cent of the annual interest charges on the debts the farmers owe.

Prior to the passage of the Morrill Act creating the Department of Agriculture it would have required no small amount of credulity to have believed it to be possible for a branch of the Government to accomplish the benefit which has resulted from the efforts of that bureau. What the Government has done in educational uplift it can do as well in financial matters. I do not mean that its efforts should be too paternalistic, but that it should aid where it is just and proper to do so.

WHAT THE GOVERNMENT CAN DO.

Through a policy somewhat similar to that adopted by European countries, our Federal Government can give aid in financing the farmer. This aid can be extended either independently of or in conjunction with that of the States. I have no doubt that within the next 12 months this House will pass some measure giving financial aid for agricultural purposes. I assume that this will be done upon the basis of agricultural population and that the State institutions which are made the depositories of these funds will come under the regulations of the Federal Government. I take it that the amount allowed each State will be distributed by the State institution among the different counties according to population; that the county institution to which it is loaned, and from which it is finally secured by the farmer, will also come under Federal regulations.

If some measure of this kind is enacted into law, as I believe it will be, I hope that provision will be made by which some portion of these funds may be allotted the several counties for the aid of institutions in those counties whose objects shall be similar to the Raiffeisen societies of Europe. In my opinion, aid of this character will prove of the greatest value to our agricultural communities, because it will go to the bottom and help those most needing help. Such cooperative, self-help societies answer the purpose of an elementary or kindergarten training to our agricultural population, imparting a valuable knowledge of how to employ money most advantageously in farm work.

By printing bulletins dealing with farm finance, by recording the progress of these cooperative societies in the different States, the various systems under which they are conducted, the regulations adopted for safety and success, our Department of Agriculture can render invaluable assistance. The wider knowledge disseminated through such publicity will eventually result in societies of this character being organized along common lines differing only in fundamental characteristics where such difference is necessary by reason of the changed conditions of agriculture in the respective communities. Through the cooperative effort of such societies many industrious farmers who suffer the need of a small amount of capital and lack specific knowledge of farm finance will gain that help and education that will raise them from the nonasset-holding class to the asset-holding class. The hardest work is always at the start. No work is more important than that done by these little societies that help a man to carefully save or wisely expend his first hundred dollars. It is the thoroughness with which they instruct him in these first lessons that give him confidence to venture further that ultimately result in establishing him on the plane of financial independence, making him the valued depositor or welcomed creditor of his community bank.

The American farmer with his assets of over \$40,000,000,000 possesses a security sufficient to obtain more than double or

treble the money he needs. The problem is merely one of placing these assets in a form that will render them negotiable and liquid in every State in the Union, in every bourse, in every exchange. When this is done we will have removed a handicap which now fetters our agricultural industry; that has placed beyond the reach of those who need it most the use of the dynamic dollar; that has rendered the dollar—the token of wealth—a scarcity among that class who are the chief producers of wealth. When this is done none will feel the stimulation more perceptibly than the small farmers, whom God must have loved "because he made so many of them." After all it is the small farmer who is carrying the burden of humanity. He is the man who feeds the world, whose labor creates the bulk of its wealth, whose prosperity and happiness should be the objects of our solicitude and care, because they so vitally and directly influence the happiness and well-being of all mankind.

Mr. HAYES. Mr. Chairman, I yield 30 minutes to the gentleman from Iowa [Mr. TOWNER].

Mr. TOWNER. Mr. Chairman, I hope I may be pardoned for again calling attention to the manner in which this legislation originated and is being forced through the House.

First we learn from the press that the President demands the passage of a currency bill at this session. Then we hear that the President, the Secretary of the Treasury, the chairman of the Finance Committee of the Senate, and the chairman of the Banking and Currency Committee of the House are working on a bill. Then come reports of secret meetings and conferences with party leaders, and finally a bill has been introduced simultaneously in the Senate and House.

It was given out to the press that the bill had the emphatic approval of the President, was to be considered an administration measure, and that the President would expect Democrats in the Senate and House to support and pass it if they were to be considered friends of the administration.

The next step was to get the Democratic members of the Banking and Currency Committee to agree to favorably report the bill. This was done by holding many secret meetings—not of the committee, but only of the Democratic members of it. When the Republican members of the committee heard that the majority were holding secret meetings and considering the bill they demanded their right to take part in the consideration. This was refused peremptorily and without apology.

Then the bill was submitted to the Democratic caucus. There for several weeks, in secret session, the Democrats considered the bill.

Thus it comes to us, the product of secret conferences and caucuses. No man knows its authorship or origin, except that somewhere, at some time, in some manner, it was conceived and brought forth as a partisan, administration measure.

In a speech in this House, delivered by the Speaker May 10, 1910, opposing the proposition to establish a tariff board, he said:

In these latter days, through encroachments of the executive branch, the Congress has fallen from the high estate of a coordinate branch of the Government to the despicable position of an animated cash register for the executive branch. * * * Some men are so constituted that so soon as they come into the presence of the President their courage oozes out, as did that of Bob Acres.

It would be cruel to suggest that the majority now have fallen "to the despicable position of an animated cash register for the executive branch," or that any on that side have felt their courage ooze out, as did that of Bob Acres, "so soon as they come into the presence of the President"; yet the known facts with regard to the suppression of opposition and the subjugation of insurgency during the progress of this bill would far more justify the use of the language quoted now than they did when uttered.

THE CAUCUS.

But not only have the majority suffered from Executive coercion; the House and the country have suffered from caucus dictation in the formation of this bill. To an extent never before known in the history of legislation in this country the caucus rules. Such rule in its extremest exercise is openly defended by the majority. The minority have been told they have been repudiated and have no longer right to be heard in the formation of laws for the people.

This is not the exercise of right; it is a direct usurpation of power by the majority. It is a subversion of representative government. It is a direct invasion of constitutional right. The majority is charged with the responsibility of legislation, it is true, but it must be constitutional legislation; legislation under the law, legislation in which the right of free debate is preserved, legislation in which every bill considered may be tested and tried in an open forum, under established rules.

Legislation prepared in secret, to which is pledged in advance the votes necessary to pass it, is not constitutionally considered. Of what use is debate if change is not possible, if modification may not follow argument, in which judgment on merit may not be founded?

The President a good many years ago wrote a book on Congressional Government. In it he discusses the caucus. After stating that its origin as a legislative appendage was Democratic, he quotes with approval the statement that under caucus domination—

The legislation of Congress was constantly swayed by a party following, feelings, and pledges rather than according to sound reason or personal conviction.

And he adds the suggestive comment that—

It is shielded from all responsibility by its sneaking privacy.

It has great power without any balancing weight of accountability—

He says, and adds—

there is, unhappily, no ground for denying their power to override sound reason and personal conviction.

It is interesting to note that if the President has changed his mind it must have been very recently.

In the illuminating chapter entitled "Let there be light," in his book, *The New Freedom*, published within the year, the President says:

A first necessity is to open the doors and let in the light on all affairs which the people have a right to know about.

Again, he says:

What are the right methods of politics? Why, the right methods are those of public discussion; the methods of leadership open and above-board, not closeted with "boards of guardians," or anybody else, but brought out under the sky, where honest eyes can look upon them and honest eyes can judge them.

Again, he says:

I for one have the conviction that government ought to be all outside and no inside. I, for my part, believe that there ought to be no place where anything can be done that everybody does not know about.

It is said in defense that the caucus is an old institution and that the Republicans used it. If it is wrong, neither long practice nor Republican approval can justify its continuance. But, in fact, caucus usage has been confined to bills distinctively party measures, while this bill, as we have frequently heard asserted on that side, is a nonpartisan measure.

It is also said that it makes little difference how bills are made—if the people approve of them after they are passed, that is all that is necessary. "The end justifies the means." This defense of wrong is as old as history.

The majority certainly deceives itself if it thinks the people are indifferent to the manner and conduct of the business of this House. If the Cannon rules had not been thought unfair and subversive of legislative rights, the majority would not now be on that side, but on this. The people believed then that the preservation of legislative rights was an essential of free government. They believe so now. Especially in this country is it more necessary to preserve representative government than it is to pass a tariff bill, a currency bill, or any other bill.

WHAT IS PROPOSED.

It has been for some years thought best that our currency system should be changed and our national banking system revised. Acting upon this belief the Republican Party when in power provided for a commission, which for some time worked upon the subject. In the progress of their work the members of that commission secured a larger body of facts and statistics, a greater accumulation of knowledge upon the banking and currency systems of the world, than had ever been gathered before. In their report they recommended a bill known as the Aldrich bill, which, however, never received the indorsement of the Republican Party. Nevertheless the facts and knowledge thus gathered and given to the world have been worth many times what the commission cost the Government.

This bill is a patchwork, composed in part of the Aldrich bill and in part of other portions that seem to have been evolved out of the inner consciousness of somebody. It is not a development, an extension, or enlargement of our present system. On the contrary, it ignores—or, rather, discards—all our past experience and attempts to create a new and entirely theoretical system formulated by men who never by either study or experience have qualified themselves to deal with such a complex and difficult problem. It is never safe to pluck out a whole system by the roots and substitute a new and untried scheme. We can build on the old; we can modify the old; we can adjust, extend, and improve the old with safety; but we can not with safety discard it.

Nowhere has such a system as is here proposed been tried. In no nation on earth is a semblance of such a system in existence. If we were asked to adopt, or adapt the English, the

French, or the German, or the Canadian system, we might be able to determine whether it was better than our own, or could be adapted to our conditions. But we have no such criterion. Nothing can be offered as security for the bill except unindorsed promises. It is alluring as a prospectus, but there is nothing yet to rely on except placards and pictures.

If there ever was a bill requiring that public hearings should be held by the committee before action was taken, it is this bill. It should have been submitted to bankers, business men, and farmers, and their criticisms heard and considered before action was taken. The Democrats of the House gave hearings on the tariff bill. The Democratic members of the Senate committee are now having hearings on the currency bill. Why was a like course not taken by the committee on this bill?

Mr. GLASS. Will the gentleman permit an interruption?

Mr. TOWNER. Certainly.

Mr. GLASS. Does not the gentleman know that the Committee on Banking and Currency of this House had hearings for a period of two months, and every banker who asked to be heard was heard upon the general subject of banking and currency legislation? And does not the gentleman know, because it has been repeatedly stated here, that every provision of this bill was based upon the information adduced in those hearings?

Mr. TOWNER. Will the distinguished chairman of the committee say to this House that there were any hearings on this bill?

Mr. GLASS. I did not say that. I said the bill itself was based on the hearings.

Mr. TOWNER. You might just as well say that this bill is based upon all the hearings that were had in previous Congresses from the beginning of the Government down to the present time.

Mr. GLASS. It was.

Mr. TOWNER. That does not avoid the difficulty. This bill was not considered. Its provisions were not under discussion and criticism. Hearings on the "general subject of banking and currency legislation" are all very well, but the knowledge Congress wants and does not have, except as the result of individual investigation, is, What do bankers, both city and country, think of this bill? What do the business men think of it? What do the farmers think of it? When the bankers began to understand what the provisions of the bill were they voiced their protests, but they were not heeded.

Mr. GLASS. The gentleman is entirely mistaken about that. We embodied in the bill a great many suggestions made by bankers. But does the gentleman contend, simply because we did not accept all the suggestions of the bankers, that we totally disregarded their advice?

Mr. TOWNER. Oh, no. I certainly would not contend that. What I am contending for is that there should have been hearings had and ample opportunity afforded those who are to be so vitally affected by the bill, to consider and discuss it, not only for the benefit of the committee, but for the benefit of the House and the people as well.

A national conference of bankers was held a short time ago in Chicago. Certainly that conference was entitled to consideration. Certainly their suggestions ought to have been heard. There was time to have permitted that. Yet no recommendation or suggestion of theirs has, it seems, been acted upon by these gentlemen who formed the bill.

Mr. GLASS. Mr. Chairman, will the gentleman permit an interruption for a moment?

Mr. TOWNER. I would be glad to if I had the time.

Mr. GLASS. I will yield the gentleman time.

Mr. TOWNER. Very well.

Mr. GLASS. Would the gentleman be very much astonished were I to tell him that not a single material suggestion made at the Chicago conference of bankers was different from the suggestions made by those gentlemen weeks before and repeatedly considered before this bill was reported to the House?

Mr. TOWNER. That makes the offense still greater, if after hearing those suggestions you refused to adopt them.

Mr. GLASS. Does the gentleman contend that we have not considered matters properly simply because we have not adopted every suggestion made by the bankers?

Mr. TOWNER. Certainly, I do not so contend. But I do contend that this bill does not have the approval of the bankers of the country, and can not be made successful unless it does have their approval.

Mr. SAUNDERS. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. TOWNER. I will be glad to.

Mr. SAUNDERS. Is it the gentleman's idea that the bankers of the United States are hostile to this measure?

Mr. TOWNER. I am quite certain of it.

Mr. SAUNDERS. I represent a district where there is a considerable number of national banks, and so far from there being any hostility in that district to it, they are all entirely satisfied with it.

Mr. TOWNER. I do not know what conditions may exist in the gentleman's district, but let me tell him what they are in my own.

WHAT BANKERS THINK OF IT.

I sent copies of the bill to the bankers of my district, all of them officers of country banks, and asked for an expression of opinion regarding it. I received 38 answers. Two only favored the bill. There were three noncommittal, and all the rest opposed it. Eighteen national bankers said they would not organize under the plan.

Mr. PETERSON. Will the gentleman yield?

Mr. TOWNER. Yes.

Mr. PETERSON. I wish to say to the gentleman that I represent a country district and I have sent copies of this bill to every banker in that district, and I have never received a protest from any of them.

Mr. TOWNER. Have you received any approval of it?

Mr. PETERSON. Yes; I have.

Mr. TOWNER. How many?

Mr. PETERSON. Quite a number.

Mr. TOWNER. I can only say the gentleman's experience is vastly different from mine.

The New York Times sent inquiries to southern and western country bankers. On one day it reported 42 responses. One approved, 2 reserved judgment, and 39 condemned. Eighteen of these also declared they would surrender their national bank charters and reorganize under the State laws rather than enter the new system. This is 43 per cent. There are now 7,473 national banks in the United States. If a like proportion should abandon their charters, over 3,000 national banks, or almost one-half, would liquidate and go out of business.

A Wisconsin banker—Mr. Frame—told the Senate committee that of 450 Wisconsin banks where opinions had been asked, 309 were emphatic in their opposition, while only two accepted the bill as it stood. Nine only would approve of it, and those with qualifications. Many bankers' conventions have considered the bill. Not one has approved it.

Mr. PETERSON. I am a banker myself and have been for 20 years, and am in close alliance with the bankers of my district.

Mr. TOWNER. I am not a banker, nor in close alliance with any bank, but I have heard from two experienced bankers of my district who said they had made special inquiry among the bankers in our State, and they had not found one banker who approved the bill. Another told me he did not believe there was a national bank in the State of Iowa which would enter the new system unless it was greatly changed.

Mr. GARRETT of Texas. Will the gentleman yield?

Mr. TOWNER. I will be glad to do so.

Mr. GARRETT of Texas. The gentleman says he is in favor of a banking bill which will be in favor of all the people, and yet during the entire argument of the gentleman he has not touched any phase of it except the side of the banker. Now, what kind of a system would the gentleman put in place of that we now have for the benefit of all the people?

Mr. TOWNER. I admit that I have so far given attention to that part of the question. I hope to deal with other parts of it in the further extension of my remarks. But I desire to emphasize the fact that this is not only a currency measure but a banking system, and that a banking system can not be operated without banks. You have endeavored to force the national banks to enter the proposed system by compelling them to go into it or surrender their charters. But you can not force them out of the banking business. They can liquidate as national banks and reorganize as State banks, and they will certainly do so if this bill is forced through in anything like the present form. The dissolution and winding up of their affairs, with enforced settlements, of thousands of national banks all over the country would bring about conditions we should dread to contemplate.

And this brings me to suggest a manifest defect in the bill. You provide in the bill that where 51 per cent of the stockholders of an existing national bank so desire they may carry the bank into the new system. But what is to become of the 49 per cent who do not desire to go into it? You can not force them into the new system. You can not force any dissenting stockholder, if he holds only one share, into the new system, and you have made no provision for taking care of him. I shall submit an amendment which will attempt to cover this defect, and I am quite curious to know what action the gentlemen who have charge of the bill will take with regard to it.

Mr. GARRETT of Texas. The gentleman need not worry about it; our action will be all right.

Mr. TOWNER. I hope so. But if you are as regardless of such suggestions in the future as you have been in the past; if you are as contemptuous of efforts made in good faith by gentlemen on this side of the House to improve the bill, nothing will be done.

A POLITICAL MACHINE.

The exclusion of Republicans from the formation of the bill, and the refusal to consider the suggestions, or listen to the advice of bankers, business men, or farmers, is perhaps partially explained when it is understood that in its main features the measure seems to have been considered from a political rather than from a business standpoint. The thought of how the bill could be formed to strengthen the administration and help the Democratic Party, rather than how to make it of practical value to the people, seems to have been uppermost in the minds of its framers.

This seeming necessity has compelled a renunciation by the Democrats of nearly every principle they were supposed to hold dear. In the first place this bill is the most extensive excursion of the General Government into business that has ever been seriously considered in this country. It is proposed as a plan to supervise the monetary affairs of the Nation in the interest of the people. In reality it is a direct embarkation by the Government in the business of banking. The Government compels the banks to go into partnership with it, furnishing part of the capital, sharing in the profits, but retaining absolute control and management. To those who have believed that country governed best which is governed least, who have thought that extensions of power to the General Government were socialistic and dangerous, who have held steadfastly to the doctrine that a surrender of individual rights was subversive of democratic principles, this revolutionary proposition must seem monstrous. I know there are those reluctantly agreeing to support this bill who agree with Herbert Spencer in his statement of the true limitations of power in a democracy:

Representative government is good, especially good, good above all others, for doing the things which a government should do. It is bad, especially bad, bad above all others, for doing the things which a government should not do.

But few of them dare even to voice a protest, much less to stand steadfastly for their honest belief.

DEMOCRATIC SURRENDER TO MONEY POWER.

It is singular that a party with a history such as that of the Democratic Party should not only make this complete surrender to the money power, but should deliberately attempt to organize and equip it as an arm of the Government, as if to make sure that it should thus be in absolute control of the people.

In the earlier history of the Nation there was a money power thus organized—a national banking system which, instead of being created and supported by the Democratic Party of that day, was opposed and finally destroyed by the fathers and sponsors of Democracy. As early as 1803 Jefferson thus expressed his disapprobation and distrust:

The Nation is at this time so strong and united in its sentiments that it can not be shaken at this moment. But suppose a series of untoward events should occur, sufficient to bring into doubt the competency of a republican Government to meet a crisis of great danger or to unhinge the confidence of the people in the public functionaries; an institution like this, penetrating by its branches every part of the Union, acting by command and in phalanx, may in a critical moment upset the Government.

It is remarkable how appropriate these words seem now, how they fit present conditions, how with a tone of authority they seem to admonish and command Democrats if they would be true to their time-honored principles not to support a measure so utterly at variance with every precept of their past.

ANDREW JACKSON AND THE BANKING POWER.

There is no more interesting chapter of American history than that which tells of the great contest Andrew Jackson waged against the money power of his day. I commend it to our Democratic friends who regard that picturesque and rugged figure as one of the patron saints of their party.

In his fight on the second national bank President Jackson, in his annual message of 1834, thus characterized the power of such an institution:

The result of the ill-advised legislation which established this great monopoly was to concentrate the whole money power of the Union, with its boundless means of corruption and its numerous dependents, under the direction and command of one acknowledged head, thus organizing this particular interest as one body and securing for it unity and concert of action throughout the United States and enabling it to bring forward on any occasion its entire and undivided strength to support or defeat any measure of the Government. In the hands of this formidable power was placed unlimited power to regulate the value of property and the fruits of labor in every quarter of the Union and to bring prosperity or ruin upon any city or section of the country.

THE FEDERAL RESERVE BOARD.

The system provided for in this bill contemplates a commission, denominated a Federal reserve board, into whose hands are committed practically all the monetary affairs of the Nation. A bare enumeration of the tremendous powers granted to this body is impressive. I give a list of them gathered from the provisions of the bill by a member of the committee, Mr. SMITH of Minnesota:

POWERS OF FEDERAL BOARD.

1. To readjust Federal reserve districts created by the reserve bank organization committee.
2. To create new and additional districts to those created by the reserve bank organization committee.
3. To prescribe regulations for establishing branch offices of Federal reserve banks.
4. To designate the three directors of the Federal reserve bank specified in this act as class C.
5. To remove any director of class B in any Federal reserve bank.
6. To designate the chairman of the board of directors of Federal reserve bank.
7. To prescribe regulations for maintenance of local office of Federal reserve board on premises of Federal reserve bank.
8. To designate the Federal reserve agent.
9. To require and receive reports of Federal reserve agents.
10. To fix compensation of Federal reserve agents.
11. To review proceedings of boards of directors of Federal reserve banks fixing compensation of themselves.
12. To remove chairman of board of directors of Federal reserve bank at pleasure and without notice.
13. To prescribe rules and regulations for permitting State banks and trust companies to become members of Federal reserve bank.
14. To pass upon applications of State banks and trust companies to become members of Federal reserve bank.
15. To establish by-laws governing applications of State banks for membership.
16. To require surrender of stock of State banking association or trust company upon receipt from Federal reserve bank of cash-paid subscription.
17. To require Federal reserve bank upon notice to suspend State banking association or trust company and make payment to suspended member for its stock.
18. To levy semiannual assessments on Federal reserve banks for expenses.
19. To examine accounts, books, and affairs of each Federal reserve bank.
20. To require such statements and reports of Federal reserve banks as it may deem necessary.
21. To permit rediscount by Federal reserve banks of paper of other Federal reserve banks.
22. To compel Federal reserve banks to rediscount paper of other Federal reserve banks.
23. To suspend reserve requirements for not more than 30 days.
24. To renew suspensions of reserve requirements for periods of not more than 15 days.
25. To establish a graduated tax upon the amounts by which reserve requirements of act may be permitted to fall below level provided for in act.
26. To supervise and regulate the issue and retirement of Federal reserve notes and to prescribe the form and tenor of such notes.
27. To add to number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements of this act.
28. To reclassify existing reserve and central reserve cities and to designate the banks therein as country banks at its discretion.
29. To suspend officials of Federal reserve banks.
30. To remove officials of Federal reserve banks for incompetency, fraud, or deceit.
31. To require writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.
32. To suspend for cause relating to violation of any of the provisions of this act the operations of any Federal reserve bank.
33. To appoint a receiver for any Federal reserve bank for cause relating to violation of provisions of this act.
34. To determine or define the character of paper eligible for discount.
35. To fix the amount which cash reserve of Federal reserve bank must exceed outstanding demand liabilities to permit discount of paper for member banks.
36. To prescribe rules and regulations governing the purchase and sale in the open market by Federal reserve banks of bankers' bills and bills of exchange.
37. To review rates of discounts fixed by Federal reserve banks.
38. To grant or refuse applications of Federal reserve banks to open and maintain banking accounts in foreign countries and establish agencies there for the purpose of purchasing, selling, and collecting foreign bills of exchange.
39. To approve apportionment made by Secretary of Treasury of Government funds deposited in Federal reserve banks.
40. To charge interest on Government deposits at joint discretion of Federal reserve board and Secretary of Treasury.
41. To issue Federal reserve notes.
42. To call upon Federal reserve banks at any time for additional security for Federal reserve notes issued to them.
43. To assign letter or serial number to Federal reserve bank for notes issued to it.
44. To require in its discretion Federal reserve banks to maintain on deposit in the Treasury of the United States a sum in gold equal to 5 per cent of notes issued to them.
45. To grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes.
46. To establish rate of interest to be paid on Federal reserve notes.
47. To prescribe regulations governing substitution of collateral security for the protection of Federal reserve notes.
48. To make and promulgate from time to time regulations governing the transfer of funds at par among Federal reserve banks.
49. To exercise at its discretion the functions of a clearing house for Federal reserve banks.
50. To designate a Federal reserve bank to act as clearing house for Federal reserve banks.
51. To require each Federal reserve bank to exercise functions of clearing house for its shareholding banks.

52. To prescribe period within which and regulations under which national-bank notes remaining outstanding after 20 years from the passage of this act may be recalled and redeemed by national banking associations.

53. To require Federal reserve banks to maintain lawful reserve.

54. To appoint receivers for Federal reserve banks failing to maintain lawful reserve.

55. To require examination of affairs of national banking associations as often as it deems necessary.

56. To determine salaries to be received by bank examiners.

57. To assess expenses of bank examinations upon associations examined.

58. To require examinations of national banking associations in reserve cities.

59. To require examinations of Federal reserve banks.

60. To add to the list of cities from time to time in which national banks shall not be permitted to make loans secured upon real estate.

61. To exempt savings departments of national banking associations from any and every restriction upon classes or kinds of business governing national banks.

62. To prescribe rules and regulations governing savings departments of national banks.

63. To make and publish lists of securities, paper, bonds, and other forms of investment which savings departments of national banks shall be authorized to buy, it not being necessary that said lists be uniform throughout the United States.

64. To prescribe conditions and circumstances under which national banking associations capitalized at a million dollars or more may establish branches in foreign countries.

65. To approve or reject applications of national banks to establish foreign branches.

66. To perform the duties, functions, or services specified or implied in this act.

The powers thus granted are enormous, greater than those now lodged even in the Presidency, greater by far than those committed to any board, bureau, or department of the Government. It can build up an invincible political machine, depress or stimulate trade, raise or lower the price of all commodities, inflate or contract the currency, favor one section or city and punish another, reward its friends and punish its enemies, and, in short, dominate and control all financial and political interests of the country.

In answer to this criticism it is said that any board given such powers would be too high-minded, too patriotic, too unselfish to use its powers for selfish or political purposes. The President is quoted as saying that it is unthinkable that any President should use the power of appointment of members of this board for political purposes. Let us consider the proposition for a moment.

The Federal reserve board created by this bill is to consist of seven members. To begin with, three of these are political appointments—the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency. They are members of the party in power, and their selection is inevitably determined by political and party considerations. Then, by the terms of the bill, the other four members are to be politically divided—two would be Democrats, known and recognized as such; one a Republican, and one, probably, a Progressive. Five are to be Democrats and there are to be two members of the opposition. The President will be doing only what is expected of him in thus appointing them; he can hardly do otherwise. He will not make such appointments directly "for political purposes," perhaps. But he will not violate either the letter or the spirit of the act by thus constituting a board, five of whom will be his devoted supporters, committed to his party's policy, earnestly desirous for the success and perpetuation of his administration. The board was intended to be a political board, and it is.

It is certain that under the present plan, if adopted, the control of the banking business of the country would be one of the prizes to be fought for in each presidential election. The old board would be ousted, a new board put in, and the monetary policy of the Nation would change with each administration, until an administration could so strengthen itself that neither the policy nor the administration would change.

It is the expressed belief of the majority that there has grown up in this country a money power which is even more powerful and dangerous than that of Jackson's day. Yet here it is proposed to organize and legalize a money power so gigantic and powerful that all voluntary and private associations of that character would be dwarfed into insignificance.

It is believed by them that there exists a Money Trust, which has by its secret and selfish manipulations enriched the favored and ruined the unfriendly, which has fattened on the spoils of wrecked industries, and engorged itself at the expense of the people. Yet here it is proposed to organize a Money Trust that will have back of it governmental power to strengthen its control over the finances of the Nation and enforce its demands upon the business interests of the people.

A CENTRAL BANK.

With loud and almost passionate earnestness the majority cries out against a central bank. It was bitterly hostile to the Aldrich plan, declaring it the scheme of the money power,

the invention of the Money Trust, the cunning device of Wall Street conspirators to enslave and impoverish the people.

But this bill creates a "central bank." This plan is much more centralized, autocratic, and tyrannical than the Aldrich plan. It is true we are to have 12 regional banks; but these are but the agents of the grand central board, which absolutely controls them. The power is not with them; they are not in any material matter given the right of independent action; they must obey orders from Washington.

It was said, and perhaps rightfully, that the Aldrich plan authorized a too great centralization of power, which might be used against the real interests of the people. It is a strange delusion that gentlemen indulge that by making the controlling power political it will immediately become an unselfish, beneficent institution, whose only purpose will be to serve the people.

I did not approve of the Aldrich plan. I would not support it now. But it is astonishing how enamored of it the majority is. Protesting that it is dangerous, yet they adopt and strengthen its autocratic features. Declaring it unworthy of consideration, the committee copies large portions of the bill, even to the extent of embodying in it the language, verbatim, of the Aldrich bill. If the Aldrich bill could have been patented, this bill would be an infringement. If it could have been copyrighted, this would have been an invasion.

WALL STREET CONTROL.

Very artfully the issue is made to appear as one between Wall Street and the Government; between selfish speculators on the one hand and the Government, acting for the people, on the other.

But that issue need not, and in fact does not, exist.

There is no design nor effort to put or keep the finances of the Nation in the control of Wall Street. They are not now in its control, nor need they be.

If it be claimed that the Aldrich bill placed the financial affairs of the Nation in the hands of Wall Street, which it did not do, still the issue is not drawn between the Aldrich bill and the present bill. There is no effort being made by anyone to enact the abandoned Aldrich bill. It never received the approval of either the House or Senate, nor was it ever approved by the Republican Party at any time or in any manner.

ATTITUDE OF COUNTRY BANKS.

The supporters of this bill assiduously endeavor to make it appear that this bill is in the interest of and is approved by the smaller country banks, while the bankers' opposition is confined to the larger city banks. This is far from true.

The demand for legislation and a change in our monetary system did not come from the country banks. For several years a propaganda has been carried on by the larger banks in favor of "reform." They have denounced our existing system as unsound, unscientific, and obsolete. They have created the demand for a change by filling the magazines and newspapers with denunciation of present conditions. Notwithstanding the fact that no such record of commercial development and material progress as the United States has made under the present system was ever known; notwithstanding the fact that our currency is adequate in amount, is increasing at the rate of \$150,000,000 every year, and will continue to increase with increasing demands, while every dollar is as good as gold; notwithstanding the fact that the bankers are prosperous and are receiving at least fair returns from their business, nevertheless there has been an insistent demand for change, for reform, for a new system.

The Democrats, taking advantage of this demand, have answered it by giving the bankers a new scheme—not what they wanted, but at least an answer to their demand for a change. They have succeeded in making a large part of the people believe that the present system is so bad that almost any change would be an improvement. That is the constantly reiterated and most effective argument of the majority in their support of this bill, "Try it; at least it will be better than the present system."

But the belief of the city banker was not the belief of the country banker. He has never joined in denunciations of the present system. He has never given his approval of the new plans offered, least of all to this. He does not approve it now, and he never will. He may be forced out of the national banking system, but he can not be forced into a plan which will not benefit him and which will make him a puppet in the hands of those who pull the strings, not for his benefit but for their own.

REDISCOUNTS.

In order to compensate the country banker for these evils, he is given the rediscount provisions of the bill.

The only privilege for rediscount granted to individual banks is upon their notes and bills of exchange submitted to a Federal reserve bank. The notes must arise out of commercial transac-

tions—that is, notes drawn for agricultural, industrial, or commercial purposes, and having a maturity of not more than 90 days. It is further provided that the Federal reserve board, at Washington, "shall have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act"—that is, the board shall have the right not only of interpreting and applying the language of the act as it may see fit, but shall also have the right to fix such other requirements as it may from time to time think best.

It is the almost universal declaration of country banks that they will have very little paper that can meet these requirements, and that for this reason the rediscount provision will be valueless to them.

Besides this, the country banker does not as a general rule approve of rediscounting, especially when the object is to obtain funds to reloan to borrowers. It is considered as an indication and a source of weakness. The proposition to offer this rediscounting feature as a means of furnishing funds to the banks to reloan to their customers is enough in itself to discredit the plan in the eyes of many conservative bankers.

ADDED BURDENS TO THE PEOPLE.

But it is not only the bankers who will suffer if this bill goes into effect. As usual, the principal burden will be shifted to the people.

In the first place, it will be a great expense, every dollar of which must ultimately be paid by the taxpayers. It will require an army of new Government employees, every one of whom must be paid, and paid well. Members of the Federal reserve board are to receive annual salaries of \$10,000 each, the Federal reserve agents are to be paid salaries to be fixed by the Federal reserve board, and there will be required hundreds of expert clerks and accountants whose salaries will have to be fixed and paid.

It is proposed to take up the \$750,000,000 of 2 per cent bonds now held by the national banks and used as a basis for our present national bank currency and refund them with 3 per cent bonds. That is one of the beautiful provisions of the bill—one little item of expense which the people will have to pay for this Democratic experiment, a mere bagatelle of \$750,000 each year until the 3 per cents can be paid and retired.

The Government will also be required to relinquish the tax of one-half of 1 per cent paid on national bank currency. This will add another little item of \$3,750,000 annually which it will cost the taxpayers to indulge the administration in a trial of its pet project.

These items are by no means all the burdens the adoption of this plan will impose on the people. If it were necessary to carry them, we could do so, but why inflict them if they are not necessary?

CONTRACTION OF CREDITS.

The people will not only be required to carry heavier burdens of taxation, but the enforced contraction of credits which will be necessitated by the inauguration of the new system will be a still greater infliction.

Twenty per cent of their present capital must be subscribed and paid by the individual banks to furnish the capital for the reserve banks, 10 per cent with 60 days and 10 per cent on call. This will cause a transfer from the country banks to the central banks of over \$200,000,000.

Five per cent of their deposits, or about \$350,000,000, must also be turned over to the reserve banks.

Something like \$550,000,000 must thus be raised and paid in cash by the individual banks to satisfy such demands. Where is it to come from? The banks have not got it, for it is now loaned to the people. Their present reserves can not be used, for reserves will still be required. There is but one way in which this money can be obtained. Outstanding loans must be called in and paid in order to meet such requirements, not only in the amount of cash required, but also of the amount for which it stands.

This means an immense contraction of credits, estimated by Mr. Berry, Mr. Forgan, and others as upward of \$2,000,000,000.

There is no one thing more damaging and dangerous to the business stability of the country than an unexpected and enforced payment of large amounts of outstanding credits. Final payments are seldom required or expected. There are changes, transfers, enlargements, contractions, as business conditions require within limits. But final liquidation is not the rule upon expirations of credits. A mandatory transfer of millions of cash now used as a basis for still larger millions of credit, requiring final payment of such credit obligations, can not help but bring hardship if it does not bring disaster. Never before in our country's history was anything like this attempted. What will be its effect no man can foresee, but it is bound to cause an immense amount of suffering. It will not be the

banks alone or principally that will suffer; the business man, the farmer, and the wage earner will be the first to feel its effects. To call in and demand immediate and final payment of these millions now loaned out in small amounts all over the country will bring about conditions unpleasant to contemplate.

COMPULSION.

The supporters of the Aldrich plan did not propose to force the country banks into the system. The bill made entrance optional; they could join or not, as they chose.

But the present bill forces all national banks into the system, big and little, city and country. They must join within a year or their charters will be taken from them, and they will be compelled to liquidate and go out of business as national banks. It is a "stand and deliver" bill. It has been characterized on this floor during the debate as forcing the Government to adopt the highwayman's demand: "Your money or your life."

It is contended by many that with such compulsory provision the bill is unconstitutional. In any event it is unjust and unnecessary. If the bill is a good one; if it approves itself to the bankers, they will not need to be forced in; they will voluntarily join. If the people approve of it, they will give their patronage to the banks who enter the system, and thus force all to join.

Especially when so many of the provisions of the bill are so entirely experimental; when so much which is proposed has never before been tried anywhere, it would seem only the part of wisdom to allow those who were willing an opportunity to take the risks, but not to force those who were unwilling to do so. A banker acts not only for himself, but as trustee for those whose funds he handles. It is his duty to act with caution and to consider carefully his course before he takes action in such a grave and vital matter.

Regarding the provisions of a bill introduced in 1908 by a Democrat, which bill Mr. Bryan approved, he said:

The fact that the banks enter the system voluntarily rather than under compulsion has no disadvantages, for all banks will be able to enter the system.

One wonders what were the reasons which made compulsion unnecessary then, and which make it necessary now.

THE CURRENCY SCHEME.

The primary object of this proposed legislation, we are told, is to give the country a new currency. We have already quite a variety—gold, gold certificates, silver, silver certificates, Government notes, national-bank notes, and fractional currency. But it is said we need another variety. None of these are "elastic," and we must have an "elastic" currency. Just how much of the existing currency is to be replaced by the new no one states, for no one seems to know how much is to be issued.

At first the committee fixed a limit and made it \$500,000,000. Then they increased it to \$700,000,000. But that did not satisfy the ardent supporters whose vision gladdened at the thought of a no-limit currency, and so the limit was entirely removed, and there is no man who dare commit himself as to the number of millions this bill will provide, if the scheme will work at all.

But of one thing the majority are certain, this bill will expand the currency. Mr. GLASS, the chairman of the committee, says so. That is what the party desires; that is what the President requires. There is going to be a depression following the passage of the tariff bill; factories will close, laborers will be thrown out of employment, hard times are certain to come—and come soon—unless something is done. Therefore, money must be made plentiful and cheap to tide the country over its bad days. To do this nothing is so good as expansion—more money, more business; more money, more work, more wages, more everything. Come, let us boom things! It is true it is dangerous, but we are strong, we can stand it. Even if it is bad after a time we will recover. In the meantime the Democratic Party can be kept in power. It can by this means bind the banking and moneyed interests of the country so closely to the party that they will have to support it in order to further their own interests. Certainly this is an alluring program.

The plan is to allow reserve banks to provide a 33½ per cent reserve, and as further security to deposit in Washington an amount of commercial paper accepted by it for rediscount equal to the amount of the currency to be issued. This commercial paper is to consist of notes and bills of exchange, having on the average 60 days to run. They can not exceed 90 days. Every 60 days, while this currency is outstanding, every piece of paper thus deposited must be replaced with another. In operation there would be a vast stream of bills receivable continually flowing from the banks to Washington and back again. Who in Washington is to pass on this ceaseless deluge of promises to pay rushing in from all directions—from New York, Texas,

California, and Florida? Where is the army of clerks that must handle them?

PRESIDENT WILSON'S COMMAND.

President Wilson, in his address to Congress, thus directed:

We must have a currency, not rigid as now, but readily, elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings.

The President is very happy in his use of general terms, but is wisely frugal as to definite specifications. No one would presume to take issue with the desirability of such a currency as the President suggests, but some of us are somewhat curious to know just what he means. He condemns our existing currency as "rigid" and says we must have a new one that is "elastic." But much depends on what is meant by "rigid," and still more on the definition of "elastic." Of course we understand that the \$761,000,000 of national-bank notes are to go; but are the \$1,000,000,000 of gold certificates to be retired? Are the \$471,000,000 of silver certificates also to go? Are the \$346,000,000 greenbacks to be supplanted? Are all these considered "rigid," and thus under condemnation?

And what is the President's definition of "elastic"? Does it mean the quality of expansion only? The bill provides for an unlimited expansion, but no provision meets the President's suggestion that the currency should shrink automatically with the "contracting credits of everyday contractions." The only way in which the new currency can be forced out of existence is by the affirmative action of the President's political board. It may order its retirement or tax it out of existence. It is given power to determine what is "sound credit." A "real need" is to be determined by the Democrats controlling such board. They are to determine what "personal and corporate dealings" are to be favorably considered and what unfavorably. The President also says the new system must "mobilize reserves; must not permit concentration anywhere." But who is to distribute the funds? Who is to say, "You have too much money here; we will transfer it yonder"? The Democratic politicians on the President's board.

Consider only these powers of the board. Now imagine it exercising such powers and handling those funds during a closely contested national campaign. Is there anyone foolish enough to think that politics would not control the action of the board at such a time and for such a stake?

MR. BRYAN'S APPROVAL.

Mr. Bryan is delighted that the currency to be issued is not bank currency but Government currency. In fact, it is neither. It is called a Government currency, but it is issued by the banks. It is made a Government obligation, but it is redeemable by the banks. It is receivable by the Government for public dues, but is not made a legal tender for the payment of debts. All other Government obligations are payable in gold, yet this currency is redeemable in anything which shall at the time be considered "lawful money."

Mr. Bryan has certainly sacrificed much to find an excuse to support this bill. He has declared over and over again that no Government currency should be issued which did not contain a legal-tender provision; but this currency has no legal-tender feature. He has declaimed many times against any form of "asset" currency, but this bill provides for an "asset" currency. He has again and again argued against any form of bank currency, yet the currency to be issued under the provisions of this bill is bank currency. He has stated from a hundred platforms that the one absolutely necessary and fundamentally indispensable provision to prevent panics was a Government guaranty to depositors, yet this bill says not a word about guaranteeing depositors.

During the panic of 1907 Mr. Bryan in an editorial in the *Commoner* strongly approved the John Sharp Williams currency bill, which he says was the result of a conference among the Democratic leaders, in which he took part. He said:

These three provisions—first, that the reserves shall be kept in the banks; second, that half of the reserves may be kept in bonds; third, that these bonds may be used for an emergency currency—will protect the country from any panic such as that through which we are passing.

The present bill contains none of these provisions. On the contrary, the reserves are not to be kept in the banks; no part of the reserves may be kept in bonds; bonds can not be used for a basis for currency.

Strong, indeed, must be the political pressure that will cause so remarkable a change of conviction within so short a time.

OTHER DEFECTS.

There are other important defects and omissions in the bill, which can not be considered for lack of time.

As usual, the farmers' interests have been almost ignored in the bill. As originally prepared, farmers' paper was discrimi-

nated against. Commercial paper, as that term is used in business, is all right; but we have reached a period when other forms and evidences of value must be recognized as a basis of credit. Much amusement was indulged in in the Democratic caucus at the expense of the insurgents, who insisted on recognition of that fact. Their suggestions were ridiculed as "pumpkin security" and "corn-tassel currency." But the people will not laugh at their suggestions nor ridicule their efforts. Provisions for ample credit accommodations for producers are found in almost all nations except our own. It is a widespread demand in this country. It is strange that place could be found for so many other provisions but that the committee should give no consideration to this most important phase of the subject. It is deferred to a "more convenient day."

The bill provides that national banks may make loans on farm lands, but it limits the term to 12 months, when everybody knows that farm loans are seldom made for a period less than five years.

The system, if adopted, will compel the country banks to give up their relations with their city correspondents, who understand them and whom they understand.

Unnecessary restrictions are placed upon the acceptance and investment of savings deposits in country banks.

It will prohibit any interest on exchange balances.

It will prevent any receipts from exchange.

It proposes to give power to a political board at Washington to fix all commercial rates of interest and discount over all our immense territory, extending from sea to sea and from the Lakes to the Gulf, for 100,000,000 people, diversified in character, habits, and occupation, at 28,000 bank counters, of all the various forms and classes of paper from day to day.

WHAT SHOULD BE DONE.

The gentleman from Texas [Mr. GARRETT] asks me what kind of a system I would put in place of that we now have for the benefit of the people.

Just now I would not discard our present system and substitute another. I have introduced bills, one of which extends the time of the expiration of our present emergency law from 1914 to 1918, that we may have its protection while we take the necessary time to perfect required legislation. The present law provides that an emergency currency to the amount of \$500,000,000 may be issued on the security of commercial paper. But in order to secure its early retirement it provides that it shall be taxed the first month 5 per cent, the second month 6 per cent, the third month 7 per cent, and so on up to 10 per cent. This money is now printed and in the Treasury of the United States, ready for use when called for.

Fortunately there has been no great emergency since the law was passed in 1908 to call this currency into existence. But there have been times when at least part of it could have been used to relieve temporary and local stringencies with perfect safety and to the great convenience and advantage of those affected. Doubtless these occasions will again arise. An elastic feature, or a provision for an elastic portion of our currency, is without doubt needed. The difficulty with the present law is that the tax is too high. In most cases, in order to tide over even a temporary shortage, it would be impracticable to retire the emergency issue in less than four months. That would make the average tax $6\frac{1}{4}$ per cent. This amount the banks can not afford to pay. To cure this defect I have introduced a bill to make the tax the first month 3 per cent, the second month 4 per cent, and so on.

With these two amendments to the existing law the country would be safe from a monetary panic, we would have a practicable elastic feature attached to our present currency system, and could with care and deliberation work out such safe and conservative changes in our banking and monetary systems as might seem necessary and wise.

I am profoundly convinced that the present bill is not only unwise, but dangerous. I believe that it will not help, but harm. I do not believe that we should at this extra session hurriedly pass a bill making revolutionary changes in the entire banking and monetary systems of the country which has not been properly prepared, which can not be fully considered, and which will, if it becomes a law, so vitally affect the interests of all the people of the United States.

Mr. HAYES. Mr. Chairman, I yield 30 minutes to the gentleman from Iowa [Mr. SCOTT].

Mr. SCOTT. Mr. Chairman, I have been much interested and impressed in listening to the debate which has taken place here on the floor of this House during the last three days. The debate has been perfunctory, of course, and I apprehend will not result in any great fruit, notwithstanding it has progressed with the utmost good nature. If I had any criticism to make upon anyone concerning the conduct of this de-

bate I assure you that I would direct it against my own side of the House. I have felt at times during the last two or three days that some of my colleagues have evinced too great a degree of criticism against the Democratic Members of this House. To be sure, your bill is unsound, it is unscientific, it is inconsistent, it is indefensible, it does not appeal to reason or common judgment, but I feel confident that our friends the Democratic Members of this House have offered it in the utmost good faith. They—at least a majority of them—appear to be unconscious of its defects, and the remaining Members by confession here have made known their helplessness to change its conditions. There is but one or two matters that I shall be able to touch upon during the few minutes that are allotted to me, and before taking up that rather set portion of my remarks I want to refer to a subject that was mentioned on the floor of this House during last evening and again referred to this morning. I refer to a provision of the bill that was changed after the first draft. I advert to it because it seems to me that it goes to the very core of one of the most important provisions of this measure.

When the bill was drawn the Democratic Committee on Banking and Currency, or the Democratic portion of that committee, presented the bill with the provision that the notes therein provided for should be redeemable in gold. They went before the country at the outset under the pretense of adhering to the gold standard, which the people of this country have placed their utmost confidence in, and which I think no considerable number of them would think for a moment of now relinquishing. The bill has been changed. We have not been permitted to know why the change was made. I have asked Republican members of the Committee on Banking and Currency, but they are unable to give me information. I here and now ask the gentlemanly chairman of that committee, representing the Democratic side of this Chamber, what was the reason for writing the change in that clause?

Mr. GLASS. I will respond to my friend by saying that his premises are absolutely inaccurate. As a matter of fact, when the bill was presented to the House it was introduced by the chairman of the committee before the committee had any opportunity to see it or pass upon it, so that the Democratic members of the Banking and Currency Committee were not responsible for that particular feature of the bill as originally introduced.

The Democratic members of the committee, in considering the bill subsequently, did alter it in that particular by providing the phrase "gold or lawful money." The gentleman from Pennsylvania [Mr. BURKE] last night made believe that that was a departure from the doctrine enunciated by the act of Congress putting all of the money of the country on a gold basis. But the gentleman from Pennsylvania and my friend now addressing the House are absolutely mistaken about that, because your currency bill, the Vreeland-Aldrich currency bill, made the notes redeemable in gold or lawful money, and the bill of the Monetary Commission, known as the Aldrich bill, made the notes redeemable in gold or lawful money. Now, what is there in this?

Mr. SCOTT. The gentleman seems to have misinterpreted my question. I did not ask who was responsible for making the change. I asked what was the reason for it?

Mr. GLASS. The reason for it was that lawful money in this country is interchangeable with gold. That is the reason. It was made so by the Republican Congress.

Mr. SCOTT. I accept the gentleman's explanation.

Mr. KINKAID of Nebraska. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. SCOTT. I can not yield just now.

I have drawn a different conclusion respecting the reason for this change. It is conceded that the change was made, but I invite attention to the fact that synchronous with that change there was another provision which appeared in this bill for the first time. On page 30 we have this new provision, appearing at the same time:

Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank they shall be returned for redemption to the Federal reserve bank through which they were originally issued, or shall be charged off against Government deposits and returned to the Treasury of the United States, or shall be presented to the said Treasury for redemption.

In my opinion, Mr. Chairman, there lies the secret reason of this change. In my opinion, Mr. Chairman, once that provision was written into the bill they knew it would be impossible to gather and accumulate gold enough in the United States to redeem those notes under the forced and constant rule that you have there provided.

It is an experiment, if you please. What other country under the sun ever wrote into its law such a provision for the redemp-

tion of its notes? Was there ever such a thing done before? Can you point to a case, a country, or a Government that ever undertook it? If you can, I will be pleased to yield you time.

No; they took that provision from the laws of Canada. They improvised a process of redemption there, applicable to bank notes, not Government notes.

Mr. GLASS. Well, what other country issues notes?

Mr. SCOTT. I do not know that any other country issues notes. I believe that most countries have existed long enough and those in control of most Governments are now sufficiently wise to understand that the proper method of creating a business currency is through the agency of banks. You for the first time are now inaugurating a system of Government notes—redeemable in what? In paper.

Mr. GLASS. I will ask the gentleman how are the notes of the Bank of France redeemable?

Mr. SCOTT. The notes of the Bank of France are not Government notes; and regardless of how they may be redeemable, it does not affect the stability of the Government. It does not shake the Government credit.

Mr. GLASS. But the gentleman asked me to name some other country that redeemed its notes in that way, and yet the gentleman admitted that no other country issues notes in that way. How am I to answer the gentleman's question?

What would have been the result here had they not written in the words "or lawful money"? Twelve gigantic reserve banks issuing not \$500,000,000 in currency but with an unlimited issue of currency pouring into these banks, slowly perhaps at first, but with gathering momentum, with a constant flow through these institutions. Your 33½ per cent redemption fund lies there helpless, only to aid instantaneously in those redemptions, for the banks must have 100 per cent in gold aside from the 33½ per cent. The 66½ per cent additional must be ready at all times, constantly, daily redeeming that great volume of currency which will absorb, and which you knew would absorb, more gold than could be accumulated through any one system in this country. You knew that when the price of gold went up, if it happened to be turned away from our shores by reason of an adverse balance of trade, you would then have to turn and flee for refuge to some other class of money. That is why the words "or lawful money" were written in this bill.

Mr. HARDY. Will the gentleman yield for a question?

Mr. SCOTT. I will.

Mr. HARDY. Why is it that the gentleman and everybody else seem to think that all debts by way of deposits in national banks will never be presented for payment at one time, but yet assume that debts by way of notes are going to be presented all at once?

Mr. SCOTT. I do not assume that they will be presented all at once; but I assume there will be a constant flow and a constantly increasing flow as the business to be transacted by those notes increases.

Mr. HARDY. The gentleman—

Mr. SCOTT. I must decline longer to pursue that question. I have another proposition that I want to present here, which is possibly more of a legal than of a political nature.

I am opposed to this bill because I am opposed to creating a system of reserve banks, forcing the people of this country to put their hands into their pockets, into their private bank tills, and subscribe millions, aye, hundreds of millions, of dollars to these reserve banks, and then vesting in a politically selected agency the power to take that great accumulation of money and direct it along the lines of commercial banking in competition with those very banks.

We have heard a good deal said here with reference to this being a bank of banks. It would seem that you had not intended to confer upon these institutions the power to do a general banking business, to go into the open field and loan the reserves which you now pretend to be about to accumulate in order to retain the stability of the national banks—to loan those very reserves in competition with the members. That is what this bill does, however. We have heard a good deal about Wall Street. We have heard a good deal about preventing the banks using the reserves of the people in speculative matters; and yet this very bill vests in these reserve banks, under the almost complete control of this political board, the power to loan those reserves over their counters to the speculator upon Wall Street upon any security that they may see fit to accept, without a single limitation or prohibition in this bill against such conduct.

Mr. GLASS. Oh, the gentleman is absolutely wrong.

Mr. SCOTT. I shall be glad to be set right if I am.

Mr. GLASS. That may be a legal refinement; but I can not find it anywhere in the bill, and if it is in the bill we will be

very much obliged to the gentleman to point it out, because we can not get it out of the bill too quickly to suit us if it is there.

Mr. SCOTT. I shall be pleased to pass over a portion of what I intended to say and come directly to the point. I believe the powers of the Federal reserve bank have been projected into a field entirely beyond the limits of the proper functions of a reserve bank. My idea of the functions of a reserve bank is that it should occupy that field not efficiently covered by the present system, with reference to the matter of conserving and mobilizing our reserve banking resources. I believe that a reserve bank designed to correct the defects in the present system should be limited to those functions which pertain to the handling of our reserves. I do not believe our present banking system will be strengthened by conferring upon any separately constructed reserve system of banks the authority to engage in general commercial banking by competing with our individual banking system in the field of general commercial transactions. Indeed, I do not believe the men who framed this bill ever intended that the sphere of action of the Federal reserve bank should be so broad. That is evidenced by the remark of the gentleman from Virginia [Mr. GLASS]. They tell us that it is a bank of banks and that the functions of the member banks are not to be usurped. Does anyone believe it possible that had it been openly proclaimed that the Federal reserve banks were to be invested with almost unlimited authority to loan the money of its members to individuals and business corporations generally it would receive any considerable degree of support? And yet this bill, as it is framed, will confer upon the Federal reserve banks that very power.

Skeptical as to the real intention of the committee reporting this bill, I took occasion the other evening to ask its chairman, Mr. GLASS, whether it was intended that the Federal reserve bank by this law to be created was to have power to loan the reserve money direct to individuals and corporations other than its members. He very promptly and emphatically declared that it was not; that the reserve bank was to be a bank of banks with power to loan only to its members. Whatever the intention of the individuals who compose the committee may have been, I take it that the legislative intention will ultimately be gathered from the language of the law which is enacted; and inasmuch as my interpretation of that law is at variance with that placed upon it by the chairman of committee, I shall at the proper time offer an amendment calculated to curtail the power to which I have referred, and I shall devote the brief time that is allotted to me to an endeavor to convince the Members of this House that my conclusions with respect to the purpose of the bill are accurately drawn.

Unfortunately for the symmetry as well as the logical structure of the bill, it was not drawn as an original legislative declaration. A great deal has been said with reference to the proposed and so-called Aldrich bill. Whatever may be said as to the merits of the plan, or the sincerity of those who recommended it for enactment, the men who framed it had the courage, relying upon their own capacity and general knowledge of the subject, to draw the bill direct from the shoulder. There was no resting upon the ever-available paste pot and shears. Not so with the bill now under consideration. The freedom with which sentences, paragraphs, and whole sections found in other laws, existing and proposed, have been adopted and drawn into this bill by reference and otherwise, has not only rendered it uncertain in its construction, but has drawn into the purview of the statute subjects not intended by the committee.

What powers are intended to be conferred upon the Federal reserve bank by this bill? In answering this question I invite attention to the language of section 4 of the bill at the top of page 6. It is as follows:

Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank so formed shall become a body corporate, and as such, and in the name designated in such organization certificate, shall have power to perform all those acts and to enjoy all those privileges and to exercise all those powers described in section 5136, Revised Statutes, save in so far as the same shall be limited by the provisions of this act.

Now, it is clear that in order to ascertain the scope of the powers intended to be conferred, we must resort to the provisions of the national banking law referred to.

Mr. GLASS. May I interrupt the gentleman right there for a moment?

Mr. SCOTT. Yes.

Mr. GLASS. I do not know what the statement of the gentleman will be or his conclusion, but I want to say that the provision in question is one of the Republican amendments to this bill in the Banking and Currency Committee, drafted by the gentleman from Minnesota [Mr. SMITH], and I am unwilling to believe that he has put over a joker on us.

Mr. SCOTT. I want to say in reply to the gentleman that I shall prove that that statement is entirely inaccurate before I

finish. That provision is found in the original draft of the bill.

Mr. GLASS. If the gentleman will examine the bill, he will find it is in italics, indicating that it is an amendment to the bill, and I know it was drafted by the gentleman from Minnesota [Mr. SMITH].

Mr. SCOTT. What print has the gentleman in his hand?

Mr. GLASS. I have the print of the bill now being considered.

Mr. SCOTT. I have the print of the bill as it was introduced. Did the gentleman inject that amendment into the original print as introduced by the gentleman from Virginia, chairman of the committee?

Mr. GLASS. Probably the gentleman and I do not understand one another. If he will refer to the bill under consideration, H. R. 7827—

Mr. SCOTT. I understand what the gentleman means. There are italics which embrace the identical language in part as it was originally introduced by the chairman of the committee. It does not represent the idea of the gentleman from Minnesota; it represents the original idea.

Mr. TOWNER. If the gentleman will permit an interruption, if he will turn to page 5, he will find the language there struck out to be the same as he is now quoting.

Mr. SCOTT. Exactly; it was in the original bill.

Section 5136 of the Revised Statutes of the United States is that section of the national banking law which defines the powers of national banking associations. Those powers are enumerated in seven separate divisions. I pass the first six divisions and invite your attention to the seventh, which, describing the powers conferred, says:

To exercise by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this title.

This seventh subdivision, discriminating nicely, enumerates five different classes of powers, namely:

Discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; receiving deposits; buying and selling exchange, coin, and bullion; loaning money on personal security; obtaining, issuing and circulating notes according to the provisions of this title.

The enumeration in separate clauses of these distinct classes of acts was not accidental. The distinction between these various classes then and now rests upon well-defined legal conception. The decisions of the courts, even at that time, had settled definitely the lines of demarcation bounding these various classes of transactions. It was well known that the power of discounting did not embrace the power to loan, and that the power to loan did not embrace the power to buy; and that the power to buy, loan, or discount did not embrace the power to issue notes. The classification and enumeration are both logical and necessary.

It is therefore quite clear that if the Congress of the United States shall, in enacting this law, say that "upon the filing of such certificate with the Comptroller of the Currency, as aforesaid, the said Federal reserve bank so formed shall have power to perform all those acts and to enjoy all those privileges and to exercise all those powers described in section 5136, Revised Statutes, save in so far as the same shall be limited by the provisions of this act," such Federal reserve bank will be empowered within the full scope of that enumeration unless limitation shall be found in the subsequent sections of the bill.

A careful examination of the bill will disclose that the only limitations of the powers conferred by section 4 are such limitations as may be incidentally contained in sections 14, 15, and 16 of the bill. Section 14 relates to rediscounts, and is so drawn that it purports to be an enumeration of grants of power which are not embraced in section 5136 of the Revised Statutes, or which enlarge those powers. The first paragraph of the section empowers the Federal reserve bank to receive from any member bank, or solely for exchange purposes from any other Federal reserve bank, deposits of the kinds specified. The second paragraph of the section provides that "upon the indorsement of any member bank any Federal reserve bank may discount notes and bills of exchange arising out of commercial transactions," and to a limited extent defines the character of such notes and bills of exchange. Paragraph 3 of the section contains further enumeration of power and limitation relative to the same acts. Paragraphs 4, 5, and 6 of the section relate entirely to the discount and rediscount of acceptances.

Section 15 relates to open-market operations. The section confers upon Federal reserve banks, under rules and regulations prescribed by the Federal reserve board, the power to purchase and sell in the open market, either from or to domestic or for-

eign banks, firms, corporations, or individuals, prime bankers' bills or bills of exchange of the kinds and maturities by this act.

Section 15 relates to open-market operations. The section also confers five other specifically enumerated powers, namely: (a) To deal in gold coin or bullion; (b) to invest in United States, State, and other bonds; (c) to purchase from member banks and sell, with or without an indorsement, bills of exchange of a certain class; (d) to establish a rate of discount to be charged; and (e) to open and maintain banking accounts in foreign countries, and so forth. None of these enumerated powers in any degree limits the powers contained in section 5136 of the Revised Statutes.

Section 16 relates to Government deposits, and provides—

That all moneys now held in the general fund of the Treasury shall, upon the direction of the Secretary of the Treasury—

And so forth—

be deposited in Federal reserve banks—

And so forth. And, further—

that the Secretary of the Treasury shall, subject to the approval of the Federal reserve board, from time to time apportion the funds of the Treasury among the Federal reserve banks—

And so forth. And, further—

no Federal reserve bank shall receive or credit deposits except from the Government of the United States, its own member banks, and, to the extent permitted by this act, from other Federal reserve banks. All domestic transactions of the Federal reserve banks involving a rediscount operation or the creation of deposit accounts shall be confined to the Government and the depositing and Federal reserve banks, with the exception of the purchase or sale of Government or State securities or of gold coin or bullion.

The paragraph of the section last quoted was taken from the proposed Aldrich bill, and was undoubtedly relied upon to perform the same function as its corresponding paragraph would have performed had the Aldrich bill been enacted into law.

Section 24 of the Aldrich bill was designed and calculated to limit the transactions of the National Reserve Association to the business of the Government and the conservation of the reserves held by its branches. It provided—

The Government of the United States and banks owning stock in the National Reserve Association shall be the only depositors in said association. All domestic transactions of the National Reserve Association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign Governments or of gold coin or bullion.

It will be noted that section 24 of the proposed Aldrich bill embraced "all domestic transactions of the national reserve association." It was therefore complete in its limiting power, and the exception engrafted upon it was logical and effective.

In transferring this section to the Glass bill, the committee evidently did not take into consideration the fact that the powers to be conferred upon the national reserve association by the Aldrich bill were completely and specifically enumerated in the bill, and that the powers of the proposed national reserve association were not to be conferred by reference to any provision of the national banking act. The committee also seems to have overlooked the force of the qualification which it wrote into the revised section in the Glass bill. The provision in the bill under consideration does not embrace "all domestic transactions," but is confined to domestic transactions "involving a rediscount operation or the creation of deposit accounts." Therefore the limitation of power is confined to those two classes of transactions. Now, it is quite clear that one of the most important provisions embraced in section 5136 of the Revised Statutes was that which conferred upon the national banks the power of "loaning money on personal security." That power by reference in section 4 of the Glass bill is to be conferred upon the Federal reserve banks. That power does not necessarily and, in fact, rarely involves a rediscount operation, and never creates a deposit account.

A transaction involving a simple loan on personal security is entirely foreign to either discounts or rediscunts. In the language of Mr. Justice Story in pronouncing the opinion of the court in *Fleckner against the Bank of the United States* (8 Wheat., 338)—

Nothing can be clearer than that by the language of the commercial world and the settled practice of banks, a discount by a bank means, *ex vi termini*, a deduction or drawback made upon its advances or loans of money upon negotiable paper or other evidences of debt, payable at a future day, which are transferred to the bank.

In *Newell against First National Bank of Somerset* (13 Ky. L., 775) the court said:

The word discount denotes the act of giving money for a bill of exchange or promissory note, deducting the interest.

The district court of the United States sitting for the northern district of Nebraska, presided over by an eminent judge, had occasion to define the term "rediscount." The court said:

Rediscounted notes are notes held by a bank which it indorses and procures another bank to discount.

Bouvier says:

There is a difference between buying a bill and discounting it. The former word is used when the seller does not indorse the bill and is not accountable for its payment.

In *United States National Bank v. First National Bank* (79 Fed. Rep., 296) the court said:

A rediscount by a bank of its bills receivable, though it indorses the same and becomes contingently liable for their payment, is not a borrowing of money by the bank, but has more the character of a sale.

Now, the converse of the proposition must be equally true. If a rediscount by a bank does not constitute a borrowing of money, neither does it constitute a lending of money by the opposing bank or party.

The distinction between simple loans and discounts and rediscunts is very frequently drawn by the courts in cases involving the usury laws. A note evidencing a loan and drawing interest from date at a rate in excess of the legal limit is usurious. A note discounted at a rate twice the legal interest rate is not usurious. One transaction is a loan and the other is a species of purchase.

What, then, would be the effect of this provision of the bill if enacted into law in its present condition? I assume to say that with a Federal reserve bank organized under this bill in the city of New York, for instance, any individual or business corporation engaged in stock gambling, to illustrate, may walk into the Federal reserve bank and apply for a loan of ten, twenty, or fifty thousand dollars and offer the simple promissory note of the borrower, bearing a rate of interest from date, together with an amount of stocks or bonds or other securities to be pledged for the payment of the note, and there is no provision in this bill limiting the power of the Federal reserve bank to make that loan out of the resources it may have accumulated by reason of the deposit of the reserves of member banks. I have used an extreme case, but it illustrates the fact that it is proposed by this bill not to create a bank or banks for the purpose of serving commercial banks in connection with other reserves, but to create a commercial bank empowered to compete with its members in the field of business, using the funds that by other provisions of this bill are to be extorted under the penalty of annihilation. It will not do to say that the reserve banks would not exercise this power; that is beside the question. When the Congress of the United States deliberately confers this broad power upon these special institutions we are at liberty to assume that those powers are to be exercised.

I believe that if the existing national banks are to be forced to capitalize this great system of reserve banks and to deposit hundreds of millions of reserve money therein, that this reserve money so deposited should be held at all times available for the protection of member banks. The power of the Federal reserve banks should therefore be limited, and a prohibition against their loaning to individuals and corporations, other than the member banks, written in the bill. [Applause.]

Mr. PLATT. Mr. Chairman, I yield 15 minutes to the gentleman from California [Mr. KAHN].

Mr. KAHN. Mr. Chairman—

'Tis with our judgments as with our watches—none go just alike, yet each believes his own.

If I remember aright, it was Alexander Pope who gave utterance to that wise saw about two centuries ago. That explains the whole difficulty in the enactment of currency legislation, for discussing the currency is very much like discussing politics or religion. You simply discuss and discuss and discuss, but you do not make much headway.

Every man who has a theory on the subject believes that his theory is just a wee bit better than the theory of the man with whom he is arguing the question.

I am informed that in times past there have been Committees on Banking and Currency of this House that produced almost as many opinions as to what was the true remedy for currency reform as there were members on that committee. Why, the bankers themselves do not seem to be able to agree entirely as to what they want in the way of remedial legislation. They all agree that our present system is rigid and inelastic; that something ought to be done to mend the faults of the existing banking laws; but when it comes to proposing a remedy they seem to have almost as many theories as the least-informed layman. For myself, I am free to confess that I have never been able to formulate a plan that was entirely satisfactory to myself. At that I have given the subject some study and thought and attention. But I have found that it is the easiest thing in the world for a man with little or no money to tell a man who has accumulated a plethora thereof how the latter should use and invest his capital. The former usually works out a plan, frequently utopian in character, which looks mighty good on paper; he believes it to be absolutely perfect. It probably is—in

theory. But he becomes angry and embittered when he finds that the man of means refuses point-blank to accept or adopt those theories.

And after all, the pending measure, we must admit, is founded largely on theories. Whether they will work out in practice or not the future alone can determine. Much has been said during the debate about the manner in which the bill has been framed. I believe the criticisms to be well founded. There was no need of the majority refusing the minority the right to attend the meetings of the majority members of the committee while that majority were formulating this legislation. Currency reform is not a party question. It is a scientific problem. The tariff, on the other hand, is a party question. I can readily understand that the majority of the Committee on Ways and Means might formulate a tariff bill without the presence of the minority. The principle of protection to American industries for years has been the paramount issue of the Republican Party. The principle of free trade—or as you of the majority choose to call it at present, tariff for revenue only—has been the dominant issue of the Democratic Party for many years. The two principles are entirely irreconcilable, and so it is thoroughly proper that the majority of this House, charged with the responsibility of legislating on the tariff question, should feel at liberty to exclude the minority during the deliberations on a tariff bill. But it is different with a currency bill. There are many Members on this side of the aisle who might vote for this bill if it could be amended in certain particulars. Some will probably vote for it anyway. I do not think the objections urged by the minority in their submitted views on the pending measure should have been passed over by the majority without any consideration whatever. Yes, the manner in which the bill has been framed is a subject of legitimate criticism.

We have entered upon a peculiar period in national legislation. Those who are directly interested in a proposed measure must no longer be consulted. If they, whose property interests are at stake in the provisions of a bill pending before a committee, dare issue arguments why this or that feature of the bill should not be enacted into law, they are held up to public obloquy as insidious lobbyists. Why, I have always believed that experts and specialists can throw a world of light upon the subjects which they have made their life work. We may not agree with their views, but they can illuminate the subject. If I am ill I send for a doctor. If I find myself involved in legal troubles I send for a lawyer. But if I want to revise the currency I must not, under any circumstances, listen to the suggestions of those who are directly interested in the proper solution of the difficult and possibly irritating subject—the bankers of this country. I must get my information from the uninformed, or go it blind, if I want to be an up-to-date legislator. Oh, this House is operating under a new dispensation which is developing a wonderful system for the formulation of legislation. The gentleman from Georgia [Mr. HARDWICK] was courageous enough to voice his resentment on this floor on yesterday, but he will respond to the lash of the party whip and will meekly answer "aye" when the bill comes up for final passage.

I am rather doubtful of the success of the bill for another reason than those reasons already urged by others on this floor. It has the unqualified approval of our good friend the present distinguished Secretary of State, Mr. Bryan. I want to say that I admire Mr. Bryan in many ways. But I have learned by past experience that whenever Mr. Bryan puts his stamp of approval on any proposed legislation one wants to scrutinize it with more than ordinary care. I remember his unqualified approval of the Williams currency bill in the Sixtieth Congress. That measure had been introduced in this House by the then minority leader on this floor, Hon. JOHN SHARP WILLIAMS, of Mississippi, now a Senator from that State. Mr. WILLIAMS's bill had this euphonious title:

A bill to further protect depositors in banks, to secure a safe and elastic currency, and to amend the national-bank act and previous amendments thereto.

Mr. Bryan was so enamoured of the Williams bill that he highly lauded it in an editorial which appeared in the Commoner in the early part of March, 1908. Mr. WILLIAMS was so proud of that laudation that he inserted the editorial in full in the CONGRESSIONAL RECORD of March 6, 1908. The first paragraph of that editorial reads as follows:

Hon. JOHN SHARP WILLIAMS, the Democratic leader of the House of Representatives, has introduced a bill, a copy of which will be found upon another page. It was introduced after a conference with other Democrats of the Senate and House—a conference which Mr. Bryan attended—and has the support of practically all of the Democrats. The Commoner commends this bill to its readers and to the country as a vast improvement over the present national-banking act and over both the Aldrich and Fowler bills.

The bill that was then being considered by the House was the so-called Vreeland bill, named after its author, Hon. E. B.

Vreeland, of New York, a former Member of this House. That bill was passed by the Congress and approved by the President on May 30, 1908. Under the terms of that act national currency associations not less than 10 in number, were to be established throughout the country. The law contained two general provisions. The first gave authority and provided the procedure for the issuance of emergency currency. The second important provision was the authorization of a commission clothed with the power of investigation of the money systems of the world. The vote on this bill was taken in the House on May 14, 1908, and just before the roll was called I offered the Williams bill as a substitute for the Vreeland bill. I wanted to test the temper of the Democrats of the House on the Williams bill, which had been so highly lauded by the "peerless leader" of the Democracy, who is now Secretary of State. And I mention this fact because Mr. Bryan has with similar fervor lauded the pending Glass-Owen bill.

The roll call disclosed that only 6 Democrats had the temerity to vote for the Williams bill; 93 Democrats answered "present," including Mr. WILLIAMS himself; Mr. CLARK, the present distinguished Speaker of the House; Mr. UNDERWOOD, the present popular chairman of the Committee on Ways and Means; and Mr. Burleson, the present honored Postmaster General of the United States. About 50 of the Democrats of the House abstained altogether from voting. So that out of a voting strength in the House of approximately 160 Members, only 6 Democrats were ready to stand by the measure that had been so highly lauded and commended by Mr. Bryan.

So you see I am justified in suspecting the soundness of this bill after its indorsement by such high authority.

Mr. SLOAN. Will the gentleman permit an interruption?

Mr. KAHN. Certainly.

Mr. SLOAN. The gentleman gave the action of certain leading Democrats; can he give us a statement of how the gentleman, the distinguished chairman of the Banking and Currency Committee, voted?

Mr. KAHN. He was not one of the six that voted for the Williams bill.

Mr. GLASS. I did not quite hear what the gentleman from Nebraska asked.

Mr. KAHN. The gentleman from Nebraska wanted to know how the distinguished chairman of the committee voted on the Williams currency bill in 1908. I tell him that to the best of my recollection the gentleman from Virginia did not vote for the bill.

Mr. GLASS. No; I was paired. If I could have voted I would have voted against the bill. I would remind my friend from California that he must agree that Mr. Bryan since that time has grown in public estimation. There were six votes for the bill. There were only nine votes against the bill which we are considering now, and there will be less on the floor of the House on the roll call. [Applause on the Democratic side.]

Mr. KAHN. The question as to whether the distinguished Secretary of State has increased in the public estimation is not involved in the case of the Williams currency bill. His power of reasoning now is about the same as was his power of reasoning then. At that time he was unqualifiedly for the Williams bill, and stated to Members of the House and the Senate that it ought to have the support of every Democrat, yet there were only six votes in favor of it on the floor of the House.

Mr. GLASS. But he has learned a lot since then.

Mr. KAHN. The distinguished Secretary of State is a Bourbon, and they say that the Bourbons never learn anything and never forget anything.

Mr. KELLEY of Michigan. Will the gentleman yield?

Mr. KAHN. Certainly.

Mr. KELLEY of Michigan. Does the gentleman from California mean that Mr. Bryan's indictment turned the author of the bill away from it?

Mr. KAHN. The author of the bill answered "present," and did not vote for or against the Williams bill.

Mr. Chairman, I have seen it contended that under the provisions of the pending bill the Federal reserve banks which are to be created will become competitors of the National and State banks, and that the scheme of banking it sets forth holds out the menace of inflation. Personally I do not believe those contentions to be well founded. It is contended also that the bill will again inject our banking system into the domain of politics. I believe that there is no doubt but that such danger does lurk in the provisions of this measure as it has been presented to this House. Other speakers during this debate have pointed out with much elaboration this and other defects in the bill.

The history of banking in the United States whenever politics has been permitted to enter the banking business has been a history of disaster. The decade between 1830 and 1840 is a striking illustration of that fact.

It has been recognized as an axiom that capital is timid, and to tamper with the country's credits is fraught with the greatest danger. My impression is that this bill as it now stands will cause many of our national banks to surrender their charters to the Federal Government. They will return to the State-bank systems, many under the guise of trust companies. The present system of national banks has brought stability at least to our currency. While some contend that the system is archaic, we know that it has brought a degree of soundness to our banking institutions that was woefully lacking prior to its enactment. About 7,500 national banks are in operation under the provisions of the national-bank acts at the present time. It seems to me that the pending measure, unless it can be amended so as to eliminate its dangerous features, will break down our existing system without providing an adequate substitute—a substitute that should permit above everything else the safe expansion of our currency in times of financial stress. [Applause.]

Mr. BATHRICK. Mr. Chairman, two or three evenings ago I made a speech referring to a map. Now I find they have not permission to print that map, which is a part of my address, unless I secure the unanimous consent of the House.

Mr. MADDEN. Mr. Chairman, I think the gentleman has to secure the consent of the Joint Committee on Printing.

Mr. BATHRICK. I have investigated the subject, and I find if I get unanimous consent of the House to print the map that they will be able to print it.

Mr. TOWNER. Mr. Chairman, I ask unanimous consent that the request of the gentleman may be granted.

Mr. MADDEN. That can not be done in the Committee of the Whole.

Mr. BATHRICK. Does the gentleman raise the point of order?

Mr. MADDEN. I make the point of order that we are in the Committee of the Whole House on the state of the Union, and the gentleman will have to do that in the House.

The CHAIRMAN. Not having investigated the question, it occurs to the Chair that the committee can not give an authorization to print other than what the general rules will permit. The Chair will suggest to the gentleman from Ohio that when we get in the House he get an authorization to print from the Committee on Printing.

Mr. BATHRICK. It is impossible to get the Committee on Printing to do that when I can not get them in session.

Mr. MADDEN. I believe the only authority lies with the Committee on Printing.

The CHAIRMAN. The Chair thinks the point of order is well taken.

Mr. GLASS. I understand the gentleman from California was going on until 4 o'clock.

Mr. HAYES. I yield 15 minutes to the gentleman from South Dakota [Mr. DILLON].

Mr. DILLON. Mr. Chairman, I wish that this important measure might be improved by amendments. It is a source of deep regret that the caucus has decreed that no amendments shall be allowed except those coming from the committee. If we all could approach this discussion with full freedom of thought and judgment, certainly a good law could be given to the country.

The bill commends itself in many respects. Within the last 10 years there has been an immense concentration of the people's money in the hands of the Wall Street bankers. It is said that the average daily bank clearings of the United States Steel Co. is \$75,000,000 and that the Tobacco Co.'s daily bank clearing is \$20,000,000. The life insurance companies of New York add to these banks billions of dollars of trust funds. The great railroads of the country add their millions of deposits in these same banks.

Under the national banking law the banks may keep a portion of their funds in reserve city banks. Thus a pipe line is formed through which the people's money gravitates into the banks of New York City.

The centralization of the people's money in the hands of a few financiers gives them a power that they ought not to possess. They possess the power to say who may borrow the people's money and who may not have it.

Will this bill prevent the centralization of the money in the great cities? I think it will. If we can keep our money at home, no panic can ever disturb the financial and commercial transactions in our State. If this bill will enable us to keep our money at home, it will accomplish some of the purposes claimed by its authors.

I wish the bill might strike at some of the clearing-house and stock-exchange evils, that it might prevent the interlocking of directorates of financial institutions.

The national banking law has never been of much benefit to the farmers, because the banks are prohibited from making

farm loans. What the farmer wants is a three or five year loan. A rural-credit system that would furnish to the farmers long-time loans at a low rate of interest would have materially improved the present bill. These features, however, can be added and brought into place by additional acts.

If the national banks of my State should subscribe to the stock of the regional bank, millions of dollars which are now supplying the needs of our people, forming the basis of credit, will be withdrawn and deposited in the regional bank. The loaning ability of these banks may thus be reduced. Will not this alone bring a contraction of the credit and accordingly lessen the loaning power of the local banks? I fear it will.

It is doubtful if the western bankers would care to turn over to the regional bank one-fifth of their capital and portions of their deposits for the percentage given by this bill, because these bankers can loan their money at 8 per cent. The banks do not hold 60-day farmers' paper, nor do they hold 9 months' real estate loans.

If a large portion of the small banks should fail to go into the new system this law would prove to be ineffective. The bill should be liberal enough to induce practically all the national banks to come in under its terms. If the terms are not liberal, these banks will prefer to organize under the State banking law, which, of course, would retire a portion of the national-bank circulation. It is to be hoped that the committee will permit amendments that will prove a sufficient inducement to bring into the scheme the cooperation of practically all of the national banks.

We are just commencing to legislate upon this complicated subject. This law when passed can from time to time be amended and made effective. I shall therefore vote for the bill.

CAUCUS LEGISLATION.

The country at large may approve the bill now under discussion, but the people will not, in my judgment, commend the methods used in preparing the way for its passage.

It is to be regretted that 14 Democratic members of the Banking and Currency Committee have felt the necessity of excluding from the deliberations of the committee 7 worthy members who were commissioned by this House to act on this important measure. For eight weeks the majority of the committee held secret meetings for the purpose of considering the bill, and this House, with full knowledge that the seven members were excluded and denied the right to participate in the deliberations of the committee, has acquiesced in the exclusion and indorsed the action of the majority of the committee.

From the secret chamber of the committee came mutterings of discord and strife. Individuality asserted itself. Insurgency broke loose. Those in control of the committee must keep the upper hand, and for that purpose the all-powerful caucus is called.

As a part of my remarks I read the rules governing the Democratic caucus.

DEMOCRATIC CAUCUS RULES.

PREAMBLE.

In adopting the following rules for the Democratic caucus we affirm and declare that the following cardinal principles should control Democratic action:

- (a) In essentials of Democratic principles and doctrine, unity.
- (b) In nonessentials, and in all things not involving fidelity to party principles, entire individual independence.
- (c) Party alignment only upon matters of party faith or party policy.
- (d) Friendly conference and, whenever reasonably possible, party cooperation.

RULES.

1. All Democratic Members of the House of Representatives shall be *prima facie* members of the Democratic caucus.

2. Any member of the Democratic caucus of the House of Representatives failing to abide by the rules governing the same shall thereby automatically cease to be a member of the caucus.

3. Meetings of the Democratic caucus may be called by the chairman upon his own motion, and shall be called by him whenever requested in writing by 25 members of the caucus.

4. A quorum of the caucus shall consist of a majority of the Democratic Members of the House.

5. General parliamentary law, with such special rules as may be adopted, shall govern the meetings of the caucus.

6. In the election of officers and in the nomination of candidates for office in the House, a majority of those present and voting shall bind the membership of the caucus.

7. In deciding upon action in the House involving party policy or principle, a two-thirds vote of those present and voting at a caucus meeting shall bind all members of the caucus: *Provided*, That said two-thirds vote is a majority of the full Democratic membership of the House: *And provided further*, That no Member shall be bound upon questions involving a construction of the Constitution of the United States or upon which he has made contrary pledges to his constituents prior to his election or received contrary instructions by resolution or platform from his nominating authority.

8. Whenever any member of the caucus shall determine, by reason of either of the exceptions provided for in the above paragraph, not to be bound by the action of the caucus on these questions, it shall be his duty, if present, so to advise the caucus before the adjournment of the meeting, or, if not present at the meeting, to promptly notify the Demo-

cratic leader in writing, so that the party may be advised before the matter comes to issue upon the floor of the House.

9. That the five-minute rule that governs the House of Representatives shall govern debate in the Democratic caucus unless suspended by a vote of the caucus.

10. No persons except Democratic Members of the House of Representatives, a caucus journal clerk, and other necessary employees shall be admitted to the meetings of the caucus.

11. The caucus shall keep a journal of its proceedings, which shall be published after each meeting, and the yeas and nays on any question shall, at the desire of one-fifth of those present, be entered on the journal.

The caucus now meets behind closed doors for three weeks. It proclaims by its rules that those who fail to "abide by the rules governing the caucus shall thereby automatically cease to be members of the caucus." By rule 4 "a quorum of the caucus shall consist of a majority of the Democratic Members of the House." By rule 7 "a two-thirds vote of those present and voting at a caucus meeting shall bind all members of the caucus, provided the said two-thirds vote is a majority of the full Democratic membership of the House."

These rules proclaim the binding effect of caucus dictation. The Member is graciously permitted to vote his convictions, first, "upon questions involving a construction of the Constitution"; second, with a yielding spirit it permits the Member to redeem pledges "made to his constituents prior to his election"; third, with condescension the rules allow him to comply with the "platform from his nominating authority." These are the only exceptions in which individuality is permitted. If by reason of either of these three exceptions a Member determines not to be bound by the actions of the caucus, it is made his duty "if present, so to advise the caucus before the adjournment of the meeting, or, if not present at the meeting, to promptly notify the Democratic leader in writing, so that the party may be advised before the matter comes to issue upon the floor of the House."

Behind the caucus stand the rulers, behind the rulers the dispensers of patronage. The faithful are intimidated by its decrees. They are loath to leave places in the party cotancil. They join the ranks of the rulers, and individuality is peacefully put to sleep. [Applause on the Republican side.] The individual surrenders his convictions, and the grand rush for the band wagon and the pie counter takes place.

For the purpose of strengthening the lines, the next move is to declare the bill a party measure and to proclaim that "members of this caucus are pledged to the bill to its final passage without amendments; provided, however, the Banking and Currency Committee may offer an amendment in the House." Now they go through the idle ceremony of calling the full Committee on Banking and Currency together to consider the bill indorsed by the caucus and labeled that no amendments will be allowed—a hollow pretext.

The bill now comes to the House for consideration, but under the caucus gag every amendment is to be summarily voted down. We are told by those high in authority that "abundant opportunity for debate will be offered." What is the use of offering amendments when the caucus majority have entered into a covenant with each other to vote down every amendment that might be offered? You invite amendments, but you will not consider them when offered. Can such methods be upheld by fair-minded legislators who believe in fair, open discussion? Must we condemn the boss and at the same time commend the caucus, when the bosses stand behind the caucus?

The currency bill is not a party measure. It is not a partisan theme. It affects vitally the interests of every man, woman, and child. The Republican and Progressive Members are as patriotic as those who attend the Democratic caucus. The measure goes beyond party creeds. It calls upon every Member for patriotic service in placing the common good above partisan advantage. Our highest duty to the country is to give to the people not a political-party currency bill but a people's currency bill.

We plead for an independent legislative department of Government; one that will not permit the judicial nor the executive departments to trespass upon the rights of the legislative department; one that will not allow a caucus to bind its members; one that will call upon its members to stand for individual opinions; one that will maintain the independence of its members; one that will permit its members to stand erect in their God-given rights without coercion and without caucus splints upon their legs. [Applause.]

No Member should delegate his power of legislation to any caucus. The caucus destroys individuality; it establishes tyranny; it sacrifices the best legislative instrumentality, the conscience; it makes weaklings of its members. When our forefathers established this Government they supposed the membership of this body would act independently of every influence and be guided only by conscience. They never supposed that the Members would trade, barter, or dicker in legislative matters.

They never supposed a part of the Members would secretly enter into a compact with each other to stand by a caucus decree; they never dreamed that a few Members would secretly agree among themselves to sandbag every amendment to important measures without having any knowledge as to what the amendments might be.

The bosses control the caucus and the caucus controls the legislative department of Government. Thus legislative functions are abrogated and the legislative power destroyed. The jury packer and the caucus are twin malefactors. The system is indefensible; its decrees are vicious. Yes; as vicious as the edict promulgated by King Nebuchadnezzar 2,500 years ago commanding that when the sound of music was heard his subjects should bow down to the golden image under the penalty of being cast into the fiery furnace. The caucus decree commands obedience and a complete surrender of convictions under pains and penalties of a full and complete separation from the Democratic pie counter.

Let us take off the caucus pressure and leave the Members free to exert their influence in honest, free, and open discussion, thereby placing the legislative department above the command of the caucus and thus restore it to its ancient high and lofty position, the greatest legislative body in the world. [Applause.]

MR. HAYES. Mr. Chairman, I yield to my colleague from California [Mr. CURRY].

MR. CURRY. Mr. Chairman, I rise for the purpose of having printed in the RECORD as a part of my remarks an article on sweet wines by Dr. Wiley. The article is a short one and appeared in this morning's Post.

THE CHAIRMAN. The gentleman asks unanimous consent to print as a part of his remarks a certain article by Dr. Wiley. Is there objection? [After a pause.] The Chair hears none.

MR. GLASS. Mr. Chairman, I yield 15 minutes to my colleague [Mr. BEAKES].

MR. BEAKES. Mr. Chairman, one thing which indicates how good is the Glass currency bill is the fact that while acknowledging that the present currency and banking system is inadequate, no one opposed to the bill under consideration has attempted to offer an adequate substitute for it. Summing up of the arguments so far made against it would read something like this: The present system is bad; we grant that the bill under consideration is an improvement, but it is not good enough; however, we have no bill to offer that is better, therefore we must vote against this bill. Aside from this, our Republican friends are greatly disturbed over the unanimity in the support of the bill on the Democratic side of the House. They are disturbed because the House and the President are in accord. And yet last fall they were saying:

Wilson is a good enough man, but he can not control his party. They will not follow his leadership and he will be helpless.

Our Progressive brethren are greatly disturbed because we did not put a provision against interlocking directorates in this bill. We are going to pass a bill against this evil at the first regular session which will go further than any provision in this bill can go. To ask us to put it in here would be like a doctor saying to a patient coming to him:

I will not do anything for your stomachache unless you let me at the same time straighten out that clubfoot of yours.

Mr. Chairman, I can not permit the most important legislation which Congress has passed in many years to be decided upon without raising my voice in approval of what I believe to be the greatest constructive legislation which has been before Congress in the last half century. For years the need of a new banking and currency system in the United States has been felt. The demand for reform has come to be more and more insistent, and now, I believe, no thinking man will defend our present system of banking and currency. Under it we have had periodical money stringency. Under it we have had ever-recurring panics, and quickly following our periods of prosperity we have had long bread lines in the cities, want and distress in the rural districts, tottering credit, and business failures. In a country of matchless resources we have had woeful distress. And while we have been going through these periods of panics when loans are unobtainable, when banks have been compelled to refuse to cash checks for moneys deposited with them, when factories have been closed because they were unable to pay their hands, when business enterprises have been curtailed, and the whole country has passed through a period of entire business stagnation, we have seen across the water European nations, lacking our resources, still keeping on the even tenor of their ways, their banks continuing to perform the functions for which they were intended. Why should we have acute financial panics when England, Germany, and France do not have them? Formerly

these countries passed through severe panics like our own. It ought not to be difficult to trace the reason for the breaking down of our own currency and banking system at the very times when it is most necessary that it be in good working order.

When we compare our currency system with that of other countries we find it is less elastic. The amount of currency in the country is the same whether there is much need for it or little need for it. It has been, for instance, estimated by financial experts that we need \$300,000,000 more money in the fall when the crops of the country have to be moved than we do at other periods of the year. Yet the United States has no more money in the fall than at other seasons. Other countries have a more elastic currency. Why not we?

But a mere reform of our currency will not alone suffice. It is estimated that 95 per cent of our business transactions in this country are carried on by means of bank checks, and these bank checks perform the functions of currency, falling down only in periods of panics, when they are not so easily honored. Bank checks are all that give any elasticity to our present system, but in times of stress there is a tremendous falling off in the number of checks passing through the banks, and the banks at the same time are hoarding currency so that there is an immense contraction of our medium of exchange. This is what causes business stagnation, with the ensuing want, starvation, and ruin. There is not money enough with which to do business. Money being furnished the business would go on in its usual manner. Hence, hand in hand with a more elastic currency must go a better system of banking, a system which should not cause a sudden contraction in the amount of checks used. Checks can not be used, however, unless the users have credits in the banks on which they draw the checks, and it is due to the fact that the banks in times of stress are compelled, under our present system, to contract these credits that the volume of exchange contracts so greatly and the whole machinery of commerce is thrown out of gear.

Our present system of national-bank notes was devised with the one purpose in view of selling Government bonds at a time when the United States was in the throes of a great civil war and the credit of the Government was at its lowest ebb. It was a makeshift for selling bonds to advantage. It is a surprising thing that it should have been allowed to stand for 50 years. In that 50 years commerce has vastly expanded, and I think it will be granted that the more things there are to be exchanged the more need for money to facilitate that exchange. Here, then, we have a system which calls for the issuing of more bonds when more bank notes are needed, and a constant increase in our debt, so that we may have more currency to meet the needs of our expanding commerce. It is no wonder that some speakers have been misled into the statement that a public debt is a public blessing. Under this system the more prosperous the Nation, and hence the greater volume of currency needed to distribute that prosperity, the greater debt needed, with the greater taxation to meet the interest on that debt. Under this system also for the United States to pay off its debt would so reduce the volume of currency as to cause business stagnation. Long ago we should have given up this unscientific system of national-bank note issues and sought a better system.

In practice we now have a rigid currency system except that periodically in times of stress, when more currency is needed, it is suddenly and violently contracted, adding greatly to the evils of the time and producing severe financial panics.

Under our present banking system a large part of our banking resources find their way to the three central reserve cities, New York, Chicago, and St. Louis, and more especially to New York. For instance, the 40 central reserve banks in New York City had on deposit on September 1, 1911, \$1,150,500,000, much of which was deposits of banks in other sections of the country. The banks of New York gather up the reserves of the other banks all over the country and loan them out to a great extent in call loans for Wall Street gambling. Too much of the money of the country needed by our expanding commerce is diverted to the use of Wall Street speculators. Let there be a flurry on Wall Street and a raise in interest on call money in New York and immediately all over the country there is a curtailing of local credit in the local banks and a shipment of greater reserves to New York. And the whole banking system of the country is becoming more and more dependent upon the New York banks, so that it has come about that our banking system is really controlled by a few financiers in New York. And too often when our local banks want money they find that the banks of New York are also wanting money, and their reserves held there are almost useless for the time being. Those who have fears of governmental control of the banking system should remember that we now have private control. If the Glass bill does nothing else, it completely emancipates the country bank from New York control.

This is the system we are called upon to reform. How shall we reform it? Nowhere, in my opinion, has the remedy been more clearly set out than in the language of President Wilson in his currency message:

We must have a currency not rigid as now, but readily elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings. Our banking laws must mobilize reserves; must not permit the concentration anywhere in a few hands of the monetary resources of the country, or their use for speculative purpose in such volume as to hinder or impede or stand in the way of other more legitimate, more fruitful uses. And the control of the system of banking and of issue which our new laws are to set up must be public, not private; must be vested in the Government itself, so that the banks may be the instruments, not the masters, of business and of individual enterprise and initiative.

The Glass bill, I think, fully carries out the purposes so clearly set forth by the President. It fills also every requirement set forth in other words by Franklin MacVeagh, late Secretary of the Treasury, in his report to Congress on December 4, 1911, where he says:

The principal requirements of a new banking and currency measure are that it shall provide a practical immunity from serious panics—such an immunity as is enjoyed by the other leading financial nations; that it shall abolish the habitually recurrent ordinary stringencies in the money market, which keep relations between the bankers and the business men of the country almost continuously at sixes and sevens; that it shall remove the defects of our domestic exchanges; that it shall enlarge and develop the facilities of our foreign exchange system; that it shall properly develop the discount market; that it shall wholesomely assist in regulating the interest rates and making them uniform throughout the country; that it shall put an end to the tendency which forces our bank balances into speculative channels, and save them for regular trade and commerce. To meet the case it is necessary to have an elastic currency, available reserves, and every necessary provision and power both to permit and to check the expansion of loans.

The new banking system will also have to provide with distinctness and completeness ample banking facilities for our foreign commerce—a commerce that with the proper governmental encouragement will be world wide and world varied. It is idle to expect that we shall ever have a developed foreign commerce without a developed foreign banking system. Our present system grew up in a period of isolation.

We must provide, too, and without reservation, for a perfect equality of privilege and opportunity between National and State banks. State banks must have every advantage national banks have; and national banks must have every advantage State banks have. And this equality can not be attained unless National and State banks are on the same footing as to trust-company banking and as to savings bank functions.

This is exactly what the Glass bill does, and the machinery is so simple and easy, and the bill is founded on such scientific principles that the only wonder is that it was not evolved years ago.

Pass this bill and we shall have no more such panics as in 1907 or in 1893.

While the bill inaugurates an entirely new system of banking and currency in this country it will, I think, go into effect with but little disturbance of banking facilities. While as a whole the system is new, the various principles applied have been well worked out in other countries.

The extra currency provided is perfectly safe. It is based upon a one-third gold reserve and 100 per cent of bank paper—commercial, industrial, or agricultural paper. This paper is indorsed by the bank desiring the currency and is further backed by the entire assets of the Federal reserve bank, and payment is practically guaranteed by the Government. This is exactly the same currency as that of which the Reichsbank of Germany has outstanding \$1,300,000,000. The German currency is backed by a one-third reserve in gold and 100 per cent of bank assets, just as this currency is secured, and this German currency has been in use for years and is perfectly good. France has asset currency, and it has been well said that while the United States greenbacks or fiat currency went down to 40 cents on the dollar when there was no question that, whatever the results of the Civil War, that Government would survive, the French asset currency was worth 100 cents on the dollar when the tramp of the German soldiery was heard in the streets of Paris. The safety of this currency has been demonstrated in France and Germany. Its elasticity is secured in this way: It is issued to a bank needing it when they present as much of their current paper to be discounted as they call for in currency. All of the paper so discounted matures within 90 days, and so within 90 days as much money will be back in the reserve banks as was issued in currency. If the town to which this currency was issued still needs more currency the home bank will present more paper to be discounted and thus secure more currency for its community, but the home bank will not present paper to the reserve bank for rediscount unless its community needs more money, because the home bank discounts local notes for the interest it gets and will not rediscount to the reserve bank and thus lose part of this interest unless it needs more money to loan out. Thus is elasticity secured in the currency of each local community and the volume of currency out-

standing expands and contracts as the business needs of each community require.

The beauty of this currency lies largely in the fact that while it is thus a perfectly safe and sound currency, as good as gold, it has the merit of expanding or contracting the circulation in each community according to the needs of that community. Where there is special need of more currency, there it is forthcoming. When that need decreases it automatically retires from circulation. Thus, to again use the words of the President, it is "readily, elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings."

The second requirement laid down by the President is that it must mobilize reserves and that not in the hands of private individuals or where it can be used for speculative purposes. The Glass bill does this by the establishment of 12 regional reserve banks. The average paid-in capital of each of these banks will be over \$100,000,000, as each member bank must pay in 10 per cent of its capital stock. Every national bank must become a member of a regional reserve bank or go out of business. Any State bank may become a member if it desires on the same terms as a national bank. The only depositors of the regional reserve banks will be the member banks and the United States Government. The member banks are required to keep part of their reserves with their regional reserve bank. It is this reserve bank which puts up the 33 per cent of gold to secure currency issued. The reserves, instead of being widely scattered or in the hands of private financiers, where they may not be immediately forthcoming in times of stress, are mobilized in these semigovernment banks, where the member banks can get immediate relief. Speculation is largely guarded against, as these reserve banks will not rediscount for their member banks paper secured by stocks and bonds, the usual method of securing money for Wall Street gambling. The bank reserves are mobilized for immediate use. On them can be issued \$3 of currency for every \$1 in reserves.

This system increases the safety of banks. No bank can make any money and keep in its vaults money enough to pay all its depositors if they all want their money within a short time. So as times get tight the banks have been in the habit of loaning less and less money and hoarding up more of it to provide for emergencies, thus greatly increasing the very stringency which has caused them alarm. In tight times each bank is looking out for itself and will not rediscount the paper of other banks in distress. In the Glass bill we have the regional reserve banks, with means of putting out needed currency, formed for the very purpose of taking care of the local banks in time of stress, where they can quickly turn their good paper into money, and thus can safely loan out more of their deposits. Thus are the bank reserves mobilized for immediate use. When the regional reserve banks get in full operation the member banks will no longer fear runs upon them, and as the depositors will know that their deposits will be paid when wanted, there will be no runs on banks in this system.

This system has also made it perfectly safe to cut down the amount of reserves required to be kept. In the country banks, for instance, 15 per cent of the deposits are now required to be kept as reserve and can not thus be used. It is perfectly safe to cut this down to 12 per cent as the Glass bill does, because if more money is needed it is instantly obtainable. This cut of 3 per cent will release many millions of dollars for use in commerce and production. While it is necessary that banks keep reserves, the money so kept is of no immediate value as a medium of exchange; like the money hoarded in stockings, it is kept out of circulation.

The third requirement the President has laid down is that the control of the system of banking and issue of currency must be in the hands of the Government, and this is fully met in the Glass bill. The whole system is controlled by the Federal reserve board, which consists of the Secretary of the Treasury, the Secretary of Agriculture, the Comptroller of the Currency, and four members appointed by the President. These have control of the entire system. Each regional reserve bank is managed by nine directors, three named by the Federal reserve board, three elected by the member banks, and three, who are not bank directors, elected by the member banks, subject to the confirmation of the Federal reserve board.

This is the part of the bill to which some bankers have raised objections, claiming that the bankers themselves should control or have part in naming the Federal reserve board. And yet this governmental control is not a new thing. The direktorium (the president and directors) of the Reichsbank are appointed by the German Emperor, and the curatorium of the same bank consists of the chancellor of the Empire, the Prussian minister of finance, and three members appointed by the Bundesrath.

Bankers, brokers, bill discounters, or directors of other banks are excluded from being elected directors of the Bank of England; and while the Government does not select the directors of the Bank of England, the very class of men those who object to governmental appointment would select are excluded from the directorships in the Bank of England. I think it ought to be granted that the issue of currency should be entirely within governmental control, and I can see no reason why these reserve banks, semipublic banks, and direct repositories of Government funds should not also be within that control. Certainly governmental control, with weekly reports and everything in the light of day, is preferable to the present secret control, with no weekly reports, by private and interested financiers in New York City.

I lack time to go into the many other improvements made in our banking system. I think, however, I have said enough to indicate why I heartily favor this bill. Among other things—

First. It prevents financial panics in the future.

Second. It furnishes each community with the volume of currency that community needs.

Third. It makes banking safer and has a tendency to stop runs on a bank.

Fourth. It puts the bank reserves into use.

Fifth. It puts the Government's receipts in use as a circulating medium instead of retiring them from use, as at present.

Sixth. It provides banking facilities for our foreign commerce, a branch of the bill into which I have not had time to go, but which is of great importance in this era of expanding foreign trade.

Seventh. It permits the Government to pay off its bonds without contracting the currency.

Eighth. It provides an elastic currency, automatically expanding and contracting as business demands.

Ninth. It emancipates the local banks from the control of other banks.

Tenth. It provides money when needed to move the crops.

Eleventh. It provides for the wants of agriculture, commerce, and industry in a medium of exchange.

Twelfth. It will increase the prosperity of the United States and give added stability to that prosperity.

With the passage of the Underwood bill, which revises the tariff downward, which saves the consumer from the exactions of the protected manufacturer, and includes a graduated income tax, the fairest tax that can be levied, and with the passage at this extra session of Congress of the beneficent Glass currency bill, the administration will have started out auspiciously in the first few months on its career of constructive legislation. While in these two bills we have gone far in keeping our promises to the people, the regular session will have many other problems of progressive and constructive legislation, and I am confident that we will show the country that the Democracy is committed to a safe, progressive, constructive course which will add to the welfare of the people whom we serve. [Loud applause.]

Mr. GLASS. Mr. Chairman, I yield 45 minutes to my colleague from South Carolina [Mr. RAGSDALE].

[Mr. RAGSDALE addressed the committee. See Appendix.]

Mr. HAYES. I yield to the gentleman from Pennsylvania [Mr. TEMPLE] 30 minutes. [Applause on the Republican side.]

Mr. TEMPLE. Mr. Chairman and gentlemen, perhaps I shall not occupy the 30 minutes which have been yielded to me. My speech is not in manuscript and is therefore somewhat adjustable as to length. It partakes of some of the merits of the currency provided for in this bill, in that it is elastic.

Like others who have spoken, I regret very much that so important a measure as this one, which is intended to reorganize the whole banking and currency system of the United States, should have been made a purely party measure, because the lines by which men might be separated into groups according to their differences of opinion on banking and currency questions would not at all coincide with party lines. There has been no alignment of the voters, nor even of the party leaders, for and against the principles underlying the present bill. On the tariff question the Republican Party and the Progressive Party are both in favor of protection. The Democratic Party is now pushing to its final passage a bill avowedly drawn without thought of protection. The tariff is, of course, a party issue. Not so the banking and currency question.

The principles involved in these subjects of banking and currency have not been sufficiently discussed for the great mass of the people to reach conclusions as firmly fixed as their convictions on the tariff, and there has been no separation into parties because of differences on this question. Of course the Democratic Party has the power now, because of the binding authority of the party caucus, to put through without the aid of

Republican or Progressive Congressmen the bill now pending, though it is thoroughly unsatisfactory to some of the Democrats who will support it. We who are the Members of the two minorities, if I may use that language, have been told that our aid is not needed and our suggestions are not wanted. Nevertheless I shall make suggestions, and at the proper time offer amendments to the bill, in the hope, like the gentleman who has just taken his seat [Mr. RAGSDALE], that if they are not passed here they will be passed elsewhere, and I may possibly be able to vote for the bill after a conference between the two Houses. If I choose to vote for the bill now, I shall do so in spite of the fact that it has been made a Democratic measure; and if I vote for it, it will not be because I am a Democrat, but because in spite of the method by which it has been written and so far pushed along in the House it has decided merit. And if I vote against the bill it will be because it has grave defects which threaten to interfere with the safe working of a plan which in many respects is in harmony at once with sound economic theory and with the banking experience of the world.

The notes that are to be issued under this bill are in their nature essentially bank notes. They, in the honest language of the first draft of the bill, purport on their face to be obligations of the United States Government. That phrase, "purport on their face," has since been stricken out, but it contains a deal of truth. They do purport to be obligations of the United States, and in the last resort they are; but, nevertheless, the whole nature of the Federal reserve currency is that of bank notes.

Mr. MURDOCK. Will the gentleman yield?

Mr. TEMPLE. Certainly.

Mr. MURDOCK. The gentleman realizes that the notes are redeemable by the Government?

Mr. TEMPLE. Redeemable by the Government if there is no other redemption. Ultimately the obligation falls on the Government, but primarily on the banks. They are issued by the banks in the ordinary business of commercial banking. They are based on rediscounted short-time commercial paper, and they are safeguarded by a fixed reserve of gold or lawful money and would be much better if the reserve were gold alone.

Unlike Government paper, and unlike the bank notes issued under the existing system, the period during which a given note will circulate—that is, the life of the note—will probably be short. These notes have all the marks and characteristics of bank notes; they are bank notes; but the bank that issues them is the Government of the United States. The Government is creating a great central bank of issue with 12 branches; its capital is furnished by private persons who pay all the expenses, carry all the risks, bear all the losses, and enjoy a portion of the profits. But the management of the bank and of the 12 Federal reserve bank branches is in the hands of the Government.

Let us see. The management and control of each of the Federal reserve banks is supposed to be in the hands of a board of nine local directors. How are these nine directors elected? The first three, class A, are elected in a peculiar manner. An institution somewhat corresponding to an electoral college has been devised. All the banks in the district that enter this system are divided into three groups which shall be equal in number, and the banks in each group are to be, as nearly as may be, equal in capitalization. A practical way to arrive at the grouping would be to make a complete list of all the banks of the district, at the top the one with the highest capitalization, say twenty-five millions in the case of the New York district, and then running down to the banks of \$25,000 in the small country towns.

The banks would be arranged in the whole list according to the amount of their capitalization. Then that list may be cut into three sections, each containing an equal number of banks. The banks of the highest capitalization would be in the first section, and those of the medium capitalization in the second, and in the third section would be the banks of smaller capitalization. Each bank selects one of its own directors to be a member of what I have called an electoral college. The electors thus chosen for each group will elect one director for the Federal reserve bank, so that one director will represent the large banks, one the medium banks, and one the small banks. These three men are to be class A directors of the Federal reserve bank of the district. The directors of class B, three in number, are to be elected by the same electoral college, but must not be bank directors or officials. They are to be business men representing the commercial, industrial, and agricultural interests of the district. The three directors of class B may be removed at the discretion of the Federal reserve board.

The Federal reserve board elects the remaining three directors, one of whom is to be chairman of the board, president of the Federal reserve bank, and Federal reserve agent for that district.

Now, let us see as to the control that the Federal reserve board has in that matter.

It controls the directorate of each Federal reserve bank, as was ably pointed out by the gentleman from Ohio [Mr. FESS]. The Federal reserve board controls six of the nine directors, who are removable at its will. An attempt was made on the floor of the House, in reply to the gentleman from Ohio, to show that there was a limitation on the power of the Federal reserve board. The power referred to is defined on page 9 of the last print of the bill:

The Federal reserve board shall have power at its discretion to remove any director of class B in any Federal reserve bank if it should appear at any time that such director does not fairly represent the commercial, agricultural, or industrial interests of his district.

An attempt was made to show that limits had been placed on this power of removal by applying to it the terms found on page 23, by which the Federal reserve board is given power to suspend officials, as follows:

(f) To suspend the officials of Federal reserve banks and, for cause stated in writing, with opportunity of hearing, require the removal of said officials for incompetency, dereliction of duty, fraud, or deceit, such removal to be subject to approval by the President of the United States.

This limitation applies only to the power to remove officials. Directors may be removed at the discretion of the board. Directors are not spoken of as bank officials in common speech nor in this bill. The distinction between the two is observed on page 20 of the bill, where it is provided that no member of the Federal reserve board shall be an officer or a director. They are two separate classes.

Mr. FESS. Will the gentleman yield for a question?

Mr. TEMPLE. Yes.

Mr. FESS. Can the Federal board remove one of these three without cause?

Mr. TEMPLE. The gentleman refers to directors of class B? I should think not without cause. The bill says that the Federal reserve board shall have power, at its discretion, to remove any director of class B in any Federal reserve bank, if it should appear at any time that such director does not fairly represent the commercial, agricultural, or industrial interests of his district.

Mr. FESS. Then, in its discretion, the cause would be determined by the removing power?

Mr. TEMPLE. It seems so to me.

Mr. FESS. Now, another question. Will the party removed under the provisions of the bill have an appeal to any power?

Mr. TEMPLE. I do not find in the bill any provision for any appeal at all.

Mr. FESS. In other words, the Federal board does control the local directors?

Mr. TEMPLE. So it seems to me; absolutely.

Mr. PHELAN. Will the gentleman yield just for a remark?

Mr. TEMPLE. Yes.

Mr. PHELAN. Just for the purpose of clearing that thing up. Even if these men are removed, the reelection is still made by the bank. The gentleman understands that, does he not, that the election of their successors to fill the vacancies are by the banks?

Mr. TEMPLE. Yes; but the gentleman does not mean to say that they will elect the same men?

Mr. PHELAN. I do not mean to say that, but they are not controlled by the Federal reserve board when the banks elect these members of the Federal reserve bank.

Mr. TEMPLE. It seems to me the power of impeachment is sometimes greater than the power to elect.

Mr. FESS. I would like to ask the gentleman from Massachusetts whether the same power of removal of directors would not be able to remove the reelected directors?

Mr. PHELAN. I think so; but I think it is ridiculous to assume that they are going through that process indefinitely.

Mr. FESS. It is ridiculous to see the influence that is now pressing certain legislation through here.

Mr. TEMPLE. If it is a ridiculous process, why should the bill confer upon this board the power to go—

Mr. PHELAN. I did not say that it was a ridiculous process.

Mr. TEMPLE. I misunderstood the gentleman.

Mr. PHELAN. I said it was a ridiculous assumption that any Federal reserve board—I do not care whether they are all Republicans—would keep on removing men from office unless there was a good reason why men should be removed from office.

Mr. TEMPLE. Well, the supposition might be that they would be mostly Democrats. [Laughter on the Republican side.]

Now, the prerogatives of the Federal reserve board, if we outline its powers, mentioning only those that are greatest and

most important, are these: They may choose three of the directors, one of whom is to be president of the bank or chairman of the board, who is to be also the Federal reserve agent and act as the official representative of the Federal board for performing the functions conferred upon the board by the act. He is appointed by the board, and his salary is fixed by the board and paid by the bank. He may be dismissed by the Federal reserve board at pleasure and without notice. That is the language of the bill.

Mr. MURDOCK. Mr. Chairman, may I ask the gentleman a question?

The CHAIRMAN. Does the gentleman yield?

Mr. TEMPLE. Yes.

Mr. MURDOCK. In the study of this plan of organization did it not appeal to the gentleman that this Federal reserve agent would be a man of tremendous power?

Mr. TEMPLE. Unquestionably. Now, the Federal reserve board has also power to suspend the officials of Federal reserve banks, apparently without notice. But it can not require their permanent dismissal without cause, stated in writing, with opportunity for hearing, and the removal can not be made final without the approval of the President.

The whole working machinery of the 12 reserve banks, including the president and 6 out of 9 directors and all of the officials, are under the control of the Federal reserve board.

It is not too much to say, then, that the real directors of these 12 reserve banks are the 7 men of the Federal reserve board. The real bank is in Washington, and the 12 institutions aforesaid in the 12 Federal reserve districts are merely branches.

But, still further, in other matters besides the organization of the bank, the Federal reserve board has great powers. It has the power each week to determine the rate of discount which each Federal reserve bank may charge.

Mr. PHELAN. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. TEMPLE. Yes.

Mr. PHELAN. I understood the gentleman to say that the Federal reserve board had the power to state each week the rate of discount that the Federal reserve board should charge.

Mr. TEMPLE. I said they had the power to determine.

Mr. PHELAN. That is better.

Mr. TEMPLE. That is the language I used. The Federal reserve board has the power to determine the rate of discount. The point is this: Each Federal reserve bank suggests the rate, but it is subject to review and determination by the Federal reserve board. The final power lies with the Federal reserve board.

The same Federal reserve board may permit or require any Federal reserve bank to rediscount the discounted paper of any other Federal reserve bank, subject to an interest charge from 1 to 3 per cent higher than the rates of interest prevailing in either of the districts concerned. This provision alone brings out the character of the Federal reserve board as the real board of directors of a central bank, having control over the reserves and the capital of the 12 branches, and making the reserves and capital of all available at any one place to be used in rediscounting by any one branch.

Mr. HARDY. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. TEMPLE. Certainly.

Mr. HARDY. Does not the gentleman feel that if one of these directors or officers of this Federal reserve board should suddenly and unexpectedly prove corrupt or should otherwise endanger the safety and welfare of the bank there should be some power vested somewhere having the right to instantaneously dismiss him and take over that property?

Mr. TEMPLE. I can hardly see how it could instantaneously appear that they are corrupt.

Mr. HARDY. True. But suppose it should develop that a reserve agent, for instance, is a corrupt man. The authority to remove him at once ought to exist somewhere, ought it not? And it would be very cumbersome to require—

Mr. TEMPLE. The power to remove such a man as soon as the charges can be proved against him ought to exist somewhere.

Mr. HARDY. And to suspend him while he is under investigation, ought it not?

Mr. TEMPLE. With certain safeguards, I should say yes.

Mr. HARDY. That power that is lodged in this reserve board, most of it at least, ought to be lodged somewhere, ought it not?

Mr. TEMPLE. Certainly that power ought to be lodged somewhere. It is lodged somewhere under the present system. What I complain of is that so many powers are lodged in the same place.

Mr. HARDY. Could that particular power be lodged anywhere else?

Mr. TEMPLE. It is now. We have no Federal reserve board and we have the means of correcting these things.

Mr. HARDY. You have it practically lodged in the Comptroller of the Currency, who is one man instead of seven.

Mr. TEMPLE. In certain extreme cases that is true. Generally the Comptroller of the Currency allows the bank to close or to get into such a condition that it has to be closed.

Mr. HARDY. My recollection is that he just sends down there and closes it.

Mr. TEMPLE. After the banks in the neighborhood have wondered for some time why he did not do it before. There is generally good evidence on which to act before he acts.

Mr. HARDY. It is not done any too soon.

Mr. TEMPLE. The Federal reserve board also determines how the deposits of the United States Treasury shall be distributed.

Mr. SLOAN. Is it not the gentleman's opinion that these removals, summary if need be, ought to be for cause, and not upon discretion? That is the point that seems to divide the gentleman speaking and the gentleman from Texas [Mr. HARDY]. It seems to me the removal ought to be for cause and not upon discretion.

Mr. TEMPLE. That is not what I think is the ground of complaint against the bill. What I complain of is that so many powers are lodged in one place and that the 12 banks are bound together in one system so closely that they become practically one institution.

Mr. HARDY. I understand the question of discretion and without cause applies directly to the directors of class B; but as to these others, as a general thing, there must be some cause.

Mr. TEMPLE. Except in the case of the most important of all, the chairman of the board, who is president of the bank. He may be dismissed at the discretion of the board and without notice.

Mr. HARDY. He is the agent, and he being so important, if you waited for time for investigation, and gave no right of suspension or dismissal in the meantime, might you not lock the stable after the horse was out?

Mr. TEMPLE. Very likely; but my remedy for that would be not to lodge so many powers in this agent of the Federal reserve board. He is the agent of the Federal reserve board for performing all its functions in the district. He is the president of the bank and one of the three directors appointed by the Federal reserve board. He holds many offices in one, and he may be removed from all of them at the pleasure of the board and without notice, all of which emphasizes the point I am trying to bring out, that the Federal reserve board has almost absolute power over the control of the 12 Federal reserve banks.

Mr. MURDOCK. May I suggest to the gentleman that if this system should prove vicious and sinister influences should be exercised by the Federal reserve board, this powerful agent in the district would naturally become subservient to this Federal reserve board.

Mr. TEMPLE. He would have to be.

Mr. HARDY. May I ask one more question?

Mr. TEMPLE. Certainly.

Mr. HARDY. Inasmuch as these powers seem to be necessary to be exercised somewhere, has the gentleman any suggestion to make in each case, as to where he would lodge each one of these powers which he objects to putting in the hands of the reserve board?

Mr. TEMPLE. I do not object to the powers severally, but they are united in one control. I object to the union of those powers.

Mr. GLASS. May I ask the gentleman to suggest again what great powers the Federal reserve agent has?

Mr. MURDOCK. I will say to the gentleman from Virginia that my understanding is he has the power to pass upon all the commercial paper which is passed up to him, for which Government money is to be exchanged.

Mr. GLASS. The board of directors of the Federal reserve bank passes upon the paper originally. The agent of the Federal reserve board, of course, must determine whether the paper to be segregated for Federal reserve notes is the right sort of paper.

Mr. MURDOCK. That is my understanding, and that is why I say he has tremendous power as an individual.

Mr. GLASS. It is not a power at all. It is a function that is performed.

Mr. MURDOCK. His veto power would be practically final. Mr. GLASS. He has no veto power. He is simply to report the result of his investigation and give his opinion, that is all. It is not a question of power, it is a question of judgment and service.

Mr. TEMPLE. I was about to call attention to the fact that the Federal reserve board determines where the deposits of the United States Treasury shall be placed, how they shall be ap-

portioned among the 12 banks. It practically controls the apportionment of all the money in the general fund of the Treasury among the Federal reserve banks. That fund is to-day \$291,000,000. The Federal reserve board may remove any part of it from one of the 12 branches to another, according to its own pleasure, being guided by the somewhat vague and general statement that in apportioning it attention must be paid to the commercial interests of the country.

Mr. PEPPER. Will the gentleman yield?

Mr. TEMPLE. I will.

Mr. PEPPER. I would like to inquire where that similar power is lodged now?

Mr. TEMPLE. I believe with the Secretary of the Treasury, who has recently demonstrated it by depositing a certain \$50,000,000 in different banks of the country.

Mr. PEPPER. The power is lodged in one man?

Mr. TEMPLE. I think so. Most of these powers are exercised somewhere, but you propose to combine them all in one place. That is the objection. It is the accumulation of power that makes this Federal reserve board dangerous. We believe in the distribution of the power in order that if anyone in whom power is vested should abuse it he will not be able to abuse all the other powers at the same time.

Of course, the Federal reserve board has power finally to decide the question as to the issue of bank notes.

Mr. PEPPER. Will the gentleman yield again?

Mr. TEMPLE. With pleasure.

Mr. PEPPER. I have been very much interested in the gentleman's criticism of the bill, and the concentration of the great many powers in the hands—

Mr. TEMPLE. There are more to come.

Mr. PEPPER. I would be glad to know if the gentleman has any suggestion as to how these powers might be distributed or divided up, or decentralized, as he suggests.

Mr. TEMPLE. I confess my inability in 5 or 10 minutes to outline a substitute for a bill which has taken the Democratic Party so long to make, for the party has been at work upon it ever since it had an idea of getting into power.

Mr. PEPPER. I would like to ask the gentleman if he knows of any other officer or any other body of the Government where some of these powers might be lodged?

Mr. TEMPLE. Not without rewriting a considerable portion of the bill.

Mr. PEPPER. Has your party formulated any bill where the views that the gentleman expresses have been carried out?

Mr. TEMPLE. The ideas that I have expressed are mostly criticism of the present bill.

Mr. MURDOCK. Will the gentleman yield?

Mr. TEMPLE. Yes.

Mr. MURDOCK. I want to say we will do it, if we do it, in open caucus.

Mr. BARTLETT. The gentleman's party will never do it at all.

Mr. MURDOCK. When our party does do it, we will not do it behind closed doors.

Mr. KELLEY of Michigan. Will the gentleman yield?

Mr. TEMPLE. Yes.

Mr. KELLEY of Michigan. From what I have read in the newspapers, I take it that a great many who favor the Aldrich bill seem to be opposed to this bill. From what the gentleman says as to the apportioning of this board, it seems to me that this is practically the Aldrich bill. I would like to know what the opinion of the gentleman is on that point.

Mr. TEMPLE. I think it is undoubtedly true, that a great many features of this bill—

Mr. KELLEY of Michigan. The gentleman said that it is practically a central bank with 12 branches.

Mr. TEMPLE. Yes; but it is altogether a different type of central bank from that in the Aldrich bill. At least I do not find any very close similarity between the central bank in the Aldrich bill and the central bank of this bill.

Mr. GLASS. If the gentleman from Pennsylvania will pardon me, I want to say that the gentleman is so fair in his response to my friend from Michigan that I would be willing to trust him behind closed doors. [Laughter.]

Mr. TEMPLE. I am highly complimented by the gentleman from Virginia.

Now, I would like to repeat that these powers which the Federal reserve board has over the Government deposits are so extensive and so minute, and unite the 12 banks so completely in one organization that it is hardly possible to describe the real nature of the Federal reserve board otherwise than by saying it is actually a board of directors of one central bank operating through 12 branches. It is a new type of central bank, but possesses most of the characteristics, many of the advantages and some of the disadvantages of other central banks, together with some disadvantages which are peculiarly its own.

One of these is found in the fact that while it is intended to be under Government control it is really under party control. The Secretary of the Treasury and at least two of the four appointive members of this board will be of one party. We may suppose that if this bill goes into effect within the next few months there will be four Democrats on the board. There is to be a Comptroller of the Currency appointed before very long, who will probably be another Democrat—

Mr. BARTLETT. He ought to be.

Mr. TEMPLE. The gentleman's hopes will probably be realized. The Secretary of Agriculture and the Secretary of the Treasury will make five Democratic members on this board when the banks start off—

The CHAIRMAN. The time of the gentleman has expired.

Mr. GLASS. I yield 10 minutes to my colleague [Mr. BRUMBAUGH].

Mr. BRUMBAUGH. Mr. Chairman and gentlemen of the House of Representatives, ever since, even before, the establishment of our National Government down to the present time the kind and character, the legal requirements, and the amount of our circulating medium, or, in other words, the currency question, has been recognized by thoughtful men as one of the most intricate problems, as well as one of the most essential problems, affecting the happiness and prosperity of the people with which the Congress of the United States has had to deal.

If, as so often stated, the circulation medium is the lifeblood of the Nation, then a brief review of the history of the growth and development of financial legislation in the United States, I take it, may well arrest our attention, invite our study, and justify a few moments of the valuable time of this great legislative body.

Mr. Chairman, as indicated, I desire briefly, on account of the time at my disposal, to review the history of past financial legislation by the Congress of the United States, concluding, if I may, by comparing the financial legislation of the past as to its importance and value in meeting the needs of the people with this great constructive financial bill which now absorbs the earnest attention of the Congress and the entire country.

It may be well to observe in passing that the currency question will never be an absolutely settled question. No currency bill ever written ever did or will contain the very last word on the subject. In a sense the currency question will always be an open question, because new occasions teach new duties, new developments will present new conditions; and that currency bill would seem to be best that best meets the people's needs of the present with reasonable safeguards for a reasonable future. That is as far as human wisdom in the past has ever been able to go or will be able to go at this present time. In fact, it is not demanded or expected of us, nor is it within the power of any body of men, however learned or wise, to perfect a currency bill for all time to come. It is for us rather, if we may, by honest, intelligent efforts to pass a bill which, in fairness and justice to all the people—rich and poor alike—will meet the needs and requirements of all the people of to-day, blending into a reasonable future of the development of our national life.

THE CONSTRUCTION OF A CURRENCY MEASURE HAS ALWAYS BEEN A DIFFICULT PROBLEM TO LEGISLATE UPON.

Every student of history knows that our financial problem is older even than the United States Government itself; and to discuss it from the beginning you must go back beyond the very formation of the Federal Government, in fact back beyond the Government even under the old Articles of Confederation, under which we first existed as a Nation before the inauguration of Washington as President.

Every student of history knows also that the financial problem has always been a very difficult problem to legislate upon.

DIFFICULTIES ENCOUNTERED IN ALL FINANCIAL LEGISLATION.

The difficulties encountered in framing a great constructive currency measure, like the present currency bill now before us, may be appreciated when we recall the great difficulties surrounding financial legislation in the past, even at the very beginning of our history and all through our history to the present time.

It was the currency question, or financial problem, that almost entirely prevented the union of the thirteen original Colonies—after a long war for independence—under the old Articles of Confederation.

It was the currency problem that caused the downfall of the Government under the old Articles of Confederation, and the same question almost prevented the States from uniting under the Constitution of the United States; and it was the opinion of so great a statesman as Senator Hayne, who matched eloquence with the great Webster in the world's most memorable debate, that it was the currency and tariff questions finally getting tangled up with the slavery question that made the

slavery question a dangerous national question, leading finally to the great conflict between the States.

It has been a hard problem to legislate upon in the past, and it is a hard problem we are grappling with to-day, because the effect of legislation on this problem reaches the very center of the self-interests of the individual man.

May I here digress to congratulate Congress and the country that we have been able to approach this great constructive financial problem this time with a calmer, cooler deliberation than has ever marked the consideration of any similar great constructive financial problem in the past.

BRIEF REVIEW OF PAST FINANCIAL LEGISLATION.

I invite your attention to a necessarily brief review of past financial legislation in the United States, because I believe a glance at the past may prove beneficial, for by the lights of the past we are sometimes the better enabled to read the needs of the present and future.

THE NATION'S FIRST FINANCIAL PROBLEM—THE CURRENCY QUESTION UNDER THE ARTICLES OF CONFEDERATION.

Our first experience as a nation with the currency problem is both interesting and instructive.

Our first financial problem grew out of our debt contracted by the cost of the Revolutionary War. It was the price of a nation's freedom. When the Revolutionary War ceased, upon the surrender of Cornwallis, there was no organized national government other than that exercised by the Second Continental Congress, by the consent of the Colonies represented therein.

This great war Congress gave us the Declaration of Independence and managed the Government during the Revolutionary War. When the war ceased the people recognized the necessity of some form of organized united government between the Colonies.

The people of the thirteen original Colonies, after four years of hesitation, discussion, and internal turmoil, together with great interstate jealousies, finally set up a form of national government under a constitution called the Articles of Confederation.

Under this form of government six different men held the highest office in the gift of the people, corresponding to the Presidency, before Washington was inaugurated President.

Under the Articles of Confederation each State was left free to regulate its own financial affairs.

The Government under the Articles of Confederation was a weak, loose union of thirteen sovereign States, largely made so by the currency of that day. This Government finally broke down in utter collapse caused by the currency question of that day. This occurred in the following manner: At the close of the Revolutionary War our national debt amounted to about \$35,000,000. This debt was of three kinds:

First. Foreign debt.

Second. The domestic debt—registered and unregistered.

Third. The State debt.

The foreign debt represented loans made to us by foreign nations.

The domestic debt represented the debt contracted by the war Congress in behalf of all the Colonies.

The State debt was the debt contracted by the individual States as such.

The fatal weakness in the Government under the Articles of Confederation was in its financial policy, or, to be more exact, in its entire absence of any financial policy. Congress or the Government could recommend anything it desired to the States, but had no power to enforce its recommendations. The Government could not induce or compel the States to collect and pay to the Government enough to keep the interest paid on the debt.

During the entire life of the Government under the Articles of Confederation the Government never was able to pay one dollar on the principal and was only able to pay \$5,000,000 on the interest.

From 1786 to 1789 the unpaid interest on the national debt had run up to over \$18,000,000.

In response to the appeal of the Government some of the States paid their quota, some paid part, and some never paid anything. Finally, in 1789 the collapse came. We had borrowed from every foreign nation that would loan us anything. We had never paid one dollar on the principal of the debt, and the debt stood against us over \$18,000,000 of unpaid interest.

The Federal Government was powerless to enforce any payment from the States except as they wished to respond. Our credit as a Nation was gone and our national debt had run from \$35,000,000 to over \$79,000,000. Washington spoke of the Government as a mere shadow without any substance of authority. The necessity of a different form of government was apparent to all, and the Nation proceeded to "mark time"

during this critical period as we passed from the Government under the Articles of Confederation to the Government under the Constitution of the United States under which we exist to-day.

FINANCIAL LEGISLATION UNDER THE CONSTITUTION.

It was in this national chaotic financial condition of the country that the delegates met in convention in Philadelphia May 25, 1787, to save the wrecked Union and to formulate a stronger union of the States and to frame our National Constitution.

FINANCIAL CONTROVERSIES IN CONSTITUTIONAL CONVENTION.

It was the financial problem of that day that had almost prevented a union of any kind under the Articles of Confederation. It was the financial problem that finally broke down in utter collapse the Government under the Articles of Confederation; and the same hard financial problem immediately thrust itself upon this convention and threatened for a long time to prevent a union under the Constitution of the United States. The turmoil of the discussion of this problem gave rise to the first well-defined political parties in this country, and this same financial problem is responsible for the location of this National Capitol Building on this hill in which we sit to-day.

It was perfectly plain to all that a nation could not be built or exist that had no financial credit with the nations of the world and that was unable or unwilling to meet and pay its debts contracted by the war that gave that nation its independence. The first concern, therefore, of the convention called to frame the new Constitution for the United States was what to do with and how to provide for the payment of our national debt.

The national debt as presented to the convention amounted to \$79,124,463, and was as follows:

First. Foreign debt, \$11,710,378, made up as follows:

Loan borrowed from the Court of France;

Loan borrowed from private lenders in Holland;

Loan borrowed from private lenders in Spain;

Unpaid interest on foreign debt, \$1,500,000.

Second. Domestic debt, registered and unregistered, \$42,414,085, made up as follows:

Debt contracted by Congress in behalf of all the Colonies during the Revolutionary War;

Two million dollars allowed and unpaid private claims;

Total unpaid interest on foreign and domestic debt, \$18,000,000.

Third. State debt contracted by individual States or Colonies as such during the Revolutionary War, \$25,000,000.

As remarked before, the Government had never been able to pay one dollar of the debt and the unpaid interest on the debt had run up to over \$18,000,000.

In regard to the foreign debt there was no division of opinion. All agreed that it must be paid in the exact terms of the contract. The discussion and consideration of the domestic and State debts divided the convention for a long while into two hostile parties. A large part of the certificates of the domestic debt had passed from the original holders into the hands of speculators, who had purchased the same at a low rate for future speculation.

DIVISION IN CONSTITUTIONAL CONVENTION ABOUT PAYMENT OF DEBT.

One party of the convention held that as the certificates of the domestic debt had been purchased at a nominal sum for the purpose of speculation, now that it was proposed that the Government assume them, it should not be paid at par, but that the holders should be paid the highest market price and interest, and in the event that the certificates were paid in full the increase of the same should be paid to the original holders thereof. This was the proposition proposed by James Madison to the convention.

The other party, led by Alexander Hamilton, contended for payment of principal and interest in full to the present holders of the certificates, and their argument was as follows:

That public credit and faith was essential to the new Government, and that there was no other way of building up public credit and faith in the new Government than by the faithful payment of public debts.

The Government had promised to pay the holders or assignees, and that the assignee stood in the place of the original holder.

While the assignee, or speculator, had purchased at a low rate, he also had taken the risk of giving good money for uncertain promises, which might or might not be kept, and that he had thereby given his support and shown his faith in the new Government and saved it from collapse at the very beginning.

The other party answered this argument as follows:

These speculators had not as a rule risked their lives as soldiers to win our independence.

That the establishment of a free government for them that made payment at all possible was a sufficient reason for a smaller payment that should represent the original loan plus part of the increase.

That even an exact justice demanded that, should the Government pay principle and interest in full, the original holder should receive part of the increase as well as the speculator.

DIVISION OVER THE STATE DEBT.

In considering the State debt this question arose: Should each State pay its own State debt or should the entire debt of all the States be assumed by the Federal Government? This was a very serious and hard problem, and threatened for a long while the existence of the convention. Finally it was agreed that, as the State debt of the various States had been contracted for the general good, it would be best to have the General Government assume the entire State debt under a system of taxation that should apply equally to all the States.

THE GENERAL QUESTION OF ASSUMPTION.

The great debates in the Constitutional Convention show that the question of the assumption of the national debt was one of the most serious and difficult problems with which that convention had to deal. Alexander Hamilton, a member and one of the great leaders of the convention, recommended that the General Government assume the domestic and State debts as well as the foreign debt. It was feared by others that to try to raise such a large sum by taxation would cause great discontent and threaten the very existence of the Government at the very beginning. After a month of very violent and bitter debate the convention acted as follows:

Fitzsimmons offered a series of resolutions by which the public debt was taken up in the committee of the whole. The first resolution, relating to the foreign debt, passed unanimously without division. His second resolution, purposing to provide for principal and interest of the domestic debt, was met by a resolution from Scott to postpone consideration thereof. This situation was met by a resolution by James Madison, who moved an amendment providing that present holders be paid the highest market price before the publication of Hamilton's report in regard to assumption and that the increase above market price be paid the original holders. Madison's resolution led to bitter debate, and was defeated by a vote of 36 to 13.

The general proposition on assumption was now put, the delegates from North Carolina not having yet arrived. It was pressed to a vote and carried by a vote of 31 to 26. In a few days the North Carolina members arrived and a motion to reconsider the vote on assumption was put and carried.

At this stage of the convention all appeared to be in chaos. Frequent threats to secede or withdraw were made by delegates from the eastern States if the General Government did not assume the State debt.

THE FAMOUS JEFFERSON-HAMILTON DINNER PARTY—THE CAPITAL LOCATED ON THE POTOMAC.

It was at this critical juncture of affairs that the famous Jefferson-Hamilton dinner party occurred. Jefferson had just returned from France. Hamilton appealed to him to exert his great influence with the delegates to save the threatened disunion of the States. A dinner party was arranged and an understanding was had whereby the location of the intended capital on the banks of the Delaware was changed to the banks of the Potomac and the required votes were obtained to carry the proposition for the assumption by the General Government of the public debt.

On the question of assumption the States had voted, previous to the dinner-party agreement, as follows:

For assumption—Massachusetts, South Carolina, New York, and New Jersey. Against assumption—Virginia, Maryland, Pennsylvania, Georgia, and New Hampshire.

VIRGINIA'S PATRIOTIC SACRIFICE.

Virginia, of all the States, had most bitterly opposed the assumption of the State debt because Virginia could easily pay her State debt by sales from the immense territory which then belonged to her, covering the present States of West Virginia, Kentucky, and a large part of Ohio and the old North West Territory. But she patriotically yielded for the sake of the Union, not only agreeing to the proposition of national assumption, but also agreeing, for the sake of the Union, to give over to the National Government a very large part of her splendid territory.

CHARGES OF INCORRECT CONDUCT.

It may be interesting to note that charges and countercharges of improper conduct and votes influenced by self-interests were generated by the violent discussion over assumption, and public

men did not escape severe condemnation in regard to their actions on this great question.

It was charged that some Members voted for their own self-interests on the question of national assumption; that some Members and their friends had been out buying up the certificates of indebtedness of the ignorant in the rural districts. Even Jefferson in his writings boldly states that this was so; that swift horsemen and boats were flying in all directions the moment the measure passed, carrying agents to buy up certificates at low prices which the Government had agreed to redeem at par. The student interested in reading an account of these stern times will find them vividly set forth in Hildreth's History, volume 4, or in Jefferson's or Hamilton's writings.

FINANCIAL PROBLEM UNDER WASHINGTON'S ADMINISTRATION.

Such was the financial problem of our Government at the beginning of Washington's administration.

Washington, before he assumed the office of President, was greatly worried over this same hard financial problem. Up until this time the two great financial leaders in our history had been the two great patriots who had, more than any others, financed the Revolutionary War and the struggling Government under the Articles of Confederation, Robert Morris and Gouverneur Morris. In fact, Jefferson spoke of them as the inventors and fathers of our financial system. The wretched financial policy of the Government had swept away the fortune of each. In fact, during the war the credit of Robert Morris was better than that of Congress. He gave his own notes, which were all paid by him in full, to the amount of \$1,400,000 to meet the colonial expenses in support of the war. He was Secretary of the Treasury for the Government the last three years under the Articles of Confederation.

In 1781 he established the Bank of North America. It is the greatest blot upon our early history that he passed the last years of his life a prisoner for debt, thus seeming to justify the charge so often made that Republics alone are ungrateful. Washington, in his anxiety, appealed to Robert Morris, and asked him how to meet this emergency.

Morris replied by advising Washington to consult Alexander Hamilton; that Hamilton could find a way out of the difficulty if anyone could. Washington therefore in selecting his Cabinet, which then consisted of but four members, made Jefferson his Secretary of State and Hamilton his Secretary of the Treasury, the other two members being Randolph, Attorney General, and Knox, Secretary of War.

Into Hamilton's hands was therefore referred the great problem of devising a new financial policy for the United States.

HAMILTON'S FIRST REPORT ON THE PUBLIC CREDIT.

After months of careful consideration, on January 14, 1790, Hamilton brought in his famous report on the public credit. This report is considered one of the most remarkable and able state papers ever written. It outlined and established the financial policy of the Government. Hamilton argued in support of his policy with brilliant, irresistible logic. He reasoned as follows: That the time must come in the life of a nation when the Government must borrow money and make loans. To do this on favorable terms the Government must establish its credit before the world. That on our sound public credit rests the future greatness of the Republic and the individual welfare of the citizens of the United States. He argued eloquently that the public debt was the price of our liberty; that the faith of the Nation was pledged for its payment. He opposed discrimination between the present and original holders of the certificates of indebtedness as unwise and dangerous, being in violation of the terms of a fair contract and contrary to the provisions of the new Constitution of the United States.

He argued strongly for the assumption of all State debts as a means of interesting the citizens in the welfare of the Government and also to prevent strife among the States.

To collect the money by taxation to meet his financial policy he presented a tariff schedule on spirits, tea, coffee, and the luxuries of life. He sums up his magnificent argument for national assumption of all debts—national, domestic, and State—with a brilliant, climactic appeal under the heading of utility and honor.

The only change made by Congress in Hamilton's plan was scaling down on the interest. Hamilton desired that principal and interest of the national debt be funded in the same manner. Congress funded the principal into 6 per cent stock and the interest into 3 per cent stock.

SINKING-FUND MEASURES.

It is claimed that Hamilton borrowed his idea of the sinking-fund measure from the British financial policy inaugurated by William Pitt. The sinking-fund measures adopted by the Gov-

ernment in the development of Hamilton's financial policy were as follows:

First. The act of August 4, 1790, dealing with the selling of public lands.

Second. The act of August 12, 1790, dealing with the duties and customs of the Government.

Third. The act of May, 1792, extending the scope of the law.

Fourth. The act of March 3, 1795, which completed the sinking-fund system.

HAMILTON'S REPORT ON THE NATIONAL BANK.

Having devised a financial policy for the Government, the next step in the evolution of the system was to devise a medium or vehicle to be used in operating that financial policy; and here again Hamilton borrowed his idea from the British Government by suggesting a national bank patterned after the Bank of England. Hamilton, in his report of December 14, 1790, recommended to Congress the establishment of one central national bank. His recommendations threw the entire financial problem again into the arena of violent discussion.

There were already in existence, before the establishment of the National Government under the Constitution, three great banks:

The Bank of North America, founded by Robert Morris in 1781.

The Bank of New York City, N. Y., founded in 1783.

Bank of Massachusetts, Boston, founded in 1783.

The opponents to Hamilton's proposition for the establishment of one central national bank argued that Hamilton, having recommended the establishment in the beginning of a monarchical form of government with a ruler for life, was attempting to set up a strong centralized government with centralization of power; that his scheme had for its object the placing of an interminable and indefinite debt upon the United States as a part of his plan for a strong central government; that the old war bank, the Bank of North America, founded by Robert Morris, having seen us through the crisis of the Revolutionary War and through the life of the Government under the Articles of Confederation, was able to answer all the purposes which could be safely delegated to the proposed national bank of the United States.

Here again Hamilton's brilliant argument carried the day and led to the establishment of the national bank, Congress accepting Hamilton's suggestions almost in toto.

THE NATIONAL BANK.

The following are some of the leading provisions as recommended by Hamilton and adopted by Congress in the establishment of the national bank:

Capital, \$10,000,000; 25,000 shares, \$400 per share.

Shares, one-fourth in coin, three-fourths in certificates of public debt; bear 6 per cent.

Sums subscribed payable in four equal shares, six months apart.

President shall subscribe for the Government \$2,000,000.

Shall hold only such lands as it needs for building or as it gets on mortgages, and so forth.

Company may sell its stock or lands, but shall trade only in gold and silver, and rate shall be 6 per cent.

No loan to State or Government above \$50,000, or to any foreign prince or government without consent of Congress.

Stock transferable; votes by stock, and so forth.

No director to receive pay except what agreed upon by general meeting; president to receive pay as stated.

Bank must furnish on demand reports to Secretary of the Treasury.

No similar institution to be established by the United States.

Branch offices for discount and deposit only may be established in different parts of the United States.

The consideration of the national bank divided Congress into two camps, known as the strict and loose constructionists.

When the bill was presented to Washington for his signature he had grave doubts as to its constitutionality and asked for written opinions from his four Cabinet members on this point.

Hamilton and Knox replied in favor of the bill; Jefferson and Randolph replied against the bill. After hesitating for more than a month, Washington finally signed the bill.

RESIGNATION OF HAMILTON AS SECRETARY OF THE TREASURY.

In 1795 Hamilton resigned as Secretary of the Treasury. He had served six years and had completed the financial policy of the Government. He had established a world-wide reputation as a brilliant financier.

NEW PERIOD OF FINANCIAL LEGISLATION—GALLATIN'S FINANCIAL REIGN.

The first great political revolution in the United States took place in the election of Jefferson to the Presidency in 1801. One of the principal causes that led to the revolution was the oppo-

sition upon the part of the mass of the people to the financial policy previously inaugurated by Hamilton.

Hamilton's financial schemes, while brilliant, were considered complicated and hard for the mass of the people to easily comprehend or understand. The mass of the people got the impression that his financial policy was dangerous to a free government and intended to bring about a monarchical form of government.

The new administration under Jefferson came in with an announced program of reform. The reform policy of the new administration was as follows:

First. Repeal of unpopular laws and monarchical tendencies.

Second. Payment of public debt entire.

Third. Repeal of internal-revenue laws.

ALBERT GALLATIN, THE NEW SECRETARY OF THE TREASURY.

Jefferson selected for his Secretary of the Treasury Albert Gallatin, a Swiss by birth, a great scholar and brilliant financier. Gallatin had opposed Hamilton's financial policy and, as a Member of Congress, had secured the passage of the bill taking the management of the sinking fund out of Hamilton's hands and placing it in a committee of Congress. Gallatin's life ambition as Secretary of the Treasury was the payment of the public debt in full, and every financial effort of his life was bent in that direction.

For the next eight years three men were practically the Government—Jefferson, Madison, and Gallatin—and the foundation upon which the success of the three depended was the financial ability of Albert Gallatin. Whether Jefferson's administration succeeded or failed depended upon Gallatin's management of the Treasury.

Gallatin set forth his financial creed or policy as follows:

America, by her location, can follow a political development of her own.

She can safely disregard remote dangers.

Her defense can be reduced to a point little above police necessities.

She can rely upon national self-interest for development of foreign commerce.

She can depend upon the industry of her citizens for internal developments.

Her capital is safest in the hands of her own citizens.

The objective point to be reached is the discharge of the public debt, the reduction of taxes, and the abolition of internal revenue.

Jefferson's great idea of reform was reduction of taxes and the payment of the public debt. How to accomplish this and still raise the revenue to run the Government was the delicate problem for Gallatin to solve.

In an exchange of letters between Jefferson and Gallatin I quote a sentence from each.

Jefferson to Gallatin:

The discharge of the public debt is vital to the destiny of our Government.

Gallatin to Jefferson:

If this administration shall not reduce taxes, they shall never be reduced. I most fully agree with you that pretended tax preparations and Army preparations against contingent war only tends to encourage war.

The new party thus planted itself against every feature of Hamilton's financial policy. By most brilliant financial management of the Treasury Department, at times against opposition from members of his own party in Congress, Gallatin evolved his system to completely wipe out the public debt and provide for the entire payment of the same by the close of the year 1817, and to do this, even in addition to the added expense caused by the Louisiana Purchase. The War of 1812, much to his regret, delayed the payment of the public debt to a later date.

THE FIRST EFFORT TO RECHARTER THE NATIONAL BANK.

When Jefferson became President he ordered Gallatin to make a thorough investigation of the national bank. The honorable, honest man reported that Hamilton had made no blunders in the management of the national bank and that the management had been entirely businesslike and honest.

When Madison succeeded Jefferson as President he retained Gallatin as his Secretary of the Treasury.

Gallatin and Madison, like Jefferson, originally had been opposed to the national bank, but later both Madison and Gallatin favored the rechartering of the bank when its charter expired in 1811.

In 1810 the proposition to recharter the bank came before Congress, and the vote in the House stood 65 to 64 in its favor. In the Senate the vote stood 17 to 17.

George Clinton, the Vice President, supposed to be unfriendly to Madison, gave the deciding vote against it, and the old

national bank went out of existence. The directors returned the original stock to the subscribers and sold the property of the bank to Stephen Girard, of Philadelphia.

Gallatin's report of November 1801, which formed a part of Jefferson's message to Congress, is interesting as showing the expenses of the Government of that day as compared with the expense account of the Government of to-day.

Yearly estimated revenues of the Government.

Imports	\$9,500,000
Lands and postage	300,000
Total	9,800,000

Yearly expenditures of the Government.

Interest and payment of the public debt	\$7,200,000
Civil expenditures of the Government	1,000,000
Military	930,000
Navy	670,000
Total	9,800,000

Gallatin's financial ability had been the hope of his party during the period of the War of 1812, and Madison, like Jefferson, had found him indispensable to the success of his administration.

HAMILTON AND GALLATIN.

Great emergencies produce great characters, and it may be worthy of notice to record that this great formative period of our history developed, during this great crisis of our national existence, our two greatest financiers, who rank with the greatest the world has ever known—Alexander Hamilton and Albert Gallatin.

Both Hamilton and Gallatin gave to the land of their adoption talents of the highest order. So eminent an authority as Prof. Taussig, of Harvard, pronounces Gallatin's memorial report to Congress the ablest state paper ever presented to Congress. He ranks equal to Hamilton as a financier, and in addition was a diplomat of the highest order. His life is pronounced one of the marvels of America.

IRONY OF POLITICS.

The irony of politics records this strange fact: Gallatin's son became, during the Civil War, a Republican and gave Secretary Chase valuable advice, while the two sons of Alexander Hamilton became Jackson Democrats, the older son being appointed by Jackson, on the day of his first inauguration as President, to succeed Henry Clay as Secretary of State, to serve as Acting Secretary of State until Van Buren could return from Europe and arrange to take the position.

FINANCIAL FOUNDATION PERIOD.

I have dwelt somewhat upon this part of our history purposely because it is the foundation of all that follows, and because the thought and purpose of these two great financial giants—Alexander Hamilton and Albert Gallatin—made up and gave shape to our entire financial policy for the first 50 years of our history as a Nation.

The position and theory of these two great financiers, I think, can be fairly summed up as follows:

Hamilton's financial policy contemplated that there should always be in existence a national public debt.

Gallatin's financial policy contemplated that there should never be a national public debt.

Hamilton believed that a national debt was a national blessing because, as he said, it thereby bound a large part of the people to the successful operation of the Government and tended to build up a strong centralized form of government.

Gallatin believed that a national debt was a national curse, and that a strong centralized form of government thus constructed would be a menace to the liberties of the people.

As to which was right or which was the greater is purely a matter of opinion and political bias or belief. Both represented the world's highest thinking on this abstruse and difficult subject. Hamilton and Gallatin will possibly stand in our history as the best all-sided developed and greatest brain product New York and Pennsylvania have ever given to our common country.

A BRIEF CATALOGUE LIST WITH PASSING COMMENT ON OUR MOST IMPORTANT FINANCIAL LEGISLATION.

Mr. Chairman, much as I should like to do so, time will not permit me to discuss step by step or even mention all our important financial legislation. I shall be compelled to content myself with a mere catalogue list, as it were, of a few of the most important financial measures showing the action of Congress in the growth and development of our financial policy and system.

GROUPS OF HISTORICAL PERIODS OF FINANCIAL LEGISLATION.

From this time on in our history it will be noticeable that our financial legislation naturally groups itself under certain periods of time rather than around some preeminent, predominating

leader of finance as formerly. The divisions most generally used by text writers are as follows:

First. From Gallatin to Jackson.

Second. Jackson and the bank struggle.

Third. Treasury-note period and final efforts to recharter the national bank.

Fourth. The Civil War period.

Fifth. Specie resumption to the present time.

FROM GALLATIN TO JACKSON.

Gallatin was succeeded by Campbell, of Tennessee, one of the coterie of Congressmen who had opposed Gallatin's financial plans and who apparently first realized how big Gallatin was mentally when he assayed to fill Gallatin's place. Campbell sent in one report and resigned.

President Madison now determined to appoint Gallatin's friend and understudy, who had been under Gallatin and to whose appointment Congress was hostile at the time he appointed Campbell. Congress now yielded and Madison appointed Dallas as the new Secretary of the Treasury.

Dallas presented an elaborate scheme to Congress. Eppes, of Virginia, Jefferson's son-in-law, chairman of the Ways and Means Committee of the House, also presented a financial measure to the House. Congress debated and defeated both measures. Dallas now demanded rechartering of the old national bank. On January 7, 1814, the House passed the bill to recharter by a vote of 120 to 38. On January 20, the Senate, by a vote of 20 to 14, agreed to the House bill to recharter the bank, Clay and Calhoun voting against it. I call your attention to the speed with which the Senate acted on great financial measures in those days. Comment is waived. On January 30, 1814, Madison vetoed the bill to recharter the national bank.

In 1816 Dallas again demanded that the old national bank be rechartered. This time the bill passed both Houses of Congress, and on April 10, 1816, President Madison signed the bill, and the national bank was with us again until its death by Jackson's veto, July 10, 1832.

GALLATIN'S DREAM COMES TRUE—THE NATION OUT OF DEBT FOR THE FIRST TIME IN ITS HISTORY.

It is only just to observe that the financial policy of this entire period up until the date of Jackson's struggle with the national bank was really the financial ideas of Gallatin being carried out through his friend and pupil, Dallas, and his successors. And in honor to Gallatin's memory and his splendid financial ability it should be recorded that it was this carrying out of his financial policy that finally brought to the country what had been his life's ambition—and the dearest dream of his life—the payment of the last cent of the public debt of the Nation; so that we had for the first time in our history a great, strong, growing Nation not owing a single cent of national indebtedness of any description. And before Gallatin's financial policy was changed, in addition to being entirely out of debt, we had on January 1, 1835, no debt and a national surplus of \$5,536,232 and on January 1, 1837, no debt and a surplus of \$37,468,859, and the surplus was growing so large and so rapidly that what to do with it became a serious financial problem in that day, Congress finally directing that it be divided among the various States.

TABLE SHOWING THE NATIONAL DEBT.

The following table, showing the public debt of the Nation at various periods, may be interesting:

1790, public debt of Revolutionary War	\$79,124,463
1811, public debt	45,000,000
1815, close of War of 1812, public debt	120,000,000
1835, Jan. 1, no public debt (surplus)	5,536,232
1837, Jan. 1, no public debt (surplus)	37,468,859
1840, public debt	2,000,000
1844, public debt	24,748,188
1848, close of Mexican War, public debt	51,000,000
1860, June 20, public debt	64,769,703
1861, July 1, public debt	90,000,000
1861, Dec. 31, public debt	524,000,000
1863, July 1, public debt	1,119,772,138
1865, Aug. 31, public debt	2,845,907,626
1913, Sept. 1	1,343,783,974

JACKSON AND THE BANK STRUGGLE.

This period of financial legislation to 1842 is known as the period of Jackson and the bank struggle. Interesting and entrancing as this period is historically, it is not intended to treat it here, because the trend of the whole matter is given consideration by the science of politics rather than by the science of finance.

RESPONSIBILITY FOR BANK STRUGGLE.

This much, however, may be proper and pertinent to recite: That three men were originally responsible for this bank struggle, which made and unmade men and parties in the United States and which controlled the financial policy of the country for a generation, and that Andrew Jackson was not one of the three. It may be added that when this terrific political strug-

gle was over, in which all the great men of the country, with scarcely a single exception, except Senator Benton, were arrayed in the most hostile political fight known to our history against Andrew Jackson, that when the fight was over the bank was dead and Jackson was victorious.

THE THREE MEN RESPONSIBLE FOR THE BANK FIGHT.

This fight started over what is known in history as the Portsmouth (N. H.) Branch Bank affair, and the three men who fired the prairie, so to speak, were:

First, Isaac Hill, ex-president of the Branch Bank at Concord, N. H.

Second, Jeremiah Mason, president of the Branch Bank at Portsmouth, N. H.

Third, Nicholas Biddle, president of the National Bank.

Hill wanted the pension-agency account transferred from the Portsmouth Branch Bank to the Concord Branch Bank. Mason resisted and interested Webster and his friends in his behalf. Hill, at this time connected with the Treasury Department, interested Ingram, Secretary of the Treasury, and Secretary of War Eaton in his behalf.

Secretary of the Treasury Ingram ordered the account moved from Portsmouth to Concord. Biddle and Mason defied the Government, and for the time won out and carried their point.

UP TO THIS TIME JACKSON NOT IN THE BANK FIGHT.

Parton, in his *Life of Jackson*, and Von Holst, the historian, both agree that up until this time Jackson had not been a partisan on either side. The fatal step, however, was taken when Biddle kicked the fat into the fire by delivering himself in a letter as follows:

The board of directors of the Bank of the United States and the board of directors of the branch banks of the United States acknowledge not the slightest responsibility, of any description whatsoever, to the Secretary of the Treasury touching the conduct of their officers in any political dealings with the bank.

Previous to this it should be noted that Mason had admitted that he had made loans to political friends and denied them to political enemies, and Clay, in his campaign for President against Jackson, had carried on extensive political operations through the Branch Bank at Lexington, Ky. Biddle, by his unwise statement and his undiplomatic personal conversation with Jackson, in which he informed Jackson that the bank could make or unmake Presidents, carried the fight to Jackson's door and plunged the country headlong into a semipolitical financial struggle that disrupted the peace of the entire country and raged with increased fury until Jackson killed the bank by his veto, July 10, 1832.

Jackson believed and said that the bank had become a huge engine of political power and determined upon its destruction.

The Whig Party took the question into their national convention and made it a straight-out party question. Against Jackson were arrayed Clay, Calhoun, Webster, Dallas, Ewing, Hayne, John Quincy Adams, and almost all the great national characters of that period, except Thomas Hart Benton, the Senator from Missouri, Jackson's chief defender.

As above noted the bank perished by Jackson's veto of the bill to recharter it July 10, 1832. The attention of those who have thought of Andrew Jackson as the chief apostle of the spoils system in our history is called to this fact: Two of these three men at the beginning of the bank fight were Democrats—Biddle and Hill. Jackson could easily have had the help of this, the greatest engine of the spoils system that ever existed, and made it a part of his party organization. Jackson not only did not do this, but demanded that this central bank and all the branch banks and all their employees stay entirely out of political contests in the country.

No public man in all history thus had presented to him a more severe temptation to use the financial system of the country for his own personal political advantage, and no man in all history ever met and overcame the temptation more grandly and more patriotically than did Andrew Jackson. [Applause.]

REMOVAL OF BANK DEPOSITS.

Shortly before the date when the charter of the national bank would expire Jackson ordered that the deposits of public money should be removed from the national bank to certain State banks.

Secretary of the Treasury Taney, of Maryland, afterwards Chief Justice of the United States, proceeded to carry out the President's order. The order for the removal of deposits led to most violent discussion in the Senate, and out of this grew the famous resolution of censure passed on the President by the Senate. The resolution of censure became at once a burning political issue all over the United States. Under the leadership of Benton it was expunged from the Senate records March 16, 1837.

THE DISTRIBUTION OF THE SURPLUS AMONG THE STATES.

On June 23, 1836, Congress passed the famous act to regulate the deposits in the State banks and to provide for the distribution of the surplus; \$37,468,859 was thus divided by act of Congress among the States.

It is generally believed that it was this action, dividing the surplus among the States, that led to the panic of 1837.

It is but fair to Jackson to state that personally he was opposed to this measure.

It was a Whig Party measure. It passed the House by a great majority, and it was thought to put Jackson in a hole, for if he did not sign it, it was believed it would defeat his friend, Van Buren, for the Presidency. To help his friend, "Little Matty," as Jackson affectionately called Van Buren, the President signed the bill.

THE SPECIE CIRCULATION.

Knowing that Congress would oppose his action, Jackson waited until the adjournment of Congress and then issued his famous specie circular order. This order was issued under authority granted to the Treasury Department by act of Congress 1816. This order was, in fact, written by Benton at the request of Jackson's secretary, Donaldson, who had been ordered by Jackson to prepare it.

The order provided that all payments for public lands after August 15, 1836, should be made in coin alone—gold or silver.

The public lands were selling at the rate of \$5,000,000 per month in depreciated paper currency and were being bought up for speculation purposes, in some cases by Members of Congress themselves.

At the next session of Congress the Senate voted to rescind this most beneficial order. This act of the Senate was killed by Jackson's famous pocket veto March 3, 1837.

PERIOD OF INDEPENDENT TREASURY SPECIE, TREASURY NOTES—PANIC OF 1837.

The distribution of the surplus among the States led to wild speculation. This, with the uncertainty caused by the constant political war on the financial policy of the Government, led to the panic of 1837. The result of this financial panic brought about the legislation authorizing the issuing of the Independent Treasury notes.

A brief summary of the legislation in regard to the issuing of Treasury notes, and the cause for issuing the same, is as follows:

1812. First issue of Treasury notes, caused by the War of 1812.

1837. Caused by the Mexican War.

1857. Financial stringency.

1860 and after. Caused by the Civil War.

FINAL EFFORT TO RECHARTER NATIONAL BANK AND THE DISRUPTION OF THE WHIG PARTY.

In the following presidential election Van Buren was defeated and the Whig Party, led by Harrison and Tyler, was victorious. The Whig Party had always stood for the rechartering of the national bank; that had been its one great cardinal principle. Nevertheless, for political expediency, the Whig Party nominated for President and Vice President candidates both of whom had voted and spoken against the national bank.

The death of Harrison and the refusal of Tyler, who succeeded him, to agree to the Whig program to recharter the national bank led to the final disruption of the Whig Party. It is but fair to record that Tyler previously, while a Whig Member of Congress, had always been consistently opposed to the national bank.

ENTIRE CABINET, EXCEPT WEBSTER, RESIGNS.

President Tyler's veto of the bill to recharter the national bank caused his Cabinet, all except Webster, to resign in a body September 11, 1841, and after the second veto of the bank bill Webster also resigned. Clay and Webster now became bitter political enemies, caused by the new financial complications.

The remnants of the Whig Party went with Clay.

President Tyler tried to go over into the Democratic Party and desired the nomination for President at the succeeding Democratic national convention. The convention refused to consider him.

Cushing, of Massachusetts, turned Democrat again and was later given an office. Webster plaintively asked, "Not where am I, but where am I to go?"

INDEPENDENT TREASURY BILL LEGISLATION.

August 6, 1846, Congress passed the Independent Treasury act. This was the great measure that Van Buren had proposed in his message to Congress in 1837, but which Congress, out of political bias, defeated. The Independent Treasury bill was bitterly opposed by the Whig Party. Congressional action on this important financial measure was as follows.

1. Proposed by Van Buren May 15, 1837. The Whig Congress defeated it.

2. The system continued without congressional sanction from 1837 to 1840.

3. July 4, 1840, Congress legalized it by act of Congress. The campaign of 1840 was then fought on this bill. Van Buren was defeated and the Whig Party won.

4. August 13, 1841, the bill was repealed by the Whigs, under the leadership of Clay.

5. August 6, 1846, it again became the law by act of Congress and has been in force ever since. It is the law of the land to-day, so satisfactory and so firmly entrenched that no party thinks of changing it in any scheme of financial legislation proposed for the future.

PROVISIONS OF THE INDEPENDENT TREASURY BILL.

The leading provisions of this great financial act—the Independent Treasury bill—are in brief as follows:

That the Government shall collect, keep, and pay out its own money through its own agents.

GOLD AND SILVER ALIKE RECOGNIZED AS COIN BY THE GOVERNMENT.

It is important to call special attention to the fact that in every financial act and provision from the beginning of the Government and also in the provisions of this great financial measure, in every case dealing with duties, taxes, revenue, and payment of obligations of all kinds, the bimetallic basis is always recognized and used by the law and the Government and that the standard is always spoken of as gold and silver coin.

The Independent Treasury act has always been regarded as among our most valuable and satisfactory financial legislation, and is considered by all to be the greatest monument that Van Buren has left to his credit as a constructive statesman.

HISTORY OF PAPER MONEY IN THE UNITED STATES.

As the necessities of the great Civil War will soon inject into our financial currency legislation paper money as a circulating medium and finally make paper money a legal tender, I may possibly be indulged for a paragraph or two—a brief statement—on the history of paper money in the United States before entering upon the consideration of the Civil War period of financial legislation.

COLONIAL TIMES.

In colonial times all the colonies had issued paper money. Massachusetts, in 1690, was the first, closely followed by New Hampshire, Rhode Island, Connecticut, New York, and New Jersey, all before the year 1711; South Carolina, 1712; Pennsylvania, 1723; Maryland, 1734; Delaware, 1739; Virginia, 1755; Georgia, 1760.

LAND AND LOAN BANK.

Massachusetts was the first colony to make an attempt to set up a bank. In 1715 John Colman, of Boston, proposed what is known as the land bank. He proposed to issue circulating notes secured by land. The general assembly defeated the plan. Later the general assembly established what was known as the loan bank, and in 1739 Edward Hutchinson started a specie bank.

The British Government was opposed to the issuing of paper money by the colonies, and by act of Parliament June 25, 1751, forbade its issue in the colonies, except for current expenses among the people of the colonies and for expense to provide against invasion.

DURING REVOLUTION AND UNDER THE CONFEDERATION.

By act of June, 1775, the Second Continental Congress authorized an issue of paper money for war expenses. For one year only paper money passed equal to gold, but it rapidly depreciated, until at the close of the year 1780 it stood 40 to 1 for gold.

In the Constitutional Convention of 1787 a motion was made to give the States power to provide for a limited paper issue, but the motion was lost and the express understanding was that paper money was never to be used as legal tender.

In 1780 the Continental Congress authorized an act to redeem paper money at 40 to 1, to be refunded by an issue of new notes payable in six years in coin bearing 6 per cent notes.

With this action paper money as a circulating medium passed out of existence in our history until the legal-tender act of February 25, 1862.

THE CIVIL-WAR PERIOD OF FINANCIAL LEGISLATION DOWN TO SPECIE RESUMPTION, JUNE 1, 1873.

A large part of the great public debt caused by the Civil War is still with us to be met by the taxpayers of the country. All know why the debt occurred, but why the debt was placed against the Government almost three times higher than it actually would have been on a coin basis of cost to the Government and the financial legislation that enabled it to be so computed and placed against the Government to be met by taxation of the citizens of the country is a most interesting study.

The tremendous daily cost of the Civil War presented to Congress and to the Secretary of the Treasury a new problem which could not be met by former methods.

GOLD AND SILVER ALWAYS COIN IN OUR HISTORY.

It should be remembered that from the beginning of our Government under the Constitution up to the Civil War nothing but coin—and coin had always been held by the Treasury and by the Government to mean gold and silver alike—was ever a legal tender for public debts.

SUSPENSION OF SPECIE PAYMENT.

The empty Treasury, the constant demand for war expenses, together with the Mason and Slidell affair and the possibility of England recognizing the Confederacy, caused the suspension of specie payment on December 31, 1861.

Congress met, therefore, to devise some other circulating medium of legal tender outside the gold and silver coin. The financial problem, therefore, became to the Government the great momentous overshadowing question of the Civil War.

LACK OF SKILLED FINANCIAL LEADERS.

Ex-Gov. Chase, of Ohio, was the new Secretary of the Treasury.

Spalding was chairman of the House Committee on Finance. Stevens was chairman of the Senate Committee on Finance.

It is meant as no reflection on these great men when it is stated that it is to be regretted that neither of them were possessed of great financial training or ability.

Chase at first had refused the offer to be appointed Secretary of the Treasury because, as stated by him, of his lack of financial experience and training.

Spalding had been connected with a small bank.

Stevens had had little or no financial experience or training.

This great tremendous financial problem was thus thrust upon and left largely to be worked out by these three untrained men, for in the entire Congress of that day there appeared to be few, if any, better qualified. It was remarked by the press of that day that there was sore need of a Hamilton or a Gallatin, as these times of all times demanded some great financial genius.

Chase began by consulting the bankers of the United States, and as a result two schemes were proposed:

First. To sell the bonds of the United States at the highest market price.

Second. To make paper money a legal tender for public debts.

It is worthy of notice here to remark that the first plan, which text writers now agree should have been the one adopted by the Government, was proposed to Secretary Chase by James Gallatin, a son of the great financier before mentioned.

The Government, under the lead of the Secretary of the Treasury, finally chose the latter plan, and started upon the policy of issuing paper money as a legal tender.

HOW AND WHY THE CIVIL-WAR DEBT BECAME SO LARGE.

During the first period of the Civil War the Government tried to prevent suspension of specie payment by two methods: First, by issuing Treasury notes of long funding period; second, the Government put out Government bonds, known as 5-20's and 7-30's.

We should note here that the interest on these bonds was promised to be paid in coin, and that coin at this time of the contract between the Government and the money lenders to the Government, as well as all through our history, had always been construed by the Government and the Treasury Department as meaning gold and silver. No other construction had ever been given by the Government or the Treasury Department to the word "coin."

PAPER MONEY MADE A LEGAL TENDER.

The above efforts on the part of the Government to prevent the suspension of specie payment were unavailing. The Government was unable to stem the tide, and finally, as before stated, determined upon the policy of issuing paper money as a legal tender.

RAPID DEPRECIATION AND THE SAD EFFECTS ON THE TAXPAYERS OF THE FUTURE.

Treasury notes soon went down to 37 cents on the dollar, and paper money went lower. The result of all this was that those who had coin to lend the Government got for every dollar of coin lent the Government almost \$3 in return of obligation and promise to pay against the Government. In other words, for every dollar lent the Government in coin they had in return therefor a demand for almost \$3 in legal-tender values, and later these money lenders got this legal tender 3-for-1 values of demand or promise to pay by the Government funded into coin-payment bonds. In the end the war debt which was thus made and which was placed against the faith and credit of the Government, to be paid by taxing the people of the future, was almost three times the real debt of the war as measured in coin values.

Later the money lenders demanded that Congress should redeem the debt in coin when coin was at a premium, principal and interest alike. Still later the money lenders demanded that Congress should construe coin to mean but one metal of the two metals it had always previously been construed to mean, and then proceeded to have Congress so legislate that that metal should bear a largely legislated premium value.

A brief list of the leading financial acts of the Civil War period is as follows:

Act of July 17, 1861: An act to authorize a loan of \$250,000,000 in coupon bonds, registered bonds, and Treasury notes.

Act of February 25, 1862: First legal-tender act. By this act, for the first time in the history of our Government, paper money was made a legal tender for debts.

Act of July 11, 1862: Second legal-tender act. This was similar to the first legal-tender act.

Act of July 17, 1862: An act providing for postage currency.

Act of March 3, 1863: Third legal-tender act. This act provides for borrowing \$300,000,000 for year 1863, \$600,000,000 for year 1864.

For this sum Congress was to issue coupon and registered bonds. These bonds to be ten-forties. Interest 6 per cent. Specified that these bonds and interest to be paid in coin and to be exempt from taxation.

The second part of the act provides, in addition, that the Secretary of the Treasury is authorized to issue \$400,000,000 Treasury notes.

One provision in this act stopped the exchange of notes for bonds after July 1, 1863. This was a very wise provision, as there was evidently a move on the part of the holders thereof to fund the whole of the legal-tender notes into bonds, which were then rapidly rising at a premium over par.

Act of April 12, 1866: An act for the singular purpose of preventing Secretary McCullough from paying off the public debt too rapidly. Under the construction put on the word "coin" and other favorable legislation, the money lenders did not want their money but wanted the obligation against the Government to continue as long as possible.

Act of February 4, 1868: An act to discontinue redeeming the United States Treasury notes.

NECESSITY FOR AND CONSTITUTIONALITY OF LEGAL-TENDER ACTS.

As legislation growing out of the legal-tender acts of Congress became a burning political issue during and for a long time after the Civil War, a word as to whether their issue was a necessity or not, and also the Supreme Court's conflicting decisions as to their constitutionality, may be appropriate to record in passing.

As to the advisability of this method of providing for the expenses of the war, it has already been noted that text writers generally pronounce it a mistake. As to whether it was necessary is a matter of individual opinion. It can hardly be said to have been a necessity in the sense that there was no other plan presented or open to the Government to meet the emergency.

CONFLICTING DECISIONS OF THE SUPREME COURT IN REGARD TO THE CONSTITUTIONALITY OF THE LEGAL-TENDER ACTS.

The fact that the legal-tender acts of Congress were from the first generally regarded as unconstitutional was either waived or admitted, but justified as a war necessity.

Secretary Chase later, when Chief Justice, held that the legal-tender acts were unconstitutional.

The constitutionality of the legal-tender acts three times came before the Supreme Court of the United States and was decided by that court once unconstitutional and twice constitutional.

The action of the Supreme Court in these conflicting decisions is most interesting to note.

The cases were as follows:

THE FIRST CASE.

STYLE OF CASE—HEPBURN AGAINST GRISWOLD. 1867.

Statement of case and decision of the court:

June 20, 1860, Hepburn gave Griswold promissory note for \$11,250, payable February 20, 1862.

March, 1864, Hepburn, having been sued on the note in Louisville, Ky., tendered payment in United States notes which were made a legal tender by the act of February 25, 1863.

Griswold refused this payment because, compared to the value in gold at the time, it would amount to only about \$7,000.

Griswold's plea was that at the time of the loan the legal-tender act of February 25, 1863, had not been passed, and that at the time of the contract of the loan, therefore, gold and silver were the only legal tenders in the United States.

The Chancery Court of Kentucky decided for the plaintiff.

Griswold then took his case up to the Court of Errors of Kentucky.

The Court of Errors of Kentucky reversed the Chancery Court of Kentucky and decided in favor of the defendant.

Hepburn then carried the case to the Supreme Court.

The Supreme Court, in 1869, decided by a vote of four to three, the Supreme Court being then composed of but seven members, that the legal-tender act of February 25, 1862, was unconstitutional. Ex-Secretary Chase was now Chief Justice of the Supreme Court of the United States, and in his decision reversed the opinion which he held when Secretary of the Treasury in 1862.

Chief Justice Chase delivered the majority opinion of the court and was sustained by Justices Nelson, Clifford, and Field. Dissenting opinion by Miller, Davis, and Swain.

SECOND CASE.

STYLE OF CASE—PARKER AGAINST DAVIS. 1872.

Justice Gray delivered the opinion of the court.

Parker being under contract to convey land to Davis for certain sums of money, the Supreme Court of Massachusetts ordered Davis to pay into court the sum of money called for in the contract and ordered Parker to issue deed for said lands to Davis.

The Supreme Court of Massachusetts decided in favor of the defendant, Davis.

Parker carried the case to the Supreme Court of the United States.

The Supreme Court of the United States, now composed of 9 members, by a vote of 5 to 4 overruled the former decision of the Supreme Court of the United States, in its first decision in the Hepburn v. Griswold case, and decided that the legal-tender act was constitutional as a war measure. It will be noticed that this decision left the subject uncertain as to the future.

Justice Strong delivered the majority opinion of the court.

THIRD CASE.

STYLE OF CASE—JULLIARD AGAINST GREENMAN. 1884.

Statement of case and decision of the court—

This case arose out of a certain transaction in the sale of cotton. Greenman offered Juilliard United States notes in payment of same. The case was carried to the Supreme Court of the United States from the United States Circuit Court of New York.

The Supreme Court of the United States, by a vote of 8 to 1, Justice Field dissenting, decided March 3, 1884, that the legal-tender acts were constitutional, both in time of peace and time of war.

Justice Gray delivered the opinion of the court.

THE EFFECT OF LEGAL TENDER ON GOLD.

Mr. Chairman, time does not permit me to review the many important financial legislative acts of this period. I shall be compelled to content myself with a general statement covering the general tendency of them all as a whole.

It should be observed in passing that the effect of this legal-tender legislation was to depreciate the currency, more than double the war debt, and cause gold to continually rise in premium above par.

In 1862 gold stood at 134. In 1864 gold reached its highest point and stood at 285 and then slowly and steadily declined, until on December 17, 1887, gold again touched par for the first time since before the Civil War. At 12 o'clock and 27 minutes, December 17, 1887, \$10,000 in gold was sold at par at the gold stock exchange in New York City.

The first legal-tender act promised payment of interest in coin, but made no promise as to the payment of the principal.

The third legal-tender act promised payment of both principal and interest in coin.

The aim and purpose from this on of much of the financial legislation was to have the Government obligations of all kinds funded into Government bonds, payable in gold or its equivalent.

The advantage of this subsequent financial legislation was, therefore, generally with the money lenders for the legal-tender acts thus funded more than doubled the amount received by the lenders for their original loan to the Government, made the public debt higher and harder to meet by taxation on the people; while it enabled the money lenders, in addition, to largely absorb and corner the coin money—gold—that these same legislative acts placed a premium value upon. Thus in reality paying the money lenders almost three to one in coin that had a legislated added purchasing power in the markets of the United States. The famous act of 1873, against silver coin, frequently referred to as "The crime of '73," and the act of February 20, 1887, retiring the silver trade dollar and other like financial legislation, were all measures tending in the same general direction.

Mr. Speaker, it is rather difficult for one whose sympathies are with the great mass of taxpaying people of the national debt rather than with the money lenders of that debt to give a history of the financial legislation of this period without saying some things which might seem partisan, and as that is not the intention of this review, I have passed by without comment the many funding legislative acts, and the acts dealing with the status of silver coin, and have limited my observations to pointing out the general tendency of the financial legislation of this period.

THE SILVER AGITATION.

I have also purposely omitted any discussion of the silver agitation of a later period because the same was political and not legislative. However, two singularly strange incidents may be recorded—one has happened, and the other may happen.

The first is this:

The advocates of silver lost while at the same time their basic principle won.

The basic principle in the argument for silver was the absolute necessity for a larger per capita circulating medium. While the fight for this principle was on no other method was known to human knowledge whereby this could be accomplished other than to restore silver to its ancient and honorable position which it had always held as coin demand payment.

The advocates of silver lost. Shortly afterwards there happened what no mortal man could have foreseen. A wheat famine, covering more than one-half of the wheat-growing region of the world, in which region lived more than one-half of the human race, made a trade demand upon us and brought the trade money balance largely in our favor. Closely following this came the discovery of great quantities of gold in the Klondike. And thus by these two unexpected methods the larger circulating medium was brought about in a way undreamed of by mortal man, so that in this unexpected way the silver advocates lost their fight while winning their cause.

The other singularly strange incident that may happen in the future is this:

Those who want a single standard, and that standard built upon the scarcer metal because it is the scarcer metal, may be compelled in the future to transfer their love and allegiance from gold to silver, for when Alaska is developed, as developed it must be some time, that great undeveloped wonderland of the world has and will furnish such an immense and inexhaustible supply of gold that the gold supply of the world is likely to exceed the silver supply of the world, and the flood criers of the future will be compelled to cry out against a flood of gold rather than a flood of silver.

ALASKA HOLDS THE GOLD SUPPLY OF THE FUTURE.

England, by a wiser policy than ours, in developing the Transvaal is from that country furnishing 40 per cent of the world's supply of gold.

When the United States becomes wise enough and sensible enough to develop Alaska, Alaska will be able to furnish 50 per cent of the world's supply of gold, as well as open up homesteads for ten to fifteen millions of people of virgin cheap farm homes.

PERIOD OF SPECIE RESUMPTION TO THE PRESENT TIME.

By act of Congress, January 14, 1875, Congress provided for specie resumption to begin January 1, 1879.

Mr. Chairman, I very much regret that time compels me to omit a review of this period without even mention of the great financial acts for funding the public debt and those great financial acts regarding silver coin like the Bland-Allison measure and other great silver legislation of this period.

Neither will I have time to call attention to recent financial legislation like the Vreeland bill and the Aldrich bill.

I shall come at once in closing to the present financial legislation now under the consideration of this Congress, the Glass currency bill.

THE PENDING GLASS CURRENCY BILL.

And now, Mr. Chairman and gentlemen, I invite your attention to a few brief observations on this present great constructive measure now before this House, the Glass currency bill.

A GREAT CONSTRUCTIVE MEASURE.

First, I desire to state that the Glass currency bill is a great constructive financial measure.

Lay this currency bill down on your study table side by side with any of the great currency bills of the past in our history and study it in critical comparison with the greatest of them and it will compare favorably with the greatest financial measures ever presented in this country or any other land.

It maps out a great constructive financial policy for the present needs and future development of the United States.

IT IS FAIR TO ALL THE PEOPLE AND IS A PEOPLE'S BILL.

Next, I wish to observe that one of the best things about this bill, if not the best thing about it, is that it is fair to all the people and it is essentially a people's bill.

It can not be truthfully labeled a bankers' bill, made by bankers for bankers, or a bill to conserve or serve any special interests of any kind.

It is fair to all the people, and therefore not unfair to the bankers or to any other class, as a class.

In fact, if there ever was a currency measure proposed in this country that could be properly called a currency bill by the people, of the people, and for the people, the Glass currency bill as presented by the Democratic caucus to this Congress at this time is that bill. [Applause.]

A BILL FOR THE TILLERS OF THE SOIL AND THE LABORERS.

Next I observe that we have here a bill for the tillers of the soil and the laborers.

For the first time in our history we have prepared a financial measure that reaches down with currency legislation to the tillers of the soil and the laboring masses. The farmers and laborers will find this bill their friend in time of stress and need. I was one of those who was glad to see farm products included in this bill as a basis for credits and loans to the farmers, and that feature of the bill is a great step, in my opinion, in the right direction.

With this measure we only need the future legislation intended and promised by the Democratic Party on farm and rural credits to give us the best currency system for the farmers and laborers and the common middle business man enjoyed by any nation on earth.

OTHER STRONG FEATURES OF THE BILL.

Other strong features of this bill that will appeal to all the people and commend the measure as wise, fair, and desirable are:

First and foremost. It places our money system—the lifeblood of trade and the people's prosperity—into the hands of the people's representatives, chosen from among the people, a board of uninterested arbitrators who can do exact justice to all the people and to the banks and business interests as well, tending thereby to bring about a better understanding and confidence where before has existed suspicion and often strife.

And here is the great overshadowing distinction between this bill and the proposed Aldrich bill:

The Aldrich bill proposed to hand over to the representatives of the banks, thereby to the banks themselves, the fate and keeping of our currency medium, and thereby the fate and happiness of the welfare of the people.

The difference between this bill—the Glass bill—and the Aldrich bill is the difference between aims and purposes headed and moving in opposite directions.

Second, and almost equal in importance. It will forever prevent the drawing in and massing together of the money from all over the United States at Wall Street, New York, for speculating and gambling purposes, or for operating that despicable system of inflating and selling, then wrecking and buying, that has caused bankruptcy of solvent honorable business, blasted homes and fortunes, and even strangling the very Government itself into bond issues in the past.

Third, and coequal with the others. It will tend to largely prevent and, we trust, make impossible real or handmade panics in the United States.

Fourth. It gives the farmer and honest business man access to money when he needs it.

This great Government of the United States that rests so largely upon the farmer and laborer proposes, in this measure to assist him, in times of need, rather than permit him to be oppressed in times of need, as formerly.

The bill, therefore, prevents Wall Street from drawing the money away from the country when and where needed.

The bill gives authority to make farm loans based on agricultural products.

The bill seeks to prevent gambling in farm products.

The bill puts the farmer, the laborer, and the little business man all on the same level with and equal with big business in any financial favors that can be properly granted by the National Government.

The bill restrains the avarice of wealth and encourages honest investment and honest enterprise by offering a helping hand and a place of refuge to which to flee from the attack of the despoiler.

WHY THIS MEASURE IS ENTITLED TO DEMOCRATIC SUPPORT.

Mr. Chairman, no human effort can be perfect, but we can honestly claim for this bill that it is an honest effort to correct

the wrongs and injustices of the past, to redeem our promises to the people, and give to the country an honest financial system, fair to all the people, rich and poor alike.

If any Democrat has any doubts about any part of this bill, he can well afford to resolve them all in favor of the bill when he considers that it has the unqualified support of the four most illustrious, trusted, and eminent Democratic leaders in the Nation.

Our illustrious President, who has won and holds the respect and admiration of his countrymen and the world, who has met and measured up to every delicate emergency with such great consummate skill and patriotic ability as to challenge the praise and receive the applause of all the people, and whose influence for better things is felt around the world. [Applause.]

His great Secretary of State, William J. Bryan, whose masterful management of that great office as the Nation's premier so richly justifies the expectations of all his friends who have loved him and followed him with unexcelled devotion all these years. [Applause.]

The great Speaker of this House, grand old Democratic CHAMP CLARK, whose name has been a synonym for Democracy for 25 years in all parts of the United States, and whose white plume, like that of Henry of Navarre, is always seen in the front of the battle wherever Democratic battles are waged. [Applause.]

The trusted, loved, and respected leader on the floor of this House, OSCAR UNDERWOOD, a man on whose intellectual brow the fires of genius brilliantly burn and of whom I can fittingly paraphrase Halleck's lines:

None knew him but to love him,
Or name him but to praise.

[Applause.]

And I want to say that when these four illustrious Democrats all join in singing the praises of this bill, in one harmonious strain it makes most sweet and exquisite music to Democratic ears.

Mr. Chairman, it is a pleasure and an honor to serve under such leadership—a leadership that is moving forward to better laws and higher plains of life and justice in the affairs of men and nations; a leadership that can hear the heartbeats of humanity above the clinking of the coin; a leadership that can recognize that the greatest asset and defense a nation can have is strong, contented, industrious, God-fearing working men and women and realize the truth of the poet's statement—

Ill fares the land, to hastening ills a prey,
Where wealth accumulates and men decay.

And it is the most hopeful sign of our times that leaders of all parties are striving to put the welfare of the man above the material profit of the dollar. It is very gratifying to see this bill secure such great support from so many members of the Progressive Party. Some of us have been here, willingly, since the first day this Congress convened, ready always to help to bring to all our countrymen the benefits of the magnificent program mapped out by our great President.

It is to be hoped that the other coordinate branch of Congress, the Senate, will be able to differentiate between due deliberation and dull delay, so that we can soon, in the fullness of that joy of duty well done, meet our constituents with every promise redeemed by enacting these great measures into law.

And when we have enacted into law the great tariff bill, as passed by this House, and this great constructive currency bill, as presented to this House, we shall have served our countrymen so that it will always be regarded as an honor to have been a Member of this Congress; for if these two great measures are what we intend them to be, and fervently hope they may prove to be, we shall have had the proud honor and privilege of having a part in passing the greatest and most beneficial legislation enacted in a third of a century.

This House has realized the full obligation of every promise made the people and has fully measured up to its duty with an honest effort to redeem every promise made the people.

If there is any failure, the blame must rest elsewhere and not on those who have labored long, earnestly, and faithfully in this House to carry out the expressed mandate of the people and the solemn obligation implied in an election to this body.

We have intended to legislate so that we might lift the burden from the back of labor—so that the poor, with renewed hope, could lift up their heads into the sunlight of hope and thank God and take new courage. We have intended to legislate so that we might subdue the privilege of organized wealth, prevent legalized theft, and stop avarice from eating the bread produced by the sweat of honest toil. [Applause.]

We have intended to legislate so that we might invigorate all honest business—unchain the limbs of honest enterprise so that

in peace and safety they can sail the sea of any human industry without fearing the black flag of a pirate crew.

In truth, to make life a little sweeter, toil a little lighter, the poor man's home a little happier, and the world a better place to live upon.

We want to enact such laws as will help men more and more to be brother helpers in the race of life and less and less heartless destroyers, and thus have the laws of this great Nation patterned after the divine law of love and justice, in the spirit of the golden rule, which, translated into the human law governing the daily business affairs of men, means, I think, in this great world in the race for life, special favors to none and equal opportunities to all. [Applause.]

REFERENCES.

For the benefit of the reader or student wishing to investigate this subject, the following texts consulted in the preparation of this address are herewith listed and recommended:

Dunbar's Laws on Currency.
Bolles's Financial History of the United States.
Elliott's Report on the Financial System.
American State Papers, 5 volumes, on finance.
Debates in the Constitutional Convention.
Quarterly Journal of Economics.
The Writings of Jefferson, Hamilton, and Gallatin.
Madison's Notes.
Adams's History of United States.
Hildreth's History of United States, volume 4.
Von Holst's History of United States.
McMaster's History of United States.
Clark and Hall, History of the Bank.
Life of John Sherman.
James G. Blaine's Twenty Years in Congress.
Speeches—Webster, Clay, Calhoun, Benton, Sherman, Bland, Bryan.
Benton's Thirty Years in United States.
Taussig's History of Tariff.
Sunset Cox's Three Decades of Federal Legislation.
Reports by Treasury Department.
Messages by Presidents.
National Currency Acts of Congress.

Mr. HAYES. Mr. Chairman, I yield 15 minutes to the gentleman from Michigan [Mr. SAMUEL W. SMITH]. [Applause.]

Mr. SAMUEL W. SMITH. Mr. Chairman, this debate, which is sure to be a memorable one in the annals of the American Congress, would be much more interesting, instructive, and inspiring if the action of the Democratic caucus had not already disposed of this proposed legislation in advance of any discussion in the House.

It is in no spirit of criticism or unkindness that I call attention to the fact that never before since the formation of the Government has there been such a complete surrender of the individual representative rights and privileges of Members as is shown by the Democratic Members of this House in the passage of the tariff bill and as is proposed in the passage of the currency legislation.

Practically every Democrat in the House, if the press has correctly reported the proceedings of the Democratic caucus, has surrendered his right to offer amendments to this bill, save the 14 members of the Banking and Currency Committee. For illustration, there are six Democratic Representatives from the State of Oklahoma, where they have a law guaranteeing all bank depositors, and I am informed that while it is not altogether satisfactory the people of that State would not consent to its repeal.

Suppose a constituent of one of the Democratic Members of that State were to send him an amendment to this bill providing for a guaranty of all bank deposits, the Member would have to write his constituent and say, "I can not do it; I have surrendered my rights as a Representative; I have delegated the same to a Democratic member of the Banking and Currency Committee," and then what would happen if no Democratic member of the Banking and Currency Committee would offer the same?

I do not believe the people will or should sanction this course of procedure upon the part of any Member of any party. If so, let us do away with representative government, and legislate entirely by caucus.

I regret that this bill should have been made a party measure, for there was no necessity for such a course. Members of all parties were and are practically a unit in agreeing that we should have a more elastic currency; that there ought to be better means of rediscounting commercial paper and a more effective supervision of the national as well as State banks, and in the main are agreed on many of the provisions in this bill, and I think it would have given much better satisfaction throughout the country if there had been no attempt to make it a political measure.

My time, like most Members who are not on the Banking and Currency Committee, is limited; therefore I shall not attempt to discuss the bill in detail, except to say that the bill is not en-

tirely to my liking, but I am inclined to vote for it in the hope that it will be further improved when it comes to us from the other end of the Capitol for final action.

I think the bill is lacking in this most essential thing—that there is no provision guaranteeing bank depositors. I know that many bankers are opposed to it, but they should not be. Some favor it, but do not feel free at this time to express themselves. All should favor it for it is just and right, and I believe the day is rapidly approaching when it will be the law in most if not all of the States.

It is quite the custom throughout the country for banks to borrow money from State and county treasurers and from other sources and guarantee the same. Will some one explain why the individual depositor should not enjoy the same privileges and be given a guaranty for his deposits? It may not be deemed wise at this time to add such a provision to this bill. I know that it would be practically useless for a Republican to offer such an amendment, in view of the action of the Democratic caucus. However, you insist in this bill that the Government shall guarantee the bank note. Why should not the banks guarantee all bank depositors? Do this, and money will come from all the hiding places.

I fully realize the great opposition there is in this body to this proposition, but I am not discouraged nor dismayed. I have been in Congress long enough to witness as much or more opposition to the reduction of express rates, railway-mail pay, the abolition of railroad passes, telegraph and express franks, the establishment of rural free delivery, postal savings banks, and parcel post. All these and many more have been accomplished to the great satisfaction and advantage of all the people.

In passing I want to call attention to another matter that is dear to my heart, namely, postal telegraph. There must always be some one or ones to bear the brunt and take the criticism, and there are at this time those who object to the control of the telegraph by the Government in any form, but the light is shining brighter and brighter, and there are growing evidences every day that after all the years of discussion something in the way of practical legislation is soon to be accomplished.

The night-letter and day-letter telegrams are doing much to convince the people that if the Government does not own the telegraph it certainly ought to further regulate it in the interests of the people, to the end that we may have cheaper rates and better service.

I find this plank in the Democratic national platform of 1908:

TELEGRAPH AND TELEPHONE.

We pledge the Democratic Party to the enactment of a law to regulate under the jurisdiction of the Interstate Commerce Commission the rates and services of telegraph and telephone companies engaged in the transmission of messages between States.

This is certainly a step in the right direction.

I fully realize that the honor of introducing and passing such a bill will not be accorded to any one in the minority, and I therefore hope that some Democrat will introduce such a bill and that it may be speedily enacted into law.

I have said that some bankers already favor the guarantee of bank deposits. I desire to read a letter from one of these.

FIRST STATE AND SAVINGS BANK,
Howell, Mich., June 17, 1913.

Hon. S. W. SMITH, M. C.,
Washington, D. C.

DEAR SIR: I have your letter of June 15, and take great pleasure in replying thereto.

The ideas that I entertain concerning guaranty of bank deposits is derived from the operations of the Livingston County Mutual Fire Insurance Co. This is an organization of farmers. Has been in operation about 40 years for the purpose of insuring their property against loss and damage by fire and lightning. Their paid officers consist of a secretary having a salary of about \$800 a year, a board of five directors who are compensated by the day for the little work they are called upon to do in the way of adjusting losses, and a receiver in each township who collects assessments.

During the years the farmers have maintained their insurance for a small fraction of the amount charged by old line companies. They never have any considerable cash in their treasury and make assessments once and sometimes twice a year, the assessments being so small that they do not notice them. I can well remember when strong arguments were made against such insurance. Mr. A thought his neighbor Mr. B too careless and Mr. C might burn his property to get the insurance. Time has obliterated those arguments.

We have in Michigan a very efficient banking department of the State government, and I believe there has been no bank failure in Michigan nor any loss suffered by depositors in more than two years, and I do not think there will be any loss to any depositor in State banks in many years in the future. National banks are under a like supervision, which I think is quite efficient. It is not the duty of State or national governments to guarantee bank deposits. They have enough else to do. It is the duty of banks to absolutely protect depositors, and the smallest depositor should have as absolute protection as the largest.

The banks combined are perfectly equipped to protect depositors. Now, when a bank fails or shows any conditions of insolvency the bank commissioner is authorized to intervene, take possession of the bank and take steps to wind up its affairs.

I should like to have the Federal Government give its bank department ample power to levy an assessment upon all national banks,

upon some pro rata method, to raise sufficient funds to meet any deficit in any bank unable to pay its depositors in full. This done by some scheme of assessments, and I now say, based upon past history, the assessments would be so small as to cause no embarrassment whatever. The States would each work out their own guaranty upon the same plan.

I have heard a wise city banker exclaim that it was not right to ask the careful, safe banker to insure the reckless and vicious, but that is the old argument that has been exploded relative to life and fire insurance long ago.

Certainly if the bankers can not trust one another why should the people do so? Again I have heard the same banker say that anybody could start a bank under such conditions and his depository be as safe as another. That is not true under such conditions any more than now. Granting of new charters now is, and always can be, controlled and regulated to meet the best needs of existing conditions. Probably existing banks could not be compelled to accept this modification of their charters, but new banks can and I do not believe the old banks could or would think they could afford to fail to promptly accept these wise provisions. Assessments, in my opinion, would be less for many banks than they are now paying to various bonding companies to guarantee various municipal and other corporate deposits. By this scheme no assessments at all would be made until a necessity existed for the protection of depositors, and, as I have stated, if bank failures are no more frequent in the future than they have been in the past these assessments would be trifles. Bank failures will not be as frequent in the future as they have been in the past principally because of the efficient supervision of the departments.

If there is a reasonable argument that can be advanced against this method, I should like to hear it. I do not believe one can be made.

The other question respecting the source from which sufficient circulating medium can be obtained in times of stringency is very closely allied with the bank guaranty.

We have in this country at the present time a sufficient amount of circulating medium to meet our requirements. The notion seemingly entertained by some that this circulating medium leaves the country at intervals so as to create a stringency is the height of folly. It does not do anything of the kind. The only time we have a stringency is when our people become frightened and hide the money—commence hiding it in great vaults. From this the disease spreads until it reaches the old stocking and the cellar. So that, as I see it, what is needed is a provision that will not allow that hiding to distress the business interests of the country. If I am correct in my statements, the remedy will not have to be applied to any great extent, but the knowledge that we have the remedy ready for use will keep conditions usually normal.

The remedy I suggest is this: The power to coin and issue money should be strictly a governmental function. Most of our business is done on credit, and value is based upon credit in a large measure. The only true value is that which grows out of the ground or is dug from beneath its surface. When money goes into hiding and when the people will not allow the people to use the circulating medium in carrying on the business of the country, then there should be a temporary means of forcing the holders of money to release it. That, I believe, should be done in this way: If the Federal Government, through its Treasury Department, would issue and loan to national banks whatever money they required at a rate of interest, say, double the current rate, and which they could secure with municipal bonds of the species now acceptable by the United States Treasury to secure postal-savings deposits. This would at once put the national banks in a position where fright of its depositors would not close their doors, and the national banks could in turn, if necessary, assist their correspondent State banks.

The high rate of interest under such conditions paid for the loan would be willingly and gladly paid, and would with equal force insure the early return of the loan.

In fact, I believe this regulation might be in force for months and years without a dollar being called for. The knowledge to our banks and to our people that such salutary provisions had been arranged would be the quieting powder that would be almost a sure preventative against that mental disease known as panic.

You have my permission to use my communications to you in any manner that you see fit.

Very respectfully, yours,

W. P. VAN WINKLE.

So that you may know more of the gentleman whose letter I have just read, I want to say that he is the president of a successful bank at Howell, Livingston County, Mich., who has given the subjects referred to in his letter a great deal of thought and study; is an able lawyer, in politics a Democrat, and a citizen who enjoys the respect and confidence of all who know him.

It is of the greatest importance that the supervision of national and State banks be brought to the highest state of perfection. When this is done, it must be self-evident that the loss to depositors as well as from all sources will be very small. Let us insist and persist until the supervision of banks reaches, as near as possible, perfection, and then bank failures will be things of the past and there will be less and less fear and no objections from any source about guaranteeing depositors.

A short time ago a banker called my attention to the fact that he believed there was something wrong in the management of another bank and he promptly called the attention of a bank examiner to the same, who immediately visited the bank, and whose visit proved a very timely one in the interests of all concerned. I have been thinking more and more that it might be an excellent thing if the banks were compelled to guarantee the depositors, and in this way they would each, in a measure, have a supervising eye over each other, which might prove of lasting benefit to the banks as well as to the depositors.

When we borrow money at the bank it has the right and privilege to feel and know that the security which we give is of such a high order that the money which we received will be returned a hundred cents on the dollar, principal and interest.

Why should not the depositors enjoy the same right and privilege when he deposits his money with the bank?

Recently there was a bank failure in Michigan of a State bank with a capital of \$20,000 in which the cashier, during a period of about six years, wrongfully took more than \$100,000. During this time he successfully evaded the scrutinizing eye of several bank examiners; but now that it is over and it is known how it was done it will be easy to amend the law so that this can not occur again in Michigan. Our banking laws, like many others, are still imperfect. I am not a banker, but I believe it is possible, and I hope that some banker, business man, or some one will work out a plan whereby there can be a guaranty to all bank depositors and a law that will give general satisfaction, and he who does this will receive the everlasting thanks of a grateful people. [Applause.]

Mr. GLASS. Mr. Chairman, I yield 20 minutes to my colleague from Mississippi [Mr. STEPHENS].

Mr. STEPHENS of Mississippi. Mr. Chairman, the charge is frequently made that our banking and currency laws are the worst in the world. That they are inadequate, both to meet the requirements of the financial world and to properly safeguard and protect the interests of the people, is unquestionably true.

There is an insistent demand for the reform of these laws. One great reason for this demand is that abuses have grown up, either under law or because of the want of legal restrictions to prevent them, by which the great masses of the people have been forced into financial slavery.

Money is a social necessity; therefore every phase of life is affected by our monetary system. It affects society collectively; it affects every individual, no matter what his occupation or station in life may be.

Any power that can control the money and credits of a nation is dangerous and is capable of absolutely enslaving and pauperizing the millions of those who toll for a livelihood.

That such a power does exist in this country has been generally believed for a long time. It is commonly termed the Money Trust.

President Wilson, while governor of New Jersey, said:

The greatest monopoly in this country is the money monopoly. So long as that exists our old variety and freedom and individual energy of development are out of the question. The industrial nation is controlled by its system of credit. This is the greatest question of all, and to this statesmen must address themselves with an earnest determination to serve the long future and the true liberties of men.

The Money Trust became a subject of much discussion in the press of the country. Political speakers found in it an interesting theme. The people began to wake up to the importance of it. Public sentiment was aroused to such an extent that it became imperative that some action be taken to relieve the people from the bondage of financial slavery.

MONEY-TRUST INVESTIGATION.

Finally a resolution was introduced in the House providing for an investigation of the subject.

It was alleged that a small group of financiers had acquired such control of some of the great financial and industrial corporations of the country that they were, in a large measure, the masters of the finances of the entire country. It was said that they were able to use the funds and property of the great national banks and other moneyed corporations in the leading money centers to control the security and commodity markets; to regulate the interest rate for money; to create, avert, and compose panics; to dominate the New York Stock Exchange; and by virtue of their associations and business connections to wield a power over the business, commerce, credits, and finance of the country that was despotic, dangerous, and intolerable.

Further, that national banks and other moneyed corporations have been used for the promotion and exploitation of speculative enterprises and in acquiring stocks of other banking institutions, and that the funds of these institutions have been used to absorb competitors.

In other words, that the banks and moneyed institutions were in many instances being diverted from their normal functions and legitimate purposes and were being used as instruments in the hands of a few small groups of financiers for their own selfish purposes, to the end that they might grow richer, having absolutely no regard for the rights, interests, or necessities of the whole people.

A resolution was adopted in the House authorizing the Committee on Banking and Currency to make an investigation of the so-called Money Trust. The resolution was very broad in its terms, giving authority to inquire into the matters referred to, all questions relating thereto, and many others.

A subcommittee of 11 members was appointed by the Banking and Currency Committee to conduct the inquiry. The Democratic members were Hon. A. P. PUJO (chairman), Hon. W. C. BROWN, R. L. DOUGHTON, J. A. DAUGHERTY, J. F. BYRNES, G. A.

NEELEY, and myself, and the Republican members were Hon. Henry McMorran, E. A. HAYES, F. E. GUERNSEY, and W. B. HEALD.

The committee began hearing testimony on May 16, 1912, and concluded its labors on February 28, 1913.

The committee cared nothing for suspicions, surmises, or insinuations as to the existence of a "Money Trust," but it was after facts. In order to get at the facts it was necessary to call as witnesses those who were on the inside. Nearly every witness was a member of the crowd that was under investigation. The most eminent financiers, the largest speculators, the boldest manipulators of speculative enterprises, the most active participants in the effort to concentrate the control of the wealth of the country into the hands of a favored few were called to testify. So there can be no contention that the conclusions of the committee are based upon testimony that came from witnesses prejudiced against wealth or tainted with a spirit of anarchy or socialism or inspired by any feeling of ill will or desire for revenge for some fancied or real injury.

I am glad that I served on this committee. It gave me the opportunity to see and hear these men, to learn at first hand the methods used by them in acquiring such wonderful control over the finances of the country, and also to have an insight into their views of the ethics of business.

All the testimony was interesting; much of it was startling; some of it was disgusting.

Interesting, because it had to do with a subject that is of vital importance to every citizen; startling, because it told a story that shows that while the people of this Nation are politically free they are financially enslaved; disgusting, because it proves that many of the great financiers of the country are governed solely by the lust of lucre; that they have made "gain their master idol"; that in business affairs they have no sense of fairness, of common honesty, or moral shame.

Listening to the testimony of some of the witnesses—big men of Wall Street—it occurred to me that they might very well say of themselves, in the language of the Prophet Isaiah:

I have removed the bounds of the people, and have robbed their treasures, and I have put down the inhabitants like a valiant man. And my hand hath found as a nest the riches of the people; and as one that gathereth eggs that are left, have I gathered all the earth; and there was none that moved the wing, or opened the mouth, or peeped.

The testimony taken by the committee made several thousand pages of printed matter. It will, of course, be impossible for me to review this great volume. The inquiry relates particularly to clearing-house associations, to the New York Stock Exchange, and to the concentration and control of money and credit. I shall refer briefly to some of the most important features of these subjects.

CLEARING-HOUSE ASSOCIATIONS.

Clearing-house associations have been organized in many of the large cities. They are unincorporated institutions. Certain banks in a city, through the officers, get together, form the association, and formulate rules for its government.

In New York City only banks with a capital of \$1,000,000 are permitted to join. Other banks with a less capital, that are termed nonmember banks, are allowed to clear their checks through member banks. These nonmember banks have no voice in the management of the association.

The primary object of the association is to facilitate the collection of checks by banks in the same community. This object is both legitimate and useful. Mr. Sherer, manager of the New York Clearing House, stated that it would be a practical impossibility to conduct a large bank without clearing-house facilities.

That this privilege of clearing is of value to small banks is unquestionably true, but the "financial aristocracy" of Wall Street is unwilling to recognize any bank that is not in the million-dollar class. In Chicago the only requirements are that the bank shall be incorporated, either under the State or National law, and that it shall be solvent. One of the bankers of that city testified that recently a special effort had been made to get every bank to become a member.

The true function of a clearing house is to give a meeting place for representatives of all banks entitled to the privilege, so that each bank may deliver the checks that it holds against the other banks and receive in exchange the checks drawn against it, the difference in amount being paid in cash. This results in a great saving of time, expense, and labor, and reduces the risk of carrying large sums of money from place to place.

However, the clearing-house associations have exercised other powers than simply to exchange checks and pay balances. Although they have nothing to do with out-of-town checks it was learned that 91 associations require members to charge a specified rate for collecting such checks, under penalty in many of them of the payment of a fine for the first offense and expul-

sion for a second offense. This is an abuse that ought not to be tolerated, as it stifles competition and is prejudicial to commercial intercourse.

Some of these associations not only regulate exchange charges, but claim the power, and doubtless exercise it, to say to whom, for what amounts, and on what collateral loans shall be made by members.

That these associations have enormous power is indicated by the testimony of Mr. Sherer. He was asked, "If some day the clearing-house committee took it into its head that they did not think that a bank was a proper member they could end it, could they not?" to which he replied: "Yes; they could take away any bank's privilege." He said further that "banks have been closed because the clearing house has withdrawn their privilege"; also, "that the rumor that the clearing-house privilege has been withdrawn is sure to cause a run on a bank."

An illustration of the effect of the withdrawal of this privilege is found in the failure of the Knickerbocker Trust Co. It had a capital of \$750,000, and therefore was not allowed to become a member of the clearing house, but was forced to make its clearances through the Bank of Commerce, which was a member bank. Under the rules the Bank of Commerce had the right to give the trust company notice that it would refuse to clear for it any longer. This notice was given and the bank was forced to close its doors the next day, which started the panic of 1907.

This action was taken although the bank was entirely solvent, as was shown by the fact that on its reorganization it paid its debts in full and had a surplus over.

Another example of power of the clearing house to destroy solvent banks is found in the treatment accorded the Oriental Bank, which was a member of the association. It was clearing for two or three other banks, and the committee gave it notice that it must cease to do so, and forced the president of the bank to resign, although upon an investigation being made of the Oriental, at its request, it was clearly shown that it was entirely solvent.

Later the Oriental took out clearing-house certificates, as did all the banks during the panic, depositing therefor collateral to the amount of more than two dollars for one. Afterwards, and before the panic was over, notice was given this bank and others in like condition that these certificates must be retired in a very short time. This fact was published in the newspapers and so excited the depositors that a run was made upon the bank and it and three other banks were forced to close their doors within a day or two.

Mr. Hepburn, one of New York's great bankers, said that this action of the clearing house was "a great mistake." Mr. Kelly, the president of the bank, called it "a tragedy of finance." It was, because every one of the banks was solvent and paid all its debts.

As I have said, these associations are unincorporated. They are not regulated by law and the courts have no jurisdiction over them. No matter how many "sad mistakes" are made, no matter how many "tragedies of finance" are enacted, the victims must suffer, without any relief from the courts. It clearly appears from what has been said that they exercise powers too important and far reaching to be beyond the regulation and control of law.

NEW YORK STOCK EXCHANGE.

It has been said that the New York Stock Exchange is "probably one of the most important financial institutions in the world." There can be no doubt that it does exercise a very powerful influence over the finances of this country. It is a market place for the stocks, bonds, and other securities of corporations.

The exchange is not incorporated and makes its own rules and regulations without any restrictions of law. Its membership is limited to 1,100. No one can join except where there is a vacancy caused by the death, resignation, or expulsion of a member, or by the purchase of the seat of a member. Membership is much sought after, as is indicated by the fact that \$96,000 has been paid for a seat.

The exchange has become a great factor in the hands of the gambler and manipulator. It is just as legitimate to have a market place for corporate securities as it is to have one for agricultural products or any other commodity. The evil consists in the fact that its operations are not restricted to the purchase and sale of securities just as actual commodities are bought and sold, but it is used very largely for the purposes of gambling. The committee appointed a few years ago by Gov. Hughes, of New York, to investigate the exchange, said in its report that—

It is unquestionable that only a small part of the transactions upon the exchange is of an investment character; a substantial part may be characterized as virtually gambling.

The exchange does not work according to any fixed law. The natural law of supply and demand has no place in the philosophy of the exchange or of the operators of Wall Street. The thing most unexpected by the public is most likely to occur, yet nothing rarely ever happens except what has been carefully studied out. No general ever planned and prepared for a great battle with more care than do these men on the inside when they are preparing to manipulate the market in order to fleece the public.

The right of any system or organization that affects the finances of the entire Nation to exist depends in a large measure upon its honesty. I quote again from the report of the Hughes committee:

In its nature it is in the same class with gambling upon the race track or at the roulette table, but is practiced upon a vastly larger scale. Its ramifications extend to all parts of the country. It involves a practical certainty of loss to those who engage in it. But for a continuous influx of new customers, replacing those whose losses force them out of the "Street," this costly mechanism of speculation could not be maintained on anything like its present scale.

Speculation does not create wealth. One of the evils that grows out of operations in Wall Street is that it takes vast quantities of money to New York City, withdraws it from the lines of productive activity, and ties it up in speculative enterprises. Honest business suffers, monetary conditions are disturbed, and panics often result.

During that period of the year when there are no crops to move there is money lying idle in the banks. This money is sent to New York, where it is used by the speculators, and when it is needed to move crops it frequently can not be had. This necessarily affects the prices of agricultural products. It means lower prices, and is therefore hurtful to the agricultural sections.

The producer may suffer; low prices but scantily repay him for his toil; but the gambler cares little for this. His only thought is to have money with which to carry on his nefarious schemes, so that he may continue his operations that add nothing to the real wealth of the land and are utterly unfruitful and unprofitable to anyone but himself.

One of the practices of Wall Street that is productive of much harm is what is termed "short selling." By this is meant that a person sells what he does not own, hoping that the price will decline and that he can buy at a lower figure and thereby make a profit. As indicating harm that might come from this kind of business, I quote from the testimony of one of the prominent men of New York:

Q. What is the purpose of "short selling"?—A. Generally speaking, to make a profit.

Q. To make a profit by what process?—A. By repurchasing the "short selling" at a declining price.

Q. That is by selling a security that you have not got and gambling on the proposition that you can get it cheaper than the thing that is sold.—A. That is the usual process.

Q. Do you mean to say that if there is a panic raging it is a defensible thing for a man under the circumstances to sell stock that he has not got with the idea of getting it back cheaper?—A. I do think it is defensible. I certainly think it is defensible.

Q. You know that that would simply accentuate the fierceness of the panic, do you not?—A. It could not be otherwise.

It is the opinion of this man, which is simply illustrative of the general sentiment of Wall Street, that it is perfectly legitimate to add to the fierceness of a panic if the gamblers can profit by it.

Panics bring wreck and ruin; they bring suffering and misfortune; by them men are driven to suicide; people are thrown out of employment; women and children go about the streets with hungry, haunted looks upon their faces; men lose the earnings of a lifetime; and the hopes of manhood are destroyed; all these things must come that the man in Wall Street may prosper.

A terrific indictment, but one which very truly states the case, is made by a gentleman writing on this subject, when he said in referring to the operators on Wall Street, that "They have become simply forged-steel teeth on the feeding cylinder of the Wall Street thrashing machine, gathering and feeding the harvest into its clutch to be flayed and torn that the golden grain may be separated to swell the granaries of the already overrich, the chaff to be tossed aside, the straw returned to the people to fertilize their soil for another harvest; only the scattered gleanings of the fields are left to feed the toilers."

Power joined with privilege necessarily creates selfishness and wickedness and as a result frequently bring ruin, misery, and despair. There is no more shameful page in our history than that which shows that the Government has allowed such an institution with the power to blight and destroy, the power to affect the finances of the entire country, to grow up wholly unregulated and uncontrolled by law.

The Money Trust investigating committee has made some very strong recommendations on this subject. Following those recommendations I have introduced a bill which is now pending

and will be considered at the regular session. If it is enacted into law it will, in my judgment, relieve in a large measure, if not entirely, many of the evils that have resulted from the illegitimate operations of the New York Stock Exchange, and will result in bringing relief to people throughout the whole Nation. I shall not discuss that bill at this time, but intend to do so when it is under consideration.

CONTROL OF MONEY AND CREDIT.

The question that was more fully investigated than any other by the committee was that relating to the concentration of the control of money and credit. It was charged that a great power had grown up that had such control over the finances of the country that it could depress prices, affect and fix the wages of labor, regulate interest rates, and in many other ways exert baneful and hurtful influence.

After a careful consideration of the testimony the committee reported—

That there is an established and well-defined identity and community of interest between a few leaders of finance, which has resulted in a great and rapidly growing concentration of the control of money and credit in the hands of these few men.

As to the methods of effecting this control, the committee said that it is done—

First. Through consolidations of competitive or potentially competitive banks and trust companies, which consolidations in turn have recently been brought under sympathetic management.

Second. Through the same powerful interests becoming large stockholders in potentially competitive banks and trust companies. This is the simplest way of acquiring control, but since it requires the largest investment of capital, it is the least used, although the recent investments in that direction for the apparent purpose amount to tens of millions of dollars in present market values.

Third. Through the confederation of potentially competitive banks and trust companies by means of the system of interlocking directorates.

Fourth. Through the influence which the more powerful banking houses, banks, and trust companies have secured in the management of insurance companies, railroads, producing and trading corporations, and public-utility corporations by means of stock holdings, voting trusts, fiscal-agency contracts, or representation upon their boards of directors, or through supplying the money requirements of railway, industrial, and public utilities corporations, and thereby being enabled to participate in the determination of their financial and business policies.

Fifth. Through partnership or joint-account arrangements between a few of the leading banking houses, banks, and trust companies in the purchase of security issues of the great interstate corporations, accompanied by understandings of recent growth—sometimes called "banking ethics"—which have had the effect of effectually destroying competition between such banking houses, banks, and trust companies in the struggle for business or in the purchase and sale of large issues of such securities.

INTERLOCKING DIRECTORATES.

The most interesting part of the testimony on this subject was that relating to interlocking directorates. It was developed that 18 large banks and trust companies, all but 5 of which are located in New York City, had directors in 152 of the largest corporations. These corporations included banks, trust companies, insurance companies, express companies, railroad companies, steamship companies, manufacturing companies, including the International Harvester Co., the United States Rubber Co., the National Biscuit Co., and many others. These 18 financial institutions have 180 firm members and directors. In the aggregate they hold 385 directorships in 41 banks and trust companies, having total resources of \$3,832,000,000 and total deposits of \$2,834,000,000; 50 directorships in 11 insurance companies, having total assets of \$2,646,000,000; 155 directorships in 31 railroad systems, having a total capitalization of \$12,193,000,000 and a total mileage of 163,200 miles; 6 directorships in 2 express companies and 4 directorships in 1 steamship company, with the combined capital of \$245,000,000 and a gross income of \$97,000,000; 98 directorships in 28 producing and trading corporations, having a total capitalization of \$3,583,000,000 and total gross annual earnings in excess of \$1,145,000,000; and 48 directorships in 19 public-utility corporations, having a total capitalization of \$2,826,000,000 and a total gross annual earning in excess of \$428,000,000. In all, 746 directorships in 134 corporations, having total resources of \$25,325,000,000.

It was further shown that J. P. Morgan & Co. have 23 directorships in 13 banks and trust companies, having total resources of \$1,406,000,000 and deposits to the amount of \$989,000,000; 4 directorships in 4 insurance companies and a controlling stock in another, having total assets of \$1,249,000,000; 20 directorships in 12 transportation systems, having total capitalization of \$4,379,000,000; 12 directorships in 7 producing and trading corporations, having a total capitalization of \$1,939,000,000 and gross annual earnings in excess of \$899,000,000; and 4 directorships in 3 public-utility corporations, having a total capitalization of \$1,013,000,000. In all, 63 directorships in 39 corporations, having total resources of capitalization of \$10,036,000,000.

Without going into such detail as to the other 17 banking institutions it will be sufficient to give a concise statement as to the aggregate number of directors and the assets of the corporations in which some of them are interested. The First

National Bank of New York has 89 directors in 49 corporations, having total assets of \$11,393,000,000. The Guaranty Trust Co. of New York has 160 directors in 76 corporations, having total assets of \$17,342,000,000. The Bankers' Trust Co. has 113 directors in 55 corporations, having assets of \$11,184,000,000. The National City Bank, of New York, has 86 directors in 47 corporations, having assets of \$13,205,000,000. The National Bank of Commerce has 149 directors in 82 corporations, with assets of \$18,165,000,000. The Chase National Bank has 67 directors in 48 corporations, with assets of \$11,527,000,000. The Astor Trust Co. has 144 directors in 63 corporations, with assets of \$14,416,000,000. The New York Trust Co. has 74 directors in 47 corporations, with assets of \$12,408,000,000. The members of this group do not have such extensive affiliations, though some of them are quite large.

In addition to these directorships many of these institutions have directors who are also voting trustees in some of the largest manufacturing and public-service corporations, to wit, in the International Harvester Co., International Agricultural Co., Intercontinental Rubber Co., Westinghouse Electric & Manufacturing Co., and many railroad companies. By means of the system of voting trusts the right to elect the directors and thereby dictate the policy of the company is placed in the hands of these men.

Because of the power given by voting trusts and interlocking directorates there is hardly a railway corporation or large manufacturing establishment that is not dominated and controlled by this small group of financiers. While their holdings in many of these corporations is often small, yet they control them, because the corporations must look to the bankers for their capital. The bankers absolutely dictate to them as to the issuance of their securities. These securities can only be handled by large banking houses, and there is a rule among them that one bank shall not interfere with another in the handling of the securities of a customer; therefore competition is shut off. This means a higher charge for money to use in business; consequently it means a higher price for commodities or service which is paid for by the public.

These financiers exercise their power to shut off competition. They control "big business." No large corporation can be organized without their consent. No issuance of corporate securities of any volume has been made in years that was not handled by this crowd, and Mr. Morgan stated that no railroad had been built during the past 10 years that would compete for business with an existing line. They believe in cooperation; they oppose competition. Cooperation for the general good is one thing, cooperation for selfish ends is another. With them it is the same old story of the trusts and combines; the purpose is to rob and oppress the public.

The most striking instance of the immense profits of these great banks is that the First National Bank of New York. On January 1, 1901, it had a capital stock of \$500,000. The net profits of the bank for the succeeding 12 years amounted to \$61,000,000. In 39 years its dividends aggregated 18,500 per cent. It is rather a significant fact that in 1908, the year following the panic, its net profits were more than \$10,000,000, which is more than twice as much as the net profits during any year since 1901.

It is not surprising that, having such control, these men use it for selfish purposes; nor is it strange that there should be so much poverty in the land. Statistics show that there are about 19,000,000 families in the United States. About 200,000 are rich, 2,000,000 are well to do, 7,200,000 are poor, and 9,600,000 are very poor. More than one-half of these have an annual income of \$600, while more than 4,000,000 families have an annual income of less than \$400; yet J. P. Morgan, when asked how much stock he owned in one financial institution, said that it was only a small amount, about \$1,000,000.

Mr. Chairman, I have no war to wage against a man simply because he is wealthy. But no man ought to be allowed to accumulate riches by robbing and oppressing another. One of the great social dangers of the times consists in the disparity of condition of our citizenship. There is, as just suggested, a wide chasm between the extreme wealth of the few and the extreme poverty of the many.

Mr. Chairman, hours could be spent in reviewing the work of the committee, but I shall only refer to the admission of certain interested parties to the effect that conditions are such as to be a menace to the general public. Mr. George M. Reynolds, a Chicago banker, testified that—

I am inclined to think that, the concentration having gone to the extent it has, does constitute a menace.

Mr. Jacob H. Schiff, one of the largest bankers in New York, testified along the same line:

Q. Have you been an interested observer of the concentration and control of money and credit in New York in the last few years?—A. I have.

Q. You have seen it grow very rapidly, have you not?—A. Yes.
Q. And you have seen it drift into fewer and fewer hands, have you not?—A. It has drifted into fewer and fewer corporations.

The testimony of Mr. George F. Baker, who is president of one of the largest banks in New York, was also heard on this subject:

Q. I suppose you would see no harm, would you, in having the control of credit as represented by the control of banks and trust companies still further concentrated? Do you think that would be dangerous?—A. I think it has gone about far enough.

Q. If it got into bad hands it would wreck the country?—A. Yes; but I do not believe it could get into bad hands.

Q. So that the safety, if you think there is safety in the situation, really lies in the personnel of the men?—A. Very much.

Q. Do you think that is a comfortable situation for a great country to be in?—A. Not entirely.

The recommendations of the committee on the question of the concentration of control of money and credit, so far as it related to banking, included the subjects of consolidation of banks, interlocking directorates, interlocking stockholdings amongst banks, voting trusts in banks, cumulative voting in election of directors, security holding companies as adjuncts to banks, fiscal-agency agreements, underwriting of securities, investments in bonds, the conduct of officers and directors of banks, and publicity of assets and stockholders.

It was shown by the testimony that each one of these matters is an element in the system that has developed and makes possible the Money Trust. Legislation along the lines suggested in the report of the Pujo committee will break the power of this Money Trust. I have introduced a bill on this subject, following the recommendations of the committee, and I trust that it will have consideration at the regular session.

THE CURRENCY BILL.

Mr. Chairman, I shall discuss for a short while the currency bill. It does not meet my ideas on the subject in many particulars; but as it will, in my judgment, relieve the situation somewhat I shall support it. My study of the subject has led me to the conclusion that the great need of the country is "banking" reform rather than "currency" reform. Some of the provisions of the bill touch upon the former question.

FEDERAL RESERVE BANKS.

The bill provides that the continental United States shall be divided into not less than 12 districts. There will be a Federal reserve bank in each district. The stock of this bank will be held by the member banks in the district, as none but banks are allowed to subscribe for or hold this stock.

There will be a compulsory association of all national banks—that is, every national bank must subscribe for stock in the reserve bank within one year or surrender its charter as such—and a permissible association of State banks, savings banks, and trust companies, provided they comply with the provisions of this act.

No Federal reserve bank can be organized with a paid-up and unimpaired capital of less than \$5,000,000. Each member bank must subscribe to the capital stock of the Federal reserve bank a sum equal to 20 per cent of the capital stock of the subscribing bank.

Each Federal reserve bank shall have nine directors, and they are divided into three classes—A, B, and C.

Class A shall consist of three members, who shall be chosen by and be representative of the stockholding banks.

Class B shall consist of three members, who shall be representative of the general public interests of the reserve district.

Class C shall consist of three members, who shall be designated by the Federal reserve board.

Directors of class A will be chosen in the following manner: The chairman of the board of directors of the Federal reserve banks will classify the member banks of the district into three groups. Each group will contain one-third of the banks of the district. The bill provides that each bank of the Federal reserve district shall call a meeting of its board of directors and shall elect one of its own members as a district reserve elector. The name of the elector shall be certified to the chairman of the board of directors of the Federal reserve bank. The chairman prepares lists of all the electors thus named by the banks in each of the three groups and transmits one list to each elector, who is entitled to select from among the names on the list one name, not his own, as representing his choice for Federal reserve director in class A.

Directors of class B are chosen by the same electors, except that they must be selected from a list of names furnished one by each member bank. It is provided that they shall be fairly representative of the commercial, agricultural, or industrial interests of their respective districts.

FEDERAL RESERVE BOARD.

The general supervision of all the Federal reserve banks is given the Federal reserve board. This board will consist of

seven members, including the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, who shall be members ex officio, and four members chosen by the President, by and with the advice and consent of the Senate. It is provided that of the four appointive members not more than one shall be selected from any one Federal reserve district, and that the President shall have regard to a fair representation of different geographical divisions of the country. The powers of this board are very comprehensive. They will have the right to examine into the accounts and books of affairs of all the Federal reserve banks, to require reports from them showing assets and liabilities, amount of reserve and the nature and maturities of paper, to require one reserve bank to discount for another, to suspend reserve requirements, to supervise and regulate the issue and retirement of reserve notes, to suspend officials of reserve banks, to appoint receivers for such banks, and to perform all duties specified or implied in this act.

The prime purpose of the bill is to furnish an elastic currency. President Wilson, in his message to Congress recently, said:

We must have a currency, not rigid as now, but readily, elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings.

There has been much written and spoken on the subject of elastic currency. It seems to be pretty generally agreed among financiers and students of the money question that under the present system our currency lacks elasticity. It is said that there are tides in the course of trade like there are in the sea; and that our currency does not expand and contract in response to the trade tides.

What is needed is to put our currency system on a stable, businesslike, and permanent basis, giving it elasticity, yet so safeguard it as to prevent inflation of credits.

The principal defect of our national-bank system is the rigidity of its note circulation. In a broad sense the volume of notes is regulated not by the wants of trade, not by the amount or kind of commercial paper offered for discount, but by market price of United States bonds.

Even if the bonds were sufficient in amount and satisfactory in price the note circulation would still be lacking in the elasticity which should characterize a good system.

By elasticity is meant the capacity to increase or diminish in volume in accordance with the needs of the community and simultaneously therewith.

Where there is the power of elasticity, the amount of notes outstanding at any time will depend not upon the volition of either the banker or the depositor but upon the public demand. And there is no criterion of these demands so correct as the quantity of business that is done.

There are some seasons of the year when a greater quantity of currency is needed than at other times in order to take care of business, and these ebbs and flows vary in different localities and in different trades.

The demand is for a currency that will be at all times responsive to those immediate needs and that will keep pace with the business and growth of population of the country, meet every crisis, and when the crisis is safely passed go back for cancellation, so that there will be no inflation.

Our national-bank currency does not possess the property of elasticity. It remains for long periods nearly uniform in amount. In many of the great countries of the world these seasonal demands for currency are recognized, and there is an outflow and inflow of notes corresponding to the need for them.

This rigidity of our banking system produces alternations of speculation and of stringency and extreme fluctuations in the rate of interest. The losses to the country because of these things can not well be calculated.

PROVISIONS FOR ELASTICITY.

The issue of notes must be made primarily through the Federal reserve board, and it is provided that said "notes shall be obligations of the United States and shall be receivable for all taxes, customs, and other public dues."

Any Federal reserve bank may, upon vote of its directors, make application to the local Federal reserve agent for these notes and must accompany the application with a tender of prescribed security.

This collateral security consists of notes and bills of exchange arising out of commercial transactions. Such notes and bills of exchange are confined to those "issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been or may be used for such purposes."

The Federal reserve board is given the right to define the character of this paper within the meaning of the act. However, it is specifically provided that "such definition shall not include notes or bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities,

nor shall anything herein contained be construed to prohibit such notes and bills of exchange, secured by staple agricultural products or other goods, wares, or merchandise, from being eligible for discount."

The element of elasticity is given by these provisions. The only criticism that I have to make of this part of the bill is that I do not think that the time of the maturity of the paper secured by agricultural products is quite long enough. However, as the borrower must deal directly with the local banker, who knows him personally and who will likely be ready to extend any reasonable accommodations, he will, under ordinary conditions, be able to get an extension or renewal of his paper.

This will enable the producer to borrow money from the local bank on his agricultural products and thereby enable him to hold them for higher prices. The bank of his community will be anxious to extend these accommodations, because the note will be readily rediscounted at the reserve bank, and because it will share in part in the prosperity of the individual producers that comes from his security the highest market price for his product.

PANICS.

The proponents of this bill claim for it that it will materially lessen the chances of financial panics, if it does not entirely prevent them.

No stronger argument could be made in its favor; and if the argument be true, there is nothing that could be said for it that so popularizes it with the people.

The primary cause of a panic is the fear of the people that they can not get cash for their bank deposits. Just as soon as they realize that the bank will pay on demand their fears are allayed and the panic is over. By having the reserve bank to rediscount their paper the local bank can readily meet the requirements of their depositors, which will do much to allay any fear that may arise because of the probability of the bank being unable to meet the demands upon it.

History shows that we have never had a panic that did not originate in New York.

In the panic of 1907 we saw the entire industrial system of our country shaken and disturbed by the storm and stress of a great financial panic; values were unsettled; business was paralyzed; confidence was destroyed; industry was dormant; thousands of honest toilers were out of work and their families were suffering for the very necessities of life.

What caused it? We were in the midst of prosperity. Everything was in abundance; the fields were yielding great crops; the mines were yielding immense wealth; the factories were running to their full capacity.

The essential factor and prime cause of a commercial crisis is speculation, leading to inflated prices and the piling up of debts based upon such inflation which the debtors can not pay. Speculation thrives in New York more than anywhere else. The great reason for this is due to our system of reserves.

Under the present law the country banks are required to keep a reserve of 15 per cent, only 6 per cent of which is required to be kept in their own vaults. The remaining 9 per cent drifts very largely to Wall Street banks, where it is loaned in large sums to the speculators.

The piling up of these deposits or reserves in the New York banks lowers the rate of interest and incites speculation.

Speculators may bid up the price of stocks and the rate of interest at the same time, until a climax is reached. Then a reaction will come, stocks will fall, margins will be exhausted, traders will be sold out, banks begin to fail, and the panic is on at full blast.

Under the present law 15 per cent of the deposits of a country bank are required to be held for the protection of its depositors. However, three-fifths of the reserves may be deposited in banks in reserve or central reserve cities.

As there are only three central reserve cities, New York being one, these surplus reserves naturally concentrate there, because the banks can draw interest on them, while if kept at home they lie idle in the vaults and produce nothing.

We will understand the great opportunities afforded the speculator for obtaining funds if we consider the way the system has been worked to gather the money of the country and store it in the Wall Street banks.

One great bank is the approved agent to receive deposits of the lawful money reserves of 1,071 national banks. Another great bank receives deposits from 1,802 country banks, another from 3,108, another from 478, another from 919, another from 615, and still another from 1,233.

Thus it will be seen that the reserves of nearly all the national banks are deposited in New York.

On the face of the law on the subject of reserves, it appears that a reserve is required to be kept for the protection of the

depositors, but in reality, as I believe, the law was enacted for the benefit of the great banks of Wall Street.

Whether this be true or not, it is certainly true that the system has been used to gather in constantly increasing millions into those banks.

The ability of these great banks in New York, through their connected interests, to engage in underwriting, to finance promotion schemes, where the profits resulting from overcapitalization represent hundreds of millions of dollars, places them beyond let or hindrance from competitors elsewhere in the country.

Floating the stocks and bonds in overcapitalized transportation, traction, mining, and industrial corporations does not create wealth, but it does absorb capital. Through the agency of the great banks many millions of money belonging to the country banks have been tied up. When it has been needed and called for by the country banks it has been impossible to get it.

The reason for this is that so much money is tied up in stock gamblers' debts, and it is unavailable because the gambler can not convert his stock into cash upon the call of the bank.

On August 22, 1907, the last call before the panic, the New York banks owed the other banks of the country a net balance of \$410,000,000. The report for December 3 shows a reduction to about \$388,000,000. With all the pressure brought to bear on the national banks of New York, the other banks of the country were able to draw of their own money only a little more than \$20,000,000—only about 5 per cent of what belonged to them. They would not have been able to get this much but for the fact that the Government deposited about \$47,000,000 with the national banks of New York.

This bill provides for the deposit of reserve funds in the regional banks. This will prevent the concentration of reserves in New York. This is one of the best provisions of the bill, as it will lessen the amounts of funds to be used by the gamblers of Wall Street, which will have the effect of decreasing speculation, and thereby diminishing the probabilities of financial stringency and possible panic.

There was no serious impairment of bank resources during the panic of 1907; but there was a serious impairment of the confidence of the people in banks, because of their inability to meet the demands upon them, which was due, as I have suggested, to conditions on Wall Street.

RESERVES.

I am opposed to an arbitrary fixed reserve. Ours is the only great country that requires it. One of the evils of a fixed reserve is that it requires that the bank must hold a reserve of 15 per cent, which must either lie idle in the vaults of the bank or be sent to a bank in another section of the country. In either case the community that produced the money is deprived of the use of it.

The resources of a bank should be readily available and should be devoted to supplying the needs of the commercial community. Money was once defined as "a medium of exchange," but is now used almost altogether for reserve purposes upon which to build a system of credits.

The reserve lies idle. It can not serve the purposes of trade and commerce. It is a violation of law to use it. In times of panic there is a great scramble among the banks to build up reserve, which only tends to increase the intensity of the panic. By reducing the amount of reserve required and by keeping the reserves from concentrating in a few New York banks a decided improvement is made over the present system.

One inherent weakness of this measure is that the Government does not possess the power to put it into effect. It is altogether optional with the banks as to whether or not it shall become effective. If its provisions do not suit them, then the law is a dead letter. We may rest assured that unless the great money power believes that it is to its interest to enter the system that this law will not be put into operation. It seems to me that we might devise some laws that would do justice to the money power and at the same time see to it that the interests of the people are amply protected.

The powers of the Federal reserve board are very far reaching. No other board, official, or ruler ever was clothed with such authority. It has absolute control over the issuance of bank notes. Four of the seven members can say to whom these notes shall be issued. It is left to their discretion, and there is no power of review or court of appeal. It is with them to determine the welfare, happiness, and prosperity of every citizen of the United States. Discriminations can be made in favor of one bank against another or one section or community against another. I would prefer to have a law passed that does not give such large discretion to a few men. We must risk the honesty and good judgment of these men. If they prove unselfish, honest, and of good business judgment, it will be well; if not, we will suffer.

The world's history is full of instances of misplaced confidence, of ill-used power, of the betrayals of trust. In his message vetoing the bill to recharter the United States Bank he gave solemn warning against its powers in the hands of private persons and against placing any such powers in the hands of the President. He said:

In ridding the country of an irresponsible power which has attempted to control the Government, care must be taken not to unite this same power with the executive branch. To give a President the control over the currency and the power over individuals now possessed by the Bank of the United States, even with the material difference that he is responsible to the people, would be as objectionable and as dangerous as to leave it as it is.

This bill, however, is much better than the Aldrich bill, because it provides that the issuance of notes under Government regulation rather than by private or banking interests. While subject to the criticism just made of the possibilities of the abuse of power, yet it is less likely to come from governmental officials.

There ought to be some provision for elasticity of currency, and it could be made without the organization of reserve banks that require such a large capitalization. Under this bill every bank must subscribe an amount equal to its capital stock, one-half to be paid and the remainder subject to call by the reserve bank. This will take from each community a large per cent of its money, which can only be replaced by the number borrowing from the reserve bank. I would prefer to have money retained in the community where it belongs in order to serve the wants and needs of that community. In many sections of the country there is now a scarcity of money, and this subscription to stock the reserve bank will take away capital that is needed to develop the resources of those sections.

REFUNDING 2 PER CENT BONDS.

There are now outstanding about \$750,000,000 2 per cent Government bonds. It is proposed to refund these bonds, or at least those deposited by national banks with the Treasurer of the United States as security for circulating notes, into bonds bearing 3 per cent interest, payable 20 years after issue and exempt from all taxation. Some of these bonds are held by individuals. They are not given the privilege of refunding their bonds; it is only the banks that have the privilege. This is an unfair discrimination. It imposes an unjust burden on the taxpayers, as it will mean that it will cost the Government in interest on these bonds about \$125,000,000 more than it would have to pay on the 2 per cent bonds. It is simply a gratuity to the banks. I can not consent to any such proposition, and am opposed to this provision of the bill.

EXEMPTION FROM TAXATION.

The capital stock of the reserve banks is exempted from taxation, Federal, State, county, and municipal, except in respect to taxes upon real estate. I am opposed to this feature of the bill. The bank is organized and operated for profit, and no good reason can be assigned to show that the banks should not bear their share of the burdens of the Government, just as individuals do. The stock should not be taxed by the authorities where the regional bank is located, because its capital will be drawn, in some instances, from several States; but each member bank should pay taxes on the stock held by it.

EXCHANGE CHARGES.

The banks have raised serious objection to that provision of the bill pertaining to charges for exchange and collection of checks and drafts. There is good reason for this objection. This is a legitimate charge for service rendered. The Government requires the payment of a fee for its money orders, as do the express companies. If it is proper and legitimate on the part of the Government, it is equally so on the part of the banks. To refuse to allow such charges for the service is unjust to the smaller banks and will materially affect their profits.

INTERLOCKING DIRECTORATES.

Mr. Chairman, I have already called attention to the community of interests of a few great banking houses caused by interlocking directorates. I voted in the caucus to amend the bill so as to prohibit interlocking directorates. A resolution was passed deferring the matter at this time and instructing the Committee on the Judiciary to bring in a bill on the subject at the next session. Under the rules of the caucus I gave notice that I would vote in the House to amend the bill so as to prohibit such interlocking of directorates.

My connection with the Money Trust inquiry had convinced me that the system of interlocking directorates constitutes one of the strongest elements in the formation of the Money Trust. By such interlocking, a few men have been able to exert great influence in almost every line of industrial activity. It gives not only community of interest, but actual power of control of vast sums of money. They are able to dic-

tate to some of the largest moneyed corporations where their deposits shall be kept and with whom they shall do business. Having such control they have the power to keep down competition by refusing credit. Indeed, it virtually makes one great partnership, whose interest is to keep down competition and to kill off competition. There are many such instances.

The whole object of the system is to form combinations for the purpose of controlling big business, to utilize the money of the public, bank deposits, against the interest of the public, to engage in the business of creating pools, manipulating prices, and in many ways placing unjust burdens upon the people. I see no reason for delaying action against such a system.

Another reason why I favor action at the present time is that unless there is such a prohibition the Federal reserve banks will be organized with the system in full force. To permit this will simply mean that the Money Trust will organize some of the reserve banks and exert a very potent influence in the organization of others, and I fear that some of the good effects of the bill will be lost.

LOANS ON FARM LANDS.

Under the present law a national bank is not allowed to loan money upon real estate. This measure provides any bank, except those in reserve or control reserve cities, may loan on improved and unencumbered farm lands, but not more than 25 per cent of its capital and surplus. This provision is not of very much value, as at present there are about 25,000 banks, and over 17,000 of the State banks can loan whatever amount they choose on land, while only the national banks are prohibited from doing so. If all the State banks come into the system it will necessarily decrease the amount that can be loaned on farm lands.

AGRICULTURAL CREDIT SYSTEM.

The farmer receives less returns on his investment than any one else. In 1909 statistics show that the manufacturers had invested the sum of \$18,428,000,000. They employed 6,615,000 persons and produced \$20,627,000,000. The farmer had \$40,000,000,000 invested, while there were 12,500,000 persons employed in this work. In 1911 they produced only \$9,000,000,000.

The number of mortgages upon farm lands is increasing. In 1910 there was a mortgage indebtedness of \$3,460,000,000. Something must be done to alleviate this condition. In many of the foreign countries cooperative credit systems and rural banking systems have been inaugurated, which have proven beneficial to farmers. These systems provide for long-time loans at a low rate of interest.

The matter of interest is a question of great moment to the producing class, whose returns are both slow and small. Something ought to be done that will give them a lower interest rate. It is almost a tragedy that the speculator can get money at about one-half what it costs the merchant, the manufacturer, and the farmer. It is gratifying to know that an active interest is being taken in this subject and that the rural-credit systems of other countries are being investigated.

The toiler, the producing class, is the mainstay of any country. He is entitled to a just distribution of opportunity; and I know nothing better to be done for him than to lift from his back the unjust burdens that have been placed upon it by the selfishness and unscrupulousness of designing men, and to enable him to have a just action for his labor. Inaugurate some system that will permit him to obtain money at a lower rate of interest and the cry of "Back to the farm" will be answered, because he can pay his debts, improve the farm and thereby make life more interesting and attractive.

Mr. Chairman, if this bill does what its proponents claim, it will bring a large measure of relief. It will improve financial conditions very much. However, its effects will be alleviative rather than preventive. There is a cancerous growth upon the body politic and currency reform will not eradicate the evil. This is not said by way of criticism of the bill; but simply to say that it is only one of the remedies to be applied. War must be waged upon the trusts and combines, speculators must be prohibited from gambling in commodities, by which incalculable harm is done to the producer, the power of the Money Trust must be broken so that we may be both politically and economically free. If such warfare is successfully waged, this Government, which is the best "that ever rose to animate the hopes or bless the sacrifices of mankind," will be filled with a happy, contented, and prosperous people.

Mr. HAYES. Mr. Chairman, I yield 10 minutes to the gentleman from Oregon [Mr. LAFFERTY].

The CHAIRMAN (Mr. BRUMBAUGH). The gentleman from Oregon [Mr. LAFFERTY] is recognized for 10 minutes.

Mr. LAFFERTY. Mr. Chairman, the section of the pending measure which appeals most strongly to me is the last one,

which provides that "the right to amend, alter, or repeal this act is hereby expressly reserved."

By this bill the bankers of the country will be able to inflict upon us the present system of highway robbery a little bit more humanely than they are doing it at the present time.

The gentleman from Kansas [Mr. MURDOCK], in one of the ablest speeches ever delivered upon this floor, expressed my views exactly upon this and the other questions upon which he touched. The bill is a palliative and is not a remedy. It is but the shortest kind of a step in the right direction. I shall vote for it for that reason and not because it gives the American people anything like the full measure of relief to which they are entitled.

Is it not astonishing that nearly every Member who has talked on this measure has apologized to the House because he did not know anything about it? The secret of this wholesale confession of ignorance lies in the fact that our monetary system is being conducted in a strange and unnatural manner and not because the subject would be involved or intricate at all if dealt with upon the most elementary principles of honesty and fairness.

Let me give a few figures to show how the public is being literally robbed by the banks. The banks of the United States own all told approximately \$1,500,000,000. They have deposits of the people's money amounting to \$17,000,000,000. Yet the total stock of money in the United States is only \$3,500,000,000. Think of it! The banks have "on deposit" and loaned out at interest, of course, more than five times as much money as there is in the United States and more than ten times as much as the banks themselves own.

You have heard of the man who lived off of the interest of what he owed. The banks are creating swollen fortunes by that very process. They owe the people \$17,000,000,000, and they have this loaned out at 8 per cent.

Talk about doing business on a shoe string! That is exactly what the money power of this country is doing. No wonder it is under a continual strain; no wonder we have money panics.

The process by which panics come about is simple. A national bank opens up for business with \$1,000,000 capital stock. Soon it has deposits of \$10,000,000. The latter it loans out, except the small "reserve" of 15 per cent if a country bank or 25 per cent if a city bank required to be held in its vaults by law. One-third of its depositors conclude they want their money for some reason or other. They can not get it. The bank has not got it. The result is a panic or a bank failure.

What is the remedy proposed by this bill? It is to permit the banks to pledge in the hands of a Federal reserve agent the notes of those to whom it has loaned the people's money, whereupon the Government of the United States will issue to the bank Treasury notes to the full amount of such securities, provided that instead of holding a reserve of only 15 per cent or 25 per cent, as is required to protect private depositors, the Federal reserve banks must maintain a reserve of 33½ per cent to redeem these Treasury notes. This gives to the banks the right to immediately pay out two-thirds of the Treasury notes received from Uncle Sam, which would, of course, enable them to pay off their depositors requiring their money. In this way panics are to be prevented. It will do the work. I concede this bill will prevent money panics. But it permits the money-lending classes to continue to collect unearned millions from the farmers and laborers of America annually, just as they have been doing in the past, through the 8 per cent method, which is usury.

Do you ask me what the real remedy is? I answer it is to provide a real asset currency and not a halfway asset currency, based not upon loans to bankers at one-half of 1 per cent, as this bill provides, but based upon real estate mortgages and Government bonds deposited with the Government as security for the issuance of an asset currency to the farmers and investors of this country at a fair rate of interest, say 3 per cent or 4 per cent, whereby the finances of America would be placed upon the most prosperous and stable basis in its history.

There should be a currency adequate in amount to do the business of the country. The wealth of the United States is \$125,000,000,000. Our total money supply at present is only \$3,500,000,000, which is less than 3 per cent of the Nation's total wealth. That is why, with bountiful crops and factories running at full capacity, it was possible to have a panic in 1907. There is not money enough to do the business of the country. The clearing-house transactions last year were \$168,000,000,000. The transaction of this gigantic volume of business with only \$3,500,000,000 is equaled nowhere, to my knowledge, except on

the occasion when our Savior fed 5,000 men with 5 loaves and 2 little fishes.

How easy it would be for this Congress to provide an adequate currency for the American people and at once bring interest rates down to 3 or 4 per cent if it only wanted to do so.

I will explain how this could be done. Our national debt is approximately \$1,000,000,000. We could provide by law for the refunding of this debt, the paying off of the present bonds, and the issuing of new bonds to the public, with the provision that any person depositing one of the bonds as security should have the right to borrow Treasury notes for the full amount, not at one-half of 1 per cent, but at 3 per cent. We could make these Treasury notes redeemable in gold or its equivalent at the Treasury of the United States. Just as the Treasury notes we are by this bill loaning to the bankers, on security not so good, are to be redeemed. The citizen borrowing the money would put it in circulation, and when he wanted to redeem his bond he could do so with any notes of similar character or other lawful money.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield right there?

Mr. LAFFERTY. Certainly.

Mr. MURDOCK. Is not that proposition just exactly what we do for the banker to-day?

Mr. LAFFERTY. It is exactly the same.

Let it not be forgotten that we now have loaned to the bankers nearly a billion dollars' worth of Treasury notes, secured by the deposit of United States bonds, and the bankers are not paying one cent of interest for this gigantic loan. It may be said that they are paying indirectly 1 per cent interest, because the bonds with the circulation privilege pay only 2 per cent interest, whereas the banks could have bought bonds paying 3 per cent interest had they not desired this circulation or loan privilege. But at most it can only be said that the banks are now paying the Government 1 per cent interest indirectly for a loan of nearly a billion dollars, and all these bonds could be refunded and loans provided for directly to the people at 3 per cent upon their deposit as security.

But this is only one method of supplying asset currency to the public at 3 per cent which would be as good as gold.

The other law that Congress should pass is this: The agricultural lands of the United States, exclusive of houses and improvements, are worth \$30,000,000,000, or nearly one-third of the total wealth of the United States. We should pass a law authorizing the Federal Treasury to loan Treasury notes to the farmers at 3 per cent up to one-half of the value of their farms, thereby making the security the best in the world, and in that way plenty of money would be put into circulation. These Treasury notes should be identical in terms with those we are now loaning to the banks at one-half of 1 per cent, to wit, redeemable by the United States Treasury in gold or its equivalent. That would preserve the gold standard, would prevent any inflation or fiat money, and would take out of the clutches of the money changers nearly 100,000,000 honest, hard-working American people for whom we are supposed to be legislating.

The farmers are now borrowing approximately \$8,000,000,000 from the bankers, and are paying interest annually amounting to \$500,000,000, which is equal to the value of the annual wheat crop. The annual interest paid by the farmer to the banker is more than the cost of the Panama Canal. It amounts to \$5 per capita of the population of the United States. This interest charge does not fall altogether upon the farmer. He adds it to the cost of his products and the consumer in the city indirectly pays it. This accounts for a large part of the high cost of living.

Many other countries, including Australia and New Zealand, are now loaning money to farmers at 4 per cent and 4½ per cent. Prior to the passage of the farm loan law in New Zealand the farmers were paying 8 per cent. Following its passage the rate went down at once to 4 per cent and 4½ per cent. We should not forget that we have much to learn from these new countries. We got the Australian ballot, our best weapon in behalf of pure government, from Australia. And both Australia and New Zealand preceded us in the great reform of equal suffrage.

Suppose the following question was submitted to a referendum vote of the American people:

Shall we loan Treasury notes without limit to the bankers at one-half of 1 per cent on commercial paper of questionable value, or shall we loan these notes to the farmers and investors of this country upon Government bonds and 50 per cent agricultural land mortgages, at 3 per cent?

Does any Member of this House doubt what the answer would be?

This is not socialism. It is what will prevent socialism. But I am for laws for the public, no matter from what party they come.

New Zealand is making a profit of millions by loaning to farmers. America could build all needed rural roads with the 3 per cent interest profits.

Many of the countries of Europe aid the farmers by loans. It is one method of insuring the national food supply. In this country it would mean a back-to-the-farm movement, which is so much to be desired.

I also favor loaning city dwellers United States Treasury notes upon their homes upon the same terms. Real estate in a highly improved country like ours is the best security in the world. [Applause.]

Mr. HAYES. Mr. Chairman, I now yield 15 minutes to the gentleman from Michigan [Mr. J. M. C. SMITH].

The CHAIRMAN (Mr. GARNER). The gentleman from Michigan [Mr. J. M. C. SMITH] is recognized for 15 minutes.

Mr. J. M. C. SMITH. Mr. Chairman, I must not claim to be authority on finance, because I can not present myself as an exponent of great success in that particular adventure. Neither do I claim to excel in banks or banking, but just at this particular time the subject of our banking and currency laws is receiving public attention, and it is soon to be acted upon by this body. This may be my excuse for asking your indulgence for a few minutes to consider some of the features of our financial system. Banking, you know, as carried on in a small town is the science of receiving the money of one man and loaning it to another.

Our banking and currency laws have for a long time engaged the attention of this and other sessions of Congress and been a subject of much consideration by the financial institutions and financiers of our country. Of vital and prime importance to all the people, the producer and consumer, the employer and employee, this question also directly affects the prosperity and welfare of our Government itself. From the formation of the Republic to the present time a correct system of finance, banks, and banking has received marked attention from our ablest statesmen and thinkers. It at first engaged the attention of Hamilton, Albert Gallatin, later of Jackson, Lincoln, Chase, and other men of note and national renown. In an uncertain state it is present with us to-day in a complex form, and we can not and do not underestimate the financial policy of a great Nation. To maintain our standing among the nations of the earth our money and currency must be of standard value the world over—sound as our statutes, stable as the Government, and pure as the flag. It must have the confidence of the people. It must do justice to the capitalist, manufacturer, merchant, farmer, and to the laboring man. It should be well regarded, approved, and recommended by all, with no partiality shown to any class, and at all times and under all conditions flow unhampered and unrestrained through the channels of commerce. It should be such a system as will place our country on the highest pinnacle of sound finance and, like our Constitution, serve as a model for all nations.

Mr. Chairman, it is said that ours is the worst banking system in the world, and while I have not given full credence to that statement, I have long thought it could be improved. Some of the defects are patent and other criticisms eliminate themselves into such deep channels of scientific investigation and research as to border on the mysterious or lose themselves in the imagination. It is a complete science and should contain no uncertain element.

Criticism of our present national banking system is made by some because it was established as a war measure. That it performed a noble mission none will deny.

Many of the older people here to-day know by actual experience the condition of the country's banks and its currency prior to their establishment. All was confusion, all was chaos, and one taking a wildcat bank bill needed to be ready to start to get it cashed before the bank went out of existence. This was all changed by the creation of the national banks, and while a few have failed, it can well be said that for the volume of business transacted and capital employed the losses sustained through them are but a fraction of 1 per cent. Can any other kind of business make this good showing? Safe and sound is the rule; kind and courteous is the treatment. Millions upon millions are paid into the banks to be called for and paid when wanted, the bank doing its full share in establishing confidence between man and man. All this business is transacted with the regularity of a clock and upon a margin so small that it would be hardly noticeable in the management of many other kinds of

business, and, generally speaking, the same is true of all our State banks, savings and trust companies. Their affairs are given the fullest publicity, and I think the time will come when publicity will have its application to many of the quasi-public organizations of our Government, and if by that means watered stock and fictitious values be eliminated better results will follow.

"I am in favor of a United States bank," said Lincoln. The national bank came into existence at the time of the Rebellion, gave him great aid in his mission, and since, dotted thickly among all the people like good neighbors, have fulfilled a useful mission. Banking is not making money; it is safeguarding money; and when banks were first established they charged a fee for keeping it.

The national banks of our country do not by any means have a monopoly of the banking business, and I insert a table of the Treasury Department showing that on June 14, 1912, of the financial institutions doing a banking business 17,823 were State banks, stock saving banks, loan and trust companies, mutual savings banks, and private banks, while there are only 7,372 national banks, and that of the total deposits the national banks had only \$5,825,400,000, while there were deposited in the other banks and trust companies the sum of \$11,198,603,800. The table shows that the reserve of the national banks was 17 per cent and the combined reserve of the others was 5.1 per cent.

Statement relating to the number, capital, individual deposits, and reserve (cash on hand) of national and other banks on June 14, 1912.

Class.	Number.	Capital.	Individual deposits.	Reserve.
National banks.....	7,372	\$1,033,570,600	\$5,825,400,000	\$996,142,800
State banks.....	13,381	459,067,000	2,219,977,000	241,756,000
Stock savings banks.....	1,292	76,871,000	842,897,800	29,266,000
Loan and trust companies.....	1,410	418,985,000	2,674,578,000	182,151,000
Mutual savings banks.....	630	.....	3,608,657,000	16,186,000
Private banks.....	1,110	22,348,000	152,494,000	7,450,000
Total.....	25,195	2,010,841,600	17,024,003,800	1,572,951,800

In adopting our financial laws or a financial policy we should avoid all chance or even experiments that are of an uncertain nature, hold fast to those principles that have been found to be wholesome and sound, and upon their basis rear a structure that will last with time, permanent in its character, and accomplish the purposes intended. To accomplish this we should first determine without question the defects of our present system and what constitutes safe banking and sound currency. Very little complaint is made about our standard of currency. Our credit, which often takes the place of money, is high and is firmly established in the public confidence and integrity. It was by credit that we established our independence, for we had little or no money at the time of the Revolutionary War. Credit was used freely and played a prominent part in carrying on the War of the Rebellion. And now nothing should be permitted that will cause or tend to cause our commercial credit at home or abroad to be tarnished. To impair our public faith is to invite public disaster. Embarrassed commercial integrity weakened the federation of the Colonies, but was fully restored by the confederation of States. One of the reasons that our Republic holds an exalted position among all the nations of the earth is that it has always kept its faith, its promises, and its credit, not only to the letter but to the intent and purpose as well. And I say without hesitation and fully realizing that this statement is counter to high authority that the best standard of money is gold, not because gold has an intrinsic value, not because gold of itself is the best money, but gold is used as money by the nations of the globe. Money is the representative of value and the medium of exchange, barter, and trade. Its value depends largely upon public confidence, the ability of the Government to make it good, and the willingness of the people to receive it and exchange their commodities for it. Our money to-day is good the world over, and no thought of impairing its value is exhibited in the bill.

Government, State, and county bonds are good upon which to base a currency as long as the credit of the Government, State, and municipality is sound and solvent, but who would want his fortune or the money received for his products or toil based upon the bonds of a nation when that nation is threatened or devastated by war? And in very recent years some of the great nations of the earth have had their very existence so threatened by war and invasion that their bonds would be poor security for sound currency or anything else. A staple currency good to-day and to-morrow, good in all kinds of peril, good at home and abroad, must have its feet resting on a safe and sufficient staple standard reserve, and in the present bill

I take it that the board of control will see to it that at all times all currency issued will be upon a safe reserve.

The general stock of money in circulation on August 1, 1913, in the United States, according to the statement of the Treasury Department issued on that day, was:

Gold coin (including bullion in Treasury)	\$606,015,613
Gold certificates	1,000,560,414
Standard silver dollars	72,173,431
Silver certificates	470,578,117
Subsidiary silver	155,408,145
Treasury notes of 1890	2,640,639
United States notes	338,623,763
National bank notes	710,891,001
Total	3,356,891,123

On August 1, 1913, there were outstanding \$750,393,191 of national bank notes, of which amount \$47,402,190 were in the Treasury for redemption purposes, leaving \$710,891,001 in circulation. There were held in the United States Treasury in trust for the security and redemption of the national bank notes August 28, 1913, \$742,101,800. In bonds, as follows:

Loan of 1925, 4 per cent	\$33,921,700
Loan of 1908-1918, 3 per cent	22,246,200
Consols of 1930, 2 per cent	604,073,900
Panama, of 1936, 2 per cent	52,962,860
Panama of 1938, 2 per cent	28,897,140
Total	742,101,800

How to retire and cancel this vast sum of \$750,393,191 of national bank notes is one of the many large and difficult problems contained in this bill. The scheme presented in the report of the committee is to retire the bonds against which these were issued and give 3 per cent bonds to the bank in the place of the bonds deposited by the bank with the Treasury to obtain and secure national bank notes for circulation. The national banks paid gold or money interchangeable for gold, as good as gold, for these United States bonds with the currency and circulation privilege. They paid not only par, but more than par for them, because of the currency privilege. The committee in its majority report say that without the currency privilege these bonds would be worth only 80 cents on the dollar in open market. The report says:

The ownership of bonds has thus inflicted a severe loss upon holders already, and something like \$30,000,000 has, according to the Comptroller of the Currency, been "written off" by the banks and must be regarded as one of the costs of carrying the note system at present in use. There is general agreement that if the circulation privilege were to be taken from the 2 per cent bonds—or, what is the same thing, if a new system of note issue were to be established which would practically displace the present system—the twos would deteriorate to a price not higher than 80.

But this is not the sole effect of changing our system of issuing bank notes or currency. The cancellation of \$750,000,000 and upward of the money of the country is so marked and would be so violent if done at once that of itself it would invite disaster. So the committee has provided that only one-fifth of the bonds held for circulation can be refunded in any one year, thereby cutting the dog's tail off a little at a time so it will not hurt so much. Instead of creating more money or a greater volume of money the act provides for eliminating so much of the money we already have in the country and substituting only a privilege in its place. To retire this vast amount of notes in this manner by law smacks of confiscation. The Government has the gold that the banks paid for these bonds. It is now proposed to refund the bonds. Then why not pay back to the banks either the gold paid for the bonds and redeem them or currency based upon that gold? This would look equitable, or leave it to the owners of the bonds to take pay in 3 per cent bonds. Since this bill was first filed the 2 per cent bonds shrunk in value for the first time in the history of our country to below par, and entailed a loss upon the holders of \$30,000,000. But, Mr. Chairman, let us take another feature of the bill; and that is, what reform does it seek to bring about and enact? If you are sick, you call a physician; he diagnoses your case and finds out what is the matter with you before administering any medicine or giving you treatment. So, before undertaking to legislate upon the important subject of banking and currency and enacting it into law, we should be certain of the need of such legislation and the effect it will have upon the country, the currency, and the banks. It is urged as a necessity for banking and currency legislation that our currency is too rigid, that it should be more elastic and respond more readily to the need and requirements of trade, and automatically appear and retire when needed and not needed. The committee report:

The bankers who urged the creation of an asset currency and the public men who recommended the issuance of additional United States notes or Treasury notes, whether protected or unprotected, were fundamentally alike in their belief that the whole trouble with existing banking lay in a difficulty in securing proper supplies of currency when needed and of withdrawing them when not needed.

And as an example the whole argument is based upon the great need of money during the period for moving the crops. Upon the face it does not seem needful to change over our whole present banking system and create more banks and turn over the control of the banking system of the United States to a control board to make our currency more elastic or to move the crops. Recently we have been shown an example of elastic currency and the use of it for crop moving, and if anyone knows of any crops to move and will report the same to Mr. McAdoo, Secretary of the United States Treasury, I am sure he will find plenty of funds available for moving the crops. Recently this official placed in the banks of the city of Washington, D. C., \$600,000 to move crops, and double this amount in the city of Baltimore, while large amounts have been distributed throughout the United States, if we can rely upon reports; and when depression threatened and money on call in New York City commenced to climb upward, then it was that the Secretary of the United States Treasury made the announcement that there were in the Treasury printed and ready for use \$500,000,000 of emergency and elastic currency, and that he would deposit it in the banks to prevent a crisis if need be, and the rates went down and the threatened financial depression subsided. Here we have emergency and elastic currency and the machinery at hand to use it when need be. This shows that emergency currency can now be issued under the Vreeland Act, and in that respect the present act seems to bear a close resemblance to the provisions of the Vreeland Act.

Suppose, for some reason or another now unknown or unseen, the Government should withdraw its deposit, just as Jackson did in 1833? What then? Or the scheme does not work out well and an election should be held upon the issues of repealing this act, and a majority is elected favorable to that issue. What then? To me it would have been better to amend our present banking laws by giving vitality to elastic currency as the first step. This can be done by allowing the Secretary of the Treasury to accept Government and other State, county, and municipal bonds for currency, the same as he does now for Government deposits and deposits of postal savings banks for currency, and in times of crisis or panic accept bills of exchange and standard commercial paper for currency. The bill should contain, in addition to the provisions for loaning on farm mortgages and the establishment of a savings department, the further right to form associations for a system of farm credits.

This can be done without creating a great central bank, which President Jackson knocked into a proverbial "cocked hat" because of the great power it would place in the hands of a few men. Here it is proposed to place the power of controlling the banks and the money of our great Republic in the hands of seven persons acting as a control board. If any provision of the Aldrich Monetary Commission Act was criticized, it was the one creating and intrusting the management of our national finances to a board of control. By the terms of this act the board is to consist of the Secretary of the United States Treasury, the Comptroller of the Currency, and the Secretary of Agriculture, ex officio, with four other members appointed by the President and confirmed by the Senate. The Aldrich Act provided that the board of control should consist of a governor, two deputy governors, the Secretary of the Treasury, the Comptroller of the Currency, the Secretary of Agriculture, the Secretary of Commerce and Labor, and 15 members to be elected by the branch banks, who shall represent the agricultural, commercial industries, and other interests. In the creation of this board there is no improvement over the Aldrich system.

Mr. Chairman, the bill contains the provisions of law for a system of banking and currency. New banking and currency laws have been wanted and needed for nearly a generation. The people expect currency and banking legislation, but that this bill if enacted into law will meet with great favor is very problematic. As for me I would prefer to amend our present law by extending and enacting into law the provisions of the Vreeland Act or similar provisions for issuing currency upon safe governmental, State, county, municipal securities and bank assets if panic threatened or in times of crisis. Why not? The Government now takes State, county, and municipal bonds as security for United States deposits and deposits of postal savings banks. It is the inherent sovereign right of the Government to coin and issue money. Why turn this right over to the dictates of a board of seven members? Again the change involves the deposit of the Government money not in the United States Treasury, but in the banks without security. Now no Government money is deposited in any bank without security. The transfer of \$220,000,000, or a considerable part of this amount, from the Treasury of the United States into any bank is something of an adventure. But the bill permits national

banks to have a savings department and to loan money on real estate, and when it is finally enacted into law it is hoped it will meet with and receive the approval of the people. The name is immaterial. It makes no difference by what name it is called. If such a system is to be adopted, let it be the greatest financial system known to the world in modern times, yielding to the demands of the people and with none other than the needs of all the people and the Nation to subserve. [Applause.]

Mr. PHELAN. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 7837, and had come to no resolution thereon.

ENROLLED BILL SIGNED.

Mr. ASHBROOK, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bill of the following title, when the Speaker signed the same:

H. R. 7595 An act providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition, and for the protection of foreign exhibitors.

LEAVE OF ABSENCE.

Mr. CARTER, by unanimous consent, was granted leave of absence for 30 days, on account of service on the Joint Commission to Investigate Indian Affairs.

RECESS.

Mr. PHELAN. Mr. Speaker, I move that the House do recess until 8 o'clock to-night.

The motion was agreed to; accordingly (at 6 o'clock and 30 minutes p. m.) the House stood in recess until 8 o'clock p. m.

EVENING SESSION.

At the expiration of the recess the House resumed its session.

CURRENCY.

Mr. BULKLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the currency bill, H. R. 7837.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes, with Mr. GARNER in the chair.

Mr. BULKLEY. I yield 10 minutes to the gentleman from Connecticut [Mr. KENNEDY].

Mr. KENNEDY of Connecticut. Mr. Chairman, within the limited time at my disposal I can only consider a few of the sections of the banking and currency bill. So much has been said by the gentlemen who have already spoken on the bill that it leaves very little unsaid. I will try to put what I have to say in as few words as possible in the hope that I may add a little to the many brilliant arguments that have been made on this bill. I am in favor of the bill now before the House, because I believe a change in the currency system of the country is absolutely necessary, and the change should be made at this session. It is claimed the President is taking a keen interest in currency reform; he is criticized by some for his activity, but we must all admit he is free from corporate influences or the influence of the moneyed interests of the country, a man who is known to all the people as being absolutely fearless, working for the interests of the whole country.

I represent one of the large manufacturing and agricultural districts in Connecticut, and I believe that this bill will meet the needs of the manufacturers, business men, farmers, and the laboring men. Financial experts have been puzzled for many years trying to suggest a reform, and have presented several bills that in their judgment are most needed in our banking and currency laws. All of them failed. But there is no question that the present bill will meet the requirements. If it is passed by this Congress, there will be no financial panics, because all the people will receive benefits under the new system and will have confidence in it; and, further, because it will be next to impossible to create any artificial stringency by manipulation of the money market. From my study of the bill the most important things—the interest rates, the volume of currency, and extensions of credit—will all be controlled in the interests of

the public by a Government board. There will be no ground for the fear and distrust which usually brings on panics, because everybody will know there is enough money to go around and that enough credit will always be available to meet all legitimate needs.

Of all the public questions now before the people it is probable the average man or woman knows least about the financial question. So it is with you and with me and with 99 out of every 100 people you may meet upon the streets. But that is only another reason why the country should be educated to know good currency legislation from bad currency legislation. Some objections have been made that the present bill gives too much power to one man, and that we may some day have a man in the White House who is not as honest as the present occupant, and that he may appoint members of the board in favor of the bankers and against the people. The answer to this objection is the President appoints the members of the board, but the Senate must approve of said appointments. The people can trust the President.

Under this bill the working man will always get his pay in Government currency as good as gold and he will not be asked to accept clearing-house checks or other credit substitutes because all employers will always be able to get the currency which their business justifies.

The small business man will be able to borrow at a lower rate and to secure more adequate accommodation, because the banks will feel more free to invest in the commercial paper of local communities, knowing that they can immediately realize on this paper by rediscounting it, whenever they need to do so. The small banker will be able to do business directly with the Federal reserve bank, where he will have the same facilities as the big bank. He will be freed from his dependency upon the big banks and be able to serve his customers according to his own judgment, subject only to reasonable supervision by the Government board. It will give to the small bankers the same security it gives to the small business men, and must tend to stimulate competition in commerce and industry, and this competition in time can not fail to give lower prices to the consumer and more employment to the producer.

In fact there are several good features in this bill that appeal to me, but time does not permit me to enumerate all of them. Some of those that have struck me most forcibly are the sections forbidding any bank examiner from accepting a gratuity. Also the prohibition against an officer or director of a bank receiving any benefits directly or indirectly, or any fee of any kind in connection with loans.

Mr. McKENZIE. Will the gentleman yield?

Mr. KENNEDY of Connecticut. I can not; I have not the time. This is a great protection not only to the bank but also to the public. It prohibits directors from making money on loans that they will later have to pass upon and which would necessarily influence their judgment in favor of the person requesting the loan. The bill will operate to extend a bank's reserves, and will prevent the throwing of securities upon the market to maintain credit. It can not cause inflation of the currency. Reserve money will be held to work and the banker can lend it over and over again. Under our present currency laws it is impossible for the banks to do all the business that they will be able to do under the proposed change.

I have been informed the Secretary of the Treasury has been receiving hundreds of letters a day for the past month from all sections of the country and from all classes of people, manufacturers, farmers, merchants, miners, some bankers, and practically all of them are in favor of currency legislation as embodied in this bill. All of these letters have expressed general approval of the many features of the bill, especially that part relating to Government control. Control must be placed somewhere, and the great majority of these letters say that it is far preferable to have this control in the hands of Government officials rather than in the hands of private parties. The only objections we hear are those of a few of the big bankers who are directly affected by the bill. These men have always been in control of the finances of the country and naturally object to losing such a marvelously good thing.

Another good feature of the bill, especially to agricultural communities, is the provision made in the savings department of banks for loans on improved farming lands. This is a brand-new thing for national banks, and it will tend to keep the people's money in the places where it is owned and not concentrate so much of it in one place, while it prohibits the loaning of bank deposits for purposes of speculation in stocks and bonds. But the best feature of all is the governmental control of the national banking system.

An understanding of the nature of money and banking is necessary to a full comprehension of this big question. Money

is coin, and money is the measure of value. That is one of its chief functions. Money may also be a medium of exchange, and that is another important function, but in most transactions money is not used, for more than nine-tenths of the business of the country is done by exchange of property without the use of money in any other way than as a measure of value. This is accomplished by means of credit and the banks and clearing houses. Banking is not dealing in money, as is supposed by many people, but it is dealing in debts. A commercial bank is at one and the same time a manufactory of credit and a machine for the transfer of the ownership of property without the use of money.

This question of credits naturally leads to panics and the cause of panics. Great effort was made to minimize the importance of the recent panic by saying it was "only a bankers' panic." It is unnecessary to consider the many causes assigned for the panic. The assertion that it was a bankers' panic, coupled with the conduct of the Republicans in power at the time, is an admission of the weakness and unreliability of our present banking and currency system, for which that party is responsible. In the midst of the panic the long session of the Sixtieth Congress convened. The party in power was wholly unprepared to meet the situation, so it presented the makeshift Vreeland-Aldrich bill, and resorted to the worn-out expedient of a commission, to which the whole subject of banking and currency reform was referred. The panic of 1907 did not arise from any fear that savings banks were unsound, but from the fear that bankers had that banks might be unsound.

This brings us to the necessity for absolute confidence in the currency laws. The power to manufacture credit explains the apparently impossible fact that the banks of the country have on deposit right now more than \$13,000,000,000, which is more than four times as many dollars as the country has altogether, and thirteen times greater than the number of dollars actually held by the banks in their vaults. It is clear that these deposits are not made up of dollars, but of promises to pay dollars. These promises of the banks are evidenced by entries in pass books.

The pass book is a certificate of deposit. These bank promises are transferable by check, and it is by transferring these promises from one to another by checks in payment of bills that the great bulk of the business of the country is done, and done without the use of money. The banks issue promises to pay money on demand, and the holders of the promises check against the promises in settlement of bills. These checks in most cases are deposited in the bank. In a city like Washington or New York each bank receives for deposit many checks on other banks. These checks are cleared through the clearing house daily. There each bank trades the check it holds against the other banks for the checks they hold against it, and the difference between the sum total in each case is settled in money. In other words, it is a matter of bookkeeping. The checks are drawn against credit at the bank to pay for goods or services, and the checks are paid by an exchange of the checks by the bankers at the clearing house.

In still other words, the bankers say to each other: "You give me the checks you have on me and I will give you the checks I have on you, and we will pay the difference either way in money." It is nothing more than an extension of the plan of settling bills between merchants who present each other with bills at the end of the month and check one bill against the other, and pay the difference in money. The same thing could be accomplished by the merchants giving checks to each other, and allowing the bankers to exchange the checks between themselves. It is an exchange of property without the use of money in either case.

Confidence therefore plays an important part in any currency system, but confidence is not everything. In the recent campaign Mr. Taft said: "Confidence is everything." But that is exaggeration. It is all too well known that confidence may be misplaced, and when it is misplaced it is a bad investment. There may also be a lack of confidence without reason, and when that is the case it is a very bad investment. An unreasonable lack of confidence leads to panic, and a justifiable lack of confidence adds to the panic the additional hardships and sufferings that flow from an abuse of credit. The panic falls on all alike, the innocent as well as the guilty, the thrifty and the unthrifty.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GLASS. I yield to the gentleman five minutes more.

Mr. KENNEDY of Connecticut. Under the proposed new system panics will be impossible, because panics are based upon financial fear, and the fear itself is based upon the idea that those entitled to it may not be able to get money when they

want it. Under this bill, as I understand it, anybody actually entitled to it can get currency, and therefore no man with a deposit in bank need be afraid that the bank can not furnish currency if it is honestly and efficiently conducted. This will in turn prevent runs on banks and in preventing panics will also prevent unfair and undue contraction of credits with its consequent paralyzing effect on business and on the productive energies of the Nation. Business enterprises will have a stability unknown in the past history of the United States. Men will not be thrown out of employment wholesale throughout the country by the fright of financial and commercial panic, but finance and commerce will become steady. Men will be regularly and systematically employed. Men will not be ruined by violent and abrupt changes of values. Hundreds of thousands of men will not suddenly be thrown out of employment during these national waves of depression. There will be no national waves of depression nor undue feverish buoyancy. The consequence will be that the national energies of our people will be employed upon a firm basis that will be continuous.

One of the fundamental changes proposed under this bill is the establishment of the 12 reserve banks. The duties of these reserve banks will be to receive all capital subscribed by member banks. This would amount to not less than \$100,000,000. After the banks are started they will hold \$100,000,000 of reserves furnished by the national banks of the country and after 14 months up to \$400,000,000 of reserves. These reserve banks will also handle the current funds of the United States, amounting to from \$150,000,000 to \$200,000,000, thus making a total of about \$700,000,000 to back the new system.

The advantages to the banks of the country are so decided I can not conceive of any thoughtful bank not taking advantage of the opportunity. The advantage to our ordinary business man, as I have pointed out before, is very much greater than that to the bank, because it enables the man who is entitled to credit to obtain credit and will prevent a shrinkage of his assets by periods of financial stringency. It will also prevent his being forced into liquidation unjustly at times when he can not realize a fair value on his assets.

A few of the big banks of New York have felt inclined to insist that they should have the right to control the new system, because they think they understand the banking business better than other men. When the Interstate Commerce Commission was established the railroads were urgent in demanding representation upon the commission because it vitally affected them, but it would have been just as absurd to give the railroads control of a governing commission whose duty it is to require the railroads to deal justly with the people of the United States as it would be to give the banks control of the currency system of the country. Who will claim to-day that the railroads should be represented on the Interstate Commerce Commission?

Other great advantages to the banks under the proposed new system is that it will mobilize their own reserves and permit the surplus reserves of one bank to be made available for use by other banks by being put in a common fund available for rediscunts for the accommodation of banks needing such assistance. It will prevent a bank from being suddenly embarrassed by a run upon the bank, as such a bank would be able immediately not only to use its own reserves but would also be able to discount a large volume of its assets in the form of commercial paper and thus meet any sudden demand. In addition it could negotiate other loans by permission of the Government board, so that a sound bank could meet any unexpected demand in the form of a run or extraordinary financial pressure.

One of the great reasons, and an unanswerable one to my mind, for a change in our currency system and in favor of the present bill is the undoubted existence of a Money Trust sometimes called a "credit trust." There is no question that a Money Trust does exist in this country. No matter under what name it passes, I believe there is such a combination or concentration of credit in the United States to-day, and this bill will do more than any other thing ever attempted by any Congress in the history of the United States to strangle the Money Trust monster. The great opposition to currency legislation has come from the terrific power of this Money Trust which has been exerted to its utmost to check any legislation at the outset. To the thinking man, the very fact that these people strenuously object to this bill or in fact to any kind of currency legislation that will take the control from their hands, is sufficient to class it as the most desirable piece of legislation that could be enacted. Anybody who has studied the reports of the recent investigation by a House committee regarding the concentration or control of money and credit must come to the same conclusion, that there is a money trust or credit trust, and that we must control it or it will control us.

To prove this statement I quote below from the findings of this committee:

The concentration of control of money and credit has been effected as follows:

First. Through consolidation of competitive banks and trust companies, which consolidations in turn have recently been brought under sympathetic management.

Second. Through the same powerful interests becoming large stockholders in competitive banks and trust companies. This is the simplest way of acquiring control, but since it requires the largest investment of capital, it is the least used, although recent investments in that direction for that apparent purpose amount to tens of millions of dollars in present market values.

Third. Through the confederation of possibly competitive banks and trust companies by means of the system of interlocking directorates.

Fourth. Through the influence which the more powerful banking houses, banks, and trust companies have secured in the management of insurance companies, railroads, producing and trading corporations, and public-utility corporations, by means of stock holdings, voting trusts, fiscal-agency contracts, or representation upon their boards of directors, or through supplying the money requirements of railway, industrial, and public utilities corporations and thereby being enabled to participate in the determination of their financial and business policies.

Fifth. Through partnership or joint-account arrangements between a few of the leading banking houses, banks, and trust companies in the purchase of security issues of the great interstate corporations, accompanied by understanding of recent growth—sometimes called "banking ethics"—which have had the effect of effectually destroying competition between such banking houses and trust companies in the struggle for business or in the purchase and sale of large issues of securities.

The powerful grip of these gentlemen is still upon the throttle that controls the wheels of credit, and upon their signal those wheels will turn or stop. So, I say, if we do not act now, after awhile it may be too late.

In the words of the committee:

Far more dangerous than all that has happened to us in the past in the way of removing competition in industry is the control of credit through the domination of this Money Trust over our banks and industries. It means that there can be no hope of competition and no new ventures that could live against existing combinations without the consent of the trust that dominates the sources of credit. A banking house that has organized a great industrial or railway combination or that has offered its securities to the public is represented on the board of directors and acts as its fiscal agent thereby assumes a certain guardianship over that corporation. In the ratio in which that corporation succeeds or fails the prestige of the banking house and its capacity for absorbing and distributing future issues of securities is affected. If competition is threatened it is manifestly the duty of the bankers from their point of view of the protection of the stockholders, as distinguished from the standpoint of the public, to prevent it if possible. If they control the sources of credit they can furnish such protection. It is this element in the situation that unless checked is likely to do more to prevent the restoration of competition than all other conditions combined. This great power standing between the trusts and the economic forces of competition is the factor most to be dreaded and guarded against by all the people.

Let me say here that every time currency legislation has been proposed in this House or the Senate there has always been opposition to it. Every time an administration undertook to change the financial system of the country it has been opposed. In 1863, when the national banking system was established, some of the very same arguments that are used against this bill to-day were used, and that bill passed the Senate by only two majority, 23 to 21. They said then that there was lack of confidence. They said then that the State banks would not go into the national banking system. But they did. You say now that the national banks will not come into this reserve. They certainly will, because it will be to their advantage to come in.

In conclusion, we must keep in mind the borrowers as well as the bankers in relation to this bill. Are the bankers who object to this bill objecting in the interest of the people, or does the objection come from a selfish standpoint? We want the bankers to come in under the provisions of this bill. Let them give it a fair trial and if there are any defects discovered they can be amended. The Banking and Currency Committee and Members of this House have given a great deal of time to the preparation and discussion of this bill. It is going to pass, and after it has become a law there can be no question but the bill is in the interest of the whole people. [Applause.]

Mr. HAYES. I now yield 10 minutes to my colleague, the gentleman from California [Mr. KENT].

Mr. KENT. Mr. Chairman, I shall take but a few moments of the time of the House to state some views I have concerning currency and banking matters as affected by this bill.

I would respectfully submit that all laws, that all governments, that all forms of restraint offer but a choice of evils.

There is nothing humanly perfect but human perfection. In the coming days of our angelhood perfectness, to which we look forward with apprehension, we shall be fit to live without law, while mortal men in millennial times will be sublimated anarchists, living where there are no legal imperfections, because there will be no law.

It is in view of this basic theory that I find little patience for those who are looking for flyspecks in this bill and are over-

looking the great evils which I feel sure it will largely ameliorate.

Our present currency system is a crazy quilt of mutual and reciprocal profanities—gold, silver at a false ratio, gold certificates, silver certificates calling for 50 cents on the dollar, Treasury certificates redeemable in coin, a few outstanding "blood-stained" and pensioned greenbacks, and, finally, bank notes, which, being based on Government bonds, remind one of the struggle of the bankrupt to live on the interest of his debts.

As herdsman over this aggregation of sheep, goats, jack rabbits, white mice, and fleas stands patient Uncle Sam, saying, "You are all equal in value because I say so." Even the fiat of 90,000,000 people comes huskily in such a declaration.

We have justly complained of the trusts and combinations of the powerful and the greedy, and have seen in the ever-increasing inequality of distribution of our country's wealth a menace and a curse. Our currency system has not only aided the evil tendency, but the disproportionate distribution of currency has been much worse than the distribution of wealth, and the Aldrich bill would, in my humble opinion, have been the key-stone of this arch of centralization.

All streams of currency empty into Wall Street, to be used by the gamblers, promoters, and looters, as well as honest builders, and the streets of other great cities that indulge in Wall Street games are but extensions of Wall Street.

The western farmer, the southern planter, the miller, the miner, the lumberman, and many another possessing wealth—real wealth in terms of necessities of life—are forced to look to Wall Street for money, for their own money, to finance their exchanges, and if it is convenient to the stock gamblers of Wall Street or the wheat gamblers of La Salle Street they got their money—otherwise not.

How this centralized power has been used not only to deprive the indigent of opportunity, but those possessing real wealth of realizing on that wealth of food and goods of which they are possessed, was eloquently demonstrated in 1907.

Under our present system we can not get currency when we need it. We can not have it where we need it. Abundant harvests mean dearth and slack times mean redundancy.

Our great banking system can not be shattered; it must be conserved, helped, and encouraged. But Wall Street should not be our banking system. Our banking system must be controlled by law and the law must be construed and enforced by men, and these men must be guided by a sense of public welfare and not by the sole impulse of private profit.

I have no patience with the talk of Federal despotism—no such thing can exist. Shall we forever prefer a real Morgan-Rockefeller-Wall Street despotism to a bogey man—a hypothetical, imaginary traitor?

Institutions are not automatic. Men must operate them. We can not blame those private individuals who, finding themselves in power, work under the law to increase that power; but we can alter the law and we can replace them, in this case, with men who would face disgrace and imprisonment if they acted in their public capacity as the private individual has acted in his private capacity.

In this brief preface I wish to state that I believe this bill is a credit to its framers; that it is constructed on the lines of sound finance; that it is free from all taint of irredeemable fiat crazes. I believe it calls for the exercise by our bankers of all the qualities of caution and care without which any system would go on the rocks.

Banking—and by banking I do not mean pawnbroking in collateral loans—is a great service to society, an aid to commerce, just as railroads are. It is not an exact or a mathematical science except in part. The human element is predominant and we can not overlook it. For illustration, we might say that 25 per cent resembles chess and 75 per cent resembles poker—one calling for absolute mathematical formulas, the other percentage based on a mixture of chance and human nature.

We might well have an automatic chess player, but no one would ever try to invent a poker-playing machine.

Our bankers in village, town, and city constitute an army, expert in the needs and the abilities of their localities. Under proper control they should be enabled to broaden their usefulness. It is my belief that this bill will give them an opportunity for added usefulness.

I do not object to the mandatory feature, for the bill will prove a source of profit to legitimate banking, and those not wishing to accept its provisions should not claim the Federal brand, but, as we cowmen say, "should be vented and re-branded."

As to the constitutional argument urged by the gentleman from Iowa [Mr. Prouty], whereby he tried to show that the

bankers would be deprived of their property without process of law, that argument is finer spun than a modern skirt.

Banks can not claim the Federal good will and the Federal name without complying with Federal law. They can take their little dishes and play in the State yards if they see fit. Can the creator condition the existence of the creature?

As a matter of course this measure should be followed by a farm-credit system to aid in agricultural development by the use of fixed investment funds, for this is where such funds are needed and can be safely applied. Speculative bonds ought not to be the only outlet for the people's savings.

But this is another story and one in which current funds, the medium of exchange, should not appear. [Applause.]

Mr. HAYES. Mr. Chairman, I yield 30 minutes to the gentleman from Oklahoma [Mr. MORGAN]. [Applause.]

[Mr. MORGAN of Oklahoma addressed the committee. See Appendix.]

Mr. HAYES. I yield 30 minutes to the gentleman from Kentucky [Mr. LANGLEY].

[Mr. LANGLEY addressed the committee. See Appendix.]

Mr. GLASS. Mr. Chairman, the members of the Banking and Currency Committee of the House on this side of the aisle have reason to feel a lively sense of satisfaction over the fact that, after a general discussion of the currency bill reported to the House by the committee extending over a period of four days, no impression adverse to the measure seems to have been created.

I confess to a sense of personal gratification that my opening speech in presenting the bill to the House seems to have anticipated every objection that might, in reason, be offered; and I trust I may, with becoming modesty, express the judgment that it answered every adverse suggestion before it was made here upon the floor of the House, except, perhaps, one or two points involving, I suspect, legal refinements.

Member after Member on the Republican side has come forward to this stand and, declaring he had this or that objection to the bill, nevertheless concluded that it is so much better than the existing system he would have to vote for it upon its final passage. We, of course, think it is so much better than the existing system that it should pass the House with a unanimity that will insure its speedy enactment into law. There seems to be little serious objection to the details of the bill.

Our Republican friends apparently do not object so much to what the bill provides as to the manner of its consideration. There has been a good deal of criticism on this score, as if we had proceeded in a most unusual way and adopted unprecedented methods.

Some gentlemen who have urged this objection are absolutely sincere in their opposition to caucus processes. I have a degree of toleration for colleagues who really take that view, and to these I beg to repeat the assurance that we have not desired to make a partisan matter of this banking and currency bill in any offensive sense. But it must be remembered that we legislate through and by parties here; and I have been unable to understand how we may ever expect to overcome that defect of our American system, if it be a defect.

There has been complaint about there not having been hearings on the bill. The answer is that the bill itself is the product of extensive hearings on the subject of banking and currency reform. As soon as it became definitely known that the Sixty-third Congress would be immediately charged with the responsibility of currency legislation the Banking and Currency Committee of the House set about getting information on the subject. We had elaborate hearings, as I have already stated, to which not only were the bankers of the country invited but the select representatives of every national group in America.

The representatives of the trade-unions, the farmers' unions and granges, commercial bodies, railroad employees, the manufacturers, the credit men, specialists on the subject—all were invited to testify and did testify.

As to the consideration of the bill by the Committee on Banking and Currency, the Democratic members had conferences of their own; but there was no binding obligation upon any member to vote for any provision there agreed upon.

For weeks we carefully and diligently considered every feature of a tentative measure, discussing the alterations that were desirable and making changes that seemed to be wise. During all of that period, as I have previously indicated, I kept in constant communication and contact with the senior Republican member of the committee, assuring him that we did not care to make a partisan issue of the problem. We felt obliged, however, to proceed in the usual way.

After we had agreed on the details of the bill it was taken to a party caucus. Is that a startling procedure? Is there

anything of an unusual nature about that? Is it something so extraordinary and genuinely unique as to occasion amazement on the Republican side of this House?

Mr. PLATT. Will the gentleman yield?

Mr. GLASS. Certainly.

Mr. PLATT. I ask for information. Is it usual to take bills into caucus, discuss them there, and settle them before they have been in general debate in the House?

Mr. GLASS. It is on the Republican side. When the Republicans were in the majority it was not only usual, but almost invariable.

Mr. PLATT. I have been informed that there has only been one case on one bill.

Mr. GLASS. I never have known an important measure to pass this House relating to the currency or tariff that was not agreed on in party caucus or put through under party rule.

Mr. PLATT. Was that in caucus before going in general debate in the House?

Mr. GLASS. The Vreeland currency bill was put in the Republican caucus, and there was no debate of any description on it in the House until the day it was passed. Then only four hours of general debate were allowed instead of four days, which we have given you. [Applause on the Democratic side.]

Mr. SLOAN. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. SLOAN. As another new Member, I would like to ask the gentleman if the Payne tariff bill was considered in caucus by the Republican Party? I do not know. I was not here at the time, and I have not been informed. I do not mean the committee, but I mean the caucus of the Republican Members of the House.

Mr. GLASS. I was here, but I was not in the secrets of the Republican Party. I imagine the tariff bill went to caucus; but if not, the Republican Party of the House was then operating under rules and discipline that required every Republican Member to toe the mark or let Uncle Joe know the reason why. [Applause on the Democratic side.]

Mr. STEENERSON. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. STEENERSON. Has the gentleman ever read the resolution that was passed at the Republican caucus which agreed to the Vreeland-Aldrich bill?

Mr. GLASS. Yes; I have read it. I have it right before me, and I am going to read it to you presently. [Applause on the Democratic side.]

Mr. STEENERSON. So have I. I say the gentleman misrepresents that resolution—

Mr. GLASS. I do not misrepresent the resolution, because I have not yet referred to it.

Mr. STEENERSON. The gentleman said we were bound by the action in caucus.

Mr. GLASS. I have not said anything of the kind; but I am going to say it, and prove it.

Mr. STEENERSON. I defy the gentleman to prove it.

Mr. GLASS. I will read the resolution.

Mr. STEENERSON. If the gentleman will permit me, I will read it.

Mr. GLASS. Go ahead.

Mr. STEENERSON. This is the resolution adopted at the caucus on May 5, 1908, on the Vreeland currency bill:

Resolved, That this meeting or any adjournment thereof is only a conference and not a caucus, and shall not have the binding effect of a caucus; and that those who participate in its deliberations shall be absolutely free hereafter to act in accordance with their own judgment with reference to all matters considered before it.

That is found on page 6246 of the CONGRESSIONAL RECORD, May 14, 1908, first session, Sixtieth Congress.

Mr. GLASS. And to show just how sincere you were in that expression, when Charles N. Fowler, the Republican chairman of the Banking and Currency Committee, undertook to act on the resolution his head came off. He was removed from his position and Mr. Vreeland was made chairman in his stead. [Applause on the Democratic side.] That is how much freedom there was.

Mr. STEENERSON. Here is the RECORD before me.

Mr. GLASS. And there I have given you the real transaction as it occurred. Mr. Fowler, who had been eight years chairman of the Banking and Currency Committee, was humiliated and decapitated because he was simple enough to think your caucus resolution meant what it said.

Mr. STEENERSON. Oh, no; that is not it; I deny that.

Mr. HELGESEN. Will the gentleman yield—

The CHAIRMAN. Does the gentleman yield?

Mr. GLASS. I did not yield, but I will.

Mr. HELGESEN. Assuming that the Republicans for long years have done business along the same line Democrats are now

doing business, is it not true the Democrats have complained and criticized that method for the last 16 years?

Mr. GLASS. Yes; JOHN SHARP WILLIAMS used to rush up and down this aisle nearly every day in the session, exclaiming: "Here is another outrage you are about to perpetrate," and that is what you gentlemen are doing now when we are proposing to pass this bill.

Mr. JOHNSON of Washington. Will the gentleman yield for a question?

Mr. GLASS. Oh, no; I want to proceed.

Mr. JOHNSON of Washington. I just wanted to ask if the Democratic caucus was part of the new freedom?

Mr. GLASS. Yes; our caucus action portends the new freedom—a new freedom signaled by an achievement that no other Congress has ever exceeded. We are going to give you a revision of the tariff and pass a currency bill at a single session of Congress. That is new freedom, both industrial and financial. [Applause on the Democratic side.]

The gentleman from Minnesota [Mr. STEENERSON] talks about this resolution of his party "conference" by which nobody was bound. Let us see what Members of his own party thought of that resolution. Hear the plaint of Mr. Prince, a Republican member of the Committee on Banking and Currency of the House, with respect to this resolution that the gentleman has read:

My fellow Members, put the yoke upon you if you will.

Free to act as you please! Yet here was a Republican Member complaining that the last one of you was about to put on the yoke, and the last one of you did. The gentleman who read the resolution just now went along with the rest. [Laughter on the Democratic side.]

"Walk under the yoke," said Mr. Prince; "under buck," as the expression was at the time with respect to a yoke of oxen. He went on:

Now, the yoke may be easy and the burden light, but I want to say to you that I will not be put under the yoke. I will not assume the burden and go before my constituents and say that I am in favor of makeshift legislation; that I am in favor of discharging a committee of this House; that I am in favor of overriding the wishes of the people; that I am to be a mere tobacco sign.

Was the gentleman from Minnesota a mere tobacco sign on that occasion?

Mr. STEENERSON. The gentleman who made those remarks remained in the party, and was the chairman of a committee, and continued so during that Congress and the next. He was not kicked out of the party.

Mr. GLASS. I referred to Mr. Fowler, who was kicked out of the chairmanship of the Committee on Banking and Currency.

Mr. STEENERSON. No. I am talking about another man, who remained chairman of his committee.

Mr. GLASS. Now, Mr. Chairman, when I was interrupted I was trying to indicate just how we have proceeded with this bill; and a little further on I desire to contrast our conduct with that of certain gentlemen who have assailed us. I said we kept in constant communication with the senior Republican member of the Banking and Currency Committee, advising with him in good faith as to the provisions of the bill and asking suggestions from him. We received suggestions from him and embodied some of them in the bill that was subsequently reported here, after we had considered it in caucus and tamed some of our own members. [Laughter on the Republican side.]

Mr. SLOAN. With the yoke? [Laughter.]

Mr. GLASS. No. By convincing them of the error of their way. The bill was adopted by a vote of 163 ayes to 9 noes. We then took it to the full Committee on Banking and Currency for consideration, and there amendments were made. One of the amendments offered by my courteous friend, Mr. SMITH of Minnesota, and accepted by the Democrats was today made the subject of sharp Republican criticism here. [Laughter on the Democratic side.]

That is a simple recital of the entire procedure upon which we have been so bitterly arraigned. The gentleman from Pennsylvania [Mr. MOORE] initiated the talk about the "gag rule of the Democratic majority," and next the gentleman from Wyoming [Mr. MONDELL] performed. With a mien of injured innocence and an unctious that would have made Dickens ashamed of Uriah Heep [laughter]; with a simulation that would have driven Mr. Pecksniff, broken hearted, into oblivion [laughter], he deprecated the partisan zeal of Democratic members of the Committee on Banking and Currency and the Democratic caucus. He even tried to invest the whole thing with an air of mystery, suggesting that there was something sinister about it. He heard the question had been asked in the caucus and never answered as to "who had written the bill."

It occurs to me that if the gentleman's curiosity was acute enough to ascertain that such a question had been asked he

might have been diligent enough to have learned that it had been promptly answered. As a matter of fact, it was asked. As a matter of fact, it was answered; and it would have better comported with the usages of fair debate had the gentleman from Wyoming stated the answer along with the inquiry. There is no secret about it. Every provision of this bill which was not written by the chairman of the committee or some member of the committee was written under the immediate direction of the chairman by the expert of the committee, who had thorough technical knowledge of the subject. That is the way the bill was prepared; and, now, where is the mystery about it? After all, it is not a question as to who wrote the bill. It is a question as to what it contains; and that seems to be avoided by the critics. They all return to the same "King Caucus" plaint, which in no wise affects the merits of the legislation proposed.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. GREEN of Iowa. I will bring the gentleman to talk about the subject which he spoke of just now. By virtue of this bill the national banks will have to subscribe—

Mr. GLASS. I will come to that presently. I want to talk a little more about what your side talked about chiefly, and then I will come to the provisions of the bill, though not one of them has been successfully assailed.

Mr. GREEN of Iowa. I wanted to ask a question. Will the gentleman yield further?

Mr. GLASS. Not right now; but I will further on.

Mr. GREEN of Iowa. Very well.

Mr. GLASS. The gentleman from Wyoming [Mr. MONDELL] made much ado about the partisanship of this side of the House. He talked in a pious vein about the patriotism which should characterize the consideration and enactment of currency legislation. I am constrained to question the sincerity of the gentleman when he ventures to decry the party caucus, for of the leading figures in the Republican caucus five years ago on the Vreeland currency bill the gentleman from Wyoming [Mr. MONDELL] was one of the foremost. How can he reconcile his preachments now with his performances then? How did our Republican friends proceed on that occasion? They introduced the Vreeland bill in the House on the 13th day of May, 1908, late in the afternoon. Before 11 o'clock on the 14th day of May the gentleman from Pennsylvania [Mr. DALZELL] brought in a rule. Will my friend who interrupted me awhile ago insist that he was not bound by the rule? He voted for it.

Mr. STEENERSON. I will say to the gentleman that I voted for it because I favored it. It was an emergency measure.

Mr. GLASS. The rule read:

Resolved, That after the adoption hereof the Committee on Banking and Currency shall be discharged and the House shall proceed to the consideration of H. R. 21871—

I was a member of the Committee on Banking and Currency, and I assert here that the bill never got to the doors of the committee. Not only that, I assert that when the rule was brought in the bill had not yet come from the Government Printing Office. The rule further provided that—

Debate thereon shall be concluded at not later than 5 o'clock p. m. to-day.

[Laughter on the Democratic side.]

The time to be equally divided between the friends and the opponents of the bill. It shall be in order to offer as a substitute for the bill H. R. 16730. On the conclusion of the debate, as herein provided, a vote shall be taken without delay or intervening motion first on the question of substituting H. R. 16730, if said bill shall have been offered, and then upon the passage of the bill or the substitute in lieu thereof, as the case may be.

What did all that mean? It meant that the Vreeland bill, made the subject of caucus action by the Republican Party, was brought into the House one evening and referred to the Banking and Currency Committee, which it never reached; the committee was discharged next morning from consideration of a bill that it had never seen. Under the rule no amendments were allowed to be offered on either side of the House, and debate was to be concluded in four hours. It permitted a substitute to be offered, but actually prescribed the very text of the substitute. [Laughter.] It undertook to make the Democratic side responsible for a substitute that the Democratic side had not considered and did not favor; and when no Democrat would offer the substitute in the terms provided by the Republican rule a Republican Member, the gentleman from California [Mr. KAHN], assumed to offer a Democratic substitute to a Republican currency bill, thereby not only mocking justice but making a harlequinade of the entire proceeding.

Mr. ALLEN. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. ALLEN. Does the RECORD show whether the bill was read or not?

Mr. GLASS. I do not now recall. I once heard John J. Ingalls describe *Paradise Lost* as "that great epic poem which everybody praises and nobody reads." [Laughter.] The Vreeland-Aldrich bill, whether read or not, was that great legislative enactment that no Republican wanted, but for which all of them voted under caucus rule. [Laughter.]

The Aldrich end of it was denounced by Republicans in this Chamber and the Vreeland end of it was denounced by Republicans in the other Chamber; and when there was a legislative union of the two bad measures the composite bill represented 50 per cent of House infamy and 50 per cent of Senate infamy, according to reliable Republican testimony. [Laughter.]

The Record will show that Mr. Prince, a Republican Member, asked where he could get a copy of the bill, and Mr. FITZGERALD, of New York, declared that no copies were to be obtained. The telephones in the cloakroom got busy, and a few copies were sent up from the Government Printing Office, whereupon Mr. FITZGERALD took one of these and called attention to the fact that the paper was not yet dry on which it was printed.

That is the way the gentleman from Wyoming [Mr. MONDELL], so piously complaining of our procedure now, performed when he last had occasion to consider currency legislation. He voted for a gag rule that gave us only four hours of debate, contrasted with four days for this bill. He voted for a rule that denied both the Democratic and Republican sides the poor privilege of offering a single amendment to the bill, whereas we shall give every Republican full opportunity to offer amendments to this bill.

Should not the gentleman be ashamed of that sort of inconsistency on the floor of the House?

Mr. BUCHANAN of Illinois. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. BUCHANAN of Illinois. Was the Vreeland-Aldrich bill read and considered under the five-minute rule?

Mr. GLASS. Oh, no; never. Not only not read and considered under the five-minute rule, but they did not permit a solitary amendment to be offered to it. And yet the three gentlemen who have most bemoaned the method of procedure in the preparation and consideration of this bill were the three gentlemen most conspicuous in "perpetrating an outrage" on JOHN SHARP WILLIAMS and the Democratic Members of that Congress—Mr. MOORE, of Pennsylvania; Mr. MONDELL, of Wyoming, "Old Faithful" [laughter]; and my good and genial friend from Pennsylvania, Mr. BURKE, all of them standpatters, the last one of them toeing the mark when the whip cracked and each sneezing every time the Speaker took snuff. [Laughter.]

Mr. PLATT. Will the gentleman yield?

Mr. GLASS. Oh, yes; I always yield willingly to my friend.

Mr. PLATT. I wanted to ask why the Democratic Party should start out by taking the worst precedent of the Republicans instead of the best.

Mr. GLASS. We have not done that. I have tried to point out, in contrast, how decently we have treated you in requital of the bad treatment accorded us when your side had charge of currency legislation. We shall let you offer all the amendments you want to offer, and with great cheerfulness and consistency we will vote most of them down. [Laughter.] We shall do that, I think, because we are not willing to believe that a party responsible for the Vreeland-Aldrich bill could possibly improve this bill. [Laughter.]

The speech of my friend from Wyoming is a strange mixture of sense and, if I may say it without the least offense, nonsense. He asserts that the Federal board is given more power under this bill than any institution on earth, whereas I have shown, and no man here can show the contrary, that there is scarcely a power with which that board is invested which has not been performed by one or two Government functionaries for the last 50 years.

I challenge any Member on this floor right now to name a power conferred upon the Federal reserve board by the pending bill that has not been exercised by the Secretary of the Treasury or the Comptroller of the Currency under the national-bank act with respect to existing banks in some sense or degree for many years, except the power of note issue.

It is complained that the Federal reserve board has the option to issue notes or not to issue. Of course it has. Did not the bankers under the Aldrich scheme have the option of issuing or not issuing notes as they might please? Why not, when this is a Government issue, give the Federal board the option? When I directed attention to the fact that the Vreeland bill, for which the gentleman from Wyoming voted, vested this power with the Secretary of the Treasury alone, he insisted that I had not correctly quoted it. When I asked him in what particular I had misquoted, he said he did not have time to answer. I offered to yield him time to answer, but he has not

answered yet. Why? Because I quoted the law correctly. The Vreeland bill distinctly, in section 2, vested the Secretary of the Treasury with the exclusive power of issuing \$500,000,000 of credit currency and passing on the sufficiency of security; so that the gentleman was willing to vest with one man the very power that he protests is too great to be lodged with seven men! He talks derisively about this bill setting up a Pooh-Bah in the banking system, totally insensible of the fact that the measure which he helped put on the statute book does vastly worse in the way of concentrating control. I might aptly paraphrase his doggerel and remind him that the Secretary of the Treasury under the Vreeland-Aldrich Act is not only—

"The cook, and the captain bold,
And the mate of the *Nancy* brig,
And the boatswain tight, and the midshipmite,"
But—the whole infernal rig.

[Laughter and applause on the Democratic side.]

The gentleman sneeringly criticized the President of the United States, and rather offensively, I regret to say, intimated that Mr. Wilson has been using patronage to force currency legislation. I do not believe a word of it. [Applause on the Democratic side.] I refuse to believe that the present occupant of the White House is capable of undertaking to sway men's opinions or to coerce their actions by the use of Federal patronage. [Applause on the Democratic side.]

The gentleman from Wyoming, as did the gentleman from Pennsylvania, criticized the President for his alleged invasion of the privileges of the legislative branch by undertaking to coerce members of the Banking and Currency Committee and likewise members of the Democratic caucus. Retort to that sort of comment is easy. I might remind him, were I disposed to be disagreeable, that the preceding occupant of the White House caused his Attorney General to draw up a railroad bill which accompanied a presidential message to Congress, advising us to pass it. [Applause.] But what has all that to do with the merits of a currency bill now under consideration?

The gentleman from Pennsylvania [Mr. BURKE] discovered a mare's nest in this bill. "We have to fight over the battle for the gold standard," he exclaimed. For the first time, he said, since the Republican Party 13 years ago put a declaration on the statute books in favor of the gold standard, the doctrine has been repudiated in a currency bill. What nonsense! The gentleman seems ignorant of the fact that the national-bank notes which Federal reserve notes will gradually displace are redeemable in "gold or lawful money." He seems not to know that the Vreeland-Aldrich Act, for which he voted five years ago, requires that its emergency notes shall be redeemed in "gold or lawful money." He seems not to understand that the Aldrich scheme, which he confessedly favors now, uses precisely the same phrase as to the redemption of the notes for which the bill provides—"gold or lawful money." Even so sane and ordinarily sensible a paper as the *New York Sun* appears to be alarmed because this bill follows the national banking act and the Vreeland-Aldrich statute and the provision of the Aldrich scheme concerning note redemption. They affect to think we have made an assault upon the gold standard. What a pitiful sort of opposition to this bill that is.

My excellent friend, Mr. BURKE, found out something else. I hate to ruin his speech by calling attention to his discovery. [Laughter.] He said we have provided in this bill in behalf of the agricultural classes, for loans on unencumbered farm lands, but have discriminated against the humble laboring man in the cities; that we deny the workman the right to borrow money with which to defray the cost of his modest home. In that same speech he admitted that he was for the Aldrich bill, by reference to section 40 of which it will be noted that no loan on real estate is permitted in any one of the 47 reserve cities or the three central reserve cities of the country. Mr. BURKE being from Pittsburgh, a reserve city, thus advocates a scheme that expressly denies his humble laboring men the right to borrow money to defray the cost of their modest homes. [Laughter on the Democratic side.]

And so these astonishing inconsistencies proceed. Mr. Chairman. The gentleman from Wyoming [Mr. MONDELL] advocated the mobilization of reserves, but assailed the very provision of this bill which provided for mobilization; he advocated decentralization and assailed the very decentralizing feature of this bill. He talked about the failure of this measure to provide uniform discount rates. The Aldrich bill provided a uniform discount rate; but, if you will examine the hearings had before the Committee on Banking and Currency, you will there see that eminent bankers openly admitted that it was an impossible provision. The truth is, it was a pretense. While the bill provided that the rate of discount should be uniform, no method was devised to make the rate uniform,

whereas the open-market provision of the pending bill will enable the reserve bank to enforce its rate of discount.

Next, the gentleman from Wyoming criticized the bond-refunding provision of this bill, saying it would cost the Government \$7,000,000 per annum, whereas refunding under the Aldrich bill would not cost the Government a cent. Such simplicity, such credulity, were never witnessed before since the world was created. As a matter of fact, if there was one pretense in the Aldrich bill more obvious than many others, it was the pretense that the Government would be involved in no cost in refunding the 2 per cent bonds. Why not? The 2 percents were to be refunded into threes. Who was to pay the difference? The pretense was that the Government was to be authorized to levy a franchise tax in order to compensate itself. But the franchise tax was to come out of the Government's part of the earnings of the Federal reserve association, so that the Government was required to take its own funds with which to pay itself!

The Progressive floor leader of the House [Mr. MURDOCK], like most other gentlemen who have spoken, thought there were defects here and blunders there, and mistakes elsewhere in the bill, but graciously conceded that it was so much better than the existing system that he was inclined to vote for it, hoping that it would be improved at the other end of the Capitol. Nevertheless, he criticized the Democratic majority for an alleged violation of its platform pledges. The bill, he said, is timid, weak, halting, because it does not include a provision against interlocking directorates as promised in the Democratic platform. As a matter of fact, the Democratic platform declaration against interlocking directorates treated that subject as an antitrust proposition and did not associate it with banking and currency laws at all. And it is a trust proposition. What does the platform say on the subject? The exact language is this:

We favor the declaration by law of the conditions upon which corporations shall be permitted to engage in interstate trade, including among others the prevention of holding companies, of interlocking directorates, etc.

So that the declaration there had no connection with or relation to the subject of banking and currency; and it is absurd to charge that the Democrats in Congress have repudiated their platform merely because they refuse to embody extraneous matter in a bill for a banking and currency system. The presiding genius of the Money Trust investigation was the employed attorney, Mr. Samuel Untermyer, of New York, who so searchingly interrogated the witnesses; and he has publicly declared that the two subjects have no relation one to the other. He goes to the extreme of saying that anybody who undertakes to associate one with the other and to complicate this currency legislation with the proposition to embody in it the Pujo recommendations "is a party marplot."

But, pray, what is the position of the Progressive Party upon currency legislation? My friend from Kansas [Mr. MURDOCK] made a speech yesterday covering seven pages in the RECORD, and it contained seven lines about currency reform. He was given the privilege of naming a member of the Banking and Currency Committee. Am I not correct in that supposition?

Mr. HAYES. He was.

Mr. GLASS. Why did he not persuade this Progressive Member to embody in some one of the numerous bills he introduced some provision against interlocking directorates? Treated as a trust question, we know very well the position of the gentleman's leader, Mr. Roosevelt, on the subject of monopoly, because it is recalled that he made terms with the great Steel Trust magnates and promised the culprits immunity before they perpetrated their crime of absorbing the Tennessee Coal & Iron Co., thus consummating one of the most gigantic industrial monopolies of the world. [Applause on the Democratic side.]

Yet, with this record of his chief staring him in the face, the Progressive floor leader here criticizes the Democratic Party upon the pretense that it has violated faith with the people and repudiated its platform because it will not embody in a banking and currency bill something that relates properly to trusts and combinations in restraint of interstate trade.

Mr. Chairman, I believe I will not further tax the patience of the House by commenting on such irrelevant criticisms of the bill. They seem to have made no serious impression. I have been gratified, as well as astonished, at the moderation of gentlemen who have essayed to criticize the bill. It is a complex question, an exceedingly difficult problem, and while I knew that we had thrashed it out among ourselves pretty thoroughly I scarcely hoped that we had made such a good job of it as the criticisms from that side of the House would indicate.

I will not proceed longer in the discussion of the matter, and I thank my colleagues for their patient attention. [Applause.]

Mr. AUSTIN. Mr. Chairman, I ask permission to print remarks in the RECORD.

The CHAIRMAN. The gentleman has that permission.

Mr. AUSTIN. Mr. Chairman, under leave to print, I submit three letters written by Mr. Henry Clifford Stuart, an able and worthy citizen of this city, on "Currency reform." I have favorably known Mr. Stuart for several years. He has given much time and study to the currency question, and I ask those seeking light on the subject to give his views careful consideration.

The letters are as follows:

2619 WOODLEY PLACE,
Washington, D. C., August 2, 1913.

Hon. R. W. AUSTIN,

House of Representatives, Washington, D. C.

DEAR SIR: The terms "currency" and "reform" are apt to mislead us.

The bills pending in House and Senate will not change our present means for exchange at all, but merely remix, relabel, and represscribe them. "Laws" are being doctored so as to give our currency greater currency; that is all.

Before "reforming" anything, it might be well to stop to consider its present form, which may have changed greatly since we last stopped to look at it, and may be entirely different from what we think it to be. Now, what is the present form of that which passes current among us, enabling us to effect our exchanges one with another?

Stop a moment and look at it. It may surprise some of us to learn that ours has come to be an out and out paper-money country; that we have come to speak of gold no longer as a "standard" but as a "base"—a base for a great volume of paper-note money, on which has been gradually superimposed a vast system of paper-credit money.

The great Nations, recognizing the insufficiency of gold even for a "base," and failing to perceive how rapidly the demand therefor is being impaired by the psychological wave now engulfing the world, are preparing for war by eagerly bidding against each other in its purchase—are buying gold, mind you; buying the "standard" at a price over and above that fixed.

Gold can be had only when it is not generally wanted, all the false promises of Governments to their peoples to the contrary notwithstanding. Its lingering connection with our present-day means for exchange is purely psychological. It is the tool financiers periodically exploit us with—nothing more.

We have already readily agreed to five hundred millions railroad-bond paper money; and we are agreed also to issue money, in any amount, on notes of hand—tissue-paper money. Would we do this if gold sufficed? I wot not. We do not yet openly admit that gold has passed, but down in our subconsciousness we are perfectly well aware that we have outgrown it, and that if exchanges depend upon it the vast activities of to-day would come to an immediate standstill, as indeed they do every time the bankers, for personal reasons, call for it.

Thus no objection is heard to paper money, the measures to give greater currency to various kinds of which are now being urged by the bankers themselves.

But what shall we say of the stupendous folly of our Government in undertaking to settle the money changers' rake off, which, in time, will absorb the whole, in gold. Where is it going to get the gold from? Issue bonds at our expense or tax us direct for its purchase?

Money of whatsoever kind is but a certificate—the certificate of the exchange relationship of labor as differently embodied. Gold, of all the most uneconomical means for exchange, would be worthless were it not for the labor behind it, and silver and other metals would not pass as small change were it not for labor and other things behind them—the fiat of a creditable Government and the consent of the people to the use of limited amounts in this way. So with paper money—it merely represents what is behind it. There can be no objection to the use of paper as money; it will always pass at par while we are confident that it is properly secured.

Nor have the bankers any objection to paper—where they control it. They only howl "flat money" and threaten dire disaster when we try to get together to instruct Government to provide and issue the means for exchange, without favor, to all entitled by proper security to its use—to all who have something to exchange.

They fear their time-honored privilege of preying upon the exchange necessities of the community may be threatened, and this is the reason for their present insolent denial of this right of sovereignty.

Now, there can be no objection to any honest means for exchange—anything that has real labor behind it in the amount represented or more—as long as it be fully adequate to the requirements of the people in no way constrains their activities, and is available to all on equal terms and without usurious charge.

Nor any objection to the banks continuing to act as agents for all parties to an exchange.

But we should most solemnly protest at making them the masters instead of the servants of the people.

We should protest at the very idea, not only of Government abdicating its right to provide the means for exchange, but of its continuing to neglect its duty so to do.

And although the bills now pending control the rates to be charged the banks by the Government, it might be respectfully suggested that some limit, however extreme, be set on the rates the people are to be charged by the banks.

This can not be done by means of usury "laws," all of which have ever been dead letters. It can only be done by freeing the supply—by naming a rate just a notch higher than the banks are to be allowed to charge at which anybody, possessing proper security, may upon demand and without commission, discount or any charge other than interest, obtain the needed means for exchange direct from Government itself.

And the Government should determine what security would be acceptable—and this should not be limited to the paper of any specially privileged classes, such as financiers and traders, but should be extended to farm lands and improved city real estate, manufacturing plants, and otherwise as widely as possible and at such proportion of their assessed value as to insure such confidence in the needed means for exchange as to give it full currency at face value without thought even of the credit of the Government behind it.

The means for exchange is a public necessity, and though it may be allowed to remain yet a while in private hands, the time has arrived when the Government must see to it that public necessity is no longer too greatly exploited.

No man wants gold save for purposes of exploitation, but all need to be assured of a never-failing means for exchange. The hawking about of gold by the financiers of the nations will not stand investigation—not in the present changing frame of mind of the peoples.

HENRY CLIFFORD STUART.

Hon. R. W. AUSTIN,
House of Representatives, Washington, D. C.

THE WHEREFORENESS OF GOLD.

DEAR SIR: Let us make a hasty, preliminary survey of this most interesting phase of the currency question.

Why is it that, failing in their attempt to have Government legalize their private makeshifts, the banks, forced to the (to them) desperate expedient of proposing that Government shall furnish a means for exchange, should insist that Government shall redeem same in gold, a thing that they themselves always promise but invariably and necessarily fail to do?

Let us consider this matter from one side only for the moment. Is it not obvious that if the banks be allowed to take a rake-off of 5 per cent only—and in so far as has yet been proposed they can charge anything they like—on the moneys the Government proposes to furnish them to trade upon, they must absorb the whole in 20 years, whether the issue be five hundred or five hundred thousand millions that the people call for?

Now, having absorbed all the money, why do they ask the Government to change it into gold? Is it not because this is the only way they can get from the Government bonds upon the people, taxing them in perpetuity?

They have no use for gold unless they can put it out at interest at once, and what way so easy to do this as to get the Government itself to take it off their hands. Hence the demand upon Government for what the Government has not got. If they really wanted gold for itself, they would ask the Government to buy and issue gold in the first place.

But the need of the people for a means for the exchange of their products remains. So having wound one silken thread around the Republic the Government issues the paper money through them again, and at the end of another 20-year period—in reality it is much shorter—they wind another, and so on until the revolution.

Might not this be one possible explanation of the white man's present state of bondage?

Faithfully, yours,

HENRY CLIFFORD STUART.

AN OPEN LETTER TO DR. SUN YAT-SEN.

2619 WOODLEY PLACE,
Washington, D. C., June 16, 1913.

MY DEAR DOCTOR: If you have ever visited a sugar plantation and happened to find an intelligence in charge of the vacuum pans, you probably learned that the man through whom this great invention came could not himself start it running until the steel of a fresh mind struck the last divine spark from his own.

While history may not look upon you as an originator exactly, you are certain to be regarded hereafter as the great adapter—the one modern who best attempted to turn the errors of the world to the good of the people—so, if but a hint be required to start China's boilers going, let me hope to do for you what the other layman did for the inventor.

I refer to the financial troubles of your country.

In throwing off the Manchu yoke the withdrawal of labor from its accustomed pursuits has disturbed the former economic level, involving a loss the equitable settlement whereof necessitates a redistribution of goods to effect which you are confronted with the need of making a sudden and extraordinary increase in your means for exchange.

You are being urged to use gold for this purpose, and the Governments of the western world have done their best to constrain your acceptance of a nominal \$300,000,000 from the private individuals who have grown fat upon and still finance them—the security for the loan to be your country and the price the bondage of your people.

To the everlasting honor of a Chinaman be it said you are the first statesman to balk at selling a people into slavery. The matter at issue is the settlement for and proper distribution of a loss, and you refuse to prostitute yourself by calling in as doctors those who live on losses.

The attitude of the Governments of the western world, which have ever betrayed their own peoples and would now serve as procurers, reminds one of the broken elephants which are used to ensnare those still free.

But you must pay the troops, you say, and settle the trumped claims despoilers would force upon you. Agreed: This can not be done severally by the people hence they depute you to do it for them collectively, requiring you to meet the other expenses of government as well.

But the troops are not asking you for gold—they have no surplus to exchange for gold. You are dealing with a loss which no one will take from you, but which must be settled by equitable distribution among yourselves. What you need is a means for distribution, a means for exchange, a means whereby you may take part of his goods away from him who did not fight to give to him who did.

Three hundred million dollars, even supposing that you really got them, might not be means enough. You may now need or be about to require more. Perhaps those who are trying to hold you up to "finance" you know this, but intend, once they have you in their power, that you shall go to them hereafter and beg for the balance necessary, when even more onerous terms will be imposed upon you.

What, with England drugging, Russia robbing, and the other powers of darkness hovering over you, it takes a mind as keen and a heart as stout as Christ's to do for the people; but as your's would seem such, why not show these gentlemen that you're no "piker" by starting "the game" yourself for \$500,000,000? I would not allow them to do even the engraving—they might alter the text.

I will not call you a "patriot"—none of the name ever had a brain sufficiently balanced to do the race any good—but assuming you to be what was once known as a "just" man, the absence of graft for yourself and your friends obviates all need of "discount"—the bonds convenient for the issuance of the currency can be sold at par.

And indeed they are worth par, for there is no finer "investment" anywhere than the 4 percents of an intelligent, hard-working, frugal, and ethically honest people, whose natural resources are barely scratched, whose national debt at the end of 1912 (Britannica Year Book) was only \$960,215,690, or less than \$3 per head for her 325,527,830 people, and who are about to establish a truly national government.

Draw a check on yourself and buy in the whole five hundred millions. No nation ever made an investment of such transcendent importance.

Being now the possessor of prime Government bonds, undepreciated by thievery of any kind, you will use them as collateral for the issue of \$500,000,000 in notes, of the denominations most useful to your people, taking very great care to make them full legal tender, so as to insure their currency, and not forgetting to first use them to take up your check, which should be immediately canceled, framed, and hung in the Treasury Department as a souvenir.

You will now proceed to pay the troops and other extraordinary expenses and thus restore the economic equilibrium which their forced departure from the paths of peace had temporarily disturbed.

You will thus have partitioned and properly distributed a loss. No one can do more, for a loss of this kind can never be made good.

You will next proceed with the foreign "claims," some partially just and others wholly fraudulent, but all of which you must settle in order to avoid the attentions of Governments whose intentions toward you are even more base than those of their subjects.

Here you are confronted with another kind of loss, largely imaginary with them but wholly real to you, which also must be distributed en toto among your own people, but which, alas, can not be settled so readily. These claimants, though living off your country, far from recognizing any obligation incurred thereby, are intent upon seizing the opportunity to mulct you for their private gain, nor are they likely under present conditions to await settlement. They demand payment at once and insist upon gold. As you have no gold, you must buy this much from the money lenders on any terms you can, thus increasing your foreign debt.

Now, at the end of 25 years the surtax you will have had to impose upon your people to meet the 4 per cent interest on the bonds you have been wise enough to buy yourself will have accumulated in sum sufficient to retire the paper money, and with this the bonds; but by this time you will have found out that this paper money is quite indispensable as a means for exchange.

When this time comes it will be easy for you, the eastern mind being more penetrating than the western, to give a most suggestive lesson by destroying the bonds, the purely imaginary necessity for which has been the reason for the 500,000,000 surtax, and asking your people what disposition they wish made of this useless hoard—whether they wish to take it themselves in exchange for the paper money of which the bonds were the superfluous symbol; whether, having found this paper money quite suitable for their own uses, they care to buy back from the foreigner the surplus products they have so sweated themselves to produce and send him in exchange for this gold; or whether they had not best apply it to the reduction by one-half of their foreign debt, in the hope of altogether eradicating this cancer in the course of another generation?

For, I repeat, you have been trying to make good a loss of a kind which can not be made good, and have only succeeded in speeding up your people, the result of which is a "surplus," which is unreal in that it has been obtained at the cost of the land and of the vitality of your people.

But it would be too great good fortune to thus easily distribute your own losses and pay debts and unjust claims at the cost of the vitality of one or two generations only. There would be nothing "modern" in this—this would be "futurist." No; you would not be allowed so to do. The fleets of the powers, which the financiers use as if they were their own, would be sent to close your ports at once. You would be cut up into "spheres of influence"—evil influence.

No! While these gentlemen are still able to play the forces of all "the powers" against the peoples, prudence demands that you should pretend to be asleep while they burglarize your house. So take the gold they would force upon you, but do not spend it. Remember that it is not yours to spend. It has only been "lent" you, and they pretend to expect you to return it.

Remember that gold is a tool only—to be used, but never lost—and that the only way to do this is to follow the example of its craftsmen.

After signing for three hundred millions in gold, take what they may actually let you have thereof, put it in your Treasury and keep it there, issuing against it note money to the full, and credit money in any amount you like, up to ten times its full amount or more, maintaining the parity fiction just as the bankers do.

Place a surtax on your people to meet the charge for the use of that for which you have no use, and when they get tired of paying tribute, and have prepared to and feel strong enough to resist the oppressors, pull the musty gold out of your strong box, add thereto the portion you signed for but did not get, and—send it back to them.

HENRY CLIFFORD STUART.

Mr. BULKLEY. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

The committee accordingly rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 7838) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, and had come to no resolution thereon.

DEATH OF REPRESENTATIVE TIMOTHY D. SULLIVAN.

Mr. GITTINS. Mr. Speaker, it becomes my sad duty to announce to the House the death of the Hon. TIMOTHY D. SULLIVAN, late a Representative from the thirteenth district of New York. I will not at this time, but I shall at some future time, ask the House to set apart a day when respect may be paid to his memory. I offer the following resolutions.

The Clerk read as follows:

House resolution 253.

Resolved, That the House has heard with profound sorrow of the death of Hon. TIMOTHY D. SULLIVAN, a Representative from the State of New York.

Resolved, That a committee of 20 Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provisions of these resolutions, and that the necessary expense in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

The resolutions were agreed to.

The SPEAKER announced the following committee:

Mr. FITZGERALD, Mr. WILSON of New York, Mr. MAHER, Mr. RIORDAN, Mr. GOLDFOGLE, Mr. LEVY, Mr. CONRY, Mr. PATTEN of New York, Mr. GEORGE, Mr. GOULDEN, Mr. TALCOTT of New York, Mr. GITTINS, Mr. KINKEAD of New Jersey, Mr. PAYNE, Mr. CALDER, Mr. FAIRCHILD, Mr. DANFORTH, Mr. PLATT, Mr. PARKER, and Mr. CHANDLER of New York.

Mr. GITTINS. Mr. Speaker, I now offer the further resolution which I send to the desk.

The Clerk read as follows:

Resolved, That as a further mark of respect the House do now adjourn.

ADJOURNMENT.

The resolution was agreed to; accordingly (at 9 o'clock and 42 minutes p. m.) the House adjourned until Monday, September 15, 1913, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on preliminary examination and survey for a lock in the proposed dam at the foot of Caddo Lake, La. and Tex., and a channel from said dam to the Red River by way of Big Pass, Little Pass, Soda Lake, Twelvemile Bayou, and Cross Bayou (H. Doc. No. 236); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

2. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, reports on preliminary examination and survey of harbors and rivers at or near Chicago, Ill., including Chicago Harbor, Chicago River, Calumet Harbor, Grand Calumet and Little Calumet Rivers, Ill. and Ind., Lake Calumet and necessary connection with Calumet River, and the lake shore from the mouth of Chicago River to the city of Gary, Ind., for the purpose of reporting a plan for a complete, systematic, and broad improvement of harbor facilities for Chicago and adjacent territory (H. Doc. No. 237); to the Committee on Rivers and Harbors and ordered to be printed, with illustrations.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. DEITRICK: A bill (H. R. 8131) for the acquisition of a site and the erection thereon of a public building at Wakefield, Mass.; to the Committee on Public Buildings and Grounds.

By Mr. PROUTY: A bill (H. R. 8132) for the acquisition of a site and the erection thereon of a post-office building at Pella, State of Iowa; to the Committee on Public Buildings and Grounds.

By Mr. WILLIS: A bill (H. R. 8133) to regulate the installation and type of scales to be used by carriers engaged in interstate commerce and to provide rules governing the weighing of freight; to the Committee on Interstate and Foreign Commerce.

By Mr. GOODWIN of Arkansas: A bill (H. R. 8142) to authorize the construction, maintenance, and operation of a bridge across the Bayou Bartholomew at or near Wilmot, Ark.; to the Committee on Interstate and Foreign Commerce.

By Mr. KENT: A bill (H. R. 8143) authorizing the Secretary of War to donate to the town of Santa Rosa, Cal., two cannon or fieldpieces; to the Committee on Military Affairs.

By Mr. KINDEL: Resolution (H. Res. 252) to investigate the alleged dissolution of the Union Pacific-Southern Pacific Railroad merger and other matters; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. FOSTER: A bill (H. R. 8134) granting an increase of pension to William B. Thurman; to the Committee on Pensions.

By Mr. GRAHAM of Pennsylvania: A bill (H. R. 8135) granting a pension to Delia White; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8136) granting a pension to Carrie Crane; to the Committee on Pensions.

By Mr. HENSLEY: A bill (H. R. 8137) granting a pension to Jane Johnson; to the Committee on Invalid Pensions.

By Mr. PALMER: A bill (H. R. 8138) granting a pension to George S. Frankenfield; to the Committee on Pensions.

By Mr. TAGGART: A bill (H. R. 8139) granting an increase of pension to James M. Brown; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8140) granting an increase of pension to Mary A. Holland; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8141) granting an increase of pension to Clem B. I. Ambler; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. LEVY: Petition of the Tompkins-Kiel Marble Co., New York, N. Y., protesting against the proposed increase of rate on drawback of marble for export; to the Committee on Ways and Means.

Also, petition of Sample & Co., L. Samuels & Co., Dryfoos, Blum & Co., the Cartwright Co., and E. Eising & Co., of New York, N. Y., protesting against the passage of legislation providing for a payment of 25 cents for rectifiers and wholesale dealers' stamps; to the Committee on Ways and Means.

By Mr. LINDQUIST: Petition of sundry business men of the eleventh congressional district of Michigan, favoring the passage of legislation compelling concerns selling goods direct to the consumer by mail to contribute their portion of the funds for the development of the local community, county, and State; to the Committee on Interstate and Foreign Commerce.

SENATE.

MONDAY, September 15, 1913.

The Senate met at 12 o'clock m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

NAMING A PRESIDING OFFICER.

The Secretary (James M. Baker) read the following letter:

To the Senate:

Being temporarily absent from the Senate, I appoint Hon. F. M. SIMMONS, a Senator from the State of North Carolina, to perform the duties of the Chair during my absence.

JAMES P. CLARKE,
President pro tempore.

Mr. SIMMONS thereupon took the chair as Presiding Officer and directed the Journal of the proceedings of the preceding session to be read.

The Journal of the proceedings of Thursday last was read and approved.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the House had passed a joint resolution (H. J. Res. 130) to provide for the relief and transportation of destitute American citizens in Mexico, in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED.

The message also announced that the Speaker of the House had signed the following enrolled bills, and they were thereupon signed by the Acting President pro tempore:

H. R. 4937. An act extending to the port of Dallas, Tex., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement; and

H. R. 7595. An act providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition, and for the protection of foreign exhibitors.

PETITIONS.

Mr. THORNTON. On behalf of certain citizens of Colfax, La., I desire to present a petition of the National Woman's Christian Temperance Union, requesting the passage of the Sims amendment to the bill (H. R. 27876) providing that it shall be a condition precedent to the payment of any and all appropriations in this act that the Panama Exposition Co. shall contract with the Secretary of the Treasury to keep the gates of this exposition closed on Sundays during the entire period of the exposition. I move that the petition be referred to the Committee on Industrial Expositions.

The motion was agreed to.

Mr. JONES. I have here a telegram from the manager of the transportation bureau of the Seattle Chamber of Commerce protesting on behalf of the shippers of the country against the

abolishment of the Commerce Court, and asking that provision may be made giving to the shippers a right of appeal from the orders of the Interstate Commerce Commission. I ask that the telegram may be printed in the Record and referred to the Committee on Appropriations.

There being no objection, the telegram was referred to the Committee on Appropriations and ordered to be printed in the Record, as follows:

SEATTLE, WASH., September 11, 1913.

W. L. JONES, Washington, D. C.:

Transportation bureau believes it represents the opinion of vast majority of shippers all over country in urging you to work for retention of Commerce Court, also for obtaining provision for right of appeal by shippers from commission's orders. Am to-day wiring chairman Senate Appropriations Committee. Ask your active assistance.

W. A. MEARS, Manager.

Mr. POINDEXTER presented a petition of the Central Labor Council of Seattle, Wash., praying for the enactment of legislation for the relief of settlers on unsurveyed railroad lands, which was referred to the Committee on Public Lands.

He also presented resolutions adopted by the Washington Bankers' Association at the eighteenth annual convention, held at Bellingham, Wash., August 9, 1913, indorsing the efforts of the National One-Cent Letter-Postage Association to secure reduction in rates on first-class letter postage, which were referred to the Committee on Post Offices and Post Roads.

Mr. PERKINS presented a petition of the San Mateo County Development Association, of California, praying for the enactment of legislation providing for the strengthening of the Pacific coast naval defense, which was referred to the Committee on Naval Affairs.

BILLS AND JOINT RESOLUTIONS INTRODUCED.

Bills and joint resolutions were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. THORNTON (for Mr. BANKHEAD):

A bill (S. 3113) to provide for the construction, maintenance, and improvement of post roads and rural delivery routes through the cooperation and joint action of the National Government and the several States in which such post roads or rural delivery routes may be established; to the Committee on Post Offices and Post Roads.

By Mr. ASHURST:

A bill (S. 3114) granting an increase of pension to John W. Lively (with accompanying papers); to the Committee on Pensions.

By Mr. JONES:

A bill (S. 3115) granting an increase of pension to Olive H. Bowen; to the Committee on Pensions.

(By request.) A bill (S. 3116) authorizing the Secretary of the Treasury to receive certain individual deposits of lawful money from persons other than national banking associations, providing for reimbursement of the same, and to receive certain deposits of lawful money from any person in exchange for deposit bonds of the United States, providing for the redemption of the same, and for other purposes;

(By request.) A bill (S. 3117) to provide for the establishment of Federal reserve banks, for furnishing an adequate currency, and to establish a more effective supervision of banking in the United States, and for other purposes; and

(By request.) A bill (S. 3118) whereby the National Government assumes control over all associations that receive lawful money on credit deposit and which specifies where all deposit reserves of national banking associations shall be kept, and for other purposes; to the Committee on Banking and Currency.

By Mr. POINDEXTER:

A bill (S. 3119) to provide for the erection of a public building in the city of Port Angeles, in the State of Washington; to the Committee on Public Buildings and Grounds.

By Mr. O'GORMAN:

A bill (S. 3120) for the erection of a replica of John Quincy Adams Ward's statue of Washington; to the Committee on the Library.

By Mr. JONES:

A joint resolution (S. J. Res. 69) authorizing the Secretary of War to make donation of condemned cannon and cannon balls; to the Committee on Military Affairs.

By Mr. O'GORMAN:

A joint resolution (S. J. Res. 70) authorizing the presentation of the statue of President Washington now located in the Capitol Grounds to the Smithsonian Institution; to the Committee on the Library.

AMENDMENTS TO DEFICIENCY APPROPRIATION BILL.

Mr. THORNTON (for Mr. BANKHEAD) submitted an amendment proposing that the sum of \$150,000 of the unexpended bal-

ance of the appropriation heretofore made for the improvement of the Tennessee River be made available for the improvement of the Tennessee River between Florence and Riverton, Ala., etc., intended to be proposed by him to the urgent deficiency appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

Mr. SHEPPARD submitted an amendment proposing that the appropriation of \$40,000 and the appropriation of \$25,000 for the enlargement, extension, remodeling, or improvement of the appraisers' stores building at Galveston, Tex., be reappropriated and made available for carrying into effect so much of the revised authorization contained in section 1 of the act of Congress approved March 4, 1913, etc., intended to be proposed by him to the urgent deficiency appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

PRESIDENTIAL APPROVAL.

A message from the President of the United States, by Mr. Latta, executive clerk, announced that the President had, on September 11, 1913, approved and signed the following joint resolution:

S. J. Res. 68. Joint resolution authorizing the Secretary of the Senate and the Clerk of the House of Representatives to advance to the chairman of the commission appointed under the act approved June 30, 1913, such sums of money as may be necessary for the carrying on of the commission, etc.

RELIEF OF DESTITUTE AMERICANS IN MEXICO.

Mr. CHAMBERLAIN. I ask that the joint resolution which has just come from the House be laid before the Senate.

The joint resolution (H. J. Res. 130) to provide for the relief and transportation of destitute American citizens in Mexico was read the first time by its title.

Mr. CHAMBERLAIN. I ask unanimous consent for the present consideration of the joint resolution.

Mr. NORRIS. Let us have the joint resolution read.

The PRESIDING OFFICER. The Secretary will read the joint resolution at length.

The joint resolution was read the second time at length, as follows:

Resolved, etc., That there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, for relief of destitute American citizens in Mexico, including transportation to their homes in the United States, to be expended under the direction and within the discretion of the Secretary of State, and to be immediately available, \$100,000. Authority is hereby granted to the Secretary of State to reimburse from this appropriation the appropriation for "Emergencies arising in the Diplomatic and Consular Service," for such sums as shall have been expended from that appropriation for purposes of relief and transportation in and from Mexico since January 1, 1913.

Mr. CHAMBERLAIN. In connection with the joint resolution, which has passed the House and for the consideration of which I ask unanimous consent, I desire to submit a communication addressed to the chairman of the Committee on Appropriations by the Secretary of State, Mr. Bryan.

The PRESIDING OFFICER. Does the Senator from Oregon desire to have the communication read?

Mr. CHAMBERLAIN. I desire to have the Secretary read it.

The PRESIDING OFFICER. The Secretary will read it.

The Secretary read as follows:

DEPARTMENT OF STATE,
Washington, D. C., September 12, 1913.

The Hon. THOMAS S. MARTIN,
Chairman of the Committee on Appropriations,
United States Senate.

MY DEAR SENATOR MARTIN: At the time the department's recommendations to Congress were made for an appropriation for the relief of Americans in Mexico, and even as late as the time when the deficiency bill containing the proposed appropriation was reported to the House, it was believed that the appropriation for emergencies arising in the Diplomatic and Consular Service would be sufficient to cover the expenses of extending relief to Americans in Mexico and transporting them to their homes in the United States until the deficiency bill had become law. Contrary to expectations the expenditures have increased more rapidly than was anticipated, until the department now finds itself with less than \$12,000 available and a daily expenditure for relief and transportation approximating \$2,000. In view of the fact that the deficiency bill is still pending in the Committee on Appropriations of the Senate, and will not become law before the available appropriations have been exhausted, it is essential that there should be placed at the department's disposal at once a sufficient sum to enable it to carry on the work of relief and prevent the hardship and dissatisfaction which a discontinuance of that work would entail. Besides the obligation resting upon this Government under existing conditions of affording a safe and speedy means by which Americans may leave Mexico and reach their homes in the United States, there are political reasons which render it of the highest importance that the work which is being carried on should not be brought to a sudden stop.

The amount already expended from the emergency appropriation since January 1, 1913, for the relief and transportation of Americans in and from Mexico is at the present moment approximately \$52,788.29. Nearly all of this amount has been expended since March 4, 1913. It is highly important that the emergency fund be reimbursed by the amount so expended in order that the department may be in a position to meet other demands upon it during the remainder of the fiscal year.

If the proposed appropriation shall be made there will be left for purposes of relief and transportation after the reimbursement of the emergency fund only approximately \$47,211.71, which will probably be inadequate for the purpose for which it is intended. It is therefore suggested that all or at least half of the appropriation proposed to be made in the deficiency bill be retained in that measure and be placed at the disposition of the Secretary of State, in case he should be called upon to afford relief and transportation to an amount in excess of that appropriated by the appended resolution.

Very sincerely, yours,

W. J. BRYAN.

Mr. CHAMBERLAIN. Mr. President, it will be seen from the reading of the communication that the department is expending at the rate of about \$2,600 a day for the repatriation of American citizens in Mexico. It is true there has been an appropriation included in the general deficiency bill of \$100,000 for this purpose, and that that bill has passed the House and is now pending before the Committee on Appropriations of the Senate. In the very nature of things it will be some time before the committee of the Senate can take that measure up for consideration. In the meantime there will practically be no money for the purposes designated in the joint resolution. If it is referred to the committee it will take some time for the committee to reach it. It is doubtful if there is a quorum of the Committee on Appropriations in the city. The matter is so urgent that I request that the Senate may give the joint resolution immediate consideration.

Mr. GALLINGER. Mr. President, under ordinary conditions I would insist that a joint resolution of this kind should go to the committee, but, as the Senator from Oregon has correctly stated, there is, perhaps, not a quorum of the committee in the city at the present time; the chairman is absent, and in view of the urgency in the matter I trust that the request of the Senator will be complied with.

Mr. SHAFROTH. Mr. President, I am a member of the Committee on Appropriations to which the joint resolution would be referred, and I will state that I do not believe there are enough members of the committee in town to constitute a quorum, but all the members of the committee with whom I have talked are heartily in favor of passing this measure; and, inasmuch as it is an emergency measure, it seems to me that it ought to be passed without a reference to the committee.

Mr. BRISTOW. Mr. President, I do not intend to offer any objection to the passage of the joint resolution and the appropriation of this money, but I feel that I should say that the policy which is being pursued by the administration in trying to induce our citizens to leave Mexico and abandon their property I think is very unfortunate. I have had letters from Mexico since that warning was promulgated, and I have talked with acquaintances of mine who have left Mexico, and they, men of reliability and high standing, tell me that it has made the lot of our people in Mexico very much harder than it was before the warning was promulgated, and they deeply regret that a policy has been adopted which makes the conditions there more embarrassing to them than they were before the policy was announced.

But, of course, the withholding of an appropriation to relieve the distress which exists would not remedy in any way the mistakes that have been made, and for that reason I offer no objection to the joint resolution.

Mr. JONES. Mr. President, without expressing any opinion with reference to the necessity of this appropriation, I desire to say as a member of the Committee on Appropriations that I think the joint resolution ought to be passed, and passed to-day.

Mr. NORRIS. Mr. President, I have no objection to the joint resolution whatever; I am in favor of its passage; but there is one provision in it that I should like to have some member of the committee explain, and that is the necessity of using out of this fund money to reimburse the expenditure that has heretofore been made out of a different fund. What is the necessity of that?

Mr. CHAMBERLAIN. I understand that that is a standing appropriation for emergencies, and it has been called into requisition for these purposes. I suppose the object is to keep that fund intact.

Mr. NORRIS. There are \$12,000 left in the fund.

Mr. CHAMBERLAIN. There are \$12,000 left in the fund.

Mr. NORRIS. The deficiency appropriation bill, it seems to me, would be the place to reimburse that fund. It might endanger the purposes of this joint resolution if so much money, about \$47,000, I understand, of the \$100,000, were to be used for that purpose. It might endanger the very object of the joint resolution in not leaving a sufficient amount to meet the exigencies of the case.

Mr. CHAMBERLAIN. In all human probability all of this appropriation of \$100,000 will be necessary for immediate use, and it will not be available for the purpose of reimbursing the fund that has been used.

Mr. NORRIS. I did not understand the Senator.

Mr. CHAMBERLAIN. I say it is barely possible that every dollar of the fund that is now appropriated under the joint resolution will be immediately used, and in the meantime when the deficiency appropriation bill comes up for consideration it may not be necessary to add to the appropriation in the deficiency appropriation bill.

Mr. NORRIS. As I understand the joint resolution, from hearing it read, it will be necessary for that fund to be reimbursed out of this appropriation of \$100,000. Of course they could use it again out of that fund if it became necessary. So to me there does not appear to be any necessity for the provision. That fund ought to be reimbursed out of the regular deficiency appropriation bill, as suggested to me by the Senator from Minnesota [Mr. CLAPP].

Mr. CHAMBERLAIN. It might be done either way. It is a matter that is in the discretion of the Senate.

Mr. CLAPP. I think it is confusing the whole thing to make provision in this joint resolution for a reimbursement which is a proper function of the deficiency appropriation bill when we reach it.

Mr. CHAMBERLAIN. I do not think that is the purpose of it. The letter of the Secretary of State is explicit and tells just exactly the purpose for which this appropriation is sought. We have to be governed by his suggestion in the matter. If the Senator from Minnesota heard his letter read he should understand exactly what is the purpose of the appropriation.

Mr. CLAPP. I heard his letter read and I am not going to object to the joint resolution, but it does seem to me that there would be less confusion if we made this appropriation direct and left any deficiency to be treated in the regular deficiency appropriation bill. However I am not going to object.

Mr. CHAMBERLAIN. If the Senator is not going to object there is no need to discuss it further.

The PRESIDING OFFICER (Mr. FLETCHER in the chair). Is there objection to the present consideration of the joint resolution?

There being no objection, the joint resolution was considered as in Committee of the Whole.

The joint resolution was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

THE BEET-SUGAR INDUSTRY AND THE TARIFF.

Mr. THOMAS. Mr. President, during the course of the Underwood bill through the Senate I abstained almost entirely from a discussion of its various features. I believed that the progress of the bill would be retarded to the extent of the time which I might occupy and that there would be no change of sentiment in the mind of any Senator because of anything which I or anyone else might say concerning it. Believing a week ago to-night that a final vote was soon to be reached, I gave notice that I would to-day consider Schedule E of the bill in its relation to the beet-sugar industry, and although at the time I anticipated that there would be but a slender attendance upon the floor, I felt that my remarks then submitted would not interfere with the due progress of the measure in the committee of conference.

Mr. President, I do not think that any measure of so comprehensive a character as a national tariff bill can be so adjusted or framed as to command the unqualified support of all the members of a body so large as this. There are so many local as well as general conflicting considerations, so many points of view to which the mind is drawn, and so many interests in conflict with each other, that men must harmonize, and can harmonize only, by the common surrender of some things, accompanied by the common acceptance of others. Hence the bill which is now in conference, like all others of similar character, represents the composite acquiescence of the majority of the Senators in this body. We have supported it, and intend to support it, because it is a measure demanded by the people, a measure promised by the dominant party, and a measure the consensus of which is fairly satisfactory to every man upon this side of the Chamber.

If I had my way, Mr. President, I would make many commodities which have been placed upon the free list the subject of a revenue tax, not because they need protection, not because of a desire to extend that system any further than the policies or principles of the Democratic Party demand, but because I believe in the principle of a tariff for revenue. I believed during the course of the bill, as I believe now, that a small revenue duty upon such a commodity as sugar places no particular burden upon the consumer and brings a revenue to the Government, enabling it to meet its demands with as little burden as possible to the citizen. But there is no question in my mind that the great majority of the people throughout the country desire that this commodity, with some others, shall be placed upon the free

list and thereby withdrawn from the arena of politics, where for many years they have played a prominent and scandalous part, exercised an improper and pernicious influence upon public opinion, and brought the good name of Congress and of many men in public life into disrepute.

And I may say here if this great piece of legislation has gone to an extreme in the application of the policy of revision downward to the protected interests of this country; if, in fact, any industry has been jeopardized, which I do not concede, it is due to the fact that the extremes of protection have heretofore found expression in legislation; and the men who legislated the Payne-Aldrich bill upon the statute books of the country are more responsible than we are for any extreme we may have reached in the other direction, for it goes without saying that when the pendulum swings too far in one direction it may swing too far in the opposite one. An outraged public opinion due to the enactment of the Payne-Aldrich law produced that revulsion which, if it has found too extreme expression, has its justification in the scandalous abuse of the power of taxation by the then dominant party in the interest of the protected industries of the Nation.

Mr. President, I shall not occupy the time of the Senate by indulging in many general observations upon the question of tariff legislation. These have been the subject of much discussion during the past three months with but little benefit to us or to the country at large. I prefer, without further delay, to consider the particular subject of Schedule E and the relation of that schedule to the sugar-beet industry for the purpose of correcting, if I can, some of the erroneous statements and assertions which have been so often repeated upon this floor in connection with that important topic.

I have listened to a number of very able discussions of the effect of Schedule E upon the sugar industry of this country and to the reasons which have been assigned for the conclusions pressed upon public attention by Senators upon the other side of the Chamber. I have not interrupted, because I have felt that interruptions would only prolong and aggravate discussion, without leading to any definite or satisfactory result. I have felt that it would be better to take up these matters at a more appropriate time, consider them together, examine their character, and determine their soundness. I believe, Mr. President, that when I have finished I will have demonstrated to the satisfaction of the country that much of the argument which has formed the basis of opposition to this schedule, in so far as it relates to beet sugar, is unfounded, and proceeds from assumptions which, when examined, have no existence in fact.

Perhaps the statement which has been iterated and reiterated upon the floor of this Chamber more than any other by the op-

ponents of this schedule is that the American Sugar Refining Co., with other cane-sugar refining concerns, have combined for the destruction of the beet-sugar industry in this country by the removal of existing duties, and that any injury to that industry must necessarily redound to the benefit and advantage of the cane-sugar refiners of the country. We have been told many times that these people were enlisted, and had for years been enlisted, in a crusade against the sugar-beet industry, recognizing in it a formidable competitor and one which must ultimately control the American market, and therefore, for their own protection, this industry must be destroyed through the elimination of all tariff duties which protect and promote it. That the conspiracy, if successful, would result transiently in a reduction of price to the consumer, but ultimately in a cane-sugar monopoly having the American market entirely at its mercy and certain of thorough and continued exploitation.

This assertion has been so frequently made and repeated that it would be remarkable if it has not found lodgment somewhere and accepted in some quarters as an unquestioned fact.

I assert, Mr. President, that the interests of the American Sugar Refining Co. and of the beet-sugar refining companies are mutual and not competitive; that they are practically identical, and have been so ever since 1902, and that they will continue to be so until and unless the Government of the United States, through the courts of justice, dissolves the relation existing between them. Hence the assertion that the refiners are seeking to insidiously destroy the beet-sugar industry through a removal of sugar duties is simply pretense and nothing more. The Hardwick committee, Mr. President, was in session for a good portion of the Sixty-second Congress. It was charged with the duty of thoroughly investigating the question whether a Sugar Trust existed in the United States. It took an enormous amount of testimony with reference to the sugar industry in this country. It summoned witnesses from every section and heard both sides of the controversy. On February 17, 1912, it made its report wherein the control of the beet-sugar industry by the American Sugar Refining Co. was established beyond peradventure.

On pages 12 and 13 of that report appear tables which give the proportions of interest acquired by the refining company with leading beet-sugar companies, which I ask leave to here incorporate in the RECORD.

The PRESIDING OFFICER (Mr. FLETCHER in the chair). In the absence of objection, permission is granted.

The matter referred to is as follows:

From 1909 to the present time the situation has not been greatly altered, as will be observed from the following tables furnished your committee by the American under date of October 11, 1911:

American Sugar Refining Co.

Names of companies.	Beet-sugar investments.				Book value of present holdings, Oct. 1, 1911, after depreciation for sales and dividends.		
	Par value.	Original cost.	Common shares.	Preferred shares.	Common shares.	Preferred shares.	Total book value.
Michigan Sugar Co.	100	\$3,547,895.43	30,555	20,438	21,074	20,438	\$2,428,958.21
Menominee River Sugar Co.	10	300,000.00	30,000		30,000		285,000.00
Continental Sugar Co.	100	505,440.00	4,154 ¹ / ₂		5,193		505,440.00
Iowa Sugar Co.	100	405,650.00	4,165		4,165		405,650.00
Carver County Sugar Co.	100	483,700.00	4,837		4,837		459,515.00
Great Western Sugar Co.	100	7,087,824.40	40,440		66,092	51,592	4,052,287.07
Utah-Idaho Sugar Co.	10	3,922,455.07			465,050	465,050	3,014,076.88
Amalgamated Sugar Co.	100	1,151,925.00			12,757	12,757	705,433.50
Lewiston Sugar Co.	10	225,000.00	22,500		37,103		225,000.00
Alameda Sugar Co.	25	465,750.00	14,850		14,850		203,574.93
Spreckels Sugar Co.	100	3,250,000.00	25,000		25,000		2,450,077.43
American Beet Sugar Co.	100	1,864,687.50	75,000				
Total		23,210,327.40	251,501 ¹ / ₂	564,337	169,574	549,837	14,735,313.07

Table relating to beet-sugar companies in which the American Sugar Refining Co. is interested (Oct. 1, 1911).

Names of companies.	Capital stock issued.	Amount owned by American Sugar Refining Co.	Where incorporated.	Owens beet-sugar factories at—
Michigan Sugar Co.	\$7,471,107 \$3,703,500	\$3,055,500 2,043,800	Michigan	Bay City, Mich. Caro, Mich. Crosswell, Mich. Sebewaing, Mich. Saginaw, Mich. Aima, Mich.
Menominee River Sugar Co.	825,000	300,000	do	Menominee, Mich.
Continental Sugar Co.	1,500,000	519,300	Ohio	Fremont, Ohio. Findlay, Ohio. Blissfield, Mich.

¹ Common.

² Preferred.

Table relating to beet-sugar companies in which the American Sugar Refining Co. is interested (Oct. 1, 1911)—Continued.

Names of companies.	Capital stock issued.	Amount owned by American Sugar Refining Co.	Where incorporated.	Owns beet-sugar factories at—
Iowa Sugar Co.	\$350,000	\$416,500	Iowa.....	Waverly, Iowa.
Carver County Sugar Co.	600,000	483,700	Minnesota..	Chaska, Minn.
				Longmont, Colo.
				Loveland, Colo.
				Fort Collins, Colo.
Great Western Sugar Co.	{ 10,544,000 13,630,000	{ 2,735,200 5,159,200	New Jersey..	Fort Morgan, Colo.
				Brush, Colo.
				Eaton, Colo.
				Greeley, Colo.
				Windsor, Colo.
				Sterling, Colo.
Billings Sugar Co.				Billings, Mont.
Scotts Bluff Sugar Co.				Scotts Bluff, Nebr.
				Lehi, Utah.
Utah-Idaho Sugar Co.	{ 1,470 9,449,090	{ 4,650,500	Utah.....	Gariand, Utah.
				Blackfoot, Idaho.
				Sugar City, Idaho.
				Nampa, Idaho.
				Idaho Falls, Idaho.
Amalgamated Sugar Co.	2,551,400	1,275,700	do.....	Ogden, Utah.
				Logan, Utah.
Lewiston Sugar Co.	1,000,000	371,030	do.....	La Grange, Oreg.
Alameda Sugar Co.	745,825	371,250	California..	Lewiston, Utah.
Spreckels Sugar Co.	5,000,000	2,500,000	do.....	Alameda, Cal.
				Spreckels, Cal.
				Watsonville, Cal.

¹ Common.² Preferred.

The above table differs in book valuation from the preceding table. Of these 11 companies, the American owns 41 per cent of the capital

stock, according to the following table furnished your committee by the American on June 13, 1911:

The American Sugar Refining Co.'s interests in beet-sugar companies, May 23, 1911.

Names of companies.	Kind of stock.	Par value of shares.	Capital stock.		Per cent owned.	Production, campaign 1910-11.	American Sugar Refining Co.'s interest per stock holdings.
			Total issued.	Owned by American Sugar Refining Co.			
Alameda Sugar Co.	Common.....	\$25	\$745,825	\$371,250	+49	Pounds. 12,482,400	6,116,375
Spreckels Sugar Co.	do.....	100	5,000,000	2,500,000	50	68,432,800	34,226,400
Utah-Idaho Sugar Co.	Preferred.....	10	9,449,090	4,650,500	+49	70,965,800	34,773,242
	Common.....	10	1,470				
Amalgamated Sugar Co.	Preferred.....	100	2,551,400	1,275,700	50	25,801,300	12,900,650
Lewiston Sugar Co.	Common.....	10	606,430	225,000	+37	10,619,300	3,929,141
Great Western Sugar Co., including Billings Sugar Co., and Scottsbluff.....	do.....	100	10,544,000	2,735,200	26	191,810,800	63,297,504
	Preferred.....	100	13,630,000	5,159,200	38		
Michigan Sugar Co.	Common.....	100	7,471,107	2,607,400	35	123,130,991	51,715,016
	Preferred.....	100	3,703,500	2,043,800	55		
Iowa Sugar Co.	Common.....	100	550,000	416,500	+75	7,486,330	5,614,747
Carver County Sugar Co.	do.....	100	600,000	483,700	+80	5,003,695	4,002,957
Menominee River Sugar Co.	do.....	10	825,000	300,000	+36	6,135,588	2,208,812
Continental Sugar Co.	do.....	100	1,200,000	415,440	-35	24,160,176	8,456,062
			56,883,617	23,183,990	-41	546,049,181	227,240,967

Mr. THOMAS. I shall not take up the time of the Senate in reading this report. Suffice it to say that from all the testimony offered before this committee by both sides it appears that in 1911 the beet companies in which the American Sugar Refining Co. is so largely interested produced about 54 per cent of all the beet sugar in the United States, while the interest of the refining company in these companies was about 41 per cent. As a result of that hearing—

Mr. NEWLANDS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Colorado yield to the Senator from Nevada?

Mr. THOMAS. Certainly.

Mr. NEWLANDS. Will the Senator permit me to inquire how large an interest the American Sugar Refining Co. had in the beet-sugar companies to which he refers?

Mr. THOMAS. The tables to which I have referred give that interest seriatim. It approximates 42 per cent of the whole; but in conjunction with that interest were the individual and corporate interests of others acting with the American Sugar Refining Co. and so identified with it as to make its control complete.

Mr. NEWLANDS. I will ask the Senator whether he does not think that this explanation is the probable one of the effort of the American Sugar Refining Co. to obtain a large interest in the beet-sugar company to which he refers? It was a fact at that time that the duty on sugar was a high one, a protective duty. The American Sugar Refining Co. found the beet-sugar industry a formidable rival, and it sought a large interest in the beet-sugar companies with a view ultimately of controlling that industry and depriving it of its competitive character; but was it not clearly to the interest of the American Sugar

Refining Co., and is it not clearly to the interest of that company to-day, if possible, to dispose most effectually of that competitor by practically putting it out of business and preventing and discouraging the production of beets at all? Was not the effort to get an interest in the beet-sugar business simply the best available effort it could make under the circumstances, this high duty existing to control—not to destroy, but to control—the competition of a formidable rival, and is not its present policy in the line of effectually destroying that competitor by taking away the customs duty which incidentally operates for its protection?

Mr. THOMAS. Mr. President, I prefer to reply to my friend from Nevada as I proceed. I think I shall be able to demonstrate, in the course of my remarks, that the action of the American Sugar Refining Co. was precisely the action of every other interest which sees and fears the rise of a competitor. It reached out and obtained control and possession of it, since which time it has operated the controlled concern entirely in its own interest and perhaps in the interest of the other co-operating stockholders. It has certainly given no indication of a purpose to destroy the industry in which it invested \$23,000,000 and from which it is deriving huge returns.

I was about to say that one result of the Hardwick investigation was the institution by the United States of a suit in the District Court for the Southern District of New York for the dissolution of what is popularly called the Sugar Trust. I hold in my hand the bill of complaint in that case, consisting of 217 pages. Its allegations are all in line with the charge that the various defendants, representing practically all of the sugar industries of the country—cane sugar, beet sugar, and so forth—were united in a common and controlled enterprise in violation

of the provisions of the celebrated Sherman Act. I shall not refer to this formidable document further than to place in the RECORD the names of the defendants. These are:

The American Sugar Refining Co., Washington B. Thomas, Arthur Donner, George H. Frazier, Horace Havemeyer, Henry E. Niese, Henry C. Mott, Samuel C. Hooker, Samuel Carr, Edwin S. Marston, Edwin F. Atkins, Charles H. Allen, Joseph E. Freeman, the American Sugar Refining Co. of New York, the Franklin Sugar Refining Co., William W. Harrison, William W. Frazier, jr., Spreckels Sugar Refining Co., Western Sugar Refining Co., John D. Spreckels, Adolph B. Spreckels, Alexander F. Morrison, William H. Hannam, John D. Spreckels, jr., California Sugar Refinery, the National Sugar Refining Co. of New Jersey, James H. Post, Thomas A. Howell, Frederick H. Howell, Frederick D. Mollenhauer, George R. Bunker, Henry F. Mollenhauer, J. Henry Dick, Nathaniel Tooker, National Sugar Refining Co., the New York Sugar Refining Co., Mollenhauer Sugar Refining Co., the W. J. McCahan Sugar Refining Co., the Cuban-American Sugar Co., Robert B. Hawley, Colonial Sugars Co., Alameda Sugar Co., John L. Howard, Union Sugar Co., Spreckels Sugar Co., Utah-Idaho Sugar Co., Joseph F. Smith, Thomas R. Cutler, Amalgamated Sugar Co., David Eccles, Lewiston Sugar Co., the Great Western Sugar Co., Chester S. Morey, the Sterling Sugar Co., the Morgan County Construction Co., the Billings Sugar Co., Scottsbluff Sugar Co., Michigan Sugar Co., Charles B. Warren, Iowa Sugar Co., Carver County Sugar Co., the Continental Sugar Co., Menominee River Sugar Co., and Horace Havemeyer, Louisine W. Havemeyer, Adaline H. Frelinghuysen, and Electra H. Webb, individually and as executors of and trustees under the will of Henry O. Havemeyer, deceased.

It will be seen from this list that practically all of the sugar refiners and all of the individuals engaged in the refining industry are combined here as common defendants in a suit brought by the Government of the United States for alleged violation of the antitrust act.

That suit is still pending, undetermined; but between the time of its institution and the opening of this special session the Government had taken 2,346 closely printed pages of testimony, every line of which substantiates the existence of an identity of interest, complete and absolute, except in so far as the power of the Government to destroy it is concerned between the most of the beet-sugar and cane-sugar refineries of the country.

Let me go back for a moment to the commencement of the beet-sugar industry in America, or, rather, to the time when it had acquired a successful standing and bade fair to become a commercial rival of the American Sugar Refining Co. This was in 1902, about which time Mr. Havemeyer, as the representative in control of the American Sugar Refining Co., determined either to crush or to control that industry; and he at once proceeded, in characteristic fashion, to do so.

The American Sugar Refining Co. authorized an additional issue of \$25,000,000 of stock. It was sold practically for cash. At the same time vast quantities of cane sugar were rushed from the seaboard into the interior at discriminative rates to the company. This sugar was stored in the freight houses of the railway companies in great centers like Kansas City, Omaha, and other places where beet sugar was obtaining a foothold. After the arrival of these great consignments the price of sugar was lowered to the extent of 1½ cents per pound and dumped on the market in competition with the sugar of the beet men. The result was, as a matter of course, to demoralize and disorganize the beet-sugar market, and bankruptcy stared in the face what had been a prosperous and profitable industry.

The usual result followed. The master hand, with tremendous capital behind it, forced a compromise upon terms dictated by itself. They involved the control of the beet-sugar industry by the powerful combination which up to that time had existed for years without a rival, and the American Co. proceeded to make the arrangement permanent by securing control of the scattered beet-sugar companies and welding them into large units of enormous capitalization.

Shortly after this time Mr. Havemeyer wrote to Mr. Chester S. Morey, of the city of Denver, a prominent merchant, a man of wealth and of great business ability, a letter which I shall read. This and virtually all the letters which follow have been taken either from the report of the Hardwick committee, from the testimony in the Government case, or from that taken by the Senate lobby committee.

Mr. Havemeyer's letter to Mr. Morey bears date December 18, 1902, and is as follows:

DEAR SIR: It occurred to me to-day that you might probably be willing to assume a confidential relation between me and my associates in reference to a possible purchase of the stocks of the different sugar corporations in your State, perhaps the Lehi Co., and perhaps the companies of which Mr. Eccles is president—

I think these were in Utah and Idaho.

You would have to employ somebody, of course, in your interest and of absolute integrity to keep thoroughly informed of the stocks of these different companies and advise by telegram or letter, as the case might be, of the quantity and the rate.

It might be that you would prefer some participation in such purchases. If so, it would be necessary to state before you assume the relation what percentage, if any, of the purchase you would like, or the option on; no other party whatever to be aware of this relation but yourself.

It is fair to Mr. Morey to say that upon the stand he testified that nothing was done under the provisions of this letter, but shortly afterwards he began to acquire stock in the various companies in his State engaged in the production of beet sugar, for the interest and in the name of Mr. Havemeyer, who was equally active in all the other beet-sugar States. From that time to this, at every step that has been taken either in the enlargement of the beet-sugar industry, in the contraction of the industry, in the disposition of its product, or in the publicity given to its operations, the influence of the American Sugar Refining Co. has been potent; and its president up to the time of his death, Mr. Havemeyer, was consulted upon every possible occasion.

It is hardly necessary to take time to go into detail upon this subject although the testimony is abundant and overwhelming. I shall offer, but not in chronological order, some further correspondence relating to it merely to show how intimate was the relation and how complete the control at all times of the American Sugar Refining Co. of most of the beet-sugar companies.

On May 25, 1909, Mr. Morey wrote to Mr. Washington B. Thomas—who, by the way, was the successor of Mr. Havemeyer in the American Sugar Refining Co.—urging the latter not to come to Colorado while the tariff matter was before Congress. He said:

MAY 25, 1909.

MY DEAR MR. THOMAS: * * * Referring to your proposed visit to Colorado in June: No doubt you will feel that while this tariff matter is before Congress it would not be wise for you to visit Colorado as the information would doubtless be telegraphed all over the country and might be used against us by some of the Senators who are so bitter against the Sugar Trust. However, you understand the situation, and know best what to do.

Respectfully, yours,

C. S. MOREY, General Manager.

MR. W. B. THOMAS,

President, 117 Wall Street, New York City.

Mr. Morey was and is the general manager of the Great Western Sugar Co., of New Jersey, which operates in the Western States, including my own. Is it not remarkable that Mr. Thomas, this vindictive enemy of the beet-sugar industry, anxious to crush it, to destroy it, to undermine it, because of its threatened and its active and actual competition, should be warned not to come to the State of Colorado because his presence there, in view of pending threatened tariff legislation, might be misconstrued? Surely had such been his purpose he would have hastened to Denver and advertised his presence, to the end that it might aid in bringing about that result.

Here is another and later letter written to Mr. Thomas by Mr. Morey, and found on page 1903 of the testimony. This is merely an extract:

DENVER, COLO., March 16, 1911.

MR. W. B. THOMAS,

American Sugar Refining Co., New York, N. Y.

MY DEAR MR. THOMAS: * * * I find they are all very much interested in the meeting of beet-sugar manufacturers which will be held on the 30th of March at Chicago. I think we will have a very full attendance at that meeting, and at that time we hope to organize a beet-sugar association which will take the lead in trying to prevent a reduction in the tariff.

Yours, very truly,

C. S. MOREY, President.

Is it not remarkable that the president of a beet-sugar company should write to the president of the American Sugar Refining Co. informing him that the beet-sugar people were about to effect an association, the purpose of which was to prevent any interference with or change in the existing tariff, if, as a matter of fact, they were opposed to each other and were in deadly conflict, the one seeking to survive and the other seeking to destroy through the agency of tariff legislation?

Mr. Havemeyer has done some writing himself in this connection. His letters show how constant his influence has been exercised upon the western beet-sugar industry. I call attention to a significant little piece of correspondence cropping out in the lobby hearings. I read from page 1267 a letter dated May 1, 1905, written by Mr. Havemeyer to Mr. Morey:

[Personal.]

MAY 1, 1905.

MR. C. S. MOREY, Denver, Colo.

DEAR SIR: I think the wisdom of keeping our affairs to ourselves—"Our affairs," not somebody else's—not antagonistic affairs—is certainly clearly exemplified in Mr. Patterson's publication. If it becomes generally known that the American Co. has a controlling inter-

est in the Colorado factories, I fear Mr. Gove's expedition will be of slight influence.

I therefore recommend that you employ Mr. Gove personally and pay him out of your own money. Let him understand (and if he has gone, write him to that effect) that it is your own personal enterprise. Any disbursement for his account I hereby pledge myself personally liable for.

Yours, truly,

H. O. HAVEMEYER.

The answer is dated May 9, 1905, to Mr. Havemeyer:

[Personal.]

GREAT WESTERN SUGAR CO.,
Denver, Colo., May 9, 1905.

Mr. H. O. HAVEMEYER, New York.

DEAR SIR: * * * Referring to yours of May 1 about Mr. Gove's expedition: Whatever harm can be done has already taken place. I will follow out your instructions about advising him that he is in my personal employ, but when he is placed on the stand in Washington I am afraid the real facts would be brought out.

Respectfully, yours,

C. S. MOREY.

The harm, if any, was mutual. It affected a common interest. Mr. Havemeyer evidently feared that public opinion would frown upon his domination of the beet-sugar industry if the fact were clearly revealed. He preferred secrecy. They all do. The fact that he was fearful of the public thought is the strongest possible evidence of his complete mastery of the sugar world.

I do not wish to weary the Senate nor unnecessarily burden the CONGRESSIONAL RECORD with too many items of documentary evidence upon this subject, but I think it is of the greatest importance that the identification of these two interests with each other should be made as complete as possible in order to expose the hobgoblin which beet sugar has created for the purpose of diverting public sentiment and befooling the country with the notion that there is antagonism between two great, diverse sugar interests upon the subject of the tariff, with one of which the Democratic Party is identified. Hence, I will refer to some additional correspondence relative to the subject as rapidly as possible. I may say that the lobby hearings are prolific in material of this sort; and if that investigation has done nothing else, it has certainly served to expose the unity of ownership and of interest between the cane-sugar and the beet-sugar refineries of the country.

Mr. Morey, on the 19th day of March, 1911, had some correspondence with Mr. Cutler, the general manager of the Utah-Idaho Sugar Co., on the general subject of beet sugar and its connection with the tariff. I read the concluding paragraph of his letter, from page 1372 of the lobby hearings:

In talking with Mr. Horace Havemeyer he expressed himself as very anxious that we should go ahead with this work, even if we have to pay the larger part of the expenses ourselves. The more I learn about the probabilities of what will be done when the next Congress meets the more I feel that we must all be up and doing, and a matter of 1 cent or 2 cents per bag should not be considered one moment if anything can be done to strengthen our position.

Here, again, Mr. Havemeyer expresses himself through his general manager.

Again, on page 1374, Mr. C. C. Hamlin, who was at one time in charge of the lobby here, writes to Mr. Warren, of the Michigan Sugar Co., and, referring to Mr. Truman G. Palmer, says:

Mr. Palmer is now at work on the necessary data. He will take the question up from the standpoint of its being a refiners' propaganda and also from the agricultural end.

Here, Mr. President, is the first intimation in this correspondence of the origin and purpose of this so-called conflict between the cane refiner and the beet refiner:

Mr. Palmer * * * "will take the question up from the standpoint of its being a refiners' propaganda."

Now, let us proceed as rapidly as possible with this correspondence.

On the 17th of November, 1911, Mr. Hamlin wrote to Mr. Clark, who is a large producer of beet sugar in the State of California, a letter which appears at page 1377 of the lobby hearings, giving a list of the companies which are to be represented in the proposed beet-sugar association then forming to resist tariff reduction. I shall not stop to read the list, Mr. President; but they include the names of practically every beet-sugar company controlled by or having a community of interest with the American Sugar Refining Co. In other words, at that date the companies owned and controlled by the American Sugar Refining Co., according to Mr. Hamlin, were uniting with other beet-sugar companies for the common purpose of resisting tariff legislation and contributing to a common fund to defray the expenses of the association. And Senators would have us believe that these interests were in deadly and desperate conflict with each other.

I call attention, at page 1386, to a telegram sent by Mr. Hamlin to Mr. Cutler as late as 1912, March 2. He says:

Get interviews in your local papers bearing upon effect of free sugar on beet-sugar industry, and wherever possible have it carried through

local representatives of Associated Press. The fact that this is a refiners' victory over farmers and manufacturers should be emphasized. Will it be convenient to meet in Washington for executive committee meeting about the middle of March?

C. C. HAMLIN.

On the next page there is a telegram from Mr. Warren to Mr. Hamlin:

DETROIT, MICH., March 7, 1912.

C. C. HAMLIN,

902 Union Trust Building, Washington, D. C.

Have received no call for executive committee meeting. Think it is important that a full committee meeting be held in Washington shortly. We must have more publicity. The public thinks this bill is a blow at the Sugar Trust, and the public must be taught to understand that it is a blow at the domestic industry and a positive benefit to the trust.

CHAS. B. WARREN.

In November of the previous year Mr. Hamlin wrote Mr. Cutler, of Salt Lake City, that it had been suggested at the Chicago meeting that affidavits be secured to show that the American Sugar Refining Co. had recently reduced its holdings and asking if Mr. Cutler could make such a showing as to his company. Mr. Cutler replied that there had been no reductions of these holdings in his company.

At pages 1390 and 1391 are letters from Mr. R. W. Kelley, president of the Holly Sugar Co., I think, of Colorado, to Mr. Hamlin and Mr. Morey upon the same subject. I will not take time to read them, but ask to incorporate them in my remarks.

The PRESIDING OFFICER. Without objection, permission is granted.

The letters referred to are as follows:

[R. W. Kelley, president; Michael Gavin, vice president; J. C. Mitchell, secretary and treasurer; S. W. Sinsheimer, general superintendent; Remsen McGinnis, auditor. Factories: Swink, Colo.; Holly, Colo.; Huntington Beach, Cal.; C. A. Johnson, manager.]

THE HOLLY SUGAR CO.,

26 Beaver Street, New York, February 6, 1912.

C. C. HAMLIN, Esq.,

Union Trust Building, Washington, D. C.

MY DEAR MR. HAMLIN: I desire to do what I can to help you in heading off the movement to reduce the tariff on sugar.

I inclose copy of letter I have just sent to Mr. C. S. Morey.

If you will show me in what direction I may help you in Washington, or how I can ask the gentleman named in the letter to Mr. Morey to direct their endeavors, I shall appreciate it. I hope to be in Washington before the end of the month, and I have some friends in the House and Senate who, I think, have sufficient confidence in me to rely upon my statements, and I may be enabled to enlist their favorable consideration of our position.

While I think it would be better to retain the tariff altogether, it might be advisable to take advantage of the unpopularity of the American Sugar Refining Co. et al., and, if the reduction seems to be inevitable, to move for a reduction in the price on the refined sugar, leaving the tariff on raw sugar where it is, or, at all events, calling for a less reduction in the tariff on raws than on refined. It is not impossible that if the refiners thought we were likely to take a step of this kind they might relax their efforts toward a reduction. This idea has only occurred to me in thinking over the situation, and I have not discussed it with anyone, and simply mention it at the moment for what it is worth.

Will you kindly send me any reports or literature issued by the Government bearing on this subject, sending, if possible, one set to this office and one to our office in the Boston Building at Denver, Colo.

With best regards, believe me, yours, very truly,

R. W. KELLEY, President.

Attached to that by letter fastener, as delivered to the committee, is the following carbon sheet, which appears to have been signed with ink "R. W. Kelley," which is marked "Exhibit Hamlin 33-A," and across the sheet is marked in large letters "Copy," and the carbon is as follows:

HAMLIN CORRESPONDENCE EXHIBIT 33-A.

NEW YORK, February 6, 1912.

C. S. MOREY, Esq.,

President Great Western Sugar Co., Denver, Colo.

DEAR MR. MOREY: While in Chicago Monday I saw Mr. G. G. Nicholson, vice president of the A. T. & S. F. Ry. Co., about enlisting his aid in defeating the attack upon the beet-sugar interests through the tariff. He expressed a willingness to do everything possible to help us, and asked if you could name specific men that they could talk to. It would be advisable, as it was useless to waste efforts in trying to convince men who were already convinced. Messrs. Britton & Gray are their attorneys at Washington, and Mr. Nicholson said that he would advise them to call on Mr. Hamlin or Mr. Palmer.

I also saw Mr. Darius Miller, president of the C., B. & Q. R. R. Co. He has promised to do anything he could if we would advise him in what specific direction he could be useful.

If you or Mr. Hamlin will advise me in this particular, I will take the matter up again with Mr. Miller. Meantime I have no doubt he will, if the occasion offers, speak a good word, but I think it would be better to ask him to do some specific thing if he can.

I have an engagement with Mr. Nichols, vice president of the Great Northern Railway, for to-morrow morning, and will, I am quite sure, enlist his support.

I am sending a copy of this letter to Mr. Hamlin at Washington, asking him to act as pilot in my endeavors.

Yours, very truly,

R. W. KELLEY, President.

Mr. THOMAS. We come now, Mr. President, to a lot of printed matter which was prepared by the beet-sugar lobby and sent to the newspapers during the winter and spring of 1912 for publication, and which was generally published in all sections of the country. The articles are repetitions of each other and it is only necessary therefore to refer to one of them.

I read from page 1422. This was sent to "every agricultural paper in the United States" and, of course, at the expense and by the direction of the sugar lobby with which the American Sugar Refining Co. was fully identified:

The American Sugar Refining Co., the Federal Sugar Refining Co., Arbuckle Bros., and other refining interests, all located on the seaboard, who have absolute control of the sugar-refining industry in this country and also some of the large cane-sugar planters in Cuba, are now endeavoring to influence public opinion and are making an effort in Congress to bring about a further reduction of this tariff in order to prevent further development of the beet-sugar industry. These refining interests import raw sugar from tropical countries and refine it.

The circular then goes on to recite the very injurious and destructive consequences to the sugar-beet industry by the accomplishment of this very reprehensible purpose.

I now refer, and I must do so very hastily, to the testimony of the vice president of the American Sugar Refining Co. before the Hardwick committee. He was asked whether the holdings of his company had been reduced in the beet-sugar companies, and his reply was that they had been slightly reduced "for reasons of policy." That would indicate that whatever the reduction may have been, even though slight, it had been a politic one, and doubtless the transfer had been made to perfectly politic hands.

It was asserted no later than last week upon this floor that the American Sugar Refining Co. had admitted its adverse interest in this subject and its sympathy, if not its identity, with the policy of free sugar. In refutation of this assertion I call attention to a letter written by Mr. E. F. Atkins, the vice president of the American Sugar Refining Co., and sent to every member of the Committee on Finance on May 10, 1913. He says:

THE AMERICAN SUGAR REFINING CO.,
New York, May 10, 1913.

COMMITTEE ON FINANCE.

United States Senate, Washington, D. C.

GENTLEMEN: In view of the repeated assertions that this company is in favor of free sugar, we beg to submit to your committee a copy of the statement which we made to the Ways and Means Committee of the House of Representatives at its hearings upon the sugar schedule on January 15, 1913.

We desire to take this opportunity of reiterating our statement that while favoring a reduction in the present duties upon sugar we are opposed to the abolition of all the duty for the reason given to the Ways and Means Committee.

Yours, respectfully,

AMERICAN SUGAR REFINING CO.
By E. F. ATKINS, Vice President.

This is accompanied by a printed copy of the testimony of Mr. Atkins, which was given before the Ways and Means Committee of the last Congress January 15, 1913. It is very brief, and I ask to have it printed in my remarks.

THE PRESIDING OFFICER. Without objection, leave is granted.

The matter referred to is as follows:

Testimony of Mr. Edwin F. Atkins before the Ways and Means Committee of the House of Representatives, January 15, 1913.

MR. ATKINS. Gentlemen, in connection with the consideration by your committee of the tariff on sugar, this company desires to submit the following statement:

JANUARY 15, 1913.

THE COMMITTEE ON WAYS AND MEANS.

House of Representatives, Washington, D. C.

GENTLEMEN: In connection with the consideration by your committee of the tariff upon sugar, this company desires to submit the following statement:

The American Sugar Refining Co. wishes to be recorded in favor of a reduced tariff upon sugar. It is our belief that a moderate reduction which is not so great as to endanger the domestic and insular industries or to reduce such sources of supply would accrue to the benefit of the consumer, and would neither increase foreign values on raw material nor increase the refiner's margin of profit per pound.

Foreign values are regulated only through the law of supply and demand; short crops will always advance prices, as excessive crops will depress them, regardless of tariffs. Such conditions can not be regulated by legislation, but a reduction of duty upon imported raw material would be followed by a corresponding reduction of prices in refined sugar in the United States. The benefit to the refiners would arise from increased consumption through a lowering of prices.

We urge the retention of the small differential duty as a protection upon refined sugar, if protection is to be accorded to any industry, and the continuance of the present color standard as the most practicable distinction between raw and refined sugars for customhouse classification. The present differential or protection of 7½ cents per hundred pounds is but seventy-five one thousandths of a cent per pound upon granulated sugar, and should be retained, if not increased in order to cover the waste resulting from the process of refining, as well as the higher cost of labor and materials in this country.

We are opposed to the abolition of all duty upon sugar for the following reasons:

It would at once destroy one of the largest sources of revenue, some fifty million dollars, for the substitution of which no provision has been made.

It would cause the termination of the Cuban reciprocity treaty, under the provisions of which a preferential rate of 20 per cent is accorded to Cuban sugars, and Cuba gives preferential rates upon goods coming from the United States of 20 to 40 per cent. Under this treaty the United States buys practically all the Cuban sugar crop at a price considerably under the world's parity, and sends to Cuba in exchange upward of sixty million dollars' worth of merchandise, the greater part of which was formerly imported from Europe.

Free sugar would open the United States markets to the importation of refined beet sugars from Europe, upon exactly the same terms as raw sugars, in competition with domestic refined, and we should expect to see, as formerly, large imports of this class of granulated sugar from Germany and Austria.

Russia pays a bounty of 71 cents per hundred pounds upon her exports, but as countervailing duties are assessed in practically all countries, including the United States, she can not export beyond a limited amount. The removal of the countervailing duty in the United States would admit Russian sugars to this country at far below their cost of production, to the great injury of all other sugar interests.

In our opinion, the first effect of free sugars while present production is maintained would be to drop prices here to or about present bond values. So low a price would destroy the Louisiana industry, also the beet-sugar industry in many localities, and particularly east of the Mississippi River, which is not protected by a long railroad haul against sugars coming from the Atlantic and Gulf ports. It would carry the price of Porto Rican and Philippine Island sugars far below their cost of production and make Hawaiian production unprofitable. Thus our present sources of supply would be largely curtailed, for under normal crop conditions these domestic and insular sources of production are now furnishing upward of 1,800,000 tons, or half our supply. Once this production was so reduced foreign prices would advance until they reached a point where domestic producers could again enter the field. How long a time this would require is problematical. Meanwhile disaster would be widespread and consumers would get but a temporary benefit.

Respectfully, yours,

THE AMERICAN SUGAR REFINING CO.,
By EDWIN F. ATKINS, Vice President.

Now, Mr. Chairman, it is not the idea of our company to suggest a rate to you. You have a great deal of valuable information from all sources in regard to production and I have no doubt will be able to reach a compromise measure, if that is your wish, by which all interests may be cared for. They all have a right to live; few have a right to demand the present high rates of protection.

MR. HARRISON. I would like to ask the witness a question. Mr. Atkins, you are the vice president of the American Sugar Refining Co., which is popularly known as the Sugar Trust?

MR. ATKINS. It is sometimes referred to as that.

MR. HARRISON. Do you appear here representing the sentiment of the directors of that company?

MR. ATKINS. Yes, sir; with their authority.

MR. HARRISON. Are you in favor of free sugar?

MR. ATKINS. I am not, and our company is not.

MR. HARRISON. I wish to ask you further whether you know of the campaign which has been conducted by Mr. Frank C. Lowrey as secretary of the Wholesale Grocers' Association in favor of a reduction in the duty on sugar?

MR. ATKINS. I have occasionally received a pamphlet expressing Mr. Lowrey's views on the subject.

MR. HARRISON. It has been suggested also that the campaign conducted by Mr. Lowrey was at the instigation of the American Sugar Refining Co.; is that true?

MR. ATKINS. It is untrue. One reason why I appear before this committee is to clear that matter up, not only with your committee, but with the whole country. We are opposed to free sugar for the reasons that are given here. We are, however, desirous of a reduction in the tariff.

MR. HARRISON. What is the extent of the interest of the American Sugar Refining Co. in the beet-sugar plants of the United States?

MR. ATKINS. We hold not so much as we had at one time. At present I think it is—

MR. ATKINS'S SECRETARY. It is given at page 100 of the hearing before the Hardwick committee. Would you like to have it?

MR. HARRISON. No; I will not trouble you for that.

MR. ATKINS. It was \$23,000,000, the par value. It is since somewhat reduced. It is approximately \$22,000,000, the par value now. We have disposed of some holdings.

MR. HARRISON. Have you any interest in many cane-sugar manufacturing?

MR. ATKINS. None whatever in any source of production with the exception of the beet sugar already published.

MR. FORDNEY. I would like to ask a question, Mr. Atkins. You would like to see the differential retained between Cuban and other foreign sugars?

MR. ATKINS. The preferential, I guess you mean?

MR. FORDNEY. The preferential; yes.

MR. ATKINS. Yes, sir; I would.

MR. FORDNEY. You produce sugar in Cuba, do you not?

MR. ATKINS. Yes.

MR. FORDNEY. How much sugar do you produce there annually?

MR. ATKINS. Not very much; about 22,000 tons.

MR. FORDNEY. How many acres of a plantation have you in Cuba, Mr. Atkins?

MR. ATKINS. Well, I have between 25,000 and 30,000; much of this is in pasture land.

MR. FORDNEY. What is your investment in the sugar plant? What does it amount to, if that is a better question?

MR. ATKINS. Value or cost?

MR. FORDNEY. Well, put it either way; cost, we will say.

MR. ATKINS. Well, I suppose possibly a million and a half dollars.

MR. FORDNEY. You would be willing to have free sugar from Cuba if we would retain the duty on sugar from foreign countries?

MR. ATKINS. I would not ask such a thing.

MR. FORDNEY. You have asked it, before this committee?

MR. ATKINS. Never.

MR. FORDNEY. Did you not ask free sugar at the time Cuban reciprocity was advocated?

MR. ATKINS. No, sir. I asked for a larger preferential than we got. We got a preferential of 35 cents, but I asked for 50 cents. We could not get that, and we took 35 cents a hundred.

MR. FORDNEY. It was my recollection that you wanted free trade between Cuba and America at that time, but perhaps you are right. But certainly your interests in Cuba give you some special interest in that preferential with Cuba, do they not?

MR. ATKINS. The interests of the sugar refiners in this country and the producers in Cuba are identical. The sugar refiners can buy their sugars in Cuba as long as the sugar gets that preferential.

MR. FORDNEY. Then the small amount of sugar that you produce in Cuba has nothing to do with your advocating a low rate of duty?

MR. ATKINS. I would like to see the preferential maintained, and we all hope it will be, refiners and producers alike.

Mr. THOMAS. Mr. Atkins not only says he and his company are favoring a duty on sugar, but he repudiates any and all connection or identification with the companies of which Mr. Frank C. Lowry, who seems to be so obnoxious to gentlemen on the other side, has at all times represented and been identified with. True, he favors a reduction of existing duties—who does not?

I think I can say, Mr. President, without the slightest hesitation, that the identity between the American Sugar Refining Co. and every sugar refining company that it controls and the leading beet-sugar companies of the country is complete, that their interests are the same, and that they have a common purpose in securing and perpetuating a duty upon sugar; and that the assertion that the two interests are in conflict with each other is nothing but a pretense artificially created, deliberately manufactured and concocted to influence public opinion upon this great question and to deter the majority in this body and in the House from legislating the expressed will of the people at the polls into the statute books by charging that we are connected or identified in interest or policy with one of the greatest and perhaps the most obnoxious monopolies in the United States.

This fraud was well constructed. It was staged with fine scenic surroundings, but it has deceived no one familiar with the facts. We shall hear more of it from the stump, but it will occasion little, if any, further disturbance here.

I pass now, Mr. President, to the consideration of another fiercely controverted question, and that is the production cost of beet sugar in Germany and the production cost in America. We have been told that the beet-sugar industry would be destroyed as a result of competition, which our industry can not meet, with the cheaper labor, the more effective appliances, and the larger percentage of sugar production in the beets of foreign countries, and particularly in Germany, if the tariff were removed; that our higher-paid labor, our better-paid farmers, and our greater cost of refining makes competition on equal terms impossible.

The production cost of any article, as we know, Mr. President, is not capable of practical demonstration. It depends upon many things, which, in turn, depend upon many others. There are differences in the cost of production of the same article in the same country. There are radical differences in the cost of production in the same factory, in the same plant or institution, at different periods. The element of efficiency, or the lack of it, always plays a prominent part in the problem. Hence, we can only approach the result by general comparisons and statements. There is considerable lack of material on this particular subject, largely because of the conspicuous reluctance upon the part of the sugar-beet companies of this country to furnish fairly and squarely the items making up the cost of production. We have their tables, but not their books; the proceeds of their products, but not of their by-products. They have been very reluctant to make their showings before the investigating committees.

In this connection I wish to refer to a significant piece of testimony brought out in the lobby hearings upon this subject. I refer to a letter of Mr. Truman G. Palmer to Mr. Hamlin, who is par excellence the beet-sugar lobbyist of the Nation. He is the \$10,000 a year man. His principal claim to eminence is his possession of a complete sugar library. He has perhaps been more conspicuously identified with the various sugar tariff bills that have been considered, some of which have been enacted into laws, than any other man perhaps who has been mentioned in these proceedings. He is the author of *Sugar at a Glance* and other imaginative works of economic fiction. On page 1468 of the lobby hearings he writes Mr. Hamlin:

The chairman also directed me to secure costs of production from American factories. As soon as that hearing is out I will issue a circular letter calling attention to it. Mr. Hardwick is determined to have costs of production, and there is no way out of it, but I believe it can be more favorably done in this way than as though each factory were subpoenaed direct by the committee.

Mr. Palmer feels obliged to comply with the committee's requirements, but he proposes to wait "until the hearing is out," when he will proceed by circular letter.

His method of complying with the requirement of that great committee would be to correspond with his own people. He did not care to bring them face to face with cross-examiners, but would wait until that was impossible. The better method, in his view, and doubtless one conforming more evenly with the nature of his peculiar business, was by correspondence or by conference to secure returns more in harmony with his theories than would result from the ruder but more effective methods of public inquisition. It is evident that the fruits of his proceeding are worthless.

So we are somewhat handicapped at the threshold of this question by lack of complete material. I have seen a great many statements of the cost of production; there are a great many in this record; but I have not up to this time discovered any which reveal the actual profit in dollars and cents realized by any of these companies upon the capital actually invested or the percentage of actual profit upon gross income. That, I think, would give us some idea of the cost of production. It is otherwise difficult, if not impossible, to ascertain the various items that are a proper charge against expense account. For example, Mr. Oxnard has given us some notion of the cost of the lobby and its acceleration of public opinion. He has expended hundreds of thousands of dollars and destroyed his books as well. Is this expenditure charged against the cost of sugar production? Do the enormous salaries which are paid to the managers, to the presidents and vice presidents, treasurers and secretaries of these huge combinations figure in the cost of production? Are the profits realized on the by-products—and I shall come to that subject later—deducted from the cost of production? Are other elements of profit which nearly all these companies enjoy considered in determining the cost of production? We do not know; but when we consider the enormous profits that are shown in bulk by some of the information that has been secured by the courts and the committees we can form a very fair estimate of what the profits are, although we may not be able to determine all the elements of cost.

Primarily, what has been the price of beets to the grower? In all discussions of this subject when legislation is pending or proposed the interest and the welfare of the laboring man and of the producer of the raw material become very, very conspicuous. During the intervals they are important only when they assert the right to increasing returns. It would seem on occasions like this as though these tremendous industries were created and operated not in the interest of those who own them but for the benefit and the welfare of other classes and conditions of men, and the suffering and the injury that must come to them as a consequence of change is the chorus of every song of despair and of disaster that has been chanted upon this floor.

The farmer gets a price for his beets which I hope is fairly remunerative, but nothing like what has been asserted here. The factory pays what the grower can force him to pay, and not a cent more.

I was very much pleased a day or two ago to hear the commendation by the Senator from Wisconsin [Mr. LA FOLLETTE] of Mr. Roy G. Blakey, who is the best-posted and perhaps the first authority upon the subject of beet growing and of beet sugar. Upon this subject Mr. Blakey says, at page 241 of his work, *The Beet-Sugar Industry*:

There seems to be little reason to think that the price paid the farmer for his beets is much affected by the trust in any direct way. In any case the factory owners pay only so much as is necessary to get sufficient tonnage to run their factories, and the price they must pay is largely determined by profits which the farmer can make by devoting his resources to other lines.

This statement is absolutely true. The fact that the farmer can use his land for the production of other crops, the fact that these crops are remunerative gives him the opportunity to assert a modified degree of independence in his relation with the sugar refineries and to obtain a fair measure of profit for the products of his toil.

These companies, Mr. President, have in their career demonstrated that wherever they could do so they have held the farmer down to the lowest possible compensation, and have yielded only when the power of the producer in combination has asserted itself.

I am familiar with the conditions in my own State, and I assume them to be similar to those of the other States where this industry is carried on. If, therefore, I refer to conditions in my own State, rather than to others, it is because I am more familiar with them and not because they are at all unique.

After these refinery interests, or a great many of them, had been acquired by the American Sugar Refining Co., and before the general consolidation of them, which subsequently took place, trouble arose between the producer of beets and the purchaser of beets. Mr. Morey, the Fidus Achates of Mr. Havemeyer, on the 5th day of February, 1903, addressed that gentleman in New York upon the subject as follows:

In a confidential talk with Mr. Austin, who for the past two years has been in charge of the agriculture station at Loveland, and who, I presume you are advised, has left to take charge of the factory which you are constructing in Idaho, said to me: "Mr. Morey, you will never get the interests in northern Colorado in the proper shape to handle the acreages and the laborers until they are all in the hands of one company." The more I see of the situation here the more I am inclined to think he is right about it.

That has a most familiar sound, Mr. President—"the more I see the situation here the more I am inclined to think that he is

right about it." On the heels of that letter came this telegram from Mr. Havemeyer to Mr. Morey on the 16th of February, 1903:

Can not pay more than four half for beets.

Mr. Morey replies on the 17th:

I am in receipt of your telegram of the 16th, which reads: "Can not pay over four half for beets." I can assure you that I have never approved paying more than this price first, last, and all the time, and aside from two factories which have contracts for a higher price, there will be no advance over 4.50 without the matter being first submitted to you.

During this controversy the farmers revolted. They organized and then had the audacity to demand \$5 or no beets. Then Mr. Morey wrote Mr. Havemeyer:

Inclosed please find a couple of clippings, which explain themselves—

This letter is dated December 28, 1903—

We have thought best to let the farmers cool off a little and are not taking any hand in the matter of their meetings *aside from having some of our good farmer friends present to keep us posted and also counsel the farmers to be sensible and moderate in their demands.* After they get through with their meetings we shall probably be called on to meet them, and then the real struggle will come. My own feeling is that we shall not make any further advance in the price of beets, even if half of the factories in northern Colorado remain idle next season.

We have heard a good deal in this discussion about idle factories consequent upon the reduction or the removal of this tariff; but here is a positive assertion by the factory owner that the farmer shall receive starvation prices for his beets and the factories shall close rather than comply with a requirement that commands a decent profit. Mr. Morey continues:

However, that is just my personal opinion. The others may not agree with me; and if we get in too tight a place we shall consult with you before making any change whatever in our contracts.

Mr. Morey again writes to Mr. Havemeyer on the 2d of January, 1904, as follows:

I dislike very much to send you the inclosed letter, as well as to state to you that from all of the factories I am hearing about the same complaints that this letter indicates, namely, that farmers are not going to raise beets excepting in such cases as they have contracts. No new contracts have been signed amounting to anything at any of the factories, although our field men have been at work several days. I feel a good deal discouraged over this matter. I have felt all along that we would fight it out along the line we had laid down, namely, \$5 delivered at the factory and \$4.75 on the cars. I am not willing to yield yet.

Mr. Havemeyer replies to Mr. Morey, January 4, 1904, as follows:

Yours of December 28, bearing upon the price to be paid for beets, at hand. I would not make the farmers any offer of \$5. After they have talked their talk and said what they are going to do and not going to do, I would wait until they offered you a contract for \$5. I would let it all come from them—

Wise Mr. Havemeyer—

If they know that you will give \$5, it is a basis on which they will trade. I would not reveal what I would give.

But, Mr. President, these gentlemen came to the terms of the farmers most reluctantly, and because they had to; not because it was just for them to do so; not because they were willing to pay the prices which have been advertised so loudly and so boastfully by Senators who have espoused their cause upon this floor.

We now pass to 1906, and find the same old struggle. Mr. Morey writes to Mr. Havemeyer on January 20, 1906, as follows:

Inclosed clipping will give you something of an idea of the unreasonable position taken by the farmers in northern Colorado. I have had meeting after meeting with these people and thought everything was arranged to their satisfaction, but the beet growers in the vicinity of Fort Collins are a pretty hard proposition to handle. I believe, however, that we shall win out in the end, and am holding firm to our first contract, which is identical with that of last year, notwithstanding what the papers say.

Again, the farmer prevailed through organization and ability to utilize his land remuneratively in other directions. And, again, the controversy returns with each succeeding year.

On February 4, 1907, Mr. Morey writes to Mr. Havemeyer, as follows:

I beg to advise you that I spent Saturday last all day with the executive committee of the Beet Growers' Association.

We perceive now that the farmers have found the value of organization and are "fighting the devil with fire."

After consulting the different agricultural men and managers just before the meeting and getting from them the present condition of affairs, I decided to stand absolutely firm on our contract. The committee tried very hard to get some small concession, but I believe if we ever yield to them in any particular they will always run the business, and I am reasonably well satisfied we shall get all the beets we want, or at least enough for a fair run.

Here is a letter a few days after, on February 9, 1907, from Mr. Morey to Mr. Havemeyer:

It begins to look now as though we should have to back down and yield to the farmers or close one and possibly two of the large factories next season. In the event that we yield to the demands of the farmers

we are forever after at their mercy: in the event we should be obliged to close two of the larger factories we would barely be able to earn our dividends on preferred stock.

Mr. President, it is quite apparent from this chronicle of complaints that from year to year the companies declined to pay a greater price than they offered upon the pretense that they could not afford to do so; that they were paying all that was possibly commensurate with the character of the business. They had the same tariff then which they now have. The tariff under which they proffered these prices is the identical tariff under which they yielded to the demand that they could not overcome. Suppose the farmers had been unable, Mr. President, to raise anything but sugar beets—that they could not have turned their land to other purposes—what, then, would have been their condition? Precisely that of the workmen in the great manufacturing of the country, bound to the chariot wheels of modern industry by tariff legislation and compelled to accept what is offered or starve. I discover the loss of no battle by farmers after their association was completed and after their teamwork had become effective, since which time the beet grower has got, as he always will get, what he has been able to force from the hands of the purchaser.

But, Mr. President, there are different rates with different companies in the same States. I have here the rates in the Arkansas Valley of my State, where the American Beet Sugar Co. has its factories, and those in the northern part of the State, where the Great Western Co. is dominant. The Rocky Ford tariff is \$5 a ton for beets carrying 12 per cent of sugar or under, and 33 cents for each additional per cent, with the pulp free to the grower. The Great Western pays \$5 for 14½ per cent, and 25 cents for each additional unit of sugar in the beet, with no return of pulp, and yet each protests that it pays all that it can afford. I have a table, which I ask leave to print in my remarks, showing the difference in cost of beets under the two quoted schedules of 0.374 of a cent per pound and \$1.68 per ton on sugar if purchased at the highest rate mentioned in the schedules, which I ask leave to print in this connection.

The PRESIDING OFFICER. In the absence of objection, permission to do so will be granted.

The table referred to is as follows:

Table showing difference in cost under quoted schedules.
ROCKY FORD.

Per cent of sugar per ton.	Per cent, in pounds.	Cost per ton.	Cost per pound.
			Cents.
12.....	240	\$5.00	2.03
13.....	260	5.333	2.05
14.....	280	5.666	2.02
15.....	300	6.00	2.00
16.....	320	6.333	1.98
17.....	340	6.666	1.96
18.....	360	7.00	1.94
19.....	380	7.33	1.93
20.....	400	7.66	1.91

Average of above 1.984 cents per pound.

Twenty per cent beets, at 2.08 cents per pound, equals \$8.32 per ton.

GREAT WESTERN.

Per cent of sugar per ton.	Per cent in pounds.	Cost per ton.	Cost per pound.
			Cents.
15.....	300	\$5.00	1.66
16.....	320	5.25	1.64
17.....	340	5.50	1.62
18.....	360	5.75	1.60
19.....	380	6.00	1.58
20.....	400	6.25	1.56

Average of above, 1.61 cents per pound.

Twenty per cent beets, at 1.66 cents, equals \$6.64 per ton.

Mr. THOMAS. There is a peculiar feature, Mr. President, of these price schedules. The higher the price the farmer gets per ton on account of the larger percentage of sugar in the beet, the lower the price to the purchaser for the sugar content. To illustrate, beets carrying 15 per cent, or 300 pounds, per ton of sugar cost 1.66 cents per pound at \$5 for the beets, while those carrying 20 per cent, or 400 pounds, per ton of sugar cost 1.56 cents per pound at \$6.25 for the beets. The farmer receives a larger sum for his beets, but the purchaser pays him less for his sugar. In other words, the farmer, instead of receiving a higher, in fact receives a lower price for his sugar content as the percentage of sugar in his beets increases, but no account is made of this important fact in the reports and state-

ments that are made to the committee and assuming to give data relating to cost of production.

There are other profits to the refiner, Mr. President, beside that derived from sugar of which we have heard nothing. There is the sale of seed to the beet grower; and who knows what profits result from the chemical analyses, from tare, and from by-products? I have reason to believe that the cost of beet-sugar production does not exceed \$2.50 per ton of beets. I shall show presently that Mr. Henry T. Oxnard in 1899 expected to reduce it to \$2 per ton. It is the boast of the beet-sugar manufacturer that the human hand does not touch the commodity from the time of slicing until the sugar emerges at the farther end of the factory into the bag that receives it. The process is automatic and as a consequence the cost of the product is reduced to a minimum.

I refer to some other by-products which are profitable. There is from 25 to 35 per cent of pulp to every ton of beets, which for forage is worth from 50 to 60 cents per ton; figured at 25 per cent with a value of 50 cents a ton, there are 12½ cents per ton as a by-product upon the pulp. There is 5 per cent of sirup to every ton of beets, which sells at the factory for \$7 per ton, or 35 cents a hundred pounds, making a total by-product profit of 47½ cents per ton upon every ton of beets for these items only, which, of course, should be deducted from the total cost of the raw material used.

I have shown, Mr. President, what prices are paid beet growers in this country, and to say that they average \$5.50 a ton is to overstate the case for the beet-sugar refiners, but I shall put it at that.

I now turn to Germany. I have here a report of the imperial bureau of statistics of the German Empire for 1912. I have had translated the pages referring to the price paid for beets. I shall not, of course, ask to incorporate this into the RECORD, but I wish to emphasize the conclusions which are here reached as to the returns to the farmer. The average price per long ton to the beet growers of Germany was \$6.07 in 1912, the minimum being \$5.44 and the maximum being \$6.38. This page gives the amount paid in each of the districts or provinces of the Empire where the industry is carried on. Of course, a long ton contains 240 pounds more than a short ton, which is the basis of bargain and sale of this commodity here; but there are other advantages to the German grower which more than compensate for the difference.

Behrens & Son, of Hamburg, a recognized authority, fix the price in 1911 at from \$5.32 to \$6.70 in the district of Stettin, and in Posen at from \$5.59 to \$6.49 per ton.

I now read from the balance sheet and trade report of the Dieschau factory for 1911 and 1912:

We have followed the example of other factories and have increased beet prices per thousand 40 cents per 100 kilos for 1912-13, viz: \$5.80 per long ton, shipment by end of October; \$6.04 per long ton, shipment first half of November; \$6.28 per long ton, shipment from November 16 to close of factory. Rebates for freight will be paid as usual—

That is a sort of rebate I think we can all subscribe to—

The beet growers will receive additional payments if the profits of the stockholders amount to more than 6 per cent. During the past year, 1911-12, we have made additional payments to beet growers as per contract, at the rate of 89 cents per ton, and we have voluntarily paid our regular shippers an additional rate of 79 cents per ton.

In addition, there is 40 to 60 per cent of free pulp together with free seed.

These statements, Mr. President, should be the basis of comparison, and I am here to assert that the beet grower of Germany, with his so-called cheaper labor, gets as much per ton for his beets, and with free pulp and participation in profits and free seed derives a greater profit than the beet grower of America has up to this time been able to wring from the reluctant hands of the overcapitalized combinations with which he has to deal. Yet the cost per pound of sugar to the refiner of Germany neither handicaps nor destroys him.

I have here a table which I ask, Mr. President, to have inserted in the RECORD, and which I will not stop to read, showing the American and European prices for sugar during July, 1911. This table shows the retail price at the German cities of Berlin, Magdeburg, Hamburg, and Cologne. For the first two cities the price was \$2.87 and in the last city \$2.67 per hundred pounds. If the factories, after paying as much for their beets as are paid here, returning freight and pulp, after making these allowances and rebates, can make a profit on sugar retailing at \$2.87 sufficient to insure 6 per cent on their capital, with divisions of excess with the beet grower, why can not the beet-sugar refiner in this country, at a less expense, as I have shown, market his product at the same price and make a handsome profit upon the capital invested? I make no question, Mr. President, but that he is perfectly capable of doing it.

The PRESIDING OFFICER. In the absence of objection, the table referred to will be printed in the RECORD.

The table referred to is as follows:

Table showing American and European prices for sugar during July, 1911.

	Retail price per pound.	Import and internal revenue taxes levied per pound.	Retail prices less taxes levied per pound.
	Cents.	Cents.	Cents.
London.....	4.00	0.40	3.60
Liverpool.....	4.00	.40	3.60
Manchester.....	3.80	.40	3.40
Berlin.....	4.90	2.03	2.87
Magdeburg.....	4.90	2.03	2.87
Hamburg.....	5.90	2.03	3.87
Cologne.....	4.70	2.03	2.67
Paris.....	5.90	2.89	3.01
Marseille.....	6.10	2.89	3.21
Bordeaux.....	6.80	2.89	3.91
Lyon.....	6.50	2.89	3.61
Rome.....	14.00	8.67	5.33
Vienna.....	6.50	4.02	2.48
Budapest.....	6.80	4.02	2.78
Geneva.....	4.40	.79	3.61
Zurich.....	5.10	.79	4.31
Berne.....	4.20	.79	3.41
Rotterdam.....	8.20	4.92	3.28
Amsterdam.....	8.70	4.92	3.78
Brussels.....	5.40	2.27	3.13
Liege.....	4.80	2.27	2.53
Copenhagen.....	5.00	1.71	3.29
Madrid.....	12.20	7.00	5.20
Stockholm.....	8.00	3.70	4.30
Gottenborg.....	7.70	3.70	4.00
Constantinople.....	5.10	.25	4.85
Lisbon.....	10.30	7.40	2.90
Athens.....	11.40	7.90	3.50
Bucharest.....	10.10	6.56	3.45
Belgrade.....	8.70	5.26	3.44
Christiana.....	6.30	2.43	3.87
Sofia.....	7.20	4.69	2.51
United States.....	6.35	1.34	5.01

Mr. THOMAS. The cost of production, as I have said and as I will show before I get through perhaps more emphatically than I have thus far, is less in America than in Germany, while our methods of production are constantly improving, our machinery is being made better, the efficiency of our workmen is constantly increasing, and the competitive faculty aroused to the highest point with effort to earn profits upon manufactured capital keeps the American refiner abreast of competitors all over the world.

I have a letter written by Mr. W. A. Orton, pathologist in charge of sugar-plant investigations of the Agricultural Department, which I ask leave to here insert, and who says that the cost of growing beets is higher in Germany than in America:

UNITED STATES DEPARTMENT OF AGRICULTURE,
BUREAU OF PLANT INDUSTRY,
Washington, D. C., May 28, 1913.

Mr. F. T. WEBBER,
Las Animas, Colo.

DEAR SIR: Your recent letter to Mr. J. A. LeClerc, making inquiry as to sugar-beet raising in Germany, has been referred to this office for reply.

The following items have been taken largely from a confidential report in this office rendered by an Americanized German, whose facilities were such as to enable him to secure what we believe to be thoroughly accurate data concerning the beet-sugar situation over there. Average tonnage, sugar content, etc., are taken, however, from ordinary statistics as published in the sugar journals of Europe.

The average yield of beets for the five years from 1906 to 1910, inclusive, was 13.18 short tons per acre, the sugar content of beets being 17.1 per cent, and the actual recovery in 88 per cent sugar being 15.55 per cent. The average cash price paid the farmers for beets was \$4.70 per ton, but to this must be added pulp equivalent to a market value of from 45 to 60 cents more, and the seed equivalent to about 10 cents per ton of beets produced, making the total returns of the farmer from the factory from \$5.25 to \$5.50 per ton of beets. In addition to this, farmers holding shares in the cooperative factories would receive dividends also.

In Saxony, the most advanced beet-sugar Province in the Empire, land ranges in price from \$250 to \$500 per acre. However, rents over there are correspondingly much lower than here. For example, land of the above value rents in large holdings at from \$8 to \$9 per acre per year. In small holdings the rental is larger, ranging from \$10 to \$16 per acre. The usual rental periods there are much longer than here, ranging from 12 to 18 years, sometimes reaching 50 years; that is to say, practically the tenant's entire working life.

The average investment for implements is from \$10 to \$14 per acre. The average investment in live stock runs from about \$14 to \$21 per acre.

On the regulation farms, where 50 per cent of the plowed land is in grain and 33 per cent in beets, from 29 to 54 head of stock are kept per 160 acres. Farms of this type usually spend from \$14 to \$15 per acre per year for labor, this average being spread over all the land owned.

The heaviest fertilizing expense is put on the beets. On two typical farms the average cost for fertilizing beets was a little over \$25 on the one and a little over \$20 on the other, while for wheat the values were slightly in excess of \$12.50 and \$11.50 per acre, respectively—averages for 10-year period.

On large tracts plowing is frequently done by steam, usually under contract, contract costs ranging from \$3.20 to \$3.60 per acre for deep plowing (18 to 24 inches) to from \$2.30 to \$2.80 for shallow plowing.

Contrary to the usual belief, the cost of growing beets is higher over there than here. Analyzed broadly, it is as here shown:

	Mini- mum.	Maxi- mum.
Fertilizing.....	\$20.00	\$25.00
Teamwork.....	14.00	18.00
Hand labor.....	18.00	25.00
Rent and interest.....	9.00	14.00
Total.....	61.00	\$2.00

The returns for a 15-ton crop, allowing also for feeding value of the tops, will range from \$75 to \$85 per acre, thus leaving a good margin of profit above the minimum cost and a probability of slight profit above the maximum cost. Of course, some farmers will raise more than 15 tons per acre occasionally; however, not of an average.

Considering the agricultural industry as a whole, the American farmers as compared with the Germans produce more than twice as much value per individual engaged in the industry, and that in spite of the more intense methods of cultivation followed over there.

Trusting that this supplies you with the desired information, I am,
Yours, truly,

W. A. ORTON,
Pathologist in Charge of Cotton and Truck Disease
and Sugar Plant Investigations.

So far, then, as the production of beet sugar is concerned, I assert without fear of successful contradiction that it is produced in this country as cheaply as if not more cheaply than anywhere else in the world; and it follows, if that be true, that a tariff is not necessary to its existence, and that is the topic which I now desire to discuss for a few moments, because if, in fact, a duty is essential to beet production, its continuation may be justified in view of the fact that the industry has progressed under existing law—not that it should be permanent, not that it should be an established feature of Democratic legislation, but simply, if necessary, that these people who complain so loudly of governmental disfavor should be let down as easily as possible in view of existing conditions. But it is not essential to the survival of the industry.

Mr. Havemeyer, at a meeting of the shareholders of the American Sugar Refining Co., January 8, 1902, made this statement:

The people are beginning to characterize the duty on sugar as a hunger tax. A removal of the tax would be a great blessing to the entire community. As far as the beet industry is concerned, the farmers have received no more for their beets since the tax was reimposed than when sugar was free, in the years 1891, 1892, and 1893.

And it was true at that time.

What Mr. Oxnard says is of little account.

What Mr. William Bayard Cutting attaches his signature to is of account. He states over his own signature that the beet-sugar industry is profitable under conditions of absolutely free trade, and that the United States being an agricultural country the industry has nothing to fear even from the annexation of Cuba.

Mr. Henry T. Oxnard, Mr. President, is perhaps our pioneer beet-sugar man. I think he is the first one who demonstrated successfully the possibilities of sugar-beet culture in this country. He thus testified before a House committee, I think in 1900, upon this subject:

Do the beet-sugar men contemplate a time when they can stand on their own legs and compete with everybody, or do they look all the time for a high-protective tariff to enable them to make sugar at all?

Answer. The sugar beet is being bred up every year so that we are getting more and more sugar all the time out of good sweet beets. Science is being devoted to developing a high-grade beet, and they are gradually getting 1 per cent more and 1 per cent more, and every per cent means more pounds of sugar. Some exceptional beets have been produced containing 25 per cent of sugar to the weight—a quarter of the whole weight was sugar. My hope is that we will breed the beet just as you have bred the trotters from 2.40 down to 2 minutes. We are hoping every day to secure that high standard, and when we have attained it, if that day comes, as I firmly believe it will, we can compete with the whole world.

It is true that this gentleman attempted in 1911 to modify this statement by saying that he had only beet sugar in contemplation, that he did not consider cane sugar, and that the statement is perfectly true as to the former. But "the whole world" included both, and I shall show by some statements of that gentleman, previously made, that he meant at that time precisely what the purport of his words indicates.

We have long since reached the German standard. It was developed before the Hardwick committee that the general yield of beets has reached 14 tons to the acre and the content of sugar has reached 15 per cent. That is equal, if not superior, to the German standard. You will note that in this prediction of Mr. Oxnard he makes no mention of labor cost; he makes no mention of other production costs. The elements he then considered important were increases in tonnage and sugar content. These were his sole determining factors; but when beet production was only 9 or 10 tons per acre, with 10 or 12 per cent

of sugar content, Mr. Oxnard said that the industry would thrive without protection.

This gentleman was then floating bonds or selling stocks, or both, and issued a prospectus in support of his enterprise, and to that I wish to refer for a moment.

This circular was issued by Messrs. Oxnard and Cutting in 1899. It was published in the New York Evening Post of December 12, 1901. It is somewhat lengthy, and I shall not read all of it; but I wish to insert it in the RECORD as a part of my remarks upon this occasion, because it is pertinent and should be, upon this subject, all important.

The circular begins by saying:

In 1889 the possibilities of the beet-sugar industry in the United States recommended themselves to the Messrs. Oxnard and Cutting and determined them to invest in its development. It commended itself to them not only on account of its probable profits and its introduction of a new manufacturing industry of great magnitude, but very largely because it seemed to provide that which the country sorely needed—a new agricultural industry of large possible benefit to the farmer, suffering from overproduction and unprofitable prices for his cereals.

Mr. Oxnard then refers to the various difficulties which he encountered from time to time in his efforts to make this a substantial and paying industry. On page 2 he says:

This is the experience, however, that gives wisdom, and it may be said now in a general way, first, that the world contains to-day, it is believed, no more perfect factories than those owned by the Oxnards and Cuttings.

It thus appears that as early as 1899 the existing factories in this country had no superiors in the world, and therefore could produce beet sugar as cheaply as it could be produced anywhere else.

The circular continues:

Perhaps it may be well to draw attention to one or two features of the industry.

(1) Its product is a staple of universal consumption and of the readiest sale.

(2) The product is a finished article, the sugar being turned out refined and granulated, the manufacturer not being dependent upon the Refiners' Trust for his market.

(3) Competition by home production is so remote as to be scarcely worth consideration. The United States is now compelled to import three-quarters of its consumption, and it would take at least 300 factories of a daily capacity of 300 tons of beets to produce present importation.

He then discusses the future development and permanency of the industry, and of that he says there can be no doubt, for the following reasons:

(1) Of the tropical countries which it is proposed to annex to the United States Porto Rico is too small to cut any figure, and the Philippine Islands have not the necessary elements for the expansion of the sugar business sufficiently rapid to give any concern to those interested in the production of sugar from beets in this country for the next 25 years to come.

(2) The island of Cuba is so situated that its sugar industry can rapidly recover the ground lost during the insurrection, provided that the labor question there can be satisfactorily settled. There is, however, no fear that Cuban production, even under an annexation to the United States, can in our day expand to the point where the United States would become exporters of sugar instead of importers, and hence that protection would no longer protect.

(3) Greater than all of the above assurances of the permanency of the sugar industry in the country is the fact that sugar can be produced cheaper here than it can be in Europe.

The sugar industry is, after all, merely an agricultural one. We can undersell Europe in the production of all other crops, and sugar is no exception. The sugar consumed in the civilized world consists of 3,000,000 tons of cane sugar grown in the Tropics and 5,000,000 tons of beet sugar grown on the Continent of Europe. Therefore, in considering any given sugar enterprise, if it can meet and overcome the competition of sugar on the Continent of Europe, it is perfectly safe to say that it has a permanent future.

(4) In addition to all the above, the main fact is to find out what the conditions would be under free trade in this country. This was tested practically by admitting the raw sugars of the world free to compete with us in the period from 1891 to 1894. During these three years the duty was entirely removed from raw sugars coming from foreign countries, and in place of this duty a bounty of 2 cents per pound was given to the home producers, which was paid out of the National Treasury until the McKinley law of 1890 was repealed, and in its place the Wilson tariff bill was substituted on the 28th day of August, 1894.

The average prices of granulated sugar during the years 1891, 1892, and 1893, taken from Willett & Gray's Journal, which is the recognized authority in the sugar world, are as follows:

	Cents a pound.
1891.....	4.041
1892.....	4.346
1893.....	4.84

The average price of sugar in 1890, before the duty was removed, was 6.17 cents per pound. Taking the lowest year, say, 1891, it is found that sugar sold at an average price during that year of 4 cents per pound. This was under free trade, admitting all the raw sugars of the world to our markets duty free. Therefore, if the lowest price (4 cents) be taken as an average, it will give a guide to go by in the event that we ever again return to absolute free trade. During 1898 the Chino factory—

This was one of Mr. Oxnard's factories—produced 256 pounds of granulated sugar per ton and the Norfolk 250 pounds per ton. In the new factory at Huene—

That is in California—

a production of about 270 pounds, which is the product of 1 ton of beets manufactured into granulated sugar. If we multiply this figure

by four, it gives us \$10 as the net result from a given ton of beets manufactured into granulated sugar at free-trade prices.

There is a seven years' contract in our new factory at Hueneme paying \$4 as an average price for beets. If we add to this the cost of manufacturing these beets into sugar, we will find that \$3 would cover every expense. Our figures, based on averages in our factories located in California and Nebraska, show that \$2.50 per ton covers the actual expenses of manufacturing sugar, and in the new factory which is three times as large as the Chino factory, we expect to reduce the cost below \$2, but, for the sake of conservatism, we will place the figures at \$3.

Then follows this table:

	Per ton.
Beets	\$4
Expense of working beets into sugar	3
Total	7
Amount realized from the sale of the product at 4 cents per pound	10
Net profit per ton	3

The factories are capable of manufacturing at least 350,000 tons of beets into sugar per annum; 350,000 multiplied by \$3 would give \$1,050,000 (this at 4 cents a pound, at 3 cents per pound, 25 per cent less, \$789,000), as the income to be derived under absolute free trade, should the price of sugar be at the lowest price prevailing during the years when all duty was removed from raw sugar.

The annexation of the Hawaiian Islands, if anything, is more advantageous to the home producers than the treaty conditions of free sugar produced by contract coolie labor. Now they must manufacture sugar under the labor and tariff laws of the United States, instead of the coolie-labor system. It is a fact that the total consumption of sugar in the United States doubles every 15 years. The consumption in 1882 was 1,061,220 tons, whereas in 1897 the consumption was 2,096,263 tons. Total production to-day in the United States, including the Hawaiian Islands, is only 400,000. The annual increase in consumption is about 300,000 tons, which is the average production of cane and beet sugar in the United States proper to-day.

I am not reading consecutively from the circular.

From the above it will be seen that there is absolutely no fear of competition from internal sources for the next quarter of a century at least.

Mr. President, the conclusion is as confidently stated and as optimistically expressed in this circular of 1899 as to the ability of this industry to sustain itself under all conditions as the predictions of coming disaster are now gloomy and despondent.

I have an editorial from the New York Evening Post of December 12, 1901, relating to this circular, which I ask leave to print.

The PRESIDING OFFICER. Without objection it will be so ordered.

The matter referred to is as follows:

[New York Evening Post, December 12, 1901.]

THE BEET-SUGAR INDUSTRY.

The Evening Post bids the heartiest welcome to every American industry that can stand on its own bottom and make its way without leaning on the poor rates. Among these self-supporting industries, we are glad to know, is the production of beet sugar. At all events, it was such two years ago. We publish elsewhere a letter written in 1899 and signed by Mr. Oxnard and Mr. Cutting, the chiefs of the industry on the eastern side of the Rocky Mountains, showing that this was the happy condition of the trade at that time. If parties masquerading as beet-sugar producers are besieging the President and Congress at this moment and pretending that they will be ruined if Cuban sugar is admitted for six months at half the present rate of duty, their false pretenses ought to be exposed.

The letter of Messrs. Oxnard and Cutting was probably written for the purpose of inducing the farmers of the Mississippi Valley to go more largely into the cultivation of beets for the sugar factories. This was a laudable motive for telling the truth and showing the large profits which awaited both the beet grower and the manufacturer, if the industry were perseveringly and intelligently prosecuted. To this end it was pointed out that farmers could clear \$65 per acre by cultivating beets, and might even make \$100. But in order to assure the cultivator that he would not be exposed to reverses by possible changes in the tariff, they proceeded to show that the industry stood in no need of protection.

The beet-sugar industry, these gentlemen say, "stands on as firm a basis as any industry in the country." They point out the fact—a very important one—that their product comes out as a finished article, refined and granulated. It is not, like cane sugar grown in the West India Islands, a black offensive paste, which must be carried into wagons to the seaboard and thence by ships to the United States where, after another handling, it is put through a costly refinery and then shipped by rail to the consumer, who may possibly be in Nebraska, alongside of a beet-sugar factory which turns out the refined and granulated article at one fell swoop. Indeed, the advantages of the producer of beet sugar for supplying the domestic consumption are very great. We have no doubt that Messrs. Oxnard and Cutting are within bounds when they say that "sugar can be produced here cheaper than it can be in Europe." The reasons of this are that:

"The sugar industry is, after all, merely an agricultural one. We can undersell Europe in all other crops, and sugar is no exception."

It follows naturally as the making of flour from wheat. If we can produce wheat cheaper than Europe, then naturally we can produce flour cheaper, as we do.

But the writers of the letter do not depend upon a priori reasoning to prove that they can make sugar at a profit without tariff protection. They point to the fact that under the McKinley tariff of 1890, when sugar was free of duty, the price of the article was 4 cents per pound. Yet a net profit of \$3 per ton was made by the beet-sugar factories under those conditions, not counting any bounty on the home production of sugar. They boast that they made this profit while working under absolute free trade, and they have a right to be proud of this result of their skill and industry. Many beet-sugar factories had been started in by-gone years—back in the sixties and seventies of the nineteenth century—and had failed, because the projectors did not understand the business. Since then great progress has been made

both here and abroad in the cultivation and manipulation of the beet; what was impossible 30 years ago is now entirely feasible. The industry is already on a solid and enduring basis. There are factories in the United States, these gentlemen tell us in their letter, capable of using 350,000 tons of beets per annum at a profit of \$3 per ton, and this would make a profit of \$1,050,000 as the income to be earned under absolute free trade.

It must be plain to readers of this letter, signed by the captains of the beet-sugar industry, that the people in Washington who are declaiming against the temporary measure which the President of the United States urges for the relief of the Cuban people are either grossly ignorant of the subject or are practicing gross deception. The tenable ground for them is to say: "Other people are having protection that they do not need, and therefore we ought to have more than we need." This would be consistent with the letter of Messrs. Cutting and Oxnard, but nothing else is so.

Mr. THOMAS. In this connection I desire, for the purpose of showing the profits of this industry, upon a basis of 4 cents per pound for sugar, to refer to another letter of Mr. Chester S. Morey, written on the 19th day of March, 1910, and printed in the testimony of the Government in the pending case:

MY DEAR Mr. THOMAS: Inclosed herewith I hand you copy of the financial exhibit and income statement. This is the form in which we expect to publish these statements, and they will also be used when we make application to list our stock on the New York Exchange.

You will notice that this year, in addition to the regular 2½ per cent depreciation which we have been deducting for the last three years, we have set up \$1,000,000 in depreciation reserve. I do not want this year's earnings to appear as large as they would if we had not made this entry. Of course this can be changed if the board of directors does not approve of it.

You will note that our total surplus is shown by these statements as a little over \$5,000,000. This does not include any surplus from the Billings Co., the Great Western Railway Co., and other corporations, which really add nearly \$2,000,000.

Our sugar is invoiced at 4 cents—

Not the market price—

and judging from present market indications there is at least \$1,000,000 profit that will show up in next year's business. The value of our real estate and railroads over and above the amount at which they are carried is at least \$5,000,000, so that the actual surplus is nearer \$9,000,000 than \$5,000,000.

Am pleased to say that at some of our factories the farmers are signing up acreage and feel more encouraged than I did a week ago.

This company at that time was barely five years old. Its capitalization I shall refer to later on. At the end of five years, and after constantly paying dividends upon its preferred stock, it was obliged to resort to the extraordinary alternative of charging off \$1,000,000 to an account called "depreciation reserve," in order to conceal the enormous profits that it had derived from the manufacture of beet sugar.

To my mind there can be no other conclusion than the one at which I long ago arrived, that however desirable a tariff on sugar may be for revenue purposes, however its removal may affect the sugar industry of Louisiana, the beet-sugar industry of the United States needs no protection; but it can and will survive and prosper, and I trust will be compelled to recognize the all-important fact that its actual and not its manufactured capital should be the basis of its charges as well as of its profits, whatever may be the final verdict of the people upon the tariff.

Let me at this juncture refer to the matter of overcapitalization.

The cost of beet-sugar mills was formerly placed by manufacturers of sugar-mill machinery and by the sugar men at \$1,000 per ton of slicing capacity. There was no question about it 10 or 15 years ago. That figure then seemed to be sufficiently large, notwithstanding the fact that most of the machinery then employed in the industry was imported from Germany. Our manufacturers at that time had not reached the point in production where they were able to supply the demand for such machinery. A thousand dollars per ton of slicing capacity, therefore, seemed then to be ample. But since then other sugar men have estimated the cost of sugar factories at \$1,250 to \$1,500 per ton of slicing capacity. I refer again to Mr. Blakey on this subject. At page 46, he says:

The capitalization per ton of daily slicing capacity in 1889—

He is referring now to the capitalization of the mills then in existence—

was \$1,097; in 1904, \$1,502; and in 1909, \$2,458. The additions of machinery for extraction of sugar from the molasses by the osmose and Steffens processes, for drying pulp and numerous other improvements account for a part of the increase, but most of it in both periods, as regards capitalization per ton capacity, is probably fictitious.

Sugar machinery was much more expensive and much less efficient in 1889 than in 1912, yet the capitalization based upon it has increased nearly 125 per cent.

Let us see what that capitalization amounts to. In January, 1913, the total number of beet-sugar factories in operation was 76. Their total daily slicing capacity was 63,550 tons. This represents an investment of capital, at \$1,000 per ton, of \$63,500,000; at \$1,250 per ton, \$79,437,500; at \$1,500 per ton, \$95,325,000. The total capitalization was \$141,410,000. The differ-

ence between the actual cost and the issue of capital of these companies, at \$1,000 a ton, is \$77,860,000; at \$1,250 a ton the difference is \$61,972,500; at \$1,500 per ton the difference is \$46,085,000.

In other words, taking the highest estimate of cost per ton of slicing capacity as the basis, the fictitious capital injected into this business, to pay dividends upon which the American people are taxed for a prime necessity of life, is \$46,085,000. But if we take the actual cost of plant, as heretofore universally conceded, this extra capitalization amounts to \$77,860,000. Now, let us take some typical company and see how these conditions have been applied to it.

The American Beet Sugar Co. is Mr. Oxnard's concern. This is capitalized at \$5,000,000 preferred and \$15,000,000 common or watered. His excuse for issuing \$20,000,000 of capital upon \$5,000,000 of investment, and probably less, is that his bankers required him to do so as a condition of financing the concern. His testimony appears in the lobby investigation, page 1234, which I will refer to for a moment in this connection:

Mr. OXNARD. Just let me say that the American Beet Sugar Co. was organized in 1898, and issued \$5,000,000 preferred and \$15,000,000 of common stock. Now, the \$5,000,000 of preferred stock represented the investment and the \$15,000,000 represented water.

Senator REED. That is what I wanted to get at.

Mr. OXNARD. I thought you would find that I could answer it if you would let me answer it that way.

Senator REED. What dividend did the preferred stock represent?

Mr. OXNARD. Six per cent.

Senator REED. And has that always been paid?

Mr. OXNARD. Always. Now, I think, in justice to myself—

Senator REED. Who holds that preferred stock, or held it originally?

Mr. OXNARD. It is held by Tom, Dick, and Harry, scattered.

Senator REED. When it was first issued was it not issued to you gentlemen who were putting up this money?

Mr. OXNARD. No; it was issued to the bankers who formed this corporation.

It was issued to Kuhn, Loeb & Co. and Spencer, Trask & Co., who organized this American Beet Sugar Co.

Senator REED. They got all the preferred stock originally?

Mr. OXNARD. They got the preferred stock; yes.

Senator REED. And they put up \$5,000,000?

Mr. OXNARD. I want to be more accurate, because, now you speak of it, I forgot something. We only had \$4,000,000 of that preferred stock issued and left \$1,000,000 in the treasury, and that \$1,000,000 came out later on. That \$1,000,000 is all in now.

Senator REED. Kuhn, Loeb & Co. advanced this money?

Mr. OXNARD. Yes.

Senator REED. And you turned over to them the preferred stock?

You authorized \$5,000,000 of preferred stock, but actually issued \$4,000,000 and turned that over to them?

Mr. OXNARD. Yes.

Senator REED. How much of the common stock did you turn over to them at the same time as a bonus?

Mr. OXNARD. As nearly as I remember, we turned over about \$5,000,000 to the bankers.

Senator REED. The bankers put up every dollar that went into the thing?

Mr. OXNARD. Yes.

Senator REED. They got the face of their advancement in preferred stock, and then they got a \$5,000,000 bonus in common stock?

Mr. OXNARD. Yes.

Senator REED. And you have since issued \$1,000,000 more of the preferred stock; and when that stock was issued, was it taken by Kuhn, Loeb & Co.?

Mr. OXNARD. I think that was taken by Spencer, Trask & Co.

Senator REED. Another banking concern?

Mr. OXNARD. Yes.

Senator REED. How much common stock did you give them?

Mr. OXNARD. We did not give them any of it, because the company had been firmly established as a going financial concern, and they did not ask for any common stock.

Senator REED. Who was it, then, that got the remainder of this \$15,000,000 of common stock?

Mr. OXNARD. The \$10,000,000 of common stock went to W. Fulton Cutting, R. Bayard Cutting, and Henry T. Oxnard.

Senator REED. What for?

Mr. OXNARD. For the plants that we turned over.

Senator REED. But the money had been paid for those plants, had it not?

Mr. OXNARD. Yes; but there was good will.

Senator REED. Ah! How much good will?

Mr. OXNARD. I said that was all water to begin with—\$15,000,000.

Senator REED. You had \$10,000,000, then, that you divided up of the common stock among the various promoters of this plant?

Mr. OXNARD. Yes.

Senator REED. That is the truth about it?

Mr. OXNARD. Yes.

Senator REED. That is the present plan of the capitalization of the American Beet Sugar Co., is it not?

Mr. OXNARD. Yes; it has not varied a bit; but I want to make an explanation after you get through.

I now turn to page 1239:

Senator REED. So that as a matter of fact it stands this way, and we will not figure it out now. We can all figure it out afterwards.

Originally, in what year was it that you put in the \$4,000,000?

Mr. OXNARD. In 1898.

Senator REED. In 1898 you put in \$4,000,000?

Mr. OXNARD. Yes.

Senator REED. And that is all you did put in of original capital?

Mr. OXNARD. That is all.

Senator REED. Until 1908, and then you added an additional million?

Mr. OXNARD. That is right.

Senator REED. And now you have your factories and your increased value of the factories of \$3,500,000 and you have taken down these various dividends and have this surplus?

Mr. OXNARD. That is right.

Senator REED. We will figure that out afterwards.

Mr. OXNARD. Yes; but that would not show more than 12 or 13 per cent on the total investment, would it?

Senator WALSH. A little better than 15 per cent.

Mr. OXNARD. About 12 or 13 per cent.

Senator REED. It shows that you got your money back twice and still have your money.

Mr. OXNARD. Yes; but I am going to show you some figures—

Senator NELSON. You have not figured in that what you got out of the common stock that you sold?

Mr. OXNARD. Well, let me see. Suppose we sold it at 25, then; \$4,000,000 at 25 would make a million dollars.

Senator REED. You did not, as a matter of fact, sell as much of that stock as low as 25?

Mr. OXNARD. An awful lot of it.

Senator REED. Has not the common stock run up in these factories so that it has been above 50?

Mr. OXNARD. It has been to 77, but it is down now to 22 or 23.

Senator REED. Which is about 22 or 23 times what it originally cost.

Senator NELSON. Do you not think that you could have paid the farmers a great deal more for their beets if you had not juggled with this common stock?

Mr. OXNARD. No; I do not think that had anything to do with it, Senator.

Senator CUMMINS. You say the common stock has been on the market as high as 77 per cent?

Mr. OXNARD. Yes.

Senator CUMMINS. Will you give us an idea of why people believed this stock was worth 77 per cent? Was it because they believed that these companies could earn money to pay dividends upon the entire \$15,000,000?

Mr. OXNARD. Yes, Senator; that was the reason.

I now turn to pages 1243 and 1244:

Senator NELSON. Do you not think it was wicked to unload that kind of a stock on the public and you and the other men pocket the money from it?

Mr. OXNARD. I think this, Senator, that it was entirely overcapitalized—too high.

Senator NELSON. Do you not think that was a great moral wrong?

Mr. OXNARD. Well—

Senator NELSON. Or have you no compunctions about it?

Mr. OXNARD. You know Wall Street's conscience. I thought it was overcapitalized. I am not going to justify that procedure—that part of it.

Senator NELSON. If you had not overcapitalized as you did, could you not have paid the farmer more for his beets?

Mr. OXNARD. I do not think that had anything to do with it.

Senator WALSH. Of course, you got the very best price that you could get for your stock that did sell?

Mr. OXNARD. Yes.

Senator WALSH. You had not any compunctions about taking anything you could get for it?

Mr. OXNARD. No, sir; not the slightest.

It appears, then, from the testimony of the president of this company that upon an actual investment of \$4,000,000, placing it liberally, a company was organized by him called the American Beet Sugar Co. and capitalized at more than four times the amount of the money actually invested; that the preferred stock, representing the actual capital invested, was sold at par, the proceeds of which were paid to him and his associates; and that, in addition, they retained \$10,000,000 of water, the remainder going to the bankers, which, through the alchemy of modern financial jugglery, was sold, as he himself declares, without any compunction, at from \$25 to \$30 and \$35 per share and the proceeds pocketed by himself and associates; for he tells us that he and his family now own less than 1 per cent of the stock of this concern. And, notwithstanding what he said in 1899, this gentleman has created a corporation capitalized in millions whose value was probably based upon an estimate of probable earnings and profits, and now seriously demands that the American people must continue to be taxed upon a necessity of life in order that his own and similar combinations may flourish and wax fat. I can conceive of no more monstrous outrage upon business morality and fair dealing, an outrage which lays upon the American people who consume this product a burden four times in excess of what that burden should be.

Let us take the Great Western. That was originally capitalized at \$10,000,000 preferred and \$10,000,000 common, and the shareholders of constituent or absorbed companies, chief among whom was the Sugar Trust, came in upon a basis of two shares for one. It was afterwards increased to \$15,000,000 preferred and \$15,000,000 common. The capitalization of some of the local or constituent companies entering into the combination was arbitrarily increased before joining the merger, the Windsor Co. from \$650,000 to \$750,000, the Fort Collins Co. from \$1,000,000 to \$1,250,000. (See Hardwick hearings, p. 2959.)

It was done because of the contemplated merger, to the end that the new shares might participate in this huge enterprise at two shares for one, wringing further and greater profit from the American people on a necessity of life, supported by the protective policy of a great Government.

The proceedings of the American Sugar Refining Co. which preceded and accompanied the organization of this company were revealed to the Hardwick committee. All the details were arranged in advance. Mr. Havemeyer had gone so far as to name his directors or at least to suggest them. The little com-

panies had all been gathered in. The ship was about to be launched and here is the story of the launching:

Meeting of the board of directors of the American Sugar Refining Co.—

This company, which now is said to be very desirous of destroying its own offspring and depriving itself of the value of one of its greatest investments—

held at 117 Wall Street, New York, on Wednesday, January 11, 1905, at 2 o'clock p. m.

Mr. Havemeyer stated that as the board desired to discuss the proposed Great Western Sugar Co. of New Jersey, and as he was personally largely interested in the Agricultural Investment Co. of New Jersey and the several Colorado sugar companies whose property the Great Western Sugar Co. of New Jersey intended to acquire, he would not take part in the discussion and that he would withdraw from the meeting.

Modest and conscientious Mr. Havemeyer! He had a personal interest in what was about to be accomplished. He had arranged all the details, he had provided that every dollar he placed in this enterprise would come back to him with another dollar added. But the proprieties required that he should not immediately take part in the actual consummation of the arrangement, and he therefore withdrew from the meeting.

After Mr. Havemeyer had left the room Mr. Donner reported that the incorporation of the proposed Great Western Sugar Co. of New Jersey was in progress, it having been determined that the capital shall be \$20,000,000, one half preferred and one half common stock; he reported further that all of the stockholders of the Great Western Sugar Co., the Fort Collins (Colo.) Sugar Co., the Longmont Sugar Co., the Eaton Sugar Co., the Greeley Sugar Co., and the Windsor Sugar Co. were willing to sell their stock or to join in proceedings for the sale of the properties of their companies to the new company at the rate of 200 per cent for their stock, payable by the new company in its stock, one share of preferred and one share of common of the new company for each share of the stock of the former companies. It was thereupon, on motion,

Resolved, That the company will sell its stock in the said companies on the same terms; that the board directs Messrs. Donner and Helke to make the sale, and that Mr. Donner be, and hereby is, authorized to represent and act for the company in respect of all matters necessary to consummate the transaction; and

Resolved further, That the company consents and requests that all persons, including any officer or officers of this company interested in the Agricultural Investment Co. of New Jersey, sell at the same rate, payable in the stock of the Great Western Sugar Co. of New Jersey, as above.

This quotation is from the Hardwick hearings, page 2962. I come now to the—

Regular monthly meeting of the board of directors of the American Sugar Refining Co., held at 117 Wall Street New York, on Tuesday, December 12, 1905. The president stated that the Great Western Sugar Co. would issue after January 1, 1906, \$1,000,000 of its preferred stock and would offer it to its stockholders at par for cash; and on motion it was resolved that this company take all of the stock to which the other stockholders of the Great Western Sugar Co. will not subscribe. (Hardwick hearings, 2963-2964.)

Regular monthly meeting of the board of directors of the American Sugar Refining Co., held at 117 Wall Street, New York, on Tuesday, January 9, 1906.

The parties representing the company's interest in the Great Western Sugar Co. were authorized to assent to an increase of the Great Western Co.'s capital from \$20,000,000 to \$30,000,000, one-half to be preferred, the other half common stock. (Hardwick hearings, p. 2964.)

Now, Mr. President, before these constituent companies came into the combination their profits were divided among its framers; some of them a smaller undivided profit than others, one having as much as \$53.50 per share. These were the melons cut by Mr. Havemeyer and Mr. Morey and their associates prior to turning over the contracts, mills, factories, and the business to this doubly watered combination and received their doubly augmented proportions of the stock. In other words, they stripped the treasures of the constituent companies of their funds, transferred them to their pockets as stockholders, and then obtained two shares of the stock of the new company for every share of the old companies which they possessed. Before then another company was organized, called the Sterling Sugar Co., and on the 28th of February, 1905, at a—

Meeting of the executive committee, held at 117 Wall Street, New York, on Tuesday, February 28, 1905, it was resolved that the company's subscription—

That is, the American company's subscription—

to the Sterling Sugar Co. of Colorado be canceled, and that the company, so far as its interest is concerned, consents to the sale of the machinery and equipment of the Saginaw factory to the Sterling Sugar Co. for \$300,000, and consents also to a contract between the Sterling Sugar Co. and the Great Western Sugar Co. for the erection of a factory by the Sterling Sugar Co. to use the machinery and equipment of the Saginaw factory, and to provide such other machinery as will provide and equip a factory at Sterling capable of cutting 600 tons of beets daily, and for the purchase of the same by the Great Western Sugar Co. at \$1,500,000, payable half in preferred and half in common stock of that company. If the Great Western Co. desires to use the Steffens process an additional price to be agreed upon. (Hardwick Hearings, p. 3036.)

Now, the American company's interest in the Sterling Co.'s plant was \$300,000, which doubtless represented all its machinery. Its slicing capacity was 600 tons per day, or the equivalent of the original investment of \$600,000. That was

thrown into the combination at \$1,500,000, or two and a half times the amount of money actually invested.

The largest item of profit these mendicants for governmental favor acquired is that which they realized from stock inflation. And that is true of nearly every one, I think. It is absolutely true of every corporation in which the American company has an interest.

The first cost, then, more than comes back to the builders through this overcapitalization. It is perhaps as well to state here as any other place in this discussion that every dollar placed by the investors in the constituent companies of this great concern that was affiliated with the American Sugar Refining Co. has come back to them, either in the shape of dividends or of fictitious capitalization, or both, and in some instances it has come back more than once, notwithstanding which these poor gentlemen insist that they should receive the further benignant protection of the Government by a tariff duty which will enable them to enjoy an indefinite harvest of dividends upon their manufactured capital by increasing the cost of a necessity of life to the consumers of the Nation.

And, too, there are profits on real estate, which are incidental to some of the sugar companies and to some of them their principal sources of revenue. Some of them, Mr. President, are called sugar and land companies. I have here a document called "Sugar at a Second Glance," upon page 41 of which appears some letters which are also brought out in these investigations, and which relate to one of these land and sugar enterprises, the stock in which has been issued upon the basis of land holdings and dividends have been paid through the sale of land which has risen in value, and which had as much to do, perhaps, if not more, with the organization of some of them than the industry itself.

At the home of my friend, the Senator from Kansas [Mr. THOMPSON], there is an institution called the United States Sugar & Land Co., capitalized for \$8,000,000. It represents an investment of \$900,000, and the promoters have been able, upon the strength of their enterprise and credit of the men behind it, to make sale of an enormous volume of their fictitious capital at prices more than enough to entirely reimburse them, and at the same time give them much of the capital essential for the construction of the factory. I read from a letter dated June 27, 1906. I will first read one of June 8, 1906, to Mr. Havemeyer from Mr. Morey:

THE GREAT WESTERN SUGAR CO.,
Denver, Colo., June 8, 1906.

MR. H. O. HAVEMEYER, New York.

DEAR SIR: The inclosed letter from Mr. Boettcher explains itself. Would like to know if you see any way to check this kind of competition. I sometimes think it is a mistake not listing our stock and offering it for sale; if people want to buy common stock we ought to give them a chance to come in—

That is very good advice—

This is simply a suggestion. We are doing everything we can to discourage the building of any more factories until the matter of tariff legislation is more settled than it is at present. We are using that as a basis of argument against the building of any more factories.

Promoters like the Garden City and the Sheridan people are claiming that trusts have made great profits out of the business and in that way selling their stock.

Respectfully, yours,

C. S. MOREY.

The letter which he inclosed of date June 27, 1906, follows:

THE GREAT WESTERN SUGAR CO.,
Denver, Colo., June 27, 1906.

MY DEAR MR. MOREY: I had an interview to-day with the Colorado Springs people in reference to their contemplated factory to be built at Sheridan, Wyo.

Sheridan is situated on the Burlington route, a distance of 140 miles from Billings. If this factory is built, of course they will come in direct competition with our local points of the Billings factory. I was in hopes that I would be able to have these Colorado Springs people take an interest in our Billings factory and keep them from building this contemplated plant, but I fear I will not be able to do anything with them, as they tell me they have sold their common stock of the Garden City plant, which they are now building, at \$50 per share and upward. They frankly admit that this common stock is all water and does not represent anything; that is the way they are making their money. They feel they can do the same thing in Sheridan and claim they have a ready sale for their common stock. Most of their stock is sold. They also expect to make a large profit on land they have purchased, and expect to build a number of ditches and sell out the land at a large profit.

There is nothing I can say to them that would be attractive enough for them to discontinue their building the Sheridan factory, and I fear they will build a plant to be ready for the crop of 1907. The promoters of the scheme put in very little money of their own, as they seem to have the faculty of having their people put up the money, and they are getting the benefit of the common stock for themselves.

I will not read all the letter. It is signed Charles Boettcher. There is in my State, at Sugar City, a company known as the National Sugar Co. It is the offspring of what was originally a land enterprise. It obtains its supply of water from Twin Lakes in the mountains; this is diverted into the natural channel of the Arkansas River and applied to land distant, if

we follow the meanderings of the stream, something over 150 miles. During the hearings before the House committee last winter Mr. Carey, the president of that concern, appeared in protest against the reduction of tariff duties on sugar, and called attention to the magnificent enterprise which he had builded there upon the faith of the law and in reliance upon the assumption that it would be continued for his protection, and stated that but for this enterprise the land surrounding that prosperous little town would not have been reclaimed, but would have remained a part of the desert, and that it would relapse into its original condition with the repeal of the sugar duty. Against such an act of vandalism he earnestly protested. It was a most pathetic appeal and came apparently from the depths of Mr. Carey's heart, and to those who knew nothing of the facts I have no doubt it proved most effective.

But the fact is, Mr. President, that the sugar enterprise of this land company was merely an annex to its general land scheme organized and operative long before the thought of sugar had entered the minds of the excellent gentlemen who organized it.

Mr. Carey referred to the values which the land around Sugar City had acquired in consequence of the institution of this splendid enterprise there and also predicted that these values would disappear if sugar went upon the free list. Yet within a very short time after his appeal to the committee was made the annual meeting of the shareholders of the National Sugar Manufacturing Co. was held at Sugar City, at which Mr. Carey made this announcement concerning the lands of his company:

I am authorized by the board of directors to announce that we will not sell an acre of our cultivated land at any price, and the price of our sod land after June 1, 1913, will be \$200 an acre, and we will only sell a small part of our sod land to desirable farmers even at that price. In my opinion, the prices at which lands are selling in this locality are absurdly low and our company has no more land to sell at such prices. Alfalfa land, with its three water rights, is worth \$250 an acre in our neighborhood, and we have proved that intelligent farming can make a handsome profit with land at that figure. But, however that may be, our company has no more \$150 an acre land for sale. We can use it ourselves to better advantage, and will proceed to do so by putting it into cultivation. (Bent County Democrat.)

This is the last utterance of the gentleman whose swan song was sung before the House committee last January, the pathetic wailings of which must have penetrated the most hardened and sordid soul who heard them. I know of no better illustration than this of appeals designed to influence the party in control of this country in its proposed work of revenue reformation by picturing disastrous and overwhelming consequences to established industries and prosperous communities.

When such appeals are followed by announcements like this it is not too much to say that the committee was imposed upon, that the condition of the industry was misrepresented, and that they were addressed only to be deceived and misled.

We now come to the Michigan Sugar Co., another of Mr. Havemeyer's organizations. It has a daily slicing capacity of 5,450 tons. Its actual cost, therefore, was about \$5,500,000, but it is capitalized at \$12,500,000, or \$7,000,000 of water. The company's last balance sheet gives "good will" as the consideration for \$5,000,000 of this water. This good-will item was valued at \$500,000 on all preceding annual statements. That sum has now been multiplied by 10, and the result represents that indistinct and shadowy thing called "good will." It represents nothing, Mr. President, except the power of monopoly to place prices upon commodities sufficiently great to assure the payment of dividends upon so much additional stock.

In 1910 this company showed a surplus of \$3,025,000 after paying dividends on both common and preferred. That figure is equal to 12.2 per cent upon \$12,500,000, and is the equivalent of 60½ per cent upon the capital actually invested. Its dividends, if my notes are correct, have been 7 per cent on the common and 6 per cent on the preferred stock.

In addition to this the company paid a stock dividend some time ago of 35 per cent to its holders, while the Union Sugar Co., of California, in 1910, paid a dividend of 100 per cent upon its capitalization. The statement was made here some days ago that this money was realized from the sale of its lands and not from the manufacture of beet sugar. But, Mr. President, it makes no difference what the source of the income is, the fact remains that if a company receives 100 per cent upon its capital stock its property has been paid for absolutely and stands as an asset, against which there should be no charge whatever.

The American Beet Sugar Co., with its preferred stock of \$5,000,000 and its common of \$15,000,000, according to the Beet Sugar Journal of April, 1911, made a high record of profit. I shall not read this, but ask to include what is here stated in my remarks.

The PRESIDING OFFICER (Mr. PITTMAN in the chair). The matter referred to by the Senator from Colorado may be inserted in the absence of objection. The Chair hears none.

The statement referred to is as follows:

AMERICAN BEET SUGAR CO. SETS NEW HIGH RECORD.

The report of the American Sugar Co. for the year ended March 31, 1911, shows total income of \$8,357,012, an increase of \$1,347,368 over the previous year, and a surplus, after preferred-stock dividends, of \$1,643,659, equal to 10.95 per cent earned on the \$15,000,000 of common stock, compared with \$1,097,252, or 7.31 per cent, earned in the previous year. The common stock has not yet paid any dividends. The preferred pays 6 per cent. Comparative results for the past three years follow.

Then are given the figures for 1911, 1910, and 1909. For 1909 the gross receipts were \$7,135,326; total income, \$7,156,855; expenses, interest, tax, etc., \$5,863,713; balance, \$1,293,143. Well, now, we will take 1910: Gross receipts, \$6,983,772; total income, \$7,009,644; expenses, tax, interest, etc., \$5,612,391; balance, \$1,397,252. For 1911: Gross receipts, \$8,344,792; total income, \$8,357,012; expenses, interest, tax, etc., \$6,413,353; balance, \$1,943,659. Preferred dividends, \$300,000 in each of the years 1911 and 1910 and \$245,400 in the year 1909, leaving a surplus of \$1,643,659 in the year 1911, \$1,097,252 in the year 1910, and \$1,047,743 in the year 1909. The general balance sheet as of March 31 shows total assets of \$22,577,371.

The reserve for working capital is \$1,825,637, against \$832,151 a year ago, and there is a reserve for betterments and improvements of \$377,246, a new item. Bills payable to the amount of \$1,266,000, which appeared in the previous balance sheet, have been paid off. H. R. Duval, president, says: "The surplus has been applied to working capital, which is now adequate for ordinary operations. The company is now free of all debt. There was an increased production of 196,741 bags, exceeding that of any former year. The increase was principally due to California, though Grand Island increased 31,704 bags. In Colorado the decrease was 88,624 bags. Due largely to increased efficiency of the plants, the cost of making sugar, as compared with previous campaigns, was somewhat diminished. Taxes increased \$30,989, of which \$25,560 was the Federal corporation income tax. Depreciation and maintenance cost, \$344,842, was \$13,119 less than last year." The design of this expenditure (included in the above statement in expenses) is to keep the plants up to their original condition.

Mr. THOMAS. I next invite your attention to a statement in the American Sugar Industry of March, 1912, in reference to the profits of this same company—the American Beet Sugar Co.—for the year ending March 30, 1912:

The net earnings of the American Beet Sugar Co. for the fiscal year ending March 31, 1912, will probably not exceed 12 per cent, instead of the 15 per cent estimated last December. The reason assigned for this is that the company began to sell its 1911 crop too early. Sales were made in advance of production in order to take advantage of what seemed a very flattering profit. Sugar prices advanced, and it is estimated the difference to the company amounted to between \$300,000 and \$500,000. The company then went to the other extreme and held back the remainder of the 1911 crop on a declining market.

On the 4th day of September of last year and during the progress of the campaign, the Denver Times published, and evidently with authority, this announcement:

The American Beet Sugar Co. is expected to earn \$2,600,000 net profit this year after paying all operating expenses, interest on bonds, and fixed charges of all kinds as a result of its big crop in southern Colorado and California. The company operates three plants in this State, and is getting ready to begin the cutting of the 1912 crop.

Last year and the year before the plants in this State were not operated to full capacity. This year there will be sufficient beets to keep them running for the full season of 100 days.

The company is reported to be much encouraged concerning the future, since Congress has adjourned without enacting any new sugar laws. The directors are considering the advisability of erecting a million-dollar plant at Durango, and the outlook for that project is understood to be favorable.

The fiscal year of the company ended April 1, 1912, and for the past year it earned, net, \$2,025,573, or 13½ per cent on its \$15,000,000 common stock, in addition to 6 per cent on its \$5,000,000 preferred stock.

Now, that sum is 40.1 per cent on \$5,000,000; with dividends paid it is 46 per cent on its \$5,000,000 actually invested, and this takes no account of its charge of \$751,000, or 15 per cent of the capital actually invested, to depreciation.

These companies are making so much money, Mr. President, that they find it necessary to hide the fact from the public. Therefore they charge huge sums to depreciations and create artificial accounts that apparently represent sums which offset loss due to the ravages of time and nature, sums which in themselves are enormous when compared with the amount of the capital invested. The accuracy of the Denver Times article was never challenged as to the amount of profits estimated upon the crop of 1912, yet on January 3 following the press dispatches informed the country that—

The directors of the American Beet Sugar Co. decided to-day not to declare the usual dividend on the common stock. They issued this statement:

"Resolved, That in view of the large stock of manufactured sugar on hand and sold no action be taken on payment of the dividend on the common stock at present."

The common stock was placed on a dividend-stock basis in 1911. Announcement of the action of the directors was followed by heavy selling of the common stock on the exchange, which broke violently from 47½ to 43½.

That dividend was suspended merely to affect the market. The company unquestionably had these profits to divide, but because of the threat of tariff legislation the dividend was withheld and a false reason given, to wit, the presence of a large

stock of manufactured sugar. The stock fell. Of course it fell; it was bound to fall under the circumstances, and it was intended that it should fall, that public opinion might be affected, the action of Congress controlled, the tariff maintained, and the power of the company to plunder extended.

Mr. President, the assessed valuation for purposes of taxation of the plants of these companies is in striking contrast with the valuation placed upon them when capitalized and also when the large sums invested are prominently brought to the attention of congressional committees. The American Beet Sugar Co. has three plants in Colorado and they were assessed last year for local taxation. Its plant at Lamar has a slicing capacity of 400 tons and an assessable value of \$100,000; its plant at Las Animas has a slicing capacity of 800 tons and is assessed for taxation at \$234,000; its plant at Rocky Ford has a slicing capacity of 1,000 tons and is assessed for taxation at \$331,000; its land, live stock, and so forth, are assessed for \$191,000, or a total of \$856,000.

The total slicing capacity of all the company's mills is 5,300 tons. Its three plants in Colorado have an aggregate slicing capacity of 2,200 tons. Its total capitalization of \$20,000,000, therefore, makes the capital value of the plants in Colorado \$8,301,887, of which its assessed valuation for taxation is barely 10 per cent.

In this good work of tax dodging, of fixing valuations at a minimum, when the burdens of the Government are to be carried, the American company has a very healthy and successful rival in the Great Western Co., of northern Colorado, which in 1910 had a surplus of \$9,000,000, being at the rate of \$1,500,000 a year for the five years of its existence, and which, at a similar rate of increase, had a surplus last year, exclusive of dividends, of not less than \$12,000,000. This is 40 per cent of \$30,000,000; it is 80 per cent of \$15,000,000; and it is more than 100 per cent of the actual investment. But this surplus pays not a cent of taxes into the treasury of the State of Colorado, nor does that of the American company. They escape taxation altogether, being immune in New Jersey, where they were spawned, and in Colorado, where they operate.

Now, let us see what the assessment for taxation of the Great Western Co. was for 1912. Their Loveland plant has a slicing capacity of 1,800 tons, and was assessed at \$311,420; their plant at Greeley, 900 tons, and assessed at \$192,370; at Eaton, 1,000 tons, and assessed at \$191,140; at Fort Collins, 1,800 tons, and assessed at \$359,580; at Windsor, 900 tons, and assessed at \$215,510; at Longmont, 1,800 tons, and assessed at \$440,220; at Sterling, 800 tons, and assessed at \$285,220; at Brush, 900 tons, and assessed at \$264,780; at Fort Morgan, 700 tons, and assessed at \$239,445; a total of 10,600 tons, and assessed at \$2,499,685. Its total slicing capacity is 13,400 tons. Ten thousand six hundred tons would therefore represent \$23,731,343 in a capitalization of \$30,000,000, against which there is an assessed valuation of barely 10 per cent.

These patriotic concerns, clamoring here at the doors of Congress for leave to continue their power to levy tariff taxation upon every stick of candy in every baby hand in this country, go before the assessors of the State where their plants are located and register their valuation at the beggarly ratio of 10 per cent of their capitalizations, upon which are paid these enormous dividends and are piled these enormous surpluses.

Mr. President, in the discussion I have thus far dwelt upon the fact that these companies only capitalize the money that they invest and the good will that is created, whatever that may be, and the tariff laws of the United States. I now emphasize the additional fact that they capitalize the transportation rates of the country as well. Everything contributes to their profit; all is grist that comes to their mill. They levy tribute upon the people because of the money they invest, which is perfectly proper; upon the good will which they are said to have created, which may or may not be legitimate; upon the tariff laws of the country, which give them a special privilege; and, lastly, upon the freight rates, which are manipulated in their interest everywhere, particularly in sections like that in which I live, which have not even the ghost of potential water competition, and which therefore must pay whatever the magnates of the railroads, identified, as they always are, with these great business institutions, shall determine. These rates are cunningly contrived and then utilized for the robbery of the consumers in the interior, not only as to sugar but as to all other commodities. This is done by adding the freight rate to the New York or prevailing market price of the particular commodity and collecting it from the consumer. I have here a table of prices of sugar on March 15, 1913, for both beet and cane sugar at various points in the United States, which I shall not read, but ask to have printed in my remarks.

The PRESIDING OFFICER. Without objection, permission to do so will be granted.

The table referred to is as follows:

Prices quoted Mar. 15, 1913, on beet and cane sugar at New York and various western points.

Points.	Beet.		Cane.	
	Cents.		Cents.	
Guthrie, Okla.	4.56	4.76		
Omaha, Nebr.	4.48	4.58		
Denver, Colo.	4.80	5.00		
Kansas City, Mo.	4.48	4.58		
Salt Lake, Utah.	4.95	5.15		
Seattle, Wash.	4.61	4.81		
Tacoma, Wash.	4.61	4.81		
Helena, Mont.	5.25	5.45		
Boise, Idaho.	5.25	5.45		
Carson, Nev.	5.25	5.45		
Los Angeles, Cal.	4.61	4.81		
Phoenix, Ariz.	5.59	5.79		
St. Paul, Minn.	4.47	4.57		
Chicago, Ill.	4.38	4.48		
Milwaukee, Wis.	4.58	4.68		
Topeka, Kans.	4.56	4.66		
Atchison, Kans.	4.48	4.58		
Louisville, Ky.	4.58	4.68		
Cleveland, Ohio.	4.37	4.47		
Bay City, Mich.	4.43	4.53		
Saginaw, Mich.	4.43	4.53		
Detroit, Mich.	4.37	4.47		
Pittsburgh, Pa.	4.35	4.45		
Buffalo, N. Y.	4.35	4.45		
New York, N. Y.	4.25	4.30		

Mr. THOMAS. These rates show a market price for cane sugar of \$4.30 per hundred pounds at New York and of beet sugar of \$4.25. On the same day the rate in Denver on cane sugar was \$5.50 and on beet sugar \$4.80, the price being higher than this in some places and lower in others, but always above the New York rate; and the rate in my State, and in your State, and in the State of the Senator from Nevada, and in every beet-sugar producing State west of the Missouri River, with the possible exception of California, is the New York price plus the freight added. Of course that is clear profit to the company, because the sugar is not shipped to New York or to the Missouri River points and then brought back. It is a cunningly contrived arrangement for the robbery of the men, women, and children of the country, to whom this commodity is a necessity of life.

Let me refer to Mr. Blakey again. He says (p. 250):

The rates of the Colorado factories are the same whether the sugar goes to Missouri River points, St. Louis, or Chicago.

The California, Utah, and Colorado groups of factories have practically blanket rates to this wide belt of territory, though the farther west the territory is located the wider its belt, and this gives it a comparatively greater advantage over its competitors. California factories can ship to Colorado for 65 cents, but Colorado factories have to pay 85 cents to get to California. Similarly the rate from California to Utah is less than the rate in the opposite direction, and the rate from Colorado to Utah is less than the rate from Utah to Colorado.

The overland rate, New York to San Francisco, is \$1.08, but for the shorter distance from New York to Salt Lake City it is \$1.27, from Michigan to Salt Lake \$1.44, and from New Orleans to Salt Lake \$1.45.

On page 252 this author says:

Rates can be so fixed as to accentuate or to neutralize natural advantage, trust control, and tariffs; hence an adequate regulation of one factor involves careful attention to the others.

And I assert, Mr. President, as an indisputable fact that every consumer of sugar in my State is and for 14 years has been compelled to pay from 35 to 50 cents a hundred more for the sugar consumed, although manufactured at his very door, than is charged for the same sugar at Omaha, Kansas City, and other Missouri River points where the trade extends. To illustrate: The consumer in Longmont can go to Omaha and buy sugar manufactured in the factory at Longmont, pay the freight upon it, bring it back, and thereby get it cheaper than he can buy it at the door of the factory; and the same is true all over the West. This is one effect of that infamous system of overcapitalization that is crushing out the economic life of this country and placing a burden upon the consumers of the land so great that the price of living has long since overtaken the income of the average toiler. I say it is infamous, and the more so because the sugar men are not the sole beneficiaries of the practice. They are simply doing what representatives of other industries in other lines are also doing.

I heard a very eloquent appeal on the floor of this body not long ago by the distinguished Senator from California [Mr. WORKS], whose voice was raised in protest against the reduction of the duty upon the citrus fruits of his State and who pictured in dismal colors the disastrous consequences which a reduction of duty would inflict upon the votaries of that industry. I asked him whether the people of my State were not compelled to pay for California citrus fruits the New York price

plus the freight from the Atlantic seaboard into the interior. He was unable to answer definitely whether that was so or not. I therefore obtained outside information upon the subject, and find that with reference to California fruits, and lemons in particular, conditions are quite as bad as they are with sugar. The rate upon citrus fruits or upon lemons—and I will confine myself to them—from California points to Atlantic seaboard points is a dollar a hundred, or 84 cents a box. That rate is the same, Mr. President, whether these fruits go to Denver or to New York, whether they go to Garden City or to Philadelphia, whether they go to Chicago or to Portland, Me. With the single exception of the extreme southeastern part of the Union, the rate is the same. What is the rate from the seaboard west? To Denver per hundred pounds in carload lots it is \$1.48, in less-than-carload lots \$2.38, per box in carload lots \$1.26, in less-than-carload lots \$2.03; so that we have to pay for our lemons the current New York price plus the freight of 84 cents from Los Angeles to Denver, plus \$1.26, the freight from New York back to the city of Denver, although, of course, the freight does not traverse that enormous stretch of country.

Is there any justice in this or any defense for such conditions? I tell you, Mr. President, it is these conditions which account for the high cost of living. This fearsome problem must find its ultimate solution, first, in sweeping away the enormous issues of fictitious overcapitalization which overburden the commerce of the land, the most infamous system of public robbery ever devised by greed and avarice for depriving the people of their substance; and, second, by such rigid regulations of freight traffic as will make these robberies impossible. I shall welcome public ownership of transportation lines whenever public control becomes, as I think it soon will become, a demonstrated failure.

I am not inveighing against the men who profit by these things, Mr. President. I have no doubt if I were in the business I would have to avail myself of it, for I am neither better nor worse than they are. But I protest against the injustice of a system which encourages the creation of huge industrial institutions, dropsical with watered stock, reaching out in every direction to secure the profits upon their tremendous issues, and coming into the Halls of the Congress of the United States to demand that the Government shall perpetuate its iniquitous partnership with them, that they may continue their system of legalized robbery of the substance of the Nation.

Mr. President, I have a letter, dated May 31, 1913, written by Mr. J. M. Davis, a merchant at Sterling, where a large sugar factory is located, showing the prices of sugar at that point during the years 1910, 1911, and 1912, which, without reading, I will ask to have incorporated in my remarks.

The PRESIDING OFFICER. In the absence of objection, permission is granted.

The letter referred to is as follows:

STERLING, COLO., May 31, 1913.

Senator C. S. THOMAS,
Washington, D. C.:

In response to a letter received the 23d instant from Edwin V. Brake, State labor commissioner, relative to facts and conditions pertaining to the sugar-beet industry of this section of the State, I beg to advise that the following report is true, to the best of my personal knowledge, to wit:

For the last two years I have paid the following prices for sugar at the local sugar factory, which does not include the cost of delivery from said sugar factory to my store: February, 1910, \$5.70 per hundredweight; November, 1910, \$5.25 per hundredweight; March, 1911, \$5.35 per hundredweight; August, 1911, \$6.30 per hundredweight; February, 1912, \$6.40 per hundredweight; and November, 1912, \$5.50 per hundredweight. The prices I pay for sugar at the local sugar factory, owned and operated by the Great Western Sugar Co., are the wholesale prices of sugar at Missouri River points plus the freight from said river points to Sterling, Colo.

The sugar factory at this place runs on or about 100 days in each and every year and employs about 250 men. The class of laborers employed in the factory are Americans, Japs, and Russians; the minimum wage is 17½ cents per hour and the employees work 12 hours out of every 24 hours.

Russians, Japs, and Italians are employed in the beet fields, and work 16 out of every 24 hours. They receive \$20 per acre for hoeing, thinning, and topping the beets. One man, working 16 hours a day, can care for about 7 to 10 acres of beets in one season.

I believe I am voicing the sentiment of all true progressive Democrats of this section of the country when I say that we are in favor of free sugar, and we heartily commend you for the position which you have taken in the matter.

Respectfully, yours,

J. M. DAVIS.

Mr. THOMAS. It will be perceived that the wholesale price of sugar to Mr. Davis is far in advance of the prevailing published market rates, and what is true of Sterling is true of every community in the West.

In this connection, Mr. President, I wish to refer to a statement that has been made here several times to the effect that when the price of sugar was raised in 1911 by the cane-sugar people the beet-sugar people came to the rescue and, by a reduction in the price, performed a work of nation-wide philanthropy

that forced the octopus to its knees and relieved the people of the country from the peril of its greed. It would be a singular thing if any of these concerns, independent of any question of their control or ownership, should so far disregard the laws of trade as to allow philanthropy and a desire to relieve human suffering to influence them in the presence of a cornered market. It is unbelievable to begin with, and it is not true in fact to end with. The circumstances are simply these, that in 1911 the beet-sugar companies anticipated the market and made their sales in August for delivery, I think, in October and November, and in the meantime a tremendous rise in prices of sugar occurred of which they could not take advantage, but of which they would have taken advantage very quickly if they had been in condition so to do. They have never failed to get all they could for their commodity. Of that I am not complaining, but I do criticize that hypocrisy which essays to convert a commercial error into an act of public philanthropy. It is of a piece with the whole sugar propaganda.

Mr. President, the population in 1910 of the seven States of Idaho, Utah, Montana, Wyoming, Colorado, New Mexico, and Arizona was 2,541,642. If we place the amount of money annually taken from these people because of the added freight rates to the prevailing prices of sugar which they consume at 35 cents per hundredweight—and that is placing it at a very small figure—the result is \$710,659. Every year this sum over and above the cost of production plus a profit plus the tariff is exacted from the people of our section simply because the sugar people have the power to do so. The annual excess charge to the people of my State at that rate is \$223,726.65, or a total for the past 14 years of \$3,132,173.10. If these gentlemen, armed with shot-guns, had gone upon our highways and held up every man, woman, and child who came along and deliberately filched from their pockets 35 cents apiece, the law would have punished them, and justly so; but because it can be done through the medium of watered stocks and railway rates coupled with control of a necessity of life, it becomes easy, safe, and certain. It is high finance; it has lost all features of a crime and has been transformed into a respectable and eminently legal practice. I say it is wrong; and I reiterate, Mr. President, that the ills of which our people justly complain find their origin largely in discriminations in freight rates effected through manipulations of our great lines of transportation for the benefit of the huge business aggregations of this country, all of which are rapidly centralizing under a common control.

Mr. Blakey says upon this subject (p. 241):

In no case that we have been able to ascertain have the consumers gotten the benefit of competition in the sense that local manufacturers have sold to them upon the basis of cost of production and delivery. The factories and refineries, even if they were not in the combine, have taken advantage of the opportunity to dispose of their product at approximately the prices maintained by the combine, or, in the common parlance, they have stood under the umbrella held by the trust.

But, Mr. President, I shall not occupy further time in the discussion of this feature of the question.

There are two or three others, however, to which I wish to refer. I have hitherto emphasized the interest which is displayed by the Sugar Trust for the welfare of the beet producer, who is now the chief subject of its philanthropic concern. But it was not always so.

In 1909, prior to the enactment of the Payne-Aldrich law, the duty upon sugar beets was 25 per cent ad valorem. The framers of that law, eager to increase prevailing rates of duty wherever monopoly demanded it, deftly and quietly lowered this duty from 25 to 10 per cent ad valorem. It is not too much to assert that the change was prompted by the refiner, because the importation of sugar beets from Canada by the Michigan sugar refiners at once began. In 1909 these importations amounted to 37,731 tons; in 1910 to 57,750 tons. The money value of the beets imported in 1911 was \$265,396.55. These are trivial items, Mr. President, but they demonstrate the hypocrisy of that spirit which finds expression in protest against tariff reduction, because of its effect upon the producers of sugar beets.

When these great interests were writing the law to suit themselves they paid scant consideration to the man who produced the raw material. Now that the people are writing their own law, these interests can not too strongly emphasize the producer's needs.

Mr. President, the control of the industry by the Sugar Trust has in this, as in other lines of production, been made effective by the suppression of competition. Rival enterprises have been strangled at their birth. I know that in my State a number of abortive efforts have been made to build independent factories, but in general they have been unsuccessful. It is true that we have what are called independent factories, but the establishment of genuinely independent concerns over the oppo-

sition of the American and Great Western Sugar Refining Cos. is virtually impossible.

I shall not recount the experiences of would-be investors along these lines, but they are well known to the men of the West.

Those which have not yet been absorbed are independent in name only. The prices of the trust, both to producer and consumer, are their prices. They live by sufferance only, and any infraction of the requirements of the trust means absorption, suppression, or ruin. Capital shrinks from investment in the face of such conditions, and the domination of the combine is secure.

Mr. President, I have said that this industry is not dependent upon the tariff or upon any other governmental support; that it will survive the removal of duties, flourish and pay large dividends upon the capital actually invested. It needs neither tariff nor subsidy. Its product is in constant demand, and there is practically no limit to the possibilities of the pursuit.

But, Mr. President, there is a weak spot in the beet-sugar armor, a condition which may at any time suspend its operation. It has been recognized by some of the witnesses who testified before the Hardwick committee, and it is a condition for which the greed of the refiners is alone responsible. The industry could be paralyzed within a year if the source of its seed supply should for any reason be cut off.

All of the sugar-beet seed used in this country comes from Germany. We raise none of it here. We have been too busy manufacturing sugar stock and paying dividends upon it, and have no time to devote to seed culture. Our stock of beet seed is annually purchased by the companies, and by them sold to the farmers who raise the beets. We have been too eager to make all possible profit out of this business, too impatient for the rewards of our investments, to give any thought or attention to the growth of seed at home. The process is too slow; it requires too much time. The beet is a biennial; it is too sluggish for American enterprise. We manufacture sugar—let Germany provide our seed; we can not spare time or beets for such a purpose. It is cheaper to import than produce, and so Germany has the industry in its power.

In the Hardwick hearings Mr. GARRETT interrogated Mr. Oxnard upon this subject:

Mr. GARRETT. You say all the seeds are imported?
Mr. OXNARD. Yes; they are all imported. It is, I think, a very serious condition for the beet-sugar industry, and I have been talking with the Agricultural Department about that.

Mr. GARRETT. What does the seed cost?
Mr. OXNARD. It costs about 10 cents. You can buy it for less than 10 cents—about 8 cents a pound.

Mr. GARRETT. And you say you put about 20 pounds to the acre?

Mr. OXNARD. About 20 pounds. For instance, if there was a European war some time, a continental war in Europe, it might be impossible for the American beet-sugar industry to get their seed if they do not go at it. Suppose continental Europe—France, Germany, Austria, and those big countries—get into a war, it would be a serious condition.

Mr. GARRETT. Why is it we have not been doing something in that direction as long as the industry has been going on in this country?

Mr. OXNARD. Because it requires a tremendous amount of hand labor on these seed farms. It is a question of going along and picking out what appears to be a good mother beet and making a chemical analysis and examination of the beet specimens, and all that sort of thing. That labor is so cheap in Europe that we can not begin to compete with it and grow seed in this country as cheaply as they can over there. We are, however, making a start in that direction. In the State of Washington—Fairfield—a man named Morrison is putting in a thousand acres of beet seed.

Mr. Blakey, on page 143, says:

There have been a few efforts to grow seed in the United States, some of them fairly successful, but most of them have been given up when serious difficulties were encountered. But the recent European crop shortage will probably handicap the American industry very seriously for a year or two, and may bring about an effective attempt to produce home-grown seed in order to avoid such occurrences in the future.

Mr. President, this inexcusable situation does not find its genesis in tariff legislation. It is due to the greed of the refiner, who can not wait for the slow processes of nature to supply him with a prime essential to his industry so long as it can be obtained from other sources. But suppose we should have a trade war with Germany. Suppose unhappy differences between that country and ours should lead to actual hostilities. Suppose that for any reason an embargo should be laid by Germany upon the exportation of beet seed to this country. The sugar industry would disappear, temporarily, perhaps, but it would disappear, and with it the abundant supply of a wholesome and essential article of daily food consumption. This industry has been established with an improvidence that is inexcusable. Our sugar barons, eager to make as much profit as possible, have lost sight of or wholly ignored the fundamental fact that its permanency depends, not upon legislation, not upon tariffs, not upon freight rates, not upon combinations, not upon manipulation, but upon seed, for the supply of which we are entirely dependent upon a foreign country. There, to my mind, is the

one serious danger to this industry, one which can be easily removed; and if prudence, knowledge, and foresight have any place in American economy they should manifest themselves in the early establishment of domestic beet-seed production.

I come now to a discussion of beet culture as a means of soil fertilization. This is the capstone in the argument for a high tariff on sugar. We are told that this industry must perish without protection, and that it is a prime essential, not alone because it produces a necessity of life; not alone because it competes with cane-sugar production and thereby reduces the range of cost to the consumer; not alone because under the shelter of protection it will increase and multiply until it shall equal, if not exceed, the volume of our home consumption, but because the benefits which the beet imparts to the soil through its culture and growth, independently of all other considerations, make it the best and most valuable crop the farmer can grow. It enriches instead of impoverishing the land, thus blessing the farmer with the fruits of its harvest and the deposit of its fertilizing elements in the soil.

This is a somewhat recent development of the sugar propaganda. It seems to have been created to fill what may be well termed a long-felt want. It is yet so novel that it retains some of that interest which novelty always commands. It is the offspring of that distinguished vocal beet raiser, Mr. Truman G. Palmer, the president, general manager, and treasurer of the Domestic Sugar Growers' Association.

Mr. President, several weeks ago I listened with much interest to a criticism by the Senator from Utah [Mr. SMOOT] of a pamphlet of the Department of Commerce and Labor, relating to some features of our foreign and domestic trade. In the course of his remarks, the Senator said:

Whenever statistics are gathered from the realm of speculation and with no other object in view than to demonstrate some pet idea, the information sought to be conveyed by them necessarily becomes misleading, and such a practice should be condemned, no matter by whom indulged in.

I heartily approve of that sentiment, and I desire to apply it to the so-called statistics of Mr. Palmer and his lieutenants upon the matter of soil fertilization by the culture of beets. No one, not even in Germany, suspected the existence of this unique virtue of the sugar beet until the last few years. It is true that any form of intensive cultivation is beneficial to the soil. Intense cultivation must result, to a greater or less extent, in improved and increased capacity for production. The raising of sugar beets is not agricultural; it is horticultural. It is the most intensive of all systems of plant cultivation upon a large scale. As a consequence, the soil is thoroughly worked out and worked over, and any subsequent crop will necessarily give evidence of the benefits of such previous culture by increased production, no matter what the crop may be—more so, perhaps, with some than with others. But up to 1909 the entire tariff propaganda, both of the beet-sugar and of the cane-sugar men, was based upon the plea of needed revenue, protection to labor, and the importance of establishing a great home industry adequate to the demands of home consumption. Fertilization of the soil had not occurred to the fertile minds of the astute gentlemen having this propaganda in charge. But the old arguments had lost much of their force by the test of time and by constant iteration. It was necessary to obtain something new, perhaps something less partisan, and, if possible, something more effective. It is not surprising, therefore, that Mr. Truman G. Palmer should have perceived that without some novel stimulant his occupation might soon be gone, and that something new should be presented to the jaded appetites of the sugar barons. With that end in view Mr. Palmer, on the 6th of April, 1908, wrote Henry T. Oxnard, president of the American Beet Sugar Association, an elaborate letter, in which he said:

For three years I felt more or less fortified, inasmuch as for that length of time I held back the strongest matter which Stewart gathered in the Philippines. But, as you know, when it looked as though they had us in close quarters two years ago, I used this ammunition in the strongest manner I was able, and it came near being the cause of finally disposing of Mr. Taft by relegating him to the Supreme Bench.

We have held them down for six years now, but for the forthcoming fight we are liable to have Mr. Taft in the White House instead of in the War Department or as governor of the Philippines, and we are only equipped to thrash over old straw.

I say to you frankly that I feel the need of some new thunder to present to these committees. Some one else might get it, but I ought to get it myself and present it first hand. I can and have quoted statistics by the page, by the volume, and I continue to do so; but I sincerely believe that the exigencies of the occasion demand that I should get at first hand a convincing mass of material that can not fail to carry conviction when properly presented.

If I make this proposed European trip I would go not only as representing this industry, but the Department of Agriculture—

Just here let me digress by saying that the lobby investigation reveals an intimate association between the beet-sugar industry

and the Agricultural Department. It has enjoyed the benefit of the influence of that great division of the executive branch of this Government; and here Mr. Palmer was doubtless fully justified in stating that if he makes these trips for the purpose indicated he proposes to go not only as the paid agent of a private industry, but as the representative of the National Government, combining the two, of course, in a common enterprise, the benefits of which would go to the private end of the association—

and would interview the secretary of agriculture of every European beet-sugar producing State. They are no more anxious than are we to see a new and great sugar-producing center established in the Philippines, which would eventually cause the Cuban and Javan sugar to be dumped onto European markets.

In this letter Mr. Palmer outlines his course of procedure, how he would obtain his information, how it could be utilized, and ends by saying:

The trip as I have mapped it out would not be an inexpensive one. The cities I would visit are the most expensive in Europe, and, representing our Department of Agriculture, or even if I did not, the meeting of our own representatives and of the officials of foreign Governments would preclude living at any but first-class hotels if the best results are to be obtained.

This was high-class information, which could be obtained only by a high-class man, representing a high-class Government as well as a high-class interest, and who must necessarily be expected to patronize high-class hotels while obtaining the information which his mission was designed to secure, but which was predetermined before the trip was planned.

Mr. Palmer in a letter to Mr. Hamlin, dated August 8, 1911, again emphasized the importance of his project. In that letter, which is found on page 1467 of the lobby hearings, he says:

Since appearing before the committee I am more convinced than ever that this is the particular feature of the industry which we should exploit in order to gain favor with people who are not protectionists and even people who are free traders. Not only does it take the subject out of politics, but the indirect benefits so far overtop the mere saving of \$100,000,000 or \$200,000,000 a year that an elucidation of this fact gains the instant attention of thinking men, and I believe that between now and fall several hundred thousand copies of this document ought to be mailed out.

Having determined to obtain statistics "to demonstrate his pet idea," and having had a painful experience with an existing committee which doubtless manifested some impatience toward his stale reiterations of old ones, his anxiety to give his new propaganda the apparent sanction of a European investigation as a representative of the National Government prompted this appeal to Mr. Hamlin, then at the head of the lobby organization.

In this correspondence lie the beginnings of the somewhat notorious pamphlet known as *Sugar at a Glance*, which afterwards secured abundant circulation as a public document under senatorial franks.

The genius of Mr. Palmer having directed the attention of his employers to something new in the public discussion of beet sugar found prompt recognition from Mr. Hamlin. That gentleman, in searching for a proper press representative, seems to have encountered in 1911, on the 23d of October of that year, Mr. Hazard, who wrote to Mr. Hamlin as follows:

My idea of your needs in this cause is that you should gradually hammer into the public intelligence not so much a loud demand for higher tariff or no tariff tinkering, but the conviction that the beet-sugar industry is an American institution of tremendous importance to the West and Middle West; that all good Americans should do their utmost to help it along; and that there is big money in it for every man that plants a beet. As soon as this percolates through their skulls not an M. C. west of the Hudson will dare vote for a tariff reduction. Of course an occasional stinger in the shape of a promised scrap, like that given out by you the other day, will help immensely, but for the most part I do not think I'd feature the thing as a matter of dollars and cents in which the association is interested. Your enemies would have too good a handle to lay hold of. "The Beet-Sugar Trust" will be their howl. "Why, what's the difference between that and the Refiner's Trust? Let's down 'em both for the consumer."

So, in our travels here and there, I'd reiterate the latter part, and I think the best part of your Colorado Springs interview, to wit, the farmer's end. Ring the changes on that phase. Show how a farmer may convert a few dozen of unproductive acres into a paying beet farm, how a few sensible farmers can pool their issues, establish a factory, and be the upbuilders of a great section of a State. The conservation end that you mentioned in your interview is worthy of good display on its own merits. The conservationists are strong throughout the West. Make them boost your crusade by appearing to boost theirs.

In your hotel interviews around the beet-sugar States or the potential beet-raising States seems to me it would be an excellent idea to say that you are in town to consult a number of prominent men with a view to acquiring a tract of land to go into the beet-raising business. Every paper thereabouts that goes in for local "improvements" will editorialize to beat the band, and almost before they know it they'll be planting beets and making them into sugar—on paper, anyway. You can get all the newspaper space you want if you only give the papers something they think will make a hit with their readers' pockets.

And on the 2d day of April, 1912, Mr. Baird, of the Michigan division of the beet-sugar industry, wrote to Mr. Hamlin upon

the same subject. I read from page 1403 and following of the hearings:

Mr. C. C. HAMLIN,
United States Beet Sugar Industry,
901 Union Trust Building, Washington, D. C.

DETROIT, MICH., April 2, 1912.

DEAR SIR: Your letter of March 29 at hand, and I wish to thank you for this. I think the suggestion is very good. I have noticed a great many statements in the various opposing papers lately, comparing the cost of beets in Europe with those here. I think it would be very well to get additional information on the cost of beets here, and evidence which will emphasize the fact that the price of beets in Europe is that of those delivered to the factory, while the price discussed here is that paid the farmers at the nearest railroad station or siding; also some evidence which will emphasize the fact that in most of the districts beet dumps are furnished free to the farmers for unloading from wagons.

I am bringing with me a number of letters from feeders showing the value of dried beet pulp in the milk and cattle industry. Any additional evidence of this kind would be of advantage. Also if you could obtain from the Agricultural Department statements which would show the value of returning the lime to the soil it would be of good advantage.

Our opponents are fighting the whole matter along the line of reducing the cost of sugar to the consumer. We must either admit that this cost will be reduced or admit we have no kick coming. It seems to me wiser to admit the reduction and then meet it by showing that it means destruction to the industry, and that this destruction means a positive loss to agriculture in general, and therefore an increased price in the other products of agriculture which will more than balance the saving from sugar. I believe we have not emphasized this part of the matter sufficiently, and while our time is short to do it we should lay special emphasis on all the information we have gathered and gather all the additional evidence obtainable. Mr. Palmer, of course, has a large mass of it. I have a little; but if we could bring in outside evidence from the Agricultural Department and from individual farmers and independent producers, it would have greater weight than coming from us.

Mr. Palmer went to Europe, where, as the representative of the Government, he easily found what he went to find, since he had found it before he went to find it. He returned with statistics—both preferred and common—all demonstrating that but for the sugar beet German agriculture would have perished from inanition long ago. His researches were carefully formulated and launched upon a surprised and delighted public in a speech by the senior Senator from Massachusetts [Mr. Lodge], made on the floor of this Chamber on the 27th day of July, 1912—a speech which was replete with historical and statistical information and bristling with prophecies of disaster to the industry and to the soil should the sugar duty be removed or reduced—a speech which was evidently prepared with the most exhaustive care by the Senator in conjunction with the Palmer bureau and generously circulated all over the country by the latter. Copious extracts from it were reproduced in *Sugar at a Glance*, of which document I shall speak hereafter.

Mr. President, the ascription to the sugar beet of unusual and exceptional faculties of soil fertilization is without merit. It is true, as heretofore stated, that soil fertilization does ensue from beet culture, but this is merely the effect of intense cultivation, and would result as well from any other crop similarly cultivated. The contention that the beet possesses some peculiar efficacy for that purpose is simply part of the tariff propaganda. Mr. Blakey has given this subject considerable thought, and at page 147 he says:

Successive beet crops on the same land not only exhaust the soil and lower the quality and tonnage of beets, but they also frequently result in the introduction and perpetuation of diseases. This is one of the serious difficulties now being encountered in some localities in the West, and sugar companies unable to cope with the problem have appealed to the Government for assistance.

At page 134 he says:

We may conclude, then, that on the whole practically all the direct profits in beet raising in the United States are those of growers and owners of land, who get more than average returns. In view of the great increase of land values all over the United States in the last decade, it is doubtful if as much of the increase in beet-growing States can be attributed to the sugar industry as some think.

Mr. Blakey gives a table showing the increase in the price of farm lands throughout the country. I have prepared from his table a smaller one showing comparisons of the prices and the increase in the value of lands, both in beet-growing and in non-beet-growing States, during the past decade, which I ask leave to have printed in my remarks.

THE PRESIDING OFFICER. Without objection, it will be so ordered.

The matter referred to is as follows:

Increase—	Per cent.
In farm lands, United States, 1900 to 1910 (per United States census)	117.4
In average value per acre	108.7
Increase for beet-growing States:	
Michigan	43.3
Per acre	34.7
Colorado	301.6
Per acre	181
California	109
Per acre	116
Utah	147.9
Per acre	200.3
Idaho	519.8
Per acre	276.1

Increase for nonbeet-growing States:

	Per cent.
Missouri.....	107.9
Per acre.....	104.3
Kansas.....	189
Per acre.....	177.6
Nevada.....	165.7
Per acre.....	151.3
South Dakota.....	377.1
Per acre.....	249.7
North Dakota.....	321.3
Per acre.....	130.4

Mr. THOMAS. These figures demonstrate, I think, the fact that increases in land values have been practically universal. It is clearly a result of some general cause. While a particular industry may have a local or transient influence upon a rise in values, it can not explain a rise which is practically universal.

One of the best and most experienced farmers in my State is State Senator John A. Cross. He has given a great deal of attention to this subject. He is respected wherever he is known. As a Democrat, he has been honored in a very strong Republican county by repeated election to various offices of public trust. Writing to me upon this subject on the 16th day of July, 1913, he says:

Raising sugar beets exhausts the fertility of the soil. When we first commenced to raise beets the sugar company brought men from Utah to show us how to plow the ground and prepare the seed bed and tend the beets. The deep plowing and intense cultivation that is absolutely necessary in order to raise sugar beets kills every weed and puts the ground in such splendid condition that it will raise one good crop of grain the next year, and then it is necessary to renew the soil by seeding to alfalfa or fertilizing in some other way. The greatest benefit the farmers have received from raising sugar beets has been in learning how to do good farming. The farmers have been exploited by the sugar company in every way possible, the same as the sugar consumers have. The next great industry in Colorado will be dairying; and then the farmers will be truly prosperous if we can break the grip of the sugar monopoly and have some independent sugar refineries to run in connection with dairying. We will have the most prosperous farming community in the world, but the Great Western Sugar Co. uses every possible means to keep out competition and discourage the extension of the beet-sugar industry.

Mr. Blakey, on page 47, publishes a table showing the effect upon soil fertility of nearly all the staple agricultural products, including beets, which I ask leave to print with my remarks.

The PRESIDING OFFICER. Without objection, it will be printed.

The table referred to is as follows:

	Nitrogen.		Phosphorus.		Potassium.		Chicago prices.	Colorado prices.
	Pounds.	Value.	Pounds.	Value.	Pounds.	Value.		
Wheat, 50 bushels.....	96	\$14.40	16	\$0.48	58	\$3.48	\$18.56	\$24.00
Oats, 100 bushels.....	97	14.55	16	.48	68	4.08	19.11	25.00
Corn, 100 bushels.....	148	22.20	23	.69	71	4.26	27.15	35.00
Beets, 20 tons.....	100	15.00	18	.54	157	9.42	24.96	32.00
Alfalfa, 4 tons.....	200	30.00	18	.54	192	5.76	36.30	48.00
Fat cattle, 1,000 pounds.....	25	3.75	7	.21	1	.06	4.02	5.35
Hogs, 1,000 pounds.....	18	2.70	3	.09	1	.06	2.85	3.90
Milk, 10,000 pounds.....	57	8.55	7	.21	12	.72	9.48	12.50
Butter, 400 pounds.....	0.8	.12	0.2	.01	0.1	.01	.14	.19

Mr. THOMAS. Mr. Blakey says that beets are about as exhaustive as corn and somewhat more so than wheat and oats. Clearly the method of cultivation, not the character of the crop, must account for the benefit which the soil receives.

Mr. President, the cultivation of any root crop—beans, peas, and other lentils—especially when plowed into the soil, greatly enhances its fertility. They are quite as productive of good results as is the culture of the beet. Soil fertilization by crop culture is not peculiar to beets, and the tremendous increase in crop production in Germany, so boastfully advertised by Mr. Palmer and his employers, may be ascribed in part, perhaps, to the intense cultivation essential to beet growth, but are due much more largely to scientific methods of cultivation and to the enormously increased use of fertilizers.

I have a letter from Mr. W. Kathol, written last May, a competent authority upon and thoroughly familiar with the subject, which I will ask leave to print, with its accompanying tables, without reading.

The PRESIDING OFFICER. Without objection, it may be printed.

The matter referred to is as follows:

On pages 34 and 35 of the pamphlet by Mr. Truman G. Palmer, *Sugar at a Glance*, are diagrams showing how Germany has increased the yield of wheat and rye by planting fields to sugar beets and other hood crops one year in four. According to chart 25, the number of bushels of wheat harvested per acre in Germany increased in the years 1894 to 1909 from 25 to 30 bushels. Assuming, for the sake of argu-

ment, that the planting of beets caused this increase, the conclusion must be correct; in a period where the yearly beet crops decrease the wheat yield per acre must also decrease. If we now look for the statistical facts, we find the following: In the year 1894 the production of sugar beets in Germany was 14,521,000 tons (Rathke, p. 20); the yield of wheat per acre in the same year was about 25 bushels (Sugar at a Glance, p. 34). Within the 17 years from 1894 to 1911 the average production of beets in Germany was about 12,800,000 tons per year. Thus we had in that period a decrease of 1,721,000 tons, or more than 13 per cent. But did the yield of wheat during that time also decrease? No; the yield of wheat per acre did not seem to be influenced at all by the beets. It increased from 1894 to 1909 from 25 to 30 bushels, or 25 per cent. How does this fact correspond with the theory of the American beet-sugar men?

Certainly the beet-sugar cultivation in Germany has been beneficial to the fields, just as the raising of common beets, chicory roots, and potatoes. However, there are other causes more important than the raising of beets which contribute to augment the productive power of our soil, especially the use of so-called artificial manure (potassium and phosphates), deep plowing, scientific selection of seed, and last, but not least, intensive and rational work of the farmer.

Yours, very truly,

W. KATHOL.

Table 1 is a translated copy taken from the *Dungerfibel* by Dr. Hoffman, editor, Berlin, Deutsche Landwirtschafts-Gesellschaft (German Agricultural Society). Table 2 has been compiled by me from figures given in above-named book and in Rathke's *Adressbuch*. Both tables show clearly—

1. That the use of artificial manure in Germany since the year 1890 has increased more than 350 per cent.

2. That during this period the yield of 1 hectare of rye increased about 56 per cent; wheat, 50 per cent; barley, 48 per cent; oats, 37 per cent; potatoes, 47 per cent; and meadow hay, 40 per cent.

3. That during the same time the yield per hectare of beets did not increase, but remained nearly constant.

What I tried to prove in my letter of May 12 indirectly I think is here demonstrated directly beyond all doubt. In 1890, when the increase of yield of cereal crops started, we had already 400 beet-sugar factories in Germany. The farmers must have known at that time what benefit they had for the other crops by raising sugar beets. Why do they pay more than 500,000,000 marks yearly for artificial manure if the increase of cereal crops is to be ascribed in such a positive manner to the planting of beets as Mr. Truman G. Palmer will make people believe in his *Sugar at a Glance*? And how can this gentleman explain the increased growth of meadow hay (40 per cent) by the influence which beet crops have on the soil? Beets in Germany are not raised in the meadows.

I would call your attention to the interesting fact that the sugar content of the beets since 1890 has also increased from 12.9 to 16.5 per cent. How this is to be explained I do not know. The improvement of the seed by scientific selection can scarcely be the reason—at least not alone. Last year we had the highest percentage of sugar, while a great amount of Russian seed had been imported, which is considered generally of inferior quality. When recently I had the pleasure of accompanying Mr. Spreckels through the beet fields of this district we met a hard-working simple farmer. Mr. Spreckels asked him how much manure he would use on his field, and the man replied, "I can never use enough; the more the better." Mr. Spreckels was astonished to see the healthy development of the dark-green leaves of the beets in contrast to the fields he had seen in France. He said he guessed it must be the influence of niter which made this luxuriant foliage in our beet fields, and the leaves, Mr. Spreckels observed, "are the lungs of the beets, by which they inhale the carbon, to be changed in the cells of the root into wood fiber and principally sugar." At that time I did not have the data on which the inclosed tables are based, but I thought often of Mr. Spreckels's remarks. Since, it struck me, how in conformity is the increase of the use of artificial fertilizers and the increase of the sugar in the beets. Of course, I would not dare to express a definite opinion at this time how far the one increase is the cause of the other, but I think it will be worth while to assemble more data about this matter. With kindest regards, I am,

Yours, very truly,

W. KATHOL.

TABLE 1.—Consumption of artificial manure in Germany during the years 1890 to 1912.

	1890	1900	1910	1912	Value.
	Tons.	Tons.	Tons.	Tons.	Marks.
Bone dust.....	99,000	63,462	81,063	75,500	6,750,000
Guano, natural and artificial.....	45,888	37,450	40,270	40,200	5,500,000
Superphosphates.....	500,000	754,943	1,267,060	1,640,600	98,000,000
Thomas slag dust.....	400,000	878,917	1,428,630	1,810,000	81,500,000
Chilean saltpeter.....	247,814	352,785	542,137	630,250	151,000,000
Sulphate of ammonia.....	60,000	117,638	268,330	356,150	106,750,000
Various (lime nitrogen, lime niter, blood dust, horn dust, etc.).....	50,000	50,000	60,000	100,000	18,000,000
Potassium salts.....	219,553	833,472	2,219,037	2,700,000	71,000,000

TABLE 2.—Yield of crops in Germany.

TONS PER HECTARE.

	Rye.	Wheat.	Barley.	Oats.	Potatoes.	Hay.
1885-1890.....	1.18	1.50	1.50	1.41	10.17	3.27
1890-1895.....	1.31	1.63	1.64	1.45	10.53	3.32
1895-1900.....	1.42	1.77	1.66	1.58	11.65	4.06
1900-1905.....	1.54	1.90	1.85	1.72	12.99	4.02
1905-1910.....	1.67	1.99	1.95	1.92	13.90	4.34
1911.....	1.78	2.08	1.99	1.78	10.35	3.27
1912.....	1.86	2.26	2.19	1.94	15.03	4.60

¹ Year 1911, failure of hay and beet crop on account of drought.

TABLE 2.—Yield of crops in Germany—Continued.
SUGAR BEETS. AVERAGE YIELD.

Years.	Tons per hectare.	Sugar content.
		Per cent.
1890.....	32.3	12.9
1890-1895.....	29.6	12.7
1895-1900.....	30.4	14.05
1900-1905.....	28.8	15.4
1905-1910.....	30.0	16.3
1911.....	118.0	16.3
1912.....	30.0	16.5

¹ Year 1911, failure of hay and beet crop on account of drought.

² Year 1912, the percentage of sugar in the beets could only be approximately stated.

ARTIFICIAL MANURE APPLIED.

	Tons.
1890.....	1,622,256
1900.....	3,088,668
1910.....	5,906,530
1912.....	7,352,700

Mr. THOMAS. These tables disclose the tremendous increase in the use of artificial fertilizers in the German Empire, not only in beet culture but in the production of all other crops. But of this practice, Mr. President, we have heard nothing in the course of these debates.

Moreover, Mr. President, the increase of soil fertility in Great Britain, if we are to credit her statistics, is quite as marked as in Germany, although in Great Britain beet culture is practically unknown.

It is painfully evident, Mr. President, that soil fertilization is a new proposition, an ad captandum argument thrust into the arena of eleventh-hour tariff discussion to befool the farmer, to distract the public mind, and to gloss over the iniquities of the tariff. It has the doubtful merit of novelty, a plausible but unsubstantial basis of fact for its support, and a well-fed organization to assert and disseminate it.

But, Mr. President, while the question as to whether the cultivation of sugar beets operates as a fertilizer may be a debatable one, no one who has read the testimony of the Senate lobby committee will challenge the virtue of beet sugar as a fertilizer. It has fertilized the lobbyists of the country for many years; it has fertilized the press, both rural and metropolitan, ever since its entrance into the domain of American industry; it has fertilized and is still fertilizing public opinion through the dissemination of so-called literature, the preparation and distribution of boiler plate and patent insides for the weekly newspapers, through inspired discussions before industrial and commercial gatherings, and by systematic and widespread propaganda; it has fertilized the hotels, the market places, and the print shops in the city of Washington; it has recently fertilized chambers of commerce, boards of trade, and the telegraph and telephone companies from ocean to ocean. Its fertilizing funds have flown from its tariff beneficiaries at 1 cent a bag, 2 cents a bag, or 3 cents a bag, according to the emergency. What matters it, since the people pay? Mr. Oxnard, the original beet-sugar lobbyist, and still faithful at his post at a salary of ten thousand a year, whose demands upon the lobby treasury are made in the form of oral vouchers, told how hundreds of thousands had been gathered and cast upon the waters. It is still alert, grinding away at its familiar task as though unconscious that the old order has passed and a new one now prevails.

The manner in which this industry fertilized the Government Printing Office and brought forth Sugar at a Glance as a public document is an interesting story. It was told to the lobby committee last June. It reveals the methods of this association so graphically that all men should be apprised of it.

Summarized, the story is that Sugar at a Glance had its origin in 14 charts, which were prepared by Mr. Palmer and duly hung upon the walls of this Chamber by the Senator from Massachusetts [Mr. Lodge] on July 27, 1912, at which time he entered into an elaborate review of the beet-sugar industry and its dependence upon the tariff. Upon that occasion the Senator asked and was granted leave to have them printed as a public document in this language:

Mr. President, I am going to ask first that some graphic tables which I have had prepared showing various statistics relating to sugar and comparing it with other products may be reduced to small tables in black and white and printed as a Senate document.

After this, Mr. Palmer—
went over them carefully meanwhile to see if there were any errors and eliminated any that I found.

And he said he found but few. But as Senator REED's examinations proceeded they disclosed a condition which I trust for the good name of the Senate has never been duplicated. It was developed from the lips of Mr. Palmer and of many other witnesses that this very active gentleman utilized this request

of the Senator from Massachusetts by substituting for it an essay, copiously illustrated with 56 charts, lithographs, and other decorations, consisting of 63 pages—
concerning national economy and the high cost of living as affected by the increased yield of other crops when grown in rotation with sugar beets.

He very generously inserted into his production an elaborate extract from the Senator's speech, preceded by an introduction of his own, gave the world a graphic picture of Mr. Oxnard's California factory, a tribute which that very modest gentleman doubtless suggested, and dubbed his child "Senate Document No. 890."

This composite work has the stamp of the Government Printing Office. It saw the light on October 28, three months after the Senator's speech had been delivered.

In this commendable work of manufacturing a public document for the professed purpose of public education, Mr. Palmer, on page 1022 of the hearings, says that he was acting for the Senator from Massachusetts. Senator REED followed this startling statement with this query:

So we have a representative of the beet-sugar people in Washington acting as a representative of a United States Senator and assuming the authority not only as a United States Senator but of the entire Senate? That is the conception of your business?

The witness replied:

You can call it as you like. I acted in the spirit of that resolution. But this conclusion is utterly false. For the Senate resolution of July 27, 1912, the only one which the Senate ever adopted, does not appear anywhere in Mr. Palmer's work. Instead of it appears a spurious and manufactured one of a wholly different character and bearing a different date, which has been published as the basis of the document. It reads:

IN THE SENATE OF THE UNITED STATES,

August 1, 1912.

Ordered, That the charts and data prepared by Truman G. Palmer concerning the sugar industry, the increased yield of other crops when grown in rotation with sugar beets, and the rise in price of farm and food products be printed as a document.

Attest:

CHARLES G. BENNETT, Secretary.

That, Mr. President, is an order which the Senate never made, which the Secretary of the Senate never signed, which can not be found in the records of this body, and which had its origin outside the limits of this Chamber. The person responsible for this spurious order has not yet been fully disclosed. The Senate investigating committee has not unearthed him, although it has carefully questioned every attaché of the Senate who would be likely to know all about it, and all of whom deny all responsibility for it. Mr. Ansel Wold, the Senate printing clerk, to whom, if genuine, it would have been delivered, never saw the original. He accepted the title-page of Sugar at a Glance because it was coming back in proofs and because it was to be submitted to the Senator from Massachusetts for approval or disapproval. He also says that the real order has disappeared from the files of the Senate.

Mr. B. S. Platt, enrolling clerk of the Senate, through whose hands this order should have passed, never saw it, never wrote it, never gave it to the Secretary for his signature, and does not know where it came from. His records are silent concerning it. These orders go through his hands to Mr. Wold on their way to the Public Printer.

Mr. Harry A. Austin and Mr. Charles Benthelm, both in Mr. Palmer's employ, do not enlighten us. Mr. Austin never saw it until the proofs of Sugar at a Glance came back from the Government Printing Office with that printed on it. Mr. Benthelm first saw it when the outside flyleaf was given to him on the 5th, 6th, or 7th of August by Mr. Palmer. It was then given to him "on a slip to paste on along with his letter." This traces its first appearance to Mr. Truman G. Palmer himself, who protests that he knows not how it originated. The public may or may not accept his assurances of innocence, albeit he admits his authorship of the document which, without the spurious order, could have had no admission to the mails of the Government for free distribution.

Mr. President, it is a serious matter of national concern when the name of the Secretary of the Senate can be forged to a fictitious order. It will be far more serious if such a wrong can be committed with impunity. If one interest may do so, all of them may. That it was done in this instance and that the beet-sugar lobby were thereby enabled at public expense to circulate this compilation over the country is beyond dispute, and the man apparently responsible for it has impudently sworn that what he did was done as the representative of a Senator.

It was mailed under the frank of the distinguished Senator from Massachusetts [Mr. Lodge], to whom it was submitted for final consideration before it assumed its present and final form. Three hundred and twenty thousand copies, which at 5

cents a copy would have cost the Beet Sugar Association \$16,000 for postage—320,000 copies of that spurious document have enjoyed the free mailing facilities of the country.

Of course, this is not unusual. Mr. Palmer testifies to the circulation of vast numbers of other documents under other franks, but I know of no more flagrant instance. Mr. President, of the abuse of this privilege than that here presented. It is a signal instance of the audacity of a great moneyed combination organized to control the legislation of the country and using its great powers to that end. "Sugar at a glance" becomes momentous when that glance reveals conditions such as these to the eyes of the people.

I am very glad the opportunity came to the Nation through the appointment of the lobby committee to expose this unpardonable fraud, and I think it is due to the dignity and the good name of the Senate that it should ascertain, if it be possible to do so, all the details of this affair, who the real culprits are, and whether they can be reached by the processes of the courts.

But, Mr. President, I have already detained the Senate too long in the somewhat elaborate discussion of the subject, which is of great importance in my section of the country and which has assumed an undue importance in legislation here in consequence of the interests which have been engaged in its promotion.

Before yielding the floor I must refer to some material reasons for my conviction that the beet-sugar industry is or should be self-sustaining and that its ultimate and permanent place will be found in the farther reaches of the continent. The laws of nature supply to the sugar beet in the western half of the Republic all the protection that it needs. The class legislation of man may give it great artificial advantages, but that can only be at the expense of the many. In the upland regions, near the crest of the continent, in the arid and semiarid States of the West, will be found, in my judgment, the ultimate home of this great industry, regardless of what human legislation concerning it may be. It will obey the edict of nature's laws, and these have decreed its future in America. Let me read an extract upon this subject from Prof. Taussig, who expresses more graphically than I am able to do the conditions to which I am referring:

Two circumstances are dwelt on by those well informed concerning the conditions favorable to beet growing in this western region—the climate and the special advantages of irrigation. The variety of the beet suitable for sugar making flourishes in a cool climate, but it needs plenty of sun. Abundance of sunshine is essential to the highest development of sugar in the beet. Other things being equal it may be said that the richness of the beet will be proportional to the amount—not intensity—of the sunshine. Evidently the cool region of cloudless sky in the arid West, including the high-lying parts of Arizona and New Mexico, meets this condition perfectly.

Again:

In respect to moisture, the sugar beet is peculiar in some respects. There are three periods in the life history of the sugar beet which demand entirely different treatment so far as moisture is concerned: (1) The germinating or plantlet period; (2) the growing period; (3) the sugar-storing period. During the first the beet needs sufficient moisture and warmth to germinate and start it, but never an excess. During the second the beets need little if any moisture. During the third or sugar-storing period the plant should be given no water. The conditions desirable at this period are plenty of light and dry, cool weather. If the beet is given moisture to any considerable extent it will be at the expense of both sugar and purity.

It is clear that the irrigated regions of Colorado, Utah, Idaho, and Montana supply just the right combination of climate and moisture—cool temperature, abundant sunshine, moisture as needed, absence of moisture when harmful. Hence Colorado and Utah are described as the ideal beet-sugar States. Considering everything, Utah is the ideal beet-sugar State. Its natural conditions are quite similar to those of Colorado. In Colorado 12 to 25 tons of beets to the acre are readily secured; even in the early days 15 to 17½ tons were got on the average, whereas in European countries not only is the tonnage per acre less, but the sugar content smaller. Some of the districts of California have the required combination of soil and moisture without irrigation or with little irrigation. California has some further advantages. Its equable climate enables the beet-sugar campaign to be spread over a longer period than elsewhere, and its beets have a very high sugar content.

These reflections, Mr. President, are true. We depend in the far West not upon the caprice of nature for our supply of moisture, but the hand of man furnishes it at regular and needed intervals. Irrigating ditches spread over the face of the land, and their waters are eagerly drank by the grateful soil at times when most propitious for good and scientific husbandry. We have 322 days of sunshine every year, and the coolness of our nights has passed into a proverb. These are ideal conditions for the beet-sugar industry. Not tariff laws, not railroad rates, but the laws of nature declare that there will be the home of this great industry; there will be its permanent abiding place when the soils of the Mississippi and Missouri Valleys yield reluctant harvests to the husbandman.

Mr. President, it is somewhat consoling to know that the Democratic attitude concerning a tariff upon sugar finds many Republican precedents to support it. We are not alone in believing that this is a hunger tax, one that rests upon a neces-

sity of life, a commodity that should be made as cheap as possible to all the people.

Senator Sherman said 40 years ago that no amount of protection could ever establish sugar as an independent industry in Louisiana, and the character and present condition of that industry as portrayed here this summer abundantly justifies the accuracy of his prophetic vision.

In later years the Republican Party itself determined to place this commodity upon the free list, and on the 20th day of May, 1890, Mr. McKinley, the author of the tariff bill of that year, when presenting his measure to the House said:

I would have preferred, Mr. Chairman, if the article of sugar could have been left in the tariff schedule on the dutiable list. This, however, was not practicable in the presence of an almost universal sentiment in favor of the removal of the entire duties upon this article of universal family use.

Shortly afterwards and during the discussion Mr. Dingley, the author of the tariff bill which subsequently bore his name, said:

The duty collected on sugar and molasses the last fiscal year was \$55,975,610, or nearly 2 cents per pound. Adding to this the increased cost of 275,000,000 pounds of sugar produced in this country, equivalent to the duty of 2 cents a pound, and the duty imposed on these articles was practically a tax of \$63,500,000, or \$1 per head on the people of this country.

Inasmuch as there is scarcely another article of common use not now on the free list which can not be promptly produced or made here nearly or substantially to the extent of our wants the transfer of sugar and molasses to the free list will afford conspicuous relief to the people of this country.

And Hon. Joseph G. Cannon also said:

Mr. Chairman, the placing of sugar on the free list will relieve each inhabitant, rich and poor, of \$1 per annum of tax and at least 50 cents of extortion levied by the sugar refiners.

The gentleman from California asks, Why give a bounty to the producers of sugar in the United States? Well, I answer my friend, I am not anxious to give a bounty if you do not want it. My principal anxiety is to place sugar on the free list and relieve the people from this great burden of taxation.

On the 11th day of July, 1894, Mr. Allison said:

Whatever duty we place on sugar must in the very nature of things be added to the price.

Again on June 8, 1904, he said:

If I had my way, I would strike from this bill every vestige which provides a duty on sugar.

Senator Aldrich, the great apostle of protection, the dominating master of the Sixty-first Congress, said June 5, 1894:

They have signalized that friendship to-day—

Speaking of the Populists—

They have signalized that friendship to-day by joining their Democratic allies in forcing upon the people of the United States this unjustifiable, indefensible, and infamous sugar tax. I said this tax was infamous, and if I could employ any stronger word than that I should be glad to do so.

Mr. President, I have endeavored this afternoon to answer some of the main arguments that have characterized the speeches of Senators protesting against the provisions of the sugar schedule. I have sought to establish the alliance between the sugar-refining companies, with one or two exceptions, and the beet-sugar interests of the country, and to refute the contention that they are in antagonism here. I have endeavored to show that the cost of beet-sugar production is quite as great in Germany as it is in America; that the enormous profits which have been made upon this commodity have been realized, first, through its monopoly; second, through the tariff; third, through freight-rate manipulation; and, fourth, upon its enormous overcapitalization and the control of prices, by which it can pay large profit upon its real and its manipulated wealth.

I have endeavored, Mr. President, to show that argument based on soil fertilization through beet culture is only a Macedonian cry, the last resort of a great monopoly, cunningly designed to divert the mind from the central issue of protection in its final struggle for the maintenance of an unjust law.

I have also endeavored to fortify our position by recalling the attitude of great Republican statesmen of the past upon the question. I am as confident as I am of my own existence that nothing which this or any other Congress may do to reduce the public burden will either injure or destroy the great industry which has been the subject of this discussion.

ADJOURNMENT TO THURSDAY.

Mr. SMITH of Georgia. I move that when the Senate adjourns to-day it adjourn to meet at 2 o'clock p. m. on Thursday next.

The motion was agreed to.

DEVELOPMENT AND IMPROVEMENT OF WATERWAYS.

Mr. ASHURST. Mr. President, the floods last March in Ohio and Indiana, causing such cruel loss of human life and destruction of property of the estimated value of more than \$100,000,000, have induced our countrymen seriously to think

and to try to ascertain what, if any, means may be adopted to preclude a recurrence of such pathetic loss of life and ruthless waste of human endeavor represented by the property destroyed.

It is stated upon reliable authority that in the city of Dayton, Ohio, which had a population of perhaps 130,000 persons, over 14,000 homes were flooded and nearly all of the business portion of the city was inundated. The Senator from Ohio [Mr. POMERENE] on April 15, 1913, presented to the Senate a preamble and resolution, addressed to the Congress of the United States, adopted by the city council of the city of Dayton. The Senator from Ohio was wholly within his rights in presenting this resolution. It was a courageous thing for him to do, and I doubt not that the resolution, respectful as it was in its terms, struck other Senators as forcibly as it did myself. The resolution was a severe and, I am fearful, a just arraignment of the Government of the United States. Indeed, Mr. President, I do not overstate the matter when I say that no paper recently presented to Congress, within my knowledge, laid more severe strictures or brought a more terrific indictment against Congress than this resolution.

I ask unanimous consent that I may include in the RECORD as a part of my remarks the resolution of the city council of the city of Dayton, Ohio:

A resolution offered for consideration to the council of the city of Dayton, State of Ohio.

Whereas the Great Miami River is controlled as a navigable stream by the Federal Government, it is the duty of the Government to examine plans for all bridges and to prevent the channel from being encroached upon by private interests; and

Whereas the Government has failed to perform its obligation in regard to the inspection and supervision of our waterway and is thus directly responsible, in our opinion, to the people of Dayton for the great calamity from which they are now suffering; and

Whereas the neglect of the Government in this instance has resulted in a great loss of life and a monetary loss to Dayton of more than \$100,000,000, through the disastrous forces with which we are too weak to cope; and

Whereas the Federal Government should not continue its neglect of this condition, but should at once appropriate a sufficient amount of money to place the city of Dayton beyond the liability of another disaster such as that through which we have just passed: Now, therefore, be it

Resolved by the council of the city of Dayton, State of Ohio, That we now respectfully demand some just reparation from the Government for the neglect from which we are suffering; this demand is made because it is just and because we are entitled to that protection which the Federal Government affords and gives to all cities located along navigable waterways; and

That we now petition the Congress of the United States to provide sufficient funds to cut a new channel for the Great Miami River and to supervise the work of cutting this new channel; and

That the clerk of council be, and he is hereby, directed to certify copies of this resolution to the Senate and House of Representatives of the Congress of the United States.

Adopted by council April 9, 1913.

WM. D. HUBER,
President of Council.

WAYNE G. LEE,
Clerk of Council.

I hereby approve the foregoing resolution this 11th day of April, 1913.

EDWARD PHILLIPS,
Mayor of the City of Dayton, State of Ohio.

I, Wayne G. Lee, clerk of council of the city of Dayton, State of Ohio, do hereby certify that the foregoing is a true and correct copy of a resolution duly adopted by the city council at a special meeting had and held in the council chamber of the city of Dayton, State of Ohio, on the 9th day of April, A. D. 1913, and which is duly recorded in the minute book C-I, page 435, of the records of the council of said city of Dayton, State of Ohio.

[SEAL.]

WAYNE G. LEE,
Clerk of Council, City of Dayton, State of Ohio.

Mr. President, the action of the President of the United States in directing the Secretary of War to see to it that all assistance should be given to the people of the flooded region was entirely proper. The President's view that this disaster was a "national calamity" was eminently correct. There are, however, some American statesmen, and their conscientiousness is not to be questioned, who, in the President's situation, would have spent days and probably months debating and delaying before extending the Federal aid, in order that they might ascertain whether the Federal aid should be extended at all; and if so, would such Federal aid improve navigation or would it protect farm lands from overflow, or would it do both.

It will be observed that the council of the city of Dayton charges that the Great Miami River is controlled as a navigable stream by the Federal Government, and that the Government of the United States failed to perform its obligation in regard to the inspection and supervision of that waterway and, therefore, is directly responsible to the people of Dayton for the great calamity from which they are now suffering. The resolution further alleges that the neglect of the Government in this instance has resulted in a great loss of human life and in a

monetary loss amounting to more than a hundred million dollars. The resolution further states that the people of that city are entitled to that protection which the United States affords and gives to all cities located along navigable waterways, and concludes by demanding some reparation from the Government for the neglect from which the people of Dayton are suffering.

This charge, so specific in its terms, and coming from the source whence it does, is not, so far as I am concerned, to be passed over without some thought.

That calamities, far-reaching and destructive in their consequences and affecting in a powerful degree the people of some particular section of our country, will continue to happen from time to time, there is no doubt. That some accidents at sea will happen in the future, there is little doubt; that in the future some destructive floods and fires will occur, there is little doubt. It is, of course, somewhat questionable if mankind shall ever be enabled to regulate the forces of nature so completely that the possibility of accident and misfortune will entirely be removed and precluded. But civilized government can and should take care to see that these disasters are minimized and reduced to the lowest possible percentage. I believe that a solution of the question of the control of the flood waters is the passage of the Newlands river-regulation bill, so called, and my purpose in rising to-day was to speak in support of that bill.

The present temper of the country is such that it will brook no more delays. The Nation wants constructive work, not postponement; progress, not procrastination. The Nation demands action, not investigation. What the Nation now demands—and I believe that Congress will heed that demand—is protection from floods and prevention of floods as well. The country demands river regulation to stop the flood waters that have been running uncontrolled to the sea, carrying death and destruction in their path. The country demands that these destructive and wasteful waters shall be put into the rivers in the low-water season, so that boats may be floated upon the same, to the end that the water-borne commerce of this Nation shall be carried on inland waterways all the year round; to the end that these rivers may be made navigable at all times and thereby aid and expand the interstate commerce of the United States. The Newlands river-regulation bill, S. 2739, proposes to unite all the hydrographic activities of the Government into one harmonious plan, the idea being to impound and store, as far as practicable, the waters of the upper reaches of the rivers for irrigation and water power; to provide channels as the rivers flow to the sea sufficiently large to carry away floods and at the same time to serve as waterways for commerce. With this plan goes the reclamation of the swamps and reforestation of the mountains to check sudden floods. In my judgment this bill is extremely meritorious and ought to be passed by Congress. Under this bill the rivers will be examined as to their possibility for freight-carrying and power purposes. Practical plans will be formulated for improvements and estimates of the cost made. It is a large undertaking and will require the expenditure of much money for preliminary work, but the expense is inconsequential and negligible in comparison to the good that will be accomplished. Accurate facts may then be secured and the Federal Government enabled to proceed upon the work on the waterway improvements in a systematic manner and not in the haphazard way which is so frequent occurrence. Under the methods which have heretofore existed immense sums of money have been appropriated in past years for improvements without comprehensive plans or continuous work. In past years we have expended hundreds of millions of dollars for improvements on our rivers, and we have comparatively little to show for the money thus expended. In my judgment, we shall continue to waste money in this same way unless we systematize the work as is provided in this bill or some other bill involving the same general principles. Every winter and spring we scarcely read a newspaper unless our eye strikes the oft-repeated item that the Missouri, Mississippi, and other rivers are again raging torrents, doing millions of dollars of damage to property and causing much loss of human life. Annual and semiannual floods devastate the valleys. Is it not time that this matter should engage our attention?

The Newlands river-regulation bill, so called, combines the admirable features of a unified, comprehensive system in the hands of a commission. I have no doubt that the commission will be able to evolve a plan whereby the falling waters will be conserved and stored in the soil, instead of rushing in their destructive courses to the sea. The bill provides for carrying the surplus water out over the arid and semiarid districts, so that it may gradually percolate through the soil. It is not entirely beyond the domain of practicability to conserve every drop of rainfall, and in this connection I ask unanimous consent to in-

clude in the RECORD as a part of my remarks a short letter upon this subject from Mr. Freeman Thorp, of Hubert, Minn.:

WASHINGTON, D. C., January 24, 1913.

DEAR SIR: The big problem toward the solution of which my efforts have been directed for many years is conservation of the water supply on the dry lands of the great central plateau of the North American Continent, where we have within the United States 300,000,000 acres now idle, for want of sufficient rainfall, for ordinary farm production by the old methods, but the best soil in America for scientific farming, if we compel the filtration into the soil of all the limited precipitation, instead of allowing a part of it to run off over the surface, carrying with it by soil erosion some of the best soil and flooding the streams with muddy water, which is carried into the Mississippi River, swelling its floods with water, every drop of which is badly needed in the soil that it falls upon as rain or snow. Ordinary methods of cultivation and surface drainage facilitate the run-off and increase the evils of the problem.

The fact of this enormous run-off and waste of one of our greatest natural resources, with its attendant evils of soil erosion and disastrous floods, can no longer be ignored, and now that a thoroughly practical way has been found to prevent this run-off our duty plainly is to direct our efforts to getting it into general use as fast as possible.

The method of doing this is now well past the experimental and demonstration stage on my experimental dry-land tract for farming and forestry experiments at Hubert, Minn., near the headwaters of the Mississippi River. I have land there from the surface of which under the new method not one drop of rain or melting snow has been allowed to run off for 17 years, with the result that it doubles the diameter growth of forest trees, which quadruples the amount of lumber in the tree; it doubles the amount of grass grown and greatly increases the growth of cultivated crops. This method eliminates necessity of the summer fallow alternate years for getting moisture into the soil, and enables profitable crops annually upon any soil that receives even 10 inches of precipitation.

The method is very simple and thoroughly practical for the average farmer. It costs no more to prepare a field for a crop by my method than to prepare it by the ordinary method, and when prepared by my method there will be no run-off of the precipitation, no soil erosion, and practically no soil drifting.

On all soils having less than 24 inches of precipitation annually the total precipitation should, and by my method will, be filtered into the soil, reclaiming the dry lands without irrigation and making them as productive as any in the world. My method is applicable also to all forest and pasture lands in humid regions, and to all deep, sandy soils in those regions. In its working details it retards the run-off to a great extent from cultivated fields in humid regions, where from the character of the soil it is not practical to hold it all, and it prevents soil erosion on all such soils. When put into general use it will lessen by 30 to 40 per cent the present run-off of flood waters. The working details of my method for the farmer's use need not encumber this article further than to say it is a complete system of contour embankments and alternating ridges, all made with the plow and disk harrow, holding the rain and seeping it into the soil exactly where it falls, instead of accumulating it on the low portions of the field, running it onto the low wet lands to their detriment and into the streams as floods.

Theoretical criticisms against my method are effectively answered by its actual operation on my land. Its application to cultivated fields costs nothing; to lands that are now, and to remain, in permanent pasture the cost of the back-furrowed ridges, which should be sown to bromus grass, is small, and it doubles the grazing, much the best part of which will be on these ridges. Its application to present forest lands costs more, but is not prohibitory, and once made endures forever.

The enormous benefits to be realized from the general use of this method entitles it to the support of every true conservationist. I neither expect nor desire any personal benefit for originating; my desire being that the method, varied by individual intelligence to adapt it to local conditions, may be brought into general use for the benefit of the world upon all lands having insufficient rainfall for ordinary farming.

With great respect,

FREEMAN THORP.

The opportunity offered to Congress now to pass the Newlands river regulation bill is the presentation of an opportunity to do a great and patriotic service for this country. It is difficult to exaggerate the benefits that would come to the Nation by the passage of this bill. It would safeguard those who live in the river valleys from the ravages of the floods, which now leave death and destruction in their paths.

The bill provides for the construction of levees and dikes. The levee system has accomplished a vast deal to protect property and lives and reclaim overflowed lands; but the levee system is not alone sufficient, and this work has from time to time in the past been done by piecemeal. The American people are disgusted with delays and demand effectiveness and directness.

It should be a byword with this Nation, that "After Panama, our rivers." The vast equipment and organization assembled at Panama, which is now completing the canal, should be put to work upon our rivers. I thoroughly agree with Senator NEWLANDS that in order to accomplish anything in this direction we must undertake the work in a proper way, just as we did the Panama Canal.

A question often asked is: "Shall we retard, divert, or confine our flood waters?" The reply to that question is: "We shall retard, divert, and confine our flood waters."

Parton, the historian, writing in 1860, gives a very interesting description of the waste caused from year to year by the Mississippi River. He says:

The Mississippi is apparently the most irresolute of rivers; the bed upon which it lies can not long hold it in its soft embrace. Wearing away the concave side of its numberless bends, rushing through new channels, slicing off acres in an hour, leaving lakes where it found forests, holding dissolved in its yellow tide land enough for a plantation, and carrying down in one season more trees than the Black Forest

can boast, it reaches at last the Delta—that general emptying place for half a continent. Arriving there with its deep, narrow volume of waters—200 rivers in one—it can no longer contain itself, but breaks into several channels and pushes its way through the black ooze of its own depositing in a manner which looks helpless and sprawling, but which is in reality the shortest and directest way by which that prodigious torrent could find its way to the deep waters of the Gulf. There are so many streams, bayous, lagoons, and branches of the great river in the Delta that it looks on the map like a damaged spider's web.

This region is the crowning marvel and mystery of the Mississippi River. It is a forming world. Nature is there, as at Niagara, caught in the act. That dreary scene of impassable swamp, trembling prairie, firm prairie through which men dig for fish, stagnant bayou, rank reeds, dense forest, and habitable land is geology transacting openly before men's eyes. The materials with which nature works are lying about loose, subject to inspection. Dead level as it is, the mass of deposited matter is inconceivable. They have bored down into the Delta 600 feet without piercing through to the original bottom of the Gulf, finding still the trunks and stumps of forests that once waved their foliage over the stream. Yet nearly the entire mass is as incohesive as when the river first left it on the shore.

It has been suggested, however, that this Newlands river-regulation bill is the vision of a doctrinaire. Mr. President, in every line of human endeavor, wherever there is a newly awakened aspiration for better things, we have always found, and probably always will find, our efforts for social, industrial, and economic betterment characterized as dreams. We can not escape our obvious duty by characterizing the wholesome measures we do not have the time and inclination to investigate as visionary or impossible. The public is tired of aphorisms. For years some public men have been able by epigrams to hurdle great problems. An epigram avoids but never solves a problem. Men of high ideals are often disparaged as "impractical," as "visionaries," as "dreamers"; but some of the greatest of the world's accomplishments have been thought out and wrought out by men and women called dreamers. In fact, it has been the dreamers of this world who have carried on their work sturdily and unflinchingly to success. It is the dream, the imagination, the vision, the sentiment, woven into the work which prevents the prosaic monotony of the work-a-day world and enables us to travel the untrodden way to success. It is the dreamer only who knows the keen enjoyment of fighting grimly for a high and excellent purpose; and at the end of the fight, should failure and not success be the result, very few dreamers have vain regrets; but, on the contrary, many, if not most, are sustained by the thrill and inspiration of their noble endeavor.

But to those who believe that the Newlands river regulation bill is the plan of a dreamer or a doctrinaire I would invite attention to Report No. 1339 on Senate bill 122, Sixty-second Congress, third session, where will be found, collated, editorials from leading magazines and newspapers of the Nation, publicists and statisticians of wide note and large experience, all commending this bill, and I quote an editorial from the Stockton Daily Record, of Stockton, Cal., under date of November 22, 1912:

The man with a vision is being called into the public service. In a hard-headed, practical age, society is turning for relief and hope to the dreamer of great dreams.

One was reminded of the fact last evening in listening to the closing words of Senator NEWLANDS's address on our country's river problems. Sentiment is not indigenous to levees. Landscape art is hardly expected to gather its inspiration from dams and ditches. Esthetic conceptions are not searched for in the reclamation of swamps. The figures that tell of the devastation wrought by floods do not sing in poetic strain. The possibilities of water conservation and distribution have never been the inspiration of epic or flowery prose.

But the human mind is breaking from the throngs of purely utilitarian conceptions of values. Senator NEWLANDS, in his plea for his bill, urged it at once as a business measure and as one that would lead the people into easier, happier, and fuller enjoyment of the bounties of nature. His call was for men of vision, for men whose perspective could sweep far beyond the half billion dollars the Government is asked to spend for irrigation, flood protection, and navigation. He asked that man fix his mind not on piles of profits counted in shimmering gold, but on the desert that would be made to bloom as the rose, on the river running free and clean in the interests of peaceful commerce, on the mountain water storage lakes from which the thirsty valleys could drink deep and long for their nourishment.

It was a pleasure to hear the Nevada Senator extol a noble, humanitarian sentiment; it was a pleasure to learn that he bases his plea for his magnificent project on the good it would do mankind rather than the profits it would bring to "business." It was even more interesting to note that such sentiments found ready response in an audience composed largely of business men. Our citizenship seems to be far more receptive to great visions than it was a few years ago. The dull, dreary grind of the business man and the laboring man has not lessened, but both of them—equally victims of the system evolved by the sordid past—are looking forward to the day when the peace and plenty spread in the lap of nature by the Creator shall be the common, free, and full heritage of all mankind.

SOURCES OF OBJECTION TO THE BILL.

Mr. President, it will, of course, be asked if this bill be so salutary, why this delay in putting it into effect? I respond by stating that I fear forces which delayed the construction of the Isthmian Canal for a quarter of a century seem to be unfriendly to this proposed legislation. It is known to every well-informed person that the transcontinental railroads prevented an isthmian canal for nearly a quarter of a century.

These same and other railroads fear the water competition that undoubtedly would follow systematic development of the rivers. If anyone should doubt that the railroads of the country fear waterway competition or should doubt that the railroads are actively supporting the policy which proposes simply to levee against floods without doing anything else, because that method of protection will not result in waterway improvement, let him read the report of the Commissioner of Corporations on Transportation by Water in the United States, Part IV, issued December 23, 1912, especially that chapter entitled "Railroad control of water carriers," and he will be convinced that in lending no support whatever to the Newlands river-regulation bill the railroads of the country are fighting to prevent waterway transportation competition just as they fought the construction of the Isthmian Canal. Competition between water carriers in the United States has been completely ended, the railroads controlling both the terminals and the vessels.

Indeed, Mr. President, the eight transcontinental railroads are so powerful that they have even induced some statesmen in the British Empire to take the position that the United States may not allow its own coastwise vessels to pass through the Panama Canal without the payment of tolls.

Mr. President, in order to support the statement I made to the effect that carriers by railway are not friendly to legislation improving commerce on the rivers, I ask permission at this point to insert in the RECORD as part of my remarks certain excerpts and analyses from the Report of the Commissioner of Corporations on Transportation by Water in the United States, Part IV, dated December 23, 1912:

The extensive water traffic between New York City and the New England ports is almost completely controlled by a single railroad—the New York, New Haven & Hartford (New Haven system)—or by the Eastern Steamship Corporation, in which the New Haven system is at present a considerable stockholder, though claiming to have no voice in the management. The only line from New York to Portland, Me., is owned by the Eastern Steamship Corporation, and this is true of the only direct water line from New York to Boston. In the Long Island Sound traffic all the regular lines are controlled by the New Haven system, except five companies, with only a few small boats, and two of these are controlled by other railroads—one of the Central Vermont Transportation Co., a subsidiary of the Central Vermont Railway, and the other the Montauk Steamboat Co. (Ltd.), controlled by the Pennsylvania Railroad. The New Haven system, moreover, owns a majority of the stock of the Merchants & Miners' Transportation Co., itself a shipping merger, operating, among other services, lines between Boston and Philadelphia and between Boston and Newport News, Norfolk and Baltimore. No other steamship line operates between Boston and the ports named.

Most of the steamship interests of the New Haven system are held by an intermediary holding company, the New England Navigation Co.

Between New York and Norfolk there is only one steamship line, the Old Dominion Steamboat Co., and a controlling interest in this is owned by five railroads—the Atlantic Coast Line, the Southern Railway, the Seaboard Air Line, the Chesapeake & Ohio, and the Norfolk & Western.

Between New York and Savannah there is only one steamship line, the Ocean Steamship Co. of Savannah. This is owned by the Central of Georgia Railway, control of which is held by the Illinois Central. About one-fifth of the latter's stock, in turn, is owned by the Union Pacific Railroad.

Between New York and New Orleans there is now only one steamship line, that of the Southern Pacific Co., which long ago bought up two formerly competing lines. A working control of the Southern Pacific Co. has for years been held by the Union Pacific Railroad, but this has recently been declared illegal by the Supreme Court of the United States.

Between New York and Galveston there are two water lines. One of these is a railroad-owned line (Southern Pacific), while the other, the Mallory Line, is owned by a shipping consolidation, the Atlantic, Gulf & West Indies Steamship Lines. This consolidation also owns the Texas City Steamship Co., operating between New York and Texas City, which on through traffic is virtually a part of the port of Galveston. The acquisition of this line was preceded by a severe rate war.

The principal local lines on Chesapeake Bay and its numerous tributaries are owned by the Pennsylvania Railroad Co., through railroad subsidiaries, while the three through lines between Baltimore and Norfolk are also under railroad control.

Again, nearly all the important anthracite coal fleets engaged in the North Atlantic coastwise trade are owned by the few great anthracite railroads.

On the Great Lakes all the important through passenger and package-freight lines are owned by railroads. In the local package-freight traffic there are a large number of independent water carriers. In the transportation of bulk freight, other than grain, such as ore, coal, and lumber, the railroad boat lines have practically no part. Several of the principal Lake fleets handling these products, however, are under the control of important industrial concerns, the largest being that of the Pittsburgh Steamship Co., controlled by the United States Steel Corporation.

On the Mississippi River system steamboat lines have largely succumbed to railroad competition or to natural difficulties. Most of the few remaining packet lines are independent of railroads, but are usually feeble competitors. The principal item of traffic to-day on the Ohio and Mississippi Rivers is bituminous coal, and the great bulk of through traffic in this commodity is handled by a single industrial consolidation, the Monongahela River Consolidated Coal & Coke Co., a controlling interest in which is, in turn, owned by the Pittsburgh Coal Co.

On the Pacific coast independent steamship lines are a much more important factor in domestic coastwise traffic. Several important water lines, however, including the Pacific Mail Steamship Co., chiefly engaged in foreign trade, and the San Francisco & Portland Steamship Co., are controlled by the Union Pacific-Southern Pacific Railroad system.

The Southern Pacific Co. also controls a fleet of oil vessels belonging to the Associated Oil Co., in which it owns a majority stock interest. There are also other water lines under railroad control.

Considering only water lines directly operated or in which railroads own a majority of the stock, and excluding harbor craft, this report shows that 20 railroads control steam vessels engaged exclusively in domestic trade of approximately 610,000 gross tonnage and line barges with about 200,000 gross tons, or a grand total of 810,000 gross tons. The tonnage of the New Haven system is the largest, aggregating a little over 200,000 gross tons, of which 156,500 tons is in steam vessels and 43,600 tons in barges and miscellaneous craft. Next in importance is the Union Pacific-Southern Pacific, with a grand total, excluding tonnage engaged in foreign trade, of over 150,000 gross tons. The Pennsylvania Railroad Co.'s water lines have 68,500 gross tons in steamers and 8,500 tons in barges; the New York Central, over 50,000 gross tons; the Central of Georgia Railway, over 40,000 gross tons.

The total capitalization of water lines controlled by these railroads—this not covering holding companies and several very important unincorporated services—aggregates \$55,339,375 in stock and \$31,263,887 in bonded debt. Of the stock \$40,223,800 and of the bonds \$19,211,137 are owned by 18 railroads or their subsidiaries. In most instances railroads own practically all the stock of the separately incorporated water lines which they control. Important exceptions are the Pacific Mail, in which the Southern Pacific owns only a trifle over one-half the \$20,000,000 stock, and the Merchants & Miners' Transportation Co., in which the New York, New Haven & Hartford Railroad owns only a bare majority interest. Instances where railroads own stock in a water line, but less than a majority interest, are comparatively few.

Of the regular line traffic on the Atlantic and Gulf coasts not controlled by railroads, the great bulk, as stated, is controlled by two important consolidations—the Atlantic, Gulf & West Indies Steamship Lines and the Eastern Steamship Corporation. With few exceptions, the constituent companies of these consolidations had been subsidiaries of an earlier merger—the Consolidated Steamship Lines—which collapsed shortly after its formation in 1907.

The larger of these consolidations—the Atlantic, Gulf & West Indies Steamship Lines, a holding company—controls, chiefly through subsidiaries, 72 vessels (exclusive of harbor craft) with 226,736 gross tons. Nearly one-third of this tonnage, however—that of the New York & Cuba Mail Steamship Co. (Ward Line)—is engaged in foreign trade with the West Indies and Mexico. The domestic lines owned by this consolidation are the Clyde Steamship Co., with 54,700 gross tons; Mallory Steamship Co., 46,500 gross tons; New York & Porto Rico Steamship Co. (of Maine), 337,100 gross tons; Texas City Steamship Co., 13,300 gross tons; and the Southern Steamship Co., 6,200 gross tons. In addition there are a few subsidiary terminal or lighterage companies. The issued capital stock of the Atlantic, Gulf & West Indies Steamship Lines is \$29,933,400; its bonded indebtedness is \$12,623,000, and that of its subsidiary companies \$17,432,000.

Except for railroad-owned lines and services to Porto Rico, there is hardly a competing line of importance operating between the domestic ports served by the Atlantic, Gulf & West Indies Steamship Lines.

PURPOSE OF CONTROL OF WATER LINES.

In acquiring their extensive control over domestic water carriers railroads have had in general three purposes: First, to eliminate the competition of water carriers; second, to obtain an entrance into territory not open to their rail lines; and, third, to secure valuable feeders, mainly local lines.

In the case of the New Haven system all these purposes are apparent. For some time past the New Haven system has pursued a determined policy of suppressing any effective competition on Long Island Sound; several, at least, of its recent acquisitions must be regarded as due to this policy. On the other hand, some of its earlier acquisitions came about largely as an incident to the merger of different railroad properties into the present system. Control of the Merchants & Miners' Transportation Co. is claimed by New Haven interests to have been sought in order to secure direct access to southern territory. However, elimination of competition was also an important factor.

Mr. President, the essential principles of this bill are indorsed by no less a person than the President of the United States, whose grasp of national problems is as ready and as comprehensive as any man's in this world to-day and whose zeal for the public good is not measured by partisanship, but by a sincere desire to promote the good of this country, which has called him to its honorable service. I now read a copy of the following telegram:

SEAGIRT, N. J., September 22, 1912.

HON. FRANCIS G. NEWLANDS,

Irrigation Congress, Salt Lake City, Utah:

Please express to the National Irrigation Congress my hearty approval of the policy it is met to promote, and especially of the policy of supplementing bank and levee protection by storage of flood waters above for irrigation and water power, turning floods from a menace into a blessing and at the same time abundantly feeding navigable waters.

WOODROW WILSON.

So, Mr. President, when we remember that the newspapers of the Nation for over two years have been urging the passage of the Newlands river-regulation bill, and when we remember that the reports made by Maj. J. W. Powell, first Director of the United States Geological Survey, and later surveys, investigations, and reports of the Geological Survey; also reports of Gen. Hiram M. Chittenden, of the Engineer Corps of the United States War Department, Engineer Charles Ellet, Jr., and others; also surveys and investigations made by the Pittsburgh flood commission, have shown the practicability of control of the flood waters of the rivers of the whole country; when we recall that the platforms of all the great political parties for 1912, which I will not pause at this time to read, declare for the spirit and effect of this bill; when we reflect that devastating floods that might have been prevented, or at least absorbed by thirsty soils, have cruelly destroyed many human lives and millions of

dollars' worth of property, and thus swept away the result of countless hours of human toil—surely this arraignment of Congress by the Chamber of Commerce of the city of Dayton must strike us with extreme force and compel us to search our own consciences as to whether or not we are guilty of the delays and neglect so specifically set forth against us by the Chamber of Commerce of the city of Dayton.

Mr. President, we can not alter the past, but the future is ours, and we may do with it as we will. We may neglect the opportunity to pass the Newlands bill; we may in the swirl of events which we erroneously believe to be more important put aside this duty until a more convenient season; but the floods in the valleys and lowlands, wearing away the rich alluvial soils and destroying lives and property, will be a perpetual reminder that we have not done our duty.

Mr. President, I ask unanimous consent that I may incorporate in the Record, as appendices to my remarks, the declarations of the platforms of the Democratic, Republican, and Progressive Parties in 1912 upon this subject, a short editorial from the Reno (Nev.) Journal of October 25, 1912, and also Senate bill 2739.

The PRESIDING OFFICER (Mr. PITTMAN in the chair). In the absence of objection, permission is granted.

The matter referred to is as follows:

[Declarations of the platforms of the Democratic, Republican, and Progressive Parties in 1912 relative to the improvement of the waterways.]

DEMOCRATIC PLATFORM.

We renew the declaration of our last platform relating to the conservation of our national resources and the development of our waterways. The present devastation of the lower Mississippi Valley accentuates the movement for the regulation of river flow by additional levee and bank protection below, and the diversion, storage, and control of the flood waters above, and their utilization for beneficial purposes in the reclamation of arid and swamp lands and the development of water power, instead of permitting the floods to continue, as heretofore, agents of destruction. We hold that the control of the Mississippi River is a national problem. The preservation of the depth of its water for the purpose of navigation, the building of levees to maintain the integrity of its channel and the prevention of the overflow of the land, and its consequent devastation, resulting in the interruption of interstate commerce, the disorganization of the mail service, and the enormous loss of life and property, impose an obligation which alone can be discharged by the General Government.

To maintain an adequate depth of water the entire year and thereby encourage water transportation is a consummation worthy of legislative attention and presents an issue national in its character. It calls for prompt action on the part of Congress, and the Democratic Party pledges itself to the enactment of legislation leading to that end.

We favor the cooperation of the United States and the respective States in plans for the comprehensive treatment of all waterways with a view of coordinating plans for channel improvement with plans for drainage of swamp and overflowed lands, and to this end we favor the appropriation by the Federal Government of sufficient funds to make surveys of such lands, to develop plans for draining the same, and to supervise the work of construction.

We favor the adoption of a liberal and comprehensive plan for the development and improvement of our inland waterways with economy and efficiency, so as to permit their navigation by vessels of standard draft.

REPUBLICAN PLATFORM.

The Mississippi River is the Nation's drainage ditch. Its flood waters, gathered from 31 States and the Dominion of Canada, constitute an overpowering force which breaks the levees and pours its torrents over many million acres of the richest land in the Union, stopping mails, impeding commerce, and causing great loss of life and property. These floods are national in scope, and the disasters they produce seriously affect the general welfare. The States unaided can not cope with this giant problem; hence we believe the Federal Government should assume a fair proportion of the burden of its control, so as to prevent the disasters from recurring floods.

We favor a liberal and systematic policy for the improvement of our rivers and harbors. Such improvement has been made upon expert information and after a careful comparison of cost and prospective benefits.

PROGRESSIVE PARTY PLATFORM.

The rivers of the United States are the natural arteries of this continent. We demand that they shall be opened to traffic as indispensable parts of a great nation-wide system of transportation in which the Panama Canal will be the central link, thus enabling the whole interior of the United States to share with the Atlantic and Pacific seaboard in the benefit derived from the canals. It is a national obligation to develop our rivers, and especially the Mississippi and its tributaries, without delay under a comprehensive general plan covering each river system from its source to its mouth, designed to secure its highest usefulness for navigation, irrigation, domestic supply, water power, and the prevention of floods. We pledge our party to the immediate preparation of such a plan, which should be made and carried out in close and friendly cooperation between the Nation, the States, and the cities affected. Under such plan the destructive floods of the Mississippi and other streams which represent a vast and needless loss to the Nation would be controlled by forest conservation and water storage at the headwaters and by levees below, land sufficient to support millions of people will be reclaimed from the deserts and the swamps, water power enough to transform the industrial standings of whole States would be developed, adequate water terminals would be provided, transportation by river would revive, and the railroads would be compelled to cooperate as freely with the boat lines as with each other. The equipment, organization, and experience acquired in constructing the Panama Canal soon will be available for the Lakes-to-the-Gulf deep waterways and other portions of this great work, and should be utilized by the Nation in cooperation with the various States at the lowest net cost to the people.

[From the Reno (Nev.) Journal, October 25, 1912.]

CURBING THE MISSISSIPPI.

The Democratic plan to harness the Mississippi is in response to a demand that has been made for years. It comes not alone from the people of the South, but the North and West as well. Every year disastrous floods sweep down through the channel, ruining crops worth millions of dollars, devastating the land, and inundating cities. Not infrequently the rush of waters claim a toll of human life.

The people who live on the lands that flank the great stream want the waters curbed.

The people of the West ask that the flood waters be impounded and held to irrigate their lands.

It is simply a question of the people of the South joining hands with those of the West and acting together, each to get what they want.

If the flood waters are held in great reservoirs they will be checked.

Woodrow Wilson's ideas meet with those of the people east and west. He is in accord with the progressive thought of the day. He is a man who responds to the wishes of the people. It is because he catches the drift of public sentiment that he is endorsed by men of all sections. He has enlisted in the movement long ago started by Senator NEWLANDS to save the water for those who need it and from those who do not.

This question of harnessing the waters of the Mississippi has been discussed for half a century. It has been dodged by men and candidates.

Now, after decades of agitation, it would seem that something shall be done by bringing together in a perfectly simple manner the people of the West and the South in an enterprise that will mean the saving of untold millions for each section of the country.

Mr. NEWLANDS introduced the following bill, which was read twice and ordered to lie on the table.

A bill (S. 2739) to create a waterways commission and a board of river regulation to promote interstate commerce by the development and improvement of the rivers and waterways and water resources of the United States and the coordination of and cooperation between rail and water routes, and by providing a fund for the regulation and control of the flow of rivers and for the maintenance at all seasons of a navigable stage of water in waterways and for the connection of rivers and waterways with the Great Lakes and with each other, and as a means to that end to provide for flood prevention and protection and for water storage and for the beneficial use of flood waters for irrigation and water power, and for the conservation and use of water in agriculture and for the protection of watersheds from denudation and erosion and from forest fires, and for the cooperation in such work of Government services and bureaus with each other and with States, municipalities, and other local agencies.

Be it enacted, etc., That the sum of \$60,000,000 annually for each of the 10 years following the 1st day of July, 1913, is hereby reserved, set aside, and appropriated, and made available until expended, out of any moneys not otherwise appropriated, as a special fund in the Treasury, to be known as the "river regulation fund," to be used to promote interstate commerce by the development and improvement of the rivers and waterways of the United States and their connections with the Great Lakes and with each other, and by the coordination of and cooperation between rail and water routes and transportation, and the establishment and maintenance of adequate terminal and transfer facilities and systems and their maintenance, improvement, and protection, and by the making of examinations and surveys and by the construction of engineering and other works and projects for the regulation and control of the flow of rivers and their tributaries and source streams, and the standardization of such flow, and by the maintenance of navigable stages of water at all seasons of the year in the waterways of the United States, and by preventing silt and sedimentary material from being carried into and deposited in waterways, channels, and harbors, and by the conservation, development, and utilization of the water resources of the United States, and by flood prevention and protection, through the establishment, construction, and maintenance of natural and artificial reservoirs for water storage and control, and the protection of watersheds from denudation, erosion, and surface-wash and from forest fires, and the maintenance and extension of woodland and other protective cover thereon, and the reclamation of swamp and overflow lands and arid lands and the building of drainage and irrigation works in order that the flow of rivers shall be regulated and controlled not only through the use of flood waters for irrigation on the upper tributaries, but also through controlling them in fixed and established channels, in the lower valleys and plains, and by doing all things necessary to provide for any and all beneficial uses of water that will contribute to its conservation or storage in the ground or in surface reservoirs as an aid to the regulation or control of the flow of rivers, and by acquiring, holding, using, and transferring lands and any other property that may be needed for the aforesaid purposes, and by doing such other things as may be specified in this act or necessary to the accomplishment of the purposes thereof, and by securing the cooperation therein of States, municipalities, and other local agencies, as hereinafter set forth, and for the payment of all expenditures provided for in this act; the ultimate purpose of this act being the maintenance at all times of a navigable stage of water in all inland waterways, and flood prevention and protection, and river regulation and the control of the volume of water forming the stage of the river from its sources, so as to standardize the river flow, as contradistinguished from and supplemental to channel improvement as heretofore undertaken and provided for under the various acts commonly known as river and harbor acts.

CREATION OF THE WATERWAYS COMMISSION AND THE BOARD OF RIVER REGULATION.

SEC. 2. That a commission is hereby created, to be known as the waterways commission, consisting of the President of the United States, who shall be the chairman of said commission, with the power of veto, the Secretary of War, the Secretary of the Interior, the Secretary of Agriculture, and the chairman of the board of river regulation, to be appointed as hereinafter provided. The chairman of the Interstate Commerce Commission and the chairman of the Panama Canal Commission shall be ex officio advisory members of said waterways commission.

The waterways commission shall have authority to direct and control all proceedings and operations and all things done or to be done under this act, and to establish all rules and regulations which may in their judgment be necessary to carry into effect such direction and control consistent with the provisions of this act and with existing law and with any provisions which Congress may from time to time enact.

All plans and estimates prepared by the board of river regulation, as hereinafter provided, which contemplate or provide for expenditures from the river regulation fund, shall be submitted to the Waterways Commission for final approval before any of the expenditures therein provided for or contemplated are authorized or made, or any construc-

tion work undertaken or contracts let under or in pursuance of such plans: *Provided*, That in case of an emergency the chairman of the board of river regulation shall have full power to act, and shall report in detail his action in every case to the Waterways Commission at its next meeting after his action.

The members of said commission shall serve as such only during their incumbency in their respective official positions, and any vacancy on the commission shall be filled in the same manner as the original appointment.

A board is hereby created, to be known as the "board of river regulation," consisting of the Chief of Engineers of the United States Army, the chairman of the Mississippi River Commission, the Director of the United States Geological Survey, the Director of the Reclamation Service, the Forester of the Department of Agriculture, the Chief of the Bureau of Plant Industry of the Department of Agriculture, the Secretary of the Smithsonian Institution, one civil engineer, one sanitary engineer, one hydroelectric engineer, one expert in transportation, and a chairman of the board. The last five shall be appointed by the President and hold office at his pleasure, and they shall each receive an annual compensation of \$10,000, except the chairman, who shall receive \$12,000, and they shall receive a per diem in lieu of actual expenses when absent from headquarters on official business, to be determined by the Waterways Commission. Such compensation and per diem, together with all the general expenses of the board, shall be payable out of the appropriation hereinafter apportioned to the Smithsonian Institution. The members of said board, with the exception of the five members appointed by the President, shall serve as such only during their incumbency in their respective official positions, and any vacancy on the board shall be filled in the same manner as the original appointment.

The five members of the board appointed by the President shall constitute an executive committee, of which the chairman of the board shall be chairman, and said executive committee shall have the general executive direction and supervision of the operations of said board of river regulation under rules and regulations to be established by the Waterways Commission.

A secretary of the board shall be appointed by the executive committee, and shall hold office at their pleasure, and he shall receive an annual compensation of \$5,000 and a per diem when absent from headquarters on official business, to be determined by the Waterways Commission, payable out of the appropriation hereinafter apportioned for the Smithsonian Institution.

All formal action taken and all expenditures made or authorized by the board of river regulation shall be reported to the Waterways Commission and shall be by the commission transmitted to Congress annually, or at such more frequent times as may appear to the commission desirable, or at such times as Congress may require.

Whenever in their judgment it may be advisable, in order to expedite construction, the Waterways Commission may order such construction work as they may determine to be done under the immediate direction, by contract or otherwise, of the executive committee, in which case such work shall be paid for from the apportionment of the service or bureau or organization under which it would otherwise have been done, such transfer and application of any apportionment made by this act being hereby authorized.

The Waterways Commission shall further have power to temporarily provide for disbursements under this act, other than those above provided for, by transfers from one apportionment hereunder to another: *Provided, however*, That such transfers shall be equalized and the money so diverted restored to the apportionment from which it was transferred, as nearly as may be, within the period of 10 years covered by this act.

The Waterways Commission may, if at any time it shall be in their judgment advisable, appoint from the public service additional members of the board of river regulation; and they may also create and appoint from the public service the members of subordinate boards or commissions to promote the purposes of this act and expedite and facilitate the administration thereof and operations and construction thereunder.

COOPERATION WITH STATES, MUNICIPALITIES, AND OTHER AGENCIES.

SEC. 3. That the board of river regulation shall, in all cases where possible and practicable, encourage, promote, and endeavor to secure the cooperation of States, municipalities, public and quasi public corporations, towns, counties, districts, communities, persons, and associations in the carrying out of the purposes and objects of this act and in making the investigations and doing all coordinative and constructive work provided for herein, and it shall in each case endeavor to secure the financial cooperation of States and of such local authorities, agencies, and organizations to an extent at least equal in amount to the sum expended by the United States; and it shall negotiate and perfect arrangements and plans for the apportionment of work, cost, and benefits according to the jurisdiction, powers, rights, and benefits of each, respectively, and with a view to assigning to the United States such portion of such development, promotion, regulation, and control as can be properly undertaken by the United States by virtue of its power to regulate interstate and foreign commerce and promote the general welfare, and by reason of its proprietary interest in the public domain, and to the States, municipalities, communities, corporations, and individuals such portion as properly belongs to their jurisdiction, rights, and interests, and with a view to properly apportioning costs and benefits, and with a view to so uniting the plans and works of the United States within its jurisdiction, and of the States and municipalities, respectively, within their jurisdictions, and of corporations, communities, and individuals within their respective powers and rights, as to secure the highest development and utilization of the waterways and water resources of the United States.

The board may receive and use any funds or property donated or subscribed to it or in any way provided for cooperative work, but no moneys shall be expended under any arrangement for cooperation until the funds to be provided by all parties to such arrangement shall have been made available for disbursement.

ENCOURAGEMENT OF INDEPENDENT INITIATIVE AND CONSTRUCTION.

SEC. 4. That all things done under this act shall be done with a view not only to constructive cooperation, as herein provided, but also with the definite and specific object of enlarging the field of accomplishment contemplated by the act through promoting and encouraging independent initiative and construction by States, municipalities, districts, and other local agencies and organizations, and creating object lessons and building models and making demonstrations that will have that effect and influence, and induce such supplemental and independent action and construction.

CONFERENCE AND COOPERATION OF BUREAUS AND STATES.

SEC. 5. That it shall be the duty of said board to coordinate and bring into conference and cooperation the various scientific and constructive bureaus of the United States with each other and with the representatives of States, municipalities, public and quasi-public corporations, towns, counties, districts, communities, and associations, and of foreign nations on international streams, in the carrying out and accomplishment of all the provisions, purposes, and objects of this act.

The board shall have authority to call upon and to bring into cooperation any other Federal department or bureau whose investigations or assistance may be found necessary to the carrying out of the provisions of this act, and the board is hereby authorized to defray the expenses of such investigations or assistance through a transfer of so much of its appropriation as may be necessary to the Federal department or bureau thus brought into cooperation.

CORRELATION, COORDINATION, AND ADMINISTRATIVE ECONOMY.

SEC. 6. That the board shall harmonize and unify and bring into correlation and coordination the investigations made, and information, data, and facts collected and obtained by the various bureaus or offices of the Government relating to or connected with the matters and subjects referred to and the questions involved in this act, and to print, publish, and disseminate the same, and it shall exercise such general supervision as may be necessary to provide against duplication or unnecessary, inadequate, unrelated, or incomplete work in connection therewith, and shall make such recommendations to the Waterways Commission as it may deem advisable at any time for the accomplishment of that end or in the interest of harmonious cooperation, efficiency, and economy in carrying out the purposes of this act. The special function of the board at all times shall be to promote the adoption of the best and most approved methods and systems of investigation, administration, construction, and operation, in carrying out such specific improvements, works, and projects as are authorized by this act, or which may be from time to time authorized by Congress, if within the scope of the work of the said board as herein set forth; and it shall further be the special function of the board to effect the largest possible saving as the result of the unification, correlation, and coordination of the work of the various bureaus in the investigations and administrative and constructive work provided for in this act in accordance with existing law or with such provisions as Congress shall from time to time impose.

REPORTS, PLANS, AND ESTIMATES BY THE BOARD.

SEC. 7. That the functions of the board shall be to obtain full information through its members concerning all proposed expenditures provided for within the scope of this act. Each bureau or service chief member shall report to the board the work proposed by the bureau or organization which he represents, and shall present full plans and estimates covering such proposed construction or action. The findings and conclusions of the board and plans adopted by it for construction and action shall be binding upon the members thereof in so far as may be consistent with existing laws.

REFERENCES TO AND INSTRUCTIONS FROM THE PRESIDENT.

SEC. 8. That all matters involving apparent conflict with departmental authority, jurisdiction, or procedure, or as to which the board may desire suggestions or advice, shall be laid before the President, who may thereupon call into conference the Waterways Commission, and after consideration of such matters by the commission, suitable instructions shall be issued by the President to heads of departments with a view to securing unity of action along the lines approved by the President and the commission.

EXECUTION OF PLANS AND WORK BY THE SEVERAL BUREAUS.

SEC. 9. That in the execution of all plans and duties entrusted or delegated to the several bureaus the respective chiefs thereof, acting under departmental regulations and procedure, shall execute the work according to the methods prescribed by law, the functions of the Board of River Regulation being those of a consulting and advisory body with power to make recommendations to the President and the Waterways Commission, and through the President to the heads of departments, with a view to effective coordination and cooperation as to all things proposed by this act, and to carry out such work as Congress shall from time to time prescribe or has prescribed in this act.

COMPREHENSIVE PLANS FOR RIVER REGULATION.

SEC. 10. That the Board of River Regulation shall develop, formulate, prepare, consider, and determine upon comprehensive plans for the conservation, use, and development of the water and forest resources of the United States in such manner as will best regulate the flow of rivers and their tributaries and source streams, and the stage of water in inland waterways, and the confinement of all rivers and waterways at all times within fixed and established channels, and embracing, with that object, the construction of levees and revetments and all works necessary for the fixation of channels and flood protection, drainage, and the reclamation of swamp and overflow lands; water storage in natural and artificial reservoirs; the beneficial use of waters for irrigation and for all domestic, municipal, and industrial purposes; the maintenance and development of underground water supplies and the storage of water in the ground and in irrigated lands and underground reservoirs; the enlargement of the areas and raising of the levels of the ground waters; the construction of flood-water canals, by-passes, and restraining dams; the control and regulation of drainage and the replenishment of streams by return seepage; the perpetuation of forests and maintenance of woodland cover as sources of stream flow; the prevention of denudation and erosion; the protection of channels and harbors from eroded soil materials; the clarification of streams; the utilization of water power; the prevention of the pollution of streams and rivers; the sanitary disposal of sewage and purification of water supplies; the best distribution of forests, woodlands, and other growth, and of cultivated and irrigated areas in their relation to river flow; the protection of forested and woodland areas from destruction by fire or insects; the reforestation of denuded areas; the planting of forests and establishment of forest plantations; the preservation and planting of woodlands and any other growth and protective cover on watersheds; the increase and development of the porosity and absorbent qualities and storage capacity of the soil upon which rain or snow may fall; the making and furnishing of plans for flood-water storage and other works for irrigation and power for farms, towns, and villages; the acquisition, subdivision, and settlement in small, intensively cultivated farms of lands for water storage by irrigation; the building of the irrigation systems for such lands, including reservoirs, dams, canals, ditches, and all necessary works; the protection of farms, villages, towns, and municipalities from damage by freshets and overflow; and the impounding of flood waters in artificial lakes and storage reservoirs.

to prevent floods and overflows, erosion of river banks, and breaks in levees, and to regulate the flow of streams and reinforce such flow during drought and low-water periods, the ultimate object of all such work being to regulate and, so far as possible, standardize the flow of rivers and their tributaries and source streams, and in the accomplishment of that object to induce and secure the cooperation of States, municipalities, districts, counties, towns, and other local agencies and organizations.

SMITHSONIAN INSTITUTION.

SEC. 11. That it shall be the duty of the Secretary of the Smithsonian Institution to give especial attention to the acquisition from foreign countries and from all sources of all obtainable knowledge concerning the problems involved in the work of the board and to diffuse and disseminate the same, and to establish and maintain a Museum of Water and Forest Resources in which such knowledge shall be placed before the people, with object lessons illustrating the disastrous consequences that have resulted from the neglect of such conservation and particularly the failure to conserve the forest and water resources in other countries of the world, and to utilize the resources of the institution under his charge, which may be available for that purpose, to aid in the education of the public in the elements of knowledge which lead to the successful regulation of water and of the flow of rivers and the use of water in connection with agriculture and the intensive cultivation of land, and in connection with all other industries.

BUREAU OF PLANT INDUSTRY.

SEC. 12. That it shall be the duty of the Chief of the Bureau of Plant Industry to collate and bring together for the information of the board the results of all investigations with reference to soil and the production of crops through the use of water as a fertilizer and stimulant to plant growth, and of the relation of water in excess or deficiency to successful crop production. He shall recommend for the consideration of the board such further investigations as may properly be conducted in connection with the purposes for which the board is created and which shall lead to the largest and most valuable results being obtained through the use of water in connection with successful plant growth and increased crop production, and the establishment of a national system for the information of the people in the intensive cultivation of small tracts of land, with a view to increasing food production and thereby reducing the cost of living and encouraging suburban and rural settlement and homemaking, and the beneficial use of water in connection therewith as an ultimate influence for river regulation in aid of interstate commerce.

FOREST SERVICE.

SEC. 13. That it shall be the duty of the Forester of the Department of Agriculture to present to the board all essential facts bearing upon the relation of forests to the various problems under consideration and the value and importance of forests and woodland and other growth and their proper control and extension and protection from fire; also such facts as may be essential to the proper enlargement of forested areas for the protection of watersheds and the maintenance of the flow of rivers during the low-water season and the prevention of denudation and erosion, with consequent silting up of waterways and harbors, and to prepare and present to the board comprehensive plans for the protection of the forests from fire and other destructive agencies.

GEOLOGICAL SURVEY.

SEC. 14. That it shall be the duty of the Director of the Geological Survey to recommend to the board appropriate surveys and examinations, and upon proper approval cause to be executed topographic surveys of each drainage basin, these being planned with reference to the work contemplated by the board and the immediate demands and needs of the board. Such surveys shall include and show in addition to the topography the character of all lands embraced therein, and it shall be his duty to classify the same and designate the best use to which said lands may be devoted in carrying out the provisions of this act. The topographic maps shall be of such scale as will bring out the existence of feasible storage or reservoir sites. He shall make such additional surveys of specific localities as may be required by the constructing engineers, and in such surveys he shall establish monuments based on geodetic horizontal and vertical control. The surveys shall be of such nature as to provide adequate bases for geologic investigation and engineering works. He shall also cause measurements to be made of the flow of streams at such places as may be designated by the board as yielding results of largest importance in the discussion of the problems in hand and the execution of proposed engineering works, and shall carry on such studies in river pollution and purification, in water-power possibilities, and other stream investigations as the board may designate. It shall be his further duty to examine all forested lands or lands intended to be afforested or reforested which it is proposed to purchase under this act, and to report whether the control and use of such lands will influence the preservation of water supplies or stream flow or tend to regulate the flow of navigable rivers on whose watersheds they are located.

RECLAMATION SERVICE.

SEC. 15. That it shall be the duty of the Director of the Reclamation Service to bring before the board the results attained in the construction of works of irrigation and reclamation throughout the arid and semiarid regions of the United States and the application of the experience thus obtained to the conditions existing in the more humid sections of the United States. He shall extend the surveys and investigations and construction of irrigation works such as are authorized in the act of June 17, 1902, known as the reclamation act, throughout the United States and including reclamation of land by drainage as well as by irrigation: *Provided, however*, That no part of the fund created by the act of June 17, 1902, shall be expended for this purpose. Such further investigations and construction and operations in States and Territories other than those covered by the original act above referred to and amendments thereto shall be made in accordance with such rules and regulations as shall be established by the Secretary of the Interior, and shall be subject to such of the terms, provisions, and requirements of said reclamation act as the Secretary of the Interior shall determine are to be made applicable thereto, but shall be at the expense of the river-regulation fund created by this act, and expenditures from said last-mentioned fund may be similarly made in any State or Territory. He shall construct, operate, and maintain, until otherwise provided by law, such irrigation and drainage works and systems as the board may determine are needed for the regulation of the streams and rivers and the improvement of agricultural conditions, or for the proper control, disposition, and utilization of sewage or other waste waters which, without such regulation, would pollute the streams or injuriously affect the health or prosperity of the community.

He shall also present to the board proposed plans for cooperation with irrigation or drainage projects or enterprises constructed, initiated, or contemplated by States, districts, municipalities, corporations, associations, or individuals, and shall negotiate agreements for coordinating and making more useful works already in existence or proposed through their incorporation into more effective systems.

CORPS OF ENGINEERS, UNITED STATES ARMY.

SEC. 16. That the Chief of Engineers of the United States Army shall present to the board all proposed plans for works proposed to be built under this act which the Waterways Commission shall determine are to be built under his supervision, including plans for levees, dikes, revetments, dams, canals, cut-offs, spillways, controlled outlets, flood-water channels, and wasteways, bank-protective and channel-fixation works, reservoirs or basins for the storage of flood waters for flood prevention and river control, or works for which examinations and surveys have been made by or with the cooperation of States, municipalities, or districts, and which it is sought to have constructed under this act, together with such facts and data as may be required for the construction of such works, or any of them, for the regulation of the flow of rivers. He shall also construct, operate, and maintain such levees, flood-protection, channel-fixation, and bank-protective works as are built in accordance with this act and also such reservoirs as are so built for the storage of water to control and regulate the flow of rivers, and to reinforce such flow in seasons of low water and to prevent floods and protect lands and communities from overflow as may be determined by the Waterways Commission: *Provided, however*, That the provisions of this section shall be so administered as in no way to supersede or conflict with any specific provisions which Congress shall from time to time make by way of appropriations other than such as are made by this act for work and improvements to be performed or maintained by the Corps of Engineers, United States Army, but that all work prescribed under this section shall be supplemental to and coordinated with the work as specifically prescribed by Congress in other acts.

DUTIES OF EXECUTIVE COMMITTEE APPOINTED BY THE PRESIDENT.

SEC. 17. That it shall be the duty of the members of the board of river regulation appointed by the President and constituting the executive committee of the board of river regulation, as hereinbefore provided, under the direction of the chairman of the board to consider, prepare, and present to the board comprehensive plans providing for the best utilization of the water resources of the United States in connection with river regulation, flood prevention and protection, and the increase of the flow of rivers in low-water seasons and the maintenance at all times of a navigable stage of water in the waterways of the United States, and providing also for the coordination of and cooperation between rail and water routes and transportation, and the establishment, maintenance, and protection of terminals and transfer sites and facilities for transshipment between rail and water routes, and to adjust all the plans contemplated for the projects constructed under this act to the ultimate purpose of regulating and standardizing the flow of the rivers and inland waterways of the United States, in aid of interstate commerce as aforesaid; and further to give expert advice to the board in its consideration of details, problems, and projects; and it shall be their special duty to constantly promote and stimulate harmonious and effective cooperation between the different bureaus and services of the National Government and between the Nation and States, municipalities, and other local agencies in working out constructive plans under this act; and it shall further be their duty to examine and study the plans presented to the board for consideration, with the view of promoting the fullest possible measure of efficiency and economy in administration and construction, and avoiding all duplication in the work of the respective bureaus.

EQUITABLE APPORTIONMENT AMONG WATERWAY SYSTEMS.

SEC. 18. That in carrying out the provisions of this act regard must be had, as far as practicable, to the equitable apportionment and contemporaneous execution of the works and projects contemplated under this act among the several waterways systems of the United States.

Not less than \$10,000,000 annually for 10 years shall be apportioned to the Appalachian and Atlantic region, including the territory within the drainage basins of all rivers flowing into the Mississippi River below the Ohio River or into the Gulf of Mexico east of the Mississippi River or into the Atlantic Ocean.

Not less than \$10,000,000 annually for 10 years shall be apportioned to the drainage basin of the Ohio River.

Not less than \$5,000,000 annually for 10 years shall be apportioned to the drainage basin of the Mississippi River above St. Louis and the territory included in the drainage basins of the rivers draining into Canada or into the Great Lakes or into the Mississippi River from the east between East St. Louis and Cairo, Ill.

Not less than \$10,000,000 annually for 10 years shall be apportioned to the Mississippi River from St. Louis to the Gulf of Mexico, and the territory lying between the Atchafalaya River, the Mississippi River, and the Gulf of Mexico, and including the Atchafalaya River as a flood-water outlet for the Mississippi River, and including the controlling works necessary for such use of said Atchafalaya River, and all levees and bank-protective works, cut-offs, and auxiliary flood-water channels necessary to control and prevent all overflows from said Atchafalaya River which shall in this respect be regarded as in the same class with the Mississippi River and entitled to the same recognition in the matter of levee construction and flood protection for adjacent territory as the main Mississippi River.

Not less than \$10,000,000 annually for 10 years shall be apportioned to the territory included in the drainage basins of the Missouri River and other rivers, bayous, and waterways flowing into the Mississippi River from the west below St. Louis or flowing or debouching directly or through connecting waterways into the Gulf of Mexico west of the Atchafalaya River.

Not less than \$5,000,000 annually for 10 years shall be apportioned to the territory including the drainage basin of the Colorado River, and extending on the west to the crest of the watersheds draining into the Pacific Ocean, and on the north to the drainage basin of the Columbia and Snake Rivers; not less than \$5,000,000 annually for 10 years to the drainage basins of the rivers flowing through or into the Sacramento and San Joaquin Valleys or into the Pacific Ocean in California; and not less than \$5,000,000 annually for 10 years to the drainage basins of the Columbia and Snake Rivers and other rivers flowing into the Pacific Ocean in Oregon and Washington.

The drainage basin of every river above mentioned shall be understood to include all the tributaries and source streams of such rivers.

REPLENISHMENT OF RIVER-REGULATION FUND BY BOND ISSUE.

SEC. 19. That the President is authorized, whenever the current revenues are insufficient to provide the \$90,000,000 annually appropriated for the river-regulation fund, to make up the deficiency in such

fund by the issue and sale of United States bonds, bearing interest at a rate not exceeding 3 per cent per annum, payable semiannually, and running for a period not exceeding 30 years.

APPROPRIATIONS AND APPORTIONMENT.

SEC. 20. That the moneys hereby annually appropriated in section 1 of this act shall, subject to all the provisions of this act, be apportioned and expended by the services and bureaus herein named in carrying out the purposes and provisions of this act and under the direction of the heads of the respective departments and in accordance with existing laws and regulations or such modifications thereof as may be made from time to time in accordance with the general system or systems proposed by the board and approved by the Waterways Commission in the following sums annually, which shall be available until expended for the following purposes:

For the Smithsonian Institution, for obtaining information and material relating to the subjects covered by this act in the United States and foreign countries, and publishing and distributing the same to the people of the United States, and for the establishment and maintenance of a museum of water and forest resources, and for any other purposes mentioned or referred to in section 11 of this act, \$1,000,000.

For the Bureau of Plant Industry, for the increase and development of the porosity and absorbent qualities and storage capacity of the soil upon which rain or snow may fall in order that its run-off may be in that way checked and the water absorbed into the earth, and to that end for the establishment and maintenance of garden schools and demonstration garden farms, and instruction in intensive cultivation and the use of water for irrigation therein and in rural industrial communities, and for investigations and instruction with reference to terracing and methods of cultivation adapted to preventing erosion on hillside slopes, and with reference to the use of water as a fertilizer and stimulant to plant growth in all ways, and the adoption of all methods of agriculture that will increase the porosity and absorbent qualities of the soil and check surface wash or erosion or sudden run-off and thereby tend to prevent the formation of floods, and for the acquisition of lands that may be required for such purposes, and for any other purposes mentioned or referred to in section 12 of this act, \$6,000,000.

For the Geological Survey, for topographic surveys and the measurement of streams and other hydrographic and hydrologic works, and for the examination of lands intended to be purchased under this act, and for any other things required by the board to be done in connection with any investigation or construction done under this act, \$3,000,000.

For the Reclamation Service, for the reclamation of lands by either irrigation or drainage, or both, and for the building of irrigation and drainage systems to aid in the regulation or equalization of the flow of rivers and their tributaries and source streams through the conservation, utilization, and ground storage of waters in irrigated or drained lands, and for the acquisition and improvement by irrigation or drainage of specific tracts of land for intensive cultivation and settlement, and for the building of canals and ditches, and carrying to completion any and all methods of utilizing water for irrigation as a means for water conservation or river regulation, and for any other purpose mentioned or referred to in section 13 of this act, \$20,000,000.

For the Forest Service, (a) for the protection from fire and insect infestation of national forests, where such protection is essential to the preservation and maintenance of water supplies, and for the acquisition of lands within or near existing national forests or other lands which are necessary to the adequate protection of water supplies, and for building the necessary roads, trails, fire lines, fire-protection stations, telephone lines, and for any and all other things required for such fire protection, including the fighting of fires and the employment of forest guards and rangers, \$3,000,000.

(b) For the protection from fire of the forested watersheds of all rivers and streams, and for the organization and maintenance of a system of fire protection on any private or State forest lands situated upon the watersheds of such rivers or streams, in cooperation with any State or group of States, in the manner provided for in an act entitled "An act to enable any State to cooperate with any other State or States, or with the United States, for the protection of the watersheds of navigable streams and to appoint a commission for the acquisition of lands for the purpose of conserving the navigability of rivers," known as the Appalachian National Forest Act, and also in direct cooperation with cities, counties, towns, villages, and other owners of woodlands and forested areas on watersheds, and wherever essential to the preservation of water supplies and for the protection of such forested watersheds and areas from insect infestation, \$1,000,000.

(c) For the protection, perpetuation, enlargement, maintenance, regulation, and control of water supplies by the establishment and maintenance of forest nurseries, the planting or replanting of forests, the reforestation of denuded areas, the carrying out of silvicultural improvements in the national forests, and the establishment and maintenance of forest plantations and parks and the acquisition of lands therefor to provide instruction in the planting and care of trees and forests for the purpose of awakening and maintaining a local interest in and knowledge of the relation of forests to the preservation of water supplies and stream flow, \$1,000,000.

(d) For the acquisition of forest lands by and through the National Forest Reservation Commission as and in the manner provided for in the Appalachian National Forest Act above referred to, subject to all the conditions and requirements contained in said act, \$5,000,000.

Provided, That the provisions of the said Appalachian National Forest Act shall, after the expiration thereof by limitation, still continue and be in force with reference to all moneys made available for expenditure thereunder by this act, either for fire protection or for the acquisition of forest lands.

For the Corps of Engineers, United States Army, for building bank protective works to prevent erosion and cutting of the banks and consequent caving, and to control the river and hold it in a permanently fixed and established channel, and for building and maintaining levees, revetments, dikes, walls, embankments, gates, wasteways, by-passes, cut-offs, spillways, controlled outlets, drainage canals, flood-water canals and channels, weir dams, sill dams, restraining dams, impounding basins, and bank protective works for river regulation, and, as a means to that end, the building of works for reclamation, drainage, and flood protection, and for building reservoirs and artificial lakes and basins for the storage of flood waters to prevent and protect against floods and overflows, erosion of river banks, and breaks in levees, and to regulate the flow of source streams, rivers and waterways, and reinforce such flow during drought and low-water periods, and for the operation and maintenance of the same, \$20,000,000.

RAILROADS IN ALASKA.

Mr. CHAMBERLAIN. Mr. President, I ask unanimous consent that the bill (S. 48) to authorize the President of the United States to locate, construct, and operate railroads in the Territory of Alaska, and for other purposes, be made the unfinished business for Monday, December 8, 1913, at 2 o'clock p. m.

The PRESIDING OFFICER. Is there objection?

Mr. BURTON. Mr. President, is that the Alaska railroad bill?

Mr. CHAMBERLAIN. It is.

Mr. BURTON. What is the request of the Senator from Oregon?

Mr. CHAMBERLAIN. Simply that the bill be set for a day during the next regular session.

Mr. BURTON. What day?

Mr. CHAMBERLAIN. On Monday, December 8, at 2 o'clock p. m.

Mr. BURTON. And that it be then taken up for consideration?

Mr. CHAMBERLAIN. That it be taken up for consideration. I have talked with a number of Senators about it—

Mr. BURTON. And that it be made the unfinished business for that time?

Mr. CHAMBERLAIN. Yes.

Mr. BURTON. I thought the request was for this session.

Mr. CHAMBERLAIN. No; for the next session.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Oregon? The Chair hears none, and the order is made.

EXECUTIVE SESSION.

Mr. SHEPPARD. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After 10 minutes spent in executive session the doors were reopened.

DEATH OF REPRESENTATIVE WILDER, OF MASSACHUSETTS.

A message from the House of Representatives, by J. C. South, its Chief Clerk, communicated to the Senate the intelligence of the death of Hon. WILLIAM HENRY WILDER, late a Representative from the State of Massachusetts, and transmitted resolutions of the House thereon.

The PRESIDING OFFICER. The Chair lays before the Senate resolutions of the House of Representatives, which will be read.

The Secretary read the resolutions, as follows:

IN THE HOUSE OF REPRESENTATIVES,
September 11, 1913.

Resolved, That the House has heard with profound sorrow of the death of Hon. WILLIAM H. WILDER, a Representative from the State of Massachusetts.

Resolved, That a committee of 20 Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provisions of these resolutions, and that the necessary expense in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

Mr. GALLINGER. Mr. President, in the absence of the Senators from Massachusetts, I offer the following resolutions.

The resolutions (S. Res. 180) were read, considered by unanimous consent, and unanimously agreed to, as follows:

Resolved, That the Senate has heard with deep sensibility the announcement of the death of Hon. WILLIAM HENRY WILDER, late a Representative from the State of Massachusetts.

Resolved, That a committee of six Senators be appointed by the Vice President, to join the committee appointed on the part of the House of Representatives, to attend the funeral of the deceased.

Resolved, That the Secretary communicate a copy of these resolutions to the House of Representatives.

The PRESIDING OFFICER appointed under the second resolution as the committee on the part of the Senate Mr. LODGE, Mr. WEEKS, Mr. MYERS, Mr. WALSH, Mr. McLEAN, and Mr. CATRON.

DEATH OF REPRESENTATIVE SULLIVAN, OF NEW YORK.

A message from the House of Representatives, by J. C. South, its Chief Clerk, communicated to the Senate the intelligence of the death of Hon. TIMOTHY D. SULLIVAN, late a Representative from the State of New York, and transmitted resolutions of the House thereon.

The PRESIDING OFFICER. The Chair lays before the Senate resolutions of the House of Representatives, which will be read.

The Secretary read the resolutions, as follows:

IN THE HOUSE OF REPRESENTATIVES,
September 13, 1913.

Resolved, That the House has heard with profound sorrow of the death of Hon. TIMOTHY D. SULLIVAN, a Representative from the State of New York.

Resolved, That a committee of 20 Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provisions of these resolutions, and that the necessary expense in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

Mr. CHAMBERLAIN. I offer the resolutions which I send to the desk and ask for their present consideration.

The resolutions (S. Res. 181) were read, considered by unanimous consent, and unanimously agreed to, as follows:

Resolved, That the Senate has heard with deep sensibility the announcement of the death of Hon. TIMOTHY D. SULLIVAN, late a Representative from the State of New York.

Resolved, That a committee of six Senators be appointed by the Vice President, to join the committee appointed on the part of the House of Representatives, to attend the funeral of the deceased.

Resolved, That the Secretary communicate a copy of these resolutions to the House of Representatives.

The PRESIDING OFFICER appointed under the second resolution as the committee on the part of the Senate Mr. O'GORMAN, Mr. ROOT, Mr. SWANSON, Mr. MARTINE of New Jersey, Mr. JAMES, and Mr. BRANDEGEE.

Mr. GALLINGER. Mr. President, as a further mark of respect to the memory of the deceased Representatives, I move that the Senate adjourn.

The motion was unanimously agreed to, and (at 4 o'clock and 35 minutes p. m.) the Senate adjourned until Thursday, September 18, 1913, at 2 o'clock p. m.

NOMINATION.

Executive nomination received by the Senate September 15, 1913.

MINISTER.

William Hayne Leavell, of Mississippi, to be envoy extraordinary and minister plenipotentiary of the United States to Guatemala, vice R. S. Reynolds Hitt, resigned.

CONFIRMATIONS.

Executive nominations confirmed by the Senate September 15, 1913.

CONSULS.

Walter H. Schulz to be consul at Nantes, France.
Henry P. Starrett to be consul at Cartagena, Colombia.

POSTMASTERS.

ARKANSAS.

John W. Davis, Arkansas City.

MISSOURI.

E. H. Smith, Charleston.

HOUSE OF REPRESENTATIVES.

Monday, September 15, 1913.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Thou givest, O God our Father, and Thou takest away. None can stay Thy hand. Thou art almighty and doest all things well. Again this House has been called upon to record the death of another of its Members, one who was born and grew up under the most adverse circumstances of life, and yet made for himself a place in State and Nation—a virile mind and a big heart, a heart that went out to the man down and out, the widow and the orphan, the poor, the hungry, the sick, and the needy in deeds of brotherly love and kindness. May the noble in his character be an inspiration to others and solace to those who knew and loved him. The body perishes, but the soul lives on, we dare to hope, under brighter skies and more favorable environments. So may we live, so may we die, in the faith once delivered to the saints. Amen.

The Journal of the proceedings of Saturday, September 13, 1913, was read and approved.

THE WEATHER BUREAU.

Mr. MANN. Mr. Speaker, I ask unanimous consent to address the House for two minutes.

The SPEAKER. The gentleman from Illinois asks unanimous consent to address the House for two minutes. Is there objection?

There was no objection.

Mr. MANN. Mr. Speaker, the other day, in the consideration of the urgent deficiency appropriation bill I offered some criticism of the Weather Bureau which the Chief of the Weather Bureau

informs me was based on a misapprehension. I took certain dates according to the newspapers, and if those dates had been correct the criticism that I offered would have been well founded. The Chief of the Weather Bureau informs me that the dates in the newspapers were not correct; hence the criticism is not well founded, and I ask unanimous consent to have read the letter from the Chief of the Weather Bureau, because I do not desire to do any man an injustice.

The SPEAKER. The Clerk will read the letter.

The Clerk read as follows:

UNITED STATES DEPARTMENT OF AGRICULTURE,
WEATHER BUREAU, OFFICE OF THE CHIEF,
Washington, D. C., September 11, 1913.

HON. JAMES R. MANN,
House of Representatives.

DEAR MR. MANN: Referring to your remarks in the House on the 5th instant in relation to the action of the Weather Bureau in connection with the storm of the 3d instant on the North Carolina coast, as reported on pages 4315 and 4316 of the CONGRESSIONAL RECORD of September 5, 1913, I beg to invite your attention to the fact that the press report last quoted in your remarks bears the wrong date (September 4), as the actual report was dated September 3. The storm mentioned occurred between midnight and daybreak of September 3, not September 4. The bulletin of the Weather Bureau, dated 8 p. m., September 3, stated the conditions correctly, as the storm had then passed inland and the high winds had subsided several hours before. The first warnings regarding the storm were sent out at 9.10 p. m. of September 1, so that at least 36 hours' notice was given.

I am sure that you will be glad to know that "the new management of the Weather Bureau" was not "asleep at the switch" in this instance.

Very respectfully,

C. F. MARVIN, Chief of Bureau.

CALENDAR FOR UNANIMOUS CONSENT.

The SPEAKER. This is the day for consideration of the Calendar for Unanimous Consent. There is no business of that kind, however. The Chair will take this occasion to make a statement in the interest of a good many Members. Several Members have asked the Chair when the five-minute debate on the currency bill will end—that is, they desire to know when the vote will be taken upon the bill. A good many other Members have also asked about the time the conference report upon the tariff bill will be up for consideration. The information of the Chair is that in all human probability the conference report will be in the House by Friday next at the latest.

The way to expedite the debate under the five-minute rule on the currency bill, the Chair will take the privilege of informing Members, is for Members to be here and to keep a quorum present. [Applause.] Every gentleman here desires to get through with these two matters, no difference how he stands as to them, as quickly as possible. Any Member has the right to raise the point of no quorum, and when some people get rubbed the wrong way of the hide they are inclined to raise it.

CURRENCY.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the currency bill.

The SPEAKER. The Clerk will read.

The Clerk read as follows:

FEDERAL RESERVE DISTRICTS.

SEC. 2. That within 90 days after the passage of this act, or as soon thereafter as practicable, the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, acting as "the reserve bank organization committee," shall designate from among the reserve and central reserve cities now authorized by law a number of such cities to be known as Federal reserve cities, and shall divide the continental United States into districts, each district to contain one of such Federal reserve cities: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business of the community and shall not necessarily coincide with the area of such State or States as may be wholly or in part included in any given district. The districts thus created may be readjusted and new districts may from time to time be created by the Federal reserve board hereinafter established, acting upon a joint application made by not less than 10 member banks desiring to be organized into a new district. The districts thus constituted shall be known as Federal reserve districts and shall be designated by number according to the pleasure of the organization committee, and no Federal reserve district shall be abolished nor the location of a Federal reserve bank changed except upon the application of three-fourths of the member banks of such district.

Mr. MANN. Mr. Speaker, I rise to a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MANN. Mr. Speaker, this bill is divided into various sections, and the various sections are subdivided into paragraphs. Should amendments be offered at the end of the sections to any

of the paragraphs in the sections or at the end of each paragraph? I think the usual custom is to offer amendments at the end of the section.

Mr. SISSON. Mr. Chairman, I think the inquiry made by the gentleman from Illinois is very pertinent. This bill is so drawn that frequently if you desire to offer an amendment to a particular paragraph it might change several paragraphs in the section in which the paragraph is to be found. I suggest that it might be better by unanimous consent to consider the bill by sections instead of by paragraphs.

Mr. GLASS. Mr. Chairman, I was about to say that the bill be read by sections and that the amendments be proposed to the sections.

The CHAIRMAN. The Chair's understanding is that it has been the custom heretofore in the consideration of bills to read the entire section before amendments are offered, except in appropriation bills.

Mr. MANN. Well, that is not always the case, but that was the rule the other day, and just so we lose no rights, that is all right.

The CHAIRMAN. I think that would be the rule in the consideration of this bill, and the Clerk will read.

Mr. SISSON. Mr. Chairman, just one moment. If I understand, the Chair holds that amendments offered may be offered to the paragraph within the entire section.

The CHAIRMAN. Oh, yes. After the section is read by the Clerk, then amendments can be offered to any paragraph in the section.

Mr. MURDOCK. Mr. Chairman, the five-minute rule, as applied to individual Members, will go to each individual paragraph and not to the section.

Mr. BORLAND. Each amendment.

The CHAIRMAN. Each amendment will be under the five-minute rule, pro and con.

Mr. MURDOCK. For instance, on the first paragraph of the bill a gentleman moves to strike out the last word in that paragraph, the five-minute rule will apply to the motion on that paragraph.

The CHAIRMAN. The object of striking out the last word is usually for the purpose of making some inquiry of the Chair, and I do not presume the gentleman in charge of the bill will insist too strenuously on the—

Mr. MURDOCK. Then there is just one last word in the first section and not many last words.

The CHAIRMAN. That is all, and the Clerk will read.

The Clerk read as follows:

The organization committee shall, in accordance with regulations to be established by itself, proceed to organize in each of the reserve cities designated as hereinbefore specified a Federal reserve bank. Each such Federal reserve bank shall include in its title the name of the city in which it is situated, as "Federal Reserve Bank of Chicago," etc. The total number of reserve cities designated by the organization committee shall be not less than 12, and the organization committee shall be authorized to employ counsel and expert aid, to take testimony, to send for persons and papers, to administer oaths, and to make such investigations as may be deemed necessary by the said committee for the purpose of determining the reserve cities to be designated and organizing the reserve districts hereinbefore provided.

Every national bank located within a given district shall be required to subscribe to the capital stock of the Federal reserve bank of that district a sum equal to 20 per cent of the capital stock of such national bank fully paid in and unimpaired, one-fourth of such subscription to be paid in cash and one-fourth within 60 days after said subscription is made. The remainder of the subscription or any part thereof shall become a liability of the subscriber, subject to call and payment thereof whenever necessary to meet the obligations of the Federal reserve bank under such terms and in accordance with such regulations as the board of directors of said Federal reserve bank may prescribe: *Provided*, That no Federal reserve bank shall be organized with a paid-up and unimpaired capital at the time of beginning business less in amount than \$5,000,000. The organization committee shall have power to appoint such assistants and incur such expenses in carrying out the provisions of this act as it shall deem necessary, and such expenses shall be payable by the Treasurer of the United States upon voucher approved by the Secretary of the Treasury, and the sum of \$100,000, or so much thereof as may be necessary, is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, for the payment of such expenses.

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Amend, page 3, line 19, by striking out the word "subscriber" and inserting the words "member banks."

Amend, page 3, line 24, by striking out the words "be organized" and insert in lieu thereof the words "commence business."

Amend, pages 3 and 4, by striking out, in line 25, the words "at a time," and on page 4, line 1, the words "of beginning business."

The question was taken, and the amendments were agreed to.

Mr. EAGLE. Mr. Chairman—

Mr. MADDEN. Mr. Chairman, I desire to offer an amendment.

Mr. LINDBERGH. Mr. Chairman, I desire to offer an amendment.

The CHAIRMAN. The gentleman from Minnesota, a member of the committee, will be recognized, and the Clerk will report his amendment.

The Clerk read as follows:

Amendments offered by Mr. LINDBERGH to section 2, on page 3:

"In line 13 strike out the word 'twenty' and in lieu thereof insert the word 'ten'; and in line 14, after the word 'stock,' insert 'and surplus'; and in line 15 strike out 'one-fourth' and insert 'one-tenth'; and in line 16 strike out the word 'one-fourth' and insert the word 'one-tenth'; and in line 17 strike out the word 'sixty' and insert 'thirty' and add a comma after the word 'days' and insert 'one-tenth in 60 days, one-tenth in 90 days, and one-tenth in 120 days'; and in line 25 strike out the words 'paid-up and unimpaired' and insert the word 'subscribed.'"

Mr. LINDBERGH. Mr. Chairman, my purpose in offering this amendment is to levy the assessment not only upon the capital but upon the surplus. The surplus of a bank is as much a part of the capital as the capital itself. It serves the same purpose in business, and if this organization is going to be applied to the banks they should pay in the proportion to the advantages they get. If it is a disadvantage to them, they should pay in proportion to the advantages they get. If it is a disadvantage to them, they should be assessed in accordance with the amount of capital and surplus they have. As a matter of fact, the banks in the larger cities, and especially the older cities, have a much larger surplus as compared with the banks in the newer sections of the country and the country banks, and it is no more fair, in fact it is absolutely right, that the assessments which are made should be made upon both the capital and the surplus.

Take, for instance, the city of New York. The capital of the 37 national banks of the city of New York is \$120,200,000. The surplus in those same banks is \$128,255,000. That is, they have more surplus than they have capital. In Boston the surplus of the national banks is about double the amount of their capital. There is every reason why they should pay their assessment upon both the surplus and the capital.

Now, take for instance the first 37 national banks I find listed in the report of the Comptroller of the Currency for the State of Minnesota, and which banks, I think, would be about the average of banks generally in agricultural districts, the capital is \$1,425,000. The surplus of those same banks is only \$458,615. I think that would be about the proportion to the country in general, and this levying of the assessment upon the capital alone gives the advantage to the larger banks, and yet they pay less in proportion to the amount of capital that they have invested—that is, including the surplus—and it ought to be regular, so that every bank would pay in proportion to the capital it has in business.

Mr. J. M. C. SMITH. Will the gentleman yield?

Mr. LINDBERGH. Certainly.

Mr. J. M. C. SMITH. I would like to inquire whether or not if this percentage is levied on the surplus it would not encourage the banks to dissipate the surplus, and they would charge it over to profit and loss or put it in some other account, or distribute it to the stockholders?

Mr. LINDBERGH. They can not distribute the surplus that is already put in the surplus account without some action that would be taken notice of by the authorities, of course.

Mr. BUTLER. Could not the board of directors make the distribution?

Mr. ADAIR. Will the gentleman yield?

Mr. LINDBERGH. I will.

Mr. ADAIR. I wanted to suggest that under the national banking law national banks are required to carry so much surplus, but all above that they can dispose of any time they desire to do so by the board of directors declaring a dividend, if they desire.

Mr. LINDBERGH. That is true; but, nevertheless, as long as they keep that in the business, they should pay an assessment upon it in the same way that they do upon the capital. As a matter of fact, whenever they take that surplus out their subscription would be automatically reduced under the provisions of this act. The money would be paid back to them in the proportion subscribed, which would be perfectly just.

Mr. ADAIR. Of course, that is true; but they could increase the surplus by increasing the assessment on the stock.

Mr. LINDBERGH. But that would not do away with the objection. By keeping the assessment of 10 per cent on the capital and surplus would produce about the same amount of capital for the Federal reserve banks.

Now, there is one other amendment that is included in the same proposition I have made, and that is in regard to the time the banks are to begin business. Under the provisions of this act they can not begin business until \$5,000,000 has been paid in. My amendment calls for the payment of these assessments over a longer period of time than is provided in the act itself. As

was stated by the gentleman from Ohio [Mr. BULKLEY], in order to put this organization into operation there would have to be something like \$260,000,000 of rediscounts at the very start; that is, the banks can not start these Federal reserve banks without rediscounting to the extent of \$260,000,000.

The CHAIRMAN. The time of the gentleman from Minnesota [Mr. LINDBERGH] has expired.

Mr. LINDBERGH. Mr. Chairman, I ask unanimous consent for five minutes more.

The CHAIRMAN. The gentleman from Minnesota asks unanimous consent to proceed for five minutes more. Is there objection? [After a pause.] The Chair hears none.

Mr. LINDBERGH. If these assessments are distributed over a longer period, not so much money will be required immediately to start in the business. Less rediscount will then be necessary and there will not be quite so much danger of a stringency.

Mr. STAFFORD. Will the gentleman yield?

The CHAIRMAN. Does the gentleman from Minnesota yield to the gentleman from Wisconsin?

Mr. LINDBERGH. I do.

Mr. STAFFORD. Do I understand the gentleman only presses his amendment to reduce 20 per cent to 10 per cent in case of adding the surplus to the capital?

Mr. LINDBERGH. That is the idea.

Mr. STAFFORD. If the surplus is not inserted as a part to be computed, he would then say that 20 per cent should remain?

Mr. LINDBERGH. I do not think that much capital is necessary, but I have not attempted to obtain an amendment upon that. I realize that a caucus has tied up the 20 per cent.

Mr. STAFFORD. The gentleman only proposes the lower per centum in view of taking in the surplus?

Mr. LINDBERGH. Yes; and graduating the time of payment over a longer period of time, in order to enable the banks to adjust themselves to this new condition. That would be the effect of the amendment that I have proposed, if adopted.

Then, in changing the words "paid up and unimpaired" to "subscribe," that would enable the Federal reserve banks to start business on subscriptions properly made, and would not require that the full amount of \$5,000,000 should be paid in before business were begun. As a matter of fact, there is no reason why the banks should not begin business before the full \$5,000,000 has been paid in, provided that the organization is complete in other respects. They can go ahead with their business and transact it, and adjust themselves to these conditions as the organization develops.

Those are the purposes for which I have offered the amendment. The assessment of 20 per cent on the capital stock alone is manifestly unjust to the country banks and the smaller banks in general.

Mr. MURDOCK. Mr. Chairman, I rise for the purpose of supporting the amendment of the gentleman from Minnesota [Mr. LINDBERGH].

National banks have a liability. That liability is upon their capital stock. The greater banks of the country have established the custom of building up an immense surplus and carrying along with the surplus the undivided profits as loanable funds. Now, while the capital, the surplus, and the undivided profits are all loanable funds, the liability of the national bank, the liability of the shareholders of the national bank, is on the capital stock. The great banks of New York City have built up their business to the point where, in the aggregate, their surplus exceeds their capital stock. That is, they have increased their capacity to loan without increasing the liability of the shareholders.

Out among the country banks there is no such condition. The surpluses there are not large, and the liability of the shareholder in a country bank is usually what it was in the beginning considered proportionally to the loanable funds. This bill provides that the assessment on the country bank and on the city bank included in the federal reserve bank shall be the same—20 per cent on the capital stock. I think—and I do not think there is any good argument against it—that the assessment should be on the capital stock and on the surplus.

If you are to treat the great banks of New York City and the little country banks out over the country equitably you must do that thing. And, depend upon it, it will be done eventually. It may be voted down in this committee. It probably will, under the leadership of the reporting committee. But this bill will never pass the American Congress with this provision standing as it is written in this bill now. It is unfair to the country banks. I appeal to this committee not to wait upon the Senate, not to wait until some subsequent date, but to meet this issue here squarely, regardless of partisan feelings or obligation, re-

gardless of some supposed pledge to a secret caucus. Meet this matter squarely. Treat the little country banks as fairly, as equitably as you treat the New York City banks, and base the assessment on both the capital and surplus.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. GLASS. Mr. Chairman, the committee has met this proposition, and there is no unfairness in the provision of the bill as it stands. Not only has the committee met the proposition, but it has thoroughly discussed it in all its aspects. It was considered that the surplus of the bank was so variable a quantity that it was not at all necessary to make the alteration suggested. I do not think it will be done here, and I do not think it will be done elsewhere. We do not desire that it shall be done, and we do not think it will be wise to do it. Therefore, Mr. Chairman, I ask for a vote.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield to me for a question?

Mr. GLASS. Yes.

Mr. MURDOCK. I would like to know why the gentleman does not consider it wise to make this assessment on capital and surplus?

Mr. GLASS. I have just said that the surplus of a bank is subject to variation at all times. The surplus is one thing today and it may be another thing to-morrow, and it may be still another thing the day after that.

Mr. LINDBERGH. Mr. Chairman, will the gentleman from Virginia yield for a question?

The CHAIRMAN. Does the gentleman yield to the gentleman from Minnesota?

Mr. GLASS. Yes.

Mr. LINDBERGH. As a matter of fact, whenever a bank decreases its capital or increases its capital, in either case the capital stock of the Federal reserve bank will be adjusted accordingly?

Mr. GLASS. Yes.

Mr. LINDBERGH. Would not the same rule apply to the surplus if they increased it or decreased it? Would not the stock of the Federal reserve bank be adjusted according to that change?

Mr. GLASS. Except, as I have said, the variation in the capital of a bank is vastly less than the variation in the surplus.

Mr. LINDBERGH. That is true; but if you adopted this rule, the amount of the surplus would not fluctuate so much, would it?

Mr. GLASS. That is conjectural. I ask for a vote, Mr. Speaker.

Mr. GREEN of Iowa and Mr. SISSON rose.

Mr. SISSON. I move to strike out the last word.

The CHAIRMAN. The gentleman from Iowa [Mr. GREEN] was appealing for recognition when the Chair recognized the gentleman from Virginia [Mr. GLASS]. The Chair recognizes the gentleman from Iowa.

Mr. GREEN of Iowa. I move to strike out the last word.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that the debate on this amendment close in 10 minutes.

Mr. SISSON. Mr. Chairman—

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that the debate on this amendment close in 10 minutes. Is there objection?

Mr. MOORE. I object.

Mr. BARTLETT. Mr. Chairman, I desire to make an inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. BARTLETT. There are several substantive propositions in this amendment. Are we to vote on all the propositions in it, or on only one?

Mr. MANN. On all of them, unless somebody demands a division of the amendment.

The CHAIRMAN. No one has demanded a division of the amendment.

Mr. BARTLETT. Only one of them has been discussed.

Mr. GREEN of Iowa. I am going to discuss the other.

The CHAIRMAN. The gentleman from Iowa [Mr. GREEN] moves to strike out the last word.

Mr. GREEN of Iowa. Mr. Chairman, I am heartily in favor of this amendment and had intended to offer an amendment in substantially the same language. Only one branch of this amendment has been discussed, and I propose to give my attention to a discussion of the other proposition.

Gentlemen have stated here repeatedly on this floor that the national banks were not willing to come in under this bill. That has been disputed; but whatever may be said, at least it must be conceded that a large number of the national banks are unwilling to comply with its provisions. My colleague [Mr. PROUTY] has stated that they could not lawfully be compelled to go in under this bill. Be that as it may, the bill proposes to force

them to do so; and such being the situation, it becomes important to consider what will be the result of its compelling provisions.

In order to take up this matter I shall have to give the House a few figures, but they will be so few that any Member can carry them in his head for the purpose of considering this question.

The payments to be made in 60 days under this bill as a subscription to the capital stock amount to \$105,000,000. Immediately upon the organization of the reserve banks the national banks are required to carry and have as a reserve in these banks 3 per cent of the total deposits of the national banks, amounting to about \$200,000,000. So the total amount of cash to be put into these banks when they start is about \$300,000,000. Now, the total amount of cash on hand in all the national banks is only about \$950,000,000. I am giving it now in averages and can not tell the exact amount to-day. No one expects and no one claims, as I understand, that the country banks will put up one dollar of this \$300,000,000. I do not think anybody expects that the reserve city banks will put it up. The country banks will, of course, draw their checks or drafts for this amount on the reserve city banks for the amount that they are compelled to subscribe of capital and deposit, and the reserve city banks in turn will draw their checks or drafts on the central reserve banks. The central reserve banks have only about \$450,000,000 in cash.

Mr. J. M. C. SMITH. If I understood the gentleman correctly, he stated that the national banks would refuse to go into this scheme.

Mr. GREEN of Iowa. No; I did not so state. I said that it was certain some of them were unwilling to go into it.

Mr. J. M. C. SMITH. I should like to ask the gentleman if he does not think the prestige it would give the national banks would be an inducement for them to go in?

Mr. GREEN of Iowa. That has nothing to do with my argument. When they put the screws on the national banks under this bill, what I am trying to determine is whether they will squeeze out the necessary amount called for by the bill. That is what I am trying to get at at this time.

Mr. BARTLETT. May I ask the gentleman a question?

Mr. GREEN of Iowa. Yes.

Mr. BARTLETT. What provision of the bill forces them to go in? They can stay out if they want to.

Mr. GREEN of Iowa. I will not discuss that, either.

Mr. BUTLER. They would no longer be national banks.

Mr. GREEN of Iowa. They would no longer be national banks.

Mr. BARTLETT. They took their charters with that understanding.

Mr. GREEN of Iowa. I am not discussing that part, either. I am assuming that they will all come in, and then I am trying to determine whether the amount of cash called for by this bill can be got out of the banks. I say the central reserve bank can not part with \$300,000,000, because they have only \$450,000,000 on hand. I say if the central reserve banks and the reserve-city banks would add their resources to it, which amount altogether to \$650,000,000, that they could not stand the amount required to be withdrawn.

Mr. WINGO. Will the gentleman yield?

Mr. GREEN of Iowa. Certainly.

Mr. WINGO. Does the gentleman think that the adoption of the pending amendment would relieve the situation?

Mr. GREEN of Iowa. It reduces the amount to be subscribed by one-half.

Mr. WINGO. It leaves it on the capital and surplus. Has the gentleman made any figures on it?

Mr. GREEN of Iowa. It would help in another way; it would give time for preparation in the time the banks will have, which is only about 60 days, as far as the capital stock is concerned. They must inevitably make a great contraction in their loans in order to be able to put up this amount.

Mr. WINGO. I fear that the gentleman did not catch my question. I ask him if he has any figures to show that mathematically the adoption of this amendment will not add a greater burden to the banks where he contends there is a burden now?

Mr. GREEN of Iowa. No; I have not made any figures.

Mr. LINDBERGH. If the gentleman will pardon me, I will say that I have, and I will say that it would not add to the burden.

Mr. GREEN of Iowa. I say that the burden of providing \$300,000,000 in the time required by the bill, at the time when the banks start, is more than they can stand. I know some gentlemen will say that they begin with rediscounting. It is a peculiar proposition that they are going to start a banking institution and a part of the capital that is to be subscribed is to be borrowed by the subscribers.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. GREEN of Iowa. Mr. Chairman, I ask for one minute more.

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. GREEN of Iowa. But, Mr. Chairman, conceding that they are going to begin at the start by rediscounting, what kind of a proposition is this? If this plan is going to start at once by borrowing, is it going to relieve the financial stress of the country?

Mr. KELLEY of Michigan. Will the gentleman yield?

Mr. GREEN of Iowa. Certainly.

Mr. KELLEY of Michigan. Is this provision the same provision that was in the Aldrich bill? If so, whether or not the banks have not approved of that proposition?

Mr. GREEN of Iowa. No; it is not the same provision.

Mr. KELLEY of Michigan. What is the difference?

Mr. GREEN of Iowa. The Aldrich bill did not compel any bank to join, and it was not expected that all would join. The banks have not approved either plan, and this has nothing to do with my argument as to whether the banks can comply with the provision. If the gentleman will show some figures as to how the banks can do it, it will be an answer.

Mr. GLASS. If the gentleman had been here he would have seen the demonstration on the floor as to how it could be done, and it would inform him fully.

[Mr. Sisson addressed the committee. See Appendix.]

Mr. MONDELL. Mr. Chairman, the remarks of the gentleman from Mississippi [Mr. Sisson] are illuminating of the conditions under which we are met this morning. Not in 25 years has a majority in this House had the opportunity presented to the Democratic majority at this moment to prove its faith in representative institutions, its aptitude for leadership, its capacity for wise legislation. The general debate has reflected the desire of the country for legislation along these lines. It has indicated the fact known to us all that the majority of Members are willing to surrender their personal views in all things except those that are fundamental and involve matters of principle. It has developed the fact that there are at least two fundamental errors in this legislation: First, in the great and dangerous power lodged in the Federal board and in the political character of its organization; and, second, in the seed, if not the substance, of greenbackism contained in the provisions with regard to note issues. These are to be enforced by a provision under which the banks must accept these conditions on pain of confiscation. The debate has developed the fact that there is a majority here on both sides that can be trusted to strike from the bill these dangerous and unwise provisions and otherwise perfect it; and I call upon the Democratic leadership to let down the bars of the binding caucus, to unshackle the Members on that side, to absolve you gentlemen from the obligation to the Executive which we understand now exists, and to let it be known that the House of Representatives proposes to vote on these amendments with no obligation upon its membership save the obligation they owe their consciences and their constituency.

I am satisfied that thus we shall have a wise bill, and we on this side, if the debate is fair and free and open and untrammelled, will accept the result as the judgment of the House. If you do not do this the debate will but further mark the decadence of the House of Representatives, but further lower it in the opinion of the American people, and the final vote will but reflect your subservience to the Executive control and to party domination in a matter that is not political. I plead with you in the name of representative government, in the hope of restoring the prestige of the House, in the faith of good legislation to remove the shackles from the minds and the wills and the consciences of Members and give us a fair vote on these amendments.

Mr. GLASS. Mr. Chairman, if the gentleman's time has not yet expired I desire to ask him a question. I would like him to hold up his wrist and see if he has not yet the marks of the shackles still upon his arms? [Applause on the Democratic side.]

Mr. MONDELL. Mr. Chairman, I will answer to my constituents for that proposition.

Mr. GLASS. The last time the gentleman had the opportunity to act on the currency bill he voluntarily assumed the yoke, and put the shackles upon every one of his fellow Members, but there is an old couplet, you know, to the effect that when the devil was sick the devil a monk would be, but when the devil was well the devil a monk was he. [Laughter and applause on the Democratic side.]

Mr. STANLEY. Mr. Chairman, there is nothing so necessary to the dignity of the House as the absolute independence of its Members. There is nothing so obnoxious to the patriot and to the statesman, commissioned by 200,000 people, as to be forced at any time by party expediency to surrender one jot or tittle of his convictions.

While I respect that love of independence as voiced by my friend MURDOCK, it grieves me beyond measure to see it made a mockery and a travesty upon the floor of this House. Better have some crimson courtesan lead modest maidens in paths of purity, better some escaped convict pose as the arbiter and censor for honest men, than to learn of freedom from this the most abject apostle and most subservient slave Joe Cannon ever had. [Applause on the Democratic side.] This gentleman who has just addressed us has attained an unenviable eminence by his prompt obedience to any command, by his silence under any lash, by his quick defense of any kind of a gag, and here, with the marks of his servitude upon him, before the hair has grown enough to cover the mark of the collar upon his neck, before the imprint of the shackles are effaced from his wrists and his ankles, and before the echoes of his voice have died in this Hall, where but lately he defended every Republican outrage, he arises here to lecture Democrats, forsooth, about independence. [Applause on the Democratic side.] There is one difference between Democratic harmony and Republican discipline. We to-day are inspired by the patriotism, by the courage, by the splendid genius of a beloved and trusted leader. You were never led; you were driven by the horrid lash of a brutal boss until in your wrath, like a blind Sampson, you pulled the temple down upon your own devoted heads. [Applause on the Democratic side.] We answered to a call; you obeyed the goad driven into your unwilling and quivering flesh; and yet this boss-driven, yoked, and goaded party, spewed from the mouths of an indignant people because you had betrayed them, because you had surrendered your independence as their representatives, now assumes to bewail our lack of spirit. And now the gentleman from Wyoming—

Wearing a vile mask that a Gorgon would disown,
An eye of parchment, a cheek of stone,

dares to prate about caucus tyranny and the domination of a boss. [Applause on the Democratic side.] If we must be told of caucus rule, if we must be told of party tyranny, for God's sake find among your party some man whose back is not marked by the lash and whose record is not blackened by the defense of the very iniquities he now pretends to condemn. [Applause on the Democratic side.]

The CHAIRMAN. The time of the gentleman has expired.

MESSAGE FROM THE SENATE.

The committee informally rose; and the Speaker having resumed the chair, a message from the Senate, by Mr. Tulley, one of its clerks, announced that the Senate had passed, without amendment, joint resolution of the following title:

H. J. Res. 130. Joint resolution to provide for the relief and transportation of destitute American citizens in Mexico.

ENROLLED JOINT RESOLUTION SIGNED.

Mr. ASHBROOK, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled joint resolution of the following title, when the Speaker signed the same:

H. J. Res. 130. Joint resolution to provide for the relief and transportation of destitute American citizens in Mexico.

CURRENCY.

The committee resumed its session.

Mr. MONDELL. Mr. Chairman, the gentleman who has just taken his seat has acquired more notoriety than any other man in this country in the mock chasing of the Money Trust. For the last year he has been before the country and been headlined as the principal baiter of the money devil, and he, more than any other man in this country, has at all times and under all circumstances insisted that his party, the moment the opportunity was presented to it, should do something to prevent the evil of interlocking directorates, should do something to prevent the evil of joint ownership, should do something to prevent the pyramiding of power and influence in matters of money control, and yet he stands here a slave bound with the chain of a party caucus supporting a bill having to do with banking and currency matters which has not written upon it the legislation that he has been demanding, and because, as we are told—and I am not telling you a caucus secret, for it has been proclaimed on this floor from that side—that because the President and the Secretary of State have said that this great question, this overshadowing question, of monetary control and influence in the hands of a few men—because they say that it shall not be

placed in this bill or permitted to be part of it—the gentleman comes in here cringing, bearing the chains of his party caucus, subservient to his President against his own judgment. If he was honest in his opinion when he inveighed against the money devil and the Money Trust, why does he support a bill that has not a line or word in it that will correct the evil against which he has so long proclaimed? The gentleman has said that I have followed my party.

Well, I have very often followed my party leadership, but the gentleman is not correct when he says that I have always followed party leadership. In the day when the late Speaker was at the height of his power and we had a President in the White House who was more popular than any man who ever occupied that seat, I joined more than once in insurgency in this House. Has the gentleman forgotten it? I did it when it was unpopular to be in opposition to the organization, and when to be an insurgent brought down all of the judgments that the powers could command. There was a later hour when it became popular not to agree with your party on anything, when it became popular not to agree with anyone, and when they who so acted received encomiums in the press for so doing. I answer to my constituents for my position in this House, now as in the past. I have never in all my service here been bound, as the gentleman from Kentucky [Mr. STANLEY] is now bound, and compelled to sit with my head bowed in shame, as his ought to be if it is not, in that he is compelled at the behest of an Executive power to support the measure that ought to carry the legislation that he has insisted upon, but that is as silent as the grave on that subject. "Ah," his party says, "do not legislate on this important subject when you have the opportunity to do it. Send it to the Committee on the Judiciary, to be considered next winter." [Applause on the Republican side.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. GLASS. Mr. Chairman, I hope that we may be brought back to the consideration of currency legislation.

Mr. HAYES. That is what I want to do.

Mr. GLASS. I would suggest some limit be made in the discussion on this minor amendment to the bill. I ask unanimous consent that the debate on this particular amendment close in 10 minutes.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] asks unanimous consent that debate on this particular amendment close in 10 minutes. Is there objection?

Mr. MOORE. I object, Mr. Chairman.

Mr. GLASS. Then, Mr. Chairman, I move that debate on this amendment close at a quarter after 1 o'clock.

Mr. MANN. I hope the gentleman will not make the motion. See if we can not make an agreement.

Mr. MOORE. There has not been a single speech against the amendment.

Mr. MURDOCK. The gentleman from Virginia [Mr. GLASS] spoke against the amendment.

Mr. MOORE. He has not explained anything. He just said that he was against it.

Mr. GLASS. I would like to inquire how many gentlemen would like to talk on this amendment?

Mr. MANN. We would like 13 minutes over here.

Mr. GRAY. I would like to have 5 minutes.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that debate on this amendment close in 15 minutes.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] asks unanimous consent that debate on this paragraph close in 15 minutes. Is there objection?

Mr. MOORE. Mr. Chairman, I object.

Mr. GLASS. Mr. Chairman, then I move that all debate on this amendment close in 15 minutes.

The CHAIRMAN. The gentleman from Virginia moves that all debate on this amendment close in 15 minutes.

The motion was agreed to.

The CHAIRMAN. The gentleman from California [Mr. HAYES] is recognized for 5 minutes.

Mr. HAYES. Mr. Chairman, I desire to call the gentlemen back to the consideration of this amendment. The amendment proposed by the gentleman from Minnesota [Mr. LINDBERGH], in my judgment, should not be adopted. The dangers seen by the gentleman from Minnesota [Mr. LINDBERGH] and the gentleman from Iowa [Mr. GREEN], in my opinion, are not real. The payments required by this bill from the subscribing banks will not be all required at once. These payments, should all the banks come in, will be spread over a period of a year, in all probability.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. HAYES. I will.

Mr. GREEN of Iowa. Will the gentleman explain how the first subscription payments to the reserves to be carried the moment the reserve banks are organized are to be paid at once?

Mr. HAYES. I say they are to be paid when they subscribe, but the bank's charter will not be in danger until one year after this bill becomes a law. Therefore there will probably be banks coming in every day during the year. And besides that, Mr. Chairman, the hardships which these gentlemen see will not exist, because the moment that the first payment is made upon the subscriptions to the stock the reserve requirements are reduced 5 per cent in the case of the central reserve city and the reserve city banks and 3 per cent to the country banks, so that there will really be no such shock as would appear from their statement or even from the statement of the gentleman from Ohio [Mr. BULKLEY] during the general debate.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. HAYES. I see no danger in this proposition.

Mr. GREEN of Iowa. That will not increase the total amount of cash in their vaults?

Mr. HAYES. It will not; but it will not interfere with their loans. As I say, the payments will come along so gradually, scattered over a year, that there will not be any such shock as has been depicted.

There is another reason why the amendment of the gentleman from Minnesota [Mr. LINDBERGH] should not be adopted.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from California yield to the gentleman from Kansas?

Mr. HAYES. I will yield to the gentleman in a moment.

The second part of the amendment of the gentleman from Minnesota [Mr. LINDBERGH] requires the insertion of the word "surplus" after the word "capital," so as to make the surplus liable to this assessment. Now, there are reasons why that should not be adopted. The capital stock of the reserve bank would have to be increased or diminished, as the case may be, every three months, whenever there was any carrying of earnings to surplus by the member banks of the various reserve districts, so that the capital stock of these banks would be constantly varying, increasing and decreasing.

Not only that, but I believe that every man who has ever been interested in a bank will agree with me that every encouragement should be given to the banks to add to their surplus as often and as fast as they can. [Applause.] This would be a discouragement instead of an encouragement toward accumulating a surplus, so that every time a bank added to its surplus it would have to take 20 per cent of the amount and send it to the Federal reserve bank for an increase of its capital stock.

I do not believe that is in the interest of strong and safe banking in this country, and for that reason I am opposed to it. But as I stated before, I do not see the danger that some gentlemen see in this feature.

Mr. STAFFORD. Does the gentleman oppose the distribution of one-half of this subscription over a period of 120 days, as the amendment proposed by the gentleman from Minnesota proposes?

Mr. HAYES. No. If he had offered that separately I would be inclined to favor it.

Mr. STAFFORD. Would not that alleviate the trouble pointed out by the gentleman from Iowa [Mr. GREEN]?

Mr. HAYES. Yes; but I do not see the dangers seen by the gentleman from Iowa. As I said, the payments will be distributed anyhow, under the operation of this bill as now drawn.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. SLOAN. Mr. Chairman, speaking in favor of that part of the amendment proposed by the gentleman from Minnesota [Mr. LINDBERGH] which provides that the assessment for the purpose of establishing these banks shall be based upon the capital and the surplus, rather than the capital alone, as proposed in the bill, I want to say that, as a matter of banking experience, I think this is true, that when we add surplus to our banking basis of business it is very seldom reduced. If it changes at all it is changed into active and actual capital.

Now, then, I think this is true, that as the banks are organized now, it would be a rank injustice to nearly every agricultural community in the United States to have the bill's proposed basis used. I just want to present a few figures that will illustrate my ideas in a concrete way. Assuming that we use the capital and surplus as the basis of banking business, for every \$1,000 that a bank in Philadelphia has—that is to say, the average bank in Philadelphia—there would be withdrawn to the regional bank for its establishment only \$72.50.

From the city of Boston there would be withdrawn only \$100; from the city of New York, \$101; Chicago, \$125. From the city of Omaha—and I mention that city because it is the metropolis of my own State—there would be withdrawn \$115; Lincoln, our State capital, \$150; and from the average bank in

my district, the capitalization of the banks being something over one and two-thirds million dollars, there would be withdrawn for every \$1,000, \$135. I see no justice in the banks of my district, which, I think, is fairly representative of the agricultural districts of the United States, being required to put up \$135 where the banks of the city of Philadelphia are required to put up only \$72.50 [applause]; and more than that, from every country district every dollar that will be taken will be removed on an average from the place where it was earned to from 100 to 500 miles away, and there it will be placed in some large city and invested in the building up of a new bank organization which will contribute to the growth of that metropolis and subtract from the growth of the little town upon the plains or among the mountains. And more than this, that which is taken from the great city of Boston or the great city of Philadelphia is not removed to any considerable distance from where it was earned or where it was gathered or where it existed, but in at least 12 of those cities throughout the United States it will be simply moved across the street, to establish a new organization and add to the improvement and wealth of the metropolis.

I tell you, gentlemen, the country districts of the United States will not stand for any such injustice. [Applause.]

The CHAIRMAN. The time of the gentleman from Nebraska has expired.

Mr. PHELAN. Mr. Chairman, I wish to call attention, first, to that part of the amendment offered by the gentleman from Minnesota [Mr. LINDBERGH] which seeks to reduce the subscription by member banks.

That is the same point that is now being asked for by the big bankers of this country and by the American Bankers' Association; and yet those same bankers advocated the Aldrich bill, which had the same provision in it, and in that case they advocated it when there was a single bank, whereas under this bill there are 12 banks. And in that connection I want to point out—

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. PHELAN. I will if I have time when I get through, not now.

The CHAIRMAN. The gentleman declines to yield.

Mr. GREEN of Iowa. Thank you.

Mr. PHELAN. I wish to point out that Mr. Warburg in the hearings before the committee last winter said:

Unless a central reserve be endowed with a large capital of its own and unless we bring about a free return flow of all idle cash into one central reservoir, from where, without the least possible friction, it can be directed to wherever it is legitimately wanted, there can not be created that which is the basis of the entire structure.

And Mr. Reynolds also stated that he thought there ought to be a large capital to inspire confidence; and yet those same bankers are now urging that the capital requirements be divided in two.

Furthermore, in regard to the other point made by the gentleman from Minnesota [Mr. LINDBERGH] on the question of having this apply to surplus as well as to capital, I want to point out that there is a difference between surplus and capital, and that difference is recognized in our national banking law. Surplus is not capital. If you are going to make the amount of the stock subscription depend upon surplus, as the chairman of the committee [Mr. GLASS] pointed out, you are going to have a variable quantity. As fast as the surplus goes up, the bank subscribes to additional stock, and as its surplus goes down it withdraws from the stock in the regional reserve banks.

If you have a large bank, with a large surplus, and a consequently large subscription to the stock of the regional reserve bank, there is nothing to prevent that bank from reducing its surplus and reducing its subscription to an amount equal to the capital plus 20 per cent of its capital, the surplus required under the national banking law, and in that way drawing money out of the regional reserve bank which it has already put into that bank, which will cause trouble in every regional reserve bank in which it is done. Furthermore, if you are going to treat surplus as capital in this bill, then you must consistently treat surplus as capital in our national banking law, and that is not done.

There are several distinctions between capital and surplus in our present laws, of which I will mention one or two. First, there is this distinction at the present time, that a bank can not issue bank notes in excess of its capital. Surplus has nothing to do with it. In the second place, in making loans it can make loans to an individual up to 10 per cent of its capital and surplus combined, but you will notice that in section 5200 of the statute it provides:

Provided, however, That the total of such liabilities shall in no event exceed 30 per cent of the capital stock of the association.

So that there is that limitation put upon the use of the surplus in the national banking act. Further, in section 5202, it provides that:

No association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise—

With certain exceptions. So again capital stock is distinguished from surplus.

I wish to point out to the gentleman from Minnesota [Mr. LINDBERGH] this fact, that if there is any evil in the present use of surplus as capital the place to correct that evil is in our national banking law and not in this bill. The way to correct it is by an amendment to the national banking law and not by making the amount of stock subscription of these national banks depend upon capital and surplus; and in view of what I have heard I am surprised that the gentleman from Kansas [Mr. MURDOCK], who has been here so many years, has not found out about the provisions in our statutes with reference to surplus, and that he has not offered some amendment to the national banking laws during the time he has been here which will do away with the abuse, if abuse exists, with reference to the use of surplus.

Mr. MURDOCK. Will the gentleman yield?

Mr. PHELAN. Yes.

Mr. MURDOCK. That is precisely the thing we want to do now. Why delay it? Why put it over to the Senate? Why put it over until next year? Why does not the gentleman want to act now?

Mr. PHELAN. Because if it is worth doing, you must do it in your national banking act, and you can not do it as proposed by the gentleman from Minnesota [Mr. LINDBERGH] by making the amount of the stock subscription to these banks depend upon surplus. It goes a good deal further than that. If you are going to do it, amend your national banking act. One reason why it is not being considered at the present time is because if we are going to amend the national banking act, that thing ought to be done altogether, and I understand it is proposed that that shall be done in the near future.

Mr. MURDOCK. The gentleman lives in one part of the country and I live in another part of the country. When this bill becomes a law, the money which goes out of a bank in Boston to the reserve bank will not go out of the city of Boston; but the money that goes out of my town to St. Louis or Chicago will go out of my town, and it will be withdrawn from the capital of the bank, and not out of capital and surplus together.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired; all time has expired.

Mr. STAFFORD. Mr. Chairman, I demand a division of the amendment.

The CHAIRMAN. The gentleman from Wisconsin demands a division of the amendment, and the Clerk will read the first paragraph of the amendment.

The Clerk read as follows:

Mr. LINDBERGH's amendment to section 2: "On page 3, in line 13, strike out the word 'twenty' and insert in lieu thereof the word 'ten.'"

The CHAIRMAN. The question is on the amendment.

The question was taken; and on a division (demanded by Mr. LINDBERGH) there were 29 ayes and 78 noes.

So the amendment was lost.

The CHAIRMAN. The Clerk will read the next subdivision.

The Clerk read as follows:

Page 3, line 14, after the word "stock," insert the words "and surplus."

The question was taken; and on a division (demanded by Mr. MURDOCK) there were 19 ayes and 91 noes.

So the amendment was lost.

The CHAIRMAN. The Clerk will read the next subdivision. The Clerk read as follows:

Page 3, line 15, strike out "one-quarter" and insert "one-tenth."

Mr. STAFFORD. Mr. Chairman, I ask unanimous consent that all that part of the amendment relating to time be taken in gross.

The CHAIRMAN. The gentleman from Wisconsin asks unanimous consent that all those parts of the amendment relating to time be taken in gross. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Page 3, line 15, strike out "one-quarter" and insert "one-tenth." Line 16, strike out "one-quarter" and insert "one-tenth." Line 17, strike out the word "sixty" and insert the word "thirty." Add a comma after the word "days" and insert "one-tenth in 60 days, one-tenth in 90 days, and one-tenth in 120 days."

The question was taken; and on a division (demanded by Mr. LINDBERGH and Mr. STAFFORD) there were 17 ayes and 83 noes. So the amendment was lost.

The CHAIRMAN. The Clerk will read the other subdivision of the amendment.

The Clerk read as follows:

Page 3, line 25, strike out the words "paid up and unimpaired" and insert the word "subscribe."

The question was taken, and the amendment was lost.

Mr. MOORE. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 3, line 13, after the word "two," strike out the word "twenty" and insert the word "eighteen."

Mr. MOORE. Mr. Chairman, being unable to get in on the argument upon the amendment offered by the gentleman from Minnesota, I offer this additional amendment. To me it has been a matter of some amazement that the Democrats who live in the New England States and along the eastern tier should have voted with such unanimity to sustain the caucus action against the Lindbergh amendment and in support of the bill. If there was ever a bill that tended to make one section ill at ease with another section of the country, this is that kind of a bill. You have taken away from us, or propose to take away from us, in the industrial centers the protection of industries under the tariff system, and now, seeing that certain men have been thrifty and have saved up their resources in certain sections of the country, you propose to take away the proceeds of that thrift and saving and scatter them broadcast. Very well, so long as you let the whole country know what you propose to do. The illustration made by the gentleman from Nebraska in regard to the deposits of banks in Philadelphia and Boston, as compared with those out on the Plains, is a fair sample of the argument that the people have been fooled with—

Mr. SLOAN. Will the gentleman yield?

Mr. MOORE. No; I can not yield.

Mr. SLOAN. I was not talking about deposits of money, but the demands representing capital.

Mr. MOORE. I am very glad to have the gentleman make that correction. The buncombe that has been coming down the pike for the last three years has made a lot of people in this country thoroughly misunderstand their own rights in regard to legislation. They do not understand the approach to legislative robbery that is contemplated in the scheme of equalizing resources as set down in this bill. You tell the people you are attacking Wall Street; you say you are bringing to book the malefactors of great wealth.

How have you dealt with the rights of the workingman, the man who has his savings in the various savings banks of this country? The comptroller's report for 1912 has not been very fully quoted in the report of the majority of the committee with regard to savings-fund deposits, and yet they represent at least one-fourth of all of the bank resources and liabilities reported. Those savings deposits are not the increment of the malefactors of great wealth. They do not belong to the rich men, the Rockefellers and the Carnegies; they belong to the working people, the men who own their little properties, whether they be farms or two-story residences in the cities. What do these savings represent in the aggregate? According to the comptroller's report to June 14, 1912, they represent \$3,400,000,000. Six billion four hundred million dollars in savings alone! Money in the banks that you think to take away and scatter over the country, because you are after the rich men in Wall Street!

Mr. GLASS. Mr. Chairman, may I interrupt the gentleman?

Mr. MOORE. Not at present.

Mr. GLASS. I just want to ask the gentleman if he will indicate how we are to take possession of the savings of any of the banks and scatter them all over the country?

Mr. MOORE. The proposition is plain in this bill—by taking out of all reporting banks at least 20 per cent of their money, whether strong or weak banks, and throwing it into the country for the benefit of everybody. In the comptroller's report the banks in New England are classified in one group, six States in all, and the per capita savings of the people there amount to \$237.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. MOORE. Mr. Chairman, I ask unanimous consent to proceed for five minutes more.

The CHAIRMAN. The gentleman from Pennsylvania asks unanimous consent to continue his remarks for five minutes. Is there objection?

Mr. GLASS. Mr. Chairman, I shall not object, if the gentleman shall explain how this bill undertakes to seize the savings of any of the banks.

The CHAIRMAN. Is there objection? The Chair hears none.

Mr. MOORE. By creating 12 regional banks and scattering the money away from those centers where it has been saved by the people.

Mr. GLASS. Whose money is going to be scattered?

Mr. MOORE. The money of the people, either way you take it—individual deposits in the banks and the savings, on the one hand, or the Government deposits on the other.

Mr. GLASS. We simply require a certain percentage of reserve that now belongs to the people of the various sections to be brought back to those various sections.

Mr. MOORE. And you take it out of Massachusetts and Connecticut and put it down in Kansas and Nebraska and Mississippi. That is the point exactly. I am telling you that the savings per capita in New England amount to \$237. The savings in the Eastern States, and there are only 6 of them, including the District of Columbia, amount to \$129.23; in the Pacific States, 8 of them, including Alaska, they amount to \$82.43; in the Middle Western States, 8 of them, they amount to \$46.13; and in the Southern States, 13 of them, represented in the other body by 26 Senators, they amount to \$9.89 per capita; while in the Western States, 9 of them, including Oklahoma, they amount to \$8.36—and I mention Oklahoma because its per capita savings amount to 80 cents, and that is much less than the per capita savings of the people in Porto Rico and Hawaii.

The average per capita savings for the United States is \$67.77—that is, the savings of every man, woman, and child in the United States—and I contrast it with the 80 cents per capita savings in the State of Oklahoma only because we have recently been receiving so much advice on the financial problem from that section of the country.

Mr. PHELAN. Mr. Chairman, will the gentleman yield?

Mr. MOORE. Certainly.

Mr. PHELAN. Will the gentleman tell me how the savings in the savings banks in Massachusetts can possibly be scattered all over this country by any provision in this bill, and point out the provision?

Mr. MOORE. If any one of your savings banks goes into this scheme of regional reserve banks, it will contribute to the common fund, to be scattered over the United States, 20 per cent of its capital.

Mr. PHELAN. There is not a Massachusetts savings bank that can possibly go into it.

Mr. MOORE. Then if they do not, the few of the States that do go into it will get all of the benefit of the Government deposits.

Mr. PHELAN. I am not talking about savings banks.

Mr. MOORE. I am talking about the Government deposits. I think it makes a great deal of difference to those who do come in, because if they do not come in, at least those who do come in down South and in the comptroller's western group, where you have so many banks, will receive all the Government deposits to enjoy at your own sweet will, as you enjoy most of them now.

Mr. MURDOCK. Under the provisions of this bill is it not possible for the national reserve board to suspend the reserves in Massachusetts and not suspend them in Iowa?

Mr. MOORE. Yes; but the national reserve board is appointed by a political President and made up of men of his party, and he may do as he pleases and they will do as they please, and if they agree with the gentleman from Kansas they will take all the money out of the banks of Pennsylvania and New York and put it out in Kansas. [Laughter and applause.]

Mr. MURDOCK. Then it will be a good thing for the country if they do it.

Mr. MOORE. I do not think so. There is nothing the gentleman from Kansas has to sell that is not sold in New York and Pennsylvania, and he is never willing to reciprocate.

The CHAIRMAN. The time of the gentleman has expired.

Mr. LINDBERGH. Mr. Chairman, the point raised by the gentleman from Pennsylvania, who has just spoken, as to the use of \$6,000,000,000 savings deposits—I have no doubt the figures are correct, but those deposits are not secured and used for the borrowers or by the people of the same class who make the deposits. They are borrowed either by the great corporations or speculators, as a rule, and the amount of interest that is paid to the depositaries ranges from 2 to 4 per cent, while the parties who borrow these deposits charge back to these same depositors 6 to 8 to 10 per cent, and sometimes more, in the increased cost on the necessities that they must buy, a system which is an error, and the membership of this House of course will keep that in view when we have these different provisions under consideration. It is stated that the people who make these deposits are rich because they can make such large de-

posits as \$6,000,000,000, but when you distribute this amount among them all you find the average deposit per capita is very small. The majority of them pay back more interest because of the increased costs of their necessities that they are required to pay back. They get a small rate of interest and pay an excessive rate. It is a case of the plain people bringing to the banks their small earnings, which because of the great number become large in the aggregate, and the banks loaning the funds to speculators who use the money to exploit the very people whose money is used for that purpose.

Mr. BARTLETT. Mr. Chairman, it interests me at times to see the solicitude that some gentlemen manifest in reference to the course of the Democrats on this side. Now, so far as I am concerned, I have in this House on former occasions stated my views with reference to currency legislation. I do not believe in the system that provides for the issuing of currency through national banks. I do not believe in the use of them as agencies of the Government to provide for the currency to be furnished the people. If I had my way, I would have the Government, and the Government alone, to issue, control, and distribute the currency. [Applause.] I believe in that kind of Democracy as was advocated by Jefferson and maintained by Jackson; but this system establishing United States or national banks and the issuing of currency by or through such agencies, giving the power and functions of Government, has passed the stage of discussion or action, because the Supreme Court of the United States having decided that such a system was constitutional in the case of McCulloch against Maryland, having reiterated that judgment in the national-bank cases, having upheld the right of Congress to charter banks for that purpose and aiding it in issuing currency, I bow to the decision and must submit to it as the law; and now that we have that system foisted and fastened upon the Government during the necessities of the terrible internecine struggle which has existed since 1864, we must recognize that we must deal with conditions as they are. The present system of national banking has proven inadequate for the uses and demands placed upon it in every emergency and it seems to me to be the duty of the Democratic Party to do that which the Republican Party has failed to do for so many years—to remedy the evils and injustices of that system and substitute in its place some system that will answer the demands of the people and the business of the country. I believe this bill will do that in a great measure, and that it is a better system, more responsive to the demands of the business interests of the country, and will greatly improve present conditions; and because of this belief I shall support it.

I am one of those who did not agree in caucus with my associates in reference to all the details of this bill. I would rather uproot the national banking system, root and branch, and substitute another system by which the Government alone should issue and control the currency of the country. That is an old Democratic doctrine which, while I dare to stand for, I can not see enforced in this day and generation. I do not think that I am merely subservient to the party demand when I yield my judgment upon that question to the opinion and wisdom of a large majority of my political associates and endeavor to carry out the demands and promises of the Democratic platform. I believe that in this question, submitted to my party caucus, in which 154 Democrats voted against 9—and I was one of the 9—their judgment and their knowledge and their wisdom are to be accepted, at least, in preference to the desire and demands of those whose chief purpose is to endeavor to divide and destroy the Democratic Party and again turn it over to the mismanagement and control of the Republican Party.

So far as I am concerned, I have no apologies to make for having submitted my difference of opinion to my party associates and accepting their decision and cheerfully giving my support of this, in my judgment, the best banking and currency bill that has found its way into this House in 50 years; one that gives the issuing and control of the currency, which is the lifeblood of the people, to the Government.

I believe that the destiny and prosperity of this great country of ours are better to be subserved by the success of the Democratic Party than by the restoration to power of the Republican Party. Therefore, as I repeat, without any hesitation, without any compunction, without any feeling that I have been gagged or forced, I cheerfully submit to the will and judgment and superior wisdom of my political colleagues and shall give my adherence and support to this bill, believing that it will bring to the country that which it has not had before the enactment of this law—a freedom from the control of the great banks in New York that have controlled the lifeblood of commerce and regulated it at their will. And I might say that as far as I

am concerned I would rather be a doorkeeper in the House of the Lord than dwell in the tents of wickedness. [Applause on the Democratic side.]

Mr. Chairman, I can not, in the time that I have, undertake to discuss fully the provisions of this bill. There are some amendments which I voted for in the caucus that I would like to have seen adopted, but the leading feature of it is this: It gives to the Government, and not to the bankers, the right to issue the currency; it restores to it that governmental power and function which the banking bill of the old United States Bank took away from it and invested in the bank, and it provides for ample control and supervision of the banks; it permits the State banks to have the opportunity to participate.

Mr. LINDBERGH. I would like to ask the gentleman what difference it is to the bank whether the bank issues and distributes the money or whether the Government issues the money and the bank distributes it?

Mr. BARTLETT. But this is the Government's money. It may not be any different in its value if the Government guarantees it, but there is this difference, that the banks under the present system issue the money as they desire and retire it as they desire. They issue it when they desire to have a greater amount of money, and during flush times they contract it when they desire to create panics and to control the money market.

Mr. LINDBERGH. Will the gentleman yield?

Mr. BARTLETT. Yes.

Mr. LINDBERGH. No one but a bank can go to the Government to get money, and no individual can go anywhere but to the bank to get money.

Mr. BARTLETT. I understand that. That is the vice of all these systems. That is why I object to it. That is why I stick to my old Jacksonian and Jeffersonian Democracy, which finds but few defenders now.

Mr. MURDOCK. That is the modern Progressive doctrine. I applaud the gentleman.

Mr. BARTLETT. I thank you. You have been asleep for a hundred years, and you get up and go to chasing rainbows until you are lost.

Mr. PLATT. I would like to ask the gentleman from Georgia how a bank can issue currency except on a loan?

Mr. BARTLETT. It can not issue currency at all unless it is authorized by the sovereign power, and must do it as the sovereign power says it must issue it.

Mr. PLATT. I ask the gentleman how can it get its notes in circulation?

Mr. BARTLETT. It can do it as they do it now—by paying it out over the counter on checks, paying debts, in due course of business. That is the only way. I thought that there were a good many Members who did not understand the currency question, but I see now that the gentleman does not understand the very simplest principles of it. [Laughter.]

It has been said that this bill is unconstitutional, and the gentleman from Iowa [Mr. PROUTY] made an able argument on that line, to which I listened with pleasure and interest. I have heard it frequently said here that there are but few defenders of the Constitution left. I have a fad, you may call it, as to that subject, if you please. Oftentimes I have had the temerity to think that the Constitution, as I believe Gladstone once asserted, was the greatest instrument ever struck from the mind of man. I have thought the Constitution was built—and I think so yet—upon strong foundations, and that its arches and domes would last until around its summit the lightnings of eternity would play. I think and hope so still. I have always recalled with pleasure and admiration these words of Judge Story in the closing sentence of his great work on the Constitution.

The structure has been erected by architects of consummate skill and fidelity; its foundations are solid; its compartments are beautiful as well as useful; the arrangements are full of wisdom and order; and its defenses are impregnable from without. It has been reared for immortality, if the work of man may justly aspire to such a title. It may, nevertheless, perish in an hour by the folly or corruption or negligence of its only keepers—the people.

And there is no provision of this great instrument which this bill violates or in any way invades.

The Government, as the sovereign, has the sole right to issue and control the currency. If it does not issue it directly, it has the sole power to create and direct the agencies through which the currency is issued; and when for this purpose corporations are created, such corporations become Government agencies, and all the other rights and privileges of such corporations remain subject to the control of Congress—to be altered, amended, or repealed at will. The grant of a charter by the Congress of the United States, even when the right to amend or repeal is not reserved, is not a contract which can not be abrogated or im-

paired. There is no inhibition against the Congress of the United States passing a law impairing the obligation of a contract. The provision of the Constitution only applies to the action of State legislatures; hence Congress can at will repeal any charter granted by it or can alter or amend such charters at pleasure.

It has been the uniform decision of the Supreme Court of the United States that section 10 of Article I of the Constitution is a limitation of the power of the States, and that the United States are not included within this prohibition.

I cite Sinking Fund cases (99 U. S., 718); Mitchell & Clark (110 U. S., 643); The Legal Tender cases (12 Wallace, 529).

Even the States can repeal, alter, or amend the charter which they grant, if, in the charter or by general statute, the right to alter or amend or repeal the charter is granted. And it is stated by the authorities, and seems to be accepted as the true law, that—

no question can arise as to the impairment of the obligation of a contract when a corporation has accepted all of its corporate powers subject to the reserved power of the State to modify its charter and to impose additional burdens upon payment of its franchise.

The State reports and the United States court reports are filled with decisions which uphold this doctrine.

True, the Dartmouth College case decided that a charter was a contract which the State legislature could not impair by subsequent legislation, but since that decision all the States have, either in their constitutions, in their general statutes, or in the charters granted, reserved the right to repeal, amend, or alter these charters.

Fortunately, in the matter of the national banks the Congress has reserved the absolute right to amend, alter, change, or repeal their charters. I will, however, read from the Supreme Court of the United States, in the case of *Greenwood v. Freight Co.* (105 U. S., pp. 19-22):

As early as 1806, in the case of *Wales v. Stetson* (2 Mass., 143), the Supreme Court of that State made the declaration "that the rights legally vested in all corporations can not be controlled or destroyed by any subsequent statute, unless a power for that purpose be reserved to the legislature in the act of incorporation." In *Trustees of Dartmouth College v. Woodward* (4 Wheat., 518), decided in 1819, this court announced principles on the subject of protection that the charters of private corporations were entitled to claim, under the clause of the Federal Constitution against impairing the obligation of contracts, which, though received at the time with some dissatisfaction, have never been overruled in this court. The opinion in that case carried the protection of the constitutional provision somewhat in advance of what had been decided in *Fletcher v. Peck* (6 Cranch, 87) and the preceding cases, and held that it applied not only to contracts between individuals and to grants of property made by the State to individuals or corporations, but that the rights and franchises conferred upon private as distinguished from public corporations by the legislative acts under which their existence was authorized, by the State, were, when accepted by the corporators, contracts which the State could not impair.

It became obvious at once that many acts of incorporation which had been passed as laws of a public character, partaking in no general sense of a bargain between the States and the corporations which they created, but which yet conferred private rights, were no longer subject to amendment, alteration, or repeal, except by the consent of the corporate body, and that the general control which the legislatures creating such bodies had previously supposed they had the right to exercise no longer existed. It was, no doubt, with a view to suggest a method by which the State legislatures could retain in a large measure this important power without violating the provision of the Federal Constitution that Mr. Justice Story, in his concurring opinion in the Dartmouth College case, suggested that when the legislature was enacting a charter for a corporation a provision in the statute reserving to the legislature the right to amend or repeal it must be held to be a part of the contract itself, and the subsequent exercise of the right would be in accordance with the contract and could not, therefore, impair its obligation. And he cites with approval the observations we have already quoted from the case of *Wales v. Stetson*. (2 Mass., 143.)

It would seem that the States were not slow to avail themselves of this suggestion, for while we have not time to examine their legislation for the result we have in one of the cases cited to us as to the effect of a repeal (*McLean v. Pennington*, 1 Paige (N. Y.), 102), in which the Legislature of New Jersey, when chartering a bank with a capital of \$400,000 in 1824, declared by its seventeenth section that it would be lawful for the legislature to at any time alter, amend, and repeal the same. And Kent (2 Com., 307), speaking of what is proper in such a clause, cites as an example a charter by the New York Legislature of date February 25, 1822. How long the Legislature of Massachusetts continued to rely on a special reservation of power in each charter as it was granted it is unnecessary to inquire, for in 1831 it enacted a law of general application that all charters of corporations thereafter granted should be subject to amendment, alteration, or repeal at the pleasure of the legislature, and such has been the law ever since.

The history of the reservation clause in acts of incorporation supports our proposition, that whatever right, franchise, or power in the corporation depends for its existence upon the granting clauses of the charter is lost by its repeal.

This view is sustained by the decisions of this court and other courts on the same question. (No quotation. Here the court cites a number of cases, amongst them the cases known as the Sinking Fund case, in 99 U. S., and also 2 Kent Com.)

It was therefore in the power of the Legislature of Massachusetts to grant to another corporation, as it did, to operate a street railroad through the same streets and over the same ground previously occupied by the Marginal Co. Whether this action was oppressive or unjust in view of the public good or whether the legislature was governed by sufficient reason in thus repealing the charter of one

company and in chartering another at the same time to perform as part of its functions the duties required of the first is not, as we have seen, a judicial question in this case.

IN THE SINKING-FUND CASES (89 U. S.).

The courts say: "The contract of the company in respect to the subsidiary bond is to pay both principal and interest when the principal matures, unless the debt is sooner discharged by the application of one-half of the compensation for transportation and other services rendered for the Government and the 5 per cent of net earnings as specified in the charter. The precise point now to be determined is whether a statute which requires the company in the management of its affairs to set aside a portion of its current income as a sinking fund to meet this and other mortgage debts when they mature deprives the company of its property without due process of law or in any other way improperly interferes with vested rights."

"This corporation is a creature of the United States. It is a private corporation created for public purposes, and its property is to a large extent devoted to public uses. It is therefore subject to legislative control, so far as its business affects the public interests." (Chicago, Burlington & Quincy R. R. v. Iowa, 94 U. S., 155.)

So I think that the gentleman from Iowa [Mr. PROUTY], whom I love very much, has stretched the constitutional objection farther than I have ever known.

Why, it was the sovereign power of this Government that created the national banks. Moreover, when it did that, it also did what was necessary to do, namely, to reserve in the charter granted the right to amend, alter, and repeal that charter, and the very act that incorporated the banks contained a provision to the effect that if they did not come in under the act of 1882 they would have to forfeit their charters and go into liquidation.

I quote from the national banking act:

Sec. 7. Liquidation of banks not accepting provisions of act: That national banking associations whose corporate existence has expired or shall hereafter expire, and which do not avail themselves of the provisions of this act, shall be required to comply with the provisions of sections 5221 and 5222 of the Revised Statutes in the same manner as if the shareholders had voted to go into liquidation, as provided in section 5220 of the Revised Statutes; and the provisions of sections 5224 and 5225 of the Revised Statutes shall also be applicable to such associations, except as modified by this act; and the franchise of such association is hereby extended for the sole purpose of liquidating their affairs until such affairs are finally closed. (22 Stat. L., 164.)

We hear a great deal about the Dartmouth College case, the famous case that Daniel Webster won, which began a career for him that made him immortal almost as a lawyer, and the court before which he argued that case was the Supreme Court of the United States. There is not a recent case in the books that follows the Dartmouth case, because it was following the suggestion of Judge Storey from the bench in that famous case that the States changed their laws and constitutions where necessary, by providing that thereafter no charter should be granted that did not contain the clause that it could be amended, altered, changed, or repealed.

Since that time we have heard a great deal in State courts about the vested rights of State corporations to live a life outside of the life given them by State authority. In the famous case known as the Sinking Fund case the right of the Government of the United States to change the terms and conditions of the original charter or to change or regulate it and determine how it should conduct its business was upheld. I challenge every lawyer or student to investigate the question—and I would elaborate it here if I had the time—to find a single case where it was held that because the sovereign power grants a charter and reserves the right in it to change, alter, amend, or repeal, it can not repeal it when it gets ready and can not establish a new charter and make such requirements as it pleases in order that those who may desire may come in under it.

Some people and some national banks talk about "vested rights." They have none, because they can not live without authority from the United States Government.

This provision in section 8, which authorizes them to be wound up in case they do not accept the duties, the privileges, and the rights granted in this new bill, is but a repetition of what Congress said in 1882. A copy of that act I hold in my hand.

I do not believe there is a word in this bill that takes private property for public use. I do not believe that there is a word in this bill that does injustice to the shareholders of the banks, and I am convinced there is no effort on the part of the framers of this bill to exercise a power not granted by the Constitution. [Applause.]

The CHAIRMAN. The time of the gentleman from Georgia has expired.

The question is on the amendment offered by the gentleman from Pennsylvania [Mr. MOORE].

Mr. MORGAN of Oklahoma. Mr. Chairman, I offer an amendment.

Mr. MURDOCK. Mr. Chairman, I ask unanimous consent that the amendment of the gentleman from Pennsylvania [Mr. MOORE] be reported again.

The CHAIRMAN. The Clerk will again report the amendment offered by the gentleman from Pennsylvania [Mr. MOORE]. The Clerk read as follows:

Amendment offered by Mr. MOORE, page 3, line 13: "After the word 'to,' strike out 'twenty' and insert the word 'eighteen.'"

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken, and the amendment was rejected.

Mr. MORGAN of Oklahoma. I offer an amendment.

The CHAIRMAN. The gentleman from Oklahoma [Mr. MORGAN] offers an amendment, which the Clerk will report.

The Clerk read as follows:

On page 3, after the word "Provided," in line 10, amend by inserting a new paragraph as follows:

"Any person residing within a given district may subscribe to the capital stock of the Federal reserve bank of that district at any time under such rules and regulations as shall be prescribed by the Federal reserve board, and said board shall have the power to prescribe the terms and conditions upon which such stock may be surrendered for cancellation and to determine the amount of stock that will be subject to individual subscription."

Mr. MORGAN of Oklahoma. Mr. Chairman, of course I do not profess to be an expert upon banking and currency; but, so far as I can see, there is no reason why an individual should not be allowed, if he desires, to subscribe to this stock. Under the provisions of this bill every national bank is required to subscribe to this stock, and State banks may by the consent of the reserve board subscribe. I notice in the report of the bankers' conference recently held in Chicago that the bankers apparently do not desire to subscribe, at least to the extent required in this bill, because they ask that the bill be amended so that they be required to subscribe only 10 per cent instead of 20 per cent of their unimpaired capital. I think the committee in its report estimates that under the provisions of this bill there will be about \$100,000,000 of capital subscribed. In other words, even the national banks, many of them, may not accept the provisions of this bill and may change to State banks. There is some question, as I understand it, as to whether or not there will be a sufficient number of banks subscribe to get the required capital.

If the Federal reserve bank is a bad thing, I do not believe we ought to compel the national banks to subscribe to the stock. On the other hand, if it is a good thing, I do not believe we should allow the national banks to monopolize the stock in these Federal reserve banks.

We have heard much and very often from the other side of the House about equal opportunities to all and special privileges to none. Under the provisions of this bill, in allowing no one except banks to subscribe to this stock, are you not giving them a special privilege that is granted only to the bankers of the United States?

Mr. Chairman, I believe in most localities there is some prejudice against banking institutions. Banks are to a large extent monopolies. They have special privileges, and they thrive off the people's money. They control the interest rates to a large extent and can make their profits largely what they desire. Now, as I have said, in the minds of many people there is a prejudice against banks. A large part of this grows out of the fact that bankers are so few in number and that they have these special privileges. So I think there would be at least two benefits from this amendment:

First, it would strengthen the system by enlarging the capital; it would give these banks more financial strength, more capital.

Second, I think another benefit would be that it would popularize this system with the great masses of the people. I believe one of the defects in all our great corporations in this country, including the banks, is that there are so few people interested in them.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MORGAN of Oklahoma. Mr. Chairman, I ask for five minutes more.

The CHAIRMAN. The gentleman from Oklahoma asks unanimous consent that he may proceed for five minutes. Is there objection?

There was no objection.

Mr. MORGAN of Oklahoma. Mr. Chairman, I believe it would be a wise policy hereafter, when banks are organized, to compel the organizers to open their books to popular subscription, so that the great masses of the people with small means might be allowed to take stock in the bank and receive some of the profits, instead of allowing one, two, three, four, or five men in a community to organize the bank, receive the deposits of the people, and add to their dividends and their profits until their stock becomes worth two or three times the amount they have invested in it, largely derived from profits on the money of the people. So I say it would popularize banks if you would allow the people to subscribe to this stock.

Mr. MURDOCK. Will the gentleman yield?

Mr. MORGAN of Oklahoma. I will.

Mr. MURDOCK. Has the gentleman looked into this situation enough to know whether the investment would not be, under the provisions of the bill, a very profitable one?

Mr. MORGAN of Oklahoma. Yes; that is what I was coming to. Under this bill the banks are allowed 5 per cent dividend upon the stock subscribed, and in addition to that after the 20 per cent surplus is allowed, the bankers get 40 per cent of the balance, and this stock is exempted from all National, State, and local taxation.

We organized postal savings banks and we allow the poor people 2 per cent interest on their deposits. I think we have \$25,000,000 of their money in the postal saving banks, on which we allow 2 per cent. But under this bill we allow the national banks 5 per cent interest on their stock in the Federal reserve banks, with an additional profit besides, and exempt the stock from taxation. The banks ask that that shall be increased to 6 per cent.

According to the report I have there are \$4,500,000,000 in the savings banks of this country. I presume the depositors do not get on an average over 3 per cent on those savings. Why not allow men who have money in our savings banks—the 10,000,000 persons who have \$4,500,000,000 in the savings banks, on which they are probably receiving not over 3 per cent interest—why not let them subscribe to this stock and get 5 per cent plus instead of 3 per cent? I can see no practicable objection to that—to allowing the common people to come in and have an opportunity to reap any benefits that may accrue under our new banking and currency system.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma.

The question was taken, and the amendment was rejected.

Mr. MADDEN. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amend section 2, page 3, by striking out the words, in line 4, "less than 12" and inserting in lieu thereof "more than 5" and inserting in line 11, page 3, after the word "bank," the words "and State bank and trust company"; and in line 12, page 3, by striking out "shall be required to" and inserting in lieu thereof the word "may"; and in line 13, page 3, by striking out the word "twenty" and inserting in lieu thereof the word "ten"; and in line 15, page 3, by striking out the word "fourth" and inserting the word "half"; and in lines 16, 17, 18, 19, 20, and 21 after the word "one," in the sixteenth line, by striking out the words "fourth within 60 days after said subscription is made. The remainder of the subscription or any part thereof shall become a liability of the subscriber member bank, subject to call and payment thereof whenever necessary to meet the obligations of the Federal reserve bank," and substitute in lieu thereof the words "half subject to call upon 60 days' previous notice. The unpaid portion of the subscription or any part thereof shall become a liability of the subscriber subject to call upon 60 days' previous notice."

Mr. MADDEN. Mr. Chairman, this amendment is a very simple one when it is reduced down to where it is naked. It provides for reduction in the number of Federal reserve banks from 12 to 5. It provides that the banks may become members of the Federal reserve bank instead of being compelled to do it. It makes it a voluntary matter. It also provides that State banks or trust companies may become members of the Federal reserve bank association. It provides also that instead of 20 per cent subscription to the capital stock of the Federal reserve banks that all banks who shall wish to become members of the Federal reserve banks may subscribe for 10 per cent of the stock. By the bill they are required to subscribe 20, but only to pay for 10. This amendment simply seeks to make the subscription the amount of the payments. It provides that only one half of the 10 per cent subscription shall be paid at the time of the subscription and the other half after 60 days' notice by the Federal reserve board.

The purpose of that is to prevent the possible contraction of the credits of the country by the payment of all that is required under the bill at one time. It seems to me that the membership in the Federal reserve banks ought not to be compulsory. It ought to be a voluntary proposition, and all State banks and trust companies, as well as national banks, should be eligible to membership in the first instance.

That is all there is to the amendment, and it seems to me that it is a sensible business proposition.

Mr. MOORE. Will the gentleman yield?

Mr. MADDEN. Certainly.

Mr. MOORE. The gentleman's amendment proposes to cut down the number of Federal reserve banks from 12 to 5?

Mr. MADDEN. Yes.

Mr. MOORE. Does the gentleman figure that will result in any saving in the matter of offices and salaries?

Mr. MADDEN. It makes it more certain that you will be able to get all of the money necessary to organize these banks without discounting the paper of the national banks through Federal reserve banks to the extent of \$266,000,000 and redis-

counting these notes when they become due and rediscounting them when they become due again.

Mr. MOORE. Does the gentleman have any doubt about 12 Federal reserve banks being able to raise \$5,000,000 each?

Mr. MADDEN. I have no doubt about their being able to raise that, but I have some doubt about their being able to meet the obligations in the bill.

Mr. MOORE. Does the gentleman think that 5 Federal reserve banks would accommodate the business of the country as well as 12?

Mr. MADDEN. I think that 5 Federal reserve banks would better mobilize the business of the country than 12.

Mr. BULKLEY. How does the gentleman's proposition affect the amount of money that would be mobilized?

Mr. MADDEN. It is easier to control 5 than 12.

Mr. BULKLEY. The gentleman is afraid that the banks would not have enough money to put up the capital stock of 12. Would not they be required to put in the same proportion, the same aggregate amount of money, if they had only 5?

Mr. MADDEN. Certainly not. If you had only five banks, you would require \$5,000,000 for each bank.

Mr. BULKLEY. But does not the gentleman permit all banks that wish to come in to come in upon payment of the subscribed portion?

Mr. MADDEN. Yes.

Mr. BULKLEY. And if they all come in, they will all pay the same as 12?

Mr. MADDEN. I do not think all of the national banks in the United States, if they came in under the provisions of the bill, could keep all of the obligations imposed by the bill.

The CHAIRMAN. The time of the gentleman from Illinois has expired. The question is on the amendment offered by the gentleman from Illinois.

Mr. MONDELL. Mr. Chairman, I desire to offer an amendment to the amendment.

The CHAIRMAN. The Clerk will report the amendment to the amendment offered by the gentleman from Wyoming.

The Clerk read as follows:

Page 3, line 4, strike out the word "less" and insert the word "more."

Mr. MONDELL. Mr. Chairman, I realize that this is all a solemn farce. That fact, I suppose, accounts for the sparse attendance on the majority side. They have, no doubt, the votes at call to vote down any and every amendment that is offered.

Mr. BUTLER. Does not the gentleman think they ought to have them for that purpose? He does not suppose that they would report a bill and not have the votes to pass it? Why do we not be sensible about it? Why do we compel them to hold us while they give us the dose?

Mr. MONDELL. They have bound their people, their wills and consciences, and one gentleman who has not favored us with his presence here for some time appeared this morning and we heard his eloquent tones. He might just as well have stayed back in Kentucky. He is not needed now here any more than he has been for months past, for his party has bound him as it has other majority Members.

Mr. BUTLER. Mr. Chairman, will the gentleman yield again?

Mr. MONDELL. Mr. Chairman, I can not yield further. I want to discuss the proposed amendment.

Mr. BUTLER. It is just a little question. Does not my friend think, in all candor, that we have taught them a little ourselves? [Laughter.]

Mr. MONDELL. Well, my conscience is not troubling in that respect.

Mr. BUTLER. Neither is mine. Mine is perfectly easy.

Mr. MONDELL. One of the numerous propositions contained in the amendment offered by the gentleman from Illinois relates to the number of reserve banks.

It proposes to reduce the number from 12 to 5. My own personal opinion is that 7 is the better number; but I want to suggest this to the gentleman—a thought presented very forcibly by the gentleman from Texas [Mr. CALLAWAY]—that it is altogether possible that when this legislation is written upon the statute books—of course, it will be in a very different form from what it is now—when it is written, if we should provide for 12 regional reserve banks, it may be impossible to put the bill into force or effect, because while gentlemen refuse to grant the banks any sort of representation on the board the gentlemen must realize the banks of the country have enough influence and, as the option is entirely with them to go into these organizations or not, it would be entirely possible for them to prevent the bill going into effect by preventing the organization of 12 regional banks. Therefore I have modified the provision so that the central board could organize with a less number than 12 reserve banks. Under my amendment they may

organize with 5, with 6, with 7, or with any number up to 12; and, in my opinion, taking whatever view of the legislation you may, it is certainly unwise to have a provision in the bill under which, in the judgment of many men who have given the matter careful consideration, including many gentlemen on that side of the House, you leave it within the power of great capitalists of industry and great capitalists to render impossible the organization of your system. [Applause.]

The CHAIRMAN. The time of the gentleman has expired. The question is on the amendment to the amendment offered by the gentleman from Wyoming.

Mr. STANLEY. Mr. Chairman, I move to strike out the last word. I presume the gentleman from Wyoming [Mr. MONDELL] referred to me in his address.

Mr. MONDELL. Oh, yes.

Mr. STANLEY. Mr. Chairman, I thought when I addressed the House a few moments ago that they had simply shackled the gentleman who has just addressed the committee, but, from the statement of the gentleman just now, they must have had him in a padded cell. In the first place, I have been in constant attendance on this House from the moment this bill was presented until now. I have hardly missed an hour from the caucus, and have not missed a day's attendance or hardly an hour of time since it has been before the House.

Mr. MONDELL. Well, the gentleman returned from his long absence sooner than I thought he had.

Mr. STANLEY. The gentleman's "long absence" is another evidence of the dreams of the man in the padded cell. In the first place, I have been here continually, as every member of the Committee on Ways and Means knows, prior to the time this bill was before the House, and have not been absent from the city of Washington, except for a day or two at a time, in the last three months. That is neither here nor there, however. In addition to that, the gentleman refers to my activities in respect to the Money Trust. I had nothing to do with the Money Trust resolution. I never made a speech on it when it was up here in the House. I was not a member of the Money Trust investigating committee or the Banking and Currency Committee. Such statements as that are not a deliberate perversion of the truth. They are the evidence of a lack of a sane interval. [Laughter.] The gentleman does not state what he knows or believes to be untrue, but states what he has no reason to believe at all. He arouses not my animosity but my sympathy, and had I known of his mental condition at the time I should not have referred to him in any such caustic terms. [Laughter and applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wyoming to the amendment offered by the gentleman from Illinois.

The question was taken, and the amendment was rejected.

Mr. MONDELL. Mr. Chairman, I offer an amendment to the second provision.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 3, lines 11 and 12, amend by striking out the words "every national bank located within a given district shall be required to" and insert in lieu of the words stricken out the words "every national and State bank and trust company located within a given district which shall fulfill the requirements hereinafter provided may."

Mr. MONDELL. Mr. Chairman, the only modification of the gentleman's amendment that the amendment now offered makes is in the latter part of the amendment in the words "that have fulfilled the requirements of this act." It seems to me important that we should give all national banks and all trust companies an opportunity to come into the system. But we should not allow them to come in without complying with the provisions of the act and fulfilling all of those provisions.

Now, Mr. Chairman, this bill has been designated as a force bill. It certainly is so far as the provision now referred to is concerned, for it seeks to compel national banks, under pain of confiscation of their charters and the benefits that go with them, to come into the system. Not only do they lose the prestige that the national organization gives them, but in addition to that they would lose by the depreciation on the bonds which they now have in the Treasury in equal amount to their circulation. Just how much this depreciation would amount to I can not, of course, say.

But 2 per cent bonds without the circulating privilege would not certainly be worth over 85 cents at the most. So there would be a loss of 15 to 20 per cent—we do not know just how much—on all the circulation of a bank as well as the loss in prestige and the expense of transferring the business to State charters. If this bill is a measure that will bring a coordination of our banking business, then every bank in the country ought to come into the system. But no bank in the country should be coerced to come into the system. And in my opinion

this provision of coercion has tended and will tend to arouse the opposition of many of the banks, and its effect will be, not to bring the smaller banks into the system, but rather to lead them to resolve to keep out of it. Not a single small bank in my State—and I have heard from many of them—has up to this day expressed the purpose of coming into the system. And yet every one of them would naturally desire to come into a fair system if it shall be established. There would be no necessity for coercion if the legislation is wise and fair. If it is not and workable, this provision will not save it.

Mr. GLASS. Mr. Chairman, I desire to say again, in order that I may not be required from time to time to repeat the statement and therefore consume the time of the committee, that there is not a line or sentence in this bill that confiscates the property of any bank. That is a mere play upon phrase. Moreover, there is not anything of a coercive nature in any provision of this bill that has not been indorsed with absolute unanimity by the national banks and many of the State banks in this country. The same sort of coercion in this bill was contained in the bill suggested by the Monetary Commission, adopted without a dissenting vote by the American Bankers' Association.

Mr. MONDELL. Will the gentleman yield?

The CHAIRMAN. Will the gentleman from Virginia yield to the gentleman from Wyoming?

Mr. GLASS. Yes.

Mr. MONDELL. The gentleman does not mean to have us understand that the Monetary Commission bill compelled the banks to come into the system, does he?

Mr. GLASS. No.

Mr. MONDELL. That is the point that I am making.

Mr. GLASS. No. The point the gentleman made went further than that. But I will modify my response to his inquiry. I will say yes, it compelled them to go in just in the sense that there is not one particle of difference, in effect, in a provision of law that plainly provides that a corporation shall do something and the provision of law that makes it impossible for a corporation to fail to do that very thing. Now, that is the difference between this bill and the proposed Aldrich bill.

Mr. MONDELL. The gentleman will not say that under the Monetary Commission bill the national banks could not have operated outside of the system?

Mr. GLASS. They could have operated outside of the system had they cared to endure the very loss on their bonds to which the gentleman made reference a while ago. If the national banks, under the scheme of the Monetary Commission, had desired to lose the "prestige" to which the gentleman refers or had been willing to lose the 30 per cent of depreciation on their bonds to which the gentleman refers they might have continued to operate under the national banking system. But the gentleman knows very well they would not have done that.

Mr. MONDELL. But the gentleman is not accurate when he says that under the Monetary Commission bill the banks would necessarily have lost on their bonds if they had not gone into that system.

Mr. GLASS. Undoubtedly I was accurate. The banks were given notice, under the express provisions of the Aldrich bill, that unless they would come into the system and impound their bonds within a period of 12 months—the precise period that we have here—they would not have the benefits of the refunding scheme of the system proposed.

Mr. MONDELL. But there were other provisions of that bill in which they would have been protected in the matter of their bonds.

Mr. GLASS. Well, in what way? Will the gentleman point to one?

Mr. MONDELL. There were various ways.

Mr. GLASS. Name one.

Mr. MONDELL. I do not happen to have the bill before me at this moment.

Mr. GLASS. Well, I will loan it to the gentleman. [Laughter on the Democratic side.] I ask for a vote, Mr. Chairman.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Wyoming [Mr. MONDELL] to the amendment of the gentleman from Illinois [Mr. MADDEN].

The question was taken, and the amendment to the amendment was rejected.

The CHAIRMAN. The question now is on agreeing to the amendment offered by the gentleman from Illinois [Mr. MADDEN].

Mr. HAYES. Mr. Chairman, I ask that the amendment be divided.

The CHAIRMAN. A division of the amendment is demanded. Without objection, the Clerk will divide the amendment in reading.

There was no objection.

The Clerk read as follows:

Amendment by Mr. MADDEN:
"Amend section 2, page 3, by striking out the words, in line 4, 'less than twelve' and inserting in lieu thereof, 'more than five.'"

The CHAIRMAN. The question is on agreeing to the first division of the amendment offered by the gentleman from Illinois [Mr. MADDEN].

The question was taken, and the portion of the amendment read was rejected.

The CHAIRMAN. The Clerk will read the next division of the amendment.

The Clerk read as follows:

And inserting, in line 11, page 3, after the word "bank" the words "and State bank and trust company."

The CHAIRMAN. The question is on agreeing to the provision just reported.

The question was taken, and the provision reported was rejected.

The CHAIRMAN. The Clerk will read the next provision in the amendment.

The Clerk read as follows:

And, in line 12, page 3, by striking out "shall be required to" and inserting in lieu thereof the word "may."

The CHAIRMAN. The question is on agreeing to the provision just reported.

The question was taken, and the Chair announced that the noes seemed to have it.

Mr. BUTLER. Mr. Chairman, I demand a division.

The CHAIRMAN. A division is demanded by the gentleman from Pennsylvania [Mr. BUTLER].

The committee divided; and there were—ayes 27, noes 81.

So the provision as read was rejected.

The CHAIRMAN. The Clerk will report the next division of the amendment.

The Clerk read as follows:

And, in line 13, page 3, by striking out the word "twenty" and inserting in lieu thereof the word "ten."

The CHAIRMAN. The question is on agreeing to the provision just reported.

The question was taken, and the provision reported was rejected.

The CHAIRMAN. The Clerk will report the next provision.

The Clerk read as follows:

And, in line 15, page 3, by striking out the word "fourth" and inserting the word "half."

The CHAIRMAN. The question is on agreeing to the provision just reported.

The question was taken, and the provision read was rejected.

The CHAIRMAN. The Clerk will report the next provision.

The Clerk read as follows:

And, in lines 16, 17, 18, 19, 20, and 21, after the word "one" on the sixteenth line, by striking out the words "fourth within 60 days after said subscription is made."

The CHAIRMAN. The question is on agreeing to the provision just reported.

The question was taken, and the provision reported was rejected.

The CHAIRMAN. The Clerk will report the remainder of the amendment.

The Clerk read as follows:

"The remainder of the subscription or any part thereof shall become a liability of the subscriber member bank, subject to call and payment thereof whenever necessary to meet the obligations of the Federal reserve bank," and substitute in lieu thereof the words: "half subject to call upon 60 days' previous notice."

The CHAIRMAN. The question is on agreeing to the provision just reported.

The question was taken, and the provision reported was rejected.

The CHAIRMAN. The Clerk will read the remainder of the amendment.

The Clerk read as follows:

The unpaid portion of the subscription, or any part thereof, shall become a liability of the subscriber, subject to call upon 60 days' previous notice.

The CHAIRMAN. The question is on agreeing to the remainder of the amendment.

The question was taken, and the provision read was rejected.

The CHAIRMAN. The Clerk will read.

Mr. SCOTT. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Kansas [Mr. SCOTT].

The Clerk read as follows:

Amendment offered by Mr. SCOTT:
Page 3, line 21, after the word "bank," insert "in case of the impairment of the capital thereof."

Mr. SCOTT. Mr. Chairman, I offer this amendment for the purpose of directing the attention of the committee to the provision and to some information that I have received, not only from members of the committee but others, in respect to the intention of this clause. I am informed that this is intended to create a secondary liability upon the part of the subscribing stockholders to the Federal reserve banks. In my opinion the clause does not create a secondary liability, neither does it limit the liability of the subscriber to respond, as in cases of the present national banks, and in the case of all banking laws that now exist, when the Federal reserve banks become insolvent, or even in case their capital should become impaired; but the liability exists, constant in all times, subject only to the discretion of the Federal reserve board. In other words, under the bill as it now stands, the Federal reserve board has absolute discretion to call upon the subscribing members for additional payments up to 100 per cent, even though the capital of the Federal reserve bank is absolutely intact. For instance, the Federal reserve bank is compelled by the Federal reserve board to loan money to another Federal reserve bank.

It loans largely and needs ready money. Instead of borrowing or recuperating its resources in any other way, the Federal reserve board, under this clause of the bill, has a right to call for additional payments to capital. That will be likely to result in a want of uniformity in the paid subscriptions to the capital of these various banks, if the power is exercised.

The amendment which I have offered is in the nature not of the ultimate liability of the national stockholders at the present time, but of the intermediate liability, that which requires the stockholders to keep the capital of the bank unimpaired. I believe that in fairness to the subscribing banks that ought to be the limit of their liability, and that an impairment of capital in some degree at least ought to take place before they are required to respond by payment of this extra liability.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa.

The amendment was rejected.

The Clerk read as follows:

Sec. 3. That the capital stock of each Federal reserve bank shall be divided into shares of \$100. The outstanding capital stock shall be increased from time to time as subscribing banks increase their capital or as additional banks become subscribers, and shall be decreased as subscribing banks reduce their capital or cease to be stockholders. Each Federal reserve bank may establish branch offices under regulations of the Federal reserve board at points within the Federal reserve district in which it is located: *Provided*, That the total number of such branches shall not exceed one for each \$500,000 of the capital stock of said Federal reserve bank.

Mr. GLASS. There are several committee amendments to that paragraph, which I ask the Clerk to read.

The Clerk read as follows:

On page 4, line 12, amend by adding, after the figures "\$100," the word "each."

The committee amendment was agreed to.

The Clerk read as follows:

Amend, page 4, line 14, by striking out the word "subscribing" and inserting the word "member."

Mr. TEMPLE. Mr. Chairman, the bill as it stands now differs a good deal from the earlier print, and one important difference is caused by changing the word "subscribing" to the word "member."

In the report of the committee, on page 1, it is said that the word "subscribing" is stricken out and the words "member bank" substituted in order to conform the language to other provisions of the bill, but I think it is very plain that the effect is much greater than that. Member banks and subscribing or stockholder banks are carefully distinguished in sections 8, 9, and 10. National banks might become members at will. Certain State banks might become members by being reorganized as national banks, and other State banks and trust companies might become shareholders; but in no part of section 10, where their privileges are described, are they spoken of as member banks, and in no part of section 10 are they given the rights and privileges of member banks.

Now, the provision in the earlier print for a dividend of 5 per cent on the capital stock of the Federal reserve banks was to be payable to shareholding banks, while the 40 per cent of the excess dividend was to be divided among member banks. Evidently the shareholding banks not members were not to share in that division of the excess earnings.

Now, the pending committee amendment limits the provision for a 5 per cent dividend to the stock held by member banks. If this passes it will mean that the subscribing banks have no rights at all to profits or dividends except under the regulations that may be adopted by the Federal reserve board. I wish the Members would listen attentively to that, because I think it is a matter of exceedingly great importance. When we come to section 10 we will find that the Federal reserve

board has the right to adopt rules and regulations that are to control the rights and privileges of the State banks and trust companies which come into this system and remain State banks and trust companies; that is, come into this system without being reorganized as national banks.

Their rights and privileges are controlled not by the provisions in this act but by the provisions in the rules and regulations to be adopted by the Federal reserve board. That is, this Congress has delegated its right to legislate for these banks to the Federal reserve board. We are legislating for 7,300 banks in the national banking system; we are delegating our right to legislate for the 17,000 banks that are State banks and trust companies. When we change the words "subscribing banks," "share-holding banks," to member banks, we must remember all that it implies in view of the provisions of section 10.

Mr. MURDOCK. Will the gentleman yield? I want to get the gentleman's distinction, and I do not think I do. Does the gentleman contend that a State bank is not a member bank?

Mr. TEMPLE. I can answer that best by quoting the provisions of the bill—that all national banks, whether already organized or hereafter to be organized will be members of the new system, except such existing national banks as may prefer to surrender their charters. Of course, all national banks hereafter organized will be members of the new system. The bill provides that State banks and banking associations may be reorganized as national banks.

Now, there is another section which provides that such State banks and banking associations and trust companies as prefer not to become national banks but to retain their State charters may apply to the Federal reserve board for the privilege of subscribing to the stock, upon which they may become stockholders, and the Federal reserve board shall make such by-laws for their regulation as in its judgment may seem wise.

Mr. TOWNER. I think the gentleman has wisely called our attention to that distinction, but does not the gentleman think that that would hardly be applicable and that the words member bank is proper in this case for this reason? This is a provision for the increase of the capital stock. Now, a bank in order to increase its capital stock must at the time be a member bank, whether it shall have been a national bank or a trust company or a State bank.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. MURDOCK. Mr. Chairman, I ask that the gentleman's time be extended five minutes.

The CHAIRMAN. The gentleman from Kansas asks that the time of the gentleman from Pennsylvania be extended five minutes. Is there objection?

There was no objection.

Mr. TOWNER. Therefore, it seems to me that the words "member bank" in this particular connection would be the proper words to use, and not "subscribing banks." Does not that seem to be true?

Mr. TEMPLE. If that were the only provision in the bill I should say yes; but take the other provisions in connection with it, and especially those in section 10, and I think the gentleman's point is not well taken.

Mr. COOPER. Will the gentleman yield?

Mr. TEMPLE. Yes.

Mr. COOPER. Does the gentleman make a distinction between national banks that subscribe for stock and other banks?

Mr. TEMPLE. No; the bill makes the distinction.

Mr. COOPER. Would not a fair construction of the bill be that its manifest intention is to permit State banks and trust companies to become member banks? On page 18, line 2, the language is:

and said Federal reserve bank shall upon notice from the Federal reserve board be required to suspend said banking association or trust company from further privileges of membership.

This is a direct provision for suspending State banks and trust companies from membership. But before they can be suspended from membership they must be members. It strikes me that, taking the whole section together, the manifest intent is that State banks and trust companies shall be permitted to become members.

Mr. TEMPLE. Mr. Chairman, I am afraid that I shall not be able to answer that question in the five minutes' time that is given me, but I shall attempt it. If you will turn not only to the bill but to the report of the committee on the bill, you will see how the committee understands it. On page 42 of the report it says:

It has been plain, however, that inasmuch as State banks are organized under different codes of legislation it would be unfair to permit banks to become stockholders in the reserve banks and to enjoy the advantages open to national banks which are stockholders unless such banks were subject to practically as high a standard of banking requirement as the national banks with which they compete.

After that it continues:

This does not altogether place the State banks upon the same basis as the national, inasmuch as they are not thus subjected to the same regulations with respect to investments and general business.

Now, if you will turn to the provisions of this bill, page 17, you will find that it says "stock ownership," and not "membership."

It shall be the duty of the Federal reserve board to establish by-laws for the general government of its conduct in acting upon applications made by the State banks and banking associations and trust companies heretofore referred to for stock ownership in Federal reserve banks.

Now, nominally, that is a set of by-laws for the guidance of the Federal board, but the next sentence shows it is for the control of State banks applying for stock in the Federal reserve bank. Let me read that sentence:

Such by-laws shall require applying banks not organized under Federal law to comply with the reserve requirements and submit to the inspection and regulation provided for in this and other laws relating to national banks.

If all the requirements of this act are to be applied to the stockholding State banks and trust companies, there would be no need here to specifically enact that the requirements with regard to reserves shall apply to them. They are not to have the rights guaranteed under this act unless the Federal reserve board in its by-laws gives them those rights. As the bill was written at first, they had the right to 5 per cent interest upon the capital stock, and had no right to participate in the division of 40 per cent of excess earnings. As the bill has been changed, they have not even the right to partake of the 5 per cent dividends unless the by-laws adopted by the Federal reserve board so say.

Mr. TALCOTT of New York. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that the gentleman from Pennsylvania have his time extended for five minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. TEMPLE. Mr. Chairman, I should like to finish my statement before I answer any more questions, and that is this: If I am right, and I think a comparison of section 10 and its provisions with sections 8 and 9, which provides for reorganization of State banks as national banks, will show that I am right, then in addition to the enormous powers conferred on the Federal reserve board we are also conferring upon that board the right to legislate for 17,000 banks, while we are reserving for ourselves only the right to legislate for 7,300 national banks.

Mr. COOPER. Mr. Chairman, will the gentleman yield at this point?

Mr. TEMPLE. Yes.

Mr. COOPER. I desire to call attention to page 42 of the committee report accompanying the bill.

Mr. TEMPLE. That is what I called attention to.

Mr. COOPER. But the gentleman from Pennsylvania did not call attention to the particular words in the report to which I desire to direct his attention at this time. On page 42, after the caption "section 10," the committee goes on to say:

After much examination of the subject it has been deemed best by the committee to permit State banks to become members, that is, stockholders—

Mr. TEMPLE. Yes; a kind of associate members without the full privilege of other members.

Mr. COOPER. One moment. The committee says that it was deemed best to permit State banks "to become members—that is, stockholders"—thus using the words "members" and "stockholders" as synonymous.

Mr. TEMPLE. Oh, no. I understand that the committee when it here calls the State banks "members" immediately qualifies that word by adding the words "that is, stockholders."

Mr. COOPER. No; "to become members—that is, stockholders—in Federal reserve banks," means that the stockholder in the bank is a member of the bank. Is not a man owning stock in a bank a member of that bank?

Mr. TEMPLE. I will have to answer that by reading again the section that I read a moment ago. The report of the committee says a little farther down, in the same paragraph:

This does not altogether place the State banks upon the same basis as the national—

And so forth.

And that is really the interpretation of the committee. We are not enacting the report of the committee into law, but we are enacting the bill into law. I fall back on section 10 as it stands in the bill, and I also maintain that the committee supports my interpretation of the section.

Mr. TALCOTT of New York. Mr. Chairman, will the gentleman refer to page 16 of the bill, line 6?

Mr. TEMPLE. What is the heading given there—State banks as members?

Mr. TALCOTT of New York. That is the heading of section 10.

Mr. TEMPLE. That is the heading, but there is nowhere in that section the guaranty that is found in the section immediately preceding, which declares:

When the comptroller has given to such bank or banking association a certificate that the provisions of this act have been complied with, such bank or banking association and all its stockholders, officers, and employees shall have the same powers and privileges and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by this act or by the national banking act for associations originally organized as national banking associations.

That provision is from section 9, which applies to State banks reorganized as national banks, and there is no such provision in section 10 which applies to these others.

Mr. TALCOTT of New York. But is not the gentleman drawing a distinction between subscribing banks and member banks? And it seems to me that the title is sufficient to explain the distinction.

Mr. TEMPLE. But the title is not law.

Mr. TALCOTT of New York. The text simply goes on and explains what the title is.

Mr. TEMPLE. But section 10 contains no guaranty that the banks that remain State banks shall have the rights and privileges of national banks.

Mr. TALCOTT of New York. Will the gentleman yield further?

Mr. TEMPLE. Certainly.

Mr. TALCOTT of New York. It does contain a provision that State banks that are so reorganized and become national banks shall have those guaranties.

Mr. TEMPLE. But it makes no such provision for those that remain State banks.

Mr. PHELAN. Is there any portion of the bill that says national banks shall be member banks?

Mr. TEMPLE. Yes.

Mr. PHELAN. Where is it, please?

Mr. TEMPLE. All through it.

Mr. PHELAN. Oh, no. Is there any place in the bill where it says national banks shall be member banks?

Mr. TEMPLE. I can not give the page, but I can give the language nearly. It provides, I think in section 8, that national banks now existing shall have all the rights and privileges of national banks that shall be organized hereafter.

Mr. PHELAN. Yes; but it does not use the words "member banks."

Mr. TEMPLE. Yes; that is all the way through. The gentleman is in error.

Mr. PHELAN. I am not; I am asking about the words "member banks." Is that expression used in connection with national banks?

Mr. TEMPLE. In the provisions controlling the work of the organization committee in organizing the reserve banks the national banks within the district are called member banks.

Mr. MURDOCK. Will the gentleman yield to me?

Mr. TEMPLE. Certainly.

Mr. MURDOCK. In section 10, this is the language of the bill to which I would like to call the attention of the gentleman:

The Federal reserve board, under such rules and regulations as it may prescribe, subject to the provisions of this section, shall permit such applying bank to become a stockholder in the Federal reserve bank in the district in which such applying bank is located.

Now, the gentleman contends that under that language the Federal reserve board could cut out a State bank from participation in this 40 per cent.

Mr. TEMPLE. A State bank has the privilege under the law of becoming a stockholder under such by-laws as the Federal reserve board chooses to make, but there is nothing in the act that defines the rights and privileges of the stockholders.

The CHAIRMAN. The time of the gentleman has expired.

Mr. CLARK of Florida. Mr. Chairman, I move to strike out the last word. Mr. Chairman, I was very much interested this morning listening to the discussion on this floor with reference to caucuses. I wish to say, Mr. Chairman, that from inspection of the newspapers of the country and other sources of information there is no complaint with reference to what is denominated a "secret caucus" except from the Republicans and the Progressives and those other statesmen who imagine that this denunciation of the secret caucus may be popular in their districts. I remember, Mr. Chairman, when I first came here

that the Democratic Party upon this floor was divided into a number of factions. The only thing that has ever solidified the Democratic Party in this House was inaugurated by the present Speaker, who, upon being nominated in that year, even when we were in the minority, stated to us that he did not intend to pose as a boss; that he intended to take us into his confidence and that no matter of great importance should ever be acted upon on this floor until after a thorough consultation with the members of the party in this House, and no action taken until every man had an opportunity to fully express himself. He carried out that policy, and to-day instead of a disorganized body of stragglers we present a solid front to the enemies of popular government in this country. [Applause on the Democratic side.] In last November the Democratic Party of this country was charged with the institution of certain reforms by the great masses of the American people. They said to the Republican Party that they had proven false to their promises and they intrusted us with the carrying of these great reforms into execution. Mr. Chairman, because we do not see fit to throw open these doors and these galleries to Republican newspaper reporters and to the enemies of the Democratic Party, these gentlemen are constantly declaiming against what they are pleased to call a "secret caucus." The caucus is held for a conference of Democrats; for an interchange of Democratic views. The people have intrusted us with the duty of carrying these great reforms into execution, and because we do not see fit to invite you into our councils you have no right to complain. [Applause on the Democratic side.]

If the American people had wanted you to confer with us, to advise with us, to help us arrange and put into execution these great reforms, they would have given you the power and they would not have entrusted it to us.

Why, Mr. Chairman, we might as well say, if so unfortunate a thing as war with Mexico should occur, that Gen. Wood should go down to El Paso and, calling his lieutenants about him, should send a message to Huerta inviting him to come over with his lieutenants, that he was going to map out a plan of campaign for the invasion of Mexico and wanted him to be present. We regard you people, and the electorate have declared you to be, the enemies of these reforms. The American people regard you as the enemy of these reforms; they trusted you and you were recreant to that trust; you are not entitled to be present at these conferences; you are unworthy of their confidence; we are charged with carrying them into effect and we intend to do it without your help or without your counsel; we take the responsibility and, so help us God, we will prove true to the American people. [Applause on the Democratic side.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. WINGO. Now, Mr. Chairman, just a word in reference to the amendment which the committee has proposed. It might be well to call the attention of the committee to the fact that you will find this amendment proposed at several places in the bill. In the original print of the bill the words "subscribing banks," "shareholders," and "shareholding banks," and "subscribers" were used interchangeably, and the change in this very amendment was made for the purpose of using the words "member bank" throughout the bill where those different expressions were used, which really meant the same thing. Now, that is all that is meant by this amendment.

The gentleman from Pennsylvania [Mr. TEMPLE] is in error when he undertakes to read from the report of the committee and contend that the committee itself intended to make a distinction between the rights of the shareholders that are State banks and those that are national banks. If he had finished reading the quotation that he made from the report, he would have seen that the committee itself referred to this subscription of the State banks as giving them membership. In other words, taking the very same page from which he read, page 42 of the report, he would find, if he had read on down in the section that he started to read, the subdivision, this language:

As a necessary power in connection with this question of membership section 10 confers upon the Federal reserve board the power to establish by-laws for the general government of its conduct in acting upon applications made by State institutions.

So the gentleman is in error when he contends that that particular part of the report makes a distinction between the rights of State banks and the rights of national banks. As a matter of fact, it is the intention of the bill and the intention of section 10 to give to the State banks membership by complying with certain requirements.

Mr. WILLIS. I would like to ask the gentleman if he contends that these State banking institutions provided for in section 10 will be member banks under the language of the proposed bill, which language is objected to by the gentleman from Penn-

sylvania [Mr. TEMPLE]? Are they member banks or subscribing banks?

Mr. WINGO. Whenever any State bank complies with the provision of section 10 and the requirements therein it becomes a member bank.

Mr. TEMPLE. Will the gentleman yield for a question?

Mr. WINGO. Certainly.

Mr. TEMPLE. I would like to ask this: Whether the committee, which has changed the word "stockholder" to "membership" in many places, would be willing to change the word "stockholder" to "membership" in line 17 of page 16:

The Federal reserve board, under such rules and regulations as it may prescribe subject to the provisions of this section, shall permit such applying bank to become a stockholder—

And so forth. Would the committee be willing to change that word "stockholder" to "membership"?

Mr. GLASS. If I may answer for my colleague, I would say yes, if the committee could think it was at all necessary.

But I call the gentleman's attention to the language of the provision on page 18, where it says that State banks or trust companies, as stockholders of Federal reserve banks, shall, upon notice from the Federal reserve board, be suspended, under certain circumstances, from "further privileges of membership."

Mr. TEMPLE. There is no question but that they have some of the privileges of membership. The question is whether they have all of them.

Mr. WINGO. There is no question but that they have all the privileges. The only prerequisite is that they shall meet the requirements with reference to capital reserves and inspection and general administrative regulations. It simply compels the State banks to comply with the same regulations that the national banks comply with in order to become members. As to the gentleman's reference to the word "stockholder," on page 17, the word "stockholder" is a proper word there, even if you do want to use the word "membership" in place of these other expressions in the bill that I have mentioned.

Whenever a man subscribes to the stock of any corporation he becomes a member of that corporation, and the gentleman's objection to the amendment could be classed as captious. Instead of our amendment being captious, I think the gentleman's objection to it is captious.

Mr. TEMPLE. I will say to the gentleman that it is not meant to be captious. It is in good faith.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Arkansas yield to the gentleman from Kansas?

Mr. WINGO. Yes.

Mr. MURDOCK. I would like to ask this question of the gentleman: Throughout the bill why has the word "stock" been added to the word "capital"?

Mr. WINGO. I am not sure on that point, but my recollection is that it was for the purpose of uniformity. We used the words "capital stock" in some places and in other places used "capital," and I think we made that amendment so as to make it uniform throughout the bill.

Mr. GLASS. There is some question as to whether "capital" comprehends "surplus."

Mr. MURDOCK. And this amendment excludes surplus?

Mr. WINGO. Yes; this amendment excludes surplus. There is no question about that.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. COOPER. Mr. Chairman, I think the gentleman from Arkansas [Mr. Wingo] is correct in his interpretation of the section. In my judgment, there would be no other possible construction to put upon this as a law, if it shall become a law, than that State banks and trust companies may become members of Federal reserve banks.

I take it for granted that nobody will deny that a stockholder in a bank who has the right to vote to help elect its directors is a member of that bank. Now, if gentlemen will turn to page 6 of the bill, they will find a provision that the directors of each Federal reserve bank shall be nine in number, and divided into three classes. Class A shall consist of three directors (line 21) who shall be chosen by the stockholding banks. Observe that language. These three directors are to be elected by banks owning stock in the Federal reserve bank, so that we have section 10 of the bill specifically authorizing private banks to be stockholders in Federal reserve banks, and this provision, on page 6, authorizing such private stockholding banks to vote to help elect directors of Federal reserve banks. Now, if they are not members of the Federal reserve banks I would like some gentleman to tell why. Here is a specific provision that a State bank or a trust company may own stock in a Federal

reserve bank and another provision that such stockholding bank or trust company shall vote to elect one-third of the directors of the Federal reserve bank, and yet gentlemen assert that a bank owning stock and voting to elect directors of another bank is not a member of it. In other words, their contention amounts to a reductio ad absurdum, that somebody entirely outside of a bank is to elect its directors.

The CHAIRMAN (Mr. McKellar). The question is on the adoption of the amendment offered by the gentleman from Virginia [Mr. Glass].

The amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Amend, page 4, line 14, by striking out the word "subscribing" and inserting the word "member," and by inserting, after the word "capital," the word "stock."

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Virginia.

The amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Amend, page 4, line 15, by striking out the word "subscribers" and inserting in lieu thereof the word "members."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Amend, line 16, by striking out the word "subscribing," after the word "as," and inserting the word "member," and inserting, after the word "capital," the word "stock."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Amend, line 17, by striking out the word "stockholders" and inserting the word "members."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 4, line 23, "Federal reserve banks" —

Mr. FOWLER. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman from Illinois [Mr. Fowler] moves to strike out the last word.

Mr. FOWLER. Mr. Chairman, in line 15 the word "subscribers" is used in place of "members." I would like to know why the committee, in order to have all of these different words which represent "member" and in order that there may be a uniformity so that no mistakes might be made, did not substitute for the word "subscribers" the word "members"?

Mr. GLASS. If the gentleman will offer the amendment, the committee will accept it. The committee overlooked it.

Mr. FOWLER. I move to amend, line 15, page 4, by striking out the word "subscribers" and inserting in lieu thereof the word "members."

The CHAIRMAN. The gentleman from Illinois offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amend, page 4, line 15, by striking out the word "subscribers" and inserting in lieu thereof the word "members."

Mr. FOWLER. That makes it conform to the rest of the section.

The amendment was agreed to.

The Clerk read as follows:

FEDERAL RESERVE BANKS.

SEC. 4. That a sufficient number of national banks in a Federal reserve district having made and filed with the Comptroller of the Currency a certificate in the form required in sections 5134 and 5135 of the Revised Statutes of the United States, such national banks shall become a body corporate, and as such, and in the name designated in such organization certificate, shall have power to perform all those acts and to enjoy all those privileges and to exercise all those powers described in section 5136, Revised Statutes, save in so far as the same shall be limited by the provisions of this act.

The Federal reserve bank so incorporated shall have succession for a period of 20 years from its organization, unless sooner dissolved by act of Congress.

Every Federal reserve bank shall be conducted under the oversight and control of a board of directors, whose powers shall be the same as those conferred upon the boards of directors of national banking asso-

ciations under existing law, not inconsistent with the provisions of this act. Such board of directors shall be constituted and elected as hereinafter specified and shall consist of nine members, holding office for three years, and divided into three classes, designated as classes A, B, and C.

Class A shall consist of three members, who shall be chosen by and be representative of the stock-holding banks.

Class B shall consist of three members, who shall be representative of the general public interests of the reserve district.

Class C shall consist of three members, who shall be designated by the Federal reserve board.

Directors of class A shall be chosen in the following manner:

It shall be the duty of the chairman of the board of directors of the Federal reserve bank of the district in which each such bank is situated to classify the member banks of the said district into three general groups or divisions. Each such group shall contain as nearly as may be one-third of the aggregate number of said member banks of the said district and shall consist, as nearly as may be, of banks of similar capitalization. The said groups shall be designated by number at the pleasure of the chairman of the board of directors of the Federal reserve bank.

At a regularly called directors' meeting of each member bank in the Federal reserve district aforesaid, the board of directors of such member bank shall elect by ballot one of its own members as a district reserve elector and shall certify his name to the chairman of the board of directors of the Federal reserve bank of the district. The said chairman shall establish lists of the district reserve electors, class A, thus named by banks in each of the aforesaid three groups and shall transmit one list to each such elector in each group. Every elector shall, within 15 days of the receipt of the said list, select and certify to the said chairman from among the names on the list pertaining to his group, transmitted to him by the chairman, one name, not his own, as representing his choice for Federal reserve director, class A. The name receiving the greatest number of votes, not less than a majority, shall be designated by said chairman as Federal reserve director for the group to which he belongs. In case no candidate shall receive a majority of all votes cast in any district, the chairman aforesaid shall establish an eligible list, consisting of the three names receiving the greatest number of votes on the first ballot, and shall transmit said list to the electors in each of the groups of banks established by him. Each elector shall at once select and certify to the said chairman from among the three persons submitted to him his choice for Federal reserve director, class A, and the name receiving the greatest number of such votes shall be declared by the chairman as Federal reserve director, class A.

Directors of class B shall be chosen by the electors of the respective groups at the same time and in the same manner prescribed for directors of class A, except that they must be selected from a list of names furnished, one by each member bank, and such names shall in no case be those of officers or directors of any bank or banking association. They shall not accept office as such during the term of their service as directors of the Federal reserve bank. They shall be fairly representative of the commercial, agricultural, or industrial interests of their respective districts. The Federal reserve board shall have power at its discretion to remove any director of class B in any Federal reserve bank, if it should appear at any time that such director does not fairly represent the commercial, agricultural, or industrial interests of his district.

Three directors belonging to class C shall be chosen directly by the Federal reserve board, who shall be residents of the district for which they are selected, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank of the district to which he is appointed and shall be designated as "Federal reserve agent." He shall be a person of tested banking experience; and in addition to his duties as chairman of the board of directors of the Federal reserve bank of the district to which he is appointed, he shall be required to maintain under regulations to be established by the Federal reserve board a local office of said board, which shall be situated on the premises of the Federal reserve bank of the district. He shall make regular reports to the Federal reserve board, and shall act as its official representative for the performance of the functions conferred upon it by this act. He shall receive an annual compensation to be fixed by the Federal reserve board and paid monthly by the Federal reserve bank to which he is designated.

Directors of Federal reserve banks shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their respective boards, which amount shall be paid by the respective Federal reserve banks. Any compensation that may be provided by boards of directors of Federal reserve banks for members of such boards shall be subject to review by the Federal reserve board.

The reserve bank organization committee may, in organizing Federal reserve banks for the first time, call such meetings of bank directors in the several districts as may be necessary to carry out the purposes of this act and may exercise the functions herein conferred upon the chairman of the board of directors of each Federal reserve bank pending the complete organization of such bank.

At the first meeting of the full board of directors of each Federal reserve bank after organization it shall be the duty of the directors of classes A and B and C, respectively, to designate one of the members of each class whose term of office shall expire in one year from the 1st of January nearest to date of such meeting, one whose term of office shall expire at the end of two years from said date, and one whose term of office shall expire at the end of three years from said date. Thereafter every director of a Federal reserve bank chosen as hereinbefore provided shall hold office for a term of three years; but the chairman of the board of directors of each Federal reserve bank designated by the Federal reserve board, as hereinbefore described, shall be removable at the pleasure of the said board without notice, and his successor shall hold office during the unexpired term of the director in whose place he was appointed. Vacancies that may occur in the several classes of directors of Federal reserve banks may be filled in the manner provided for the original selection of such directors, such appointees to hold office for the unexpired terms of their predecessors.

Mr. MADDEN. Mr. Chairman, I desire to offer an amendment.

The CHAIRMAN. The Clerk will first report the committee amendments.

The Clerk read as follows:

Amend, pages 4 and 5, by striking out that portion of section 4 beginning with the word "that," in line 24, and ending with the word "act," in line 9, page 5, and inserting in lieu thereof the following:

"The national banks in each Federal reserve district uniting to form the Federal reserve bank therein, hereinbefore provided for, shall, under

their seals, make an organization certificate, which shall specifically state the name of such Federal reserve bank so organized, the territorial extent of the district over which the operations of said Federal reserve bank are to be carried on, the city and State in which said bank is to be located, the amount of capital stock and the number of shares into which the same is divided, the names and places of doing business of each of the makers of said certificate and the number of shares held by each of them, and the fact that the certificate is made to enable such banks to avail themselves of the advantages of this act. The said organization certificate shall be acknowledged before a judge of some court of record or notary public, and shall be, together with the acknowledgment thereof, authenticated by the seal of such court or notary, transmitted to the Comptroller of the Currency, who shall file, record, and carefully preserve the same in his office. Upon the filing of such certificate with the Comptroller of the Currency, as aforesaid, the said Federal reserve bank so formed shall become a body corporate, and as such, and in the name designated in such organization certificate, shall have power to perform all those acts and to enjoy all those privileges and to exercise all those powers described in section 5136, Revised Statutes, save in so far as the same shall be limited by the provisions of this act."

The committee amendment was agreed to.

The CHAIRMAN. There is another committee amendment.

The Clerk read as follows:

Amend, page 8, by inserting, after the words "class A," in line 14, the following:

"In case of a vote the balloting shall continue in the manner hereinbefore prescribed until one candidate receives more votes than either of the others."

The committee amendment was agreed to.

Mr. MADDEN. Mr. Chairman, I offer the following amendment.

The CHAIRMAN. The gentleman from Illinois offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amend, section 4, page 6, by striking out the period and inserting a comma after the word "board," at the end of line 26, and adding thereto the words "and who shall be legal residents of the district in which the Federal reserve bank is located." And on page 9 by striking out all after the word "districts," on line 2, up to and including the word "district," on line 7. And on page 9, lines 10, 11, 12, and 13, by striking out after the word "whom," on line 10, and all of line 11, and all of line 12, and the words "appointed and," in line 13, and inserting, after the word "designated," on line 13, the words "by said board"; and by inserting, after the word "shall," in line 14, the words "be a legal resident of the district for which he is elected and"; and by striking out, after the word "experience," in line 14, page 9, the words "and in," and all of lines 15 and 16 and the word "appointed," in line 17; and on page 10, in line 13, after the word "upon," by striking out the words "the chairman of the board of"; and on line 14, by striking out the word "directors"; also, on line 14, by striking out the word "bank" and inserting in lieu thereof the word "agent." On page 11, line 2, after the word "be," by striking out the words "chairman of the board of directors" and inserting in lieu thereof the words "Federal agent."

Mr. MADDEN. Mr. Chairman, I just want to explain that the first part of this amendment simply provides that directors in Federal reserve banks of class C shall be residents of the district for which they are elected; the second part of the amendment takes away from the board the power to remove directors of class B in Federal reserve banks, and the third part of the amendment takes away the power of the Federal reserve board to name the chairman of the board of directors of the Federal reserve banks and only leaves them the power of naming the Federal reserve agent.

It seems to me that this is a very reasonable proposition. There ought not to be any question about its approval, and every person who wants the banks organized under the terms of this bill to be representative of the section in which those banks are located ought to be willing to take away the power of the Federal reserve board to dictate who shall manage the reserve banks in the various sections of the country, and nobody ought to have any doubt whatever about the necessity and the desirability of having the directors in the various Federal reserve banks elected from among the residents of the territory in which the bank does business.

The CHAIRMAN. The question is on the adoption of the amendment.

The question was taken.

Mr. MONDELL. Mr. Chairman, I desire to make a few observations.

The amendment was rejected.

Mr. MADDEN. I ask for a division of the propositions contained in the amendment.

The CHAIRMAN. It has already been voted on and rejected.

Mr. GARNER resumed the chair.

Mr. LINDBERGH. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Minnesota offers an amendment which the Clerk will report.

The Clerk read as follows:

Page 6, after the word "banks" in line 22, add the following: "But shall not be directors in any member bank."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. LINDBERGH].

Mr. LINDBERGH. Mr. Chairman, my purpose in offering this amendment is to prevent the directors in this case being

directors in any member bank. These persons will obtain information from the fact of their being directors of those banks—that is, member banks in which they are permitted to be a director—and get an advantage which I think they ought not to have, and for that reason I offer the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The question was taken, and the amendment was lost.

Mr. HAYES. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 8, line 6, after the word "any," strike out the word "district" and insert the word "group."

Mr. HAYES. Mr. Chairman, this seems to be a misprint. It is perfectly evident that no director could get a majority of the directors of the district.

Mr. GLASS. The committee will accept that amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. HAYES].

The question was taken, and the amendment was agreed to.

Mr. SMITH of Minnesota. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 6, line 24, after the word "district," insert the words "but they shall not be directors of any member bank."

Mr. SMITH of Minnesota. Mr. Chairman, I wish to say by way of explanation that this appears to be an amendment that is quite necessary. We are now considering the directors of the Federal reserve banks, and it is evident that no director of a Federal reserve bank should be a director of a member bank, for the reason that it is unfair to have a member of the Federal reserve bank, acquainted with all the affairs and working of any member bank, given a chance to use that knowledge for the benefit of his own member bank.

Mr. PHELAN. Mr. Chairman, I wish to point out to my colleague on the committee page 8, beginning with line 18—

Directors of class B shall be chosen by the electors of the respective groups at the same time and in the same manner prescribed for directors of class A, except that they must be selected from a list of names furnished, one by each member bank, and such names shall in no case be those of officers or directors of any bank or banking association.

So you could not get a director of a bank association and have him as a director of class B.

Mr. SMITH of Minnesota. Does that apply to class C?

Mr. PHELAN. I do not think it does.

Mr. TEMPLE. Mr. Chairman, the directors of class A must be directors of member banks, not class C.

Mr. PHELAN. I am talking about class B, and the amendment of the gentleman from Minnesota applies to class B.

Mr. TEMPLE. It is in class A that members are necessarily members of the directorates of the member banks.

Mr. PHELAN. We are not talking about class A at all.

Mr. SMITH of Minnesota. The gentleman says that this does not apply to class C?

Mr. PHELAN. I do not think it does.

Mr. SMITH of Minnesota. Mr. Chairman, I withdraw the amendment and offer another amendment.

The CHAIRMAN. The gentleman from Minnesota asks to withdraw his amendment. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will report the further amendment of the gentleman from Minnesota.

The Clerk read as follows:

Page 6, line 26, after the word "board," insert the words "but they shall not be directors of any member bank."

Mr. SMITH of Minnesota. Mr. Chairman, what I have said in reference to class B applies to class C. I do not think it is the intention of the committee to have any director of the Federal reserve board a director of any member bank except as to class B.

Mr. MURDOCK. Will the gentleman yield?

Mr. SMITH of Minnesota. Certainly.

Mr. MURDOCK. Members of class B are appointed by the Federal reserve board?

Mr. SMITH of Minnesota. Yes.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The question was taken; and on a division (demanded by Mr. SMITH of Minnesota) there were 34 ayes and 66 noes.

So the amendment was lost.

Mr. PLATT. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Page 9, line 5, after the word "appear," insert the following: "To the other directors of any Federal reserve bank."

Mr. PLATT. Mr. Chairman, it seems to me that the discretion given to the Federal reserve board on the top of page 9 in this section of the bill is too broad, and the Federal reserve board is not in a position to know whether the directors of class B fairly represent the agricultural, commercial, and industrial interests of the district, while the other directors of the Federal reserve banks are. It seems to me this power of removal is all right, provided you put some limit upon it, provided you put somebody in there who is in a position to judge whether the directors to be removed do or do not fairly represent the commercial, agricultural, and industrial interests of the district; and I have inserted these few words there with the idea that they would relieve that situation.

Mr. GLASS. Mr. Chairman, may I ask unanimous consent to have the amendment again reported?

There was no objection, and the Clerk again reported the amendment.

Mr. GLASS. Mr. Chairman, may I suggest to the gentleman from New York that it may be that the other directors of the Federal reserve bank would not want the directors of class B to fairly represent the commercial, industrial, and agricultural interests of the community?

Mr. PLATT. It seems to me that is hardly possible.

Mr. GLASS. I think it is possible. Moreover, I think the Federal reserve agent will know whether they properly represent the interests indicated.

Mr. PLATT. This includes the three directors appointed by the Federal reserve board as a part of the other directors?

Mr. GLASS. Yes. The directors, as the gentleman knows, are elected by the banks, and what we are trying to guard against is a regional reserve bank directorate that would entirely fail to represent the commercial, industrial, and agricultural community.

Mr. PLATT. But the regional reserve board is a good ways away from the districts?

Mr. GLASS. Yes; but the Federal reserve board will have its agent there at all times.

Mr. MONDELL. Mr. Chairman, I offer an amendment to the amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Page 9, lines 2 to 7, inclusive, strike out the words "the Federal reserve board shall have power at its discretion to remove any director of class B in any Federal reserve bank if it should appear at any time that such director does not fairly represent the commercial, agricultural, or industrial interests of his district."

The CHAIRMAN. Does the gentleman from Wyoming offer this as a substitute?

Mr. MONDELL. Mr. Chairman, I offer that amendment as a substitute, and it is in effect a part of the amendment offered by the gentleman from Illinois. I desired to discuss that amendment at the time, but was not given the opportunity. The Federal reserve board under this bill has too much authority in any event, but whatever may be our opinion with regard to the authority of the board in its general supervision and control, I think no one will agree that the Federal reserve board ought to have complete control of the reserve banks. The provision which my amendment seeks to strike out is one that would give the Federal reserve board complete power and control of each and every Federal reserve bank. First, they appoint three of the directors; second, they have the power to remove three of the directors, and therefore they control six of the nine directors of the Federal reserve bank, and if those provisions do not give the Federal reserve board complete control over the Federal reserve banks, I can not think of any provision that would give them such control, except provisions that would authorize them to go behind all of the boards of directors of those banks.

Mr. Chairman, I have offered this amendment hoping that it would be considered, but hoping against hope. We have not seen in this House for many years such a farce as we are witnessing to-day. Gentlemen offer amendments. I have a number on my desk I would like to offer, and I realize how futile it all is, and still we go through the form of discussion of this bill, everyone knowing that no matter how proper the amendment may be, how wise it may develop to be in the course of debate, it can not and will not be accepted.

Mr. GLASS. My friend will admit that five years ago he helped to save us from a similar farce by absolutely prohibiting this side from offering any amendments to the Vreeland-Aldrich bill?

Mr. MONDELL. Well, if we did err at that time [laughter] I think we were much more honest in our error than the gentlemen on the other side are at this time. As a matter of fact, it seems to me I think it would be better for the good name of the House if the gentleman from Virginia simply closed debate

on every amendment, because we all know that nothing is gained by offering amendments; nothing is gained by what we may say here; and yet we may feel it our duty, because we favor the legislation, to offer amendments and to make statements in support of them.

Mr. GLASS. But the gentleman from Wyoming would not permit us to perform our duty in that respect five years ago.

Mr. MONDELL. The gentleman from Wyoming did not have anything particular to do with it.

Mr. GLASS. Except to vote for the rule which prohibited us from performing our duty.

Mr. MONDELL. Well, as I said a moment ago, if we erred we were much more honest and upright in our error than the gentlemen on that side are now, who are pretending that an opportunity is being given to debate and amend this bill when we all know there is no such opportunity in fact.

Mr. GLASS. I want to call the gentleman's attention to the fact that just a moment ago the committee accepted an amendment offered by the senior Republican member of the Committee on Banking and Currency.

Mr. MONDELL. Which was an immaterial amendment which the gentlemen between themselves had agreed to.

Mr. BUTLER. Why not let us have permission to offer amendments after the bill is passed?

Mr. MONDELL. It would be just as good.

Mr. WEAVER. Mr. Chairman and gentlemen, I have been a member of the Banking and Currency Committee for more than three months, and of this House for more than six months, and I have followed the axiom which I learned in my boyhood that speech is silver, but silence is golden. You know the great thinkers of history never had much to say. They were silent men. There were Napoleon Bonaparte and the great Prince of Orange, called "William the Silent," and in modern times two illustrious Members of this House, namely, the gentleman from Pennsylvania [Mr. MOORE] and the gentleman from Wyoming [Mr. MONDELL]. [Laughter.] On those rare and isolated occasions when our said colleagues have deigned to illuminate subjects under discussion I have listened to them with singular and surpassing interest. Why, the gentleman from Pennsylvania [Mr. MOORE] is a poet, and his unpremeditated observations are orient pearls at random strung, and my distinguished friend the gentleman from Wyoming [Mr. MONDELL] can gild the palpable and the familiar with the golden exhalations of the dawn. [Laughter.]

It is true that CHAMP CLARK, of Missouri, the beloved Speaker of this House, whose stainless flag I followed in the last campaign with a zeal surpassing that of Peter the Hermit [applause]—it is true that CHAMP CLARK said that these two gentlemen delivered 200 speeches apiece on the tariff bill. Mr. Chairman, I think it was a gross exaggeration. [Laughter.]

I believe I have profited by my silence, because I have met here men with whom association is a liberal education. I confess I have heard some of my colleagues utter platitudes with an air of absolute personal proprietary ownership [laughter and applause] as by right of original discovery. Others I am delighted to hear, like the gentleman from Illinois [Mr. MANN], who speaks like Ben Jonson said of Bacon:

No man spake more pressly, more weightily, or suffered less emptiness, less idleness, in what he uttered.

While differing fundamentally in opinion from him on many public questions, I honor the intellect, the integrity, the courage of the distinguished gentleman from Illinois [applause], the leader of the Bourbon party, that in its defeat has never learned anything and never forgot anything.

I profit also when I listen to the distinguished leader of the know-everything party, the gentleman from Kansas [Mr. MURDOCK]—that magnificent State adjoining my own beautiful and glorious Oklahoma, that "wears upon its baby brow the round and top of sovereignty." [Applause.]

Mr. MURDOCK. Well, but the gentleman does not call me a Bourbon?

Mr. WEAVER. No; far from it; but a progressive of the Progressives, who stands like Saul among the Israelites, head and shoulders above the rest, and who speaks the language of epigram with the grace and genius that God Almighty has given him. [Laughter and applause.]

I had intended, Mr. Chairman, to deliver a classic speech, as a member of the committee, upon the subject of banking and currency. I intended Saturday evening to come as a valuable reinforcement to my distinguished friend, the great leader from Virginia [Mr. GLASS], but I was denied the opportunity. As a member of this committee I would be glad to epitomize the virtues of this bill, but I will not have the time, and I will not take the time at this important juncture.

Mr. DYER. How much time does the gentleman need?

Mr. WEAVER. It will take about 15 minutes.

Mr. DYER. Mr. Chairman, I ask unanimous consent that the gentleman may have 15 minutes.

The CHAIRMAN. Is there objection? The Chair hears none.

Mr. WEAVER. After four days of general debate we now consider the currency bill paragraph by paragraph under the five-minute rule.

I heard the great speech of the chairman of the Banking and Currency Committee, the gentleman from Virginia, CARTER GLASS, with whom I had served on the committee for many days, and when he had finished his analytical and powerful argument in favor of the bill there was nothing either new or illuminating to be added. Emerson said of Plato:

Great havoc makes he among our originalities. We have reached the mountain from which all these drift bowlders were detached.

Following the speech of the gentleman from Virginia interesting essays in favor of the bill and against the bill were read and able speeches on both sides delivered to audiences select indeed but, alas, few in number; but the chairman's opening argument remained with the strength and texture of a mountain of granite with the shafts of the feeble, disorganized, discordant opposition falling spent and harmless at its base.

I purpose to discuss certain features of this bill as we reach them. At this time, beginning the debate, let me summarize what I conceive to be ameliorations and benefits of this great constructive measure over the present bad system that will immeasurably contribute to the welfare of the American people of to-day and of the generations yet unborn.

The present currency and banking system of the United States is the worst in the world. It had its origin in military necessity and is a thing of shreds and patches. The national bank note was created to provide a market for national bonds when the country was engulfed in the maelstrom of civil war. It is based on the Nation's debt, and the debt of the Nation, like the debt of an individual, is always a burden, never a blessing. [Applause.]

No such terrible indictment of defects and vices, self-confessed and capital, was ever drawn and presented to a people as the report of the Monetary Commission, of which Nelson W. Aldrich was the chairman, showing the evils of the odious financial scheme fastened upon the American people by 50 years of Republican legislation in the interest of a strangling money-trust and a Wall Street money-monopoly and to the detriment of the great toiling and producing classes.

The Glass currency bill is primarily designed to correct those great abuses. It is radical, not revolutionary, and is designed to gradually and ultimately supplant the present system. I believe its enactment into law will prove a wholesome remedy for organic disease.

There are three great features of this bill that stand out pre-eminent, like the three bright stars on the belt of Orion. They are:

First. A system of elastic currency responding to the needs of trade, expanding without inflation when needed and withdrawn without contraction when the emergency has passed away.

Second. The power of the Government to fix the rate of interest, and thereby save the fruits of labor from usury's Maremma blight and Upas shadow.

Third. Another great principle of the bill is that the currency shall be based on the products of labor and not on debt, on production and not on speculation. Thereby the energy, industry, and thrift of the American people are at once fostered and rewarded as they deserve to be, for they are the sources not only of the prosperity of individuals but also of the wealth of nations.

A system is here offered whereby any person who has a legitimate basis of credit, and who proposes to engage in a productive enterprise of a commercial, industrial, or agricultural character, shall have at his own doors banking facilities offered him so that he can get at low interest all needed funds.

It will be a God's blessing to the farmers and stock raisers of the South and West—a class that has long borne the burden of exorbitant interest, because of the scarcity of money in those sections, drained from them and concentrated in Wall Street's gambling hell.

Let me tell you of some of the great reforms which this bill inaugurates:

First. Government control is substituted for bank control. Creating a currency for a nation is the highest attribute of a sovereign power, deeply affecting all the diversified interests of the social state. To surrender this power to banks or any private interests is destructive to good government and treason to the people.

The Federal reserve board consists of seven public officers appointed by the President of the United States, subject to confirmation by the Senate, and the President himself is a public officer, and if he violates his trust is subject to impeachment and removal.

Second. The bill provides for the mobilization and use of the cash reserves of the banks whenever needed in times of trouble.

Third. It provides as a basis of the currency, in addition to the present currency, that it shall be issued upon gilt-edge commercial paper of an established standard, issued for the agricultural, industrial, and commercial purposes, thereby promoting industrially, agriculturally, and commercially the great producing and distributing agencies of the wealth of the world.

Fourth. The surplus money of all sections of the country which under the present system has been concentrated in New York and loaned on call and on stock-exchange security is withdrawn and distributed over the different parts of the country equitably in proportion to business demands, thereby becoming available to the great masses of our citizens instead of being monopolized by the gamblers and stock speculators in Wall Street.

Fifth. By withdrawing from New York this surplus money, at a single blow the Money Trust is destroyed.

Sixth. Notes or bills issued or drawn for the purpose of carrying or trading in stocks and bonds are denied the privilege of discount at the Federal reserve banks.

Seventh. Credit facilities between different sections of the country, so long unequal, are made uniform by virtue of the power vested in the Federal reserve board to require Federal reserve banks to rediscount the discounted prime paper of other Federal reserve banks, thereby taking from a bank that is plethoric in funds its surplus to relieve another bank in a section of the country that is flaccid and drained.

Eighth. Adequate banking facilities for all sections of our country are thereby provided to promptly and on reasonable terms meet the ordinary or unusual demands for credit or currency necessary for moving crops or for other legitimate purposes.

Ninth. An instrument is afforded by this bill, namely, the Federal reserve board, that can deal effectively with the broad questions which, from an international standpoint, affect the credit and status of the United States as one of the great financial powers of the world.

Tenth. The bill provides for American banking institutions and branches of the Federal reserve banks in foreign countries, thereby giving American citizens in foreign countries improved banking facilities, facilitating and expanding American trade with all the countries of the world.

Eleventh. The provision for national banks to establish trust and savings branches will enable that department of the banks to give the public far better accommodations by making loans of longer maturity than commercial banking justifies.

Twelfth. The State banks, banking associations, and trust companies are admitted to membership in the system and thereby accorded all its benefits.

Thirteenth. National banks are given the power to loan money upon real estate, thereby enabling them to serve farmers and other borrowers in rural communities.

Fourteenth. The Independent Treasury system is abolished. The irregular withdrawal of money from circulation in periods of excessive Government revenues is avoided, and the entire revenues of the Government are placed in circulation, becoming thereby available to all the people.

Fifteenth. The gradual retirement of the national-bank currency is provided for, thereby paying off the national debt and carrying out Jefferson's pledge—the honest payment of our debts and sacred preservation of the public faith.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. SLOAN. That we may enjoy in full this oasis of oratory in a five days' dreary desert of full debate, I ask unanimous consent that the eloquent gentleman from Oklahoma be given time to conclude his charming address.

The CHAIRMAN. Is there objection? The Chair hears none.

Mr. WEAVER. If these changes and benefits that I have itemized are real and not imaginary, then the bill soon to be adopted by the House and I trust by the Senate will be the greatest piece of constructive legislation within the memory of living men. To have a part, even a humble part, in writing such a measure is rich compensation for many sacrifices made by those engaged in the public service in this high place. I congratulate the American people that in the enacting of this wise, nonpartisan measure for their benefit, independent and patriotic

Republicans and Progressives have indicated an intention of voting with the Democrats for the bill. For, after all, the far-reaching influences of this measure, permeating the business and commerce of the country, will affect benignantly all classes of our people, reaching into the humblest homes, in all the land. And after all, the sole purpose of government is only this: That no shadow shall fall upon the hearthstone of the home. [Applause.]

And I rejoice to believe and know that the great majority of the Members of both Houses of this Congress, of whatever political party, however they may differ on partisan questions, have fundamentally at heart the welfare of the American people and are inspired by noble conceptions of public duty. [Applause.]

Immanuel Kant exclaimed:

Duty! Wondrous thought, that worketh neither by fond insinuation, flattery, nor by any threat, but merely by holding up thy naked law in the soul, and so extorting for thyself always reverence, if not obedience: before whom all appetites are dumb, however secretly they rebel; whence thy original?

I thank you. [Long applause.]

Mr. LINDBERGH rose.

Mr. GRAY. Mr. Chairman—

The CHAIRMAN. Does the gentleman from Minnesota [Mr. LINDBERGH] desire recognition?

Mr. LINDBERGH. Mr. Chairman, I offer an amendment.

The CHAIRMAN. There is an amendment and substitute now pending.

Mr. GRAY. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. Does the gentleman from Minnesota [Mr. LINDBERGH] propose an amendment to the amendment?

Mr. LINDBERGH. No.

Mr. FESS. Mr. Chairman—

The CHAIRMAN. The gentleman from Indiana [Mr. GRAY] is recognized.

Mr. GRAY. Mr. Chairman, the gentleman from New York [Mr. PLATT] has offered an amendment the effect of which is to allow the directors elected by the banks to tell the Federal reserve board what it should do, whom it can remove, and whom it can not remove. The gentleman has a precedent for his amendment. That precedent is found in the Monetary Commission's report at page 13, sustaining section 10 of the Aldrich bill to create a central bank. While section 10 of that bill assumes to vest in the President the power to appoint the governor of the executive board of the National Reserve Association, it provides that such appointment shall be made from a list of three persons submitted to the President by the board of directors elected by the bank; or, in other words, the President is given this great authority to name the governor, but the bank directors are to tell him whom he can select. But this is not all. After the bank directors have told the President whom he can appoint and the President has acted upon their instructions, it is provided that the bank directors may remove the governor thus appointed on their recommendation; or, in other words, if they found that they had not recommended the right man and one not favorable to them, they could take advantage of their own mistake and remove the appointee and submit to the President another list of three from which to make a selection, and thus ultimately secure a man to their full liking. [Applause.] Thus the gentleman would amend this bill to make it conform to the Aldrich central bank bill. He would most graciously and magnanimously allow the reserve board to remove the directors of class B for failure to represent the commercial, agricultural, or industrial classes, but he would require the assent and approval of the banks who selected them before the Federal reserve board was allowed to act.

The Aldrich central bank under private control as provided for in the bill reported out by the Monetary Commission was to be controlled by 46 directors, 41 of whom were to be selected by the banks and 5 by the President of the United States. One of these 5, the governor of the executive board, was to be appointed by the President from a list of 3 named by the banks. There were to be only 4 members appointed by the President on his own free will and without interference from the bank directors, these 4 being the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency. The great liberality in making the Secretary of Commerce and Labor a member of the central reserve board is understood when it is realized that he would be powerless as one of the 5 members appointed by the President with 41 members appointed by the banks. But it is observed by the report that even this limited representation of the public was very unsatisfactory to the banks, and at page 14 is found the following apology for allowing these 5

members out of the 46 members of the board or any members to represent the public to participate in its proceedings [applause]:

The fear has been expressed that the selection of the governor by the President and the provisions making the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency ex officio members of the board of directors of the reserve association might lead to an attempt to control the organization for political purposes.

Following this is an argument to allay the apprehension and fear that the four members appointed by the free will of the President would exert some influence in the control of the currency, and from which we quote the following:

We believe that the participation of these officials in the management of the institution to the limited extent prescribed is necessary to secure a proper recognition of the vital interest the public has in the management of the association.

There are two currency bills to-day before the country. One is the Glass bill, now under consideration by the House. It is proper at this time to assure the opponents of this bill that the Democratic Party assumes full responsibility for it. The Glass bill was introduced by a Democratic administration. It was reported out by a Democratic Banking and Currency Committee. It has been approved by the Democratic Members of this House, and if it passes Congress and is signed by the President it will be a Democratic law.

The other bill is the Monetary Commission bill, which was introduced by a Republican, reported out by a Republican committee of the House and by a Republican committee of the Senate, passed by a Republican House and a Republican Senate, and approved by a Republican President. The members of the commission were appointed by a Republican Speaker of the House and a Republican Vice President acting as the President of the Senate, and the members originally appointed consisted of 11 Republicans and 7 Democrats, and the members signing the report consisted of 9 Republicans and 5 Democrats, some of whom having very strong Republican tendencies on matters of finance.

Edward B. Vreeland, a Republican member of the commission signing the report, and the Republican chairman of the Committee on Banking and Currency of the House of Representatives during the Sixty-second Congress, when the commission was created, presented the report to the House on February 6, 1912, on behalf of the Republicans and urged the passage of the bill. Nelson W. Aldrich, the chairman of the commission, and the chairman of the Committee on Finance of the Senate, a Republican and the leading spirit of the central-bank movement and from whom the bill takes its name, would have presented the same to the Senate and urged its passage if he had remained in the Senate at that time.

The bill is a Republican measure from every standpoint of paternity, association, and support. If this bill had been a good thing, surely this record and unbroken chain of loyalty and support would have entitled Republicans to have claimed full credit for it. If this bill is a bad thing, this unbroken record will allow no escape for its responsibility and will entitle the Democrats to make the Republicans accept the credit for it.

While we assume responsibility for our bill, we intend to see to it that you take the responsibility for your bill, and we do not propose that a part of the Aldrich bill shall be engrafted into the Glass bill by this amendment. [Applause on the Democratic side.]

Mr. FESS. Mr. Chairman, this amendment opens up a question that marks the distinction between the Government controlling the banking business and the Government operating the banking business. While I do not want to indulge in any fulsome praise of any measure or in any vindictive condemnation of any measure, yet with due regard for the talent displayed in the framing of this bill I think that there is not a sufficient distinction made here between the Government operating the banking business and the Government controlling the banking business.

I for one will vote for a measure that will control the banking business and place that control in the hands of the Government, but I dislike to vote for a measure that puts the operation of the banking business in the hands of the Government. I think that there can be no question but that if you give to the Federal board the power to remove three out of nine directors and the power to elect or to appoint three out of the nine directors you have placed the operation of that directorate in the control of the Federal board. For, in the first place, three of them are appointed by the Federal board and they must be subject to it; and, in the second place, three of them are to be removed by the Federal board, if the board sees fit, and they are subject to the Federal board. For the power to remove is coordinate with the power to elect; and while the power to appoint

is initiative the power to remove is final, and the final power is equal to the initiative power, and therefore if you give to the Federal board the power to remove three out of the nine, in addition to the power to appoint three out of the nine, and the three removed are different from the three appointed, you have given into the hands of this board the ability to control six out of the nine. Therefore if the local directorate is the operating agency of the bank and that is under the control of the Federal board, your Federal board is the operating agent, and the Government thus becomes the operating agent both to administer and to operate the banking business.

The other day the gentleman from Massachusetts [Mr. PHELAN]—and I have the highest respect for his judgment—said, in replying to that question, that when the Federal board removes a member of the directorate—and I do not want to speak so as to indicate that I do not believe the gentleman from Massachusetts to be sincere—the power to remove does not prevent the stockholders from exercising the right to reelect. In other words, when the Federal board removes these three, the same force that originally elected them will reelect them.

I want to recall to the attention of my friend the gentleman from Massachusetts one great fact in history that is a bugbear and a stumbling block in this particular instance. It was in the early thirties when President Andrew Jackson ordered the removal of the Federal deposits from the Bank of the United States to 89 State banks, and afterwards instituted the Independent Treasury system, which you are repealing by this act. Remember that the Secretary of the Treasury was not in favor of exercising this power. It was Secretary McLane, of Delaware, and President Jackson, exercising his prerogative, transferred Secretary McLane from the Treasury Department to the State Department, in order that he might make a vacancy in the Treasury Department, which was his right, and to which he appointed Mr. Duane, of Pennsylvania.

Mr. PHELAN. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Ohio yield to the gentleman from Massachusetts?

Mr. FESS. I am afraid I have not time. Let me finish this sentence first. Mr. Duane, of Pennsylvania, I say, was appointed to take McLane's place. Mr. Duane, a great lawyer, questioned the constitutional right of the President to remove these deposits, and so stated to the President. The President thereupon removed Mr. Duane, as you all know, and appointed in his place Roger B. Taney, of Maryland, who, you know, later became the great Chief Justice of the Supreme Court. Roger B. Taney, exercising the wish of the President, removed these deposits from the United States Bank to the 89 State banks.

Now, I speak to my friend from Massachusetts [Mr. PHELAN], who says that if you remove these men the same power that originally elected them will elect their successors. What assurance have you that the same power that originally removed the three men will not exercise the power to remove the next three if they think that they do not represent this particular interest, which gives the largest possible latitude in the judgment of these men? [Applause on the Republican side.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wyoming.

Mr. HAYES. May we have the amendment and the substitute reported?

The CHAIRMAN. If there be no objection, the amendment and the substitute will be again reported.

The Clerk read as follows:

Substitute offered by Mr. MONDELL:

"Page 9, lines 2 to 7, inclusive, strike out the words 'The Federal reserve board shall have power at its discretion to remove any director of class B in any Federal reserve bank if it should appear at any time that such director does not fairly represent the commercial, agricultural, or industrial interests of his district.'"

Amendment offered by Mr. PLATT:

"Page 9, line 5, after the word 'appear,' insert the following: 'to the other directors of any Federal reserve bank.'"

The CHAIRMAN. The question is on the substitute of the gentleman from Wyoming [Mr. MONDELL].

The substitute was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. PLATT].

The amendment was rejected.

Mr. FOWLER. I move to strike out the last word. I do this for the purpose of calling the attention of the chairman of the committee in charge of the bill [Mr. GLASS] to the words "stock holding," before the word "bank," on page 6, line 22. I think the words "stock holding" should be stricken out and the word "member" inserted in lieu thereof in order to conform to the idea which the distinguished chairman of the committee [Mr. GLASS] has suggested heretofore. I do not see any more force to the words "stock holding" in this connection than would be conveyed by the word "member," and it would

preserve the continuity and regularity of the use of the word "member" in the bill.

If the chairman thinks as I do about the matter, I shall be glad to offer the amendment to strike out the words "stock holding" and insert in lieu thereof the word "member," which will make the sentence read:

Class A shall consist of three members, who shall be chosen by and be representative of the member banks.

Mr. GLASS. Mr. Chairman, I see no particular objection to the amendment, but I do not see that it will improve the bill in any respect.

Mr. COOPER. Will the gentleman from Virginia permit a question?

Mr. GLASS. Yes.

Mr. COOPER. Does not the use of the word "member" render it much more obscure than it would be to leave the words "stock holding"?

Mr. GLASS. I think so.

Mr. COOPER. "Stock holding" are very simple, easily understood words. The use of the word "member" might require the reading of a dozen sections of the bill.

Mr. GLASS. I quite agree with the gentleman.

Mr. COOPER. I think the words "stock holding" should be left, by all means.

Mr. FOWLER. Mr. Chairman, the word "member" as applied here means a member of a Federal reserve bank. If that word is used throughout this bill whenever the individual bank or member bank is referred to, it will give the reader a complete understanding of what the word "member" means; but if other terms are substituted indiscriminately, the students will be bound to study the bill to see just what is meant by "member" and other words used to convey the same meaning as it does. As in this case, if you say "stock-holding bank," it might indicate to some that "stock holding" and "member" do not mean the same; but if "stock-holding bank" means the same as "member bank," a fact of which there can be no denial, then the word "member" ought to be substituted for the words "stock holding." Consistency is said to be a jewel.

The CHAIRMAN. Does the gentleman offer the amendment?

Mr. FOWLER. Mr. Chairman, I do not desire to be in opposition to the committee, but I offer this amendment as a suggestion. I believe it will improve the bill and make it much more uniform.

The CHAIRMAN. The gentleman from Illinois offers an amendment, which the Clerk will report.

The Clerk read as follows:

Page 6, line 22, strike out the words "stock holding" and insert in lieu thereof the word "member."

The amendment was rejected.

Mr. LINDBERGH. I offer an amendment.

The CHAIRMAN. The gentleman from Minnesota offers an amendment, which the Clerk will report.

The Clerk read as follows:

On page 7, add a new paragraph after the word "bank," in line 12, as follows:

"No officer or director of a national bank, State bank, banking association, or trust company admitted to membership in a regional reserve bank under the provisions of this act shall be an officer or director of any bank or financial corporation or institution admitted hereunder, and no person shall be an officer or director of any bank admitted hereunder who is a private banker or is a member of a firm or partnership of bankers engaged in the business of receiving deposits."

Mr. LINDBERGH. Mr. Chairman, I am not one of those Members who favor a divided responsibility. I recognize this Government as one great Government.

Mr. GLASS. Mr. Chairman, I make the point of order that the gentleman's amendment is not germane.

Mr. LINDBERGH. Mr. Chairman, I think the gentleman's point of order comes too late.

The CHAIRMAN. The Chair thinks the point of order is too late.

Mr. LINDBERGH. Mr. Chairman, I recognize this Government as one great government divided into districts, as far as the House is concerned, each district having a Member to represent it on the floor of the House. I do not believe you can legally divide the Government so as to have one section or one party responsible for all the acts on this floor.

This amendment that I have offered, according to newspaper reports, was also offered in the Democratic caucus which was held here a few weeks since to determine what bill should be presented for the consideration of the House. I believe it to have been a good provision to put in the bill, and it is because of that fact that I offer it. I do not offer it simply because it was offered in the Democratic caucus, but because the principle involved in the provision is a good principle and one which was recommended by the committee consisting of Democrats who had in charge the so-called Money Trust investigation.

Why they did not place that provision in the bill as a part of the policy they claim to stand for I do not understand. But to me and every Member of the House who takes the most serious view of the things that come up here for consideration we do not believe we can be divided in responsibility. We have each taken an oath to perform the duties of our office, and in view of that oath, and in view of my duty, I offer this amendment, knowing, of course, that it is foreclosed by the caucus to start with, but nevertheless I feel the responsibility that rests upon me and shall try to put into the bill as many amendments as I think will improve it.

Therefore I have offered the amendment, and I hope it will receive full and fair consideration, irrespective of caucus action. The people of my district are as much concerned in a proper currency bill as any of the constituents of Members who tie themselves hands and feet, and mouth closed. It is a fact that with the caucus tie-up we are prevented from inserting many provisions that would materially improve the bill.

Mr. MURDOCK. I rise to support the amendment of the gentleman from Minnesota. Mr. Chairman, curiously, the RECORD never precisely shows the public a view of the exact transactions of the House, never exactly gives the people a view of the House itself and of its proceedings. To-morrow morning's RECORD will give no one who reads it, outside of these persons here present, the precise position of the House at this hour. We have been working on the consideration of this great measure now nearly four hours. There are present at this time some fifty Members on the other side of the aisle and probably as many more on this side. There are, roughly estimating, 100 people in the galleries, and there are five members of the press above the Speaker's stand.

Here is one of the most momentous measures that it is possible to bring before the American Congress. Here is the vital moment, when it is supposed to be under construction, when a major amendment is offered. Why out of a membership of 435 have we only 100 here at this time, at that period of the proceedings of the House, under the five-minute rule, when the individual Member is supposed to have some rights, in offering amendments, preserved to him?

Mr. LINDBERGH. Will the gentleman yield?

Mr. MURDOCK. No; I can not yield.

Mr. DONOVAN. Will the gentleman yield?

Mr. MURDOCK. I can not yield. I want all my five minutes. What is the matter? I will tell the gentleman from Connecticut what is the matter. The trouble is the caucus. Every Member of Congress knows that the caucus closed this bill against all possible amendment. Just as in the tariff bill, the gentleman from Alabama sat there, and every time he voted "no" the majority voted "no." So in this great currency bill, when the able gentleman from Virginia votes "no," then the majority votes "no." That is the trouble. The caucus has foreclosed the rights of the people in this bill as well as those of every Member on this floor.

The caucus is getting to be pretty hot for the gentlemen on the majority side. It is getting to be a pretty warm poker to hold. But I take no stock in the accusations against the Democrats that come so fluently from the Republican side. [Applause on the Democratic side.]

My memory goes back to the currency bill of 1908. The Republican leadership of this body brought in a rule which provided that a majority vote could suspend the rules. What did that mean? It meant that the majority could put through this body a measure without anybody having a right to amend the bill. The Vreeland bill was first considered in the House, after it had been taken away from the regular Banking and Currency Committee and placed in the hands of the favorites of the organization. From the House the bill was sent to the Senate, and when it was pending in the Senate there was declaration after declaration from the Republicans of this body that they would never vote for it if it came back with the Aldrich features added to the Vreeland plan. It came back with the Aldrich features added bodily to it. And what happened? Where was your advocacy of representative Government then, my Republican friends?

What were you doing then? Why, you were permitting your leadership to gag you. And they did gag you. They rammed these Aldrich amendments down your throats. Now, it is very pleasant here, in the matter of gag rule, to hear the pot calling the kettle black, but does it get us anywhere? All men when they are not in power talk about what they will do if the people will only put them in power. When the Aldrich bill was before the House and was rammed down the throats of the Republicans over here you Democrats denounced them, and you were right; but when you were put in power, oh, what a difference in the morning! The time has come for you Democrats to clean

up this evil practice of the caucus. The caucus is the device of the devil. It is not a part of representative government. The Constitution has no mention of it. The public welfare is defeated by—

The CHAIRMAN. The time of the gentleman from Kansas has expired. The question is on the amendment offered by the gentleman from Minnesota.

Mr. DONOVAN. Mr. Chairman, I ask unanimous consent that the time of the gentleman from Kansas may be extended for five minutes.

The CHAIRMAN. The gentleman from Connecticut asks unanimous consent that the time of the gentleman from Kansas be extended for five minutes. Is there objection?

Mr. COX. I object.

The CHAIRMAN. The gentleman from Indiana objects. The question is on the amendment offered by the gentleman from Minnesota.

Mr. DONOVAN. Mr. Chairman, a parliamentary inquiry. In order to get the floor, may I move to strike out the last word? Is that the rule?

The CHAIRMAN. That is proper.

Mr. DONOVAN. Then I so move. [Laughter.]

The CHAIRMAN. The gentleman from Connecticut moves to strike out the last word.

Mr. DONOVAN. Now, Mr. Chairman, I want to ask the gentleman from Kansas [Mr. MURDOCK] a question; or, in other words, I wish to criticize the gentleman, and to say that when he rose to the floor to express the truth why should he omit some of it and only partially tell the tale? Why did you not tell it as it is?

Mr. MURDOCK. Let the gentleman amend what I said.

Mr. DONOVAN. Wait a moment. I hold you to this position: You are an old Member, and you hardly tell what is the fact here, and it ought to be considered in this term—that it is nearly criminal. You ought to have stated here, and let it go into the RECORD, that the leaders on both sides have abandoned this bill and have put it in the hands of new Members and inexperienced ones.

Mr. MURDOCK. I deny that.

Mr. DONOVAN. Why did you not say that?

Mr. MURDOCK. I deny that.

Mr. DONOVAN. Why did not you say that for weeks and for months there has been barely a quorum here, and that most of the time less than half a quorum has been doing business? Why did not you say that they are drawing their pay regularly, and that it is no way for honest men to do—to abandon the position and draw the pay? Take a great State like the State of New York, with scarcely any of its Members present, and other great States, and there is a very small percentage of them present.

Mr. MURDOCK. Will the gentleman yield?

Mr. DONOVAN. Others were present, but not more than an average of half of them from each State in the Union; and take the great State of Kentucky, one of the original thirteen. Where are the Members from that State?

Mr. LANGLEY. Mr. Chairman, will the gentleman yield?

Mr. DONOVAN. Certainly.

Mr. LANGLEY. I am here.

Mr. DONOVAN. Oh, I know the gentleman is here. He has been here the past three days, but he has not been here for months before that.

Mr. LANGLEY. The gentleman from Connecticut is not correct in that statement, and he knows he is not correct.

Mr. DONOVAN. I suggest to the gentleman from Kentucky that the parliamentary proceedings require him to first address the Chairman. [Laughter.]

Mr. LANGLEY. When the gentleman makes a statement of that character I take it that I have a right to answer him. And I propose to do it anyhow.

Mr. DONOVAN. Mr. Chairman, I yield to the gentleman from Kansas.

Mr. MURDOCK. Mr. Chairman, my question has got cold by this time. [Laughter.] The gentleman had fired me up. I ask the gentleman this: He mentioned the fact that a lot of men from different States are not here. What under heaven would they be doing here? The caucus has closed all action. What good would it do if this Chamber were filled? What if there were 435 Members present?

Mr. DONOVAN. They could do the same as they do in other places. If they do not earn their money, they should resign or go home.

Mr. MURDOCK. They ought to abolish the caucus. That is what they ought to do.

The CHAIRMAN. The time of the gentleman from Connecticut has expired. The question is on the amendment offered by the gentleman from Minnesota.

Mr. GLASS. Mr. Chairman, I simply want to say a word to the gentleman from Minnesota [Mr. LINDBERGH] and the gentleman from Kansas [Mr. MURDOCK]. If either gentleman does not know why the amendment against interlocking directorates was not included in this bill, it is because he was not here on Saturday night to listen to what I had to say. It was omitted because we did not think a proposition of that sort was pertinent to a bill of this kind; and the better to demonstrate that the gentleman from Minnesota and the gentleman from Kansas agreed with that view, I call attention to the fact that the gentleman from Kansas [Mr. MURDOCK] had the privilege of naming a member of the Banking and Currency Committee, as I understand, and he designated the gentleman from Minnesota [Mr. LINDBERGH]. The gentleman from Minnesota introduced two currency bills, which were referred to the Committee on Banking and Currency, neither one of which contained any provision against interlocking directorates. [Applause on the Democratic side.]

Mr. LINDBERGH. Will the gentleman permit a question?

Mr. GLASS. Certainly.

Mr. LINDBERGH. The bill I introduced, which was my own bill—I introduced one of your bills with additional provisions—but the bill I introduced which was my own bill did not require any such provision, because by the very terms of the act it took care of that, and the reason I did not introduce this amendment in the committee was because the members of the committee stated in the official meeting of that committee that neither provision could be inserted in that bill in committee because the caucus had determined every material issue that could be placed in the bill. [Applause on the Republican side.]

Mr. GLASS. Why, that did not prevent the gentleman from offering other amendments to the bill. [Applause on the Democratic side.] But as a matter of fact, neither one of the bills he presented contained anything about interlocking directorates, and, as a matter of fact, that proposition is not pertinent to currency legislation.

Mr. LINDBERGH. Upon that question the gentleman and I disagree.

Mr. GLASS. We do; and this side is going to beat you on that proposition.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The question was taken, and the Chair announced the yeas seemed to have it.

On a division (demanded by Mr. LINDBERGH and Mr. MURDOCK) there were—yeas 44, yeas 71.

So the amendment was rejected.

Mr. LA FOLLETTE. Mr. Chairman, I desire to offer the following amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

At the end of line 26, page 6, add the following: "And shall be chosen from persons living within the territory served by the Federal reserve banks to whose directorate they are designated."

Mr. LA FOLLETTE. Mr. Chairman, on page 6, beginning with line 21, the directors who are to control the Federal reserve banks are divided into three classes—classes A, B, and C. Class A, of course, are to be chosen by members of the banks themselves, and they will naturally choose people within their own territory and belonging—

Mr. PHELAN. Will the gentleman yield?

Mr. LA FOLLETTE. Yes.

Mr. PHELAN. If the gentleman will notice on page 9, lines 8, 9, and 10, it says:

Three directors belonging to class C shall be chosen directly by the Federal reserve board, who shall be residents of the district for which they are selected.

Mr. LA FOLLETTE. That is correct. Taking this without any explanation here or rather not following it up, I had overlooked it, and I therefore withdraw the amendment.

The CHAIRMAN. The gentleman withdraws his amendment.

Mr. SINNOTT. Mr. Chairman, I desire to offer the following amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amend, line 22, page 8, by inserting after the word "of" the word "stockholders."

Mr. SINNOTT. Mr. Chairman, the amendment which I have offered relates to the directors under class B. The directors under class B are the directors who shall be the representatives of the general public in said district; that is, I take it the general public in said district as distinguished from the banking interests of the district. Now, on page 8, line 22, the provision provides that the directors of class B shall not be officers or

directors of any banking institution. That, I assume, is inserted for the purpose of getting directors who are not in any way interested or associated with banks and banking as officers or directors. I think that the object in getting directors wholly divorced and disassociated from banks and bankers can be better attained and that object can be better safeguarded if those directors are not only not taken from the directors and officers of banks, but they shall not even be taken from the stockholders of banks.

You may, by the provision on page 8, it is true, eliminate nominal directors and officials of banks and banking associations from membership under class B. You may eliminate dummy directors from class B by the provisions on page 8, but stockholders who may have a greater and deeper interest in the affairs of banks and banking institutions may get on this board unless you absolutely eliminate from class B not only directors of banks but stockholders.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oregon [Mr. SINNOTT].

Mr. PHELAN. Mr. Chairman, the committee considered the matter at great length in the committee room. It is a difficult thing to get the stockholders so that they are going to satisfy everybody, but I wish to point out one thing in reference to the amendment offered by the gentleman, which I think will perhaps change his mind on the proposition without going into it at length.

In a great many towns and small cities it is almost impossible to find men who are representative of the agricultural, industrial, and commercial interests who are not stockholders in banks. I know in my State it is true that many of the men who are prominent in business in one way or another are stockholders in the banks. Now, if you excluded stockholders, and this would apply particularly to the smaller places, by that very exclusion you might prevent the bank from getting just the kind of men whom you want to represent those great interests. In large cities it is not so difficult, but in small cities it is. That and other reasons were the controlling reasons why the committee did not exclude stockholders from banks serving as directors in Federal reserve banks in class B.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oregon [Mr. SINNOTT].

The question was taken, and the amendment was rejected.

Mr. MURDOCK. Mr. Chairman, I offer the following amendment.

The CHAIRMAN. The gentleman from Kansas offers an amendment, which the Clerk will report.

The Clerk read as follows:

Page 9, line 4, after the word "bank," insert the words "after due public hearing."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas [Mr. MURDOCK].

Mr. MURDOCK. Mr. Chairman, I wish to call the attention of the chairman of the committee, the gentleman from Virginia [Mr. GLASS], to just what my amendment does. With it added, the sentence in question in the bill will read as follows:

The Federal reserve board shall have power at its discretion to remove any director of class B in any Federal reserve bank after due public hearing, if it should appear at any time that such director does not fairly represent the commercial, agricultural, or industrial interests of his district.

I want to review briefly the formation and plan of organization of the Federal reserve board and the underlying banks as provided in this measure. First, we provide a Federal reserve board. Beneath it we have 12 Federal reserve banks, and in each Federal reserve bank we have 9 directors; 3 of those directors are to be bankers, class A; 3, of class B, are to be men who represent the agricultural and industrial life of the district, who are not to be bankers; and 3, class C, are to be selected by the Federal reserve board. But the Federal reserve board, which has considerable power—which I do not begrudge, because I believe in a system like this the central board must have power—has the power to remove the directors who represent the agricultural and industrial life of the district, and who are not bankers, without a public hearing. The Federal board can take them out if they so desire. It might be on occasion for some unwarranted cause in this connection. I call the attention of the committee to the fact that in the matter of officials of Federal reserve banks this provision is made further along in the bill:

To suspend the officials of Federal reserve banks and, for cause stated in writing with opportunity of hearing, require the removal of said officials for incompetency, dereliction of duty, fraud, or deceit, such removal to be subject to approval by the President of the United States.

Now, gentlemen, on the one hand is the business man who has been taken into one of these Federal reserve banks as a director. It is possible for the Federal board to discharge him without giving him a chance for public defense, without giving him a

chance for a hearing. On the other hand is the bank official, and in the case of the official there must be a hearing, and the charges against the banker must be stated in writing, and a chance given him for public defense. Why should not a private citizen who is taken into this system enjoy as many rights as the man who is the banker in the system? It seems to me that the amendment that I propose would work only justice, and it could not under any possible circumstances work injustice. Realizing that it probably will not be accepted, I do press it, however, upon the chairman of the committee.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas [Mr. MURDOCK].

Mr. GLASS. In answer to the gentleman from Kansas, I desire to suggest that we must consider the reasonableness of propositions involved in the provisions of this bill. The directors of class B are to be removed for only one cause, and that is if they do not "fairly represent the commercial, industrial, or agricultural interests of the community."

The very fact that this provision is here will inevitably cause the regional bank electors always to choose men who do plainly represent either one or all of these interests. In the case of an officer of the bank who is subjected to temptation and who may divert the funds of the bank, or who may pursue an administrative or executive policy that would result in the ruin of the bank, the charge against him might be serious, directly affecting his integrity, and he ought to have a hearing. In the first case the power, as the gentleman from Kansas will see upon reflection, will rarely, if ever, be exercised.

Mr. MURDOCK. I wrote the amendment after I heard the gentleman make a remark about two hours ago. If I understood the gentleman from Virginia aright, he said, in the course of debate, that directors of class B should be taken out from under the power of directors in the reserve banks.

Mr. GLASS. I said they should not be put under their power.

Mr. MURDOCK. He said they should be free. I agree with the gentleman as to that. Having heard him make that remark, it occurred to me it might be a good plan, in view of the possibility that the Federal reserve board might attempt to remove one of these men without warrant, to put a curb on the board. It is not likely to happen, but it might happen, and it does seem to me that the provision as it stands is harmful.

Mr. GLASS. I think the gentleman is simply illustrating his extreme view concerning "publicity" in matters where publicity is not really required.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Kansas [Mr. MURDOCK].

The question was taken, and the amendment was rejected.

Mr. DYER. Mr. Chairman, I desire to offer two amendments. The first one is an amendment to line 9, on page 9. I want to call the attention of the gentleman from Virginia to it. It is to strike out the comma after the word "board," on page 9, line 9, and insert the word "and," so that it will read, "Three directors belonging to class C shall be chosen directly by the Federal reserve board, and who shall be residents of the districts for which they are selected."

Mr. GLASS. I will say, Mr. Chairman, that we accept that amendment.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Missouri [Mr. DYER].

The Clerk read as follows:

Page 9, line 9, after the word "board," strike out the comma and insert the word "and."

Mr. GLASS. Mr. Chairman, I suggest that the word "who" be stricken out and that the word "and" be inserted.

Mr. DYER. Very well; I will offer that.

Mr. MANN. Let the amendment be reported again.

The CHAIRMAN. The Clerk will again report the amendment as modified.

The Clerk read as follows:

Page 9, line 9, after the word "board," strike out the comma and the word "who" and insert in lieu thereof the word "and."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. DYER. Mr. Chairman, I offer an additional amendment, which I send to the Clerk's desk.

The CHAIRMAN. The gentleman from Missouri [Mr. DYER] offers an additional amendment, which the Clerk will report.

The Clerk read as follows:

Page 9, line 13, after the words "Federal reserve agent," insert the following, to wit, "who shall be a citizen of the district in which such Federal reserve bank to which he is appointed is located."

Mr. GLASS. That is already in the bill.

Mr. DYER. Mr. Chairman, I will say to the chairman of the committee that it appears that that is the intention of the bill, to so have it that the Federal reserve agent shall be a citizen of the district wherein the bank is located, but it does not say that. It says he shall reside there.

Mr. PHELAN. It says that all three "shall be residents," and he is one of the three.

Mr. DYER. I understand; but my amendment provides, I will say to the gentleman from Massachusetts, that he must be a citizen of the district. It is easy to bring somebody into that district and make him a resident, but the amendment which I have presented, which I believe is in accordance with the intention of the framers of this bill, provides that the Federal reserve agent shall be a citizen. That is all that my amendment does.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Missouri [Mr. DYER].

The question was taken, and the amendment was rejected.

Mr. WILLIS. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Ohio [Mr. WILLIS] offers an amendment, which the Clerk will report.

The Clerk read as follows:

In lines 24 and 25, page 9, strike out the words "to be fixed by the Federal reserve board and" and insert in lieu thereof the words "of \$3,000, to be fixed by the Federal reserve board," so that lines 23, 24, and 25, after the period in line 23, shall read as follows: "He shall receive an annual compensation of \$3,000, to be paid monthly by the Federal reserve board."

Mr. MURDOCK. Is that the agent for the Federal reserve board?

Mr. WILLIS. Yes.

Mr. MURDOCK. Three thousand dollars a month?

Mr. LA FOLLETTE. They should not be paid \$3,000 a month. They should be paid proportionately.

Mr. WILLIS. The \$3,000 is the annual compensation. If this amendment shall be adopted, it will read:

He shall receive an annual compensation of \$3,000, to be paid monthly by the Federal reserve bank to which he is designated.

It is perfectly clear. It is the same language in that respect as the language here in the bill.

Mr. Chairman, I have offered this amendment to call attention to what seems to me to be an unwise and undesirable provision of the bill. This Federal reserve agent is to all intents and purposes an officer of the United States; that is to say, he is the official representative of this Federal reserve board, which is a governmental entity, and therefore to all intents and purposes he is an official of the United States, charged with tremendously important duties and responsibilities.

I think it is unwise legislation to provide that an official of that character, charged with such important duties as are devolved upon him by this bill, shall have the amount of his salary determined by any authority other than the body which creates the office. In other words, this is an important office, ranking, I think, in importance with the members of the Federal reserve board, and the salary of the office should be determined now by Congress and not left to possible political influences brought to bear on the Federal reserve board.

Mr. GLASS. May I interrupt the gentleman?

Mr. WILLIS. Certainly.

Mr. GLASS. Does my friend think that the Federal reserve agent of the regional reserve bank in New York ought to be paid the same salary that is paid to the Federal reserve agent of the regional reserve bank in New Orleans, who would perhaps have one-fifth as much work to do?

Mr. WILLIS. Mr. Chairman, in reply to the very proper and pertinent query of the chairman of the committee I want to say that I had thought of that. I think if we could work out some plan that would be otherwise unobjectionable it would be highly desirable to have some scale of salaries; but in further response to the gentleman's inquiry let me say that while it is undoubtedly true that there will be larger sums of money handled, say, in the New York bank than in the New Orleans bank, yet as a matter of fact it is as easy to write \$10,000,000 as it is to write \$1,000,000.

The responsibilities and the duties of the office are practically the same in every one of these banks. As I understand the bill, that is the whole theory of the proposition—that there shall be a dozen entities here, with practically the same duties. Therefore I do not think it would be any serious injustice to provide that these Federal reserve agents shall receive the same salaries everywhere.

I am frank to say that I do not know whether the amount I have suggested in the amendment is proper. I have written it very hastily. Perhaps it ought to be more than \$3,000; perhaps it ought to be less. I do not know about that. But I want to call the attention of the Committee of the Whole to what it is about to do if it does not adopt some amendment of this char-

acter. It is about to provide for the creation of a dozen extremely important offices without undertaking to say what the salaries attached to those offices shall be. It has been brought to the attention of the House a number of times that one of the serious objections to the pending bill, in the minds of those who really want to vote for some sort of a currency bill at this session of Congress, is the fact that the Federal reserve board as constituted under the terms of this bill will certainly have great power, which it could use in a political sense if it so desired. Of course everybody understands that those who framed the bill have not had any such object in view; but it is one of the objections, perhaps a necessary objection, to any kind of currency legislation that there is a chance for the abuse of power vested in the Federal reserve board. I submit that when you put in the hands of the Federal reserve board the authority to say what the salaries of men shall be all over this country you have vastly increased the opportunity for political misdoing. It seems to me that if we were to adopt an amendment that would fix the salaries of these men, who are practically officials of the United States, charged with an immense responsibility, we would, so far as possible, take away from this Federal reserve board the occasion to use their power for political purposes.

Mr. MURDOCK. Mr. Chairman, I rise for the purpose of supporting the amendment of the gentleman from Ohio [Mr. WILLIS]. It appears to me from reading the bill that these Federal reserve banks are going to be money-makers. They will be permitted first to earn 5 per cent cumulative dividends for the member banks, and they are permitted, second, to earn an indefinite additional amount, 60 per cent of which is to go to the Government and 40 per cent of which is to accrue to the profits of the banks.

Now, I would like to see the bill so written that the amount which is to go to the banks and to the Government above the 5 per cent will be as little as possible. I would like to see the expense of the new reserve banks held down. I think, if possible, Congress should write into the law the maximum amount to be paid to the district agents designated by the reserve board.

Mr. MONTAGUE. Will the gentleman yield?

Mr. MURDOCK. Certainly.

Mr. MONTAGUE. Does the amendment of the gentleman from Ohio provide for fixing a maximum sum?

Mr. MURDOCK. No; it does not; that is the fault of the amendment.

Mr. MONTAGUE. Does the gentleman think it would be wise to have the agent paid the same for every district?

Mr. MURDOCK. I think we ought to fix some amount. I realize the difficulty mentioned by the gentleman from Virginia [Mr. GLASS] that a different salary may be necessary in different districts; still we ought to provide for a maximum in some way.

Mr. MONTAGUE. Does not the gentleman think we are running some danger in assuming administrative duties in a legislative body? That is an administrative function.

Mr. MURDOCK. My experience in Congress has led me to believe that we rarely get out of the laws what we write into them when we leave a wide latitude in the matter of regulation to the department. We usually get out of laws we pass through this body results that we did not intend to get, for the reason that we leave so much to administration. I would like to see this body write into this law as many of the details of this plan as it can, and I thought that possibly this would help along that line.

Mr. MADDEN. Mr. Chairman, I would like to suggest an amendment to the amendment, making the compensation of the Federal reserve agents not less than \$5,000 and not to exceed \$7,500.

The CHAIRMAN. The gentleman from Illinois offers an amendment to the amendment, which the Clerk will report.

Mr. MANN. The amendment of my colleague would be necessarily a substitute.

The CHAIRMAN. The Clerk will report the substitute.

The Clerk read as follows:

Page 9, line 27, after the word "compensation," insert "not less than \$5,000 and not more than \$7,500."

The CHAIRMAN. The question is on the substitute offered by the gentleman from Illinois [Mr. MADDEN].

Mr. DYER. Mr. Chairman, does the gentleman think that he can find a competent man to act as a Federal reserve agent for such a reserve bank as would be established in Chicago or St. Louis for \$7,500?

Mr. MADDEN. Well, the gentleman from Missouri is a competent man, and he acts here in the capacity of a Member

of Congress for \$7,500, and is glad to do it, and he has to pay his campaign expenses out of that. [Laughter.]

The CHAIRMAN. The question is on the substitute offered by the gentleman from Illinois.

The question was taken; and on a division (demanded by Mr. MURDOCK) there were 22 ayes and 68 noes.

So the substitute was lost.

The CHAIRMAN. The question now is on the original amendment offered by the gentleman from Ohio.

The question was taken, and the amendment was lost.

Mr. MONDELL. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 9, amend by striking out all of lines 8 to 16, inclusive, and the word "appointed" in line 17 and insert in lieu thereof the following: "Three directors belonging to class C shall be chosen directly by the Federal reserve board from among the residents of the district for which they are selected; one of the said directors, who shall be a person of tested banking experience, shall be designated by said board as 'Federal reserve agent.'"

Mr. MONDELL. Mr. Chairman, the bill as it is now written makes the Federal reserve agent the chairman of the board of directors of the Federal reserve bank. As Federal reserve agent he is, as the gentleman from Ohio suggests, in effect a Government official. In any event, he is the direct representative of the central governing body. As the chairman of the board of directors he would preside over the deliberations of the Federal reserve banks. I do not think it requires any argument to prove that a man occupying this dual position, having the power and influence that appointment as a Federal reserve agent would give him, if he were a man of force of character, would entirely dominate or largely dominate the Federal reserve banks, and through him the Federal board would dominate and control the Federal reserve banks. I think it important that we should make some provisions with regard to the amount of pay such an official should receive, but it is infinitely more important, it seems to me, if we are to retain any independence at all in the Federal reserve banks, that authority and control of this official shall be curtailed, and that he shall not, as the special representative of the central governing board, with his enormous power, be also in the position of chairman of the board of directors of the bank.

I know that one of the answers that has been made to an argument similar to this is that the chairman of a board of directors oftentimes does not exercise a very great deal of influence over the deliberations of the board, but that can only occur in cases where the chairman is a man lacking in force of character. In the case of these appointments, undoubtedly of men of force and strength of character, they will entirely dominate the Federal reserve banks, and we shall lack that independence that these banks ought to have of the will of the central governing board.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wyoming.

Mr. MORGAN of Oklahoma. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman moves to strike out the last word.

Mr. MORGAN of Oklahoma. Mr. Chairman, the gentleman from Pennsylvania [Mr. MOORE] in his remarks made reference to the savings banks deposits in the State of Oklahoma, stating that the per capita deposits in the State of Oklahoma amounted to only 80 cents, a less amount than in any other State in the Union. I understood him to convey the impression that this was uncomplimentary to the people of the State. I desire to say a few words in answer thereto. I find in examining the report of the Comptroller of the Treasury that it is estimated that Oklahoma on June 4, 1912, had a population of 1,863,000. At that time the State had 913 banks, with loans and discounts amounting to \$82,772,561. Of cash on hand there was \$8,202,596, and the total resources amounted to \$139,265,612. The individual deposits amounted to \$85,827,874.

Mr. Chairman, at that time there were 38 States that had a less number of banks than Oklahoma. Only the great States of Pennsylvania, New York, Texas, Ohio, Illinois, Minnesota, Iowa, Missouri, and Kansas had more banks than Oklahoma, and the banks of 18 States had less loans and discounts, and the banks of 20 States had less total resources than the banks of Oklahoma.

The banks of 25 States, more than half, had less capital stock than did the banks of Oklahoma, and the banks of 17 States had less individual deposits than the banks of Oklahoma. Among the States whose banks had less capital stock than the banks of Oklahoma are Arizona, Nevada, Utah, Idaho, Oregon, New Mexico, South Dakota, North Dakota, Delaware, Mississippi, Alabama, South Carolina, Florida, Rhode Island, Vermont, New Hampshire, and Maine.

Mr. Chairman, I think there is very good reason why the people of Oklahoma have not much money in the savings banks. In the first place, we have only two savings banks proper within the State. Oklahoma has had a remarkable career of growth and development. In less than 25 years we have attained a population of 1,800,000 people, and we have acquired wealth until our property, according to its assessed value, is valued at more than a thousand millions of dollars, and our mines, and forests, and farms, and factories create an annual wealth of over three hundred millions of dollars.

Mr. WEAVER. The gentleman should also say something about the Oklahoma oil wells.

Mr. MORGAN of Oklahoma. We have 24,000 producing oil wells, adding to the wealth of the State every year \$65,000,000. That is more than a million dollars for every week in the year. There are a thousand new wells being drilled to-day. [Applause.] We have the largest supply of natural gas of any State in the Union, and since you have heard my colleague, Mr. WEAVER, speak this afternoon you all know that we have eloquent men there also.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. MORGAN of Oklahoma. Mr. Chairman, I ask unanimous consent to proceed for one minute more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. MORGAN of Oklahoma. Here is the point: The opportunity for profitable investment for the man who has small means is greater in Oklahoma than in Pennsylvania or Connecticut or any of the older States. Hence our people put their money in land, in lots, in property that grows in value and gives a much larger return than the interest allowed on savings banks deposits. Instead of a little pittance of 3 per cent per annum our people expect to make 10 or 25 per cent per annum upon investments which are made in Oklahoma, and we invite you all, the gentleman from Pennsylvania [Mr. MOORE] especially, to come down there and invest in some of our properties. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wyoming.

The question was taken, and the amendment was rejected.

The Clerk read as follows:

INCREASE AND DECREASE OF CAPITAL.

SEC. 5. That shares of the capital stock of Federal reserve banks shall not be transferable nor be hypothecated. In case a subscribing bank increases its capital, it shall thereupon subscribe for an additional amount of capital stock of the Federal reserve bank of its district equal to 20 per cent of the bank's own increase of capital, 10 per cent of said subscription to be paid in cash in the manner hereinbefore provided for original subscription, and 10 per cent to become a liability of the subscribing bank according to the terms of the original subscription. A bank applying for stock in a Federal reserve bank at any time after the formation of the latter must subscribe for an amount of the capital of said reserve bank equal to 20 per cent of the capital of said subscribing bank, paying therefor its par value in accordance with the terms prescribed by section 2 of this act. When the capital of any Federal reserve bank has been increased either on account of the increase of capital of the banks holding stock therein or on account of the increase in the number of stockholding banks, the board of directors shall make and execute a certificate to the Comptroller of the Currency showing said increase in capital, the amount paid in, and by whom paid. In case a subscribing bank reduces its capital it shall surrender a proportionate amount of its holdings in the capital of said Federal reserve bank, and in case a bank goes into voluntary liquidation it shall surrender all of its holdings of the capital of said Federal reserve bank. In either case the shares surrendered shall be canceled and the bank shall receive in payment therefor a sum equal to its cash paid subscriptions on the shares surrendered.

Mr. MANN. Mr. Chairman, I was going to ask unanimous consent that the committee amendments be reported and be voted on in gross, unless some Member desires a separate vote.

The CHAIRMAN. Without objection, the committee amendments will be voted on in gross.

There was no objection.

The CHAIRMAN. The Clerk will report the amendments.

The Clerk read as follows:

Page 11, line 15, strike out the word "subscribing" and insert "member." Page 11, line 21, strike out the word "subscribing" and insert the word "member." Page 11, line 25, after the word "said," insert the word "Federal." Page 12, line 1, after the word "capital," insert the word "stock." Page 12, line 3, after the word "capital," insert the word "stock." Page 12, line 5, after the word "capital," insert the word "stock"; after the word "of" strike out the words "the banks holding stock therein" and insert the words "member banks." Page 12, line 7, after the word "of," strike out the word "stockholding" and insert the word "member." Page 12, line 10, strike out the word "subscribing" and insert the word "member." Page 12, line 11, after the word "capital," insert the word "stock." Page 12, line 13, after the letter "a," insert the word "member." Page 12, line 16, after the word "and," strike out the word "the" and insert the words "such member." Page 12, line 17, after the word "therefor," insert the words "under regulations to be prescribed by the Federal reserve board."

Mr. FOWLER. Mr. Chairman, the Clerk should have read as a committee amendment the word "stock," in line 14.

The Clerk read as follows:

Page 12, line 14, after the word "capital" insert the word "stock." The question was taken, and the amendments were agreed to. Mr. BULKLEY. Mr. Chairman, I offer two additional committee amendments.

The CHAIRMAN. The Clerk will report the amendments. The Clerk read as follows:

Page 11, lines 18 and 19, after the word "capital," strike out "10 per cent" and insert in lieu thereof the words "one-half."

The question was taken, and the amendment was agreed to.

The Clerk read as follows:

Page 11, lines 20 and 21, after the word "and," strike out the words "10 per cent" and insert the words "one-half."

Mr. MANN. Mr. Chairman, I wish the gentleman would explain under what conditions the other half of the capital stock subscribed could ever be called for?

Mr. BULKLEY. It would be subject to call by the Federal reserve bank, and the condition would probably be an impairment of the capital stock of the reserve bank through losses. Does that answer the gentleman's question?

Mr. MANN. It would only be called for probably in the case of the failure of the bank. Is that right?

Mr. BULKLEY. In case of loss. Any loss would have to be repaired, and it would be the duty of the reserve bank to call for the additional subscription in case its capital stock might have been impaired.

Mr. MANN. How could there be a loss of the capital stock? The proposition is to build up a reserve. How could the capital stock ever be lost unless the bank fails?

Mr. BULKLEY. When you once get the surplus built up I think it is very unlikely there will be any impairment of capital, and in fact I think there is very little chance of there being any loss at any time, but this is simply a provision that is put in here out of precaution, and it is analogous to the double liability which stockholders in national banks assume by becoming stockholders.

Mr. MANN. I presume that is the reason it was put in. You have copied most everything else in this bill from the Aldrich bill, and that item may have been copied from the national banking law.

Mr. BULKLEY. This was in the Aldrich bill, too.

Mr. MANN. As a matter of fact, while it has been widely stated that this would take 20 per cent of the capital stock of the banks, there is no way of collecting more than 10 per cent except in an emergency that can not possibly arise.

Mr. BULKLEY. That is exactly true, and we do not think there is any chance in the world that it will ever be called.

The CHAIRMAN. The question is on the adoption of the amendment.

The question was taken, and the amendment was agreed to.

Mr. MURDOCK. Now, Mr. Chairman, I would like to ask the gentleman from Ohio [Mr. BULKLEY], after the reserve bank has been formed and a member bank wants to get into the reserve bank, what is the situation as regards this? The reserve bank will have a surplus of 20 per cent?

Mr. BULKLEY. We are assuming that this occurs after 20 per cent surplus shall have been built up.

Mr. MURDOCK. Yes. So the shares of that bank, if the shares are at par, shall be 120? Now, what does the new member bank pay to get into the reserve bank?

Mr. BULKLEY. It pays par. The gentleman must remember that the reserve built up is at all times the property of the United States Government. It is there as an insurance fund against losses, and it may be used in case the reserve bank incurs any loss. But when a bank goes out of the system it gets par for its stock, and its share of the surplus goes to the United States Government.

Mr. MURDOCK. So, now, the shares of stock in the reserve bank will not be above par if a new member applied for participation?

Mr. BULKLEY. No; the shares would cost par to a new member coming in, and par would be paid to a member going out.

Mr. MURDOCK. And the surplus to the Government is not taken into account in that arrangement?

Mr. BULKLEY. No; it is not taken into account in fixing the price of the stock. It all belongs to the Government.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SEC. 6. That if any shareholder of a Federal reserve bank shall become insolvent and a receiver be appointed, the stock held by it in said Federal reserve bank shall be canceled and the balance, after deducting from the amount of its cash-paid subscriptions all debts due by such insolvent bank to said Federal reserve bank, shall be paid to the receiver of the insolvent bank. Whenever the capital stock of a Federal reserve bank is reduced, either on account of a reduction in capital of any

bank or of the liquidation or insolvency of any such bank, the board of directors shall make and execute a certificate to the Comptroller of the Currency showing such reduction of capital stock and the amount repaid to such bank.

The CHAIRMAN. Without objection, the committee amendments will be voted on in gross. [After a pause.] The Chair hears no objection. The Clerk will report the committee amendments.

The Clerk read as follows:

Page 12, line 20, strike out the words "shareholder of a Federal reserve" and insert in lieu thereof the word "member."

Also:

On page 13, line 2, after the word "capital," insert the word "stock," and after the word "any" insert the word "member."

Also:

Line 3, page 13, after the word "such," insert the word "member."

The CHAIRMAN. The question is on the adoption of the committee amendments.

Mr. MURDOCK. Mr. Chairman, I would like to ask the committee what is the significance of the change from shareholder in a reserve bank to a member bank? Why was the change made? What does it do?

Mr. GLASS. It simply does as was indicated when we had that matter under discussion a little while ago. It conforms the language of this provision to the language in the other provisions.

Mr. MURDOCK. The member bank is only a member of this reserve bank. So it is a question of change of language without change of meaning?

Mr. GLASS. That is all.

The CHAIRMAN. The question is on agreeing to the committee amendments.

The committee amendments were agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

DIVISION OF EARNINGS.

SEC. 7. That after the payment of all necessary expenses and taxes of a Federal reserve bank the shareholders shall be entitled to receive an annual dividend of 5 per cent on the paid-in capital, which dividend shall be cumulative. One-half of the net earnings, after the aforesaid dividend claims have been fully met, shall be paid into a surplus fund until such fund shall amount to 20 per cent of the paid-in capital of such bank, and of the remaining one-half 60 per cent shall be paid to the United States and 40 per cent to the member banks in the ratio of their average balances with the Federal reserve bank for the preceding year. Whenever and so long as the surplus fund of a Federal reserve bank amounts to 20 per cent of the paid-in capital and the shareholders shall have received the dividends at the rate of 5 per cent per annum heretofore provided for, 60 per cent of all excess earnings shall be paid to the United States and 40 per cent to the member banks in proportion to their annual average balances with such Federal reserve bank; all earnings derived by the United States from Federal reserve banks shall constitute a sinking fund to be held for the reduction of the outstanding bonded indebtedness of the United States, said reduction to be accomplished under regulations to be prescribed by the Secretary of the Treasury. Should a Federal reserve bank be dissolved or go into liquidation, the surplus fund of said bank, after the payment of all debts and dividend requirements as heretofore provided for, shall be paid to and become the property of the United States.

Every Federal reserve bank incorporated under the terms of this act and the stock therein held by member banks shall be exempt from Federal, State, and local taxation, except in respect to taxes upon real estate.

The CHAIRMAN. Without objection, the committee amendments will be reported in gross. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Page 13, lines 9 and 10, strike out the word "shareholders" and insert the words "member banks."

In line 11, after the word "capital," insert the word "stock."

In line 15, after the word "capital," insert the word "stock."

In line 22, after the word "capital," insert the word "stock," and strike out the word "shareholders" and insert the words "member banks."

Page 14, line 13, after the word "the," insert the word "capital."

The CHAIRMAN. Without objection, the committee amendments will be agreed to.

There was no objection.

Mr. MANN. Mr. Chairman, I would like to ask the gentleman from Virginia [Mr. GLASS] what is the result of exempting the Federal reserve banks from taxation?

Mr. GLASS. Well, not being a lawyer, I can not perhaps answer the gentleman fully. We were advised that it was permissible under the law and Constitution to except it.

Mr. MANN. The national bank now pays what taxes, or taxes on what? Does it pay a State or local tax?

Mr. GLASS. They pay a local tax only upon real estate.

Mr. MURDOCK. What about the capital stock?

Mr. GLASS. As I said to my friend, I am not familiar with the law involved in that proposition.

Mr. MANN. I can not hear my friend.

Mr. GLASS. I say, as I said to my friend from Illinois, I am not exactly familiar with the law upon that particular feature of the bill. What is it that the gentleman desires to know?

Mr. MANN. I desire to know whether this goes any further than the law in reference to national banks?

Mr. BULKLEY. Mr. Chairman, if I may be permitted to answer, I will say it does.

Mr. MANN. I thought it did.

Mr. BULKLEY. The shares of national banks are taxable in the hands of the holders, and this bill proposes that the shares of stock held by member banks shall not be taxable.

Mr. MANN. Do not national banks now pay any taxes except upon real estate directly?

Mr. MURDOCK. In some States they do on the capital stock.

Mr. BULKLEY. Oh, yes; they pay.

Mr. MANN. Then it is proposed to have the national banks pay, but the Federal reserve bank is not to pay State taxes?

Mr. BULKLEY. No. The Federal reserve bank is not to pay State taxes, according to this bill.

Mr. MANN. Is there any way, either by deposits or sale of securities or things of that sort, that the local national bank will be enabled to escape taxes?

Mr. BULKLEY. I hardly think so. The bill does not propose that credits which the member banks may have with the Federal reserve bank shall not be taxable. It simply provides that their shares of stock shall not be taxable.

Mr. MANN. It provides that the reserve banks can not be taxed?

Mr. BULKLEY. Yes; it provides that the reserve bank can not be taxed, but a credit with the reserve bank could be taxed.

Mr. BALTZ. Mr. Chairman, will the gentleman from Ohio yield?

The CHAIRMAN. Does the gentleman from Ohio yield?

Mr. BULKLEY. Yes.

Mr. BALTZ. Would not that be double taxation?

Mr. BULKLEY. I think it might be if both taxes applied.

Mr. BALTZ. It would be.

The CHAIRMAN. Without objection, the committee amendments will be considered as agreed to. Is there objection?

Mr. TEMPLE. I reserve the right to object, Mr. Chairman. I want to say a word. I wish to be recognized.

The CHAIRMAN. The gentleman from Pennsylvania [Mr. TEMPLE] is recognized.

Mr. TEMPLE. Mr. Chairman, with regard to this paragraph on page 14, at the end of section 7, which provides that—

Every Federal reserve bank incorporated under the terms of this act and the stock therein held by member banks shall be exempt from Federal, State, and local taxation, except in respect to taxes upon real estate—

I wish to say that it is out of harmony with other portions of the bill. On page 22, line 9, the Federal reserve board is given power—

To suspend for a period not exceeding 30 days (and to renew such suspension for periods not to exceed 15 days) any and every reserve requirement specified in this act: *Provided*, That it shall establish a graduated tax upon the amounts by which the reserve requirements of this act may be permitted to fall below the level hereinafter specified, such tax to be uniform in its application to all banks; but said board shall not suspend the reserve requirements with reference to Federal reserve notes.

Now, this provision might be understood to apply only to the national banks—the member banks—and not the Federal reserve banks, if there were not a specific reservation with regard to the Federal reserve notes. I would understand, then, that the Federal reserve board may tax the Federal reserve banks on the amount by which the actual reserve is permitted to fall below the required legal reserve. If that is the case, the provision on page 14, exempting the bank from Federal taxes, simply means that we will arrange in the charter that Congress shall not tax the Federal reserve banks, but the Federal reserve board may tax them. We have delegated our taxing power to the Federal reserve board, just as in the other section to which I called attention some time ago we have delegated our legislative power to the Federal reserve board.

Mr. BARKLEY. Does the gentleman realize that the provision on page 22 is in the nature of a penalty assessed against the bank if it allows its reserve to drop below the required amount?

Mr. TEMPLE. I do; but it is a penalty which is specifically called a tax.

Mr. BARKLEY. And this other has reference to the direct taxes levied either by State or Federal or any other subdivision of government.

Mr. TEMPLE. Direct taxes levied by the Federal Government? It does not say so.

Mr. BARKLEY. Of course, there are no indirect taxes levied upon national banks, but the State taxes are direct.

Mr. TEMPLE. According to one provision, the banks are to be exempt from Federal, State, and local taxes, except in respect to taxes on real estate. In the other provision we provide specifically that the Federal reserve board may tax them. That is not all. On page 19 there is another manner in which the Federal reserve board may tax Federal reserve banks:

The Federal reserve board shall have power to levy semiannually upon the Federal reserve banks, in proportion to capital stock, an assessment sufficient to pay its estimated expenses for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year.

That provision is found on page 19, in lines 18 to 23. The Federal reserve board is to have certain expenses. I do not know how large those expenses are to be, but I call your attention to a provision on page 16 that puts the Bureau of the Comptroller of the Currency under the control of the Federal reserve board. Now, I should like to know whether all the expenses of the comptroller's office are to be considered part of the expenses of the Federal reserve board, and therefore to be included in those expenses for which the Federal reserve board has a right to levy a second and different kind of tax from that which I referred to a moment ago.

That is not all. There is a third manner in which the Federal reserve board may tax the Federal reserve banks, or in which we provide that the Federal reserve banks shall be taxed. That is, they are to pay what we call interest on the Federal reserve notes. When that payment was required upon national-bank notes we frankly called it a tax on the issue of the notes. Now we call it interest of one-half of 1 per cent a year.

There is one other point I should like to make, as briefly as I have tried to make this.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MADDEN. I ask unanimous consent that the gentleman be allowed to speak for five minutes more. He is talking very intelligently upon this subject and we ought to know what he has to say.

The CHAIRMAN. The gentleman from Illinois asks unanimous consent that the gentleman from Pennsylvania [Mr. TEMPLE] be allowed to proceed for five minutes. Is there objection?

There was no objection.

Mr. TEMPLE. After these three forms of taxation are considered, of which I have already spoken, I call attention also to the fourth, which is the largest. After all expenses are paid and 5 per cent dividends on the capital stock have been declared, then the remaining earnings of the Federal reserve banks are to be divided, 40 per cent going to the owners and 60 per cent to the Government of the United States. There is a tax of 60 per cent on the earnings, when we specifically provide that they are to be exempt from Federal tax. Exempt from Federal tax, when we provide four ways by which the Federal reserve board may tax them, one of them requiring the payment of 60 per cent of their excess earnings after the owners have received a dividend of 5 per cent!

I repeat that in the section which gives the Federal reserve board power to make by-laws for the government of State banks and trust companies that may come into the new system without becoming national banks we have delegated the legislative powers of Congress to the Federal reserve board. In the provisions of which I am now speaking we are delegating the taxing powers of Congress. I trust that the powers of the Federal reserve board, which other provisions of the bill have made enormous, may not be so increased.

Mr. MANN. Mr. Chairman, I should like to ask one more question. I assume that one of the purposes of this provision is to exempt the Federal reserve banks and the member banks from a Federal income tax on their profits. Is that correct?

Mr. BULKLEY. I understand this would exempt them from the Federal income tax so far as the income is derived from stock in these Federal reserve banks.

Mr. MANN. Both the Federal reserve bank and the member bank?

Mr. BULKLEY. I understand so.

Mr. MURDOCK. Will the gentleman yield?

Mr. BULKLEY. Yes.

Mr. MURDOCK. I understand that in some States the capital of the bank is taxed, not the shares in the hands of the stockholders. If a bank in Arkansas, for instance, with a capital of \$100,000, should pay \$20,000 to the reserve bank in paying the State tax, will it subtract \$20,000 from \$100,000?

Mr. BULKLEY. It will subtract whatever it paid in subscription to the capital stock of the regional reserve bank.

Mr. MURDOCK. From the taxable capital in the State?

Mr. BULKLEY. Yes; there is no doubt about that.

Mr. BARKLEY. Will the gentleman yield?

Mr. BULKLEY. Yes.

Mr. BARKLEY. Is the gentleman quite sure that he is correct? The capital stock of the local bank will not be decreased to the amount equal to one-fifth subscribed for the Federal bank, and under the State law requiring the taxation of the capital stock at par value would not the whole capital be taxed?

Mr. BULKLEY. If there is any confusion in what I said, it may be due to my not understanding the question of the gentleman from Kansas. What I said was that the shares of the several regional reserve banks in the hands of member banks are not taxable and may be deducted from the total amount of property—may not be returned, so far as that is concerned, in making out the State tax return. That has nothing to do with the tax that may be laid on shares of stock of member banks in the hands of stockholders.

Mr. MADDEN. Does it also exempt the money received as dividend from the regional reserve banks?

Mr. BULKLEY. The dividend paid to member banks would not be taxable.

Mr. MADDEN. Does the gentleman think that is just when a man working for \$4,000 a year as a clerk in the bank would be taxable on \$1,000 of his income?

Mr. BULKLEY. I think the Federal reserve banks are paying quite a good deal to the Government. We are providing that they shall pay 60 per cent of their net earnings to the Government by way of dividends.

Mr. MADDEN. I am not speaking of what the regional reserve banks are paying to the Government; I am speaking of the stockholding members.

Mr. BULKLEY. We have limited them to 5 per cent, and I think they ought to get it.

Mr. MADDEN. They get 5 per cent and 40 per cent.

Mr. BULKLEY. That is not on capital stock. Forty per cent of the earnings is divided in proportion to the balances carried with the regional reserve banks, and that will in part compensate them for loss of interest which they now get from the reserve agents. It will not fully compensate them at that.

Mr. MADDEN. I do not object that they are getting a part of the earnings that are not paid out in dividends, because I think they are entitled to more than 5 per cent. The point I wish to make is that there ought not to be any good reason for exempting income received from that payment of the income tax any more than there is of exemption of the income that I receive from another source.

Mr. BULKLEY. The Government does not limit the gentleman's income, and we are limiting their income; and having limited it to 5 per cent, I want them to get 5 per cent.

Mr. WILLIS. Will the gentleman yield?

Mr. BULKLEY. Certainly.

Mr. WILLIS. I want to be sure that I understand the question of the gentleman from Illinois. Does my colleague state that the portion of the resources of a bank invested in the capital stock of the reserve bank would be exempt from taxation?

Mr. BULKLEY. Yes.

Mr. WILLIS. That property is subject to taxation under various State laws.

Mr. BULKLEY. So far as it may be in the State it is subject to taxation.

Mr. COX. Will the gentleman yield?

Mr. BULKLEY. Certainly.

Mr. COX. I want to know what signification, if any, the word "cumulative" has.

Mr. BULKLEY. It means this: Suppose 5 per cent was not earned this year and the banks were only able to pay 2 per cent. If they earned more than 5 per cent the next year, they could declare more than 5 per cent and keep on declaring a higher dividend until the amount should come to 5 per cent for each year since the beginning of the bank.

Mr. COX. And if they reached the point where it amounted to 5 per cent each year, they would have reached the limit? A deficiency in one year may be made up in a later year.

Mr. McKENZIE. Mr. Chairman, before the gentleman resumes his seat will he yield for a question?

Mr. BULKLEY. Yes.

Mr. McKENZIE. Are not the undivided profits and the surplus of national banks taxable now in the various States?

Mr. BULKLEY. I understand so.

Mr. McKENZIE. By what process of reasoning does the gentleman arrive at the conclusion that the undivided profits and surplus of these regional banks should not be taxed?

Mr. BULKLEY. Mr. Chairman, these regional banks are in a different situation from the national banks. These regional banks are more directly the instrumentalities of the Government, and the Government is taking the greater share of the

profits in them, and we are limiting the amount that the member banks may get out of them, and within the limit which we have set we think the member banks ought to get those dividends without deduction by reason of State taxation.

It must be remembered that if 12 regional banks are established there will be but 1 such bank to 4 States. Yet these banks are established to serve the business of all the States, and each of them which serves a territory greater than a single State must necessarily be owned in part outside the State in which it happens to be located. It would be most unfair to permit a State, simply because a Federal reserve bank is located within its borders, to tax the property of this bank at the expense of banks in other States which, under the terms of this law, may have invested in stock of the Federal reserve bank. States may tax the stock of national banks and require such banks to pay the taxes assessed against their stockholders and later reimburse themselves from their stockholders. Such a provision would be most unfair if it could apply to the Federal reserve banks and their capital stock, since it would result in one-quarter of the States benefiting by a tax upon an instrumentality established for all the people, and it would also further reduce a dividend already limited by law to 5 per cent.

The CHAIRMAN. The question is on the amendment.

The amendment was agreed to.

Mr. MORGAN of Oklahoma. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Amend, on page 14, by striking out all in line 2 after the word "bank," and by striking out all of lines 3, 4, 5, and 6 and inserting in lieu thereof the following:

"All earnings derived by the United States from Federal reserve banks are constituted a public-highway fund to be used in constructing and to promote and encourage the improvement of public roads of the various States, under such laws as Congress may hereafter enact."

Mr. GLASS. Mr. Chairman, I make the point of order that the amendment is not germane to the bill.

The CHAIRMAN. There seems to be no question but that the point of order is well taken.

Mr. MORGAN of Oklahoma. Mr. Chairman, may I be heard a moment?

The CHAIRMAN. The Chair will gladly hear the gentleman.

Mr. MORGAN of Oklahoma. Mr. Chairman, I do not understand why my amendment is not germane. This provides how these funds paid to the United States shall be used. It says that it shall be made a sinking fund, to be held for the payment of the bonded indebtedness of the United States. The bill provides that this profit, which comes from interest or other transactions by Federal reserve banks, shall be used to pay the national debt. I can not understand why it would not be germane to provide that the fund shall be used to construct public highways or for any other purpose. I think if the Chairman will consider that that he will revise his ruling.

The CHAIRMAN. Does the gentleman from Virginia desire to be heard on the point of order?

Mr. GLASS. No.

The CHAIRMAN. The Chair is inclined to think that the gentleman from Oklahoma is correct. The Chair was wrong in his first impression, because the provision in the bill which the gentleman undertakes to strike out provides the method by which the money shall be applied, and the amendment undertakes only to provide to change the method by which it shall be used. The point of order is overruled.

Mr. MORGAN of Oklahoma. Mr. Chairman, I would ask the chairman of the Banking and Currency Committee how much profit in the 20 years during the existence of these banks he estimates will come to the Government of the United States?

Mr. GLASS. Mr. Chairman, in answer to that inquiry, of course I would simply be giving the conjecture of the chairman. I would state that the report of the Monetary Commission estimated that the Government's share of the earnings of the proposed banking institutions would be from five and a half to seven millions of dollars.

Mr. MORGAN of Oklahoma. For the 20 years?

Mr. GLASS. Per annum.

Mr. MORGAN of Oklahoma. Five million dollars per annum for 20 years would make \$100,000,000.

Mr. Chairman, I do not think that the bonded indebtedness of the United States is so large as to be any burden upon this great Government. If my memory is correct, the entire national debt amounts to only about two and a half billions of dollars. That is less than the national debt of any other great country in the world.

Mr. MURDOCK. I think that the national debt is less than a billion.

Mr. MORGAN of Oklahoma. I included the entire public debt. The interest-bearing debt is less than a billion dollars. It is very small compared with what other nations owe. It is not a burden; it is a plaything, because under the splendid financial control of Republican rule for the last 25 years [applause] we have so managed the affairs of this country that our national debt is comparatively nothing. Now, it seems to me, in all candor, that this great fund ought to be appropriated to some great national purpose. Where do the profits come from? They all come from the great mass of the people. These banks will make nothing only so far as they get the money through interest and other charges from the great mass of the people. It seems to me that when you shall inaugurate this great measure, designed to give a better currency and a better banking system, that the profits therefrom ought to be rolled back to the people from whom the profits were taken.

There can be no better purpose to which this fund can be devoted than to improving the great highways of this country. When that side of the House in the last Congress had control and passed the public highways bill, appropriating, I think, something like twenty or twenty-five million dollars annually to aid in the construction and improvement of public highways, I voted for it. That was a great measure, and I am sorry it did not become a law. You deserve credit for passing the bill through the House. But now, why not take this money that comes from the great mass of the people, generally from people who are in debt, and use it for some great national purpose—use it to build public highways, encourage the agriculture of the country, to help lighten the burdens of the farmers and make the farm more attractive and profitable?

Mr. LINDBERGH. Will the gentleman yield for a question?

Mr. MORGAN of Oklahoma. I will.

Mr. LINDBERGH. Why collect an unjust tax at all?

Mr. MORGAN of Oklahoma. Well, I am not in favor of collecting an unjust tax, but if the Government is to derive a direct profit—amounting to from five to seven millions of dollars annually—a profit that must come through interest paid by the people, it would seem almost a crime to use this money to pay our national debt. Money to pay the national debt should come through the regular channels of taxation, and I solemnly protest against the National Government using any of the profits derived from the Federal reserve banks to pay the public debt. If the Government proposes to appropriate any of the profits of the Federal reserve banks, let the money be solemnly dedicated to some great national purpose that will contribute to the general welfare of the country.

The CHAIRMAN. The time of the gentleman has expired. The question is on the amendment offered by the gentleman from Oklahoma.

The question was taken, and the amendment was rejected.

Mr. MORGAN of Oklahoma. Mr. Chairman, I offer another amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amend, on page 14, by striking out all in line 2 after the word "bank" and by striking out all of lines 3, 4, 5, and 6, and inserting in lieu thereof the following: "All earnings derived by the United States from Federal reserve banks shall constitute a fund to protect the depositors from loss from the failure of any member bank, under such provisions as Congress may hereafter enact."

Mr. MORGAN of Oklahoma. Now, Mr. Chairman, as you do not want to give this money for public highways and other great purposes, I thought perhaps you might use it for another purpose. I find in the Democratic platform of 1908 these words:

We pledge ourselves to legislation under which national banks shall be required to establish a guaranty fund for the prompt payment of the depositors of any insolvent national bank under an equitable system which shall be available to all State banking institutions wishing to use it.

Now, those are the words in the Democratic platform. I do not see the exact words in the last Democratic platform, but I understand that has been affirmed.

Mr. SLOAN. Will the gentleman yield for a question?

Mr. MORGAN of Oklahoma. I yield to the gentleman.

Mr. SLOAN. At the last national convention of the Democratic Party the statute of limitation was plead against it successfully, and it was not included in the Baltimore platform.

Mr. MORGAN of Oklahoma. Well, I will have to leave that to somebody better posted than I am on that subject. In so far as I am individually concerned, long before Oklahoma adopted the system of guaranteeing bank deposits I was in favor of it. I am in favor of it still, and I am going to offer some of the arguments that I made in regard to using this fund for public highways. This fund ought to be devoted to some great purpose needed by the masses of the people.

I believe in the principle of guaranteeing bank deposits. The 15,000,000 depositors in the banks are certainly as much entitled

to protection as a few owners. There have been considerable criticisms of the system of bank guaranty in Oklahoma. I think in the general debate on this bill some gentlemen referred to it. I do not know that we have the best system. I believe that there will be amendments to our law from time to time, but I do know that the people of Oklahoma are thoroughly convinced that banks in some way should guarantee the deposits of the people. I have not the slightest idea that the people of Oklahoma, regardless of politics, will ever recede from that decision. I believe that they will continue to stand for the proposition that bank deposits should be made safe and secure, and in my judgment the time will come before many years shall have passed when the United States Government will adopt some system whereby the deposits of the people in the banks will be protected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma [Mr. MORGAN].

Mr. PLATT. Mr. Chairman, I rise for the purpose of opposing the amendment. It seems to me there is a great deal of misapprehension over the question of bank deposits. A bank deposit is not something that is put into a bank, but it is something taken out of a bank, and you ought not to guarantee them without guaranteeing what is owing to the bank that created them. For instance, I never put a thousand dollars in a bank in my life in currency, but I had \$10,000 in the bank. How did I do it? I went to the bank and borrowed it. You have got to guarantee the men that owe the money to the banks. That is what bank guaranty is.

Mr. MORGAN of Oklahoma. Will the gentleman from New York yield?

The CHAIRMAN. The gentleman from New York [Mr. PLATT] has yielded the floor. The question is on the amendment offered by the gentleman from Oklahoma [Mr. MORGAN].

The question was taken, and the Chair announced that the yeas seemed to have it.

Mr. MURDOCK. I call for a division, Mr. Chairman.

The committee divided; and there were—yeas 10, nays 57.

So the amendment was rejected.

The Clerk read as follows:

SEC. 8. That any national banking association heretofore organized may upon application at any time within one year after the passage of this act, and with the approval of the Comptroller of the Currency, be granted, as herein provided, all the rights, and be subject to all the liabilities, of national banking associations organized subsequent to the passage of this act: *Provided*, That such application on the part of such associations shall be authorized by the consent in writing of stockholders owning not less than a majority of the capital stock of the association. Any national banking association now organized which shall not, within one year after the passage of this act, become a national banking association under the provisions hereinbefore stated, or which shall fail to comply with any of the provisions of this act applicable thereto, shall be dissolved; but such dissolution shall not take away or impair any remedy against such corporation, its stockholders or officers, for any liability or penalty which shall have previously been incurred.

Mr. PLATT. Mr. Chairman, I desire to offer an amendment.

The CHAIRMAN. The gentleman from New York offers an amendment, which the Clerk will report.

The Clerk read as follows:

On page 14, line 25, after the word "association," strike out the rest of the paragraph.

Mr. PLATT. Mr. Chairman, I have no desire to take the time of the committee by arguing on the striking out of this provision, but I simply want to emphasize my objection to all the provisions in the bill which can compel national banks to dissolve. I believe it should be done voluntarily. This is a provision which is possibly unconstitutional, and I simply want to move to strike it out.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. PLATT].

The question was taken, and the amendment was rejected.

MESSAGE FROM THE SENATE.

The committee informally rose; and Mr. BARNHART having taken the chair as Speaker pro tempore, a message from the Senate, by Mr. Tulley, one of its clerks, announced that the Senate had passed the following resolutions:

Resolved, That the Senate has heard with deep sensibility the announcement of the death of Hon. TIMOTHY D. SULLIVAN, late a Representative from the State of New York.

Resolved, That a committee of six Senators be appointed by the Vice President, to join the committee appointed on the part of the House of Representatives, to attend the funeral of the deceased.

Resolved, That the Secretary communicate a copy of these resolutions to the House of Representatives.

In compliance with the foregoing the Presiding Officer appointed as said committee Mr. O'GORMAN, Mr. ROOT, Mr. SWANSON, Mr. MARTINE of New Jersey, Mr. JAMES, and Mr. BRANDEE.

Resolved, That the Senate has heard with deep sensibility the announcement of the death of Hon. WILLIAM HENRY WILDER, late a Representative from the State of Massachusetts.

Resolved, That a committee of six Senators be appointed by the Vice President, to join the committee appointed on the part of the House of Representatives, to attend the funeral of the deceased.

Resolved, That the Secretary communicate a copy of these resolutions to the House of Representatives.

In compliance with the foregoing, the Presiding Officer appointed as said committee Mr. LODGE, Mr. WEEKS, Mr. MYERS, Mr. WALSH, Mr. MCLEAN, and Mr. CATRON.

The message also announced that the Senate had passed the following resolution:

Resolved, That as a further mark of respect to the memory of the deceased Representatives the Senate do now adjourn.

ENROLLED BILLS PRESENTED TO THE PRESIDENT FOR HIS APPROVAL.

Mr. ASHBROOK, from the Committee on Enrolled Bills, reported that this day they had presented to the President of the United States for his approval the following joint resolution and bills:

H. J. Res. 130. Joint resolution to provide for the relief and transportation of destitute American citizens in Mexico;

H. R. 4937. An act extending to the port of Dallas, Tex., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement; and

H. R. 7595. An act providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition, and for the protection of foreign exhibitors.

CURRENCY.

The committee resumed its session.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

STATE BANKS AS MEMBERS.

SEC. 10. That from and after the passage of this act any bank or banking association or trust company incorporated by special law of any State, or organized under the general laws of any State or the United States, may make application to the Federal reserve board hereinafter created for the right to subscribe to the stock of the Federal reserve bank organized or to be organized within the Federal reserve district where the applicant is located. The Federal reserve board, under such rules and regulations as it may prescribe, subject to the provisions of this section, shall permit such applying bank to become a stockholder in the Federal reserve bank of the district in which such applying bank is located. Whenever the Federal reserve board shall permit such an applying bank to become a stockholder in the Federal reserve bank of the district in which the applying bank is located, stock shall be issued and paid for under the rules and regulations in this act provided for national banks which become stockholders in Federal reserve banks.

It shall be the duty of the Federal reserve board to establish by-laws for the general government of its conduct in acting upon applications made by the State banks and banking associations and trust companies hereinbefore referred to for stock ownership in Federal reserve banks. Such by-laws shall require applying banks not organized under Federal law to comply with the reserve requirements and submit to the inspection and regulation provided for in this and other laws relating to national banks. No such applying bank shall be admitted to stock ownership in a Federal reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated, under the provisions of the national banking act, and conforms to the provisions therein prescribed for national banking associations of similar capitalization and to the regulations of the Federal reserve board.

If at any time it shall appear to the Federal reserve board that a banking association or trust company organized under the laws of any State or of the United States has failed to comply with the provisions of this section or the regulations of the Federal reserve board, it shall be within the power of the said board to require such banking association or trust company to surrender its stock in the Federal reserve bank in which it holds stock upon receiving from such Federal reserve bank the cash-paid subscriptions to the said stock in current funds, and said Federal reserve bank shall upon notice from the Federal reserve board be required to suspend said banking association or trust company from further privileges of membership, and shall within 30 days of such notice cancel and retire its stock and make payment therefor in the manner herein provided.

The CHAIRMAN. Without objection, the committee amendments will be voted on in gross. Is there objection? [After a pause]. The Chair hears none. The Clerk will report the committee amendments.

The Clerk read as follows:

Page 17, in line 22, strike out the word "board" and insert the words "Federal reserve board."

In line 25 strike out the word "shares" and insert in lieu thereof the word "stock."

In line 1, page 18, after the word "such," insert the words "Federal reserve."

In line 2 strike out the word "shares" and insert in lieu thereof the word "stock."

In line 4 strike out the words "the designated" and insert in lieu thereof the word "said."

The CHAIRMAN. The question is on the adoption of the committee amendments.

The question was taken, and the committee amendments were agreed to.

Mr. MANN. Mr. Chairman, I move to strike out the last word. As a very pertinent subject, I would suggest that we have read over 17 pages of the bill out of 50. We have made very good progress, and it is now 6 o'clock. I hope the gentleman from Virginia [Mr. GLASS] will take the gentle hint.

Mr. GLASS. I understand we have adopted section 10.

Mr. MANN. Section 10 is still open to amendment. The committee amendments have been agreed to. We have read all of the section.

Mr. GLASS. I agree with the gentleman from Illinois. I think we had better now adjourn.

Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 7837—the currency bill—and had come to no conclusion thereon.

ADJOURNMENT.

Mr. GLASS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock p. m.) the House adjourned until Tuesday, September 16, 1913, at 12 o'clock noon.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Invalid Pensions was discharged from the consideration of the bill (H. R. 2813) granting an increase of pension to Della A. Cooter, and the same was referred to the Committee on Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. ANDERSON: A bill (H. R. 8144) to enlarge, extend, remodel, etc., post-office building at Albert Lea, Minn.; to the Committee on Public Buildings and Grounds.

By Mr. KALANIANAOLE: A bill (H. R. 8145) making an appropriation to aid the people of the Territory of Hawaii in providing and maintaining an exhibit at the Panama-Pacific International Exposition; to the Committee on Appropriations.

By Mr. HOBSON: A bill (H. R. 8146) to promote rural education in the several States; to the Committee on Education.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ALEXANDER: A bill (H. R. 8147) granting a pension to Susan Smith; to the Committee on Invalid Pensions.

By Mr. BARCHFELD: A bill (H. R. 8148) granting a pension to Anne L. Holbrook; to the Committee on Pensions.

Also, a bill (H. R. 8149) granting a pension to Joseph P. Link; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8150) granting an increase of pension to John H. Boring; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8151) granting an increase of pension to Robert Barrett; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8152) granting an increase of pension to William Henry; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8153) granting an increase of pension to Hezekiah Smith; to the Committee on Invalid Pensions.

By Mr. FRANCIS: A bill (H. R. 8154) granting an increase of pension to John Finch; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8155) granting an increase of pension to John J. Rennard; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8156) granting an increase of pension to James A. Penn; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8157) granting an increase of pension to Edward T. Petty; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8158) granting an increase of pension to Francis M. Jeffery; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8159) granting an increase of pension to George W. Ashton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8160) granting an increase of pension to Joseph W. Brown; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8161) granting an increase of pension to Alexander Rhodes; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8162) granting an increase of pension to William Todd; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8163) granting an increase of pension to Milton J. Taggart; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8164) granting an increase of pension to S. Tschappat; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8165) granting an increase of pension to William G. Mitzel; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8166) granting an increase of pension to Alfred T. Johnson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8167) granting an increase of pension to Robert Gibson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8168) granting an increase of pension to Mahlon Gurin; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8169) granting an increase of pension to Samuel Fulton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8170) granting an increase of pension to B. N. Lindsey; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8171) granting a pension to Mina Schoonover; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8172) granting a pension to Effie A. Smith; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8173) granting a pension to John Roe; to the Committee on Pensions.

Also, a bill (H. R. 8174) granting a pension to John Creighton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8175) granting a pension to Agnes A. H. Capito; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8176) granting a pension to Laura M. Lash; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8177) granting a pension to Virinda J. Long; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8178) granting a pension to Rachel M. Douds; to the Committee on Invalid Pensions.

By Mr. JACOWAY: A bill (H. R. 8179) for the relief of Patrick O'Kane; to the Committee on War Claims.

By Mr. KENNEDY of Iowa: A bill (H. R. 8180) granting an increase of pension to William Thornburg; to the Committee on Invalid Pensions.

By Mr. KAHN: A bill (H. R. 8181) for the relief of Henry S. Kiersted; to the Committee on Military Affairs.

By Mr. MCGILLICUDDY: A bill (H. R. 8182) granting an increase of pension to William T. Eustis; to the Committee on Invalid Pensions.

By Mr. MOSS of West Virginia: A bill (H. R. 8183) granting an increase of pension to Magdalene White; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8184) granting an increase of pension to James W. Clark; to the Committee on Invalid Pensions.

By Mr. WALKER: A bill (H. R. 8185) granting an increase of pension to John Doerflinger; to the Committee on Pensions.

By Mr. FRANCIS: A bill (H. R. 8186) granting a pension to Peter Gilner; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. BARCHFELD: Papers to accompany bill granting a pension to Joseph P. Link, son of the late Charles H. Link, late of Company D, Seventy-fourth Pennsylvania Volunteer Infantry; to the Committee on Invalid Pensions.

By Mr. DALE: Petition of E. Elising & Co., of New York, N. Y., protesting against payment of 25 cents for rectifiers' and wholesale dealers' stamps; to the Committee on Ways and Means.

By Mr. ROBERTS of Nevada: Petition of the Pioche Commercial Club, of Pioche, Nev., favoring the formation of a naval reserve and passage of a bill providing for the construction of four battleships; to the Committee on Naval Affairs.

HOUSE OF REPRESENTATIVES.

TUESDAY, September 16, 1913.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

We thank Thee, our Father in heaven, for those inherent qualities of soul which inspire admiration for the manly man, the man who demands the same rights for every other man, irrespective of race or creed, that he demands for himself, and in the spirit of the Master says to the world, "Inasmuch as ye have done it unto one of the least of these, my brethren, ye have done unto me"; for what helps him helps all; what hurts him hurts all. For in these inherent qualities of soul is the evidence of the divine in every man and the promise of the coming of Thy kingdom upon the earth, which we all long for, and which we most earnestly pray for, that it may come, and that right speedily, O God our Father. Amen.

The Journal of the proceedings of yesterday was read and approved.

CURRENCY.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, the currency bill.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the currency bill, with Mr. GARNER in the chair.

The CHAIRMAN. The House is now in Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. MANN. Mr. Chairman, before we proceed with amendments to section 10 the gentleman from Iowa [Mr. TOWNER] desires to ask unanimous consent to offer an amendment to section 8 and the gentleman from North Dakota [Mr. YOUNG] desires to ask unanimous consent to offer an amendment to section 9.

The CHAIRMAN. The gentleman from Iowa [Mr. TOWNER] asks unanimous consent to offer an amendment to section 8. Is there objection?

There was no objection.

Mr. TOWNER. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The CHAIRMAN. The gentleman from Iowa [Mr. TOWNER] offers an amendment which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. TOWNER: On page 15, line 8, after the word "incurred," insert the following:

"That when any banking association shall have consented, according to the provisions of this section, to become a national banking association under the provisions of this act any shareholder not thus consenting to such transfer may give notice, in writing, to the directors, within 30 days from the date of the certificate of approval, of his desire to withdraw from said association, in which case he shall be entitled to receive from said banking association the value of the shares so held by him, to be ascertained by an appraisal made by a committee of three persons, one to be selected by such shareholder, one by the directors, and the third by the first two; and in case the value so fixed shall not be satisfactory to any such shareholder he may appeal to the Comptroller of the Currency, who shall cause a reappraisal to be made, which shall be final and binding; and if said reappraisal shall exceed the value fixed by said committee the bank shall pay the expenses of said reappraisal, and otherwise the appellant shall pay said expenses; and the value so ascertained and determined shall be deemed to be a debt due and be forthwith paid to said shareholder from said bank; and the shares so surrendered and appraised shall, after due notice, be sold at public sale within 30 days after the final appraisal provided in this section."

Mr. TOWNER. Mr. Chairman, I desire the special attention of the chairman and majority members of the Committee on Banking and Currency to this omission, as I think it must be.

This section 8 provides that upon application upon the part of such associations—that is, national banks—they shall be authorized, by consent in writing of stockholders owning not less than the majority of the capital stock of the association, and if a majority of the holders of the stock of the association shall so determine, they may become members of the new banking association.

Now, there is no provision made by which any dissenting stockholder can be taken care of. Of course it will be readily seen that the members of a national bank who do not desire—

Mr. WINGO. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Iowa yield to the gentleman from Arkansas?

Mr. TOWNER. In a moment. There is no provision by which the members of a national bank who do not desire to go into the new banking association may be taken care of, because they can not be forced into the new banking association.

Now I will answer the gentleman's question.

Mr. WINGO. The gentleman uses the language "can be taken care of." What does the gentleman mean? Taken care of under what conditions and under what exigencies?

Mr. TOWNER. Merely in this way: A dissenting stockholder of a national bank who does not desire to go into the new association, or does not desire to continue in the bank after it shall have gone, or by a majority determining to go, into the new association, can not be forced into the new association. A majority rule governs in corporations. Each national bank is a body corporate. They may only exercise those powers that a body corporate can exercise. A majority can take the national bank as an organization into the new national bank, but it can not take the dissenting stockholders who do not desire to go. It occurs to me that that must be plain to anyone.

Mr. LINDBERGH. Mr. Chairman, will the gentleman yield?

Mr. PEPPER. Will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. TOWNER. Yes.

Mr. PEPPER. I would like to inquire what is the difference between the position of a shareholder in a bank who wants to go into this system and the position of a shareholder in a national bank now who wants to go out of business or wants to change the business in any way? What is the distinction or difference under the present law from what it would be under this law?

Mr. TOWNER. Just simply this: The present law provides how a bank may be dissolved. Of course you do not desire the dissolution of these national banks that go into the new organization. Under the present national banking system the charter of a national bank lasts 20 years, as all gentlemen know. When it is desired to extend the charter for another 20 years, upon application of two-thirds of the stockholders of the bank they may secure another 20 years' charter; but the law provides that you can not force a dissenting stockholder to extend into the new 20-year period, and the law also provides that his stock may be appraised, and it must be paid for and disposed of; and the method that I have provided here in this amendment of taking care of the stockholders who may dissent from going into the new organization is verbatim the language that is used in the law with regard to dissenting stockholders who do not desire to continue for another 20-year period, so that there is no change in the modus operandi of treating a dissenting stockholder between going from the present system into the new system and going from one 20-year period into another 20-year period.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. TOWNER. I ask for an extension of five minutes.

The CHAIRMAN. The gentleman from Iowa asks that his time be extended five minutes. Is there objection?

There was no objection.

Mr. LINDBERGH. I want to inquire of the gentleman from Iowa about the legal status. Who would pay the stockholder in case he wishes to withdraw?

Mr. TOWNER. The amendment provides that with regard to the sale of a dissenting stockholder's interest the bank takes the interest of such dissenting stockholder.

Mr. LINDBERGH. Do you mean that the bank can buy the stock?

Mr. TOWNER. Yes; that is the real effect.

Mr. LINDBERGH. Might not that reduce the capital of the bank below its legal requirements?

Mr. TOWNER. No. It does not mean that the bank as a bank can buy the stock, but that the stockholders of the bank shall have the prior right of so doing, the object being, in the case of a continuance in the national banking system, not to cause a dissolution of the corporate organization, which, of course, would mean a complete settlement of all its affairs, an absolute winding up of one corporation and the beginning of another. The object of all these provisions and of this provision was to make it easy to take care of a dissenting stockholder. A stockholder can not be forced into the new organization, and his interest is such with regard to the corporation that he can, by injunction, prevent the new corporation from absorbing his interest without taking care of him.

Mr. LINDBERGH. I think the gentleman's amendment is all right if he can avoid the difficulty that I spoke of.

Mr. TOWNER. I will read the language of the old law with regard to the disposition of a dissenting stockholder's interest, which language I have copied into this amendment. When the 20-year period expires, and any stockholder does not desire to continue for another 20-year period, the law provides for an appraisement.

Mr. WINGO. To what law is the gentleman referring?

Mr. TOWNER. To section 5 of the act of July 12, 1882, found in the national banking act as amended, on page 18. It reads as follows:

And the value so ascertained and determined shall be deemed to be a debt due and be forthwith paid to said shareholder from said bank.

In the first place, the bank takes care of the stockholder's interest—

And the shares so surrendered and appraised shall, after due notice, be sold at public sale within 30 days after the final appraisal provided in this section.

So that it is not carried as a bank obligation; neither does it diminish the capital stock, but it only allows the bank in the first place to take care of it, and then put it into the hands of some individual stockholder.

It occurs to me, Mr. Chairman, that this is an amendment that is absolutely essential to the perfection of the bill, and certainly these gentlemen do not want to leave it in such a condition as to force a dissolution of all these corporations in the courts under the law. Such certainly would be the case if you did not provide some way or manner in which the share of a dissenting stockholder who can not be compelled to go into the new organization can be taken care of under existing law.

Mr. WINGO. Mr. Chairman, I appreciate the force of the gentleman's reasoning, but I gather from his remarks and his amendment that his argument is based on a misconception of the provisions of this bill and of the present law. In order that the committee may understand the purpose of the amendment I will read only a few lines from the amendment offered by the gentleman from Iowa:

That when any banking association shall have consented, according to the provisions of this section, to become a national banking association.

Now, that much of the amendment shows—

Mr. TOWNER. Will the gentleman read the phrase immediately following—

Under the provisions of this act if any national banking association under the old law shall desire to become a banking association under the new law.

Mr. WINGO. In other words, the gentleman's amendment only says if "any banking association consents to become a national banking association" the stockholders who do not want to come into the national system shall have certain rights. I wish to remind the gentleman that if any State bank or trust company becomes a national banking association under the provisions of this act, the rights of the dissenting stockholders are determined by the State laws under which such State bank was organized.

Mr. TOWNER. The gentleman is correct, but this is not an amendment to section 9. It is the entering of the national bank into the new banking system.

Mr. WINGO. The gentleman's statement, as I understand him is so contrary to the language of his amendment that I must take his amendment. It says "when any banking association shall have consented or, according to the provisions of this section"—to become what? To become a national banking association. I think a point of order would lie to the gentleman's amendment because it is not germane, because the section to which he offers his amendment refers to national banks heretofore organized, and his amendment undertakes to govern the question of State banking associations that want to become a national banking association.

I will say to the gentleman that there is not a line in the bill that repeals section 5 of the act of 1882, which governs the right of dissenting stockholders in national banks. I repeat that there is not a line of this bill that is inconsistent with or attempts to repeal section 5 of the act of 1882, which controls the rights of dissenting stockholders. As I understand the gentleman, he is undertaking to embody in this act the provisions of section 5 of the act of 1882. Now, if there is not anything in the act inconsistent with section 5, then that act still stands and that section applies to national banking associations, but can not be made to apply to State banking associations.

Mr. TOWNER. I am quite sure the gentleman desires to get my idea, and if he will read a little bit further he will see that his criticism of my amendment is not well founded. I say when any national banking association shall have consented according to the provisions of this section. What are the provisions of this section? They are limited to national banking associations.

Mr. WINGO. I must decline to yield further, Mr. Chairman; the gentleman must have sent to the desk a different amendment from the one I have in my hand.

Mr. TOWNER. My amendment refers to section 8, which says that "any national bank association," and my amendment says that "when any banking association shall consent according to the provisions of this section."

Mr. WINGO. To become what?

Mr. TOWNER. To become a member of a national banking association.

Mr. WINGO. Mr. Chairman, I decline to yield further. In other words the gentleman is—

Mr. TOWNER. Oh, the gentleman misunderstands me or else he is endeavoring to evade.

Mr. WINGO. Then I must decline to yield further. I think I make myself clear and I think I do not misrepresent the gentleman from Iowa when I say that the section refers to national bank associations, while his amendment refers to State banks that consent to become national banks. In other words, the first

line of the section says that "any national banking association heretofore organized, and so forth," and the first line of the gentleman's amendment is that when "any banking association shall have consented to become a national banking association"—

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. YOUNG of North Dakota. Mr. Chairman, I ask unanimous consent to return to section 9 of the bill, for the purpose of offering an amendment.

The CHAIRMAN. The gentleman from North Dakota asks unanimous consent to return to section 9 of the bill for the purpose of offering an amendment. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 15, line 12, after the words "United States," strike out "and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of existing laws."

Mr. YOUNG of North Dakota. Mr. Chairman, I expect to vote for this bill, but I believe that no bank should be forced in and no bank barred out when it is honestly managed. I wish to point to the records of one State to indicate the kind of banks that are barred out. In the State of North Dakota, which I have the honor in part to represent, there are 752 banks, and of these 144 are national banks and 608 State banks. Of the State banks, about 10 per cent have sufficient capital to entitle them to become members of the regional bank, as proposed in this bill. It so happens that these particular banks which do not have sufficient capital to join—that is, have a capital of less than \$25,000—are the very banks which have occasion to use their credit. Those are the banks that borrow money. Those are the banks that go to the reserve centers once or so each year to rediscount or borrow. If it is the design of this bill to enlarge the currency, it seems to me that the natural way is to offer these facilities to the people who want them.

The larger banks in the older communities do not rediscount. Those banks do not borrow, or very rarely do so, and this bill has the appearance of putting something in front of people who do not want it, and denying it to that large group of honestly managed banks who desire to have the facilities which are offered by this bill. I presume the objection that will be heard to permitting these smaller State banks to become members is that they desire to have uniformity, and that they do not want any bank admitted that does not have the same capital as the smallest minimum requirement of the national-bank law. If that is the only objection, it seems to me it is not well taken, because there will be members of regional reserve banks with capital varying in amount from \$25,000 to up in the millions, and it does not seem to me it would make the system very much more cumbersome to start with \$10,000 or \$15,000 than to start with \$25,000. By starting with a bank of \$10,000 you will reach out into those very small villages and rural communities where the deposits are not sufficient to take care of the needs of the farmers who do business at those banks. In those little banks there is usually little or no county or State or municipal money on deposit. They are banks with deposits confined to those living in the community, and they are not able, for instance, in agricultural States, at the time when the crops are being moved and just before that time, to give the accommodation that those in the community really desire to have, and to which they are entitled by reason of their ability to pay and their honesty and integrity. In other words, those who desire to borrow from those little banks have just as much ability to pay proportionately as those captains of industry who do business at the large banks and who borrow large sums. Therefore the character of paper which these small banks would offer to the regional reserve banks at the time of rediscount would be just as good and just as sound and just as safe as the paper offered for rediscount by any larger bank.

I do not feel disposed to go to the extent of some who have claimed that a banking trust is being created by this measure, but do assert that it comes in the special-privilege class, because it gives privileges to banks of certain capital which it denies to certain small banks with officers as honest and loans as safe as can be found in any bank of this country. While most of the farmers who write me are in favor of the passage of this bill, some of them want to know in what respect it will help them, and their inquiry is very pertinent. If any relief is to come to the farmers through the passage of this bill I feel certain that the surest avenue would be through giving liberal rediscounting or borrowing privileges to these little banks located mostly in farming communities, so that they in turn can extend better lines of credit to the farmers and upon more favorable terms. [Applause.]

The proposed method for assembling the capital of the regional reserve banks also discriminates against the country banks. The amount which each bank is to contribute toward the capital of the regional reserve banks is determined by figuring 10 per cent in cash and 10 per cent in subscriptions upon the paid-up capital stock of each bank, losing sight of the fact that the real capital of each bank consists of the paid-up capital stock plus surplus. In the country districts, and particularly in the newer States, where many of the banks have only been operating for a few years and have not had opportunities to lay by anything to speak of in the way of a surplus, it means that the real capital of such banks amounts to little more than the paid-up capital stock. This is true to such an extent that I find some banks in the annual report of the Comptroller of the Currency for 1912 that will, according to the provisions of this bill, pay or contribute to the capital of the regional reserve bank only about 2 per cent of their actual capital. I believe it would be much fairer to fix the amount which each bank should contribute in cash towards the capital of the regional banks at about 5 per cent of its capital and surplus, which would raise about the same amount of capital for the regional reserve banks and would distribute the burden of it equally upon all banks, big and small.

The Hanover National Bank, with a capital of three millions and a surplus of thirteen millions, can become a member of the regional reserve bank by payment of less than 2 per cent of its real capital. Of the 49 national banks in my district only 1 has a surplus larger than its capital—the First National Bank of Ellendale, with a capital of \$25,000 and surplus of \$40,000—and only 2 of these banks have a surplus fund equal to the capital, namely, the First National Bank of Carrington, capital \$25,000, surplus \$25,000, and the First National Bank of Rolla, with capital of \$25,000 and surplus, \$25,000. Taking into account the surplus of all the national banks in my district. I find that the proportion to the capital amounts to about one-third, which means that, on an average, the banks of my district will be obliged to pay 7½ per cent upon their real capital, namely, their paid-up capital stock and surplus. It will take wrongfully a lot of money out of our State, which will tend to make money more scarce. The discrimination against these banks and in favor of the big banks is very plain, and I hope that the committee will consent before the conclusion of this debate to an amendment which will do justice to all banks, both small and big, which become members of the regional reserve banks. I do not make this protest from the standpoint of a banker, because I am not fortunate enough to own a single dollar's worth of bank stock.

The first session of the Sixty-third Congress will be notable for the passage of two bills dealing with big subjects. The tariff bill in the main places the products of the farm on the free list, and there is still ample protection in the Underwood bill for nearly all the manufacturers. The farmers must sell in the markets of the world and buy largely in a protected market—in a market protected for the benefit of the manufacturers—and what do you propose to do by this currency bill? Through the national banks and the larger State banks you will furnish the manufacturers with easier money, and you will deny the same privileges to the farmers by putting up the bars against the small State banks. There is nothing in this bill which promises cheaper money or money in greater quantities for farm credits. The little village bank planted in a rural community, with stock owned largely by farmers, finds no place in your scheme for elastic currency. Gentlemen, I can not help feeling that you are making a colossal mistake. The larger banks do not need help, because experience shows that they do not borrow. The small banks do borrow at certain seasons of the year, and they do need help, and they are worthy of it, and can furnish as good security as can be found anywhere. Do you propose to deliver the money to those who have no real need for it and deny it to those who need it and who will use it to develop agriculture, the backbone industry of our country?

I hope you gentlemen who have the votes to amend this bill will do justly by the farmers. They have been led to believe that there was some relief for them in this bill, but I fear they will find little in it for their betterment. It is true the banks are given power to loan money on real estate security for what is known as short-time loans, but that kind will not help the farmers, and there is no relief in that direction. I hope that the leaders in charge of this bill will have it amended in this House or in the Senate so that the facilities for credit offered in this bill can be brought closer to those living in rural districts by allowing membership in the regional reserve banks to the small banks in rural communities. In some cases they come more closely to the idea of the rural credit associations of

Europe than anything else we have in this country, because in some cases the capital of these little banks is furnished by farmers. And this reminds me that the farmers of my district are immensely more interested in the establishment of some feasible system of rural credits than in the passage of this banking and currency bill, which I venture to say will not reduce the rates of interest upon real estate loans which the farmers are now paying.

Mr. Chairman, I hope the next problem to be wrestled with by the Banking and Currency Committee will be this very problem of the financing of farm loans. In a very interesting article in the American Economic Review for September Prof. Meyer Jacobstein, of the University of North Dakota, makes the claim, after considerable investigation, that the average rate of interest paid upon farm loans in North Dakota is 7.88 per cent, almost 8 per cent. A pretty high rate, gentlemen, for the great wheat State.

To my mind this problem of rural credits transcends in importance the pending measure for the revision of the banking and currency laws. The history of all nations throughout all time has been that agriculture is the basis of national prosperity and well-being, and the greatest and most fundamental problem before the American people to-day is the insurance of agricultural progress and development. One of the big obstacles to overcome is the matter of interest rates on farm loans. I hope the Banking and Currency Committee will tackle that great problem with the same enthusiasm as has been displayed in connection with the pending bill. [Applause.]

Mr. Chairman, I hope the amendment which I have offered will prevail.

The CHAIRMAN. The time of the gentleman from North Dakota has expired.

Mr. WINGO. Mr. Chairman, I ask for a vote on the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa.

The question was taken; and on a division (demanded by Mr. TOWNER) there were—ayes 57, noes 78.

So the amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Dakota.

The question was taken; and on a division (demanded by Mr. MURDOCK) there were—ayes 48, noes 81.

So the amendment was rejected.

Mr. MONDELL. Mr. Chairman, I ask unanimous consent that I may offer an amendment to section 8.

The CHAIRMAN. The gentleman from Wyoming asks unanimous consent to return to section 8 for the purpose of offering an amendment.

Mr. GLASS. Mr. Chairman, reserving the right to object, I consented to the previous requests to return to this section, but if we are to return to all these sections at the option of anybody who desires to offer amendments, this proceeding will be interminable.

Mr. MONDELL. Mr. Chairman, I desire to say to the gentleman in charge of the bill that the amendment I now offer is in line with the amendment I offered yesterday, and I desire to make some observations with regard to a matter relative to which the gentleman and myself did not agree.

Mr. WILSON of Florida. Mr. Chairman, I object.

Mr. MANN. I hope gentlemen will reserve their objections until the amendment can be reported for information.

Mr. WILSON of Florida. I did not hear what the gentleman was saying.

Mr. GLASS. Will the gentleman proceed with his statement?

Mr. MANN. I hope that gentlemen will reserve their objections until the amendment can be read for information.

Mr. WILSON of Florida. I will do that.

Mr. BURNETT. I will do that.

The CHAIRMAN. Without objection, the amendment will be reported for information.

The Clerk read as follows:

Amend, page 15, line 1, by striking out the words "within one year." Page 14, line 26, and page 15, lines 1 to 5, amend by striking out the following: "Any national banking association now organized which shall not within one year after the passage of this act become a national banking association under the provisions hereinbefore stated, or which failed to comply with any of the provisions of this act applicable thereto, shall be dissolved."

The CHAIRMAN. Is there objection to returning to section 8 for the purpose of offering this amendment?

Mr. GLASS. Mr. Chairman, reserving the right to object, I call my friend's attention to the fact that we have voted twice upon that proposition or upon the proposition involved in this amendment.

Mr. MONDELL. I said to the gentleman a moment ago that I offered an amendment yesterday along the lines of this amend-

ment, and in the discussion the gentleman from Virginia made some observations with regard to the provisions of the Monetary Commission bill on that subject. I did not have a copy of the Monetary Commission bill then, and therefore I was at a disadvantage. I now have a copy of the Monetary Commission bill and I desire to read a line or two from that bill to show I was correct in the position I took yesterday.

Mr. GLASS. I shall not interpose an objection.

Mr. BURNETT. I do. If a Member has to be informed and educated—

SEVERAL MEMBERS. Oh, no.

Mr. BURNETT. Yes; I object.

The CHAIRMAN. Objection is heard, and the Clerk will read.

Mr. MURDOCK. Mr. Chairman, we have already read section 10, and I now offer an amendment to section 10.

The CHAIRMAN. Section 10 has been read and is open to amendment.

Mr. MURDOCK. Mr. Chairman, the amendment I now offer is very long—I would like the attention of the gentleman from Virginia—the amendment which I offer now is very long, and in lieu of the Clerk reading it I would like to explain it in order to save time.

The CHAIRMAN. The gentleman from Kansas asks unanimous consent that the amendment may be considered as read. Is there objection?

Mr. MANN. I do not think that that is very proper—

Mr. MURDOCK. But it is very long.

Mr. MANN. Longer than the section?

Mr. MURDOCK. A good deal longer.

Mr. MANN. Very well; I shall not object.

The CHAIRMAN. The Chair hears no objection.

The amendment is as follows:

Page 17, line 17, after the word "board," insert the following:

"Provided, That no national bank, State bank, or trust company holding stock in a Federal reserve bank may be, become, or remain a member of, or otherwise affiliated or connected with, any voluntary or unincorporated organization performing any of the functions of a clearing house or clearing-house association; nor shall such bank be, become, or remain a member of or otherwise affiliated or connected with any incorporated clearing-house association or with any agency or organization performing similar functions except under the following conditions:

"First. Such association must have been created a body corporate by the State or Territory in which such national bank is located and doing business or by an adjoining State or Territory.

"Second. The membership of such association must be limited to incorporated banks and trust companies by the charter or articles of incorporation of such association or the law under which it exists, which must further provide that any solvent bank or trust company doing business within the prescribed territorial boundaries of the association, whether organized under Federal or State law, having a capital stock not less than that required of a national bank in the same locality, upon payment or tender of the fees fixed by the association and upon compliance with any other conditions prescribed by the association and which must be reasonably necessary to the performance of the legitimate functions of membership in such association as hereinafter stated, shall be entitled to become and remain a member and freely to enjoy its facilities and may enforce such right by summary process in any court of competent jurisdiction; that no member shall be suspended or expelled or deprived of the enjoyment of the equal facilities of such association without the approval in writing first obtained by the association from the superintendent of banks or like official of the State or Territory in which the member so affected is incorporated, if there be such official, or of the Comptroller of the Currency if the member in question is a national bank: *Provided*, That the association shall by its charter prescribe its territorial boundaries and may thereafter upon application for membership determine in the first instance whether the applicant is solvent, which determination shall, however, be subject to review and revision by the Comptroller of the Currency if the applicant is a national bank or of the corresponding State official if the applicant is a State bank or trust company: *And provided further*, That such determinations shall thereafter be subject to further review and revision by any court of competent jurisdiction by summary process at the instance of such association or of such applicant.

"Third. The charter or articles of incorporation of such association, or the law under which it exists, may authorize the association, in its discretion or that of its constituted authority, to issue certificates on the security of members' assets to the extent that it shall determine that it and its members are adequately secured against loss, for use solely amongst members and which shall not be otherwise transferable, to pay debit balances owing by members to each other at the clearing house of such association on condition that such certificates shall be the joint and several obligations of the several members of the association and that the same shall not be required to be redeemed by any member to whom issued except after due notice and upon the approval of the Comptroller of the Currency, if the member shall be a national bank, or of the superintendent of banks or corresponding official of the State or Territory in which the member shall have been incorporated, if such member be a State bank or trust company: *Provided*, That the members to which or for the account of which such certificates are issued shall be primarily liable to the holders thereof and to the association for the payment thereof, and that as between the several members of said association, other than the member to which such certificates are issued, each member shall be liable and shall be required to contribute to the discharge of such defaulted obligations as shall remain unpaid by the members to which such certificates are issued, only in the proportion that its capital, surplus, and undivided profits, as shown by its official report next preceding such default, bears to the aggregate capital, surplus, and undivided profits of all the remaining members.

"Fourth. The charter or articles of incorporation of such association or the law under which it exists must further expressly provide for the voluntary resignation or withdrawal of any member subject to the discharge of its obligations to the association and the members thereof,

and that all the acts of said association shall be subject to judicial review at the suit of any member or applicant for membership.

"Fifth. The said charter or articles of association or the law under which said association is organized must prohibit it and its officers and managers from exercising or attempting to exercise, directly or indirectly, any control or influence over its members or over the conduct of their business except as expressly authorized by its charter and from making or attempting to make or enforce any rule, regulation, arrangement, or understanding in respect of any of the following prescribed subjects:

"(a) The restriction or regulation of competition between the members of the association or any of them in any matter or thing connected with the business conducted by such members or authorized to be done by them under their respective charters;

"(b) The fees, commissions, or other compensation chargeable by or payable to or to be charged by or paid to any member by its customers or otherwise for the collection by or through such member or its agent or correspondent of checks, drafts, notes, or bills of exchange drawn upon banks, bankers, trust companies, or others that are not members of such association or that are outside its boundaries;

"(c) The rates of interest or discount chargeable or to be charged by or payable or to be paid to members on loans or discounts to or for customers or others;

"(d) The rates of interest to be allowed by members on deposits; and

"(e) The rates of exchange.

"Sixth. No such clearing-house association shall make, undertake, or attempt any examination of the books of account, business, or transactions of any national bank except through the Comptroller of the Currency as herein provided and the official examiners authorized to be employed by him under this act. Any such association may, however, by requisition upon the Comptroller of the Currency, procure the appointment by said comptroller of such number of examiners to be nominated by the association and approved by the comptroller in addition to his usual staff of examiners as in the judgment of the association will be necessary or proper to secure the thorough performance of the work of the examination of the national banks members of such association at such stated intervals as the association may require in addition to the examinations prescribed by existing law: *Provided*, That there shall be paid monthly by said association to the comptroller the entire cost, charges, and expenses incurred by the comptroller in such further examinations.

"Such examiners may be employed by the comptroller either for specified and successive terms not exceeding one year each or under such other arrangement as may be made with the association. All particulars gathered by the comptroller through such examiners or otherwise in the course of such examination or otherwise with respect to the names of borrowers, the amounts owing by them, respectively, and the collateral, if any, for such loans shall be retained in the custody of the comptroller and shall not be divulged to the association or to any of the members thereof other than to the member directly affected thereby, except that the comptroller may, in his discretion, impart such particulars to the association or to any authorized committee thereof whenever and only when in his judgment it shall be necessary to assure such association against the impending insolvency of any such member, and then only to the officials of the association entrusted with the power to receive such particulars. All data other than that concerning the names of borrowers, the amounts owing by them, and the collateral for such loans shall be at all times available to the association and to all members thereof and to every stockholder and depositor in such national bank, and to all others who, in the judgment of the comptroller, shall request the same for proper purposes.

"No national bank, State bank, or trust company holding stock in a Federal reserve bank shall be or become a party to any agreement, understanding, or arrangement, or shall be or become a member of or otherwise associated or connected with any corporation, association, exchange, agency, or other body, whether incorporated or unincorporated, having for its purpose or which shall engage in any of the prohibited acts specified in the foregoing: *Provided*, That nothing herein contained shall be construed to prohibit any national bank from establishing jointly with other banks or trust companies, or both, doing business in the same city, town, or village or within a radius of 50 miles, an agency for the collection of checks, drafts, notes, and bills of exchange drawn only upon banks outside the locality in which such agency is conducted: *Provided further*, That the sole purpose of such agency be to save collection expense to the members in making such collections and that neither such agency nor any of the members thereof shall engage in any of the prohibited acts specified in this or in the next preceding paragraphs.

"No national bank shall act as clearing agent for any other national bank or for any other bank or for any trust company that is eligible to membership in said association in the same city, town, or other place in which such national bank is located in the collection of checks, drafts, notes, or bills of exchange drawn on any other bank or on any trust company in such city, town, or place, and no national bank shall clear through or collect through any other bank or any trust company in the same city, town, or other place in which such national bank is located any checks, drafts, notes, or bills of exchange drawn on any other bank or on any trust company in such city, town, or place.

"No national bank, State bank, or trust company holding stock in a Federal reserve bank shall make or enter into any agreement, arrangement, or understanding with any other bank or with any trust company having the purpose or effect of regulating its charges for collecting checks, drafts, notes, or bills of exchange for its customers or of fixing or regulating rates of interest or discount on such loans to customers or to others, or the rates of interest allowed by it to such customers on deposits or rates of exchange.

"That no national bank, State bank, or trust company holding stock in a Federal reserve bank shall knowingly enter into any agreement or arrangement with or lend money or credit to or on account of any person or corporation for use in connection with or to aid in participating in any combination, conspiracy, trust, agreement, contract, or understanding intended to or which shall have the effect to control, regulate, or affect the price or supply of any commodity or article of commerce in, or that is to be imported into, any part of the United States or subject territory; nor shall any such bank knowingly lend or advance any money or credit upon any securities issued pursuant to such combination, conspiracy, trust, agreement, contract, or understanding or in furtherance thereof or in connection therewith.

"Section 5144 of the Revised Statutes is hereby amended so as to read as follows:

"SEC. 5144. Election of directors; cumulative voting: At all elections of shareholders for directors each shareholder shall be entitled to as many votes as are equal to the number of his shares of stock multiplied by the number of directors to be elected. He may cast all of such

votes for a single director or may distribute them among the number to be voted for, or among any two or more of them, as he may see fit. In deciding all other questions at a meeting of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him. Shareholders may vote by proxy, but no officer, clerk, teller, or book-keeper of such association shall act as proxy and no shareholder whose liability is past due and unpaid shall be allowed to vote. Every shareholder of a national bank heretofore formed shall hereafter exercise his right of voting according to the provisions of this act. No national bank shall accept or hold as security or collateral for any loan, discount, or advance made or negotiated by or with it or otherwise shares of stock or voting trust or other certificates representing any beneficial interest in any corporation unless there shall have been secured and reserved to the stockholders of such corporation the right of representation by cumulative voting as hereby defined.

"There shall be added to the national banking act, immediately following section 5144 of the Revised Statutes, as hereby amended, a section to be known as section 5144a, which shall read as follows:

"SEC. 5144a. Every person voting at any meeting of shareholders for the election of directors, previous to casting his vote, whether such vote be cast in person or by proxy, shall file with the inspectors of election a statement in the following form (the blanks being properly filled in):

"I reside in _____. I am the owner of record upon the books of _____ Bank of _____ shares of the stock of said bank, and have been the registered and beneficial owner in my own name and right for upward of 90 days next preceding the date hereof of the aforesaid number of shares of stock, for which I desire to cast my vote at the election for directors to be held on _____, or on any adjourned day of said meeting. I do not hold said stock in trust for or for the benefit of any person other than as appears on the face of the certificate of stock held by me and as registered on the books of the association, and no person or corporation other than as appears upon the face of said certificate and upon said books has any beneficial interest in any of said shares or in the proceeds thereof. I have not been paid or promised any money, compensation, inducement, or reward for my vote or proxy or as an inducement to me to cast such vote or give such proxy.

"Section 5145 of the Revised Statutes is hereby amended so as to read as follows:

"SEC. 5145. The affairs of each association shall be managed by not less than 5 nor more than 13 directors, who shall be elected by the shareholders at a meeting to be held at any time before the association is authorized by the Comptroller of the Currency to commence the business of banking, and afterwards at meetings to be held at such time in January of each year as is specified therein in the articles of association. The directors shall hold office for one year and until their successors are elected and have qualified.

"Section 5146 of the Revised Statutes is hereby amended so as to read as follows:

"SEC. 5146. Every director must during his whole term of service be a citizen of the United States, and at least three-fourths of the directors must have resided in the State, Territory, or District in which the association is located for at least one year immediately preceding their election, and must be residents therein during their continuance in office; and for not less than three months next preceding the date of his election each director must be and he must remain during his entire term of office the registered and sole beneficial owner and holder, in his own name and right, and free from debt or claim, of at least 1 per cent of the then outstanding capital stock of the association of which he is a director: *Provided, however*, That if the capital of the bank shall not exceed \$100,000 he must own in his own beneficial right and interest not less than 10 shares of such capital stock. The directors may be voted and paid such fees, salaries, or compensation for their services as shall from time to time be prescribed by the stockholders.

"No officer or director of a national bank, State bank, or trust company holding stock in a Federal reserve bank shall receive or be beneficiary, either directly or indirectly, of any fee, brokerage, commission, gratuity, or other consideration or inducement other than the salary or other compensation that shall have been voted him by the stockholders, for or on account of any loan, purchase, sale, payment, exchange, or transaction made by or on behalf of a national bank of which he is such officer or director.

"No officer or director of a national bank, State bank, or trust company holding stock in a Federal reserve bank shall be an officer or director of any other bank or of any trust company or other financial or other corporation or institution, whether organized under State or Federal law, that is authorized to receive moneys on deposit or that is engaged in the business of loaning money on collateral or in buying and selling securities except as in this section provided; and no person shall be an officer or director of any national bank who is a private banker or a member of a firm or partnership of bankers that is engaged in the business of receiving deposits: *Provided*, That such bank, trust company, financial institution, banker, or firm of bankers is located at or engaged in business at or in the same city, town, or village as that in which such national bank is located or engaged in business: *Provided further*, That a director of a national bank or a partner of such director may be an officer or director of not more than one trust company organized by the laws of the State in which such national bank is engaged in business and doing business at the same place.

"No national bank, State bank, or trust company holding stock in a Federal reserve bank shall lend or advance money or credit or purchase or discount any promissory note, draft, bill of exchange, or other evidence of debt bearing the signature or indorsement of any of its officers or of any partnership of which such officer is a member, directly or indirectly, or of any corporation in which such officer owns or has a beneficial interest of upward of 10 per cent of the capital stock, or lend or advance money or credit to, for or on behalf of any such officer or of any such partnership or corporation, or purchase any security from any such officer or of or from any partnership or corporation of which such officer is a member or in which he is financially interested as herein specified or of any corporation of which any of its officers is an officer at the time of such transaction.

"No national bank, State bank, or trust company holding stock in a Federal reserve bank shall lend or advance money or credit or purchase or discount any promissory note, draft, bill of exchange, or other evidence of debt bearing the signature or indorsement of any director or for his benefit, or purchase any bond, note, debenture, or other security or obligation, or make or enter into any contract or agreement involving a profit or the payment of money or other valuable consideration to any director or to any firm of which such director is a partner or in which he is interested or of any corporation of which such director owns or controls, directly or indirectly, upward of 10 per cent of the share capital, unless and until previous written notice of such

intended transaction shall have been given to all the directors, nor unless action thereon shall first have been taken at a meeting of the board of directors duly called for the purpose and all the facts and details of the transaction have been first recorded on the minutes of such meeting.

"No officer or director of any national bank, State bank, or trust company holding stock in a Federal reserve bank, and no firm or partnership of which any such officer or director is a member, shall be directly or indirectly beneficially interested or concerned in any guaranty, underwriting, syndicate, or other agreement or arrangement or understanding involving the purchase or sale of any securities which shall be purchased, sold, or dealt in by such bank and no such bank and no officer or director thereof shall knowingly purchase or sell or assent to the purchase or sale of any such securities.

"No national bank, State bank, or trust company holding stock in a Federal reserve bank shall engage in or be or become directly or indirectly interested in or connected with any promotion, guaranty, or underwriting involving the purchase, sale, or disposition of the securities of any corporation, or make any agreement with respect thereto, or shall either alone or jointly with others offer any securities for sale by public advertisement or otherwise, or make or cause to be made or issued any statement or representation with respect to any such security: *Provided, however*, That nothing herein contained shall be construed to interfere with the disposition by such bank at public or private sale of securities or interests therein that may have been acquired by it as security for loans of money made by such bank or to which it may have derived title in the current conduct of its business of loaning money on collateral.

"No shares of stock of any national bank, State bank, or trust company holding stock in a Federal reserve bank shall be held by any other bank or by any trust company or other financial institution or corporation or in trust for any such bank, trust company, or other financial institution or corporation that is authorized to receive deposits of money or to engage in the general business of banking or to buy and sell securities.

"It shall be unlawful for any officer or director of a national bank, State bank, or trust company holding stock in a Federal reserve bank to be an officer or director of any other bank or other financial corporation that has a substantially identical management, officers, or directors as such bank or other financial corporation or of any corporation the shares of which can be bought or sold only in conjunction with the shares of such national bank or that is so related to the bank or its officers by identity or similarity of interest or management as to amount in effect to a control by either of such corporations or of the operations or management thereof by the other or by the interests that control, operate, or manage the other.

"That any national bank, State bank, or trust company holding stock in a Federal reserve bank and any officer or director or other person violating any of the provisions of this act and any officer or director thereof assenting to such violation, shall be guilty of a misdemeanor, and upon conviction shall be fined not exceeding \$5,000; and any such officer, director, or other person may also be imprisoned not exceeding two years."

Mr. MURDOCK. Mr. Chairman, the amendment which I offer applies specifically to this bill—the banking-reform recommendations made by the Democratic members of the Pujo Money Trust investigation.

The recommendations which were made by the Pujo committee have been altered by me so that they apply and conform to this section of the bill. Chief among those recommendations, first, is a prohibition against the consolidation of banks unless the consolidation has been approved by the comptroller as in the public interest.

Second, and of equal importance with that, is a prohibition specifically preventing interlocking stock holdings among banks. Third, a provision in the amendment which I have submitted prohibits the creation of voting trusts. A voting trust is a device whereby the stock of banks is transferred to a trustee wholly for voting purposes. A fourth provision in the amendment which I have offered seeks protection for minority stockholders by permitting the minority stockholders in electing directors to cast all their votes for one director; that is, by the plan of allowing each shareholder to cast as many votes for one director as he has shares multiplied by the number of directors.

Still another, a fifth, proposition is a specific prohibition against banks promoting and underwriting corporation securities; and, finally, there is included in the long list of prohibitions which are recommended as a part of the urgent banking-reform program of the Pujo committee one prohibiting interlocking directorates. This, in the opinion of the Democrats of that committee, was the paramount reform. In the report the Democrats said of this latter prohibition, with all emphasis:

No person should be permitted to be a director in more than one national bank serving the same community or locality, nor should any person who is a director of any State bank or trust company, or is a partner or associate of any private banker or banking firm, be eligible as a director of any national bank serving the same community or locality, except that a director in a national bank may have one partner who is a director in a trust company.

Now, this amendment which I have put before the House gives specifically and in terms a remedy for the great national trouble, which is concentration of credit in the hands of a few men down in New York. These amendments put a hand on the sore spot. It is the work of all the Democratic members of the Pujo Money Trust investigation. They wrote the amendments which I have placed before the committee. They were designed to bring actual remedy and relief against the Money Trust.

The Glass bill will give elasticity to the currency. I think there is no question about that. That is its design. There will follow upon its enactment possibly an embarrassing contraction in the currency, and later possibly an equally embarrassing expansion. However, the bill will in the long run bring elasticity, but it will not cure the thing we are trying to remedy in this country. It will not reach the vicious banking practices in New York City which the Pujo committee identified and gave specific remedy for. This amendment does it specifically and in terms. The firms of Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Lee Higginson & Co.; the City National Bank; and the First National Bank; and the banking house of Morgan & Co., in New York, are not concerned with your currency bill. They are not afraid of it, but they are afraid of the amendment which I have submitted. Your bill does not reach their game; my amendment does. That amendment carries specifically prohibitions against the practices of these concerns. If it is enacted as a part of this law, it will go to the evil directly and to the relief of business and to the welfare of the people. It is of the utmost importance that it be adopted and adopted now.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas [Mr. MURDOCK].

Mr. GLASS. Mr. Chairman, in lieu of any answer of my own I might make to the gentleman from Kansas, I want to call attention to the fact again that the gentleman who had most to do with inspiring the Money Trust investigation, so called, and the gentleman who apparently had most to do with the prosecution of the Money Trust inquiry, was Mr. Samuel Untermyer, who was the employed attorney of the Pujo committee. Mr. Untermyer, on this subject, says:

I am most anxious to see currency legislation enacted at the present session, and have repeatedly so expressed myself when approached on the subject by Members of Congress. I do not believe that it should be complicated or made the subject of controversy by linking with it the proposed bills recommended by the Pujo committee. They can well await the regular session, where they can secure the study and discussion to which their importance entitles them. They embody essential reforms in our archaic banking laws and financial system, and I have no doubt of their eventual passage, but they have no necessary relation to currency.

Prompt action on the currency is of paramount importance at the moment to offset the temporary disturbances that will necessarily accompany the enactment of the tariff bill. Nothing will do so much to stimulate business confidence. Nobody but a vicious marplot would deliberately seek to delay or complicate that result under the existing tense and delicate conditions, which demand immediate relief.

That is all I have to say.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas [Mr. MURDOCK].

Mr. HELM. Mr. Chairman, as one of those Democrats in the caucus who was in favor of the amendment proposed, preventing the interlocking directorates, it is not inappropriate for me on this occasion to express my views on that subject. I heartily agree that there are many abuses and vices interlinked with the banking business of this country that need remedial legislation. But I am one of those who, after taking sober second thought, have come to the conclusion that it would be unwise to hit the country with the tremendous jar that would be inflicted upon it if all the legislation that is required to be enacted to put an end to this evil were put into this bill. I am not one of those who believe in putting too much talcum powder, so to speak, upon this bill in order to give it a delightful odor or an enticing appearance to the bankers. But, as was said with respect to the tariff bill, conditions had advanced to the point where a sudden reduction of every rate in every schedule of the tariff would have had an unwholesome effect upon the business conditions of the country, so in the enactment of this bill, if you go to the limit that ought to be gone to, a similar result would take place. So it seems to me that it is unwise, and I feel that I have a right, as a Democrat who has supported, in the caucus, the amendment in part that is now offered on the floor and to make these observations to the House.

I want to congratulate the chairman of this committee [Mr. GLASS] upon this great piece of legislation that he has presented to the country. To my mind it is virtually an insurance policy against the panics that have been lowering over this country; and if no other result can be accomplished than that panics shall be made a tradition of the past, this bill will merit the commendation of the people and the praise that is due to the chairman for this great piece of constructive legislation.

There are few calamities worse than panics, war, pestilence, and famine, and if legislation can be enacted that will forever put behind us these panics that occur with almost periodical certainty then the Democratic Party will have done for the country a service that can not be estimated in value. The panic of 1907 came ahead of schedule time, and, mark you, when the

big bankers and financiers of New York had a free hand and were unhampered by control, not even by the law of the land, they violated every statute relating to banking. Every panic that has afflicted the country came when the bankers were in control. With this scandal fresh in the minds of the people, before the shock has scarcely dissipated, they are still insisting on retaining this unbridled power and are vehemently protesting against the provisions in this bill, which is but an effort to arrest just what happened in 1907.

No one who analyzes the 1907 panic will insist that "the keys of credit" were then in the proper hands. Every element and condition that usually superinduce panic were notably absent; crops had been superabundant, factories were running overtime, the volume of freight was greater than railroads could handle. The captains of industry became involved through different groups of banks in a titanic struggle for "the keys of credit," throwing safe and sane business to the winds, each striving to grasp and control more than the other when the crash came.

In the light of that unhappy and unfortunate event, I am forced to the conclusion that the Democratic Party would be unfaithful to the people and derelict in its duty to them to permit "the keys of credit" to remain where they are at present.

I admit that at first blush I entertain serious misgivings at the powers conferred on the Federal board of control, and it was quite difficult to keep Jackson out of my mind; but after closer study and examination, as well as by facts unfolded in the arguments of those presenting the bill, my apprehension and fears have been allayed. Most of the powers conferred on the board have been exercised for half a century by the Secretary of the Treasury and Comptroller of the Currency, as stated by the distinguished chairman of the Banking and Currency Committee. With me the conclusion is irresistible that it would be well-nigh impossible to obtain worse results than present practices and methods yield. In fact the bulk of the criticism is directed at those in whose hands the control is placed, while it appears to be generally conceded that the Government should have a voice in a function indissolubly linked with the welfare and prosperity of all the people.

The system may not be ideal; it can and doubtless will be improved when put to actual test and into operation. Even the inventor does not claim precision for his initial model. The time has arrived for the passage of such a measure as the one under consideration. The present system does not meet the requirements of modern business and times—it is behind the times. The hands of the clock must from time to time be moved up in order to keep pace with the increasing volume of business. With the Government exercising wholesome supervision and control, with provision made for the issue of notes amply secured, as acceptable by the people as the present bank note, the business of the country will be given an impetus of confidence and security that will dispel the dire forebodings that have been so often heralded to the country by the Republican calamity howlers. Already a better tone is noticeable in many business features.

The necessity of increasing under existing law the bonded indebtedness of the Government and the ever-increasing interest charge on the people in order to enlarge the issue of bank notes, either for the purpose of meeting the increasing volume of commercial activity or to meet an emergency in the times of stress, is a practice distinctively American. It was devised during the Civil War to give value and stability to the Government bonds, the better and easier to finance that war. Whatever merit may be claimed for the bond-secured currency, it is generally agreed that it should be retired and a less rigid basis adopted that will permit banks both to issue and contract their note issue freely and promptly, thereby making the banking system responsive to the needs of business. The 1907 panic among other things demonstrated and brought to the surface the inavailability of the bond-secured currency in times of emergency. The banks, who are the principal holders of the Government bonds with the privilege of circulation issue, are apprehensive of any further issue of this type of bond commensurate with the anticipated increase of commercial expansion, because such an issue will tend to depreciate the value of the outstanding bonds.

The transition from the bond-secured note to the Federal-secured note appears to be abundantly safeguarded, and the change will be effected without shock or jar when the system and machinery for so doing has been unfolded to and understood by the bankers and the people generally. Their soundness is established by the fact that they are made the obligation of the Government. They are based on the cream of the commercial paper acquired by the member banks, indorsed by said banks to the Federal reserve banks, and reinforced by a first lien on all the assets of the Federal reserve banks issuing them. Before the Federal reserve bank can issue these notes it must

segregate in the vaults of its bank 33½ per cent of its lawful money. They are redeemable in gold or lawful money at any Federal reserve bank or the Treasury of the United States. These notes being issued on short-time prime commercial paper, rediscounted, will flow back to the Federal bank that issued them at the maturity of the paper, thus causing either a shrinkage of the notes themselves or an equal amount of lawful money. Thus there will be a continual ebb and flow, regulated by the board, meeting the demands and need of trade.

The 12 Federal reserve banks will be like so many reservoirs, from which aid can be secured, especially in time of danger or trouble—virtually an insurance policy against panics, as I have before stated. They will be a great improvement over the present awkward and unwieldy system recently adopted by the Secretary of the Treasury for disbursing funds during crop-moving periods. They will relieve the inland banker from the necessity of paying the Wall Street banks unjust and unreasonable bonuses for their own money on deposit with them. The present system, if it has not been conducive of has at least failed in every period of distress.

Convinced that the control by the Government provided for in the bill will be exercised in a patriotic and wholesome manner, that the overshadowing fear of panics will disappear as mist before the rising sun, I shall unhesitatingly support the bill.

These are history-making days. They are glorious days for the Democratic Party. The work of this branch of Congress will soon come to a close. Perhaps by the close of this week a tariff bill will have been signed that will bring joy and gladness to countless millions of the consumers in the United States—

Mr. MANN. In Europe. [Laughter on the Republican side.]

Mr. HELM. The Republicans are routed. They have but one last squawk to give, and that is their caucus howl. [Applause on the Democratic side.]

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

Mr. HELM. Mr. Chairman, I would like to have two minutes more.

The CHAIRMAN. The gentleman from Kentucky asks unanimous consent that he may proceed for two minutes more. Is there objection?

There was no objection.

Mr. HELM. The country is interested in the result of this legislation. You can not expect that the people will listen to your wail or squawk when you say that a tariff bill that has in it sufficient merit to win the support of the very file leaders and spearheads of the Progressive Party, Senators LA FOLLETTE and POINDEXTER, was written in a Democratic caucus. The teamwork that the Democrats have presented to you has filled you with dismay and consternation. This currency bill, although written in a Democratic caucus, will, if my predictions for it prove to be true, make panics a thing of the past. Your last parting wail will cut no ice with the American people. They will commend the action of the Democratic Party in presenting to the country legislation that will bring gladness to the hearts of countless millions of American people when this session of Congress closes. [Applause on the Democratic side.]

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Kansas [Mr. MURDOCK].

Mr. DYER. Mr. Chairman, I desire to submit a portion of a letter, to be read by the Clerk, written by one of the leading bankers of my district, a distinguished Democrat, upon what he thinks of a portion of this bill, in answer to some of the eloquent arguments of the gentleman from Kentucky [Mr. HELM].

The CHAIRMAN. Without objection, the Clerk will read.

The Clerk read as follows:

The bill, in my judgment, contains three or four fundamental and serious objections, which unless rectified will have a decidedly detrimental effect upon the commerce of the country:

First. Federal control is un-American and contains all the evidence of a force bill.

Second. Compulsory purchase of stock by banks is arbitrarily taking from the stockholders of the various national banks part of their funds without proper compensation.

Third. Issuance of the notes by the Government is fundamentally wrong and dangerous.

Fourth. The reserve features will bring about a contraction of credit which I think will be injurious to the commercial community.

I happened to be a member of the resolutions committee of 16 at the Chicago conference, which drew up the report setting forth what we considered good suggestions, and this report and my comments were made entirely in a friendly spirit and with no idea of trying to antagonize the "powers that be," but merely setting forth what we thought were the fundamental objections to the bill and corrections to be made.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas.

Mr. ALEXANDER. Mr. Chairman, I move to strike out the last word. In connection with the letter read by my colleague from Missouri [Mr. DYER], I wish to have read a letter received by me from a distinguished Republican in my district, who rep-

resented the old tenth district in Missouri in this House more than 30 years ago. He is a distinguished lawyer and has been a successful banker for many years. I ask to have the Clerk read the letter.

The CHAIRMAN. If there be no objection, the Clerk will read.

The Clerk read as follows:

HON. J. W. ALEXANDER,
Washington, D. C.
PRINCETON, Mo., September 1, 1913.

DEAR SIR: I am pleased to acknowledge your courtesy in sending me a copy of the administration currency bill, with a request for my opinion of it. While I do not flatter myself that my opinion would be of value to anyone, I have no objection to stating it. I have long felt that legislation on this subject was badly needed.

We have been doing business under a system enacted during the Civil War, well designed for that crisis when the Government had to borrow money and sell bonds, but not suitable to any period since the end of the Civil War.

I have read this administration bill with some care and have also read much criticism of it by bankers and others.

However, I have never changed the opinion I at first formed, that it is an excellent bill and, if enacted, will be of great benefit to all legitimate business. I sincerely hope it will become a law.

That experience under its operation will develop some defects that can be amended by further legislation is not improbable. The subject is too vast and complicated to foresee everything.

While there is considerable difference of opinion as to the merits of the bill, I do not believe it possible to devise one that will satisfy more people than this one does.

With best wishes and highest regard, I am,

Truly, yours,

IRA B. HYDE.

Mr. PEPPER, Mr. THOMPSON of Oklahoma, and Mr. GLASS rose.

The CHAIRMAN. Does the gentleman from Oklahoma desire to oppose the amendment?

Mr. THOMPSON of Oklahoma. I will move to strike out the last 4 words, or the last 10 words, if it is necessary, in order to get time here.

The CHAIRMAN. The gentleman from Oklahoma is recognized.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I do not care to get in right now, if somebody else wants to discuss the matter. I want to have the amendment reported. I do not know whether I want to talk now or not.

The CHAIRMAN. Without unanimous consent the amendment can not be reported at this time, because the gentleman from Kansas [Mr. MURDOCK] obtained unanimous consent that it be not read.

Mr. THOMPSON of Oklahoma. Then I will withdraw for the present.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that debate on this proposed amendment be concluded at 1 o'clock.

Mr. CLARK of Missouri. Mr. Chairman, I should like to have about one or two minutes.

Mr. GLASS. I withdraw the proposition.

Mr. CLARK of Missouri. I do not object to the limitation, as I do not want more than two minutes.

Mr. THOMPSON of Oklahoma. I shall object, unless I get time to make my talk.

Mr. GLASS. I withdraw the request.

Mr. PEPPER. Mr. Chairman, in order not to have before me the fear of the gavel, I ask unanimous consent that I may proceed for 10 minutes, or so much thereof as I may desire to use.

The CHAIRMAN. The gentleman from Iowa asks unanimous consent that he may proceed for 10 minutes. Is there objection?

Mr. MANN. On his amendment?

Mr. PEPPER. On the amendment to strike out the last two words.

Mr. MANN. I do not think that is important enough to take 10 minutes upon. If that is what the gentleman wants to talk about I shall object.

Mr. PEPPER. I can not tell you all that I am going to talk about until I get through. I may make some changes in the course of my remarks.

Mr. MANN. Then the gentleman had better take five minutes first.

Mr. PEPPER. If the gentleman from Illinois wants to object, all right.

The CHAIRMAN. The gentleman from Illinois objects. The gentleman from Iowa is recognized for five minutes.

Mr. PEPPER. Mr. Chairman, I have taken this opportunity, in the first place, to call attention to an editorial which appeared in one of the leading Progressive-Republican papers in my State—the Register and Leader, of Des Moines, Iowa. The subject of the editorial is so pertinent to the character of the criticisms that have been urged against the banking and currency bill that I ask the Clerk to read this editorial from the desk as indicative of the sentiment of the Progressive-Republicans of the State of Iowa and of the Middle West. I ask that it be read in my time.

The CHAIRMAN. If there be no objection, the Clerk will read.

The Clerk read as follows:

CONGRESSMAN ANDERSON'S TROUBLES.

It will be hard for the people at large to take Mr. ANDERSON and his retirement from the Ways and Means Committee of the House quite so seriously as Mr. ANDERSON very evidently takes it.

Even the most partisan adherent of the Minnesota Congressman, as he reads his bitter protest, "I have had no part in the framing of the tariff bill which passed the House and the Senate. I shall have none. I am overwhelmed, discouraged, disheartened by the uselessness and fruitlessness of it all," will not fail to ask himself just what part Democratic Congressmen on the same committee had in framing tariff bills under Speakers Reed or Henderson or Cannon?

But Mr. ANDERSON, in a way that he does not appreciate, has rendered a service by calling attention to the fiction under which Congress is organized and pretends to work, a fiction that has been responsible for a lot of wrong thinking about Congress and national legislation.

There is no reason why Mr. ANDERSON, as a Republican, should have any part in framing the tariff bill of a Democratic administration, or should expect to have a part, and the pretense to the contrary not only has misled him, but is misleading many other people.

The tariff bill under a Democratic administration should be framed by Democrats, and the committee having the work in hand should act much as an English cabinet acts. The bill, when it is presented to the legislative body, should be a distinctly administration measure, to be criticized and picked to pieces if possible by the opposition, but not to be framed by the opposition.

This is the strong feature of President Wilson's leadership thus far, that he has seen plainly that an administration must have leadership, and that that leadership must be the leadership the people have decreed. The President and his friends promised to give the country a Democratic tariff. That is exactly what they have done.

It may be a bad tariff, but it marks a distinct triumph for popular government.

[Applause on the Democratic side.]

Mr. MURDOCK. From what paper is that?

Mr. PEPPER. The Register and Leader, of Des Moines, Iowa.

Mr. MANN. Who is the editor?

Mr. MURDOCK. Who is the editor?

Mr. PEPPER. Mr. Harvey Ingham is the editor, and the paper is owned by Mr. Gardner Cowles, as I understand.

Mr. MURDOCK. What is its politics?

Mr. PEPPER. In the last campaign it supported Theodore Roosevelt. [Applause and laughter on the Democratic side.]

Mr. MOORE. What purpose did the gentleman have in causing this to be read?

Mr. PEPPER. If the gentleman will permit me, I expect to call attention to the significance of this editorial as bearing on the debate here on the currency bill.

Mr. MOORE. The gentleman intended to comment upon it?

Mr. PEPPER. I hope to; yes.

Mr. MOORE. All right, go ahead.

Mr. PEPPER. I want to say that the significant thing about this debate on the banking and currency bill, to my mind, is the fact that there have not been any real, genuine objections to the bill as a whole.

Some of you have said that it ought to be amended in certain particulars, but no one I have heard has said that it is essentially a bad bill. The criticism of the bill that has come from the other side is because this bill is presented by the Democrats as a party.

I do not propose to make any apologies for the caucus. Like a great many other devices of man, the evil incident to it, if any, consists in the abuse of it rather than in the use of it.

I simply want at this time to call attention to the fact that those who are now criticizing the caucus are, in part at least, responsible for it. Of course the Republican Party has become merely a party of negation. Their legislative function at this time, and perhaps for years to come, is merely to criticize and condemn. They can now "view with alarm" while we "point with pride" for a while. Ours is a Government by political parties. Our people for a hundred years have been taught to hold responsible that political party which is in a majority in the legislative body. This responsibility is a strictly party responsibility, and in the present instance I see abundant evidence of the disposition on the part of our Republican and Progressive friends to hold us Democrats to strict account as a party.

In every case where there is responsibility there must be an equal amount of power.

The Democratic Party, to be held justly responsible for legislation, must have power as a party to perfect and execute its legislative duties. In order to have that necessary power it must not only have adequate numbers, but it must have cohesion and solidarity. In order to have cohesion and solidarity it must meet and confer, it must thrash out its differences, and be able to act as a party in fact as well as in name. Hence the necessity and the advisability of a caucus.

There is a lot of insincerity and demagoguery in this attack on the Democratic caucus. I have no doubt some men are sincere in their vehement criticisms, but I venture the prediction that if either the Progressive or the Republican Party were suddenly placed in power in this House and charged with the

responsibility of legislation, the first thing they would do would be to call a caucus of their members. It would be the natural and the sensible thing to do. It would be the only way they could accomplish results. And, after all, the people are principally interested in results. It is results that the Democratic Party is interested in.

We have been commissioned by the people to relieve them from the burden of exorbitant and unjust tariff taxation; to reform and perfect the currency system; to eradicate the oppression of trusts and illegal combinations; to solve the intricate and complex problems involved in transportation; and as to all of these and other questions we have accepted in good faith, as a party, our full measure of responsibility.

If we fail in all or any one of them, we expect to be held, as a party, responsible for our failure; and in such case, if I am any judge of men and measures, the very men who now criticize our party solidarity would be the first to claim and argue that the Democratic Party should be held responsible.

Why, it was but a few years ago that the argument was frequently made by Republican editors and orators that the Democrats should not be placed in power because we were a disorganized and discordant party, not in sufficient agreement upon public questions to safely run the affairs of the Government. And now, when we are demonstrating our unity of action and our splendid capabilities, they complain that we are adhering too close to party lines. All of which goes to show that it is impossible to please or satisfy some people.

So I say, in spite of all that may be said against a party caucus, secret or otherwise, the old saying remains as true as ever, "By their fruits ye shall know them."

The fruit of a Democratic caucus thus far has been a tariff bill which will lift from the backs of the American people an enormous and heavy load of taxation, a bill so good that it received in the House the support of a number of progressive Republicans and in the Senate received the vote of the entire Progressive Party in that body, together with the vote of a distinguished and recent Republican candidate for President, Senator LA FOLLETTE.

In addition to our splendid tariff bill, the caucus has brought forth a banking and currency bill that is admittedly the best bill upon the subject ever written; a bill that has thus far received more general and widespread support than any similar measure ever before Congress.

It has stood the severe test of public debate and critical examination, and bids fair soon to become a law. It is a bill written in the interest of all the people. It extends no special privileges to anyone, and hence is unjust to no one. It is a solution of the most difficult and perplexing problem that has ever been presented to the American Congress.

And so I say to our Republican and Progressive critics, judged by the standard of results our legislative procedure here is abundantly justified.

We are engaged in the laudable and praiseworthy enterprise of carrying out the people's will. We expect to continue in the good work. In the years to come we will appeal with confident assurance to the deliberate judgment of the American people as to our stewardship.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. PEPPER. Mr. Chairman, I would like five minutes more.

The CHAIRMAN. The gentleman from Iowa asks unanimous consent that his time be extended five minutes.

Mr. MANN. Mr. Chairman, reserving the right to object, the gentleman in charge of the bill, Mr. GLASS, as I understand, desires to finish the consideration of the currency bill before the conference report on the tariff bill comes to the House, so that all Members may be convened as far as possible. The speech of the gentleman from Iowa so far is out of order. It is perfectly patent that if we take up the subject of caucus rule we can discuss it for two or three days and not touch the currency bill. Unless we can be assured that debate will continue long enough for us to present the amendments we desire, I shall object to extraneous matter being inserted to cut off the real consideration of the bill.

Mr. PEPPER. Mr. Chairman, as far as I am concerned, I do not believe that I have delayed the consideration of this bill very much.

Mr. MANN. The gentleman has interjected a question here which, unless he is stopped, will start a discussion that will last all the afternoon without reading a further line of the bill. I am perfectly willing to do that if we can be assured that the debate will last long enough for us to present our amendments, but I am not willing that gentlemen shall be shut out from offering amendments in order that men may talk politics.

Mr. CLARK of Missouri. Mr. Chairman, I do not want to make a speech, but I desire to make a statement in three or four

sentences in answer to the letter or interview that my colleague, Mr. DYER, had read. That was from Festus J. Wade, a Democrat, of St. Louis.

Mr. DYER. Will the gentleman yield?

Mr. CLARK of Missouri. Certainly.

Mr. DYER. I will say to the gentleman that it was not from Festus J. Wade.

Mr. CLARK of Missouri. Whoever wrote that borrowed bodily what Mr. Wade said, because I read it in the newspaper. Now, Mr. Wade is an eminent banker and citizen of St. Louis. I had a letter from John C. Roberts, and I quote the letter because he also had an editorial in the St. Louis Star, of which he is the owner. He is the biggest shoe manufacturer on the face of the earth. He is a business man of high standing. He wrote me a letter in which he inclosed a copy of the letter that he had written to the President of the United States. He also sent the letter and the editorial from his paper. He said that these men from St. Louis, along with the rest of the bankers at Chicago, that objected to this bill did not represent the bankers of St. Louis or the business men; that as far as he could ascertain the overwhelming sentiment among both the bankers and the business men of St. Louis was to pass this bill, or one very much like it, and do it as quickly as they could.

That is my position about it. There are some features of the bill that I would have written entirely different if I had been writing it, but these gentlemen have worked on this bill a long time; the caucus devoted three weeks to its discussion, and we have discussed it here for nearly two weeks and the result is the present bill. I do not believe there is a man on the floor of this House that does not believe that a majority of the people of the United States believe that this bill is an improvement on the patchwork law that we have now on the statute book. [Applause.]

I merely state this to set right the public opinion as to St. Louis.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I ask unanimous consent that the amendment be again reported.

The CHAIRMAN. The gentleman from Oklahoma asks unanimous consent that the amendment be again reported. Is there objection?

Mr. MANN. I object.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas.

Mr. THOMPSON of Oklahoma. Mr. Chairman, how many words is it necessary for me to strike out in order to obtain the floor?

The CHAIRMAN. Three.

Mr. THOMPSON of Oklahoma. Mr. Chairman, then I move to strike out three words. I regret that objection has been made so that this amendment could not be again reported, because I do not know whether this is exactly the place in the bill that I want to talk about or not. I do know that there are certain things in the bill that I do not favor, and there are certain things that are left out of the bill that I would like to see placed in the bill. My understanding is—I came in the Chamber after the amendment was offered—that it refers to interlocking directorates.

Mr. MURDOCK. That is correct.

Mr. THOMPSON of Oklahoma. Mr. Chairman, if that is correct, I want to talk right here. I agree with everything that has been said by the great Speaker of this House, Mr. CLARK, who has just taken his seat, when he said:

There are some features of the bill that I would have written entirely different if I had been writing it, but these gentlemen have worked on this bill a long time. The caucus devoted three weeks to its discussion, and we have discussed it here for nearly two weeks, and the result is the present bill. I do not believe there is a man on the floor of this House that does not think that a majority of the people of the United States believe that this bill is an improvement on the patchwork law we have now on the statute books.

I am not one of those, Mr. Chairman, who supported his candidacy for the Presidency last year. He is here in the House, and he can hear what I say. I have nothing to say behind a man's back that I will not say in front of his face, but since I have come into this House I have learned to love him and to regard him as one of the great statesmen of this Republic. [Applause.]

It does not make any difference to me whether others may approve or criticize what I say when I think I am right; for, regardless of praise or disapproval, I am going to stand by what I think is right [applause], and in the interest of the people of this Republic, and in the interest of the people that I represent in Oklahoma, regardless of what any man or set of men may say. [Renewed applause.]

Mr. Chairman, I was one of those who supported in the primary in Oklahoma the candidacy of Woodrow Wilson for the Presidency. I thought I was right when I did so, and since he has been inaugurated, and since I have come to know him

better, I do not regret the humble part I bore in giving him one-half of Oklahoma's delegation to the national convention at Baltimore. The better I have become acquainted with him the more I have learned to trust and believe that his every impulse is for the betterment of the condition of the common people, the working people, the laborers and farmers, who make up the greater part of the population of this great Republic. [Applause.]

While this is true, the President also believes in protecting all the people in all their lawful rights. I also believe in this. I do not believe this bill takes care of all the different classes of our people to the same extent. For this reason, while I shall vote for the passage of the bill, I think it should have contained other provisions.

Mr. Chairman, within the limited time which I have at my disposal I can not say all that I desired to say on this banking and currency bill, but I have jotted down a few subjects here that I want to talk about, and I want to talk about them during the time I have at my disposal, and I hope that no one will interrupt me. I am going to vote for the passage of this bill, but I reserved the right in the Democratic caucus to vote for certain amendments if they were proposed upon the floor, and I shall do so. I shall vote for a provision against interlocking directorates. I shall vote for a provision prohibiting rediscounting of commercial paper, the proceeds of which are to be used on the stock exchange for purchasing futures on staple farm products and for gambling on the board of trade. I shall vote to extend the time provided in section 14 of the bill from 90 days to 6 months for the maturity of commercial paper secured by staple farm products, so that our farmers' and stockmen's paper will be the subject of rediscount and placed on an equal footing with the paper of Wall Street speculators.

Mr. Chairman, I am a Democrat because I believe in the cardinal principles of my party. I am not a Democrat merely for the purpose of holding office and drawing a salary. If I did not think that I could be of service to the splendid citizenship of the new and growing Commonwealth of Oklahoma I would not be here. I told the people of my State, when I asked them to send me to Congress, that I would at all times and on all occasions stand for certain principles, and I trust it may never be charged against me that the promises I made before the election were broken after I had been sworn into office.

A SECRET CAUCUS.

Before I proceed to a discussion of the bill, however, I desire to say a few things relative to the criticisms that have been made here on the secret caucus.

A caucus is proper and desirable in its place. It has a place, and that place is for the purpose of determining a party policy; but when we come to legislate in caucus it is not right, but, on the contrary, it is against the genius of republican institutions to attempt to do so away from the light of publicity. Publicity never injured a righteous cause, and an unjust cause should and will receive the condemnation of our countrymen if we do not by secret caucus hide it from their view. This is the teaching of the Prince of Peace, for He said:

And this is the condemnation, that light is come into the world, and men loved darkness rather than light, because their deeds were evil.

If the Democratic Party is driven from power at the next election by the American electorate, it will not be because of the enactment of the Underwood tariff bill nor the Glass-Owen currency bill, but it will be because the Democratic Party, like the dead, buried, and forgotten late President of the United States, William H. Taft, convinces the American people by the secret caucus that it doubts the capacity of the people of the United States to rule themselves—doubts their honesty, their patriotism, their intelligence.

It is yet fresh in the minds of the American people how we Democrats denounced Czar Reed and his rules which made of the House of Representatives not the great deliberative and lawmaking body it was intended to be by the makers of our Constitution, but a machine to carry out the wishes of the then Speaker and those in authority with him. The people at the first opportunity resented this un-American plan and spewed from power the Republican Party. When it had again been intrusted with power it forgot the lessons its former defeat ought to have impressed upon it, that the people would not permit the House of Representatives to pass from their control and become the play tool of special privilege and selfish interests. "Joe Cannonism" and "standpatism" became the battle cry we used against the Republican Party in a new fight to restore the House of Representatives to the control of the people.

We declared in our national platform in 1908:

The House of Representatives was designed by the fathers of the Constitution to be the popular branch of our Government, responsive of the public will.

The House of Representatives as controlled in recent years by the Republican Party has ceased to be a deliberative and legislative body, responsive to the will of the majority of its Members, but has come under the absolute domination of the Speaker, who has entire control of its deliberations and powers of legislation.

We have observed with amazement the popular branch of our Federal Government helpless to obtain either the consideration or enactment of measures desired by a majority of its Members.

Legislative control becomes a failure when one Member, in the person of the Speaker, is more powerful than the entire body.

We demand that the House of Representatives shall again become a deliberative body, controlled by a majority of the people's representatives and not by the Speaker; and we pledge ourselves to adopt such rules and regulations to govern the House of Representatives as will enable a majority of its Members to direct its deliberations and control legislation.

We reaffirmed this declaration in our Baltimore platform when we said:

We direct attention to the fact that the Democratic Party's demand for a return to the rule of the people expressed in the national platform four years ago has now become the accepted doctrine of a large majority of the electors. We again remind the country that only by a larger exercise of the reserved power of the people can they protect themselves from the misuse of delegated power and the usurpation of governmental instrumentality by special interests. For this reason the national convention insisted on the overthrow of Cannonism and the inauguration of a system by which the United States Senators could be elected by direct vote. The Democratic Party offers itself to the country as an agency through which the complete overthrow and extirpation of corruption, fraud, and machine rule in American politics can be effected.

The battle cry will soon be heard again in this land, but this time it will arise to plague us if we do not live up to our platform professions. "Legislation by King Caucus" will make a mighty campaign slogan against our party, which has declared in favor of the people's rule.

During the debate on this bill we have heard the rumblings of what in a short time will grow into a mighty protest. Speaker after speaker has complained about the fact that though a banking and currency bill is not a partisan matter—and this we all agree is correct—Mr. GLASS, the very able chairman of the Banking and Currency Committee, in nearly the closing words of his splendid address opening the debate on this bill, used the following language:

We have not desired to approach or consider the question from the standpoint of party politics. It is too universal a problem for that. It is not a matter for party advantage.

I will briefly quote from a few of the membership of this House who, in discussing the bill, have referred to the fact that the bill was prepared in a secret caucus, without a hearing, and away from the gaze of the American people.

Hon. VICTOR MURDOCK, of Kansas, the able leader of the Progressive Party in the House, said:

This measure is the product of the Democratic caucus. It was framed in secret, formed behind closed doors. The element which is most potent and most necessary in this Republic, pitiless publicity, was excluded from its making. Under constitutional guarantees the consideration of the measure should be here in the House of Representatives. But its consideration was not here and will not be here. Behind the closed door of the Democratic caucus, with the people and their vigilance shut out and the representatives of the people shut in, the votes which made this measure what it was were cast. There the measure may have had or it may not have had real consideration. The public, which has a right to know and which can not know unless it knows first hand, will never know. But whatever its consideration in the caucus, its consideration here will be empty and perfunctory. Men will be bound by the caucus and the measure the caucus hands to the House will be the measure, line upon line, precept upon precept, the House will hand to the Senate. It will not be changed. In that stage of the bill's history the public was excluded. In this stage the public is admitted. In the hour when, in the bill's formative period, public opinion might have had its effect the doors were shut in the face of the people. Now, when the formative period has passed and the majority Members are gagged and bound head, hand, and foot by caucus rule, the doors are thrown open to the people. But this bill should be considered here and not in secret caucus. The very essence of the Democracy is light. The greatest enemy the Democracy has is special privilege, and the readiest refuge special privilege has is secrecy.

This is a representative government. The very essence of representation is individual accountability. The representative is responsive and responsible to his people or he is not representative at all. He can not be servant to any other force save his people and remain, in his ability to serve his people, his own master.

The spirit of the Democracy, the genius of the Republic, on this score, must, to survive, be a jealous spirit.

No man can serve two masters. No man can serve his people and the caucus. He will serve either the one or the other. He can not serve both. The secret caucus has no place in this Government. It is most intolerable when it is thrust between the people and their House of Representatives. It is utterly wrong. It is not good practice; it is not good legislation; it is not good government; and the day is coming when, before a storm of indignant public opinion, it is not going to be good politics. [Applause on the Republican side.]

I realize that there is a considerable group of men in the Democratic Party who are fighting to open up the Democratic caucus to the public. They have my heartiest commendation for their efforts. I congratulate them. The vote they cast in the Democratic caucus on April 8, 1913, is one of the most important votes of the present session. Fortunately, and unlike most of the votes in the caucus, it was a recorded vote and, under the rules of the caucus, is available to the public. The proceeding in the caucus was as follows when the question of open caucus came up April 8, 1913. The following resolution in caucus was offered by Mr. SHACKLEFORD:

"Resolved, That this caucus shall be open to the press, to the President, to the Senators, and to the Cabinet officers, and that the Presi-

dent, the Senators, and the Cabinet officers may occupy seats upon the floor."

The following substitute resolution was offered by Mr. CARLIN:
"Resolved, That hereafter all Democratic caucuses or conferences, when called either by the membership or by the chairman of the caucus, shall be open to the public."

Mr. HAY moved that both resolution and substitute be referred to a committee of three, to be appointed by the Chair, this committee to report later.

Mr. THOMAS moved that both resolution and substitute be tabled, which motion carried by a vote of 167 to 84.

Those who voted "nay"—that is, those who voted for the open caucus—were:

Abercrombie, Allen, Aswell, Bailey, Bathrick, Borchers, Bowdle, Brockson, Broussard, Brown of New York, Brumbaugh, Buchanan of Illinois, Bulkley, Candier of Mississippi, Carlin, Casey, Collier, Connolly of Iowa, Cox, Crosser, Cullop, Deitrick, Dershem, Dickinson, Donohoe, Doolittle, Dupré, Elder, FitzHenry, Floyd of Arkansas, Foster, Garrett of Texas, Gordon, Hammond, Hardy, Harrison of Mississippi, Harrison of New York, Hayden, Helvering, Henry, Hobson, Hoxworth, Keating, Kinkel, Kinkadee of New Jersey, Lazaro, Lee of Pennsylvania, L'Engle, Linthicum, Maguire of Nebraska, Morgan of Louisiana, Murray of Massachusetts, Murray of Oklahoma, Oldfield, Palmer, Pepper, Phelan, Quin, Rainey, Raker, Reilly of Connecticut, Roddenberry, Rubey, Rucker, Scully, Seldomridge, Shackelford, Sharp, Sims, Sisson, Smith of New York, Smith of Texas, Stephens of Mississippi, Stone, Stout, Stringer, Talcott of New York, Tavenner, Taylor of Arkansas, Taylor of Colorado, Thompson of Oklahoma, Walsh, White, and Wingo."

If the attendance were larger to-day, Mr. Chairman, I would ask unanimous consent to print without reading the names of the 167 Democrats who voted to table the resolution.

Hon. SYDNEY ANDERSON, of Minnesota, a distinguished Member of this House, said:

A Member may debate, offer amendments, and vote, but the verdict has already been rendered by a packed jury.

No one would claim that a man's right to a trial by jury was preserved if the jury impaneled were already bound to return a verdict against him. Yet this is the exact situation in the House.

The caucus not only destroys the representation of the minority but of a minority of the majority, for it binds the votes of both majority and minority of the caucus as a unit in the House against all suggestion, amendment, and debate.

It may be claimed that no action of a caucus can bind the vote of a Member on the floor of the House. Doubtless this is theoretically true, but every man who has felt the sting of the party lash and the prick of the organization spur knows that actually it is not true. It is not true.

There is yet another essential to good legislation. It is that the acts of Representatives should be always open to the scrutiny of the public. The Constitution recognizes this, for it provides:

"Each House shall keep a Journal of its proceedings and from time to time publish the same . . . and the yeas and nays of the Members of either House on any question shall, at the desire of one-fifth of those present, be entered on the Journal."

The caucus destroys the force of this provision. The caucus is the real legislative body and its proceedings are essentially secret. The yeas and nays and the proceedings of the House are valuable records to the public only when they record the real transactions of the House and the real attitude of its membership. The real attitude of the majority party, under which the caucus system is in complete control of legislation, is disclosed only in the caucus, and hence the record provided by the Constitution is a false or at least inaccurate and useless one.

Again, the use of the caucus system may be justified by some on the ground of its good purpose and of its occasional good results. I will not deny that some good things have been done even under the caucus system. The bills passed by that unofficial body have contained things for which I would be glad to vote. Yet the same reasoning which now attempts to justify a caucus would justify a despotism. I can not believe in a despotism because I know that despots have done some good in the world. Nor does the right of representation seem less precious because it is denied by this benevolent beast, the caucus.

The caucus holds the same place in legislation that the holding company does in finance.

The holding company enables a few men to control the policy of great corporations by the investment of a small amount of capital.

The caucus enables a few men to control the policy of legislation by the exercise of a limited amount of power.

A financier who wishes to control a great corporation organizes a second corporation or holding company to hold the controlling interest in the stock of the first. He then controls a majority of the stock in the holding company. Thus he reduces the amount of capital necessary to control the policy of the corporation from one-half of the aggregate capital of the corporation to one-fourth—or less if the stock is widely distributed. Under this benevolent scheme the minority stockholder has no real voice in determining the policy of the corporation. The real control is not vested in a majority of the capital of the corporation, but in a minority owned by those who control a majority of the stock of the holding company.

It is all very simple and very effective.

The few men who desire to control the policy of legislation in the House organize the members of the majority party into a holding company—the caucus. Under a rule, written or unwritten, a majority vote of the holding company, the caucus, binds the whole membership of the caucus to vote as a unit in the House. Thus a minority of the membership of the House controls the legislative policy of the whole House in the actual making of legislation and renders ineffective the service, industry, and ability of the minority.

Hon. GEORGE A. NEELEY, of Kansas, one of the leading progressive Democrats, in his address, said:

I believe this bill would have been a better one had it been framed in the clear light of the open day, where the public could have the privilege of criticizing, commending, or suggesting anything of value to the subject itself. [Applause.] Because of this belief, I voted to throw open the doors of the committee, and after a majority of my brethren had declined to incorporate certain propositions that to me seemed fundamental, and it became necessary that the bill go to the caucus. I there made a motion to open the doors of that caucus so that the white light of publicity would not only be turned on the bill itself, but might beat down directly upon the membership of that caucus and the public see and understand the motives that actuated every man who participated in the deliberations therein. [Applause.]

Mr. Chairman, there may have been a time when secret caucuses were justified in this country. There doubtless are conditions at this time when it might be both desirable and eminently proper for a political party to frame legislation protected by an obligation of secrecy, but this was not one of the times nor this bill one of the subjects. I can see no good reason why in this day of enlightened public opinion it should be necessary for any body of men engaged in legislating for the whole people to thus act, and if the Democratic Party is to maintain its position of supremacy and justify the faith of our people in the honesty of its purpose it is necessary that it take those same people into its confidence when framing legislation of vital interest to them. Some may attempt to justify the secret caucus by saying that the Republican Party was enabled to perpetuate itself in power by the machine constructed in its secret caucus, but you know that very machine was one of the most potent agencies in the disruption of that party and that we are in power to-day because of the faith of the people in our promises of above-board legislation.

Hon. SILAS R. BARTON, of Nebraska, in discussing this subject, used this language:

Mr. Speaker, certain reforms are demanded by the people of to-day, and they are measuring men as well as parties. Caucus rule, we supposed, with the passing of Czar Reed and Uncle Joe, was only an incident of the past and would never be vitalized in American politics.

If the Members who are holding their seats to-day had told their constituents that when they took their oath of office and their seats in the Halls of Congress that they would enter into and be bound by a secret caucus, surrendering their rights as individuals and their opinions as men to the dictation of a few political bosses, I believe there would have been in many cases men elected in their stead who would act independently and free.

The only excuse for the secret caucus that I have heard from the men on the other side of the Chamber is "that Republicans did it." You do not seem to be following other Republican policies; why do you follow this one? Because Republicans held secret caucuses, does that in your judgment make it right? Republicans of to-day are not doing so, and I venture the assertion that no matter what strength they may have in the future they will never do so again.

The people have condemned this policy and they will condemn it again. We have a measure pending before us to-day that should not in any sense be made a partisan measure. The people of all parties demand a change in our monetary system, and we are here at the expense of the Government to do the things that they demand. We are not permitted to fulfill the purposes for which we were elected. Caucus rule governs and forbids individuality.

Hon. WALTER ELDER, one of the leading young Democrats of this House, said:

Mr. Speaker, if I judge the times and signs aright, the day of the party caucus, except on strictly party questions, is about to end. The game as now played by some party leaders is fast and loose. If they see that they have a majority on a particular question or amendment, it is taken into the caucus and those opposed to it are bound and gagged, delivered body and soul. If they have not such a majority and it is an amendment that would suit the Republican Members, such as that proposed by Mr. Fess, known as the gold-standard amendment, they take what committee following they have amongst the majority and with the help of the Republican minority fasten the useless "gold-bug" amendment on the bill. On the other hand, fearing the result in the whole House on the interlocking directorate feature, where it developed that there were practically 100 votes outside the caucus for this provision, they take the subject into the caucus and attempt to bind and gag the majority Members. Such procedure, in my humble opinion, is certain eventually to destroy the caucus action. Men of intelligence will not continually allow themselves to be handled in such a fast and loose manner by a small, selfish party machine, a wheel within a wheel, unexcelled even in the palmy days of Cannonism. As a loyal Democrat I have never and never will bolt a caucus action.

Heretofore I have kept my expressions of such procedure within the confines of the secret caucus. Hereafter, I wish to say here and now, that while I will abide the majority, expressed in the caucus action, yet I reserve the right to express my views, at least of any unfair procedure directed against good legislative government, in any public place. I opposed this currency bill in the caucus, for the reason that I believed that it was not good nor safe legislation. At one time I was bound by the caucus action. However, as the committee saw fit to make substantive changes in several respects, and thereby unwittingly released Members of contrary views, I have exercised the opinion that I expressed in the caucus and have voted against the bill.

I regard the declaration of the Democratic platform and my campaign pledges as sacred covenants entered into with the people and not merely as the platform of a railway train, to be used for the purpose of stepping into office and then discarded.

I am opposed to a secret caucus, and I voiced this sentiment in no uncertain terms within 24 hours after my arrival at Washington as a Member of this Congress.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I ask unanimous consent to proceed 30 minutes more.

The CHAIRMAN. Is there objection?

Mr. MANN. Mr. Chairman, I object.

Mr. THOMPSON of Oklahoma. Mr. Chairman, I do not intend to insert my speech in the RECORD on this bill, but I will take five minutes on every proposition in this bill until this speech is finished if I am not permitted to finish now. [Applause.]

Mr. Chairman, so far as I am concerned this shall not be a mimic warfare. I do not intend to say one thing to the people of Oklahoma and another thing when I reach Washington and speak on the floor of this House. I shall vote for the passage of this bill, though it contains certain provisions I would eliminate, and it fails to carry others which I would have it contain if the power were mine to alter or amend it. Without the pro-

visions that I would insert and with the provisions I would eliminate, however, I consider it a better banking law, if we are to have only a banking act, than the present one. It provides a system that will mobilize the bank reserves and make them subject to the call of business and commerce, and for that reason, in my judgment, it is a better banking law than the one we now have. It likewise provides for a Government issue of currency, and that provision I commend. It contains other good provisions which commend it to me, and which I think will prove satisfactory and promote the interests of all the people, but I will not consume the time necessary for a full discussion of the provisions of the bill. To do so would require too much of the time at the disposal of the committee. I shall content myself with a brief discussion and explanation of the provisions of the bill which I think ought to be eliminated and of the amendments which I think ought in the interest of the American people to be incorporated in the bill.

Mr. Chairman, the provisions of this bill which I think ought to be eliminated are, first, section 7, which is as follows:

That after the payment of all necessary expenses and taxes of a Federal reserve bank the member banks shall be entitled to receive an annual dividend of 5 per cent on the paid-in capital stock, which dividend shall be cumulative. One-half of the net earnings, after the aforesaid dividend claims have been fully met, shall be paid into a surplus fund until such fund shall amount to 20 per cent of the paid-in capital stock of such bank, and of the remaining one-half 60 per cent shall be paid to the United States and 40 per cent to the member banks, in the ratio of their average balances with the Federal reserve bank for the preceding year. Whenever and so long as the surplus fund of a Federal reserve bank amounts to 20 per cent of the paid-in capital stock and the member banks shall have received the dividends at the rate of 5 per cent per annum hereinafter provided for, 60 per cent of all excess earnings shall be paid to the United States and 40 per cent to the member banks in proportion to their annual average balances with such Federal reserve bank; all earnings derived by the United States from Federal reserve banks shall constitute a sinking fund to be held for the reduction of the outstanding bonded indebtedness of the United States, said reduction to be accomplished under regulations to be prescribed by the Secretary of the Treasury. Should a Federal reserve bank be dissolved or go into liquidation, the surplus fund of said bank, after the payment of all debts and dividend requirements as hereinbefore provided for, shall be paid to and become the property of the United States.

This section not only puts the Government in the banking business but it puts the banks in the Government business. In other words, it creates a partnership between the Government and the banks. In my judgment the Government of the United States ought not to be in partnership with any private business. I think the Government ought to own outright and entirely the 12 central reserve banks provided by this bill, or it ought to permit the banks themselves to own these 12 institutions. Under the provisions of this bill the banks are required to subscribe to the capital stock of the 12 regional reserve banks 20 per cent of their capital, and after 5 per cent dividend has been earned on this capital stock 60 per cent of all excess earnings will be paid to the United States and 40 per cent to the member banks in proportion to their annual average balance with such Federal reserve bank.

If the central reserve bank is a good thing, I submit that the capital stock of the bank should be subscribed entirely by the Government, and all the profits should go to the benefit of all the people of the United States. No private citizen should be permitted, much less required, as is done under the provisions of this act, to subscribe to the capital stock of this institution. I am opposed, Mr. Chairman, to the Government going into the banking business or the banks going into the Government business, and for that reason I am opposed to a partnership between the banks and the Government, as is provided in this bill. If I had my way about this matter I would, if I were going to put the Government into this central reserve bank business, provide a central reserve bank with a branch in each one of the States, so that currency could be easily obtained at any time and without any danger by reason of delay.

The capital stock of the central reserve bank and of all its branches in each of the States of this Union would be owned entirely by the Government of the United States, and every dollar earned by the central reserve bank and by all of its branches I would convert into the Treasury of the United States, in order that the people of the United States might be relieved in so far as possible of the burdens of taxation which now rest so heavily upon them.

Mind you, I do not say I would favor this plan. I merely say if this plan were adopted, it would relieve two of the evils which are apparent from the plan proposed. First, it would leave in circulation the 20 per cent which by the provisions of this bill will be taken from the arteries of trade and commerce and converted into the capital stock of the reserve bank and its branches. For instance, at my town—Pauls Valley—we have three national banks and one State bank. The three national banks have a capital of \$125,000 and the State bank has a capital of \$25,000. Twenty per cent of this \$150,000 will

amount to \$30,000. These banks can now loan that \$30,000 to the farmers and citizens and borrowers of my county. Under the provisions of this bill this \$30,000 will be taken away from that county and paid in as a part of the capital stock of a central reserve bank located not less than 500 miles from Pauls Valley, and perhaps 750 miles from my town. Thirty thousand dollars is no small amount when the farmers of my county, during the spring season, apply to the banks for loans. The average loan to the ordinary farmer is less than \$100. This amount of capital, therefore, deducted from the amount of loanable assets of the banks in my home town would supply more than 300 farmers \$100 each, or more than the ordinary amount loaned to a farmer in the course of an ordinary year.

Section 13 of the bill provides as follows:

There is hereby created a Federal advisory council, which shall consist of as many members as there are Federal reserve districts. Each Federal reserve bank by its board of directors shall annually select from its own Federal reserve district one member of said council, who shall receive no compensation for his services, but may be reimbursed for actual necessary expenses. The meetings of said advisory council shall be held in Washington, D. C., at least four times each year, and oftener if called by the Federal reserve board. The council may select its own officers and adopt its own methods of procedure, and a majority of its members shall constitute a quorum for the transaction of business. Vacancies in the council shall be filled by the respective reserve banks, and members selected to fill vacancies shall serve for the unexpired term.

The Federal advisory council shall have power (1) to meet and confer directly with the Federal reserve board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board; (3) to call for complete information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system.

This is a clear, distinct, and positive recognition of the banking interests of the country in writing the provisions of this bill. This is supposed to be a great constructive act—a great banking and currency act—the first attempt by the American Congress since the days of the Civil War. Why does not the bill carry a provision permitting the farmers of the country to have an advisory board? Why does it not carry a provision permitting the laborers of the country to have an advisory board? Why not carry a provision permitting the merchants of the country to have an advisory board? Why not a provision permitting every class of our people engaged in every industry to have an advisory board? I will answer by saying that none of the great classes of industry into which our country is divided should have an advantage over any other class as is given by this provision. The bankers were given this preference because they were required to subscribe the capital stock and are to secure a part of the profits, and are, therefore, interested more than any other class in these banks. Looking at the matter from this standpoint, it can not be said to be an unjust provision, but it strikingly illustrates the danger of the partnership.

FARMERS' PAPER.

The bill as reported to the Democratic caucus by the Banking and Currency Committee, lines 13 to 23, inclusive, section 14, page 23, provided as follows:

Upon the indorsement of any member bank any Federal reserve bank may discount notes and bills of exchange arising out of commercial transactions; that is, notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used for such purposes, the Federal reserve board to have the right to determine or define the character of the paper thus eligible for discount within the meaning of this act; but such definition shall not include notes or bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other securities. Notes and bills admitted to discount under the terms of this paragraph must have a maturity of not more than 60 days.

After a hard struggle to take care of the interests of the great producing classes of our country this section was finally amended in the caucus by striking out the following words, "Notes and bills admitted to discount under the terms of this paragraph must have a maturity of not more than 60 days," and inserting after the word "securities" the following:

Nor shall anything herein contained be construed to prohibit such notes and bills of exchange secured by staple agricultural products or other goods, wares, or merchandise from being eligible for such discount. Notes and bills admitted to discount under the terms of this paragraph must have a maturity of not more than 90 days.

This amendment was secured after a hard struggle in favor of incorporating it in the bill, led by the distinguished Members, Mr. HENRY of Texas, Mr. RAGSDALE of South Carolina, Mr. NEELEY of Kansas, Mr. HARDWICK of Georgia, my colleague from Oklahoma, Mr. MURRAY, joined by numerous other Democrats, of which number I was one. Thus, a distinct recognition of commercial paper secured by staple agricultural products was made the subject of discount, and the time period was extended from 60 to 90 days, which is of great moment to the pro-

ducing classes. The farmers, laborers, and producers of other products, unlike the other citizenship of our country engaged in other great industries, are unable to turn their capital more than once during a 12 months' period. For this reason they are compelled to borrow what money they of necessity must use for a period of 8 or 9 months. They can not afford to borrow for 60 days, because from the time they plant until the time of the maturity of their products a much longer period than that is required. The recognition of staple farm products as a basis of security of notes and commercial paper made the subject of discount was a distinct triumph in favor of this great class of our citizenship. Without it our banks could not have afforded to make loans on this class of security. I regret that the time limit of notes of this class was not extended from 90 days to 6 months. People in the agricultural parts of our country usually borrow their money early in the year, or about planting time, and are unable to repay it until the crops are harvested, and unless the paper is subject to rediscount the banks of necessity will be limited in the amount of loans to this large class of our citizenship.

The bankers of my State were very earnestly in favor of a provision of this kind in the bill, because in the country towns nine-tenths of the business of the banks is made up of this class of paper. During the consideration of this bill by the Democratic caucus I received from Mr. T. P. Martin, jr., president of the Oklahoma Stock Yards National Bank, with a capital, surplus, and profits of \$350,000, a letter calling my attention to this particular provision of the bill. He said:

We fear that this bill will hardly cover the ground so far as the little banker of Oklahoma and other agricultural States are concerned. We have no commercial paper down here, and unless some kind of arrangement can be made by which well-secured cattle paper or loans of farmers secured by the usual collateral may be placed somewhere to obtain funds it is going to be hard to explain to the little bankers wherein they will be able to get money quickly in time of panic.

And the sentiment so clearly expressed by Mr. Martin was generally concurred in by the bankers of Oklahoma.

RURAL CREDIT SYSTEM.

The Democratic platform adopted at Baltimore last year, and on which we won our great victory by the ballots of the American people, declared:

Of equal importance with the question of currency reform is the question of rural credits or agricultural finance. Therefore we recommend that an investigation of agricultural credit societies in foreign countries be made, so that it may be ascertained whether a system of rural credits may be devised suitable to conditions in the United States; and we also favor legislation permitting national banks to loan a reasonable proportion of their funds on real estate security. We recognize the value of vocational education, and urge Federal appropriations for such training and extension teaching in agriculture in cooperation with the several States.

There are more than 6,000,000 farms in the United States, and the farm products add more than \$9,000,000,000 to the wealth of the Nation during each year. More than 12,000,000 of our 90,000,000 of population are actively engaged in farm work, and the farm population of the United States is estimated at about 35,000,000 people, or about 40 per cent of the entire population of our country. More than one-third, or more than 2,000,000, of the farms of the United States are mortgaged. On these mortgages secured by real estate alone an annual interest charge of about \$150,000,000 is paid. In addition to this stupendous interest paid yearly on commercial paper secured by real estate, multiplied millions of dollars are borrowed on notes secured by chattel mortgages on livestock, growing crops, personal notes, and various other classes of security. The annual interest rate, according to statistics, paid by the farmers of the United States is more than 8½ per cent. As against this rate, the farmers of France, Germany, England, and other European countries that have established a farm credit system averages from 3½ to 4½ per cent. In the State of Oklahoma the average rate of interest charged is much higher than 8½ per cent. The rate of interest paid by the farmers of our country is double the rate paid by the railroads, other industrial corporations, and our municipalities. The Democrats in the Baltimore platform recognized the injustice of this condition and declared that, if intrusted with power, the evil would be remedied and this great class of our citizenship should be protected from the enormous exactions and tributes levied upon them that do not apply to other classes engaged in other industries.

This enormous excess rate of interest paid by the farmers and producers of the country for the use of money is not because the class of security offered by any other industry of our country is safer than the security which they offer, but it is because under our banking and currency laws the class of security which they can offer for a loan is not recognized as a liquid asset. In other words, their business and their occupation would not permit them to borrow money for short time or on call.

The banking and currency bill, which we are now considering, is not a banking and currency act for the great producing masses of this country. It is a banking and currency act for those classes of our citizenship engaged in commercial occupations. I believe, as declared in the Democratic platform, that the banking and currency act should take care of the interests of every class of our citizenship—those engaged in the farming industry as well as in commercial and other industrial occupations. I desire to quote from an address delivered by the Hon. Charles Hall Davis, of Petersburg, Va., at Lake Toxaway, N. C., on July 12, 1913, before the South Carolina Bankers' Association, on the subject of rural banking and currency reform, and which has been printed by the Government of the United States as Senate Document No. 140. On page 4 of that address Mr. Davis said:

Moreover, in considering this question of rural banking and currency reform, it is perhaps just to both of the great political parties to say that, in my judgment, the Aldrich bill, representing the Republican plan, and the Federal reserve act, representing the Democratic plan, are equally subject to criticism in this connection, in that neither of them makes any adequate provisions for the farmers' banking requirements, and in that the authors of neither of these bills seem to have recognized that no adequate reform along the lines proposed can be accomplished by any bill which fails to provide for our agricultural needs.

To me it is astounding that, in preparing and presenting such a legislative act, its patrons, as well as the public, should have apparently overlooked the vital fact that the banking necessities of one-third of our population have been disregarded, and that no provision has been made in either of these bills for the peculiar class of banking needed by the agricultural classes.

And further on in the same address he said:

I think it will be admitted that our present national banking system is a system of commercial banking; that it was organized and has been built up more especially to meet the needs of merchants and manufacturers, and to fulfill the requirements of commercial banking. It was not intended as a method of meeting the financial requirements of the farmers. One of the fundamental principles of the whole system has been the inhibition against real estate loans. As the farmer's principal asset is real estate, and as national banks are by law prohibited from lending on the security of real estate, it can hardly be successfully contended that our present national banking system was ever designed as a means of meeting the banking requirements of the farmer.

In examining into the question as to how the farmer's needs are provided for in the pending Federal reserve act, I will now endeavor to explain the scope of that act and to demonstrate that it is an act for general banking reform, and not simply for currency reform, and that it absolutely fails to provide for the financial requirements of the farming class.

With this end in view it might be wise to examine the title of the act. Senate bill No. 2639, being the bill introduced by Senator OWEN on June 26, 1913, which is usually referred to as the "currency bill," and which is designated in its first section as the "Federal reserve act," has the following heading:

"A bill to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes."

Does a bill to provide for the establishment of Federal reserve banks meet the financial requirements of the farmer? By an examination of the bill and an investigation of just what is meant by a Federal reserve bank it will be seen that a Federal reserve bank is a banker's bank, intended to operate as a clearing house for the constituent national banks, and expressly prohibited from lending money to anybody except to a national banking institution or on its credit.

Does a bill for furnishing elastic currency offer any means of relief to the farmer? To ask the question is to answer it. The portions of the bill dealing with the currency have no relation to the farmer, except in so far as all of us are interested in the establishment of a sound and elastic currency system to meet the business needs of the country as a whole.

Does a bill affording means of rediscounting commercial paper offer any method of relief to the farmer? If there is one thing on earth that a farmer never has, I should say that it is commercial paper. In the ordinary acceptance of the meaning of that term. The rediscounting of commercial paper will obviously never afford any relief to the farmer.

Does a bill to establish more effective supervision of banking in the United States provide for the needs of the farmer? The title would indicate that perhaps it might; but when the bill is investigated it is found that the banking which is to be supervised is commercial banking as now exercised by our national banks; that no provision for rural banking is made; and that no adequate provision is made for the use of the national banks to meet the rural requirements.

So much for the title. By an examination of the bill itself it will be seen that it is a bill reforming our whole method of national banking. It provides for the creation of new banks, to be known as Federal reserve banks, and to be capitalized by the sale of the stocks of such new banks to existing National and State banks. It provides for a central reserve board to direct and control the entire banking system. It changes the existing regulations as to the amounts and place of deposit of banking reserves. It formulates new regulations for rediscounting, for bank examinations, and bank management. It practically covers the entire field of national banking and provides for reforming and altering that system in the most vital particulars. Of its 29 sections not over 4 deal with the currency in any way. The other sections constitute the regulations for general banking reform and practically for a new banking system.

Now, let us see just what the bill provides and just how far it goes in meeting the requirements of the farmer.

Absolutely the only provision in this bill in reference to rural banking or farm loans is contained in section 27, which reads as follows:

LOANS ON FARM LANDS.

"SEC. 27. That any national banking association not situated in a reserve city or central reserve city may make loans secured by improved and unencumbered farm land, and so much of section 5137 of the Revised Statutes as prohibits the making of such loans by banks so

situated shall be, and the same is hereby, repealed; but no such loan shall be made for a longer time than nine months nor for an amount exceeding 50 per cent of the actual value of the property offered as security, and such property shall be situated within the Federal reserve district in which the bank is located. Any such bank may make such loans in an aggregate sum equal to 25 per cent of its capital and surplus or 50 per cent of its time deposits.

"The Federal reserve board shall have power from time to time to add to the list of cities in which national banks shall not be permitted to make loans secured upon real estate in the manner described in this section."

Now, I propose to show you that if the national banks loaned to farmers every dollar that they are authorized to loan under this provision they would be providing only an amount of money equal to about one-fourteenth, or 7 per cent, of what is now being actually borrowed on farm mortgages.

In the year 1910 the value of all farm property in the United States, including land, buildings, implements, machinery, and live stock, was \$40,991,449,000. In that year there were mortgages against 1,327,439 farms. There were 2,361,283 farms not mortgaged. The mortgaged farms represented 33.6 per cent of all the farms in the United States.

From the best information I can get the average rate of interest on farm mortgages in this country is about 8 per cent, as against an average rate of less than 5 per cent in countries where facilities for rural banking have been provided. In 1910 one-third of our farms were mortgaged. Exact figures are not available, but let us assume that this one-third of the farms represented one-third of the value. We have seen what the total value is, and we find that one-third of this value is approximately \$14,000,000,000. If these farms were mortgaged at 25 per cent of such value, approximately three and one-half billion dollars would be required. This amount would be sufficient simply to take over at a reasonable rate of interest the assumed existing mortgages.

Now let us see what the Federal reserve act provides to meet these requirements. And let us remember that the farmers, in order to meet their capital requirements, need a great deal more money than this present mortgage debt would indicate, and that any suggested method of providing their capital needs must contemplate the provision of an amount largely in excess of the figures above stated.

Senator OWEN, who presented the Federal reserve act in the Senate, has published Senate Document No. 117, which was referred to the Committee on Banking and Currency on June 27, 1913. In this document he has given a statement in regard to the bill referred to. In commenting on section 27 of the bill he says:

"Section 27 provides for somewhat greater liberty in making loans on farm lands by national banks, not exceeding, however, 25 per cent of their capital and surplus or 50 per cent of their time deposits. This would make a possible release for such purposes of \$250,000,000."

So that the Federal reserve act makes no provision for farm loans, except that it would be possible for the national banks to loan on the security of real estate the sum of \$250,000,000 if every bank loaned every dollar that it was authorized by law to loan. And this \$250,000,000 is absolutely the only money available under this act for meeting the farmers' capital requirements.

Moreover, if the bill itself be read carefully it will be observed that when such farm loans are taken by the banks they become, to a large extent, a dead asset under the terms of the bill. The national banks are allowed to rediscount with the Federal reserve banks in order to meet their requirements, but the class of paper which may be so rediscounted is described as—I quote from the bill—

"Notes and bills of exchange arising out of commercial transactions; that is, notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, the Federal reserve board to have the right to determine or define the character of the paper thus eligible for discount within the meaning of this act; but such distinction shall not include notes or bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except notes or bills having a maturity of not exceeding four months and secured by United States bonds, or bonds issued by any State, county, or municipality of the United States. Notes and bills admitted to discount under the terms of this paragraph must have a maturity of not more than 45 days."

If the national banks can not rediscount notes or bills issued or drawn for the purpose of carrying or trading in farm bonds, and if all notes and bills admitted to discount must have a maturity of not more than 45 days, I think it may be pretty safely predicted that loans on farm lands will not be generally available to be used for rediscounts. And if the banks recognize that farm loans will not be rediscounted by the Federal reserve banks in time of stress, they will be indisposed to accept farm loans even to the limited extent to which they are authorized to go under the terms of the bill as above set out.

Moreover, the loan of money to a farmer for nine months, to meet his capital requirements, is on its face an absurdity.

The farmer might possibly meet his annual requirements with loans for not exceeding nine months; but such annual requirements or temporary needs, as heretofore explained, ought not to be provided by mortgages on the land. These mortgages should be used to produce his capital requirements, not to meet annually recurring banking needs. It is perfectly obvious that a nine months' loan would not meet his capital requirements, could not possibly be paid when it fell due, and would in no sense serve to furnish the capital which must be furnished before the question of banking accommodation for annual requirements need be seriously considered.

My contention is that the Federal reserve act is a bill for the establishment of a banking system for this country. It is true that under its title it is designated as a bill for the establishment of Federal reserve banks and for the supervision of existing national banks. It is equally true that it is a bill for the establishment and reform of commercial banking as well as a bill for furnishing elastic currency. But I respectfully submit that the farmers have a right to be considered when a question of establishing a banking system is being passed upon by Congress and that the bill is faulty in that it does not provide for the kind of banks that the farmers need to meet their banking requirements, though it provides for the commercial banks needed by merchants and manufacturers.

Mr. Chairman, I do not think there is any subject of more importance, or upon which the time of the American Congress could be better spent, than in devising a banking and currency system for the 40 per cent of the people of the United States engaged in the great farming industry.

I will close what I have to say on this particular subject by quoting from the preliminary report on land and agricultural credit in Europe, which will be found in Senate Document 967, pages 10 and 11, as follows:

Personal credit in agricultural Europe is obtained usually by means of the cooperative credit associations. They are also used by artisans and small tradespeople in the towns and cities. These associations are in fact the only banks which the farmers will patronize for short-time loans in the nations where they abound in the greatest numbers. With their aid poverty and usury have been banished, sterile fields have been made fertile, production has been increased, and agriculture and agricultural science raised to the highest point. Their educational influence is no less marked. They have taught the farmers the uses of credit as well as of cash, given them a commercial instinct and business knowledge, and stimulated them to associated action. They have encouraged thrift and saving, created a feeling of independence and self-reliance, and even elevated their moral tone.

The picture can hardly be overdrawn. Every traveler who visits the places where these little associations exist speaks in glowing phrases of the prosperity and contentment that prevail. They are organized on such simple lines that their management requires only ordinary intelligence. Failures have rarely occurred. In France and other countries they hold a record of having never lost a cent. The working capital and number of members of individual associations are so small as to be insignificant, yet they do one-third of the banking business of Italy, while the combined amount of their operations in Germany equal that of the commercial banks. But the mutual banks, both in town and country, are looked upon with favor in the financial world because they keep millions of dollars of petty sums in circulation which except for them would be idle and hoarded. They are, in fact, feeders for the commercial banking system.

In 1909 in Belgium 458 banks, with a membership of 25,762, had outstanding (roughly calculated) \$4,000,000 of loans; in France 96 regional banks did upward of \$25,000,000 of business on a capital of \$2,983,646, while the 2,983 local banks, with a membership of 133,382 farmers, had \$2,622,241 of capital and a record of over \$20,500,000 of operations. There were nearly 6,000 banks in Austria. The membership was over 725,666, and the loans ran over \$86,500,000. In Italy 690 banks that furnished reports had a working capital of over \$170,091,946. In Germany there is one bank for every 1,600 of the population, and the total business done was over \$4,888,000,000. In one Province there is a bank for every 3,000 acres of land; and so on for all other nations that have cooperative credit institutions. The rate of interest charged was one or two points lower than in commercial circles, yet these banks, with a few exceptions, made a fair profit on the turnover of their capital. In some instances it ran as high as 5 per cent and 7 per cent.

INTERLOCKING DIRECTORATES.

Another evil of our banking and currency system which, in my judgment, ought to have been remedied and removed bodily, root and branch, from our financial system is the interlocking of directorates among the great financial and corporate interests of the country. It was so apparent that this was one of the evils of our banking and currency system that the Democratic convention at Baltimore last year declared:

We favor the declaration by law of the conditions upon which corporations shall be permitted to engage in interstate trade, including, among others, the prevention of holding companies, of interlocking directors, of stock watering, of discrimination in price, and the control by any one corporation of so large a proportion of any industry as to make it a menace to competitive conditions.

And I shall support an amendment placing such a provision in this bill. I supported such a provision in the Democratic caucus, and inasmuch as I had in my campaign for Congress in Oklahoma promised the people of the State, if I were elected, to vote on every occasion to destroy this evil, I shall vote for the amendment offered by the gentleman from Kansas [Mr. MURDOCK], which has that purpose in view.

The Pujo committee investigating the Money Trust last year reported to Congress that 118 directorships in 34 banks and trust companies having total resources of \$2,679,000,000, total deposits of \$1,983,000,000, and 30 directorships in 10 insurance companies having total assets of \$2,293,000,000, and 105 directorships in 32 transportation systems having a total capitalization of \$11,784,000,000, and a total mileage, excluding express companies and steamship lines, of 150,200 miles, and 63 directorships in 24 producing and trading corporations having a total capitalization of \$3,339,000,000, and 25 directorships in 12 public utility corporations with a total capitalization of \$2,150,000,000—in all 841 directorships in 112 corporations, having aggregated resources or capitalization of \$22,245,000,000—were taken from the firm members or directors of four New York City institutions, namely, Morgan & Co., First National Bank, National City Bank, and Bankers & Guaranty Trust Co., which latter two were absolutely controlled by Morgan & Co. through voting trusts.

GAMBLING ON FARM PRODUCTS.

The Democratic Party in 1908, at Denver, when it nominated for the third successive time the great tribune of the people, Hon. William J. Bryan, declared:

The Republican Party has so linked the country to Wall Street that the sins of the speculators are visited upon the whole people. While refusing to rescue the wealth producers from spoliation at the hands of stock gamblers and speculators in farm products, it has deposited Treasury funds without interest in favorite banks.

It is provided in section 14 of the bill under consideration that notes and bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities should not be the subject of discount. This is one of the splendid provisions of the bill.

The panic of 1907 came about and was produced almost entirely by reason of stock gambling and stock juggling on Wall Street.

Every Member of this House can remember when the news was flashed over the wires conveying to the small banks and to the people of the United States that the Knickerbocker Trust Co. had closed its doors, and the money panic was on. It was on October 27, 1907. My State never produced a more abundant crop of every product of the Temperate Zone than during that year.

The farmers were in the midst of the gathering season; the merchants were in the midst of the busy sale of their merchandise; the banks were bursting with money, the proceeds of the products of our farms. They had, in fact, too much money, because it is shown by the figures that the national banks of the city of New York held nearly a quarter of a billion of dollars of the reserves of other banks at the time of the money panic. The Knickerbocker Trust Co. was among the largest financial institutions of the city, and was forced to suspend by reason of having loaned too heavily on stocks and bonds purchased not for the purpose of real delivery, but on a margin and for speculative and gambling purposes. When these reserves were called for and the company could not realize on its security, the panic followed, and all of the banks of the country refused to pay out the money in their vaults, depressing the price of farm products, bringing to a standstill the business of the merchants, and paralyzing every department of industrial business of our country.

Therefore one of the great provisions of this bill is that clause which prohibits the rediscount of notes and bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities. If this condition, or the great panic of 1907, with its business failures, its loss of multiplied millions to the people of our country, was caused directly by stock gambling and stock juggling, would it not have been wise and just to the great agricultural classes of our people to have placed in this bill the amendment offered by the gentleman from Arkansas [Mr. Wingo], and which is as follows:

Provided, No bills or notes shall, for the purpose of dealing in futures or trading on margin in staple agricultural products, be eligible to discount under the provisions of this paragraph.

The price of staple farm products has largely ceased to be controlled by the law of supply and demand, but it has become the football to be either raised or lowered as the interests of the speculator on these products may be best served.

Mr. Chairman, in conclusion I desire to say that no Member of this House is a better Democrat than I nor a better party man. I was born during the dark days of reconstruction following the unfortunate war between the States, of parentage who for four long and devastating years followed the fortunes of the Stars and Bars, and who, because of their southern devotion, were forced to seek refuge in the Commonwealth of Texas, where I was born. I was reared on a farm, and was taught from my infancy that Jefferson and Jackson were the patron saints of all things that represented pure and undefiled popular government. From those good days to this I have found nothing to change the belief impressed on me in childhood. Since I became of age I have always voted the ticket of my party straight from constable to President, and its platform mandates have been the law of my political actions. I served my party from 1896 to 1906 as a member of its State executive committee, and from 1906 to 1910 as chairman of its State committee. I have attended every Democratic convention—precinct, city, county, and State—held by the Democratic Party in my home State and supported its every candidate and party policy. I was a delegate to two of the national Democratic conventions at which the great commoner, William J. Bryan, was nominated for President, and I supported his candidacy in 1896, when it was not so popular to be a Bryan Democrat as it is to-day. I have entire confidence in the high ideals and disinterested patriotism of the President, and I am firmly convinced that each of them will use every power which their high stations and great abilities will enable them to exert toward writing into law the things which I have here indicated ought to be contained in this bill.

I shall stand shoulder to shoulder with them to enact such statutes at the earliest moment, so that every man of every class and station in life may keep what he honestly earns, and that no man's hand may take from the pocket of another man a dollar that does not in right belong to him.

Mr. RAGSDALE. Mr. Chairman, I move to strike out the last four words.

The CHAIRMAN. The gentleman from South Carolina is recognized.

Mr. RAGSDALE. Mr. Chairman, I yield three minutes to the gentleman from Oklahoma [Mr. THOMPSON].

The CHAIRMAN. The gentleman can not do that.

Mr. MANN. The gentleman is not smart enough. I make the point of order that the gentleman can not do that.

The CHAIRMAN. The point of order is well taken. He can not yield under the five-minute rule.

Mr. MURDOCK. Mr. Chairman, will the gentleman from South Carolina yield?

Mr. RAGSDALE. Certainly.

Mr. MURDOCK. Mr. Chairman, I wish the gentleman would consume his own time in making a speech in advocacy of my amendment against interlocking directorates.

Mr. RAGSDALE. I understand the gentleman from Kansas, and if I felt free to do so it would afford me great pleasure to do it.

Mr. BUTLER. Wherein does the gentleman lack freedom?

Mr. RAGSDALE. I am simply in this position: I will say to the gentleman that down in my part of the country our people have no Republican Party. We have no opposition there. You gentlemen on that side of the House by your fondness for the colored brother have made it absolutely impossible for us there, except by having white supremacy. That is to us the paramount question which outweighs every other question, because of the black cloud that is hanging over us at all times and is a menace to us. For that reason we have to go in a caucus, so we have to bind ourselves there to abide the result of the caucus here and to redeem our pledge and preserve party harmony we are bound.

Mr. BARKLEY. Will the gentleman yield?

Mr. RAGSDALE. Certainly.

Mr. BARKLEY. Does the gentleman mean to intimate that if there was a Republican Party in South Carolina the gentleman would join it?

Mr. MANN. Mr. Chairman, I make the point of order the gentleman is out of order. He is not discussing the amendment before the House.

The CHAIRMAN. The point of order is well taken.

Mr. GLASS. Mr. Chairman—

Mr. RAGSDALE. Mr. Chairman, I was speaking directly in response to the question of the gentleman from Kansas [Mr. MURDOCK]—to his amendment. I want to explain to the gentleman why I can not support his amendment. It seems to me my remarks as a reason why I can not do so are in order.

The CHAIRMAN. The gentleman can not speak out of order even at the request of a dozen gentlemen in the House.

Mr. RAGSDALE. But I am speaking with regard to this particular amendment, Mr. Chairman.

The CHAIRMAN. The gentleman moves to strike out the last four words of this amendment and the last four words are under discussion. The gentleman will proceed in order.

Mr. RAGSDALE. Mr. Chairman, I want to say to the gentleman from Kentucky who asked the question that there are more reasons than the fact that we have no Republican Party that make me a Democrat. All of the traditions of my people, all of the interests of our section, the real welfare of the Nation make me a Democrat. We do not have to explain why we are Democrats when we come from South Carolina. The Republican Party has so treated us in the past, by the invasion of our rights and failure to recognize the local interests, by the placing of negroes in office, and by using the patronage of the Federal Government to reward those who helped nominate Republican Presidents without regard to their power to elect or their unfitness and unpopularity at home, make it impossible for self-respecting white men in my district to be other than Democrats. We believe in Democracy and repudiate Republicanism because—

Mr. MANN. Mr. Chairman, I again make the point of order the gentleman is out of order. He is not discussing the amendment before the House.

The CHAIRMAN. The time of the gentleman from South Carolina has expired.

Mr. MOORE. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. MOORE. Do the rules permit anyone to offer an amendment in the fourth degree?

The CHAIRMAN. They do not; but the point of order has not been made against the amendment offered by the gentleman from South Carolina.

Mr. BUTLER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. BUTLER. Can the gentleman move to strike out the last three words and still be in order?

Mr. MANN. He can move to strike out 40 or 400 words.

The CHAIRMAN. The Chair understands the rule to be, generally speaking, you can offer an amendment to an amendment and a substitute for an amendment and an amendment to the substitute, and then you have exhausted the parliamentary status in reference to amendments.

Mr. BARTLETT. But, Mr. Chairman, a suggestion. A gentleman may move to strike out the last word, and if the pro forma amendment is withdrawn then other amendments of that character are in order.

The CHAIRMAN. Certainly, if the amendment is withdrawn. If amendments are withdrawn other amendments can be offered—an amendment to an amendment, a substitute for the amendment, and an amendment to the substitute. The Chair is simply stating the parliamentary status.

Mr. BUTLER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. BUTLER. After an amendment is debated and a gentleman moves to strike out the last four words, he is entitled to the floor. I have heard whole paragraphs used for that purpose—one word, two words, three words, four words, five words, and six words—giving the gentleman making the motion the right to the floor.

The CHAIRMAN. That is true after the pro forma amendments are withdrawn, but none of these pro forma amendments have been withdrawn. It is the custom, however, to consider them as having been withdrawn. The gentleman from South Carolina.

Mr. GLASS. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. GLASS. Would it be in order for me to move to close debate on this amendment?

The CHAIRMAN. Not while the gentleman from South Carolina has the floor. The gentleman from South Carolina.

Mr. RAGSDALE. Mr. Chairman, the gentleman from Kentucky [Mr. BARKLEY] has asked me—

Mr. THOMPSON of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. RAGSDALE. Certainly.

Mr. THOMPSON of Oklahoma. I would like to ask the gentleman a question; it will take me some time to ask it—

Mr. RAGSDALE. I have not the time to give the gentleman; I have only five minutes altogether.

Mr. THOMPSON of Oklahoma. All right; it will take me, perhaps, three minutes.

Mr. RAGSDALE. Well, I could not answer the gentleman then.

Mr. THOMPSON of Oklahoma. That is all right. I want to ask the question now to get this in the RECORD. Will the gentleman yield?

Mr. RAGSDALE. In five minutes.

Mr. THOMPSON of Oklahoma. It will take me about three minutes.

Mr. RAGSDALE. I have not that much time left.

Mr. THOMPSON of Oklahoma. All right. I will move to strike out the last few words.

Mr. RAGSDALE. The gentleman from Kentucky [Mr. BARKLEY] asked me if I would be a Republican if there was a Republican Party down there.

Mr. MANN. Mr. Chairman, I make the point of order that the gentleman is not discussing the Murdock amendment.

The CHAIRMAN. The point of order is well taken. The gentleman will proceed in order.

Mr. RAGSDALE. I merely wanted to answer that, Mr. Chairman. I certainly would not, as the gentleman from Kentucky knows. It is really a loss of time to say that anybody over in my part of the country who respects himself can be a Republican.

Mr. MANN. I make the point of order and ask that under the rules the gentleman be required to take his seat.

Mr. GLASS. Mr. Chairman, I move that debate on this amendment be now closed.

Mr. BUCHANAN of Illinois. Mr. Chairman, I would like about three minutes.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that debate be closed in three minutes.

Mr. THOMPSON of Oklahoma. I object, Mr. Chairman.

Mr. GLASS. Then I move that debate be closed in three minutes.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] moves that debate on the pending paragraph be closed in three minutes.

The motion was agreed to.

Mr. BUCHANAN of Illinois. Mr. Chairman, I also voted for some amendments to this bill in the caucus. In fact, I believe I voted for a sufficient number to get the name of being an

insurgent. I also voted for an open caucus. I want to say, however, that I have a high regard for the President of the United States and for the Secretaries of State and the Treasury. I recognize their broad intellectual abilities and sincerity of purpose to protect the rights of the people. I also recognize the great service that the chairman and members of the Banking and Currency Committee have rendered to this House and to the country in framing this bill, but I beg leave to differ with them on the question of the amendment prohibiting interlocking directorates.

There has been much said here by the Republicans—in my judgment, for political purposes, as I doubt their sincerity—in regard to the Democratic caucus. I am not subject to the so-called lash of the Democratic caucus, neither am I subject to the dictation of any political boss or party organization, only so far as their acts are in accordance with the principles of Democracy. The Democratic caucus of this House has endeavored to secure the most perfect bills possible for the protection of the masses of the people. It is not a secret caucus, because the action of the caucus is given to the press. The bills approved by the Democratic caucus have been sufficiently perfect and reasonably just that Progressive Republicans and insurgents voted for them. It is the pressing necessity that these bills become laws that caused the united support of the Democrats more than the so-called lash of the caucus.

One of the things upon which I reserved a right under rule 7 of the Democratic caucus was to vote for the amendment prohibiting interlocking directorates if offered in the House. The Democratic caucus rules are very liberal, because no Member is bound unless action is taken by two-thirds of the full Democratic membership of the House; and even then he is not bound if the action is contrary to the party platform or campaign pledges. In view of the fact that the Democratic platform of 1912 declared in favor of a law prohibiting interlocking directorates, I feel that I am within the rule by voting for this amendment.

I believe that the system of interlocking directorates has been one of the most destructive influences in the financial, commercial, and industrial world of this country. I believe this system has had more to do with centralizing our finances into the hands of a comparatively few men than all other influences put together. This pernicious custom prevails in practically every enterprise in the country, but is particularly evident in the banking business, and it is in the banking business that such directorates are particularly dangerous. The distinction between the control of an industrial company and that of a bank or trust company is fundamental. In the former case the power of control covers only the assets of the corporation, but in the latter the control is over other people's money, and the interests of the public are at stake.

Official investigations have disclosed that a great share of the abuses prevailing in the financial world of this country are due to this system of interlocking directorates. It makes genuine competition impossible and gives a director an unfair advantage of knowing the affairs of borrowers in various banks, and thus affords endless opportunities for oppression. It has been shown upon examination that through the control of the leading New York institutions and their commanding position as the depositaries of the reserves of the country, and by reason of the fact that the New York Stock Exchange is the only public money market in the United States, that the money rates and the market for securities as affected by the money rates can be controlled. It is in their power, primarily by cooperation, to fix the call rate from day to day and to determine what constitutes satisfactory collateral. This does not necessarily mean that all loans made are controlled by them, nor that other banks would not effect loans on collateral that would not be accepted by these leading banks; however, this is not necessary in order to have control, no more than it is necessary for one corporation to own all of a given commodity in order to be able to control the price. By means of their power of control it is possible for this system to wreck a legitimate industry by refusing to grant a loan, no matter how solvent the enterprise may be nor how good its collateral and securities.

We all have vivid recollections of the panic of 1907, when just this thing occurred. In that year nature responded with a most bountiful harvest; manufacturing plants were running full time and their output more than normal; the channels of commerce and trade were choked by an overflow of products from farm and factory; our gold supply was exceeding all previous years; and there was a greater volume of money in circulation than ever before. When every natural condition favored the greatest prosperity, we were precipitated into a panic, a money panic, which was brought about by these few men who had gradually gotten control of our finances and with-

held them from the people. This is too vast and perilous a power to be intrusted to the hands of any man or set of men. Whenever the incentive is at hand the machinery is ready, and we have no right to assume that they will never again use it to their own advantage or to the detriment of the public welfare.

It has been argued by those opposing this amendment that there will be a bill follow later prohibiting interlocking directorates, but I am of the opinion that such a bill will not be passed in the near future applying to banks, because there will be strong opposition against its application to the banking business. Of course it is not at all surprising that these few men, having this unlimited control, should oppose surrendering to the United States in any degree the vast power which they have heretofore exercised; but why force this much-needed legislation over the same old rocky road that seems to have been made for measures that tend to relieve the working people, when we now have an opportunity to attach it to this bill? Now is the time to pass this measure, especially as it applies to the banking business.

Due to the many newspaper articles, testimony in the committee, and speeches made in the House threatening that the banks would not cooperate with the Government in the execution of this act, I also thought it necessary that we make some provision for the distribution of funds through some Government agency in the event that such a condition should arise. It was argued that Congress would be in session and could legislate in regard to such matters later, if they occurred, but this, however, does not appear to be good grounds for not taking the necessary precautions at this time.

I make these few remarks, Mr. Chairman, merely to explain my position in regard to the bill. Although it is not a perfect bill, I believe it is a good start in the right direction and incomparably better than our present system. The bill contains many wise and interesting features, which will help to make it a success; and while I desired the adoption of certain amendments, nevertheless I am willing to agree with the Speaker of the House in that this bill is a great improvement over our present very bad currency law and will be a great boon to the commercial interests of this country, if enacted, and therefore I will support it.

The CHAIRMAN. The question is on agreeing to the amendment.

Mr. MURDOCK. Mr. Chairman, how much time is left?

The CHAIRMAN. One minute.

Mr. MURDOCK. I want to use about 15 seconds of that. I will say to the gentleman from Virginia [Mr. GLASS], before this amendment is voted on, that this is the one chance of the House of Representatives to vote upon the matter of interlocking directorates and other important and specific banking reforms. This is the only opportunity. If the House does not adopt this amendment now, good-by Pujo Money-Trust investigation and complete banking reform.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas [Mr. MURDOCK].

The question was taken, and the Chairman announced that the yeas seemed to have it.

Mr. MURDOCK. Division, Mr. Chairman.

The committee divided; and there were—ayes 43, yeas 61.

So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

Mr. LINDBERGH. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Minnesota [Mr. LINDBERGH] offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amend, page 17, in line 10, by striking out all in said line after the word "banks" and striking out lines 11 to 17, inclusive.

Mr. LINDBERGH. Mr. Chairman, the part that I move to strike out here reads as follows:

No such applying bank shall be admitted to stock ownership in a Federal reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated, under the provisions of the national banking act, and conforms to the provisions herein prescribed for national banking associations of similar capitalization and to the regulations of the Federal reserve board.

My purpose in offering to strike out this language is simply in order to admit the country banks of small capital to membership in the Federal reserve banks; that is, the banks of capitalization less than \$25,000. The banks in these smaller communities do not require as much as \$25,000 capital, and yet under the present system, which will be changed in administration only by the Glass bill, they are as essential to the prosperity of the communities in which they exist as the larger banks are to the prosperity of the communities in which the larger banks exist, and it is doing an injustice to discriminate in favor of the larger towns and against the smaller towns. I offer this

amendment for the purpose of correcting that error and that discrimination in the bill.

The gentleman from North Dakota [Mr. YOUNG] offered the same sort of an amendment to a different section of this bill, but that section involved the incorporation of State banks so as to become national banks. This section simply applies to those cases where the State banks can apply as State banks to become members of the association. If the Federal reserve associations are to serve any purpose worth while to the people, all banks otherwise properly entitled to admission should not be excluded because of the amount of their capitalization. My amendment would accomplish the admission of all banks, irrespective of their capitalization, provided that in all other respects they are qualified for admission to the proposed association.

Mr. MOORE. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Minnesota yield to the gentleman from Pennsylvania?

Mr. LINDBERGH. Yes; certainly.

Mr. MOORE. Will the effect of the gentleman's amendment be to encourage the State banks to come into the Federal system or will it be to encourage the national banks to go out?

Mr. LINDBERGH. I do not know what the encouragement will be, excepting that under the bill as it now stands all these banks that have a capitalization of less than \$25,000 can not be members of those associations. There are many towns in which it would not pay to establish a national bank, or any bank, with a capitalization of \$25,000, so that the smaller villages and smaller towns would not naturally have banks of sufficient capitalization to become members of the Federal reserve banks.

Mr. MOORE. Mr. Chairman, there is an impression prevailing in many of the large cities that the effect of this entire measure will be to drive many of the national banks out of the Federal system, and that it will not encourage the State banks to come into the Federal system under the new law.

One of the correspondents of a Philadelphia bank, a country correspondent, has indicated just what this fear is in a letter which I send to the Clerk's desk and ask to have read in my time. This is from a Florida country bank, correspondent of a Philadelphia bank.

The CHAIRMAN. Without objection, the Clerk will read.

The Clerk read as follows:

I don't see how any banker with good sense could think the proposed currency bill fine. I don't know what it will do to you central bankers, but it will put the country national bank out of business.

Take us as an illustration, and we are larger than a majority of the country national banks, without \$150,000 capital and \$1,000,000 of deposits. To carry on our business we have to have in our vaults about \$75,000, about \$25,000 and \$50,000 in Philadelphia or New York. The regional bank will not enable us to cut down these amounts one penny. We have to have about 20 per cent in cash and balances in order to collect our out-of-town checks and be able to pay the checks on this bank as presented and care for our customers.

In our territory we are the only national bank, and yet there are 21 State banks, trust companies, and 2 savings banks. If the national bank act offers so little now, what will it offer under the new law?

First. We will have to buy \$30,000 (20 per cent of our \$150,000 capital stock) in regional bank stock, limited to 5 per cent dividends. We can loan this money here or almost anywhere in the South at 7 and 8 per cent. In loaning it locally you know we can get some good accounts, by reason of the accommodations extended customers.

Second. We will have to carry a deposit of \$50,000 (5 per cent of our \$1,000,000 deposits) with this regional bank, and that without receiving any interest for it. The central banks to-day pay 2 per cent and most of the southern centers pay 3 per cent.

Third. We can not reduce one penny the amount of cash balances we have to carry at certain points to pay checks drawn on us and collect checks deposited by our customers.

In other words, this \$80,000 which we have to tie up in the regional bank is really that much out of our capital stock. Instead of having \$150,000 capital we will only have \$70,000.

As this \$80,000 is worth 8 per cent to us, or \$6,400, we will have to pass up that amount if we stay in the national banking system.

Fourth. We are to remit for all clearing checks at par. This means another loss of \$6,000 to \$7,000. It actually costs us, clerk hire, stationery, shipments of currency, etc., about \$4,500. Then instead of being out \$6,400, we will be out between \$12,000 and \$13,000, or 8 per cent on our capital stock, just to be able to hang a sign out "national" bank.

What is all of this for? Just to be able to borrow a little money. I have been in banking 15 years, and have always been able to borrow such money as we needed from New York, good times and bad. In 1907, in the height of the panic, we experienced no trouble borrowing \$50,000 from the National City Bank of New York, who charged us interest at the rate of 6 per cent per annum.

Now, let us see about borrowing money from this regional bank. They will take certain commercial paper and high-grade bonds, I believe.

Let me tell you something: The average country bank's loans are to farmers and small traders—perfectly good but not of the high ratings that would be required. The country bank has little or none in commercial paper and the same of high-grade bonds—so what can they expect from the regional bank?

Since we have been a national bank we have actually lost nearly \$8,000 in premiums on Government bonds purchased and deposited to secure circulation. This is a lot of money for a country bank to lose and is three times the amount of money we have lost since organization in 1902 in loans and investments.

Recently we were designated a regular depository and allotted \$10,000, but the Secretary required \$7,000 in bonds of Hawaii, the Philippines, Porto Rico, and Panama, but we felt sure these bonds were selling on an artificial market, much like Government twos, and having

lost so much in Government twos we declined to buy \$7,000 of the bonds named and thus secure the \$10,000 deposit. We offered to deposit municipal bonds that were acceptable to the postal savings trustees, but they would not accept them. Evidently the Secretary of the Treasury's idea was to stimulate the market for a certain class of bonds, and that at the expense of the banks.

We have written our Senators about the proposed currency measure. The politicians know how to run the country, or think they do, and what bankers say don't go.

There is some consolation in the fact that our State legislature has just adjourned and will not meet for two years; the hysteria of Bryan's guaranty of bank deposit has exploded. A State bank charter only costs \$30, and if this proposed currency measure goes through we will write out the "First National Bank" and write in the "First State Bank," and continue at the same old stand. We will have lots of company in changing charter—no doubt of that in my mind.

The CHAIRMAN. The time of the gentleman from Pennsylvania [Mr. MOORE] has expired.

Mr. GLASS. I ask unanimous consent that all debate on this section and amendments thereto close in 10 minutes.

Mr. LINDBERGH. Mr. Chairman, I want permission to ask the gentleman several questions.

Mr. MANN. There are several amendments offered on this side.

Mr. GLASS. How much time is wanted on this section?

Mr. MANN. There are three amendments offered over here. I suggest to the gentleman to ask unanimous consent to close debate on the pending amendment, and then go ahead with the next amendment.

Mr. GLASS. Mr. Chairman, I ask that debate on this amendment conclude in five minutes.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] asks unanimous consent that all debate on the pending amendment be closed in five minutes. Is there objection?

Mr. THOMPSON of Oklahoma. I reserve the right to object, Mr. Chairman.

Mr. MANN. Give the gentleman three of them.

Mr. THOMPSON of Oklahoma. How is that?

Mr. MANN. I suggest to the gentleman from Virginia that he yield to the gentleman from Oklahoma three minutes. Is that what the gentleman wants?

Mr. THOMPSON of Oklahoma. I think that will enable me to conclude my remarks. I want to conclude them at this time without making motions hereafter and without the necessity of butting into this debate from time to time. I want to say what I have to say, even if it takes all winter.

Mr. GLASS. I will assure the gentleman that there is nobody here who desires to prevent him from saying what he wants to say.

Mr. THOMPSON of Oklahoma. There may be no question about that, but it does not make any difference even if there is anybody who desires to prevent me.

Mr. LINDBERGH. I would like to ask the chairman of the Banking and Currency Committee [Mr. GLASS] one or two questions. There is a provision in the last part of the section that we have just been reading in regard to banks being excluded from the association if they violate any rules of the Federal reserve board. I want to ask what, in the chairman's opinion, would be the effect after a bank once ceased to be a member if it is expelled and the stock in the reserve association is paid and canceled? Would such bank, in the opinion of the chairman, be entitled to continue as a national bank, irrespective of the provision requiring national banks that do not become members to dissolve?

Mr. GLASS. No.

Mr. LINDBERGH. Would it be entitled to go ahead as a national bank?

Mr. GLASS. I should think not.

Mr. MURDOCK. Mr. Chairman, I would like to ask the gentleman a question. Does the gentleman mean to say that there is nothing in the bill that provides that a national bank having become a member of the reserve bank and withdrawing ceases to be a national bank?

Mr. LINDBERGH. No provision whatever.

Mr. GLASS. As a matter of fact, no national bank could do anything that would incur expulsion unless it was something for which under the national banking law the Comptroller of the Currency would put it out of business.

Mr. MURDOCK. Would close it up entirely?

Mr. GLASS. Yes.

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken; and on a division (demanded by Mr. Wingo) there were 26 ayes and 61 noes.

So the amendment was lost.

Mr. WINGO. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amend, page 17, line 11, after the word "to," by striking out the words "stock ownership" and inserting the word "membership."

Mr. WINGO. Mr. Chairman, I will not take any time on this amendment; it is simply to make uniform the language with the other amendments.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Arkansas.

The question was taken, and the amendment was agreed to.

Mr. MONDELL. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amend, page 16, by striking out, in lines 14 to 19, inclusive, the following:

"The Federal reserve board, under such rules and regulations as it may prescribe, subject to the provisions of this section, shall permit such applying bank to become a stockholder in the Federal reserve bank of the district in which such applying bank is located."

And insert the following in lieu thereof:

"Any such bank which shall fulfill the requirements of this act shall become a stockholder in the Federal reserve bank of the district in which such applying bank is located."

Mr. MONDELL. Mr. Chairman, when the Republican Party placed on the statute books the national-bank act in the sixties, it established for the first time in this country the principle of free banking. The committee in preparing this bill is building on the national-bank act, and certainly it could not be the desire of the committee to do away with the principle of free banking. As this bill was introduced the Federal reserve board had the power to refuse to allow a State bank to come into a Federal reserve bank. The language which I propose to strike out is an amendment adopted in the caucus, I think, with the intent to meet criticism that the board should not have the power at its will and pleasure to exclude State banks. But the language, in my opinion, is not happy.

Any State bank desiring to come into this system should be allowed to do so on complying with certain statutory provisions. There should be no discretion anywhere. The principle of free banking is that all who will comply with certain conditions, who are prepared to perform the service required, shall be allowed to come into the banking system of the country.

Any departure from that rule is fatal to the principle of free banking. There ought to be no discretion whatever left in the hands of the central board, and therefore I have provided that every banking association that shall comply with the provisions of the act may be allowed to come into the system.

Yesterday I offered an amendment, which I hope to discuss in just a moment, which was intended to take away the coercive feature of this bill, the feature that seeks to compel national banks to come into the system. I now offer this amendment in order that there may be no discretion left to exclude any bank which complies with the conditions laid down and prescribed in the law.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wyoming [Mr. MONDELL].

The amendment was rejected.

Mr. MONDELL. Mr. Chairman, I move to strike out the last word. The amendment I offered a moment ago was intended to restore the principle of free banking by removing the discretion now lodged in the hands of the reserve board to exclude State banks. On yesterday I offered an amendment the effect of which would be to remove the coercion now contained in the bill compelling national banks, on the pain of forfeiture of their charters and loss on their circulation, to come into the system. In reply to my criticism the gentleman in charge of the bill seemed to consider it sufficient to say that the Monetary Commission bill contained a provision quite or nearly as coercive as the provision contained in this bill. I said to the gentleman that I thought he was in error in that matter. He insisted that he was not, and he called attention to that provision in the Monetary Commission bill which limited to one year the period within which the reserve board agreed to take responsibility for the bonds held by banks as the basis of their currency issue.

The gentleman attempts to convey the impression that that provision stood alone in the bill and therefore constituted a coercion on the national banks. I said to the gentleman I thought there were other provisions in the bill which would modify that. The gentleman asked me to point out the provision. I said that I did not happen to have a copy of the Monetary Commission bill; that I had not been able to find one. As the gentleman immediately called for a vote I did not have time to get a copy. I could not understand why it was so difficult to find a copy of that bill until it occurred to me that a great many copies must have been used for clipping and pasting purposes in the preparation of the Glass bill, and that

probably accounts for the dearth of those bills. I have, however, now found one, and I call the attention of the gentleman to section 48 of the Monetary Commission bill, line 3, page 66:

National banks may maintain their present note issues—

That is the provision of the Monetary Commission bill.

Mr. GLASS. Do not stop there. Read all of it.

Mr. MONDELL. I will read it all if the gentleman wants me to, although the remainder is not material—

but whenever a bank retires the whole or any part of its existing issue, its right to reissue the notes so retired shall thereupon cease.

That portion of the paragraph has nothing to do with the case at all. I have not said that a bank that saw fit to retire its notes could reissue them. What the gentleman attempted to prove was that there was a provision in the Monetary Commission bill equally coercive upon the national banks as the provision in his bill in effect.

Mr. GLASS. And it is.

Mr. MONDELL. And particularly in regard to currency issues and the value of the 2 per cent bonds. Now, the fact is that under the Monetary Commission bill if a national bank did not see fit to go into the system, it still continued to operate or could continue to operate as a national bank, could still retain its note issue, and therefore there would be no loss upon its 2 per cent bonds, because it would still have the benefit of the bonds as the basis of its note issue.

Mr. SHERLEY. Will the gentleman yield?

Mr. MONDELL. Yes.

Mr. SHERLEY. Does the gentleman believe in a uniform national banking system?

Mr. MONDELL. I do.

Mr. SHERLEY. If you are going to have a uniform national banking system, how can you have it unless you make its terms apply to all national banks?

Mr. MONDELL. I will say to my friend from Kentucky that I agree with the idea that lies at the base of his question.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MONDELL. I ask unanimous consent that I may have five minutes more.

The CHAIRMAN. The gentleman from Wyoming asks unanimous consent that he may proceed for five minutes. Is there objection?

There was no objection.

Mr. MONDELL. I am not defending this provision of the Monetary Commission bill. I did not think it was a wise provision. There were a lot of things in the Monetary Commission bill that I did not think were wise; but the gentleman from Virginia [Mr. GLASS] on yesterday, when I complained of the provision in this bill which attempted to coerce the national banks on the pain of the loss of prestige and the loss of charter and cost of reorganization—

Mr. SHERLEY. Right there.

Mr. MONDELL. Just a moment, because I am coming right to the point—and attempted to coerce them through the prospective loss on their 2 per cent bonds, the gentleman from Virginia said:

But there was a provision in the Currency Commission bill of the same sort.

That is not true, and it is for the purpose of illustrating that fact that I now rise.

Mr. SHERLEY. What I am interested in is not a dead bill, which belongs to the realm of the past, but I want the gentleman to answer this: How can you have a uniform banking system unless you make it coercive? When the national banking system was created every bank that came in came in under its terms; and not only that, but the State banks were penalized by a tax upon their circulation. I ask the gentleman in all candor if he proposes to amend the national banking laws at all, and is in favor of uniformity, how he can accomplish it unless he makes all the banks subject to the law?

Mr. MONDELL. I do not think coercion and confiscation in legislation are wise.

Mr. SHERLEY. Neither do I; but the gentleman uses the word "coercion," trying to give it a sinister meaning, because an amendment to an existing banking law is made compulsory upon those existing under the law, at the same time admitting that he favors a uniform law and admitting that you can only have a uniform law by making the banks obey the law.

Mr. MONDELL. I differ from my friend from Iowa [Mr. PROUTY] upon the proposition of Congress having the power to do this. I should not object to Congress compelling the national banks to come in, provided the Congress did not fix pains and penalties that would entail very heavy loss on the national banks if they did not come in. Let us enact legislation that is wise and the banks will come in anyway.

Mr. SHERLEY. What pain and penalty are inflicted, except denial of the right to do business, which is a privilege from the Federal Government that is granted upon their agreeing to the Federal Government's law?

Mr. MONDELL. The particular pain and penalty that I was discussing with the gentleman from Virginia is the loss upon bonds held as the basis of circulation.

Mr. SHERLEY. Is not the bald fact this, that the provision is simply that banks now exercising certain privileges by grant of the Federal Government shall continue to hold such privileges, subject to the terms of the law that may be made by the Federal Government, and would not that be true as to any amendment to the banking law?

Mr. MONDELL. I do not quite catch the gentleman's point, and the gentleman is taking up a lot of my time.

Mr. SHERLEY. Oh, I do not want to take up the gentleman's time.

Mr. MONDELL. Oh, go ahead.

Mr. SHERLEY. To-day these banks do business under the terms of a Federal grant, and when you amend the law which created that grant and have uniformity you must make those banks submit to the new amendment; and to say that is coercion is simply to say that the creature of the Government must do business under the terms of its creator.

Mr. MONDELL. Mr. Chairman, the gentleman does not understand my position. I believe that Congress has the power to do what is done in this act in this particular, but I do not think it is fair; I do not think it is just; I do not believe it is necessary; and I believe that the banks will come into the system more speedily and more generally if this coercive provision is taken from the bill. The very fact that you are trying to coerce the banks to come into the system on the pain of loss of charter and loss on their bonds will have a tendency to keep many of them out.

Mr. SHERLEY. Is not this the real position the criticism ought to take, as to whether the provisions of the new bill are wise and not as to their being coercive?

Mr. MONDELL. Taking that position, looking at it from that viewpoint, if the provisions are wise the banks will come in, and there is no necessity for any coercive provision.

Mr. SHERLEY. That does not follow.

Mr. MONDELL. It does follow, as night follows day.

Mr. SHERLEY. That certainly means darkness.

The CHAIRMAN. The time of the gentleman from Wyoming has expired.

Mr. MONDELL. Mr. Chairman, I ask unanimous consent to proceed for three minutes more.

The CHAIRMAN. Is there objection?

Mr. BALTZ. I object.

Mr. GLASS. I do not know that I care to consume the time of the committee upon this point, but in order to have the Record straight I think I shall consume two or three minutes.

I said on yesterday that the proposed Aldrich bill contained a provision which in its coercive effect was analogous to a provision contained in this bill with respect to Government 2 per cent bonds, and I repeat that proposition. I said that the scheme of the Monetary Commission contemplated that the national banks of the country should either come into the system and surrender their bonds within one year, or that their bonds thereafter must be subject to the necessary depreciation that would inevitably follow failure to come into the system.

Mr. MONDELL. But my friend has overlooked—

Mr. GLASS. I am not overlooking anything, if the gentleman will only wait.

Mr. MONDELL. That it is not necessary for them to surrender their bonds because they could continue to keep their circulation out. Why should they want to surrender their bonds when they could keep their circulation out?

Mr. GLASS. Why did the Aldrich bill give them just one year in which to surrender their bonds?

Mr. MONDELL. That was an entirely different proposition.

Mr. GLASS. Section 49 of the proposed Aldrich bill says:

The national reserve association shall, for a period of one year from the date of its organization, offer to purchase at a price not less than par and accrued interest the 2 per cent bonds held by the national banks.

In other words, at the expiration of one year from the date of the organization of the national reserve association, that institution was under no obligation to purchase any 2 per cent bonds upon which the circulation of national banks is based. Now, what did that mean? It meant an inevitable depreciation of from 25 to 30 per cent in the value of all bonds not taken over. When the tentative draft of the bill now pending provided, as is provided in section 48 of the Aldrich bill, that there should be no further issue of circulating notes by national

banks beyond the amount now outstanding, and when it further provided that whenever a bank should retire the whole or any part of its notes it should not avail itself of that right further, the 2 per cent bonds on the New York Stock Exchange immediately went from above par to 95, and Mr. Vanderlip and other great New York bankers expressly stated that this very provision was responsible for that depreciation of the 2 per cent bonds.

Mr. MONDELL. But the gentleman still ignores the provision contained in the Monetary Commission bill, under which banks that do not come into the association could still continue to keep their circulation out.

Mr. GLASS. But the gentleman loses sight of the fact that section 49 of the Aldrich bill required that no national bank should increase its circulation above the point at which it existed at the time of the organization of the Federal reserve association, and that once it surrenders any part of its circulation it could not renew it.

The CHAIRMAN. The time of the gentleman has expired. Without objection, the pro forma amendment will be considered as withdrawn.

Mr. FOWLER. Mr. Chairman, on page 16, in line 20, after the word "such," appears the word "an," which undoubtedly is a typographical error, and, Mr. Chairman, for that reason I move to strike out the word "an."

The CHAIRMAN. The gentleman from Illinois offers an amendment which the Clerk will report.

The Clerk read as follows:

Amend, page 16, line 20, by striking out the word "an."

Mr. GLASS. The committee has no objection to that amendment.

The question was taken, and the amendment was agreed to.

Mr. MONDELL. Mr. Chairman, I move to strike out the last two words.

When I was interrupted a few moments ago, I was attempting to explain to my friend from Virginia [Mr. GLASS] that he was in error when he attempted to take advantage of me because I did not have a copy of the Monetary Commission bill before me—that he was in error when he said that the national monetary bill was as coercive as the provision in this bill compelling national banks to come into the system on pain of loss of charter. But that is not the feature of the gentleman's argument to which I desire to address myself. The Republican Party has never indorsed the Aldrich bill as a whole, nor has any considerable section of the Republican Party done so. I never have believed in all of its provisions or indorsed them.

Mr. GLASS. I will say to the gentleman, if he will permit an interruption, that I am not talking about what party has indorsed it or what party has denounced it. I am talking about what the national banks have done.

Mr. MONDELL. But I am not a national banker, and I have no connection with a national bank, and I never had any except as a man who frequently tried to renew his note.

Mr. GLASS. The point the gentleman undertook to make was that we were proposing to "confiscate" the property of the national banks, and my retort was that these very banks approved a similar section of the so-called Aldrich bill.

Mr. MONDELL. I said nothing of the sort. I did not say anything about what the national banks thought about it. I am not arguing this matter from anybody's standpoint but my own. It is a matter of coercion and confiscation, and I do not have to have anyone tell me that. No intelligent man needs to be told that if he has read the bill.

But I want to refer to this extraordinary situation. We have not indorsed the Aldrich bill. We have never stood for the Aldrich bill. There are many provisions in it that I do not, that most on this side do not, approve of. One trouble with the gentleman's bill is that he has used the paste pot and scissors too much in using the Aldrich bill in drafting his own bill; he took some provisions from it that he should not have taken. His party condemned the Aldrich bill on the claim that it created a central bank, and in his report he condemned the action of his party by saying that the Aldrich bill did not create a central bank in the proper sense of the word. And yet, his party having condemned the Aldrich bill, when a gentleman arises to oppose a provision in his bill, the chairman attempts to defend that provision in his bill by saying there is something just like it in the Aldrich bill. That is what I object to. If it were true that there was confiscation in the Aldrich bill, and the gentleman from Virginia knows it is not true—

Mr. GLASS. "The gentleman from Virginia" knows nothing of the kind, or he would not have asserted that it is true.

Mr. MONDELL. I will read that provision again.

Mr. GLASS. The gentleman is perfectly at liberty to give his interpretation of the bill, but he is not at liberty to give my interpretation of it.

Mr. MONDELL. I will put in the Record again:

National banks may continue their present note issue.

Mr. PHELAN. Will the gentleman tell me what market there would be under the Aldrich bill for national banks that held bonds and did not come into the Aldrich system after one year had expired?

Mr. MONDELL. They may continue to keep their present circulation, and as long as they do they lose nothing on their bonds. It is immaterial whether there is a market for bonds they have use for as a basis of currency. And I will say to the gentleman from Massachusetts [Mr. PHELAN], as I said to the gentleman from Virginia, if this iniquity were in the Aldrich bill it ought not to be in this one. It is certainly no defense of a provision in this bill to say something like it is in the Aldrich bill.

Mr. GLASS. Mr. Chairman, I move that all debate on this section and amendments thereto now close.

The CHAIRMAN. The gentleman from Virginia moves that all debate on this section and amendments thereto be now closed.

The question was taken, and the motion was agreed to.

The CHAIRMAN. The Clerk will read.

Mr. GRAY. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman from Indiana [Mr. GRAY] will have to wait until the next section is read.

The Clerk read as follows:

FEDERAL RESERVE BOARD.

SEC. 11. That there shall be created a Federal reserve board, which shall consist of seven members, including the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, who shall be members ex officio, and four members chosen by the President of the United States, by and with the advice and consent of the Senate. In selecting the four appointive members of the Federal reserve board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of different geographical divisions of the country. The four members of the Federal reserve board chosen by the President and confirmed as aforesaid shall devote their entire time to the business of the Federal reserve board and shall each receive an annual salary of \$10,000, together with an allowance for actual necessary traveling expenses, and the Comptroller of the Currency, as ex officio member of said Federal reserve board, shall, in addition to the salary now paid him as comptroller, receive the sum of \$5,000 annually for his services as a member of said board. Of the members thus appointed by the President not more than two shall be of the same political party, and at least one shall be a person experienced in banking. One shall be designated by the President to serve for two, one for four, one for six, and one for eight years, respectively, and thereafter each member so appointed shall serve for a term of eight years unless sooner removed for cause by the President. Of the four persons thus appointed, one shall be designated by the President as manager and one as vice manager of the Federal reserve board. The manager of the Federal reserve board, subject to the supervision of the Secretary of the Treasury and Federal reserve board, shall be the active executive officer of the Federal reserve board.

The Federal reserve board shall have power to levy semiannually upon the Federal reserve banks, in proportion to capital stock, an assessment sufficient to pay its estimated expenses for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year.

The first meeting of the Federal reserve board shall be held in Washington, D. C., as soon as may be after the passage of this act, at a date to be fixed by the reserve bank organization committee. The Secretary of the Treasury shall be ex officio chairman of the Federal reserve board. No member of the Federal reserve board shall be an officer or director of any bank or banking institution or Federal reserve bank nor hold stock in any bank or banking institution; and before entering upon his duties as a member of the Federal reserve board he shall certify under oath to the Secretary of the Treasury that he has complied with this requirement. Whenever a vacancy shall occur, other than by expiration of term, among the four members of the Federal reserve board chosen by the President, as above provided, a successor shall be appointed by the President, with the advice and consent of the Senate, to fill such vacancy, and when chosen shall hold office for the unexpired term of the member whose place he is selected to fill.

The Federal reserve board shall annually make a report of its fiscal operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress.

Section 324 of the Revised Statutes of the United States shall be amended so as to read as follows: "There shall be in the Department of the Treasury a bureau charged, except as in this act otherwise provided, with the execution of all laws passed by Congress relating to the issue and regulation of currency issued by or through banking associations, the chief officer of which bureau shall be called the Comptroller of the Currency, and shall perform his duties under the general direction of the Secretary of the Treasury, acting as the chairman of the Federal reserve board: *Provided, however,* That nothing herein contained shall be construed to affect any power now vested by law in the Comptroller of the Currency or the Secretary of the Treasury."

Mr. MANN. Mr. Chairman, there are two committee amendments.

The CHAIRMAN. Without objection, the committee amendments will be considered in gross.

Mr. MANN. Let them be reported.

The CHAIRMAN. The Clerk will report the first committee amendment.

The Clerk read as follows:

Page 19, amend line 15 by striking out the word "board" and inserting the words "Federal reserve board."

The CHAIRMAN. Without objection, the committee amendment will be agreed to.

There was no objection.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 19, line 20, after the word "capital," insert the word "stock."

The CHAIRMAN. Without objection, the amendment will be agreed to.

There was no objection.

Mr. LINDBERGH. Mr. Chairman, I offer an amendment which I send to the Clerk's desk.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Minnesota [Mr. LINDBERGH].

The Clerk read as follows:

In line 24, on page 18, strike out the word "of," and in line 25, on said page, strike out "\$10,000" and insert in lieu thereof "to be fixed by Congress from year to year in the appropriations"; on page 19, in line 3, strike out "sum of \$5,000"; and after the word "board," in line 4, insert "same to be fixed by Congress from year to year in the appropriations."

Mr. LINDBERGH. Mr. Chairman, there is nothing particular that I care to discuss in this amendment, except that I believe the salaries of these officers can be better fixed by Congress from time to time than be fixed in this act.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Minnesota [Mr. LINDBERGH].

The question was taken, and the amendment was rejected.

Mr. MANAHAN. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Minnesota [Mr. MANAHAN] offers an amendment, which the Clerk will report.

The Clerk read as follows:

On page 18, beginning in line 12, strike out the words "the Secretary of Agriculture, and the Comptroller of the Currency, who shall be members ex officio" and insert in lieu thereof the words "who shall be member ex officio."

On page 18, in line 14, strike out the word "four" and insert in lieu thereof the word "six."

On page 18, in line 16, strike out the word "four" and insert in lieu thereof the word "six."

On page 18, in line 21, strike out the word "four" and insert in lieu thereof the word "six."

On page 18, beginning in line 26, strike out the words "and the Comptroller of the Currency" and the remainder of the sentence.

On page 19, strike out the sentence beginning in line 7 and insert in lieu thereof the following: "Two shall be designated by the President to serve for three, two for six, and two for nine years, respectively, and thereafter each member so appointed shall serve for a term of nine years unless sooner removed for cause by the President."

On page 19, line 11, strike out the word "four" and insert in lieu thereof the word "six."

Mr. MANAHAN. Mr. Chairman, the purpose of this amendment, as can be readily seen, is to change this section so as to remove the partisanship feature. The general section I favor. It redeems the whole measure. It covers a multitude of sins.

The objection offered by some gentlemen that it gives too much power to the Federal reserve board is without weight, in my opinion. True, the great power of banking and currency, probably the mightiest tool of the people, an instrument designed to carry on the business of trade and commerce, is secured to the Government by this section; but this is merit and not demerit.

It is a great power, a tremendous power, as some gentlemen on this side have said; but it is a power that must reside somewhere. It must rest either with the banks or with the Government. I can not understand how men at all familiar with the principles of government can hesitate in deciding to place it with the Government and not with the banks, because the power over the expansion and contraction of currency and credit is so great and so absolutely controls all business that as a power it must be abused if it is permitted to be exploited by selfish men or still more selfish corporations. And when abused under the form of law this power becomes tyranny and oppression.

So I am heartily in favor of this whole bill because of the redeeming character of this supreme section in it. I intend to vote for this bill, even if it can not be amended, although I am frank to say that there are provisions in it which ought to be amended in justice to the banks and in order to make it a better bill. I am confident that these amendments will be made either by this House or by the Senate before final enactment into law. The reserve provisions which we have considered will doubtless require country banks and many banks in reserve cities to discount short-time commercial paper in order to keep the required credit and balance in reserve banks, and will prove very burdensome if not intolerable. There is justification for the fear that many banks may consider these reserve provisions

so unfair, on account of their being required to borrow and pay interest on an amount approximating one-half of their capital stock in order to comply with the law, that they will not go into the system at all. The central reserve banks, including the Wall Street giants, will doubtless have money enough to meet the reserve requirements without borrowing, but few of our western banks will be able to do so. These reserve provisions should be modified by the committee so as to give the small banks a chance to enjoy the advantages and protection of this law without being obliged to consume the profits of their stockholders in paying interest on idle money.

The surplus of each bank should also be considered in determining the subscription to the stock of the Federal reserve banks. As the bill stands the old banks of the eastern cities with large surplus have a decided advantage over the newer banks of the West which do not carry so much surplus as active capital. There should also be a provision against interlocking directorates.

I hope these and similar amendments will be made here or at the other end of the Capitol. But the part of this section which is particularly open to objection is the part to which this amendment now under consideration is directed—the part which gives partisan control of the Federal reserve board. A powerful board like this ought to be a Government board—not a Democratic board nor a Republican board. If this bill passes in its present form, this board will for four years be a Democratic board and for the next four years probably a Republican board—the one as bad as the other because partisan—and to the extent that it provides for a partisan board this provision is reprehensible. There is nothing more vicious in Government than blind, unreasoning partisanship. The blight of partisanship has been manifest already in this Congress. Consider the caucus and its legislation under lock and key. A while ago the gentleman from South Carolina [Mr. RAGSDALE] got up and said, as an excuse:

White supremacy is to us the paramount question, which outweighs every other question because of the black cloud that is hanging over us at all times and is a menace to us. For that reason we have to go in a caucus; we have to bind ourselves to abide by the result of the caucus.

Such reasoning may satisfy the South, but I submit that it shows an utter lack of statesmanship. When applied to general legislation the secret party caucus is wrong and vicious in principle no matter how lofty the motives of the leaders may be. And what defense do you northern Democrats offer? You dare not attempt to defend it on principle as a Democratic proposition. To do so would raise the ghost of Thomas Jefferson. You dare not attempt to make any defense of lawmaking by secret caucus, because any argument you could offer would invite your own retirement at the polls. But you can call names. From the beginning of this discussion in answer to our charge of the sins of the secret caucus you retort: "Caumon was guilty; Tawney did it; Dalzell did it." These lame ducks suggest your lame defense. You fail to realize that such a defense is a confession of guilt, a plea of insanity, and a threat of suicide all at once. [Applause on the Republican side.]

Mr. BARKLEY. My answer is that we have given you a bill you are going to vote for, and most of the fellows on your side.

Mr. MANAHAN. And my answer to that is this: I shall vote for it because it has underlying it a great and correct fundamental principle contained in this section which I desire to amend so that it may be perpetuated and not endangered in the future by the wrong kind of an appointive board. I wish to insure for all time to the people the control of their money matters. I wish to strike down for good, if it is possible, the hand of greed that has been choking the toilers of this Nation and taking usury year after year under the loose law which this act repeals. I will vote for this bill because it is a step in the right direction. It takes the use of credit away from chance and speculation and gives it to honest trade and commerce. In short, this bill removes our sovereignty from money to men, our capital from Wall Street to Washington. [Applause.]

I have no patience with the pretense that bankers are a superior sort to be protected from interference by politicians. Banking is essentially a public business, and the determination of what is currency and the control of its expansion and contraction must be and must always remain a purely governmental function. If you say the officials of the National Government—Congress and the Executive—are politicians, it follows that politicians must control banking and currency or surrender that control, which is a sovereign power, to the banks themselves who would exercise it for profit and without obligation to render an accounting to the people.

Few people seem to realize how much the public welfare depends on the way in which the two great public tools of

money and transportation are used. Each is a public tool designed to do the work of exchanging from man to man the products of toil, the work of trade and commerce. Money can not do the work of trade without railroads, and railroads can not without money. These two are the mightiest tools of civilization, useful when used as tools but oppressive when used as weapons of exploitation in taking an unfair part of the goods and property which they handle in business.

I take the broad position that the entire and absolute control of the great tools of money and transportation should each rest under the firm hand of the National Government, and I can not support the amendment of my colleague from Illinois [Mr. MADDEN] proposing to give the appointment of three members of the Federal reserve board to the bankers any more than I could support an amendment to the interstate-commerce act proposing to give the appointment of three members of the Interstate Commerce Commission to the railroads of the United States.

I do not hesitate in saying that banking and currency occupy exactly the same relation to the general public as transportation and, therefore, there should be no difference in principle, either in method of organization or status, between the Federal reserve board and the Interstate Commerce Commission. Each represents the full power of the Government over an essentially sovereign power.

In making this statement I am not unmindful of the fact that it conflicts with the judgment of the leader of this side of the Chamber, who, in support of his point of view, states quite fully the part he took in writing the interstate-commerce law without showing where there is a distinction in principle between the powers conferred under that law and those conferred under the act we are considering. So far as I can understand, it is the same in principle, because the power of the commission is the power over the rates of the railroads, and the power to control rates of transportation is the mastery of transportation. Any incidental power or management is insignificant in comparison with the control of rates, which is the lifeblood of the business. Now the power to control rates means the power to control the tool of transportation. I repeat that the other great tool of civilization is money, each of these tools being designed for no other purpose than to bring about the exchange of commodities from man to man. The railroads effect the exchange of actual physical property; money effects the trade and the title of physical property. In principle, money and transportation stand upon exactly the same basis, and both are tools of the people. If you control the rates of the railroad, you control that tool; if you control the rate of interest, you control the tool of currency and money.

The essential power of this Federal reserve board is the power to expand and contract the currency, and the power to expand and contract the currency is the only power that will control the rate of interest and exchange which the people must pay. And this board is designed to have power and will have power over the expansion and contraction of currency, and therefore power over the tool of money, designed to serve the people like the tool of transportation. In principle no man can show any clear distinction as a matter of governmental policy between the control and regulation of currency and money on the one hand by this Federal reserve board and the control of transportation and the railroads by the Interstate Commerce Commission on the other hand; and there is just as much sense in arguing that a railroad president as such should have a place on the Interstate Commerce Commission, as there is in arguing that a banker should have a place upon the Federal reserve board. There is no distinction in principle.

The gentleman from Ohio [Mr. FESS] expresses a fear of the Aldrich bill because of the control of the bankers, and yet he would give the bankers representation on the board. Why is the gentleman afraid of the bankers?

Mr. FESS. May I answer that?

Mr. MANAHAN. Yes; but let me answer first and then you may answer. The gentleman is afraid of the control of the bankers because the control of the bankers would enable bankers to exploit the public, and there can be no other sane reason for being afraid of the control of the bankers. Then, if complete control of this board by the bankers is a bad thing—a partial control, an insidious, back-door control, or any other kind of control, advisory or otherwise—is to that degree also in principle a bad thing. [Applause.]

The importance, however, of having the Government in firm control of the whole business of banking and currency only emphasizes the evils that might follow if that control should be exercised in a partisan way for partisan purposes. Such great power as this board carries should not be made the prize of a political campaign. One member only of the Cabinet, ex

officio, and the other members appointed for longer terms, as set forth in my amendment, will enable the present Executive to appoint a board of strong men who can not be replaced four years from now by an incoming administration. One member of the board appointed should, of course, represent the great industry of agriculture, which has never had the protection and help it deserves in the matter of banking facilities. Instead of being represented by one man, half of whose time is devoted to Cabinet duties and the other half to banking duties, agriculture is entitled as the most important industry of the country to the best service of two of its strongest representatives, one to devote his entire time as a Cabinet official and adviser of the President and the other as a member of the Federal reserve board to devote his entire time to the great subject of banking and currency as it affects the agricultural interests of the Nation.

In this connection, Mr. Chairman, I desire to further extend my remarks to say that our laws on this subject should go beyond the provisions of this bill in its present form to meet the special needs of the farmers of the country. If this bill can not be amended so as to include a workable cooperative scheme of rural credit and banking which will protect agriculture from excessive interest charges, there should be no delay at the regular session in December in making this matter of rural credit the subject of immediate legislation. It is impossible to overstate the importance of this to the whole country. The money lenders of this Nation are eating the heart out of agriculture. The Government statistical reports of 1910 show a farm-land mortgage indebtedness in the United States amounting to \$3,460,172,851.

The interest, including commissions and expenses incident to the loan, which the farmers must pay makes a total annual rate on this indebtedness of fully 8 per cent, in the aggregate about \$277,000,000 annually. Every unfair burden placed upon farm land works a double evil—it adds an excessive charge to the cost of production, which ultimately the consumers of food must in large part pay, and it handicaps production and prevents improvements which would make it easier to raise more bountiful crops, besides driving the best and most ambitious men out of the farming business because of its hardships. This has a bad effect on the entire public. It congests the cities, making them more and more unwholesome. It depopulates the farms, making them less and less productive. It creates an unhealthy and abnormal civilization generally. That men living upon their own land should be compelled to pay from 6 to 8 per cent and higher interest annually for borrowing money necessary to improve and properly operate that land, and secured by a mortgage upon it for half or less of its actual value, shows most intolerable stupidity on the part of a Government that can borrow all the money it needs on its bonds at 3 per cent and could just as well carry this entire farm-mortgage indebtedness for its farmers at a rate not exceeding 4 per cent, thus making a stupendous annual profit to the Government, which could be used for public purposes and which would save to the agricultural interests of the Nation hundreds of millions annually.

It is time, I think, that the divine wrath of the people should scourge the money changers from the temple. It will not be an easy matter to secure legislation freeing the farmers of the land from the many different kinds of burdens and exactions which are placed upon them under existing laws by the men who own and control money and credit. This control of money and credit by powerful men and interests and the lack of workable capital on the part of the farmers is what enables the commerce of the Nation in staple commodities like wheat and cotton to be exploited by selfish middlemen, to the common injury of producer and consumer. Take, for illustration, the vital commodity of wheat, in the production and handling of which the great State which I represent has such an important part. Our great markets in Minnesota handle annually in the neighborhood of 200,000,000 bushels of wheat, nearly all of which is raised in Minnesota and our neighboring States, the Dakotas. Minneapolis is one of the most important wheat markets in the world on account of its great mills and its accessibility to the wheat fields. For many years, by means of a close corporation operating as a chamber of commerce in Minneapolis, the big dealers in wheat, with large control of money and credit under existing banking laws, have been able to so manipulate the market, prices, and movement of grain as to rob the farmers who raised that grain of a large part of its actual value as measured by the prices which consumers paid for bread. Although the farmers were during all these years actually living upon and tilling as owners the best wheat-producing soil in the world, with basis for credit in land and character inherently as good as the Government's, money was not available except

at ruinous rates, so that it was not possible for them to provide storage for themselves nor to hold their grain for an honest market, nor to protect themselves from exploitation at the hands of transportation companies, terminal elevators, and chamber-controlled commission men.

Year after year they have been subjected to fictitious and illegal switching and setback charges, to unfair dockage, to manipulation of grades under cover of mixing processes, to misleading price lists, and gamblers' quotations from the wheat pit; and all the while the control of the situation by the men who exploited them has been maintained by virtue of banking and railroad connections and resources, bank influence and bank credit, reaching not only the dealers concerned, but men and officials of public influence as well. The chamber of commerce was the machine in control of distribution all the time, but the key to the situation has been and is now the control of money and credit by the exploiters and the lack of money and credit by the farmers. The Chamber of Commerce of Minneapolis conducts a private market place under rules, customs, and prices that are kept secret, with exclusive membership so connected with the big banking institutions as to dominate and control the wheat-moving credit of the Northwest. Prior to the organization of the farmers' cooperative elevators this influence and control extended through the line elevators to practically every wheat-buying station in the Northwest, and until very recently, when an independent selling agency was established, the Minneapolis Chamber of Commerce had and exercised absolute control at that terminal and even now the control of this great market place and the monopoly that dominates it as a chamber of commerce rests largely in certain strong concerns. The Van Dusen-Harrington Co. owns and controls 21 memberships, the Washburn-Crosby Co. 21, the Big Diamond Milling Co. 10, and so forth. Ten of these large milling and elevator firms control at least 125 memberships. But the significant feature of this great market place is the fact that the banks of the Twin Cities hold eight memberships for purposes of credit supervision and control.

When the farmers of the Northwest, handicapped as they are by lack of credit and by usurious interests charges, attempted by cooperative organization to protect themselves from annually recurring robbery at the hands of wheat buyer and money lender alike, they were subjected to every conceivable form of treachery and oppression. The railroads discriminated against them in favor of the terminal dealers, with whom the railroads were and are allied in the general scheme of bank credit and control. These cooperative concerns were discriminated against on the chamber of commerce and were seduced to ruin when possible by temptations to gamble in the pit. Day after day the price of cash grain in Minneapolis was moved up and down in response to bidding in the pit of gamblers in futures. Dealers with no other asset than nerve have on money borrowed in large sums from the city banks bought and sold in the pit millions of bushels of wheat which they never saw or expected to see, and thereby manipulated the price of wheat for their own profit, while the farmers at the same time were disposing of real wheat which they had raised, but were compelled to ship and sell at gamblers' prices because our banking facilities are such that they could not borrow at an agricultural rate money to carry them over to a better market.

The farmers are well organized now to protect themselves and the common good, if the Government would provide proper banking facilities for agricultural business, which is inherently different from commercial business, requiring longer loans upon a lower rate of interest. There are now in our northwestern wheat belt more than a thousand of these cooperative farmers' elevators, and these concerns handle in the country over 50 per cent of the grain. The imperative need of the farmers of the Northwest at this time is to have fair terminal facilities in the matter of selling agencies operating on a cooperative basis, and it is scarcely possible for them to maintain and support such terminal facilities unless the Government lifts the burden of usury which has kept our farmers poor as a class in spite of the splendid soil on which they have labored. It will not do for gentlemen to say that our farmers are enjoying exceptional prosperity under our laws. It is not true. Already 800,000 of the sturdiest and best of our younger citizens have drifted across the border into Canada. In 1880, 25.6 per cent of our farms were worked by tenants; in 1890, 28.4 per cent; in 1900, 35.3 per cent; and in 1910, 37.1 per cent. To-day less than one-tenth of 1 per cent of our population own over 25 per cent of all the land actually cultivated in this country. These figures are incontestable and are tragic in their significance.

I can not see any way to stop this steady drift toward universal tenantry, and consequent degradation, in this country save by firm laws that will break the grip of the interest-col-

lecting money class. The ultimate greatness and power of this Nation must rest upon the strength of the men who own the land they work upon and prosper through the fruit produced by their toil. Our Government has been far from wise in the matter of rural credit. About 20 years ago New Zealand enacted a law empowering the Government to borrow money to lend to its farmers. Under this law it has loaned over \$50,000,000 on farm mortgages, the incumbrance approximating 60 per cent of the value of the farms mortgaged. These loans run from 17 to 36½ years, the interest and a small payment on the principal to be made semiannually. The usual rate is 5 per cent, with a provision making it 4½ per cent if the borrower pays promptly. Postmasters and other Government officials are, of course, utilized as agents of the Government in its loan department. When this law was passed in New Zealand the rate of interest there was over 8 per cent, but immediately thereafter the interest rate fell rapidly to 4 and 4½ per cent, and money lenders were glad to loan their money at that rate. The law proved beneficial to local banking business on account of the general increase in agricultural prosperity and the consequent larger volume of commercial business, which stimulated short-time loans and local banking.

But New Zealand is not the only object lesson we have to consider. Practically every enterprising and progressive nation in the world has advanced beyond us in the matter of rural credit and wise solicitude for farmers. We have had in this country altogether too much of what we call "business legislation," meaning the management of moneyed men. The great source of our wealth and prosperity is the farmer, and not the moneyed man, and the sooner our laws respond to this truth the better it will be for this Nation. Congested cities are a menace, while prosperous farmers are ever a source of strength to a people. Our tariff, transportation, and banking laws should all be directed to fostering agriculture. Real men and women would be happier, stronger, and better out where it is easier to live near to nature and God, if only the living conditions demanded in our age were made possible to them by the wealth that rightfully belongs to the soil and to those who till it. Food producers deserve firm protection. Their markets should be free. Their currency should conserve their crops. Banking and bread in statecraft are inseparable.

This great banking law which we are about to pass will not, as it stands, adequately serve agriculture. I favor it, nevertheless, because it is a broad foundation and places the control of money firmly in the hands of the Government. On this foundation it should be possible to build a financial system strong and comprehensive enough to meet every demand of business and broad enough by proper amendment to include the special needs of agriculture.

Mr. GLASS. Mr. Chairman, if it is not desired to prolong the discussion on this amendment, I would like to ask unanimous consent that it be concluded in 10 minutes.

Mr. GRAY. I ask that I may have 5 minutes.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] asks unanimous consent that debate on this amendment be concluded in 10 minutes. Is there objection?

Mr. MANN. Why not close debate on the section?

Mr. POWERS. Reserving the right to object, I have a little amendment which I would like to offer.

Mr. MURRAY of Oklahoma. Mr. Chairman, I shall not attempt to discuss banking legislation in general nor to explain completely the provisions of this bill, for the reason that it is impossible to do so under the limited time allowed me. I intend to vote for this bill because bound by the Democratic caucus, reserving the right to vote for certain amendments that will better the bill if offered on the floor. I shall have time enough only to explain in but a sentence the machinery of this bill, and then to explain my vote upon the various amendments submitted in the caucus.

The bill is much better, particularly for the South and West and for the agricultural class, now than when first presented to the caucus, by reason of the adoption in the caucus of certain amendments. All amendments were strongly resisted by Chairman GLASS and all the members of the committee except NELLEY, of Kansas; RAGSDALE, of South Carolina; EAGLE, of Texas; and WINGO, of Arkansas; but many of these amendments, particularly those in the interest of the West and agriculture generally, were supported by these four members of the committee, and greatly aided by other gentlemen who were not members of the committee. Among these were HENRY, CALLAWAY, VAUGHAN, SUMNERS, RAYBURN, and STEPHENS, of Texas; THOMPSON, of Oklahoma; RUBEY, of Missouri; Sisson, QUIN, and COLLIER, of Mississippi; nearly all the Arkansas, Kansas, and Georgia Members; GRAY, of Indiana; BOWDLE and CROSSER, of Ohio, and some 15 or 20 others whose names I can not recall, and some

of these amendments were supported by Speaker CLARK, DECKER, and HENSLEY, of Missouri; FERRIS and CARTER, of Oklahoma; GORDON, of Ohio; KINDEL, of Colorado, and some 30 or 40 others.

The machinery of this bill, in brief, is that all the national banks of the country shall be organized into 12 districts known as regional reserve districts, each bank becoming a member of the regional reserve bank of that district by a forced subscription of 20 per cent of its stock as capital stock of the regional reserve bank, thereby giving them rediscount privileges with the regional reserve bank; that is, the privilege of having the paper of the local bank put up with the regional reserve bank as collateral for funds to make additional loans by the local bank. Each of these 12 regional reserve banks are controlled by a board, a majority of which are elected by the banks of the district, and all the regional reserve banks, together with the discount, rediscount, and other privileges of the local bank, to be under the control of a supreme board of seven, this board to consist of the Secretary of the Treasury, the Comptroller of the Currency, and the Secretary of Agriculture, together with four other members, all of whom are appointed by the President, with terms ranging in such a way that every President coming into office will have immediately the appointment of four out of the seven, so as to give the President, whoever he may be, absolute control over all the banks in the United States, because the bill provides that not only the 7,500 national banks shall join the system, but all the 17,500 private banks, State banks, and trust companies may join; in effect giving the President the direct control over the entire 25,000 banks of the United States; and therein lies, to my thinking, the greatest evil in this bill. If the banks do not become interested in the Government business, it will be because they are so public spirited and patriotic as to overlook their own interests. I do not believe that any class forget their own selfish interests, and that these 25,000 banks, together with their officers and many thousand directors and stockholders, will be directly interested in the nomination and election of every President. They are going to want to know who will be the President to appoint this board of seven. The Secretary of Agriculture will not be appointed because of his knowledge of that subject, but because of his position on banking questions; and therein lies another evil, because we have few, anyway, who had either knowledge of agriculture or sympathy for farming. This board has control of the question of rates of interest, of discount, and many other questions too numerous in the time I have to mention. Their powers are as tremendous as the powers granted the corporation commission of Oklahoma, with this difference, that in the case of the corporation commission their orders are subject to supreme court review.

I have not as much faith as Mr. GLASS and the other defenders of the Glass bill in politicians. My experience teaches me that these banks, having a knowledge of politicians for self-preservation, will ask and procure private pledges of every possible candidate for President, and knowing that many men would sell their souls to be President of the United States or even governor of one of them; willing to make any kind of a pledge and carry it out for the honor and name of holding the office—politicians who will stoop to tricks that will dam up forever the source of honor, and in order to bring renown or promotion, usher in infamy to their own souls, and woe to the people. This evil will show its most baneful effects not against the party out of power, as it will be against the general interests of the public and against any man within the President's own party whom he can not control. Independence will be discouraged. Members of Congress will come to the conclusion that they must throw to the wind platform principles and personal pledges to their constituents and obey the behest of the President in order to prevent being "butted off the track" by all the power of a national administration.

Another provision of this bill provides that, after certain dividends are paid, 60 per cent of the profits of the regional reserve banks shall go to the United States Government, thereby putting the Government in partnership with the banks of the country. I believe in the fundamental principle that the Government should stay out of the banking business and that bankers should stay out of the governing business; at least, if the Government enters upon the system of banking and engages in the system as a system, that it should form no partnership with individuals, but the Government should own, control, and completely operate the banks. If this Government should ever enter upon Government ownership of railroads, I would be opposed to a joint ownership of the Government with railroad magnates, but I would want the Government absolutely to own and operate the road. I do not mean when I say the Government should stay out of the banking business that the Govern-

ment should not examine, regulate, and control the banks, under the law, just as we fix passenger and freight tariffs and regulate the railroads as we do under the Interstate Commerce Commission. There should be the most rigid examination and regulation of banks, under law, but what I inveigh against is this partnership of the Government with the banks of the country.

Students of history will recall the contest between Andrew Jackson and Nicholas Biddle, head of the United States Bank, then with only \$35,000,000 of capital. Biddle stated to Jackson:

You do not know what power we have. We can make and unmake Congressmen, elect or defeat Senators and Presidents, bring prosperity or panics to the country, weal or woe to the people.

To this Jackson replied:

If that is true, you have too damn much power, and, by the Eternals, I am going to destroy it.

And he did destroy it. It is regretted that he did not inaugurate a new system. They failed to agree upon one. When new banking legislation was under discussion the very principle entered upon in this bill was proposed at that time, and that is that the banks should be under the control of the Executive. Mr. Thomas H. Benton, of Missouri, the greatest advocate of sound banking and currency this country has ever known, who taught Jackson the lessons of wholesome banking legislation, opposed this principle, and Andrew Jackson himself, in discussing this proposition, made this statement:

In ridding the country of an irresponsible power which has attempted to control the Government, care must be taken not to unite this same power with the executive branch. To give a President the control over the currency and the power over individuals now possessed by the Bank of the United States, even with the material difference that he is responsible to the people, would be as objectionable and as dangerous as to leave it as it is.

We had in our own State the same trouble with a like governing board. I was speaker of the first legislative body which in late years passed a guaranty bank law. We all agreed upon a central board to be controlled by certain State officers—not appointed, but elected by the people and directly responsible to them. I remember that many objections were made to our bill, and we wisely made changes and modifications to meet these objections, but no one raised the question of this control; but it proved so disastrous, by reason of the organization of this same board of the Columbia Trust Co. and the use otherwise by deposit of the guaranty fund and other funds of the State, that we remember with sadness the baneful effects of that principle of our guaranty law of Oklahoma, so that the last legislature wisely changed the board.

It is admitted by Mr. GLASS and the proponents of this bill that it will all depend on this board of seven, and I tell you that they must not only be honest and competent, but they must represent every section of this country. This board, if selected east of Washington, would know little and care less about the agricultural and other interests in the Western and Southern States. Our commercial paper is entirely different. In Oklahoma about the only prime commercial paper is that based upon cattle and agricultural products, particularly cotton. Therefore I introduced an amendment in the caucus providing that not more than one of these four appointed by the President shall be selected from the same regional reserve district. That amendment was adopted. I also sought to raise the number to nine and have their terms so arranged that no President could, immediately upon being elected, when he was surrounded by the halo of victory, get complete control of the board until after two years of his administration had passed by, so as to remove the incentive the banks would have to dictate the nomination and election of the President; and I yet have hope of seeing the President convinced on this point and having the change made when the bill reaches the Senate.

I wish to say that I do not care whether this is a Government currency or an asset currency, and in truth it is both. What I want to know about currency is that it is an emergency currency, and that above all it is sound and will be equal with the legal tender of the country. I could give my views on the question of "sound currency," an "emergency currency," "elastic or liquid currency," and a sound banking system. All these things are clear in my mind as to what laws should be enacted for their creation, but I have not time.

There is one section of this bill which, in my opinion, is of tremendous importance and one that I heartily approve, and that is the one that provides that hereafter no national bank shall be required to buy bonds as a precedent to its organization. Under our present law, enacted in 1863, purely as a war measure and to give market for Government bonds, not a single national bank could be organized if the country was entirely out of debt, and as banking grows, population increases, commerce expands, there grows a greater necessity under our present law for more bonds or more public debt, so that there has

been a direct league between the policy of a heavy public debt and the bankers of the country, and it was this law that compelled Cleveland to issue more bonds in order to organize more banks. If that had not been the law, then the Cleveland bond deal would not have been necessary. It is fair for me to say that this provision meets my heartiest approval, and herein alone lies the merit of this bill over the present law. All the rest is but the balance between good and evil. Many amendments to better this bill were offered in the caucus and supported by some of us, but were fought by Mr. GLASS and his committee.

Mr. HENRY, of Texas, offered an amendment making agricultural products prime commercial paper. This was opposed by Mr. GLASS and every member of the committee, except EAGLE, of Texas, NEELEY, of Kansas, RAGSDALE, of South Carolina, and WINGO, of Arkansas, but after a week's pounding in a secret caucus we won some concessions. And in this I wish to say that I am opposed to secret caucuses for legislating, and I have voted every time against it. We never had them in making the constitution of Oklahoma. We never had a secret caucus, except for four days, and that after the conclusion of the work. If the caucus had been open so that the discussion and the reasons could have been published in the newspapers, I am sure this bill would have been changed in many other provisions in the interest of the people and the interest of sound, wholesome banking. Why is it our banking laws must always be written in secret? Some one asked Mr. GLASS in the caucus this question:

You have provided that a farmer may make a note to a merchant, mortgaging his crop before it is made, and that merchant may, under this bill, have that note discounted at his home bank, and in turn his home bank secure rediscount in the regional reserve bank. You call that prime commercial paper, but when the crop is made and the farmer desires to hold his cotton for a better price, so that he will not have to sell upon a low market, you, by express terms in this bill, prohibit the local bank from getting money from the regional reserve bank by rediscounting, even though the local bank should make the farmer a loan to hold his crop?

Mr. GLASS's reply was:

No; we do not provide for him to speculate by holding his crop, nor do we intend to do it.

And yet the bill provided that a man buying cotton after it passes the farmer's hands, and securing a bill of lading to sell it in Liverpool or in any foreign market, may have a six-months' loan with rediscount privileges at the regional reserve bank. The law itself would prohibit the local bank, even if it desired, from assisting the farmer who wanted to hold his crop, under the plea of eastern influence that the farmer was trying to "speculate" upon his crop, and at the same time give the real speculator—the third man—six months' credit. We were enabled, however, to force a modified claim in this line for three months' credit for the farmer. We were not trying then, nor do we seek now, to put into this bill a farmers' credit system. We did want a farmers' commercial banking system, and then we want, in a separate law, a farmers' credit system not founded on principle of banking nor having any connection with the banking system, because to do so would mean a higher rate of interest.

A farmers' credit system must be founded upon an association of borrowers, and the rate of interest must never be higher than 6 per cent. It could be, and ordinarily will be, made 4 per cent for him, and I offered a motion in the Democratic caucus, as stated in his speech on last Friday by Mr. NEELEY, of Kansas, directing the committee to bring a bill in upon rural credits when Congress begins in December. That instruction prevailed in the caucus, but now I fear we are going to have the same eastern banking influence which will attempt to found the farmers' credit system upon a commercial banking system, and thereby destroy that relief. The farmer can not enter into commercial banking except as a temporary expedient. Commercial banking primarily means a loan of money upon short time based upon personal security. The ordinary farmer can not do business that way. The farmer must have a system of credits for one year to a term of years—such a system as will enable him to buy a piece of land and pay it out at the end of 10, 25, or even 50 years if he desires—such a system as would make his annual payments upon his farm less than the rent he would have to pay. When we get to this system we will have less tenants in this country. The land will be better preserved; the farmer will be more prosperous, and the country will have no proneness for Socialism. We can hardly blame our farmers for turning toward Socialism, which is but a violent protest to the conditions given them when you offer such intolerable legislation.

Democratic members of the caucus will recall also that the committee has provided in the bill for the loan of money on

real estate for nine months, and that amendments were offered and a motion made to refer that to the committee, including the section, and that was supported by Mr. GLASS and every member of the committee who opposed any kind of agricultural credits. Later Mr. CRISP, of Georgia, moved to reconsider, and a motion was made to lay it upon the table, and that was carried, and at the conclusion I moved to take it from the table, that money might be loaned on real estate, and a point of order was made by the proponents of the bill, and the chairman of the caucus ruled with them, but I convinced them that my motion was in accordance with general parliamentary law, and three other distinct motions were made to prevent it from going into this bill, although it is a clear, explicit declaration of the Baltimore platform, and when the vote was called there were some 40 voted for my motion and more than 100 against it. I then demanded a roll call—and the roll call is the only part of the secret caucus that is supposed to be made public, although I am telling tales out of school now—and 31 joined me in the demand, which gave us enough among those who had voted against the measure, who did not dare go upon record that could be published against it, and my motion carried by a vote of 119 to 66. Nothing was said of this, however, in the press because of the secret caucus. Oh, how different many other provisions would have been if we had not been in secret caucus.

Many other amendments were offered.

Mr. RUBEY, of Missouri, offered an amendment substituting 12 per cent in lieu of 20 per cent as the required stock of a member bank in the regional reserve bank. I voted for that.

I offered an amendment for the guaranty of deposits, because the bill guarantees the banker, the Government, and even the Government guarantees the paper money to be issued, based upon the commercial paper of the bank. Everybody is guaranteed under this bill except the depositor. Why not guarantee him? You call it a national bank, and the Government is a partner and has control over it, and you hand out a libel to the people to inveigle them to put their money into it and then refuse to guarantee their deposits, which you use to make profits on—profits divisible between the bank and the Government.

Mr. RUBEY, of Missouri, introduced another amendment, authorizing State banks and trust companies in the organization to assist in the organization, so that they will not be compelled to get in after the national banks have completed the organization. I voted for this amendment.

Mr. NEELEY, of Kansas, introduced a provision prohibiting the interlocking of directors between banks that compete with one another. This provision, as every man knows, and as shown by the Pujo report, would prevent the control of credits and at the same time would have a tendency to lower the rate of interest. I voted for this amendment, but it was defeated.

All of these amendments, while acknowledged to be sound, were opposed by the President and his able, patriotic Secretary of State. We were told in the caucus that the principles were sound, and therefore we ought not to stop to discuss the details—the argument of all impractical men. Details are the concrete form of all legislation. Details give it form and being. Principle without detail is but a dream. Moreover, the best principles in the world may be destroyed and made vicious by details, and, on the other hand, the wrong principle of government may be made wholesome by details. Monarchy is wrong, but with a wise, patriotic, and honest king it is the best government in the world. So, you see, even in government it is a question of details. Why, my friends, hell itself would be a good country if it were not for the details of fire, brimstone, and lack of water. That is an absurd plea of the theorist—the man who says many things, but performs nothing successfully.

In this connection I wish to say that I greatly regret the necessity of differing with the President upon any question, and, as a matter of truth, I would vote with him on every question upon which I had any doubt; but if I am to vote with the President on every question there is no necessity for my thinking at all nor for the people of my State to send me here. All they need to do is to write a letter to the President that they are with him, and then I become like a soldier in war, a "machine to obey the President's orders." I conceive it my duty to represent the people of my State, and the very purpose of representative government is that men among the people may be elected who will study the conditions, so far as they affect them, and who will solve for the people their problems, keeping in mind their best interests. If this were not true, there would be no need of Representatives and no need of Congress; and even after you created the Congress there would be no need for any Member thinking for himself, and the most ignorant

man in the community, if he would but bow to the behest of the President in all things, would be as good a Representative as could be elected. I know there are those who will be disposed to criticize because I hold to this independent position, even in the caucus, which ultimately binds us all. I do not know what effect such an independent attitude will have upon my future political welfare. I do know that I shall be at peace with my mind and conscience and have the satisfaction of having performed my duty. I prefer to follow my own conscience, to follow the best interests of the western people, rather than supinely bow to this eastern power. I prefer to follow Jefferson, Jackson, and Tom Benton. I would do this, Mr. Chairman, though—

I feel like one
Who treads alone
Some banquet hall deserted,
Whose lights are fled,
Whose garlands dead,
And all but he departed.

Mr. GLASS. Is the gentleman willing to close debate on this section in 20 minutes?

Mr. MANN. We will want more than that on the section. There are four or five amendments to be offered over here.

Mr. GLASS. I ask unanimous consent to close debate on the pending amendment in five minutes.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent to close debate on the pending amendment in five minutes. Is there objection?

There was no objection.

Mr. GRAY. Mr. Chairman, I have heard the gentleman from Montana [Mr. MONDELL] tell of his wandering through the corridors of the Capitol in search of a copy of the Aldrich bill; how, after sending out his clerks and couriers in all directions, he was able to find one copy. I confess that the most damaging charge that could be brought against the Glass bill would be to make it compare favorably with the Aldrich bill. The gentleman says that Republicans have never indorsed that bill. I can show him where Republicans introduced the bill to create the monetary commission which reported that bill. I can show him where the Republican Party reported that bill out of committee to the House. I can show him where the Republican Party reported it out of committee to the Senate. I can show him where the Republican Party passed it in the House, and where it was passed by a Republican Senate. I can show him where a Republican President approved it. I can show him where a Republican Speaker appointed the House members of the commission. I can show him where a Republican Vice President appointed the Senate members of the commission. I can show him where the Republican Speaker of the House and the Republican Vice President as president of the Senate appointed a majority of Republicans on it. [Applause on the Democratic side.]

Mr. MONDELL. Will the gentleman yield?

Mr. GRAY. Sure.

Mr. MONDELL. I can show the gentleman where most of the Aldrich bill is written into the Glass bill now before this committee.

Mr. GRAY. I will talk to the gentleman about that. I challenge you to show me one word or one line where your party have disapproved it even unto this day. [Applause on the Republican side.] In 1912 the Democratic platform condemned it, the Progressive platform condemned it, the grange platform condemned it, the Populist platform condemned it, but you are afraid to condemn your own offspring.

Mr. MURDOCK. I was going to suggest to the gentleman from Indiana that the gentleman to whom he refers [Mr. MONDELL] is from Wyoming and not from Montana.

Mr. MONDELL. But originally from Missouri.

Mr. GRAY. I do not care where he is from. Somebody ought to show him. [Laughter.]

There was only one thing that prevented the Aldrich bill from becoming a law, and that was the election of 1910 which gave us a Democratic House. Your bill was prepared in 1910, the report was prepared in 1910, and your program was to report it to Congress in December, 1910, immediately after the election, if you had held the House.

Mr. KINKEAD of New Jersey. Louder, we can not hear the gentleman.

Mr. GRAY. I suggest that the gentleman from New Jersey bring his ear trumpet and come down on a front seat. [Laughter.]

Mr. KINKEAD of New Jersey. Will the gentleman permit an interruption?

Mr. GRAY. If the gentleman will come down where he can hear my answer, I will. There is some similarity in the distri-

bution of powers and the territorial subdivisions into districts, but the power you vested in the central reserve bank and in its directors in the Aldrich bill has been vested in the people's sworn and chosen representatives in the Glass bill.

Now, I call your attention to the Aldrich bill and the fact that it vests the power to issue money and to control its volume and distribution in 46 directors, 41 of whom were appointed by the banks and only 4 by the President, and 1 of these the bankers reserved the right to tell the President whom to appoint.

In the Glass bill the control is vested in seven directors, and every one of them is appointed by the President to stand as representatives of the people. In the Aldrich bill the banks issued the money and performed the constitutional functions of the Government, but in the Glass bill the Government issues the money and exercises its constitutional powers. [Applause.]

The CHAIRMAN. The time of the gentleman from Indiana has expired.

Mr. GRAY. Mr. Chairman, I ask for five minutes more.

Mr. BORLAND. Mr. Chairman, I ask that the time of the gentleman from Indiana be extended five minutes.

Mr. MANN. I object.

The CHAIRMAN. All debate on the amendment is exhausted, and the question is on the amendment offered by the gentleman from Minnesota [Mr. MANAHAN].

The question was taken, and the amendment was lost.

Mr. FRENCH. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amend, pages 18 and 19, by striking out the first paragraph of section 11 and inserting in lieu thereof the following:

"Sec. 11. That there shall be created a Federal reserve board, which shall consist of seven members, including the Secretary of the Treasury and the Secretary of Agriculture, who shall be members ex officio, and five members chosen by the President of the United States, by and with the advice and consent of the Senate, one of whom shall be designated by the President as ex officio Comptroller of the Currency. In selecting the five appointive members of the Federal reserve board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of different geographical divisions of the country. The four members of the Federal reserve board chosen by the President and confirmed as aforesaid, except the member designated as Comptroller of the Currency, shall devote their entire time to the business of the Federal reserve board and shall each receive an annual salary of \$10,000, together with an allowance for actual necessary traveling expenses; and the member of the said Federal reserve board designated as ex officio Comptroller of the Currency shall receive an annual salary of \$11,000, together with an allowance for actual necessary traveling expenses. Of the members thus appointed by the President at least one shall be a person experienced in banking. Two shall be designated by the President to serve for two, one for four, one for six, and one for eight years, respectively, and thereafter each member so appointed shall serve for a term of eight years unless sooner removed for cause by the President. Of the five persons thus appointed one shall be designated by the President as manager and one as vice manager of the Federal reserve board. The manager of the Federal reserve board, subject to the supervision of the Secretary of the Treasury and Federal reserve board, shall be the active executive officer of the Federal reserve board."

Mr. FRENCH. Mr. Chairman, I am exceedingly anxious to support a bill to meet the situation that I think the financial and banking conditions of this country demand. There is in the pending bill a great deal that is good, but I prefer to let the responsibility for passing it rest upon the majority party, which denies opportunity of perfecting the same by adopting important amendments. I shall vote for the measure if certain amendments can be adopted by the House that will bring it into better shape and which will more satisfactorily meet conditions. I have supported certain amendments that have been proposed looking to the improvement of the bill. I supported the amendment in reference to interlocking members of boards of directors. The amendment was voted down. I supported the amendment that has just been voted down looking to an improvement in organization of the Federal reserve board, and I like that amendment better than the one that I have proposed.

I have limited my amendment purposely in the greatest possible degree to the language in the pending bill, and if you have followed the wording closely you have observed that it does one thing. It takes away from the incoming administration the power, upon entering office, of appointing at once a majority of the members of the Federal reserve board. It retains as members of this board the Secretary of the Treasury and the Secretary of Agriculture. It provides that there shall be appointed five other members, of whom one shall be designated ex officio Comptroller of the Currency.

Mr. MURDOCK. Will the gentleman yield?

Mr. FRENCH. Certainly.

Mr. MURDOCK. The gentleman leaves out the Comptroller of the Currency, does he?

Mr. FRENCH. I make him ex officio Comptroller of the Currency. I provide that five members shall be appointed, and one

shall be designated by the President as Comptroller of the Currency. By the adoption of this amendment you retain practically the same machinery for the Federal reserve board that you have in the pending bill, only you reserve the manner of appointment. You place a majority control of that board in the men who have been appointed by the President of at least one preceding administration instead of by the administration that has just been inducted into office.

My amendment provides that the President shall designate one of the five members of the Federal reserve board to act ex officio as Comptroller of the Currency. Under this plan it will be readily seen that the incoming President from administration to administration, at the beginning of his term, will have the opportunity of appointing but three members of the Federal reserve board, vacancies occurring normally, namely, the Secretary of the Treasury, the Secretary of Agriculture, and one additional member, but the majority of the board will continue to be members of a board appointed during one or more previous administrations.

I have repeatedly indicated my great personal admiration for the present Chief Executive, President Wilson. I am quite content to clothe him with the responsibility of naming the first Federal reserve board. I may not have confidence and accept his judgment in all the political convictions of President Wilson, but I do have confidence in him as a man. I do have respect for him as our Chief Executive. I do support and believe in his high sense of public duty and patriotism.

President Wilson, however, has been elected to serve as President for only four years. We do not know who his successor may be, and if we could foresee that we do not know who the successors will be, that we hope will be infinite in number, who will occupy the position of Chief Executive of our Nation.

I do not believe in placing in the hands of any one man, no matter whether he be the President elected by the party to which I belong or another political organization, the power, upon assuming responsibility, of naming at once a majority of the members of an institution that will be clothed with such tremendous responsibility as the Federal reserve board.

For my part, I believe in the principle of a Federal reserve board selected by the Government rather than a Federal reserve board selected either in whole or in part by any agency distinct from the Government.

I have consistently opposed the policy of turning over the selection of any Federal reserve board or any part thereof to any such agencies. I am glad that our Democratic friends have recognized this principle in the pending bill, but I believe they have made a most serious mistake by going to the other extreme and making it possible for this board to be one of partisan political character.

I believe in a Supreme Court, but I would not believe in a Supreme Court to be appointed upon the one hand by the parties litigant or upon the other hand by the Chief Executive in such a way that upon his induction into office he would at once appoint a majority of such court.

I believe in the Interstate Commerce Commission, and the service that the members of that commission have rendered to the country is such as to command not only the respect of the great transportation companies and other business concerns coming within the purview of the power of such commission, but has commanded the confidence and respect of the people generally throughout the land.

This commission is not appointed by the transportation companies upon the one hand, and I would oppose such a proposition. On the other hand, the newly elected Chief Executive does not have the power of naming outright a majority of this commission. I would oppose such a proposition. Either would tend to the degradation of the Interstate Commerce Commission and the placing of it upon a plane that would later deprive it of the respect of the business organizations engaged in interstate commerce and of the people who are dependent upon these great agencies.

I believe that the fundamental reason why the Supreme Court and the Interstate Commerce Commission have come to occupy such a position in our political system as they do occupy is because the members of the court and of the commission are appointed in a manner to remove the great opportunity for political favoritism which prevails with respect to almost all the other great agencies of our Government.

I believe that it is likewise essential that the Federal reserve board to be created in this bill shall be one of nonpartisan character.

One of the reasons that I have come to the conclusion that a Federal reserve board should be appointed by the Government

instead of by other agencies, as is advocated by many, is because the Government can more effectively in that way supervise the financial interests of the country, and because of that insure the greatest confidence in our banking and commercial system upon the part of the people generally.

There are institutions of Government that can well perform their service without particular respect to public confidence. The Panama Canal might be constructed in just as satisfactory a manner without public confidence in the administration in the performance of that work as though the administration were sustained by that public confidence.

Public buildings may be erected, rivers and harbors may be developed, arid lands may be reclaimed, forest reserves may be administered, publications of a multitudinous character may be issued, and all of these things may be done by an administration without the administration necessarily being sustained by the public confidence of the Nation.

Our courts, however, could not long survive without public confidence. The Interstate Commerce Commission could not long perform its services without public confidence. Nor can the management of the great commercial and banking interests of the country be attained in a manner that will reflect any degree of credit upon our Nation unless the agency through which this administration may be accomplished shall be supported and sustained by public opinion, by public confidence. For that reason I oppose turning over the control of the great central board that will direct our large financial affairs to the banks themselves or to any representatives elected by the banks, and for the same reason I oppose the turning over of the control of this great agency to any one administration in such a way as to permit that control to take on partisan character. I believe that the language of the bill as it has been reported to this House makes that very condition possible and I believe that the amendment that I have introduced effectively corrects it.

Mr. GLASS rose.

Mr. GRAY. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman from Virginia has the floor.

Mr. GLASS. Mr. Chairman, on account of the fact that this proposed amendment is so similar to the one that we have already voted upon, I ask unanimous consent that we close debate upon it now.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that all debate be closed upon this amendment. Is there objection?

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Idaho.

The question was taken, and the amendment was rejected.

Mr. GRAY. Mr. Chairman, I move to strike out the last word.

Mr. MADDEN. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read.

The CHAIRMAN. The gentleman from Illinois offers an amendment which the Clerk will report.

Mr. GRAY. Is the gentleman on the committee?

The CHAIRMAN. The gentleman from Illinois has an amendment to offer to the bill. May the Chair be indulged to say that he feels it his duty to recognize gentlemen who propose amendments to the bill before he recognizes gentlemen who move to strike out the last word?

Mr. GRAY. While I have no amendment, I have something just as important.

Mr. MANN. Mr. Chairman, how long does the gentleman want?

Mr. GRAY. I do not think it will take very long to say what I have in mind. I think five minutes, but I may not consume so much, and I will yield the gentleman the balance of the time if not all used.

Mr. MANN. Will five minutes do?

Mr. GRAY. I think it will be sufficient.

Mr. MANN. Mr. Chairman, I ask unanimous consent that the gentleman from Indiana may proceed for five minutes at this time.

The CHAIRMAN. The gentleman from Illinois asks unanimous consent that the gentleman from Indiana may proceed at this time for five minutes. Is there objection?

There was no objection.

Mr. GRAY. Mr. Chairman, I wish now to yield to the gentleman from Wyoming, who has been wandering around through the Capitol in search of the Aldrich bill. I yield to him for a question.

Mr. MONDELL. My inquiry is this: Does not the gentleman believe, in view of the frightful indictment that he has drawn against the Aldrich currency bill, that the gentleman from Virginia [Mr. GLASS] ought to cease defending his bill upon the ground of its being similar to the Aldrich bill in its provisions?

Mr. GLASS. Mr. Chairman, may I intervene just to say once for all that the gentleman from Wyoming [Mr. MONDELL] ought to know, if he does not know, that whatever is reproduced in the so-called Glass bill from the so-called Aldrich bill is mere banking technique, which the so-called Aldrich bill cribbed from the Fowle bill, and as far back as the bill presented by the Monetary Commission of 1898 at Indianapolis [applause], and that the gentleman is simply quibbling when he talks this sort of nonsense?

Mr. MONDELL rose.

Mr. GRAY. Mr. Chairman, I can not yield further to the gentleman from Wyoming. I agree with him that Mr. GLASS should cease defending the pending bill. It speaks for itself and needs no defense. The gentleman says that his bill is the same as the Aldrich bill. I want to call his attention to page 67 of the Aldrich Monetary Commission report, where its bill provides:

The national reserve association shall issue, on the terms herein provided, its own notes, as the outstanding notes secured by such bonds so held shall be presented for redemption and may issue further notes from time to time to meet business requirements.

All notes issues of the national reserve association shall at all times be covered by legal reserves to the extent required by section 41 of this act and by notes or bills of exchange arising out of commercial transactions as hereinbefore defined or obligations of the United States.

The circulating notes of the national reserve association shall constitute a first lien upon all its assets and shall be redeemable in lawful money on presentation at the head office of said association or any of its branches.

The great money-making functions of this Government were thus to be transferred to the banks, which were to issue the money of the country and to control the volume and the distribution of the same among the people. [Applause.] I want now to call attention to the provision of the Glass bill on page 29 for comparison:

The said notes shall be obligations of the United States and shall be receivable for all taxes, customs, and other public dues. They shall be redeemed in gold or lawful money on demand at the Treasury Department of the United States, in the city of Washington, D. C., or at any Federal reserve bank.

This is the distinction, and if you can not see it, you are so blind you can not recognize what is open and apparent to all. Mr. Chairman, is there no difference between the issue of money by a private corporation and the issue of money by the people through the instrumentality of government under the Constitution? Not only this. In the Aldrich bill money is made to rest upon general assets, upon perishable property, upon notes and chattels and miscellaneous securities.

But in the Glass bill the issue of money is based upon all of the property of all of the people available under the great taxing power of the Government. But, as some man has said, "the Glass bill provides for an asset currency also. You condemn the Aldrich bill for an asset-currency basis, and you approve of asset currency in the Glass bill." I will talk to you about asset currency. The Glass bill provides that the notes issued shall be obligations of the United States. If they are obligations of the United States, how can they be made more than obligations of the United States? What stronger term could have been used than "obligations"? They bind the whole country, all the property of all the people. The Glass bill further provides they shall be redeemable in gold and at the Public Treasury in Washington. But they tell us the securities rediscounted are the basis of this money. I deny the charge. You can burn all the securities rediscounted; you can cast them into the sea; every one of the indorsers of the securities can become insolvent, and yet this money issued by the Government will be redeemed in gold at the Public Treasury, without regard to the assets or the solvency of the indorsers of the securities rediscounted. [Applause.] If this money is based upon assets, why then, when you destroy the securities rediscounted you do not affect the issue of the money, its stability, or soundness. There are two separate transactions here respecting money—one is the issue of money and one is the loan of money. The issue is based on public obligation supported by all the property of all the people and the loan on the assets of the bank, the securities rediscounted. If the assets fail the soundness or stability of the money is in no way affected, but the loan of the individual money exchanged for the rediscounted securities is lost. This is the test of the basis of the money under the Glass bill, and it repels the charge that the Glass bill provides for asset money the same as the Aldrich bill.

The CHAIRMAN. The time of the gentleman has expired. The Clerk will report the amendment offered by the gentleman from Illinois [Mr. MADDEN].

The Clerk read as follows:

Amend, section 11, pages 18 and 19, by striking out lines 10 to 26 on page 18 and lines 1 to 17, inclusive, on page 19 and inserting in lieu thereof the following:

"That there shall be created a Federal reserve board, which shall consist of seven members, including the Secretary of the Treasury, who shall be a member ex officio, and three members chosen by the President of the United States, by and with the advice and consent of the Senate, and three members elected by the directors of the Federal reserve banks. In selecting three appointive members of the Federal reserve board the President shall have due regard to a fair representation of the different geographical divisions of the country. The three members of the Federal reserve board chosen by the President and confirmed by the Senate and the three elected by the directors of the Federal reserve banks shall devote their entire time to the business of the Federal reserve board, and, except as to the governor and vice governor hereinafter provided for, shall each receive an annual salary of \$10,000, together with an allowance for actual necessary traveling expenses. Of the members thus appointed by the President and elected by the directors of the Federal reserve banks two shall serve for three years, two for six years, and two for nine years, respectively, and thereafter each member so appointed shall serve for a term of nine years unless sooner removed for cause by the President. Of the six persons thus appointed one shall be designated by the President as governor and one as vice governor of the Federal reserve board. The governor of the Federal reserve board, subject to the supervision of the Secretary of the Treasury and board, shall be an active executive officer of the Federal reserve board.

"The salary of the governor and vice governor of the Federal reserve board shall be fixed by the board of directors thereof."

And also amend, section 11, page 20, line 11, by striking out the word "four" and inserting the word "three," and after the word "fill," on the sixteenth line, insert the following: "Whenever a vacancy shall occur other than by expiration of term among the three members of the Federal reserve board elected by the directors of the Federal reserve banks as above provided, a successor shall be elected by the said directors to fill such vacancy, and when elected shall hold office for the unexpired term of the member whose place he is selected to fill."

Mr. MADDEN. Mr. Chairman, this amendment proposes to modify the provision in the bill reported by the committee to the extent of taking away from the President the power to appoint the Comptroller of the Currency and the Secretary of Agriculture, and further modifies it so as to permit the selection of three members of the Federal reserve board by the directors of the Federal reserve banks. If it is thought wise to take away the political features of the Federal reserve board, the best way to do that is to adopt this amendment, because if the board is selected as it is provided for in my amendment the board could not under any circumstances be controlled by politics. It is only fair that the men who furnish the money to organize the Federal reserve banks should be represented upon the board who have jurisdiction over the banks. The President, under this proposed amendment, would have the power to select three men, aside from the Secretary of the Treasury. That would give the administration, whatever it might be, a majority of the board, but the selection of three members of the Federal reserve board by the directors of the Federal reserve banks would bring to the service of the board men who are trained in the management of the great financial institutions of the Nation. It seems to me that one of the most important things in connection with the successful operation of the Federal reserve banks is to have men who are trained in banking charged with some responsibility in connection with the management of these banks, and while the Federal reserve banks, through their directors, would have the right and the power, if this amendment should be adopted, to select three members of the Federal reserve board, nobody could charge that they would be in control of the board; but, on the other hand, it would be at once realized that the intelligence and the experience and the integrity of the men selected from among the financiers of the Nation would add not only to the efficiency of the board itself but to the confidence of the American people in the management of the Federal reserve banks. Politics would once for all be eliminated. Business experience would guide the board in its deliberations and insure not only the nonpartisan character of the board but the reasonable assurance of the success of the Federal reserve banks.

Mr. COX. Will the gentleman yield for a question there?

Mr. MADDEN. Certainly.

Mr. COX. Under the gentleman's amendment what mode of procedure would be adopted by the regional reserve banks?

Mr. MADDEN. All the directors of the regional banks would get together and select the three members of the reserve board.

Mr. COX. Is that proposition involved in the gentleman's amendment?

Mr. MADDEN. Yes.

Mr. COX. I did not hear it.

Mr. HAUGEN. Mr. Chairman, will the gentleman yield?

Mr. MADDEN. Yes.

Mr. HAUGEN. Under the amendment proposed by the gentleman you transfer the control of the regional banks from the Government to the member banks.

Mr. MADDEN. Not at all.

Mr. HAUGEN. But to a certain degree.

Mr. MADDEN. Not at all. The President of the United States has the power to select four men out of the seven, and the selection of these three additional men from among the bankers of the Nation simply adds experience to the men selected by the President and insures the success of the enterprise.

Mr. HAUGEN. We are not discussing the experience. The question asked was if it was the intention to transfer the control from the Government to the banks.

Mr. MADDEN. Oh, not at all.

Mr. HAUGEN. Or the directors?

Mr. MADDEN. Not at all.

Mr. HAUGEN. The directors of these original banks are supplied by the banks. You propose that these directors are now to be permitted to select—

Mr. MADDEN. The gentleman does not think that three can control four?

Mr. HAUGEN. It is minority representation now. That is what has been demanded here. That is what they have been pleading for at the other end of the Capitol. Now it is minority representation and next it will be majority.

Mr. MADDEN. There ought to be minority representation on this board, and the men who furnish the money to organize the Federal reserve banks proposed to be organized under the terms of this bill ought to have a voice in their management.

Mr. GLASS. Will the gentleman permit a question?

Mr. MADDEN. Certainly.

Mr. GLASS. Was it found necessary to put railroad presidents or railroad managers on the Interstate Commerce Commission in order that the Government might efficiently supervise and control the railroads?

Mr. MADDEN. That is quite a different proposition. In the case of the Interstate Commerce Commission we give them only regulatory power. In the case of the reserve bank board they are given absolute jurisdiction to manage and control every item of business that may be created or conducted by the Federal reserve banks.

Mr. GLASS. Mr. Chairman, I shall put into the RECORD right at this point a statement of the powers of the Interstate Commerce Commission, showing that they are infinitely greater than the powers granted to the Federal reserve board.

Mr. MANN. The gentleman is not familiar with the interstate-commerce law, evidently.

Mr. MADDEN. Mr. Chairman, may I ask unanimous consent for one minute more, in order that I may reply to the gentleman from Virginia [Mr. GLASS]?

Mr. GLASS. I will say to the gentleman from Illinois [Mr. MANN] that I may not be as familiar with the technical terms of law as he, but I have read the powers conferred upon the Interstate Commerce Commission, and, in my conception of the term, they are infinitely greater than the powers conferred on this reserve board.

The CHAIRMAN. The gentleman from Illinois [Mr. MADDEN] asks unanimous consent that he may proceed for one minute. Is there objection? [After a pause.] The Chair hears none.

Mr. MADDEN. Mr. Chairman, I simply want to say in reply to my friend from Virginia [Mr. GLASS], the chairman of the committee, in charge of the bill, as I understand the power of the Interstate Commerce Commission it is that it has the power to regulate the rates to be charged by the railroad companies, but no power whatever to manage the railroads of the Nation.

Mr. DYER. Will the gentleman yield right there?

Mr. MADDEN. Just a moment now, until I answer this question. On the other hand, I understand the power of the Federal reserve board to be not only to direct but to control and regulate every phase of the management of the Federal reserve banks, down to the smallest item.

Mr. DYER. Will the gentleman yield right there? I will ask the gentleman if the railroads under the Interstate Commerce Commission have any authority to divert assets from one railroad to another to help out in financial distress?

Mr. MADDEN. They have nothing whatever to do with the finances of the railroads, and they can only say to the railroad companies that the rate proposed to be charged is unjust and that they must modify the rate to meet what the Interstate Commerce Commission believes to be a just one.

Mr. GLASS. Mr. Chairman, I will not consume the time of the committee right now in reading in detail the powers of the

Interstate Commerce Commission, but will ask to insert in the RECORD this recital of them:

EXHIBIT B.

PRINCIPAL DUTIES OF THE INTERSTATE COMMERCE COMMISSION.

(Revised to February, 1906, by H. T. Newcomb.)

SECTION 1A. To order the construction, maintenance, and operation upon reasonable terms of switch constructions between any railway and any lateral branch line of railroad or private sidetrack where safe, reasonably practicable, and there is sufficient business.

SEC. 6A.¹ To modify the requirements of the law as to length of notice of changes in rates or as to publishing, posting, and filing rate schedules or tariffs.

SEC. 6B.² To execute and enforce the law.

SEC. 6C.² To apply to district attorneys of the United States to institute and prosecute proceedings for the enforcement of the law.

SEC. 6D.³ To issue subpoenas and subpoenas duces tecum.

SEC. 6E.³ To order testimony taken by deposition for use before itself.

SEC. 6F.³ To appoint persons to take depositions in foreign countries for use before itself.

SEC. 13A.³ To receive complaints and investigate matters made the subject of complaint.

SEC. 13B. To institute inquiries "on its own motion" and "to the same effect as though complaint had been made."

SEC. 14A.^{1,2} To make written reports of its investigations.

SEC. 14B.³ To include in its reports of investigations its "decision, order, or requirement in the premises," and, if it awards damages, its "findings of fact."

SEC. 15A.³ "To determine and prescribe," after "full hearing," "what will be the just and reasonable rate or rates, charge or charges, to be thereafter observed as the maximum to be charged, and what regulation or practice in respect to such transportation is just, fair, and reasonable to be thereafter followed; and to make an order that the carrier shall cease and desist from such violation, to the extent to which the commission find the same to exist, and shall not thereafter publish, demand, or collect any rate or charge for such transportation in excess of the maximum rate or charge as prescribed, and shall conform to the regulation or practice as prescribed."

SEC. 15B.³ To prescribe, within certain limits, when its orders shall take effect and how long they shall remain in force.

SEC. 15C.³ To prescribe divisions of joint rates.

SEC. 15D.³ To establish through routes and fix joint maximum rates and divisions of rates on such routes.

SEC. 15E.³ To prescribe maximum allowances for services connected with transportation performed by owners of the goods transported.

SECS. 16A² and 16a. To make orders directing the payment of money damages.

SEC. 16B.³ To suspend, reverse, or modify its own orders.

SEC. 16C.² To employ counsel "in any proceeding" under the law.

SEC. 16D.² To apply to the Federal courts to compel obedience to its orders.

SEC. 16E.² To defend suits brought "to enjoin, set aside, annul, or suspend" any of its orders.

SEC. 17A.³ To make and alter its own rules of practice.

SEC. 19A. To prosecute anywhere, by one or any number of its members "any inquiry necessary to its duties."

SEC. 20A.¹ To require annual reports from carriers subject to the law.

SEC. 20B.¹ To prescribe the form of such reports and to require specific answers in them to "all questions" on which it "may need information."

SEC. 20C.¹ To fix a date after which all carriers subject to the law must have "as near as may be" a uniform system of accounts and the manner in which such accounts shall be kept.

SEC. 20D.¹ To require special monthly reports of earnings and expenses.

SEC. 20E.¹ To prescribe the forms of all accounts, records, and memoranda of traffic movement and receipts and expenditures of money permitted to be kept by the carriers.

SEC. 20F.¹ To have constant access to and to inspect the accounts of carriers.

SEC. 21A.^{1,2} To report annually to Congress and to make "recommendations as to additional legislation."

The following powers were added by the Mann-Elkins Act, 1910:

Responsibilities added:

Interstate telegraph, telephone, and cable companies.

Long and short haul put absolutely in hands of Interstate Commerce Commission.

Power to suspend proposed changes in rates pending hearing and decision.

SEC. 6. Amended so as to require written quotation of particular rate on written request.

Power to order, after hearing, "through routes" and to prescribe joint rates, even when one of the connecting carriers is a water line. The only limitations are—

(1) That no through route shall be formed with a street railway not engaged in passenger business.

(2) That no route may be established when the transportation is wholly by water, as this will be beyond the jurisdiction of the commission.

(3) That no railroad shall be required to embrace in the through route substantially less than the entire length of its road, or any intermediate road under its control, which lies between the termini of the proposed route.

Shipper may designate in writing the route he prefers through traffic to take, subject to exceptions made by the commission.

Passes clause modified.

Classification of property for transportation ordered.

SEC. 13. Amended so as to give same powers to inquiries on "its own motion" to those on "complaint" in the matter of ordering rates.

SEC. 15. Amended to give the commission jurisdiction over all regulations and practices of carriers and the power to prescribe reasonable regulations to be hereafter followed.

Every carrier to provide reasonable facilities for through routes.

By certain supplementary acts the commission is also given extensive powers for the enforcement of the safety-appliance and hours-of-service laws and the collection of data covering accidents.

¹ Accounting and reporting sections.

² Prosecuting sections. No. 30 possibly in this class.

³ All these powers and duties relate to the receipt and adjudication of complaints, to the procurement of testimony necessary therefor, or to redress wrongs complained against and shown by testimony to exist.

(Extract from an article in the Quarterly Journal of Economics, 1910, by F. H. Dixon.)

NOTE.—By the acts of 1906 and 1910 they (the people) have created an administrative agency clothed with powers more extraordinary than have ever before been entrusted to any similar body in the history of this country. The Interstate Commerce Commission has jurisdiction over all important carriers of interstate commerce in the United States, except those operating solely by water. Their rates, classifications, regulations, and practices are subject to the commission's authority either with or without complaint. Prospective rate changes may be suspended by it for 10 months beyond their effective date, and if the commission wills it may never become effective. Its permission must be secured before a less rate can be charged for a longer than a shorter distance. At its discretion it may establish through routes and joint rates. Its orders are in force when made unless the courts set them aside, and this the courts can not do without a hearing after notice. Finally, if present rulings are not overthrown, the courts will enforce all the commission's orders, unless they are unconstitutional or beyond its authority. Surely the people of the United States have placed upon this commission a grave responsibility. Upon its wisdom and justice the people rely for a successful regulation of the interstate commerce of this country. (Other interstate commerce legislation enacted under separate measures at the last session of Congress include an act granting authority to the commission to investigate railroad accidents; a supplement to the safety-appliance acts requiring that cars after July 1, 1911, be equipped with sill steps, hand brakes, ladders, and running boards; and an amendment to the employers' liability act defining the procedure and right of action.)

Mr. MADDEN. Will the gentleman yield for a question?

Mr. GLASS. Yes.

Mr. MADDEN. I wonder if the gentleman would contend that the Interstate Commerce Commission can demand the assets of one railroad company to help out another if the other is in distress?

Mr. GLASS. As I read the powers of the Interstate Commerce Commission, it can initiate a joint rate which in its effect would be doing that very thing.

Mr. MADDEN. Well, the gentleman has not answered my question. The Federal reserve board will have the power to direct one Federal reserve bank to rediscount the paper of another Federal reserve bank under certain conditions.

Mr. GLASS. Yes; and it will inure to the benefit of the discounting bank.

Mr. MADDEN. Well, has the Interstate Commerce Commission the power under any conditions to divert the assets of one railroad to another in order to help it out?

Mr. GLASS. I answered the gentleman that it has, in that it has the power to initiate a joint rate which might have that effect.

Mr. BORLAND. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. GLASS. I do.

Mr. BORLAND. I wanted to suggest to the gentleman from Virginia [Mr. GLASS] that the Interstate Commerce Commission does have power to compel a common carrier to accept a certain class of business, whether the common carrier wishes to do so or not.

Mr. MANAHAN. Mr. Chairman, let me suggest to the chairman of the committee that the Interstate Commerce Commission has the power to compel the interchange of freight cars, the actual equipment of one railroad with another railroad, by orders to that effect; and undoubtedly it is expressly provided that the assets of one railroad in its equipment can be compelled to be hauled clear across the continent and be used by other railroads for the public good.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

Mr. MANN. Mr. Chairman, I do not propose to detain the committee with a discussion of the powers of the Interstate Commerce Commission. The law of 1910 I principally wrote. The law of 1902 I largely wrote. I think I am quite familiar with the powers conferred upon the Interstate Commerce Commission. They are about as broad as could be conferred upon any commission regulatory of railroads. They would be broader still if the Democratic Party had not stricken out of the bill provisions in reference to the issuance of stocks and bonds with the threat that the bill could not pass the Senate of the United States unless those provisions went out in conference.

But the powers conferred on the Interstate Commerce Commission are entirely different from the powers proposed to be conferred upon the Federal reserve board under this bill; and any gentleman who claims that there is any similarity between them only advertises the fact that he is familiar neither with the theory, the principles, nor the facts relating to the law governing the Interstate Commerce Commission. [Applause on the Republican side.]

Mr. GLASS. Mr. Chairman, I ask that we conclude debate on this section at 3 o'clock.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] asks unanimous consent that debate on this section be concluded at 3 o'clock.

Mr. MONDELL. Mr. Chairman, I trust that the gentleman will not insist upon that.

The CHAIRMAN. Is there objection?

Mr. GLASS. Well, let it be 10 minutes before 3.

Mr. HAUGEN. Mr. Chairman, let me suggest to the gentleman from Virginia that I believe this is as important an amendment as has been offered. We ought to have time to discuss it. It is of vital importance.

Mr. GLASS. I want the committee to discuss it, but we have gotten off into the discussion of other things.

Mr. MURDOCK. There will be more discussion of this paragraph than any other portion of the bill.

Mr. GRAY. Mr. Chairman, I would like to have time to discuss this section.

Mr. MONDELL. I would like to have time.

Mr. GLASS. How much time does the gentleman want?

Mr. MONDELL. I would like to have 10 minutes.

Mr. GLASS. I have no doubt the gentleman from Wyoming would like to have 10 hours.

Mr. MANN. Why not make it 50 minutes?

Mr. HAUGEN. Why fix any time at all? After we get along we can determine on that later.

Mr. MANN. Well, we have made no progress on the bill to-day, and if the gentleman wishes to sit at night, very well. I will make no objection to that.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that the debate on this section of the bill and all amendments thereto be closed in 40 minutes.

Mr. MANN. Make it 50 minutes.

Mr. GLASS. Well, I will make it 50 minutes.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] asks unanimous consent that all debate on this section and amendments thereto be closed in 50 minutes. Is there objection?

Mr. DYER. Reserving the right to object, Mr. Chairman, will the gentleman indicate who will have that time? I would like to have some time.

Mr. GLASS. It will be divided, half on that side and half on this.

Mr. MONDELL. Mr. Chairman, there will be a number of amendments offered, and it occurs to me that it would not be possible to dispose of them in 50 minutes.

Mr. GLASS. Mr. Chairman, I want to proceed with this bill. We have been in session three hours to-day without having made any progress, and I move that all debate on this section and all amendments thereto be concluded in 50 minutes, one-half the time to be used on that side and one-half on this.

The CHAIRMAN. The gentleman from Virginia moves that debate on this section and pending amendments be closed in 50 minutes.

The motion was agreed to.

Mr. MURDOCK. Inasmuch as the gentleman from Virginia [Mr. GLASS] has limited debate on this section to 50 minutes, I suggest to him that he grant no extensions beyond 5 minutes. There are more than 10 men who want to talk, and 5 minutes ought to suffice to each man.

The CHAIRMAN. The gentleman from Iowa [Mr. HAUGEN] is recognized.

Mr. HAUGEN. Mr. Chairman, the proposed bill provides for, among many things, 12 central banks. It does not matter by what name you call them, they are central banks with branches. These banks are given a monopoly of the note issue, under Government control. The amendment offered by the gentleman from Illinois [Mr. MADDEN] provides:

That there shall be created a Federal reserve board, which shall consist of seven members, including the Secretary of the Treasury, who shall be a member ex officio, and three members chosen by the President of the United States, by and with the advice and consent of the Senate, and three members elected by the directors of the Federal reserve banks.

It proposes that the banks shall have a minority representation. Next it will be a majority representation. It has been proposed that they should have the ownership of stock. Next it will be the ownership of stock, and then it will be the control and operation of the 12 banks and branches, and we will have a central bank with branches, exactly as has been contended for by the banking syndicate. We will have a system similar to Canada's. In Canada there are 29 central banks, with 2,000 branches. The 29 managers of these central banks meet frequently and fix rates of interest on discounts and rates of interest to be allowed on deposits. We will have a bank monopoly here as they have in Canada. What does it mean? It means the substitution of 25,000 branches for the 25,000 independent banks which we have to-day. If there is any

advantage in that, then we should transfer the control and operation from the Government to the banks, and the bank syndicate scheme will be complete. It will be exactly as was desired and anticipated by them.

That there is an urgent and well-founded demand for currency legislation before the expiration of the so-called Vreeland Act no one will deny. That we need a more elastic currency no one will dispute. But just what legislation? As to that, there is a widespread difference of opinion. Certain interests of this country, a syndicate which for many years prior to 1908 or up to the enactment of the so-called Vreeland emergency currency bill having the power to create and undo panics at will and pleasure, are evidently now anxious to have that power restored through the establishment of a central bank with branches, and are now most persistently insisting that they be given control of the proposed 12 regional banks with branches. On the other hand, the proponents of the bill contend for Government control. Others say reenact the Vreeland bill, while others say let well enough alone, which means that we go back at the expiration of the Vreeland Act, May 20, 1914, to where we were prior to its enactment. Judging from past experience, I confess that I have fear as to probable results of legislation giving either the Government or a bank syndicate control, and being skeptical as to its results, I have contended that if currency is provided for in time of emergency, or if the Vreeland Act be given a new lease of life, there would be no immediate necessity for the proposed legislation. The Vreeland Act simply provides that during six years following its enactment, May 20, 1908, not less than 10 national banks with aggregate unimpaired capital and surplus of at least \$5,000,000 may form a national currency association. It grants power to the association to issue \$500,000,000 circulating notes under certain regulations and against certain approved securities, said circulating notes to be taxed 5 per cent the first month with 1 per cent in addition each month up to 10 per cent; hence expansion and contraction or an elastic currency is never provided for. Under it banks with security and those complying with its requirements can be supplied with currency independent of banks in time of stress. It also provides for a graduating tax to force its retirement whenever it becomes redundant. Under it we have had no panics to enable syndicates to hammer down prices, to buy stock at their own price, and to take advantage of others not in the deal. Why? If certain speculators and gamblers, having it in their power to force reserve banks to suspend, or if a bank syndicate suspends payment and ceases to accommodate country banks or customers, the country banks or banks outside can be supplied by Uncle Sam. Undoubtedly the Vreeland Act can be improved upon. That holds good as to many of our laws. Undoubtedly it should be made less cumbersome, less expensive, and more responsive to the public need. Possibly the rate of interest on circulating currency should be changed; that the Government should provide for the necessary machinery, eliminating the expense and responsibility of the banks to organize the association which, in a degree, makes the issue of currency uncertain, as its issue is dependent on banks organizing. All these things were considered, and after much contention the law was enacted. It was the best that could be had at the time, and under the existing conditions I doubt if any law can be enacted that will be an improvement over it. We had the same interests to contend with then that we have now; like tariff and other legislation affecting varied and various interests, the legislation resulted in a compromise measure. In my opinion, that is exactly what will happen now if any new law is enacted. We simply took what we could get, and I believe that by limiting its life and operation to six years and providing for the National Monetary Commission—a subterfuge so often resorted to in defeating legislation—concessions were undoubtedly made by interests in opposition to the measure in the hope that the money panic of 1907, which brought much ruin and disaster to so many people and lined the pockets of the chosen few, might be forgotten and that no legislation might be enacted to take its place at the expiration of the six years, or that the proposed National Monetary Commission and Congress might be influenced to adopt their plans and pet scheme—a central bank, with branches, and a note-issue monopoly under their control. In either case the power—to make and undo panics—temporarily yielded by them would be restored, preferring, of course, ownership, control, and operation of such central banks with a note-issue monopoly. It hardly seems necessary to point out the danger and disastrous result of such legislation. I believe it enough to say that if a Steel Trust, Oil Trust, Harvester Trust, or Tobacco Trust is bad, certainly a Banking and Money Trust is undesirable. Neither does it seem necessary to point out that giving a banking syndicate control of the central bank

or banks with branches and note-issuing monopoly would ultimately destroy our independent banking system. That is what happened in Canada and other countries. That is what would happen to our 25,000 independent banks. They would simply have to go out of business, and when out of business the Banking Trust would have no opposition, the central-bank syndicate would have a monopoly and would be able to fix rates of discount, interest allowed on deposits, to make loans in one locality and refuse others. As a result we would have a Bank and Money Trust controlled by the same syndicate controlling the Steel Trust, the railroads, and numerous other trusts, and it is fair to assume that its motive in securing control of a banking and money trust is the same as that back of the organization of the Steel Trust and its various other trusts; if so, our experience has been that when a trust is once organized and in full control, the prices go up, the trust flourishes, and the people pay the bill. If so, it is also fair to assume that a syndicate given an absolute monopoly and control over banking and currency would do exactly what other trusts have done.

Scotland and Canada have central banks with branches and a note-issue monopoly owned, controlled, and operated by a bank syndicate. Scotland has 8 central banks with 1,200 branches. Canada has 29 banks with about 2,000 branches, all practically controlled by the Bankers' Association, a legalized institution. Nineteen out of the 29 banks are located in Toronto or Montreal. The whole system is controlled by the managers of the 29 head banks. By reading the printed interviews on "the banking and currency questions of other countries" we find that it is the practice of the managers of the 29 banks to meet frequently and fix rates—not for the 29 banks only, but for the 2,000 bank branches as well—they having a banking and currency issue monopoly and no competition. I take it that the rates are fixed high and to suit them. Besides, they take money from one locality and loan it to another, the same as is proposed in this bill. Thus they have the power to boom one locality and down another. If they have more interest in one locality than they have in another, they supply that locality with loans while the other must go without. If it be to their interest to stop loaning in one locality and not in another or in all the banks and branches, they do so at will. When in Canada last summer I was told by a number of bankers that practically no loans were or could be made in Canada. Bankers here have told me that borrowers in Canada are offering as high as 25 per cent on loans. Here, with 25,000 independent banks, the situation is quite different. If money is close in one locality and plentiful in another, one borrows from the place where it is plentiful, and all are supplied. If money is close all over the country, we have 25,000 banks competing with one another, so if it can not be obtained from one bank it can be from another. Even in the panics of 1893 and 1907 banks were loaning money to a considerable extent. New York City banks increased their loans sixty-three million during the panic of 1907. In Canada under the central-bank system or bank monopoly, where banks are controlled by one association, suspension of loans are frequently made, and, mind you, not by one or a few banks, but banks covering the whole country. We are told that banks with a big capital offer greater security to depositors, and therefore we should have central banks, and that it is essential that banks have a large capital, thus insuring greater credit. Credit is not based on capital altogether, but upon confidence, first, in a monetary system; second, in the integrity and efficiency of men in charge of the financial institution as well as in its capacity or ability to redeem its obligations. As a general thing, a bank does not fail on account of its small capital, but on account of bad and corrupt management, theft, and speculation. Why, it is as easy for a banker to steal \$1,000,000 in a large bank as \$1,000 in a small bank. The losses in proportion to capital are larger to the depositors in large banks than they are in banks with a small capital. I refer you to Henry C. McLeod's interview on banking, on page 13, Senate Document 584, published by the National Monetary Commission. McLeod is the general manager and at the head of one of the 29 central banks in Canada, a banker in the combine, a student, who is well informed on the subject. McLeod says:

We have had a good many failures.

He says:

I wrote a short letter on the subject some three years ago comparing the resulting failures of our system with yours of the United States. The failures in the United States were 5 per cent. Taking Canada from the year 1880 up to the date of my letter the failures were 25 per cent. Up to the present, from the same date, the percentage is 30 per cent.

Mr. HUBBARD. That is the number of head offices, is it not?

A. Number of banks.

Q. You do not include the branches?

A. No; we do not include the branches. * * * (Page 14.) Since then we have had three more failures.

He gives the names. The largest of the three was the Sovereign, which was organized in May, 1902, with a capital of \$1,300,000. On page 19 he gives the number of banks that have failed of each kind. The number of chartered banks is reported to be 16 since 1880, with a loss to depositors of three million. How much the loss was to the chartered banks' association in excess of that I do not know, but I take it from McLeod's interview that it was considerable. He says, where the chartered banks' association takes over a bank and liquidates it and sustains a loss, information is not given out as to what the loss is. On page 50 Mr. Coulson, in response to a question:

Q. Is it your opinion that confidence is created by supporting and standing by each other, and by liquidating banks and paying off the depositors?

Mr. COULSON. That all helps, and we have a large paid-up capital and paid-up reserve, and upon that the Government returns are issued from month to month and the people can use them.

Mr. McLEOD. I do not regard them as worth the paper they are written on.

So it is not capital; it is not upon Government returns confidence is based, it is upon belief in the integrity, efficiency, and good judgment of the management as well as upon the capacity and ability to redeem obligations. One suggestion is that there is a tendency toward centralization, therefore let the 25,000 independent bankers go; that they are capable of taking care of themselves. Yes, any man capable of running a bank is also capable of running some other business. If he is not capable of running a bank the bank will cease to run; therefore the only bank and banker sought to destroy is the successful one. As a general thing a capable country banker can make as much money, if not more, at some other business than strictly banking. If he can make and declare 10 per cent dividend on bank stock, he can do as well on a farm or in a store; but banks as a general thing are not and should not be run for profit alone, but for the convenience of the community by furnishing a safe place to deposit funds not in use. Bank investments should not be for speculation or big profit, but for safe investment of capital, to furnish proper and needed banking facilities, to furnish a safe place to store surplus money and to make it available for the use of others that may have use for it. Who own and operate our independent banks? Generally a subscription list for stock is circulated, and when the required amount is subscribed and paid in the stockholders elect and put in charge of the institution trustworthy men familiar with the needs of the people of the community, men with experience, judgment, good common sense, competent to pass on paper. To be a successful banker, one must maintain a high standing. He is called upon and expected to give advice and aid every worthy and legitimate enterprise and to encourage everything good. He is expected to furnish and encourage new and worthy enterprises, to aid in building up the town, the county, State, and Nation. His interest naturally is in that particular community. His family, his home, is there. His investment and holdings are there. His pride is in the community's development and prosperity. He is there to serve the people, not only the stockholders of his bank but his customers, his neighbors, and friends, above all those in that particular community. Uppermost in his mind is the thought of making the bank absolutely safe and worthy of confidence, to protect the stockholders, to serve customers of the bank, to earn a reasonable profit to the stockholders, and to build up the business and standing that can only be done by exercising good judgment, integrity, industry, and generous treatment. What becomes of him and the independent bank when the central bank with its branches is established? Judging from what has happened in other countries, the country or independent banker will disappear; or, in other words, he will go out of business. It hardly seems necessary to say how and why. As a general thing a trust serves notice on its competitor to get out of business or it will put him out. The country banker will be told politely that he has built up a nice business and if he will dispose of it the trust will be glad to consider any proposition he may have to make. If satisfactory arrangements are made, the building and business are turned over to the trust and the capital of the bank withdrawn. If not, the trust will open a bank next door, and for awhile rates of interest on discount will be low, rates of interest allowed on deposits will be high, and exchange will be free. The result will be that the independent banker will be forced to close his door. The process of elimination will go on until practically all of the 25,000 banks will either close or be turned over and managed by the trust, with headquarters at New York or some other city. That is exactly what happened in Canada, and undoubtedly that is what would happen here. Under a central-bank system with branches controlled by a syndicate, after the independent banks have been eliminated, the managers of the central banks will

get together, as they do in Canada, to fix the rates of discounts, rates to be allowed on deposits and exchange, to make rules and regulations, and determine to whom and how loans shall be made. That is a practice of the managers of the head banks of Canada, and undoubtedly would be the practice here. If so, would the interest of the people in general be better conserved by a banking syndicate with headquarters, capital, and special interests in New York or elsewhere than they are by independent banks with local capital and bankers with special local interests? If not, whose will? The answer is, the Bank Trust's. Hence I believe the farmers, the merchants, the customers, the depositors, who have been accustomed to dealing with men, their neighbors, who have a sympathetic appreciation of their wants, are against the displacement of 25,000 independent banks by branch banks operated by agents, by managers, and owners of the central bank, who naturally have little, if any, interest in the development of the local community. I believe it fair to assume that they and the independent banks are for legislation that will establish confidence and stimulate industrial, commercial, and agricultural enterprises in all localities, rather than a bank and money trust. How is the syndicate scheme to be accomplished under the proposed bill? One suggestion is to open the book of subscription to the public or to banks desiring the capital stock. If so, who will subscribe? I take it that the same people who subscribed for bonds heretofore issued will be practically the only ones to subscribe, as was the case when bonds were issued during Cleveland's administration, the Spanish-American War, as well as the Panama Canal bonds. Many of those bonds were offered to the public and opened to public or popular subscription; yet in the end one syndicate got and owned practically all—at least a large majority. If so, in this case the syndicate already in control of our railroads, insurance, oil, and steel industries and various other industries, controlling stock and bonds aggregating more than \$20,000,000,000, would subscribe and own at least a large majority of the capital stock in the proposed 12 regional banks.

Another suggestion is that owners of stock be given representation and control. Now it is argued that they should be given a minority representation. Next it will be for majority representation, which means control and operation of the proposed 12 central banks and branches. The argument that it is unjust to deprive the investors of representation will be made with as much force and eloquence for majority representation as is now being made for a minority representation; if the argument holds good for minority representation it certainly will hold good for majority representation; if granted, the syndicate will have, under the proposed bill, not only ownership and absolute control of the 12 regional banks, but a monopoly on a note issue guaranteed by the Government. Not having been able to find anybody outside of those in control benefited by any of the trusts controlled by the syndicate back of the central-bank scheme—to the contrary, many contend that much harm has come from their organization—and the fact that Uncle Sam has spent millions of dollars in dissolving and destroying trusts, that the Democrats—in fact, all parties—have proclaimed against them, that thousands of dollars have been spent in investigating the Sugar Trust, the Steel Trust, Railroad Trust, the Money Trust, and other trusts, and not a single committee has reported favorably on any of the trusts investigated. With this in view, I fear central banks, or banks with branches and note issue, controlled and operated by a banking trust; and rather than to take chances on it I will risk Government officials or Government control, as is provided in this bill. In so doing I am not unmindful of the danger that may be encountered by turning over the banking business and note-issue monopoly to politicians or Government officials, as is provided in the bill. I am aware of the red tape, the cumbersome, expensive, and unbusinesslike manner in which Uncle Sam conducts its business. I realize that under the proposed bill banking and note issue can be turned into a political asset, for if patronage can be used to pass important bills such as this and the tariff bill, if it is true, as reported in the press, that patronage can and is being made use of to influence legislation, if it is true, as reported, that the appointment of a single postmaster silenced the opposition of one or more legislators to the proposed bill, certainly the appointment of 60,000 postmasters and thousands of other Government officials, coupled with the control of 25,000 banks with a three and one-half billion dollar capital and surplus, with power to raise and lower rates, to issue currency at will, to make or refuse loans, to take money belonging to one community and loan in another, thus enabling it to boom the one locality and stifle the growth of the other—in short, with power to do good or bad, if taken advantage of—can build up a political organization that would make the Tammany organization hide its face. But I can not believe that it ever will be

taken advantage of to that extent. Even then there is a hope as long as 92,000,000 people sit as judges, while with a central bank and branches controlled by a trust we have no hope, as experience teaches us that when a trust is once in control its power is absolute and can not be disturbed; hence if I have to choose between a banking and currency trust controlled by a syndicate or by the Government, I shall chance Uncle Sam.

But why not reenact the Vreeland bill or simply provide for a currency to be loaned on proper security in case of emergency? That can be done either by the Government or by a banking association guaranteed by it, besides providing for a redemption fund, same as was done in Canada. Not a dollar has been drawn on the 5 per cent redemption fund provided for in Canada, and in all probability never would be in this country. Besides, the circulating notes can be made a first lien on assets of the banks and issued only upon banks pledging proper collateral security, as is provided in the proposed bill.

If necessary the reservoirs, or 12 regional banks and branches, can be provided for without calling on anybody for subscription in stock or giving anybody control. Let the Government receive money on deposit from banks the same as it does from individuals in its postal savings banks. Let it pay banks interest on deposits and loan to other banks at a proper rate of interest. No capital is employed in postal savings banks. No capital stock was necessary when they were founded; no subscription for capital is necessary now. No subscription is necessary to build the reservoirs or to provide the Government with necessary machinery to conduct the business. No paid-up capital is necessary to establish its credit. The proposed \$105,000,000 paid-up capital will add nothing to Uncle Sam's credit. The proposed 33½ per cent gold reserve can and should be reserved, but no capital is needed for that. The bank reserve deposited with Uncle Sam will take care of that; if not, the banks can be made to provide for it. If so, the proposed banks and branches can and always will be owned and remain under Government control, as without private ownership there will be no just demand for syndicate or private control. If necessary to extend or restrict privileges or powers of banks, as, for instance, to reduce the country banks' reserve from 15 to 12 per cent; the reserve banks from 25 to 18, as is proposed in this bill; if necessary to provide for the savings department in national banks; if it is deemed advisable to allow national banks to loan money on improved real estate, which by all means should be done, all these things should and can be done simply by amending the present law.

In this connection I want to say a word about allowing national banks to loan on certain real estate. Not one out of a hundred real estate loans is made for as short a time as 12 months in localities that will take advantage of this privilege. Farm loans are made on long time, generally for 5 years. Now, if its purpose is to help the farmer, as is claimed, why limit the time to 12 months? Why not accept such loans as are usually made, inasmuch as practically all over this country, especially in the Northwest, long-time mortgages are the best and most liquid paper carried by banks? They can always be converted into cash, especially in time of stress. In this bill you authorize the purchase of the United States, State, and municipal bonds without limit as to time. Why limit time on real estate mortgages to 12 months? Why limit real estate mortgage loans to 25 per cent of paid-up capital and surplus, when real estate paper is the best and most liquid paper carried by banks? Why this gold brick?

Personally I know of no good reason why the Government should be made to redeem the circulating notes and why banks should not be made to redeem their own notes. Denmark went into the business of issuing circulating notes. It proved a heavy burden and finally bankrupted Denmark in 1812 and 1813. Why should Uncle Sam undertake it in 1914? Denmark in taking over its national bank, a joint-stock institution owned by private shareholders, chartered October 29, 1736, with a capital of 500,000 rigsdalers—current, \$430,000—and a note-issue monopoly, in March, 1773, increased the issue. Its circulation grew from 6,000,000 rigsdalers in 1773 to 15,500,000 in 1783, 27,000,000 in 1807, and 142,000,000 at the end of 1812. Its notes depreciated in value by leaps and bounds, until the notes were worth little more in coin than 7 cents on the dollar, a situation which resulted in a declared bankruptcy.

Again, on January 5, 1813, Denmark created a new State bank, the Rigsbank, and a new basis of valuation of 2 to 1 was established. The total issue of the new bank was to be 27,000,000 dalers for redemption of outstanding notes of various kinds, 4,000,000 dalers to provide a working capital, and 15,000,000 dalers to provide funds for the treasury, which ceased to have the power to issue notes; all told, 46,000,000 bank dalers. Its notes went down and down, until at the end of the war of

1814 the proportion between the specie daler and the daler bank note was 5½ or 6 to 1.

Denmark gave up the note issue, and after the establishment of the gold standard in 1873 gave the central bank of Denmark a note-issue monopoly. The regulations as to the issue were that—

The bank may issue notes to any required amount, provided that it has in its possession cash equal to the excess of the issue over and above 27,000,000 kroner and not less than three-eighths of the entire outstanding circulation. The part of the issue not covered by cash shall be secured by good safe assets in the proportion of 150 kroner in value to each 100 kroner of notes so secured. * * * The bank is required to redeem its notes in gold at face value on presentation at its head office.

The fiduciary issue was increased from 27,000,000 kroner to 30,000,000 kroner by an ordinance of November 30, 1877, and again by an ordinance of December 27, 1897, to 33,000,000 kroner, on condition that the bank should issue notes of 5-kroner denomination.

If note issue proved disastrous to Denmark, and if Denmark abandoned it, why should Uncle Sam now undertake it?

Norway, after separating from Denmark, replaced the branch of the Danish bank by an independent bank whose notes were to be used in redeeming Norway's share of those put in circulation by the Danish bank, but excessive issue quickly brought depreciation, and by January, 1816, the notes were worth but 19 per cent of their face value. On June 14, 1816, Norway established the Bank of Norway, providing funds for its 2,000,000 daler capital by a property tax which was followed by an additional tax of 2,000,000 dalers for the retirement of part of the excessive issue. The new Bank of Norway (Norge's Bank) received the grant of monopoly of note issue, the issue being limited in 1818 to double the amount of silver held by the bank, and in 1842 to the amount of cash held. An increase of the note issue by 2,500,000 kroner (\$670,000) was made in 1863 on terms which included the issue to the State of a share certificate for this amount, thus bringing the capital to 12,500,000 kroner. The law of 1892, which determined the present organization of the bank, fixed the fiduciary issue—that is to say, its issue of notes against security other than bullion—at 24,000,000 kroner, and at the end of June, 1908, the total outstanding issue was 81,174,000 kroner.

As in Denmark, so also in Norway, banking legislation has been limited to the regulation of the bank possessing the monopoly of note issue. Other branches of banking are free to all.

The Bank of England is regulated under the Peel Act of 1844, which restricts its fiduciary issue to £14,000,000 and provides that the bank shall hold for every note issued above that point metal in its vaults; that the note-issue privilege given the country banks shall lapse, and also that the Bank of England shall have power to increase its fiduciary issue to the extent of two-thirds of the lapse issue, thus increasing the fiduciary issue to £18,450,000. The act of 1844 provides for two separate departments, one of which is called the issue department and the other the banking department. As a general thing, emergency currency is provided for through the banking department, as, whenever money or credit is needed, banks, brokers, and others deposit with the bank department of the Bank of England security and obtain credit, which is regarded for English banking purposes as equivalent to so much money. The Bank of England statement, under date March 11, 1909, printed on page 71, Senate Document 492, reports the note issue to be \$55,952,170; credit Government debt, £11,015,100; other securities, £7,434,900; gold coin and bullion, £37,502,170; total, \$55,952,170. Capital, £14,553,000; surplus, £3,691,483; deposits, £57,143,934.

The Bank of France issues franc notes without any restriction except as to amount, but the notes are practically coin certificates. For 10 years France held in specie an average of 83½ per cent of its outstanding note issue, and against an uncovered issue of \$100,000,000. It held 140,000,000 of bankable bills.

The Reichsbank of Germany is authorized to issue untaxed notes, first, to the amount of specie and Government notes and notes of other banks held, besides \$130,000,000 worth known as contingent, and at the end of the quarter, on settlement days, as high as \$178,500,000, or at most \$3 per capita. Any notes issued in excess are taxed by the Government at the rate of 5 per cent. All notes issued, taxed or untaxed, must be covered by one-third of the amount of specie or Government notes and two-thirds in bills of exchange.

In Sweden the Riksbank has sole right to issue legal tender bank notes, redeemable in gold, to the amount covered by gold coin or bullion, the amount of its funds in current account with foreign establishments or merchant houses, and an amount in addition not to exceed 100,000,000 kroner, covered by certain assets.

The Imperial Bank of Russia, with a capital of 25,000,000 rubles and a surplus of 3,000,000, has a right to issue covered and uncovered notes. In 1908 the amount of outstanding circulating notes was 1,155,100,000 rubles, backed by 994,400,000 in gold in the vaults of the bank.

The Bank of Netherlands had an absolute monopoly on note issue up to 1863 and practically a monopoly since. No limit is now placed on the issue of notes which require a metallic reserve. Such reserve is fixed by royal decree; the balance of the circulation is covered by bills and collateral. Notes in circulation 1906-7 amounted to 270,000,000 florins, and the metallic reserve was 155,000,000.

The Bank of Belgium may issue notes. The amount in circulation shall be backed by security which can be easily converted into cash, the method and amount to be determined by the Government.

The Scotch system of 8 banks with 1,200 branches is given a note-issue privilege of uncovered notes up to £2,700,000, or \$2.76 per capita; beyond this limit it is required that the issue be covered by specie.

In Canada banks are allowed to issue circulating notes, each bank making its own provision under the supervision of the Banking Association for printing of notes which are first lien upon the assets of the bank, no reserve against notes required except 5 per cent redemption fund deposited with the Government, and notes are free from taxation.

Central banks, with few exceptions, have and always have had a monopoly of note issue.

That is what is proposed in the pending bill. It provides:

That Federal reserve notes, to be issued at the discretion of the Federal reserve board for the purpose of making advances to Federal reserve banks as hereinafter set forth and for no other purpose, are hereby authorized. The said notes shall be obligations of the United States and shall be receivable for all taxes, customs, and other public dues. They shall be redeemed in gold or lawful money on demand at the Treasury Department of the United States, in the city of Washington, D. C., or at any Federal reserve bank.

Any Federal reserve bank may, upon vote of its directors, make application to the local Federal reserve agent for such amount of the Treasury notes hereinbefore provided for as it may deem best. Such application shall be accompanied with a tender to the local Federal reserve agent of collateral security to protect the notes for which application is made equal in amount to the sum of the notes thus applied for. The collateral security thus offered shall be notes and bills accepted for rediscount under the provisions.

Federal reserve banks shall carry a special reserve in gold or lawful money equal in amount to 33½ per cent of the reserve notes paid out by it, such reserve to be used for the redemption of said notes as presented.

The Federal reserve board shall have power, in its discretion, to require Federal reserve banks to maintain on deposit in the Treasury of the United States a sum in gold equal to 5 per cent of such amount of Federal reserve notes as may be issued to them; but such 5 per cent shall be counted and included as part of the 33½ per cent reserve. The said board shall also have the right to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes; but to the extent and in the amount that such application may be granted the Federal reserve board shall, through its local Federal reserve agent, deposit Federal reserve notes with the bank so applying, and such bank shall be charged with the amount of such notes and shall pay such rate of interest on said amount as may be established by the Federal reserve board, which rate shall not be less than one-half of 1 per cent per annum, and the amount of such Federal reserve notes so issued to any such bank shall, upon delivery, become a first and paramount lien on all the assets of such bank.

Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by the deposit of Federal reserve notes.

The system and underlying principle of other provisions in the proposed bill are not out of the ordinary, but in line with systems and methods embodied in banking and currency legislation of other nations. The bill provides for dividing the Continent of the United States into not less than 12 districts, to be known as Federal reserve districts. It provides for 12 Federal reserve banks that, when so formed, shall become a body corporate, and as such shall have power to perform all those acts and to enjoy all those privileges and to exercise all those powers described in section 5136, Revised Statutes, save in so far as the same shall be limited by the provisions of this act. The Federal reserve bank so incorporated shall have succession for a period of 20 years from its organization, unless sooner dissolved by act of Congress, and shall be exempt from taxation, Federal, State, and local, except on real estate.

Every Federal reserve bank shall be conducted under the oversight and control of a board of directors, whose powers shall be the same as those conferred upon the boards of directors of national banking associations under existing law, not inconsistent with the provisions of this act. Such board of directors shall consist of nine members, holding office for three years, and divided into three classes, designated as classes A, B, and C.

Six, or classes A and B, are chosen by member banks, and three, or class C, by the Federal reserve board. The Federal reserve board is given power, at its discretion, to remove three

or any directors of class B. It provides for a Federal reserve board, consisting of seven members, including the Secretary of the Treasury, Secretary of Agriculture, and the Comptroller of the Currency, who shall be members ex officio, and four members chosen by the President, by and with the consent of the Senate, not more than one of whom shall be selected from any one Federal reserve district.

The four shall devote their entire time to the business of the Federal reserve board and shall receive an annual salary of \$10,000 each and actual traveling expenses. Not more than two shall be of the same political party, and at least one shall be an experienced banker. The Federal reserve board is authorized and empowered to permit or require Federal reserve banks to rediscount the discounts from prime paper of other Federal reserve banks; to suspend for a period not exceeding 30 days, and to renew such suspension for a period not to exceed 15 days in each and every reserve requirement; to supervise and regulate the issue and retirement of Federal reserve notes; to suspend and remove the officials of the Federal reserve bank; to suspend for cause Federal reserve banks and appoint a receiver thereof. It provides for a Federal advisory council, which shall consist of as many members as there are Federal reserve districts, who shall serve without compensation, who are to be selected annually by the board of directors of the Federal reserve banks. Shares of capital stock of the Federal reserve banks shall not be transferable nor be hypothecated; member banks shall subscribe for an amount of capital stock of the Federal reserve banks of its district equal to 20 per cent of the bank's own capital, 10 per cent of said subscription to be paid in cash and 10 per cent to become a liability. If national banks shall fail to comply with the provisions of the act within one year, they shall be dissolved. State banks or trust companies may come in under rules and regulations prescribed by the Federal reserve board. Earnings to be divided, first, 5 per cent dividend on the paid-in capital stock; 60 per cent of the remainder shall be paid to the United States, and 40 per cent to the member banks in the ratio of their average balance with the Federal reserve bank for the preceding year.

That within 12 months all moneys now held in the general fund of the Treasury and thereafter the revenue of the Government shall be deposited and apportioned among the Federal reserve banks, which banks shall act as fiscal agents of the United States. Disbursements shall be made by checks drawn against such deposit. No Federal bank shall receive deposits except from the Government of the United States and its own member banks. Country banks shall maintain reserve equal to 12 per cent, of which 5 per cent shall be kept in bank's own vault, 5 per cent in the Federal reserve bank of its district, the balance either in whole or in part in bank's own vault or of credit balance with the Federal reserve bank of the district. Central reserve city banks and reserve city banks shall maintain a reserve of 18 per cent, of which 5 per cent shall be deposited with the reserve bank in their districts, the remainder either in whole or in part in the banks' own vaults or credit balances with the credit reserve banks of their districts. Federal reserve banks shall maintain a reserve of 33½ per cent in gold or lawful money in their own vaults. National banks not situated in reserve cities or central reserve cities may make loans secured by improved and unencumbered farm land at an aggregate sum equal to 25 per cent of their capital and surplus. A national bank may open a savings department, but the sum set apart for the use of the proposed savings department shall in no case be less than \$15,000, or a sum equal to 20 per cent of the paid-up capital and surplus of said national bank. National banks with \$1,000,000 capital may establish branches in foreign countries. Hence we have a system providing for private ownership of banks, first, 12 central or regional banks, with 1 branch for each \$500,000 of their capital. The regional banks, under Government control, with a note-issue monopoly and their notes guaranteed by the Government, are made fiscal agents for the Government and custodians of its funds, sharing their profits with Uncle Sam, besides 25,000 independent banks, all in line with the system and methods employed in foreign countries. Practically all central banks of European countries are private banks; that is, the Government has no ownership or interest in their share holding, and are made fiscal agents and custodians of Government funds, yielding part of their profits to their respective Governments. Practically all are given a note-issue monopoly and are under Government control.

The English system consists of the Bank of England, a number of important joint-stock banks, which do most of the commercial business of the country, and discount houses acting as brokers or intermediaries between borrowers and the commercial banks and between the commercial banks and the Bank of England. The Bank of England was authorized under special

charter in 1694. The act states that the direction and management of the said corporation shall be under a governor, a subject of England, a holder of £4,000 in the bank; deputy governor, a holder of £3,000 in the bank; and 24 directors, holding £2,000 each. The act appointed the first governor and deputy governor and states that they have been chosen by a majority of the subscribers having £500 each in the capital stock. It provides for the annual election of the governor and directors and restricts the right to vote to holders of at least £500 stock in the bank. Custom has enacted that its directors shall never be chosen from the ranks of the other bankers. They are generally taken from the merchants, firms, and accepting houses. Its only exclusive privilege is note issue.

The credit institutions of France are composed of the Bank of France, the great joint-stock banks, a mortgage bank, the *Crédit Foncier*, which is under Government control, issuing its own obligation against mortgages held by the bank and others. The governor of the Bank of France, who directs the general policy of the bank, and two deputy governors are appointed by the Chief of State. Two hundred of the largest shareholders elect 18 regents. About 70 per cent of the business of the Bank of France comes from other banking institutions.

The German system includes the *Reichsbank* and a considerable number of joint-stock banks; the latter do commercial business, and also more or less of underwriting syndicate business. Besides, thousands of cooperative credit societies, on the order of our national savings banks, depending absolutely upon the *Reichsbank* for resources and assistance in time of stress, are a part of the comprehensive system. About 65 per cent of the business of the *Reichsbank* comes through other banks. The *Reichsbank* is managed by a president, vice president, and 7 directors appointed by the Emperor. The stockholders elect a central committee of 15 members with limited advisory powers; hence the Government institution accepts its ownership under the control and management of expert bankers.

The Bank of England and the Bank of France are not required to divide their profits directly with the State, but indirectly through the payment of franchises and taxes. The Bank of England pays the Government annually \$1,200,000, the Bank of France about one-third of its net earnings, and the *Reichsbank* \$3,400,000, or about two-thirds of its net earnings. Government funds and all payment of public moneys are paid to the banks, which render services and act as fiscal agents of their respective Governments without direct compensation.

In Denmark 1 national bank with 6 branches, a joint-stock company in private ownership, is managed by 5 directors, 2 appointed by the Government and 3 elected by the board of directors, which consists of 15 representatives of the stockholders. Its dividends range from 7 to 7½ per cent. Two hundred and one thousand kroner of its 750,000 kroner profit goes to the State, then 6 per cent to shareholders, and of the balance one-fourth to the State; besides, Denmark has 133 other banks with fifty-three million capital and eleven and one-half million reserve, with \$185,500,000 deposits.

The Bank of Norway, with 12 branches, remains entirely in the hands of the Government. The president of the managing committee of 5 is appointed by the Crown, the other members by the Parliament, which also elects the 15 members of the board of directors. Managers of branches are also appointed by the Parliament. Of the profits, shareholders get up to 6 per cent, one-tenth of the balance to be added to reserve up to 5,000,000 kroner, the balance divided equally between State and stockholders until the latter have received 10 per cent, beyond which the State takes three-fourths and shareholders one-fourth. Nearly a hundred other banks are in existence in Norway.

The Bank of Sweden (the *Riksbank*), with at least one branch in each county except Stockholm, remains under guaranty of the Parliament, and is managed by a president, seven directors, and managers of branches appointed in accordance with the law, jointly sanctioned by the King and Parliament. The capital, exclusive of real estate, is 50,000,000 kroner, or about \$13,000,000. Under the law the Government is entitled to an open credit of 1,500,000 kroner. Parliament determines the disposal of the yearly profits. Private banks chartered by the Crown are entitled to credit but not to note issue.

The National Bank of Belgium, with capital of 50,000,000 francs, divided into 50,000 shares, was established under royal decree of May 7, 1900, which provides that the bank's management shall be in the hands of a governor and six directors; that there shall be a council of censors and a committee of discounts; that the governors shall be appointed by the King, director and censors elected by the general assembly of the shareholders, and a commissioner appointed by the Government; that one-fourth of the profit in excess of 4 per cent dividend be assigned to the Government; that one-half of 1 per cent annually

on the average circulation notes in excess of 275,000,000 francs and the profit from the bank between 3½ per cent interest and interest collected shall be assigned to the State; and that the bank may deal in gold and silver, receive money on deposit, and act as cashier for the State.

The Bank of Netherlands is under the supervision of the royal commission, managed by a president and secretary who are permanent officers appointed by the Sovereign, 5 directors, and 15 bank commissioners, or a supervising council elected by the shareholders. It is a joint-stock company with 103 branches, authorized by royal decree of March 25, 1814, which has been amended from time to time. It has a capital of 20,000,000 florins.

The Russian system consists of the Imperial Bank, besides joint-stock banks, with a capital of 282,900,000 rubles and deposits of 785,900,000 rubles, a municipal bank with a capital of 46,700,000 rubles and deposits of 108,900,000 rubles, and a credit association with a capital of 47,300,000 rubles and deposits of 202,900,000 rubles.

Japan, after a short trial of a banking system modeled upon ours, which authorized banks to issue bank notes to the amount of 34,000,000 yen, abandoned the system. The Bank of Japan, in October, 1832, was issued a charter with an original capital of 10,000,000 yen; in July, 1884, it was authorized to issue notes under the supervision of the minister of finance, and in 1888 it was authorized an untaxed issue of 70,000,000 yen above the specie reserve of the bank, which was increased to 85,000,000 yen in 1890 and to 120,000,000 yen in 1899. The balance sheet of the Bank of Japan for 1909 reports capital, 30,000,000 yen; surplus, 44,400,000 yen; Government deposits, 182,200,000 yen; other deposits, 5,600,000 yen; notes issued, 352,800,000 yen; gold coin and bullion, 221,500,000 yen. Agricultural, industrial, and the hypothec bank, which makes long-time loans with funds principally secured by sale of debentures: Capital, 40,500,000 yen; deposits, 145,000,000 yen; loans, 71,100,000 yen. Other banks, capital and surplus, 460,000,000 yen; deposits, 1,238,000,000 yen.

Central banks are not and should not be in the ordinary sense commercial banks or competitors of banks of deposit and discount, but, as has been stated, banks of banks. Their function is to sustain public confidence, and their responsibility to the public and other banks is principally to supply other banks with currency, especially in time of stress, and to always have an adequate gold reserve available. In other countries they practically hold the entire specie reserve. The Bank of England holds on an average a reserve of 45 per cent of its entire liability; the Bank of France, 70 per cent of its demand liability; and the *Reichsbank* 40 to 50 per cent on current deposits. The joint-stock banks of England and other countries practically do the commercial business of their respective countries. They hold practically no specie reserve, as only till money is held in their own vaults, or about 3 or 4 per cent of their deposit liabilities. They draw from their central banks day by day the amount of money needed, and carry a reserve in cash and in banks of about 14 or 15 per cent. I take it that that is what is intended in the proposed bill.

Objection has been raised to forcing national banks to subscribe for stock in the regional bank. It has been pointed out that in so doing the Government is repudiating a contract entered into in charters issued to national banks, which, it is said, amounts to confiscation of property or vested rights. No one believes in confiscation of property or repudiation. That is, as has been pointed out, the act of the highwayman and not the act of an honorable man. It spells ruin, dishonor, and disgrace, no matter how, where, or by whom. All believe in just laws and an honest administration of the same in legislation, so as not to confiscate or deprive a single individual, interest, or corporation of a single dollar or right honestly acquired, but legislation to meet the views of those who would proceed in an honorable and dignified manner with a determination to do justice and right to everybody; to promote the best interest, prosperity, happiness, and welfare of all people in all communities, regardless of class or creed, and if the purpose of the proposed bill is to confiscate property or to deprive banks of a single dollar or right honestly acquired, then it should be branded as such, rejected, and condemned to the everlasting disgrace and humiliation of those who produced it. All agree that this grand and glorious Government of ours, with its splendid and magnificent institutions, should not be placed, as pointed out, in the attitude of a highwayman threatening one with his money or life. I admit that it would not be fair for Congress to pass a bill demanding of a bank holding an unconditional charter its surrender or 10 per cent of its capital and 5 per cent of its deposits, but that is not the situation in this case. Back of the charter is the law authorizing the

charters issued to national banks, reserving the right to amend, alter, or repeal. If so, there should be no question but that Congress has the right to alter and make new requirements from time to time. But whether it has the right or not, no one will contend that the 20 per cent of capital or 5 per cent deposit is taken without compensation, as the bill provides for a 5 per cent dividend on stock and 40 per cent of earnings in excess of the 5 per cent dividend to be paid the member bank as interest on deposits; besides, the legal reserve is reduced from 15 to 12 per cent in country banks and from 25 to 18 per cent in reserve banks and banks in the three central reserve cities. It also provides for the issue and loaning of currency to member banks, a privilege which alone in time of stress, in my opinion, would compensate banks for their investment and deposit.

Why is it necessary to resort to the proposed method? If capital is required, certainly the investment must either be made attractive enough to induce enough banks to subscribe for the stock or they must be compelled to do so in order to make the organization proposed in this bill possible. If made optional with banks or individuals as to subscription, if they fail to subscribe, the regional banks can not be organized, and without the organization the proposed measure is of no effect; hence the capital is essential and must be assured. If made attractive enough to a certain syndicate to invest and not to the public or bankers, the syndicate takes the stock; if so, they will own the bank, and, I fear, in time control it. We would then have central banks with branches and note-issue monopoly owned by a syndicate as is desired by them, except a limit as to the number of branches. Next it will ask for privilege to increase the number, and if the request is granted we would have a system of central banks with branches and note-issue monopoly owned, controlled, and operated by a syndicate. Rather than that I much prefer the plan suggested.

What are the facts in the matter? According to the Statistical Abstract of 1912, published under the direction of the Secretary of Commerce and Labor, we had, in 1912, 13,381 State, 1,922 savings, and 1,091 private banks, and 1,410 loan and trust companies; total, 17,804—with capital \$977,272,828; surplus, \$890,990,068; loans, \$3,226,653,760; individual deposits, \$11,198,606,440; due banks, \$454,471,635; or total deposits of \$11,653,078,095 and total resources of \$14,124,878,895. On September 4, 1912, we had 7,397 national banks, with a capital of \$1,046,000,000; surplus, \$701,000,000; undivided profits, \$242,700,000; loans and discounts, \$6,061,000,000; total resources, \$10,963,400,000; national-bank circulation, \$713,800,000; individual deposits, \$5,891,600,000; due to banks and reserve agents, \$2,177,400,000; total deposits, \$8,069,000,000; or a total number of banks of 25,201, with an aggregate capital of \$2,023,272,828; surplus, \$1,591,990,068; total capital and surplus, \$3,615,263,514; loans, \$13,999,244,205; individual deposits, \$17,000,206,440; due banks and reserves, \$2,631,871,655; or a total deposit of \$19,722,078,095 and total resources of \$25,088,278,895.

Here we are with more than \$2,000,000,000 invested in capital stock in 25,000 banks, with a surplus of more than one and one-half billion dollars, capital and surplus aggregating more than three and one-half billion dollars, an amount equal to the total amount of money in the Treasury and in circulation. That, together with the undivided earnings of the banks, represents the holdings of the thousands of stockholders of these banks. A handsome sum, indeed, and I believe worthy of consideration when you stop to consider that the stock is held by all classes of people. Next, 10,010,304 people with an average deposit of \$444.72, aggregating about four and one-half billion dollars, deposited in 1,922 savings banks alone, and more than \$17,000,000 in individual deposits in 25,000 banks, representing the interest or holdings of depositors outside of deposits by banks, the holdings of the depositor, then, being about five times as great as that of the stockholder. Next we have millions of borrowers, who borrow nearly fourteen billion dollars from the 25,000 banks. The loans constitute the principal asset of the bank, the principal function of a bank being to receive deposits and to loan on proper securities. Of course everybody understands that a bank can not long continue its business by simply maintaining an office and storing away the deposits, as the expense and interest paid on deposits would soon eat up the capital and surplus of the bank. The expenses of running a country bank capitalized at \$50,000 generally runs from about \$3,000 to \$5,000 annually. Then taxes, insurance, and interest on deposits must be paid. Hence the money deposited must be loaned at a profit for itself, or the various items and demands made on the bank would soon consume the capital. So, under the law and what is considered as sound banking, the country bank loans from 75 per cent to 80 per cent of its deposits. A country bank with a hundred-thousand deposit loans outside of its capital and surplus undivided profits \$75,000 to \$80,000, and when its re-

serve falls below the legal reserve of 15 per cent it is compelled to replenish its reserve, either by rediscounting or calling in loans. To call on a customer for payment of a loan may be a hardship to him; he might not have the money and no way of getting it conveniently. The banker, being anxious to accommodate the customer, instead of compelling him to pay the loan, rediscounts paper held by the bank. Usually the money is obtained from a correspondent, and as the reserve is increased, either by deposits or collection, the banker takes up the paper rediscounted. The customer has been taken care of and no one has been inconvenienced. Under ordinary circumstances everything moves along nicely; but unexpectedly, like a thunderbolt out of a clear sky, as on October 28, 1907, comes the startling news that banks in the central reserve cities have suspended payment. Nine per cent of the bank's 15 per cent legal reserve is deposited with its correspondents in reserve cities. Its correspondents have not only ceased to loan money but have suspended payment. The country bank is unable to borrow and also unable to obtain the money deposited with the reserve banks.

This was the situation in 1907. With this exception, bankers generally could get their money by paying a broker about 7 per cent brokerage. What happens under such circumstances? The banker must maintain his reserve and meet all legal demands or close his doors. He can not borrow or rediscount, because practically all banks in the country are in the same situation; hence he must either collect outstanding notes or close the bank. If the country bank suspends payment the depositor may have obligations to meet or an opportunity to invest his funds to good advantage and will be disappointed, and possibly injured, if he can not draw his money deposited. The stockman and the grain dealer depending on the bank for currency have no way of raising money to pay for their grain or stock. You say that stock and grain can be shipped and remittance made in cash by express. No; I tried that in 1907. I shipped a couple of carloads of cattle from a farm to Chicago and instructed my commission men to remit proceeds of sale by express. The answer was that the market was low—in fact, it was off about one-third—that they had decided to hold the stock over until the next day; that the stock could not be sold for cash; and that I must either accept of a draft or have the stock returned. Manufacturers who had large pay rolls, and who had money in banks, told me that they paid brokers as high as 7 per cent for currency drawn against deposits in banks within 300 miles of Washington. Merchants were unable to borrow money to meet obligations, and thereby were unable to discount or pay bills.

As to the cause of the panic of 1907 many ideas have been advanced. One is that it was due to overspeculation, with undue inflation of value; another overextension of credits; and another that it was due to country banks withdrawing deposits from New York City banks. I believe most generally the blame is laid at the door of a country banker. To my astonishment, a banker who ought to know better recently made that statement before a committee, and that statement went unchallenged. Others lay it at the door of a bank syndicate of New York. It is believed that this syndicate, in order to purchase stocks and bonds and get control of certain railroads and interests at greatly reduced, if not at their own prices, created a panic in order to compel holders of stock and margins to sell. Let us see. About October 28, 1907, New York City banks suspended payment. Holders of margin or stock and bonds outside of the deal were unable to renew their notes or borrow money to make their margin good. Stocks and bonds were disposed of and margin wiped out. Men worth millions were reduced to poverty in a single day. People with money deposited in banks could not get it out. Country banks with their reserve deposited in New York City banks could not get a dollar in currency. The question is, Who got the New York City banks' money? Where had it gone to? It is an easy matter to ascertain where it went, but just who got it can not be ascertained under the law. National banks are required to make reports. New York City banks reported cash held on August 22, 1907, \$218,786,132. Uncle Sam rushed over \$47,576,335 between August 22 and December 3, the date of the next report. Total to be accounted for, \$266,362,467. On December 3 New York City banks reported cash held \$177,093,821, hence \$89,000,000, which included \$12,000,000 of Treasury gold certificates and \$20,000,000 of gold clearing-house certificates had disappeared. Who got it? Certainly not the country banks. True, they increased their cash about \$26,000,000, but banks in the other two central reserve cities and other reserve banks reduced their cash \$34,000,000, an amount \$8,000,000 in excess of the increase in the country banks. Evidently the increase of cash in country banks was due to the withdrawal from the two other central cities' reserve and

other reserve banks. It is true that New York national banks reduced their indebtedness to banks \$26,000,000, but it is not likely that any considerable amount of that was produced by cash payments but out of commercial transactions or transfer of credits. New York's deposits increased \$53,000,000. Evidently the increase of deposits was produced by loans, as the net increase in loans was \$63,000,000. That fact coupled with the fact that the \$32,000,000 of Treasury and clearing-house gold certificates disappearing were not of a character that generally circulate or is used for living expenses or in commercial transactions, and the same immediately returning to the New York City banks is evidence that the speculators—the syndicate—in order to deplete the reserve not only drew out their own money, but borrowed money in order to withdraw the \$89,000,000 necessary to force the suspension of payment and force the sale of stocks and bonds desired. Whether done for that purpose or not, certainly the country banks did not get the currency.

Who were benefited by the panic of 1907? Certainly not the banks, not the depositors, not the merchants, not the stock or grain dealers, not the farmers; to the contrary all suffered by it, and the only one benefited, if any, was the syndicate of speculators, its creator.

If so, I take it that people in general engaged in worthy and legitimate enterprises desire sound banking and currency legislation, and that practically all the people will be benefited thereby, and that such legislation is not only in the interest of banks, but commercial, industrial, and agricultural interests—in short, in the interest of our general welfare. What is needed? First, a supply of currency in time of stress. If the purpose of this bill is to mobilize and centralize bank reserves and to authorize the issue of additional currency where not only it and the bank reserve but Government funds now held in the Treasury can be made available to banks and to the people in time of money stringency or emergency or, as has been said, where it can be drawn from these great reservoirs as water is drawn from reservoirs to put out fire and to supply the people; if the purpose is to transfer from these central reserve cities and reserve city banks some \$900,000,000 of reserve held for some 7,400 national banks and the \$150,000,000 or \$250,000,000 balance in our United States Treasury to the 12 regional banks and make it all available in time of stress, then very well; that is exactly what is needed and what should be done, unless such legislation results in central banks with branches owned and controlled by a bank trust.

It is, of course, contended that a central bank with branches and note-issue monopoly is not contemplated in the proposed bill, but simply 12 regional banks, with branches and note-issue privilege, under Government control. It matters not whether it be 1 or 12 or what name is given the banks, but it matters what power is given and by whom the banks are controlled. One syndicate and board can control 12 central banks as well as 1. One hundred million dollars capital can be raised as easily for 12 as for 1. Canada has 29 central banks with 2,000 branches, all controlled by one association. If the banking trust of Canada can control its 29 banks and 2,000 branches, certainly the New York syndicate, now controlling trusts with an aggregate stock of more than twenty billion, can also control 12 central banks with 25,000 branches. If you give them a chance, they will run them, and be glad to do so. Yet, with the provisions in the proposed bill which provides for dividing the Continent of the United States into 12 districts, that all member banks shall subscribe and own the capital stock in the regional bank in their respective district, and that the regional banks shall be under Government supervision and control, it would seem that the danger of ever giving the syndicate control had been safely guarded against.

I appreciate that it is beyond the power of any committee to draft and report a bill of such importance with all its provisions meeting the approval of all, especially under the present rules and practice. Certainly perfection can not be expected when a bill is prepared through the instrumentality of scissors and paste pot, subject to the approval of one or a few men, and jammed through the committee and House by the big stick under a caucus system, thus not only legislating by a small minority of the House, but also making it practically a one-man law. It is to be regretted that the bill was not submitted to all the members of the committee in charge for consideration, and hearings given. Instead of a few members of the majority party preparing this bill in secret, experienced bankers, students of banking and currency, in short, the people, and certainly members of all parties on the committee—Democrats, Republicans, and Progressives—should have been given an opportunity to be heard and offer suggestions, if not advice; then possibly the bill would have come to the House backed by a unanimous report; if not, at least a much better bill would have been re-

ported. No one or few men will claim to have all the knowledge pertaining to banking and currency or necessary to prepare a bill such as should be enacted into law.

Senator Aldrich, chairman of the National Monetary Commission, after serving 18 months on the commission, and after an extensive investigation and after giving the subject the most careful consideration and study, said in one of his speeches that 18 months previous he thought he had some knowledge of the subject; that he had been studying these questions for 30 years; yet if a blank piece of paper was handed to him, with absolute authority to write upon it the terms and conditions of a banking and currency bill which he thought should be adopted by the United States, he could not do it, stating that further time and study was required to determine what plan should be adopted. Another distinguished Senator, a member of the Committee on Banking and Currency, recently said: "We are just beginning to learn what this bill means." Again, some days ago, when discussing the proposed banking and currency legislation with a gentleman at the head of one of our large and successful banks—one with 50 years' experience in banking and who had made banking a life study—in response to my question as to what he had to suggest in the matter, answered by saying that many years ago he used to think he knew everything about banking, but now, after 50 years of experience and study, he had learned that he knew very little about it.

With such evidence, and considering the importance and far-reaching effect of the legislation proposed, it must be obvious to all that knowledge and most careful consideration are required in passing such legislation and that the bill should not have been jammed through the committee and caucus and through this House, as it is proposed to do—certainly not by a party having so emphatically declared against centralization of legislative power; certainly not by Democrats who have so vigorously and persistently denounced and condemned concentration of power in this House.

Why they should now advocate and defend a policy they have heretofore condemned; why they should abandon a policy so long championed by them is beyond my comprehension. Heretofore the rule and custom have been to require a majority vote or two-thirds under the suspension of the rules, quorum present, or unanimous consent to pass bills. Under the rule pursued bills are passed not by a majority of the Members of the House, but by a small minority. Why this by a party having in the past most emphatically and conspicuously condemned the very thing which its Representatives in Congress are now doing? Why by a party which has firmly and lavishly proclaimed in the past that its lofty purpose, its dominant course and stock in trade is to emulate to make the House of Representatives a representative body; by a party having condemned autocratic rules and power; a party impelled by lofty and pure motives solemnly declaring for reform, as, for instance, in its platform of 1908, when it declared:

The House of Representatives was designed by the fathers of the Constitution to be the popular branch of our Government, responsive to the public will. The House of Representatives as controlled in recent years by the Republican Party has ceased to be a deliberative and legislative body, responsive to the will of the majority of its Members. * * * We demand that the House of Representatives shall again become a deliberative body controlled by a majority of the people's Representatives—

and pledging rules and regulations to govern the House of Representatives that will enable a majority of its Members to direct its deliberation and control legislation.

I submit, is a banking and currency bill an important measure, vitally affecting the welfare of all the people, prepared by the Executive or by one or more members of the Cabinet or Government officials, ordered reported by a committee without giving hearings, without giving members of the committee representing other parties permission to aid in its preparation, except in going through the formality of inviting them to a meeting or two after certain members of the committee have definitely determined what bill shall be reported—a bill jammed through a secret caucus, tying Democratic Members hand, foot, and body, and sealing their lips forever, so far as opposition to the bill goes, thus depriving Democratic Members of this House the right to vote their honest convictions on this floor, thereby sacrificing the rights and interests of those whom they are expected to represent—a bill thus passed without giving the public or those interested an opportunity to be heard, and thus passing bills not by a majority vote, but by Executive orders through a caucus system requiring a two-thirds vote of the caucus, a quorum present, instead of a majority vote of the House—is that making the House of Representatives a popular branch of our Government, a deliberative and legislative body, in response to the public will as designed by the fathers of the Constitution, and as declared for in the Democratic platform?

Is that making laws under a rule enabling a majority of its Members to direct its deliberations and control legislation? Under such practice, is the House of Representatives a deliberative body controlled by a majority of the people's representatives, as declared for? Again, in 1912, the Democratic Party in convention assembled, and, controlled by backers of this bill, congratulated themselves on the splendid achievements attained in revising the rules of the House of Representatives—

so as to give the Representatives of the American people freedom of speech and of action in advocating, proposing, and perfecting remedial legislation—

And concluded by solemnly declaring—

Our platform is one of the principles which we believe to be essential to our national welfare. Our pledges are made to be kept when in office as well as relied upon during campaign, and we invite the co-operation of all citizens, regardless of party, who believe in maintaining unimpaired the institutions and traditions of our country.

Under the vicious caucus system the principle of legislation by majority has been reversed, as under it the House, with a membership of 431 present, or 216 Democrats and 215 Republicans and Progressives—two-thirds of the 216, or 144—determine and pass bills, while under the rule and practice heretofore it would require a majority of the 431, or 216 votes. In other words, under the caucus system only 1 to 3 is required, while under the rules of the House under the Constitution a majority is required. Hence, under Democratic caucus system the enactment of law no longer requires a majority vote of the House. Why this departure from platform declarations? Why legislate by a minority rather than a majority, as has been the practice?

To seal the lips and silence Democratic Members in opposition and those in favor of amending the bill by a two-thirds vote in a secret caucus, as has been frequently admitted was done, thus barring them from the right to vote against the bill or for a single amendment offered outside the committee amendments, no matter how much they might wish to have it incorporated in the bill, is that giving the Representatives of the American people freedom of speech and action in advocating, proposing, and perfecting remedial legislation, or is it to be understood that Democratic Members, bound by caucus action, are not the Representatives of the American people? Is that keeping pledges when in office as pledged in the campaign?

If a Government by the people, of the people, and for the people, why disqualify its Representatives for voting? Why not legislation by a majority of the Representatives, as declared for recently in Democratic convention? Why the departure from law, a long-established custom and practice and a doctrine so long and loudly proclaimed for, and adopt a policy so vigorously and universally condemned and repudiated? The Democratic Party got in power under pretense of favoring a liberal rule guaranteeing a representative form of government. Why abandon it now? For years its leaders in Congress proclaimed for it and denounced the restriction of rights and privilege of Members through autocratic power when playing politics, when in the minority and before election it was to ameliorate, to give every Member of the House freedom of speech and of action in advocating, proposing, and perfecting remedial legislation, which means the privilege of voting one's own convictions, not others', on every bill coming up for consideration in the House, not in caucus. Now, when in power and after election we find every one of its Members marching with bag and baggage into the caucus, practically all submitting to its dictates, and coming out subdued, with hands and feet tied, lips sealed, as meek as lambs, proclaiming their allegiance to the party caucus, and offering not a word against its methods prohibiting any and all Members from voting or saying a word in favor of amendments offered outside of the committee, no matter what their merits may be nor how much their adoption may be desired. When playing politics and aspiring for control it was, "Down with autocratic power." Now, when in control, not only autocratic rule is restored, but in order to make legislation certain and party power complete, the vicious, unwarranted, and uncalled-for caucus system is provided, depriving those with independent mind and thought who subscribe to its dictate of their right and privilege to vote their best judgment and honest convictions on this floor. Why? Are you afraid to trust to the judgment, integrity, and patriotism of all your Democratic Representatives, or are those who submit to the sealing of their lips and the tying of hand, foot, and body, thus submitting to the dictates of the caucus, afraid to trust themselves.

Considering that under existing conditions the proposed bill is the only legislation that can be had, and that our only choice is in passing the pending bill or return to conditions existing prior to the enactment of the Vreeland bill, I would much prefer to give the Vreeland bill with broadening provisions a new lease of life and postpone general legislation until a bill

could be given exhaustive investigation and consideration and passed under rules permitting the entire membership of this House to vote its own convictions on amendments and passage, but, that being out of the question, and considering the many splendid provisions in the proposed bill, especially the one providing for a note issue, thus guaranteeing currency to the banks and people in times of stress against security provided for and approved, rather than risk the danger likely to be encountered in returning on May 20, 1914—the date of the expiration of the Vreeland Act—to conditions existing prior to its enactment, I shall vote for this bill.

Mr. PLATT. Mr. Chairman, I do not care to take much of the time of the committee on this amendment, but I just want to quote from memory, and possibly somewhat inaccurately, what Prof. Sprague, of Harvard University, said last week during the Senate hearings. He said that both the banks and the bank haters—he did not use that word, but I use it—are wrong about this section which creates a Federal reserve board. He said it does not make any material difference whether the banks elect the Federal reserve board or the President appoints it. The white light of publicity will be on the members of that board and they will have to wield the great powers intrusted to them in the public interest. It does not make any particular difference which way the board is created. It does make a difference whether there is politics in it, and therefore the control of the board ought not to change with each incoming administration.

Mr. FESS. Mr. Chairman, I would not vote for a bill that would surrender the control of the banks by the Government to the banking interests. That is one reason why I have a distinctive objection to the Aldrich plan.

I also hesitate to vote for any measure that repudiates or does not recognize the right of the interests that are being employed to have any voice in the management. The banking business, as is recognized by this bill, is both private and public, and so far as the administration or operation goes it ought to be private, but so far as the control goes it ought to be public. We can not surrender the control of this business to any private interest. That would be dangerous. On the other hand, we ought not to disrespect the rights of private interests, those interests furnishing the money, by denying them any voice whatever in the operation of their business. In this amendment, which provides for four appointive officers by the President and three others selected by the interests whose money is being used, you have the solution. It seems to me that there is no danger whatever in the four being controlled by the three. On the other hand, the four who will be responsive to the demands of the public as expressed through the President will be the controlling factor. The fear that one of the four might be a banker, and therefore pass over the control of the board to the banking interest, is certainly not well founded. It was stated by the chairman of the committee that the Secretary of the Treasury would likely be a banker. In all our history the Secretary of the Treasury has not been a banker except in the last few years. I wonder whether you have noted the fact that the first Secretary of the Treasury who was a banker was Hugh MacCulloch, Lincoln's Secretary of the Treasury.

Beginning with Alexander Hamilton, who was Secretary of the Treasury under Washington, most of those in charge of the Government finances have been outside of the bankers—generally lawyers. Samuel Dexter, who was Secretary of the Treasury under John Adams; Albert Gallatin, under Thomas Jefferson; and Alexander J. Dallas, under Madison, all had distinguished themselves in politics, but not finance. Mr. Dallas was the author of the second Bank of the United States, in 1816. Coming on down through history, the Secretaries of the Treasury were generally lawyers. Richard Rush, under John Quincy Adams; Duane and Tawney, under Jackson; Ewing, under Harrison; Walker, under Polk; Corwin, under Taylor; Guthrie, under Pierce; Chase, under Lincoln; Boutwell, under Grant; Sherman, under Hayes; Windom, under Garfield; and Carlisle, under Cleveland. Lincoln recognized the practical banker when he appointed the famous Hugh MacCulloch, the banker of Fort Wayne, who was reappointed by Mr. Arthur.

Mr. GLASS. The gentleman will concede that most of the Secretaries of the Treasury since Lincoln's time have been bankers.

Mr. FESS. Only three—Daniel Manning, under President Cleveland, first term; Lyman J. Gage, under McKinley; and Mr. MacVeagh, under the recent administration.

Mr. HAUGEN. Gov. Shaw was a banker.

Mr. FESS. Gov. Shaw was a lawyer.

Mr. LOBECK. He is a banker.

Mr. GLASS. He is a banker to-day.

Mr. FESS. He is a banker now. If that is what you mean, that they become bankers after leaving office, I do not deny it. Some of them have, but not many.

Mr. HAUGEN. Mr. Shaw was a banker before he became governor.

Mr. FESS. Mr. Chairman, I do not wish to be considered as an enemy of this bill. In the main it is good, in my judgment, but there are some serious defects as I see it. I very much deplore the fact that when amendments have been offered there seems to be a party division. Here is the most conclusive arraignment of legislation by caucus. It closes the door to all changes, no matter how meritorious. I have no desire, however, to oppose the bill for that reason alone. I opposed the Aldrich plan because it was dangerous in its centralization. It seems to me the plan that is proposed by the present committee has also a danger, an error, a weakness, that can be corrected here. Instead of making this a partisan board, totally political, entire control by the party in power, to the entire ignoring of the rights of property, we should make it a board free of partisan control, just the opposite of what this bill provides. Surely in the light of recent utterances this is important. I would like to read an utterance from a great, big-hearted man, who upon this floor recently spoke his convictions on the probability of a board acting in a nonpartisan character. Here are the words of Speaker CLARK on April 29 of this year relative to a nonpartisan tariff board:

There is no such thing as a nonpartisan board. It is an impossibility in nature. It is a thing incredible that any man who is fit to sit on a tariff board has no political opinions which lead him into some sort of affiliation with some political party in this country. As far as I am individually concerned, if I were making up a tariff board, or a board of tariff experts, you could rely upon the fact that it would have a working Democratic majority.

In the light of this official utterance, what should we expect when we provide a board of seven men, all chosen by the same political head, not to gather facts upon which to build a tariff measure, but to handle the banking resources of the country, making two-fifths of all the resources in the world; what are we to expect in the way of partisan manipulation by this small group with such a weapon in hand?

The amendment proposed would at least greatly reduce this element of danger.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. GLASS. Mr. Chairman, I will yield 10 minutes to the gentleman from Texas [Mr. DIES].

Mr. DIES. Mr. Chairman, if I could crave the indulgence of the caucus for a moment—

The CHAIRMAN. The Chair suggests to the gentleman from Virginia that as there was no agreement as to who should control the time for debate the Chair doubts very much whether the gentleman from Virginia can yield time to the gentleman from Texas.

Mr. GLASS. That had escaped my attention, Mr. Chairman, and I withdraw it.

Mr. COX. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. COX. Is it proper for the chairman of the Committee on Banking and Currency to give recognition to any gentleman and yield him 10 minutes?

The CHAIRMAN. The Chair has just called the attention of the gentleman from Virginia to that fact, that there was nothing in the agreement to divide the time, and the gentleman from Virginia has withdrawn it, and the Chair will recognize the gentleman from Texas for five minutes.

Mr. BORLAND. A parliamentary inquiry, Mr. Chairman.

The CHAIRMAN. The gentleman will state it.

Mr. BORLAND. Without any such agreement, would not the time be divided between the chairman of the Committee on Banking and Currency and the ranking Republican member of that committee?

The CHAIRMAN. No; it is in the discretion of the Chair.

Mr. MANN. Mr. Chairman, it was stated during the discussion that the Chair would control the time.

Mr. DYER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. DYER. I would like to know if the gentlemen who have amendments to offer will not have an opportunity to offer them?

Mr. MANN. Mr. Chairman, I ask unanimous consent, if the gentleman from Texas will allow me, that gentlemen who desire to offer amendments be permitted to offer them now, to be voted on in the order they are offered after debate is closed.

The CHAIRMAN. The gentleman from Illinois asks unanimous consent that all gentlemen who wish to offer amendments may offer them now, and that they may be considered in the

order that they are offered after debate is closed. Is there objection? [After a pause.] The Chair hears none.

Mr. DYER. Mr. Chairman, I have several amendments I desire to offer, and they are all short.

The CHAIRMAN. The gentleman will send them up.

Mr. DYER. I ask to have them reported.

The CHAIRMAN. They will be reported when called up in regular order after debate is over.

Mr. FOWLER. I have a small amendment, Mr. Chairman. On page 19, I desire to insert the word—

The CHAIRMAN. The gentleman can offer that when the time comes. The gentleman from Texas is recognized for five minutes.

Mr. DIES. Mr. Chairman, I ask unanimous consent to be allowed to proceed for 10 minutes.

Mr. COX. I dislike to object.

The CHAIRMAN. The gentleman from Texas asks unanimous consent that he may be permitted to proceed for 10 minutes. Is there objection?

Mr. MANN. That is hardly fair, Mr. Chairman.

Mr. BUTLER. Will that debate come out of the 50 minutes?

The CHAIRMAN. It comes out of the 50 minutes.

Mr. GRAY. Mr. Chairman, I reserve the right to object.

The CHAIRMAN. The gentleman from Texas is recognized for five minutes, if he desires it.

[Mr. DIES addressed the committee. See Appendix.]

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. DIES. Mr. Chairman, I ask unanimous consent to proceed for five minutes.

The CHAIRMAN. Is there objection?

Mr. MANN. Mr. Chairman, reserving the right to object, let me suggest to the gentleman from Texas that there are amendments enough offered by gentlemen who desire to discuss their own amendments to probably take up every minute of the time, and under the circumstances does the gentleman think he ought to take up time in elementary propositions?

Mr. DIES. Mr. Chairman, I take that to mean an objection on the part of the gentleman from Illinois.

Mr. MANN. Oh, I put it in that way squarely to the gentleman from Texas.

Mr. DIES. Mr. Chairman, I congratulate myself that I have not taken one-millionth of the time of the Congress that the gentleman from Illinois has.

Mr. MANN. The gentleman has taken as much time in this debate and more than I.

Mr. DIES. This is the first moment that I have spoken.

Mr. MANN. And I have not spoken for five minutes in debate.

Mr. DIES. The body is to be congratulated.

Mr. MANN. Perhaps that is so. The gentleman is as complimentary as usual, and, thank God, he does not compliment me.

The CHAIRMAN. This debate is out of order. The gentleman from Texas asks unanimous consent that he may be permitted to proceed for five minutes. Is there objection?

Mr. MANAHAN. Mr. Chairman, reserving the right to object—

Mr. MANN. I object.

The CHAIRMAN. The gentleman from Illinois objects, and the gentleman from Missouri [Mr. DYER] is recognized.

Mr. DYER. Mr. Chairman, section 11 of this bill, providing for a Federal reserve board, is to my mind most objectionable as it is written. I have sent to the Clerk's desk several proposed amendments to this section, as follows:

Page 18, line 11, after the word "of," strike out "seven" and insert "eleven."

Page 18, line 15, after the word "Senate," strike out the period, insert a comma, and add the following, to wit, "and four appointed by the President of the United States from a list composed of one from each district, chosen by the respective electors thereof; of the four appointed by the President from the list submitted by the electors one shall serve for two, one for four, one for six, and one for eight years, and thereafter each member so appointed shall serve for a term of eight years. Whenever a vacancy shall occur among the four members appointed by the President from the list submitted by the electors of the Federal reserve banks a successor shall be appointed by the President from a new list of names prepared for that purpose to fill such vacancy, and when chosen shall hold office for the unexpired term of the member whose place he is expected to fill."

Page 19, line 4, after the word "the," insert "four"; same line, strike out "appointed" and insert "chosen"; also, on line 6, after the word "one," add the words "of whom."

Page 19, line 11, after the word "cause," strike out "by the President" and insert "by a vote of the majority of the board, with the approval of the President."

Page 19, line 15, after the word "the," strike out "Secretary of the Treasury and board" and insert, after the word "officer," in line 16, the word "thereof."

If this section of the bill could be modified as indicated by these amendments, much of the objection to the bill itself would be removed. Capital for these Federal reserve banks must be furnished by the banks. This money comes from the stockholders and depositors, and it only seems fair that they should have representation on the Federal reserve board by having four members thereof. It certainly would not affect the efficiency of the Federal board to increase the membership in this regard, and it would create better feeling than now exists. Taxation without representation is never very acceptable to the average American. It is believed by many that there is too much power placed in the hands of the President, as regards the Federal reserve board, and that there should be some limitation placed upon it, as indicated by the above amendments.

Mr. Chairman, I represent a city district, and one in which there are many banks. On the 26th of July last all of the banks in my city and district agreed upon recommendations to the Committees on Banking and Currency of the House and of the Senate as regards certain changes that they thought should be made in this bill. In my remarks of September 10 I referred to these recommendations in detail. The amendments which I have offered are in line with some of their suggestions. In my judgment they are most important, and ones to which there ought to be no objection. If I am fortunate in securing their adoption, I will present other amendments, carrying out their advice to the Banking and Currency Committee. If these amendments do not meet with your approval, I shall not offer any others, because I will be satisfied of the futility of it.

Mr. Chairman, what we need in our financial and banking system is stability. I do not believe that the absolute right of dismissal of a manager of a Federal reserve board by the President should be permitted. I think it should be the action of the board, with the approval of the President. In other words, I do not think it is proper that the President of the United States should control and direct the banking system of our country. I think the power of supervision of it by the President is ample for all needs and purposes.

Unless some satisfactory modification of this bill is had, either in the House or in the Senate, I doubt if a sufficient number of banks can be found to cooperate with the Government to make this proposed law a success.

Mr. Chairman, one of the amendments that I have offered has simply to do with making a certain portion of this section clearer and does not change the effect of it in any respect. I would like to have the attention of the chairman of the committee to this amendment. I believe he will accept it.

It is on page 19 of the bill, beginning on line 4, after the word "thus," to strike out the word "appointed" and insert the word "chosen," and after the word "President," in line 5, to insert the words "by and with the advice of the Senate"—

Mr. WINGO. Mr. Chairman, will the gentleman pardon me?

Mr. DYER. Certainly.

Mr. WINGO. The bill already provides that these appointments shall be "by and with the advice and consent of the Senate."

Mr. DYER. Yes; but it does not provide so where I have indicated, and I think it would come in very properly there.

Mr. WINGO. What is the use of repeating it when it is already provided for where the appointments are provided for?

Mr. DYER. It does not provide for it here, and there might be some question about it.

Mr. COX. Mr. Chairman, I want in a few moments to briefly discuss this section of the bill. As the gentleman from Minnesota well stated, in my judgment this is by far the most important section of the entire bill. All through the measure I have been only able to see the structure of the bill, as it were, because I am not a banker versed in any of its details, but somewhat of a lawyer, but I believe I can see in this bill a great superstructure, and I do not believe that anyone would contend for a moment, even the splendid committee which reported the bill, that it is a perfect bill in all of its details. But I sincerely believe that the structure is here on which Congress can from time to time build with details until we will get as near a perfect banking system in this country as it is possible for us to get. If I remember correctly, the agitation for the Interstate Commerce Commission was begun in 1873. It was finally crystallized into a bill which Congress enacted in 1887, but it was far from being perfect, far from it, and I doubt very much whether it is perfect to-day, and yet Congress on two or three different occasions has undertaken to revise the law which regulates 250,000 miles of steam railroad in the country. But the first thing that Congress did was to undertake to get a structure on which it could build. So, in my judgment, if everything else is thrown out of this bill except this particular

section, it will be enough to commend itself to every Member of this House if he can get far enough away from his political prejudices to vote for it. I regret, Mr. Chairman, very sincerely, to find incorporated in this bill language providing that not more than four of the appointees made by the President shall be of the same political faith as the President. I would have preferred to have seen a bill brought in here without one word of politics being mentioned in it, because I am one of the men who are not afraid to trust the President of the United States. We have trusted him for 135 years; we have trusted him to make, as it were, a great coordinate branch of the Government in the appointment of the Supreme Court, in the appointment of the judges of the inferior courts, and they have never made very many mistakes in those appointments.

So I would rather have seen the questions that even point in the direction of politics eliminated from this bill. I doubt very much whether the amendment offered by the gentleman from Illinois [Mr. MADDEN] would add very material strength to it if adopted, because I can not believe, and I never will believe until I have an ocular demonstration, that any man elected to the exalted position of President of the United States would ever for one moment bow the knee to the moneyed interests of this country. I am not in favor of being too radical, but on the contrary I am rather disposed to be conservative; but after all we are presented with one of two things, either that the people of this country, through our President, are going to retain the control of the banks of the country or the banks themselves are going to control the country. Which will you have? Are you going to have a man elected by the popular vote of this country control it by and through his appointive power, and who is supposed to represent the will of the people, or are you going to have more or less a selfish interest to control it? And when I speak of a selfish interest I do not desire to criticize the banks in the least, because they are all human and so are we. The banker is interested in making dividends on the stock of his bank. The President, as the agent of all the people, is and will be interested in seeing that all the people of the United States who have to do with banks or not get a square deal. I would rather trust my President for equal justice than the banks.

Mr. POWERS, Mr. HELGESEN, Mr. MANAHAN, and Mr. GRAY rose.

The CHAIRMAN. The gentleman from North Dakota [Mr. HELGESEN] is recognized.

Mr. HELGESEN. Mr. Chairman, I have been in hopes that I would have an opportunity of voting for a currency measure that would give us a better currency law than the one we now have. The present bill proposes a plan that might be very acceptable to the people if it were somewhat amended. In my opinion there are some weaknesses and objections in the bill. Most of these I would be willing to accept, believing that Congress would correct them as rapidly as possible as they found the mistakes or errors in the law, but there is one feature in it that it seems to me is of such importance that I do not see how I can vote for the bill unless at the other end of the Capitol or here it shall be amended. I refer to the political character of the Federal reserve board. This bill makes it a political football. It throws into the political arena a political prize that has never been equaled in the history of the country. Now, what does this bill do? It appears that the terms of the two members of the Cabinet and the Comptroller of the Currency and one of the other four members that are to be appointed by the President shall expire with the expiration of the presidential term. That means that the incoming administration will immediately have an opportunity to appoint a majority of the board. Now, you can readily see, my friends, if that is the case it would be a great political prize. You have said a great deal about the moneyed interests of the country being in politics, and the Money Trust, so called, being in politics, and that they have even opposed your party at times. If you really believe that, why do you offer this political prize that will entice these people to get into politics as they have never been in politics before?

I have sent to the desk an amendment which will be read later, which provides that the Secretary of the Treasury shall be the only member of this board from the President's Cabinet. Six men are to be appointed by the President outside of the Cabinet for terms of 2, 4, 6, 8, 10, and 12 years, respectively; after which they are to serve for 12 years. Now, if you will study it a minute you will find that it will be utterly impossible for any incoming President to appoint a majority of the board during its first term of office. In order to appoint a majority of that board he would have to be reelected, and if you do that

you are taking it as nearly out of politics as it is possible to get it. Of course, this is barring deaths.

Now, it seems to me, if you want a board that is to be absolutely in the control of the Government, as it represents the people and the people's interests, you can well afford to take that portion of the bill back into your committee or into your caucus, if necessary, and see to it that that political feature is removed from the bill. I have not in that amendment changed one iota of the rest of your plan with the exception of taking the political feature out of the appointment. And it seems to me that if you are sincere in this matter, you do not want to even have the possibility of the bankers or the great moneyed interests that you speak about controlling this board. You can well afford to take it back and revise it before you force it through the House, which I know you have the ability to do.

The CHAIRMAN. The gentleman from Indiana [Mr. GRAY] is recognized.

Mr. GRAY. The Federal reserve board is charged with the issue of money, the control of its volume, and its distribution among the people. This is not only a constitutional function and a power vested exclusively in the Government, but it is the most vital function that is or can be exercised by government. Money is a vital public agency.

The control of money under our state of civilization and under our social and industrial conditions is as vital to the welfare of the people as the safeguards of human rights or the guaranty of the liberty of men. Money is used by all the people as a medium to effect the exchange of all commodities and services, and to enable the people to convert every product and every service promptly and conveniently into any other product or service without loss, to meet the varied demands and requirements of our social and industrial conditions.

Money affects the business of all the people in every pursuit, avocation, and trade. Its use is continuous, permanent, and common to all men alike in their everyday affairs of life, whether as individuals, acting through corporations, or as all the people acting collectively through the General Government itself. Its necessity is as universal to our social and industrial welfare as light and air is to life. It is the life fluid of industry coursing through the veins and arteries of commerce and trade. It is to the body of industry what the blood is to the physical body.

Money is the most vital of all public agencies, and as such vital public agency it should be held in the full and complete control of the public, all the people—its issue, volume, and its distribution, to insure its availability to all the people equally and impartially for their use. Such a public function should never rest in the control of private or selfish interests, to be made the subject of monopoly and concentration into the hands of a few. The provisions of the Glass bill place such control where it properly belongs—in the Government—to be administered by the sworn and chosen representatives of the people.

The unrestricted power to issue money carries with it the power to control the volume of currency, and thereby the power to fix prices of all products, commodities, services, and property, and of all values as measured in money. To surrender this power to private control would be to surrender the most potent and vital authority of the Government—the control of money and the virtual control of the welfare of the people.

Give me the absolute power to control the volume of money and I will control the destinies of this Nation more fully and completely than the exercise of arbitrary power by a czar. Give me the power to expand the volume of money when contracts are executed and the power to reduce the volume of money when such contracts are to be liquidated, and I will impoverish the debtor class and concentrate all wealth in the creditor class at will. I will make millionaires of one class and mendicants of another.

While defending a central bank under private control and making the claim that centralized power in the banks was indispensable to the issue of sound and stable currency, to the control of its volume and the uniform distribution of the same, they now oppose centralization of power in the Government to be exercised by the sworn and chosen representatives of the people and assuming great alarm warn the country against the awful ruin and devastation to follow public control as being political.

This House is under political control, the Senate is under political control, the Executive is under political control, the judiciary—the high priests in the temple of justice—is under political control from appointment, the Interstate Commerce Commission guarding the people against extortion and the misuse of public utility power is under political control, the schools of the country for the education of the young—the hope of posterity—are under political control, all the sacred civil

institutions to guard and guarantee the rights of self-government and the liberties of the people are under political control, all the public institutions of benevolence, all the charities that soothe and heal and bless are administered under political control.

Political control means the rule of the people, and it has terrors only for those who are afraid of and recoil from the rule of the people.

Human rights are in jeopardy only when selfish power triumphs over political control, when the selfish invisible government supplants political or public government.

The complaint of to-day is not against political government, but is for the want of political government; it is that the political government is not allowed to operate; it is the usurpation of political powers by private, selfish interests.

The history of the world shows that men have never appealed to a bank for the preservation of human liberty, that men have never been heard to petition a bank to establish the equality of human rights, that men have never looked to a bank to sustain the principle of human equality before the law.

The rights of persons are more sacred than the rights of property. While you are willing to trust the rights of persons to political control, you tell us you can not trust the rights of property to political control. You either fail to appreciate the rights of persons or you are holding the rights of property above human rights and personal welfare.

A few days ago I listened to a very able gentleman make an argument on the floor of this House protesting against the creation of the Federal reserve board on the ground that the law vested that body with 69 powers. How many powers are vested in the President of the United States? The gentleman referred to had brought upon the floor of the House a wooden monument bearing an enumeration of these powers to be vested in the Federal reserve board. I could set that wooden monument down beside the great Washington Monument, and I could spread over the face of the Washington Monument upon all its sides from the ground to the top an enumeration of the powers vested by the Constitution in the executive department of the Government to be exercised by the President, and there would not be room enough to enumerate them all. And yet the opponents of this bill take the position that the comparatively few powers enumerated on the wooden monument brought in upon this floor make the Federal reserve board a dangerous political body. If the exercise of great power is dangerous in one department, still greater power is even more dangerous in another department. In order to be consistent they must either take steps to abolish the power of the President or they must cease their opposition to the Federal reserve board on the ground that it is creating a dangerous political power.

Of all private selfish power, the exercise of power by financial interests has always been regarded as the most dangerous, and far more dangerous than political power.

Our forefathers recognizing this danger, in the early days of the Government, a resolution was introduced in the United States Senate to prohibit a member of a banking organization from being a Member of either House of Congress while holding office or stock in any bank corporation.

I quote the following from the annals of Congress (CONGRESSIONAL RECORD, vol. 4, page 31), the same being a part of the proceedings of the Senate of Tuesday, January 14, 1794, showing the following provision of a resolution which was considered before the Senate:

Nor shall any person holding any office or stock in any institution in the nature of a bank for issuing or discounting bills or notes payable to the bearer or order, under the authority of the United States, be a Member of either House whilst he holds such office or stock.

Two days later the resolution passed the Senate, after being fought by the bankers, and was finally amended so that it prohibited only stockholders of the United States Bank to sit in Congress; but it served as a protest against control of legislation by bankers and to show the dangerous character of their influence as regarded by the people at that time.

The first national bank, founded by Alexander Hamilton in 1789, was destroyed by Thomas Jefferson in 1814 because its power had become a menace to the public welfare and the liberties of the people. The second national bank, chartered in 1817 and championed by Nicholas Biddle, was dethroned by Andrew Jackson in 1836 because it had become a rival power with the Government to dictate the policies of the Nation.

And it has been reserved for Bryan and Wilson to sustain Jefferson and Jackson and to defeat the conspiracy of 1906 to again enthrone financial power supreme over the rights and liberties of the people. [Applause on the Democratic side.]

Mr. POWERS. Mr. Chairman, I have offered an amendment, which will be reported in due time, and if it should be enacted

into law it would place the appointing of the entire seven members of this Federal reserve board in the hands of the President, and there would be no ex officio members of this board.

Not only that, but my amendment provides that not more than three members of this Federal reserve board shall be members of any one political party. In other words, it would give the Democrats three members, the Republicans three members, and the Progressive, or Bull Moose, Party one member of this board; that is, as long as the Bull Moose Party lives. [Laughter.] After it is dead, which will not be long hence, that one member could be transferred to the Prohibition Party or some other political organization. [Applause.]

The argument has been made on the floor of this House that there is no danger of this board becoming a political machine; that it will be appointed mostly—a part of it—by the President of this great country; that the limelight of publicity will be upon the actions of this Federal reserve board, and for that reason its members can not afford to let politics enter at all into the transactions or doings of this particular Federal reserve board.

Why, politics has entered into the transactions of every President who has been in the White House. There never has been one there yet that has not attempted to serve his party, and there never will be one that will not attempt to serve the political party that put him in power. There is no politics in the official duties rendered by the postmasters anywhere over this great country, and yet for years the incoming administrations have turned out of office all the postmasters all over the country differing from them politically and have put men in office of their own political persuasion.

It is true, of course, that a good deal of that pernicious habit has been remedied by the Civil Service Commission and the laws that govern it; but at every opportunity which President Taft and President Roosevelt had, they put into office postmasters of their own persuasion, and the present President exercises every opportunity that he has to put his friends in office as postmasters. There is no politics in the performance of duty by the postmasters in this country. Now, if politics enters into the appointing of postmasters all over this land, when postmasters have no political duties to perform, what do you suppose will enter into the appointment of this board and into the actions of this board—a board that has control of the national banks all over this great country? You say there will be no politics in it. You put up the plea that it is going to be nonpartisan and nonpolitical; and yet, making that plea, you put on this board the Secretary of Agriculture, in accord with the administration of course, the Comptroller of the Currency, in accord with the administration of course, and the Secretary of the Treasury, in accord with the administration of course, and it will be in accord with the administration if the Republicans come into power. Then you provide that the four remaining members to be appointed by the President shall not belong to the same political organization. What is the use of that? What is the use of having that provision in the law, after you provide that the three members shall virtually be of the same political party? What is the use of dividing the four remaining members? Of what service can they be? Will that render it nonpolitical? Why, gentlemen, these two members who are Republicans, or whoever they may be—of a different political persuasion from the other two—will have nothing more to do in shaping the action of this Federal reserve board than the Republican members on the tariff conference committee are now having to do with the shaping of that measure. [Applause.]

Mr. GREEN of Iowa was recognized.

Mr. GLASS. Mr. Chairman, what is the status in regard to time?

The CHAIRMAN. There are eight minutes remaining. The Chair could not know how each gentleman stood on the amendment, and therefore did not know whom to recognize; but the Chair did recognize each gentleman as he rose in his place to get recognition, especially those who had offered amendments.

Mr. GREEN of Iowa. Mr. Chairman, I will only occupy the attention of the committee for a moment. I regret to disagree with my friend from Minnesota [Mr. MANAHAN], who I know is a lawyer and a very good one, but he certainly forgot his law for a few moments when he compares the powers of the Interstate Commerce Commission with the powers of this Federal reserve board. The Interstate Commerce Commission has powers which are very broad in some directions and exceedingly limited in others. It can not make a final order of any kind except after a hearing at which the common carrier affected has an opportunity to present its case, and even after the order is made there is a provision for further hearing by a proceed-

ing in the nature of an appeal, although it is not called an appeal, to the Commerce Court or the Supreme Court.

Mr. KELLEY of Michigan. But only on questions of law.

Mr. GREEN of Iowa. That is true, but the findings on questions of fact can only be made after hearing and determination. This Federal reserve board is not to have any hearings; their decisions are ex parte and are to be final.

Mr. KINDEL. Mr. Chairman, I rise for the purpose of saying that the Interstate Commerce Commission does make rulings without hearings. I know that to be true, that they have made many rulings without any hearings at all.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. KINDEL. Certainly.

Mr. GREEN of Iowa. I said "final order"; they may make temporary orders which will only last for a certain number of days, but that is all.

Mr. KINDEL. They can give consent to any proposition the Postmaster General will make in the parcel-post regulations. The law says that the order must be proposed by the Postmaster General and consented to by the Interstate Commerce Commission, which they did in the crazy-quilt order which we are now operating under.

Mr. MONDELL. Mr. Chairman, the gentleman from Texas [Mr. DIES], who spoke a few moments ago, is always entertaining and generally accurate, but he is very inaccurate when he suggests that the only objection we on this side have to this bill lies in the fact that it originated in a caucus or that it finally received the seal of the caucus. On the contrary, there are some of us who object to it because it is, in our humble opinion, fundamentally wrong, because it contains provisions that are wrong in principle.

Mr. DIES. Will the gentleman yield?

Mr. MONDELL. With pleasure.

Mr. DIES. I would like to ask if the gentleman has been converted recently to the so-called open caucus, or is he still in favor of the old Republican and Democratic idea of a conclave behind closed doors?

Mr. MONDELL. Well, Mr. Chairman, I did not rise to discuss the matter of caucus, but I will say to the gentleman from Texas that he has been bound by caucus more times in this one short session of Congress than I have been in the whole 18 years that I have been here. [Applause on the Republican side.] I do not recall in my whole experience in this House but two occasions in which I have been in a binding caucus.

Mr. Chairman, there are many of us on this side that oppose this bill because in our opinion it is fundamentally wrong, and one provision in the bill that is fundamentally wrong is the provision before us. I shall support the amendment of the gentleman from Illinois, although it is not just the sort of an amendment I would have drawn. The fact in regard to the situation in my opinion is this: In the first place, the Federal reserve board has too much power in any event, and I should be compelled to vote against the bill, no matter how the provision was amended, if other provisions granting power to the Federal reserve board were not also amended.

If the bill was to be amended so as to somewhat curtail the powers of the reserve board, so the powers would not be dangerous if they were lodged in the proper nonpartisan hands, then I think the amendment offered by the gentleman from Illinois would be proper.

On the other hand, if the bill were radically amended so as to largely curtail the power of the reserve board, give the reserve banks more independence, and make some of the powers now lodged in the reserve board a matter of statute, then it would be entirely proper to have a board constituted somewhat as provided in this bill, excluding the Secretary of Agriculture, because he has not the time to give to these duties, and the Comptroller of the Currency, because he has quite enough to do without these duties, and some of his other duties are not consistent with his duties as a member of the reserve board. If all this board had to do was to regulate the banks, was to exercise that proper supervision which the Government ought to hold over the banking institutions and the credit issues of the country, then it would be entirely proper to have that sort of board provided for in this bill, except that in no case should the Secretary of Agriculture, who is an overburdened official, be on the board. But if the board is to have powers that amount to large control and even management, then the general interests of the country, the business interests of the country, the nonpartisan and nonpolitical interests, should be represented on the board for the protection of the people.

The CHAIRMAN. The time of the gentleman from Wyoming has expired. All time has expired. The question is on the

amendment offered by the gentleman from Illinois, which has already been reported.

The question was taken; and on a division (demanded by Mr. MADDEN) there were—ayes 28, noes 63.

So the amendment was rejected.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read an amendment by Mr. HELGESEN, as follows:

Amend, by striking out on page 18, lines 10 to 26, inclusive, and on page 19, lines 1 to 17, inclusive, and insert in lieu thereof the following:

"Sec. 11. That there shall be created a Federal reserve board, which shall consist of seven members, including the Secretary of the Treasury, who shall be ex officio a member, and six members chosen by the President of the United States, by and with the advice and consent of the Senate. In selecting the six appointive members of the Federal reserve board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of different geographical divisions of the country. The six members of the Federal reserve board chosen by the President and confirmed as aforesaid shall devote their entire time to the business of the Federal reserve board and shall each receive an annual salary of \$10,000, together with an allowance for actual necessary traveling expenses. Of the members thus appointed by the President not more than three shall be of the same political party, and at least one shall be a person experienced in banking and one an agriculturalist. One shall be designated by the President to serve for 2, one for 4, one for 6, one for 8, one for 10, and one for 12 years, respectively, and thereafter each member so appointed shall serve for a term of 12 years unless sooner removed for cause by the President. Of the six persons thus appointed, one shall be designated by the President as manager and one as vice manager of the Federal reserve board. The manager of the Federal reserve board, subject to the supervision of the Secretary of the Treasury and Federal reserve board, shall be the active executive officer of the Federal reserve board."

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Dakota.

The question was taken; and on a division (demanded by Mr. MANN) there were—ayes 43, noes 66.

So the amendment was rejected.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read an amendment by Mr. POWERS, as follows:

Page 18, line 11, after the word "members," strike out "including the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, who shall be members ex officio, and four members," and insert in line 16 the word "seven" for the word "four"; and on page 19, line 5, strike out the word "two" and substitute the word "three" therefor.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Kentucky.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read an amendment by Mr. DYER, as follows:

Page 18, line 11, after the word "of," strike out "seven" and insert "eleven."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read an amendment by Mr. DYER, as follows:

Page 18, line 15, after the word "Senate," strike out the period, insert a comma, and add the following, to wit, "and four appointed by the President of the United States from a list composed of one from each district, chosen by the respective electors thereof; of the four appointed by the President from the list submitted by the electors one shall serve for two, one for four, one for six, and one for eight years, and thereafter each member so appointed shall serve for a term of eight years. Whenever a vacancy shall occur among the four members appointed by the President from the list submitted by the electors of the Federal reserve banks a successor shall be appointed by the President from a new list of names prepared for that purpose to fill such vacancy, and when chosen shall hold office for the unexpired term of the member whose place he is expected to fill."

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Missouri.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read an amendment by Mr. DYER, as follows:

Page 19, line 4, after the word "the," insert "four"; same line, strike out "appointed" and insert "chosen"; also, on line 6, after the word "one," add the words "of whom."

Mr. GLASS. Mr. Chairman, I will say that the committee has no objection to that amendment.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Missouri.

The question was taken; and on a division (demanded by Mr. STAFFORD) there were—ayes 53, noes 27.

So the amendment was agreed to.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read an amendment by Mr. DYER, as follows:

Page 19, line 11, after the word "cause," strike out "by the President" and insert "by a vote of the majority of the board, with the approval of the President."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The Clerk will report the next amendment. The Clerk read an amendment by Mr. DYER, as follows:

Page 19, line 15, after the word "the," strike out "Secretary of the Treasury and board" and insert, after the word "officer," in line 16, the word "thereof."

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Missouri.

The question was taken, and the amendment was rejected.

The Clerk read an amendment by Mr. FOWLER, as follows:

Amend, page 19, line 19, after the word "to" at the end of the line, by inserting the word "their," so that the sentence will read: "The Federal reserve board shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock, an assessment sufficient to pay its estimated expenses," etc.

The CHAIRMAN. The question is on the amendment.

Mr. FOWLER. Mr. Chairman, I think the chairman of the committee has no objection to the amendment.

The question was taken, and the amendment was agreed to.

The Clerk read as follows:

Sec. 12. That the Federal reserve board hereinbefore established shall be authorized and empowered:

(a) To examine at its discretion the accounts, books, and affairs of each Federal reserve bank and to require such statements and reports as it may deem necessary. The said board shall publish once each week a statement showing the condition of each Federal reserve bank and a consolidated statement for all Federal reserve banks. Such statements shall show in detail the assets and liabilities of the several institutions, single and combined, and shall furnish full information regarding the character of the lawful money held as reserve and the amount, nature, and maturities of the paper owned by Federal reserve banks.

(b) To permit or require, in time of emergency, Federal reserve banks to rediscount the discounted prime paper of other Federal reserve banks, at least five members of the board being present when such action is taken and all present consenting to the requirement. The exercise of this compulsory rediscount power by the Federal reserve board shall be subject to an interest charge to the accommodated bank of not less than 1 nor greater than 3 per cent above the higher of the rates prevailing in the districts immediately affected.

(c) To suspend for a period not exceeding 30 days (and to renew such suspension for periods not to exceed 15 days) any and every reserve requirement specified in this act: *Provided*, That it shall establish a graduated tax upon the amounts by which the reserve requirements of this act may be permitted to fall below the level hereinafter specified, such tax to be uniform in its application to all banks; but said board shall not suspend the reserve requirements with reference to Federal reserve notes.

(d) To supervise and regulate the issue and retirement of Federal reserve notes and to prescribe the form and tenor of such notes.

(e) To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section 20 of this act; or to reclassify existing reserve and central reserve cities and to designate the banks therein situated as country banks at its discretion.

(f) To suspend the officials of Federal reserve banks and, for cause stated in writing with opportunity of hearing, require the removal of said officials for incompetency, dereliction of duty, fraud, or deceit, such removal to be subject to approval by the President of the United States.

(g) To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

(h) To suspend, for cause relating to violation of any of the provisions of this act, the operations of any Federal reserve bank and appoint a receiver therefor.

(i) To perform the duties, functions, or services specified or implied in this act.

The committee amendments were read, as follows:

Page 21, lines 18 to 19, strike out the words "the several institutions" and insert in lieu thereof the words "such Federal reserve banks." Page 22, lines 1 and 2, strike out the word "board" and insert the words "Federal reserve board."

The question was taken, and the amendments were agreed to.

Mr. GLASS. Mr. Chairman, I wonder if we could not get unanimous consent to limit debate on this section and all amendments thereto? We have not made much progress on this bill to-day, and I desire to avoid a night session if possible.

Mr. MANN. How many amendments are to be offered on this side? Well, will the gentleman make his request to close debate on this section?

Mr. STAFFORD. I wish to submit a question which is pertinent to the paragraph—

Mr. GLASS. I will be glad to answer.

Mr. STAFFORD. And that is as to the power vested in the Federal reserve board as carried under the subdivision B. The bill provides that the power of rediscount shall be at a rate not less than 1 or more than 3 per cent above the higher rate prevailing in the district. I wish to direct this inquiry to the chairman to ascertain from him who is to determine the special rate to be charged by the rediscount banks; whether the Federal reserve board or the rediscounting bank is to be given the power of fixing a rate between 1 and 3 per cent above the higher of the prevailing rate?

Mr. GLASS. The Federal reserve board is to determine whether it is to be 1 per cent above the higher prevailing rate or whether it shall be 2 per cent or 3 per cent.

Mr. STAFFORD. In reading its phraseology, which you notice is rather vague in that particular, it says:

The exercise of this compulsory rediscount power by the Federal reserve board shall be subject to an interest charge to the accommodated bank of not less than 1 nor greater than 2 per cent above the higher of the rates prevailing in the districts immediately affected.

That is rather vague. Would the gentleman have any objection, if it is his purpose to have the Federal reserve board fix the rediscount rate in each individual case, to accepting an amendment after the word "charge," in line 5, as follows: "to be fixed by said board," which would remove the ambiguity and make certain that the Federal reserve board is in each individual case to determine the rediscount rate or when this paper is to be rediscounted by the Federal reserve bank?

Mr. GLASS. I do not agree that it is vague. I think it is perfectly plain that the Federal reserve board alone can make the charge.

Mr. MANN. Can not they rediscount paper without asking the Federal reserve board if everybody is agreeable?

Mr. GLASS. No.

The CHAIRMAN. Does the gentleman from Virginia make a request?

Mr. GLASS. There seems to be no desire to offer amendments on either side—

Mr. MANN. Several gentlemen wish to discuss the question. Make it 30 minutes.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that debate on this section and all amendments thereto be closed in 30 minutes.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that all debate on the pending section and all amendments thereto be closed in 30 minutes. Is there objection? [After a pause.] The Chair hears none.

Mr. MURDOCK. Mr. Chairman, I would like to ask the gentleman from Virginia a question before debate begins. I call his attention to subdivision B. I desire to ask the gentleman what is meant by the word "tenor"? The paragraph reads:

To supervise and regulate the issue and retirement of Federal reserve notes and to prescribe the form and tenor of such notes.

What is the real meaning of that word "tenor"?

Mr. GLASS. It is simply a customary statutory expression.

Mr. MURDOCK. Does it mean that the board shall have the power to fix the inscription on the face of the notes and say what the notes shall carry in the way of words and figures?

Mr. GLASS. No. As a matter of fact, the note provisions of the bill, section 17, on page 29, make explicit provision for that.

Mr. MURDOCK. I would like to know what the word "tenor" means.

Mr. MADDEN. It means character.

Mr. GLASS. Frankly, I do not know what it means, except the usual statutory requirement.

Mr. DIES. "Tenor" means tone.

Mr. MURDOCK. I want to say this to the gentleman from Virginia [Mr. GLASS]: That when the Aldrich-Vreeland currency bill went through the House it passed, as the gentleman knows, with great expedition. I think it was to the surprise of most of the Members of Congress that afterwards, when the new currency came out, it had at the top, in the scroll, these words: "Secured by United States bonds and other securities." The unexpected addition were the words "other securities."

I want to know if this power in the subsection gives the right to the reserve board to fix the phrases to go on these notes?

Mr. WINGO. The gentleman certainly knows what the legal definition of the word "tenor" is.

Mr. MURDOCK. I do not. That is why I am asking.

Mr. WINGO. I suggest that the gentleman could easily ascertain.

Mr. MURDOCK. I suggest that the gentleman from Arkansas [Mr. Wingo] be permitted to answer the question.

The CHAIRMAN. Does the gentleman from Virginia [Mr. GLASS] yield; and if so, to whom?

Mr. GLASS. To anybody who wants to answer.

Mr. WINGO. I do not think it is necessary to advise the gentleman from Kansas what the meaning of the word "tenor" is. If he wants my personal opinion about the practical application of this provision to these notes, I think it would mean, outside of the specific directions contained on page 29, providing that they "shall be the obligations of the Government," and so forth, that it will give them the right to specify the language and the wording that is on the notes. But, of course, it must be subject to the provisions of the bill here. Of course, that is not strictly a technical definition of that word, but I think that is the way it would be applied to these notes. That is my individual opinion, of course.

[Mr. DIES addressed the committee. See Appendix.]

Mr. SWITZER. Mr. Chairman, I would like to ask a question of the chairman of the Committee on Banking and Currency. Paragraph D seems to provide for issuing, regulating, and retiring the note issues provided for later in this bill. I desire to ascertain who is to sign these obligations, or how the holder or the person who receives one is to know that the Government signature has been properly affixed?

Mr. GLASS. That is exactly what the Federal reserve board will do.

Mr. SWITZER. My question is, Who will sign these obligations in the shape of notes? Are they United States notes?

Mr. GLASS. The Federal reserve board will itself prescribe the form.

Mr. SWITZER. That is not it. Who will sign them?

Mr. GLASS. That will depend on whom the Federal reserve board commits that authority to.

Mr. SWITZER. Do I understand that some member of the Federal reserve board shall sign them?

Mr. GLASS. I do not know what the gentleman understands, but that officer of the Government to whom that power shall be committed by the regulations of the Federal reserve board under that section D will sign them, presumably the Treasurer of the United States and the Register.

Mr. SWITZER. Should not the Secretary of the Treasury or somebody designated by Congress sign an obligation—sign something purporting to be an obligation of the United States?

Mr. GLASS. We have committed that power to the Federal reserve board.

Mr. SWITZER. And it will be whoever the Federal reserve board shall designate?

Mr. GLASS. Yes.

Mr. SWITZER. Well, are these United States notes?

Mr. GLASS. Oh, the gentleman has read the bill. If he reads the new provision of the bill he will see precisely what they are. They are Federal reserve notes and they are obligations of the Government and they are to be taken care of by the banks.

Mr. SWITZER. Heretofore when provision has been made to issue United States notes there was an express provision of the law requiring the Secretary of the Treasury or the Register to sign them, and if they did not sign it authorized some other person to.

Mr. GLASS. Well, we have proceeded in a little different way. We have conferred the authority on the Federal reserve board as to what shall be the form and tenor of the notes.

Mr. SWITZER. The gentleman does not know whom the Federal reserve board will finally authorize to sign these obligations?

Mr. GLASS. No. You will find that out later.

Mr. TEMPLE. Mr. Chairman, this is another example of the indefinite but very great variety of powers conferred upon the Federal reserve board. If one could find anywhere in this bill a list of the powers conferred upon the Federal reserve board it would be in section 12. A number are mentioned here, but they are not classified, they are arranged in no order; but at the end of the miscellaneous list there is this statement, continuing the beginning of the sentence in the first part of the paragraph, "That the Federal reserve board hereinbefore established shall be authorized and empowered to perform the duties, functions, or services specified or implied in this act."

The way to enable a reader of the bill to understand what are the powers of the Federal reserve board would be to classify them. In the report of the committee there is a long list of between 40 and 50 miscellaneous powers, but they are not classified nor arranged according to any order. In order to attempt briefly such a classification we may take up first the powers of the board to deal with the organization of the banks. They elect three of the nine directors and may dismiss them. They elect the president of the Federal reserve bank and may dismiss him at pleasure without notice. They may dismiss three more of the nine directors. They may, upon written charges, with the approval of the President, dismiss the officials of the Federal reserve banks. That is, they control six of the nine directors and all of the officials of every one of the Federal reserve banks.

Mr. PHELAN. Will the gentleman yield?

Mr. TEMPLE. I will if I get through before my five minutes elapse. They control the whole organization of each one of the Federal reserve banks. In the second place they control the operation of those banks. No rate of discount can be fixed by the Federal reserve banks that is not subject to the determination and review of the Federal reserve board, which is required to review and determine the rate of discount which each Federal reserve bank must suggest and submit to the Federal reserve board at least once each week.

In addition to that they may shift the reserve from one bank to another. They may compel one bank to rediscount the notes of another, binding the 12 banks together so closely that the identity of each one of them is lost and the real bank is in Washington, controlled by the seven directors of the central bank with 12 branches, which in turn are permitted to have several branches. So much for the control of that Federal reserve board in the operation of the bank.

In the third place the Federal reserve board controls legislation, as we have just seen. The question asked by the gentleman from Ohio [Mr. SWITZER] has brought out the fact that the committee does not know who will sign the notes that are to be sent out until the Federal reserve board legislates on that point. The committee does not know under what terms State banks and banking associations and trust companies may come in until the Federal reserve board has made the by-laws controlling that matter.

The committee and the Congress can not know what rate of taxation on the Federal reserve notes, what rate of taxation on the capital stock for the support of the operations of the reserve board, may be imposed upon these Federal reserve banks until the Federal reserve board legislates on those questions. We have delegated to this board of seven men the power of Congress to make laws for the control of these banks. We are surrendering our law-making power to the seven men on the Federal reserve board, who are the seven appointees of the President, and whichever party is in power will have political control of the banks. In the fourth place, it seems to me that the greatest danger in the political character of the board is not merely the fact that the party in power will control the national banking system. We must consider the further fact that this bill may render the national banking system so unattractive that a very large number of the banks of the country will not come in, but will remain out and set up another banking system. There is real danger that this other banking system will be tempted to go into politics to prevent the rival banking system from controlling it. The big banks will go into politics under the operations of this bill, if they do what the bill tempts them to do, in a fashion that they have never done before. The bill gives the party in power control over the national-bank system, and it gives the banks outside of the system every inducement to go into politics to control that system. And those are the big investment banks, the big promotion banks that float the great loans. They will have small inducement to come under the operation of this bill, because it provides a system of commercial banking, not of investment banking. There are dangers in this bill that we could see more plainly if the committee had only classified and arranged in orderly fashion the enormous, the immeasurable powers conferred on the Federal reserve board. [Applause.]

Mr. MONDELL. Mr. Chairman, I had prepared several amendments to this section; but I shall not offer them. As a matter of fact, I am getting rather weary of offering and voting for amendments with the knowledge that there is no possibility of any of them being adopted. In fact, it is hardly worth while for one to discuss the provisions of the bill; and I for one should not do it, if I did not feel it a duty to call attention to some of the multitude of errors which the bill contains.

As I said a moment ago, the Federal reserve board under the bill has, in my opinion, too much power, no matter how it shall be constituted. There are a number of powers granted to the Federal board that ought not to be granted to any body of men anywhere. The powers of the Federal board, as the gentleman from Pennsylvania [Mr. TEMPLE] has remarked, is scattered all through the bill. Only a few are enumerated in this section. But, take them all together, they make the Federal reserve board the greatest central banking institution in the world, with 12 branches. A gentleman on the other side a moment ago said there were 12 central banks. There is only 1, and its name is the Federal reserve board, and its Poo Bah is the Secretary of the Treasury, and that Secretary and that board are granted powers that no body of men should ever be granted.

Some of the powers granted to the Federal board should be left with the Federal reserve banks, and some of the powers granted to the board should be clearly stated in legislation and not placed in the discretion of any body of men.

If the bill were so amended that the powers of the board related only to the proper regulation of the issue of the currency and of the banking business of this country, there would be no objection to having a board all appointed by the President, with such changes in the provisions in regard to appointment as have been suggested, so that no one President could appoint all the board and control it. If we are going further than that and leave anything like the powers granted by this bill in the hands of a board that can not escape the temptation to use them for partisan purposes, we make a great mistake. The only way to take the board out of politics is to give the people of the country, the people who own the deposits of the banks, the people who are stockholders of the banks, an opportunity to name at least a minority of the board—not necessarily bankers; I should not have them bankers, but men representing the business of the country—as an equalizing and steadying force upon the board.

The sections of the bill we are now considering really establish a great central bank under political control. I am one of those who believe that such a bank would in the long run be a greater menace to the country, its prosperity, and the liberties of the people than such a bank largely or wholly under private control. The mistake lies first in granting to any body of men the broad powers, the dangerous authority which this bill grants. If we remedy that feature of the bill, the question of the character of the board is not so important a one. I believe that in another body the powers of the reserve board will be largely curtailed and that provisions will be adopted to have the board representative in character and, as far as possible, nonpartisan. If that is not done, we shall have more trouble through political control or attempt to control the finances of the country than gentlemen now dream of.

The Clerk, proceeding with the reading of the bill, read as follows:

FEDERAL ADVISORY COUNCIL.

SEC. 13. There is hereby created a Federal advisory council, which shall consist of as many members as there are Federal reserve districts. Each Federal reserve bank by its board of directors shall annually select from its own Federal reserve district one member of said council, who shall receive no compensation for his services, but may be reimbursed for actual necessary expenses. The meetings of said advisory council shall be held at Washington, D. C., at least four times each year, and oftener if called by the Federal reserve board. The council may select its own officers and adopt its own methods of procedure, and a majority of its members shall constitute a quorum for the transaction of business. Vacancies in the council shall be filled by the respective reserve banks, and members selected to fill vacancies shall serve for the unexpired term.

The Federal advisory council shall have power (1) to meet and confer directly with the Federal reserve board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board; (3) to call for complete information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system.

Mr. GLASS. Mr. Chairman, if there is no material amendment to be offered to this section, I shall ask to close debate.

Mr. GRAY. I request five minutes.

Mr. STAFFORD. Mr. Chairman, I have an amendment but not a material one. I would not have the temerity to offer a material amendment.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that all debate on this section and all amendments thereto close in five minutes.

The CHAIRMAN. The gentleman from Virginia asks that all debate on the section and amendments thereto close in five minutes. Is there objection?

Mr. GRAY. I would like to have five minutes on this section.

Mr. GLASS. Does the gentleman propose to offer an amendment, because I want to call attention of the committee to the fact that we have made little progress on the bill to-day, and we have consumed nearly the whole day.

Mr. GRAY. I do not intend to offer an amendment, but I would like to speak on the section.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia? [After a pause.] The Chair hears none.

Mr. STAFFORD. Mr. Chairman, I offer the following amendment: Insert after the word "council," line 21, page 23, the following: "To hold office during the calendar year."

Mr. Chairman, this is a minor amendment, which I think the chairman of the committee will accept, because there is no provision stating the term for which the members of the advisory council will hold office.

Mr. GLASS. Yes; it says they shall be annually elected.

Mr. STAFFORD. Yes; annually elected by the 12 or more reserve banks, and each might elect at a different period, and there would be no definiteness as to the term. In the last clause of this paragraph it is provided that "vacancies in the council shall be filled by the respective reserve banks and members selected to fill vacancies shall serve for the unexpired term."

Mr. GLASS. Mr. Chairman, I shall make no objection to that amendment.

Mr. MANN. "Shall annually select?"

Mr. McLAUGHLIN. Yes; but it may be on the 1st of July or the 1st of May.

Mr. MANN. Very well. To hold office how long?

Mr. STAFFORD. To hold office during the calendar year.

Mr. MANN. Then if they do not elect on the day mentioned they would not hold over.

Mr. STAFFORD. They shall annually hold an election according to this phraseology.

Mr. MANN. They shall be selected annually, and I take it that they would hold until their successors were selected and qualified.

Mr. STAFFORD. But that can easily be remedied by providing that they hold until their successors are selected.

Mr. GLASS. So that the gentleman is about as crude in his amendment as he intimated the paragraph was in its construction?

Mr. STAFFORD. No. I think the chairman of the committee when he accepted the amendment agreed that there should be some definiteness of terms. Merely providing for an annual election does not make any definiteness of terms.

Mr. GLASS. I think that means that each member shall serve for one year when he is selected for one year.

Mr. STAFFORD. Then what objection is there to limit the term for one calendar year?

Mr. GLASS. The gentleman from Illinois [Mr. MANN] made the objection.

Mr. STAFFORD. The objection would lie as much against the phraseology in the bill without as with the amendment.

Mr. GLASS. The gentleman from Illinois did not seem to think so.

Mr. STAFFORD. Mr. Chairman, I shall submit the amendment. It is a matter of indifference to me whether it be accepted or not.

The CHAIRMAN. Does the gentleman offer an amendment?

Mr. STAFFORD. I have.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 23, line 21, after "council," insert: "To hold office during the calendar year."

Mr. GLASS. Mr. Chairman, I move that the amendment be referred to the committee, so that we may consider it.

Mr. STAFFORD. I will be very glad to withdraw it for that purpose.

The CHAIRMAN. Without objection, the proposed amendment will be referred to the Committee on Banking and Currency.

Mr. MANN. But, Mr. Chairman, that is impossible. The gentleman has withdrawn his amendment. This Committee of the Whole has no power to refer an amendment to another committee.

The CHAIRMAN. Then, without objection, the amendment is withdrawn.

There was no objection.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

REDISCOUNTS.

Sec. 14. That any Federal reserve bank may receive from any of its stockholders, or, solely for exchange purposes, from other Federal reserve banks deposits of current funds in lawful money, national bank notes, Federal reserve notes, or checks and drafts upon solvent banks, payable upon presentation.

Upon the indorsement of any member bank any Federal reserve bank may discount notes and bills of exchange arising out of commercial transactions; that is, notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or may be used, for such purposes, the Federal reserve board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act; but such definition shall not include notes or bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, nor shall anything herein contained be construed to prohibit such notes and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount. Notes and bills admitted to discount under the terms of this paragraph must have a maturity of not more than 90 days.

Upon the indorsement of any member bank any Federal reserve bank may discount the paper of the classes hereinbefore described having a maturity of more than 60 and not more than 120 days, when its own cash reserve exceeds 33 1/3 per cent of its total outstanding demand liabilities exclusive of its outstanding Federal reserve notes by an amount to be fixed by the Federal reserve board; but not more than 50 per cent of the total paper so discounted for any member bank shall have a maturity of more than 90 days.

Upon the indorsement of any member bank any Federal reserve bank may discount acceptances of such banks which are based on the exportation or importation of goods and which mature in not more than six months and bear the signature of at least one member bank in addition to that of the acceptor. The amount so discounted shall at no time exceed one-half the capital of the bank for which the rediscounts are made.

The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed 10 per cent of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

Any national bank may, at its discretion, accept drafts or bills of exchange drawn upon it having not more than six months sight to run and growing out of transactions involving the importation or exportation of goods; but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half the face value of its paid-up and unimpaired capital.

With the following committee amendments:

Page 24, line 19, strike out the words "of these stockholders" and insert the words "member banks."

Page 25, line 7, strike out the semicolon and insert a comma.

Page 25, line 9, strike out the comma and insert a semicolon.

Page 26, line 10, after the word "capital," insert the word "stock."

The CHAIRMAN. Without objection, the committee amendments will be agreed to.

There was no objection.

Mr. KORBLY. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Page 24, line 18, strike out all of lines 18 to 23, inclusive, and insert: "Sec. 14. That any Federal reserve bank may receive from any member bank deposits of current funds in lawful money, national bank notes, Federal reserve notes, or checks and drafts upon solvent banks, payable upon presentation; or, solely for exchange purposes, may receive from other Federal reserve banks deposits of current funds in lawful money, national bank notes, or checks and drafts upon solvent banks, payable upon presentation."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana.

Mr. STAFFORD. Mr. Chairman, will the gentleman please state the reason for that amendment?

Mr. KORBLY. Mr. Chairman, the part sought to be stricken out by the amendment was in the bill prior to certain changes that were made concerning Federal reserve notes. That change is a tax of 10 per cent for every dollar of Federal reserve notes that one Federal reserve bank may issue which may have been issued by another Federal reserve bank. In other words, the Federal reserve banks may do nothing with the notes of another Federal reserve bank but send them back for collection through the clearing house or retire the paper put up with the Federal reserve agent, and this provision, as it stands now in the bill, allows the Federal reserve banks to receive deposits from other Federal reserve banks, for exchange purposes only, of Federal reserve notes.

Mr. MANN. Will the gentleman yield?

Mr. KORBLY. Yes.

Mr. MANN. Is this to carry out further the proposition that when a Federal reserve note goes to a Federal reserve bank it is to be canceled there?

Mr. KORBLY. It is to compel a Federal reserve bank that gets a note coming from another Federal reserve bank to send it back for collection or redemption.

Mr. MANN. As I understand the bill—if I am incorrect, I would be glad to be informed—when one of the Federal reserve notes comes into one of the Federal reserve banks it is not to be paid out again.

Mr. KORBLY. If it is issued by another reserve bank, it is not to be paid out.

Mr. MANN. If it is issued by the bank itself, it is not to be paid out.

Mr. KORBLY. I do not so understand it. When it comes back to the bank that issues it, it becomes a mere nullity or loses its vitality. The tax of 10 per cent—

Mr. MANN. Well, the tax of 10 per cent will prevent it ever being done; I presume that is what it is for.

Mr. KORBLY. If the notes of Federal reserve bank B come into possession of Federal reserve bank A, Federal reserve bank A can not utter or issue those notes except upon pain of 10 per cent tax on every dollar's worth.

Mr. MANN. So it can not be paid out again?

Mr. KORBLY. It can not be paid out by bank A, but the note issued by bank B, when it gets back into the till of bank B may be paid over the counter, and there is no reason why bank B should not issue it again.

Mr. MANN. Can bank A, when it gets a note in of bank B, transmit that note to bank B?

Mr. KORBLY. It is required so to do under the terms of this bill.

Mr. MANN. To be paid out again by bank B?

Mr. KORBLY. Whatever bank B does I can not undertake to say. They may issue it again if they desire.

Mr. MANN. I had supposed this bill had the one good feature in it that when these notes were issued as a matter of elastic currency and were used and came back to the bank that they were to be canceled; without that the bill is simply a bill of extraordinary inflation.

Mr. KORBLY. I think the gentleman from Illinois is very much mistaken if he believes that the fact the bank may again utter the note which comes back to it for collection or redemption in any wise limits the elasticity of that sort of currency. We had a bank out in Indiana as early as 1834 that had a currency as perfectly elastic as this country has ever had experience with.

Mr. MANN. One of the greatest inflations, too.

Mr. KORBLY. No; the gentleman is mistaken. No; it was not an inflation. That Indiana bank has been praised by all scientific writers in the United States and some who are not in the United States. This bill does not go to the extent of providing for canceling notes as soon as they come back to the

bank which issued them. When the bank's notes come back to its counter and are paid by the bank or redeemed they no longer have vitality until the notes are put out over the counter again, and then they get vitality.

Mr. MANN. None have vitality until they are put out over the counter.

Mr. KORBLY. If, for instance, a note comes from bank A and gets into the possession of bank B, it may not be uttered by bank B, but must be sent back to bank A for collection.

Mr. MANN. Then it does not amount to anything at all. If the note is sent back, as the gentleman says, to bank A, if bank A can put out the same note, it does not amount to anything at all.

Mr. KORBLY. I do not know what the gentleman means by saying it does not amount to anything.

Mr. MANN. It is allowing notes of the bank to be issued without regard to the amount of money in circulation; pure inflation.

Mr. KORBLY. It is just as much out of circulation when it gets back to the bank that first issues it as if it had never been in existence.

The CHAIRMAN. The time of the gentleman from Indiana has expired.

Mr. KORBLY. Mr. Chairman, I ask unanimous consent for five minutes more time.

The CHAIRMAN. The gentleman from Indiana asks unanimous consent for five minutes more. Is there objection? [After a pause.] The Chair hears none.

Mr. KORBLY. I yield to the gentleman from Kansas [Mr. MURDOCK].

Mr. MURDOCK. I want to be clear on this provision. If bank A issues one of these notes and it comes back to bank A, is that the end of the life of the note?

Mr. KORBLY. No. This is to be a somewhat expensive instrument, so far as its engraving is concerned, and to treat it as the Bank of England treats its notes would be perhaps expensive and unnecessary.

Mr. MURDOCK. I have got that settled in my mind, and now I want to know this.

Mr. KORBLY. Just a minute. I want the attention of the gentleman from Illinois [Mr. MANN] if I may have it. I would like to say to him that the fact the Bank of England cancels the notes of the Bank of England as soon as they come back to the bank for redemption or payment does not give elasticity to the Bank of England notes. Elasticity is one of the qualities the Bank of England note does not possess.

Mr. MANN. It is the cancellation of the note that prevents inflation. It is impossible to have elasticity and inflation together.

Mr. KORBLY. Does the gentleman contend for a minute that the Bank of England, because it cancels one note and may immediately print another one to take its place, changes the situation or the essence of it?

Mr. MANN. I am not discussing the question of the Bank of England, because I am not sufficiently informed in regard to it. I think the gentleman is as much mistaken about the Bank of England as he is of what this bill provides. I think the gentleman is mistaken about what the bill provides.

Mr. KORBLY. I not only think the gentleman from Illinois is mistaken; I know he is mistaken. I never was more certain of a thing in my life than I am of the fact that what I am saying here now is sound and correct in every particular, and I think the gentlemen of the Banking Committee on that side of the House will corroborate me.

Mr. MANN. I do not know whether the gentleman from Indiana is mistaken or not. I think he is. If he is not mistaken, then other gentlemen on the Committee on Banking and Currency with whom I have talked do not know what is in the bill. A number have explained to me that it meant cancellation of these notes when they came back to the Federal reserve bank. Now, the gentleman says it does not mean anything when it says that.

Mr. MURDOCK. Will the gentleman yield to me for another question?

Mr. KORBLY. Yes.

Mr. MURDOCK. The gentleman answered that when one of these notes came back to the issuing bank it could be again put out. Now, if bank B issues the note and it comes to bank A in the course of business, then it can not be put out again by bank A, but is returned to bank B?

Mr. KORBLY. It can be put out by bank A if bank A is willing to pay the penalty, but that penalty is so great it probably will not do it.

Mr. MURDOCK. What I want to know finally is this: What does the gentleman's amendment do in regard to those

two propositions? I refer to the amendment you have submitted here.

Mr. KORBLY. The amendment I have submitted here simply takes away from one Federal reserve bank the right to receive from another Federal reserve bank, for exchange purposes, a deposit of Federal reserve notes, and it does not do anything else.

Mr. MURDOCK. I understand it.

Mr. BUTLER. Will the gentleman answer me a question, please?

Mr. KORBLY. I will yield to the gentleman in a moment.

Mr. TEMPLE. Is it not true that these notes can not be kept afloat at all unless there is rediscounted paper behind them?

Mr. GLASS. That is the whole thing.

Mr. TEMPLE. Now, whether that is put out for another bill or not, it makes no difference provided the rediscounted paper is behind it?

Mr. BUTLER. Will the gentleman please tell me where the compulsory retirement part of this bill is? I am afraid of inflation. I am afraid there is no power to take this money out of circulation after it is put in.

Mr. KORBLY. You need not be afraid of inflation. Any bank note that is based upon commercial paper can not lead to inflation.

Mr. BUTLER. It can not do it?

Mr. KORBLY. Certainly not.

Mr. BUTLER. I thought this bill provided for the retirement of the note when it reached the bank that issued it. As I understand the gentleman's explanation, it does not.

Mr. KORBLY. On page 31, line 13, you find this language:

No Federal reserve bank shall pay out notes issued through another under penalty of a tax of 10 per cent upon the face value of notes so paid out.

Mr. BUTLER. But then the note is returned to the bank of issue?

Mr. GLASS. I will say to the gentleman that the note is automatically retired at the maturity of the commercial paper behind it.

The CHAIRMAN (Mr. BURNETT). The time of the gentleman from Indiana [Mr. KORBLY] has expired.

Mr. TRIBBLE. This is the most important section in this bill. It regulates the method of making more elastic the currency. One paragraph I will insert in the Record, to wit:

Upon the indorsement of any member bank any Federal reserve bank may discount notes and bills of exchange arising out of commercial transactions; that is, notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or may be used, for such purposes, the Federal reserve board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act, but such definition shall not include notes or bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities; nor shall anything herein contained be construed to prohibit such notes and bills of exchange, secured by staple agricultural products or other goods, wares, or merchandise from being eligible for such discount. Notes and bills admitted to discount under the terms of this paragraph must have a maturity of not more than 90 days.

It is claimed by the friends of this bill that it will make our currency system more responsive to the demands of commerce and trade. When conditions are favorable the money of the country freely circulates, but when an alarm is sounded bank deposits are withdrawn from the bank, the money lender calls in his coin, and everybody becomes panic-stricken and money is concealed in safety vaults, chimney corners, in socks, in bed-ticking, and any place conceived to be a place of safety and concealment. This causes a contraction of the currency, followed by panic and periods of hard times. This bill hopes to relieve that situation by establishing a chain of banks controlled by the Government, with power to issue Government notes, commonly known as money. In short, it proposes to relieve the situation by authorizing the Federal reserve bank to issue money to a member bank on security furnished by such member bank and properly indorsed by a member bank. If a citizen seeks a loan of a member bank and furnishes good security, the bank can not say to him, "We have no money; our funds are out," because the bank can indorse the security offered and go to the reserve bank and get a new issue of money to take the place of the money desired by the customer of the bank.

This section also includes the amendment making eligible as security certain staple agricultural products about which so much has been said. Many amendments were offered in the caucus on this question, and finally an amendment was agreed upon which is embodied in this section. There was much wrangling over the proposition, as everybody knows, and there was much stated in the newspapers about it. I offered an amendment in the caucus—in substance the amendment adopted by the caucus. I discussed my amendment privately with the

chairman of this committee after the adjournment of the caucus one afternoon, and the chairman of the committee stated at that time that he desired to remove the cloud from this section as to agricultural securities. He read the amendment I submitted, and I suggested to him that he prepare an amendment during the night that would cover the subject entirely and offer it on the following morning and let the same be backed by the approval of the committee; and I said to him that I hoped it would be satisfactory to all of the Members who were offering amendments of this character. He drew this amendment and presented it the next morning.

The committee amendment, prepared as I suggested, was submitted to the caucus. My colleagues from Georgia were solidly for an agricultural amendment to this bill, and they were all interested in the adoption of such amendment. It was submitted to the various gentlemen in the caucus who were advocating an agricultural amendment, and it was agreed upon. Before the amendment was submitted I presented and read the amendment to the caucus, so that all could study it. The chairman of the committee brought the amendment in and introduced it the second day after I read it to the caucus, and it was accepted without resistance. It may not be perfect, but it was the best we could get through the caucus after many days of contest over the question.

Mr. WILLIS. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Georgia yield to the gentleman from Ohio?

Mr. TRIBBLE. Yes.

Mr. WILLIS. The gentleman from Georgia is familiar with this subject. Will he state what, in his judgment, will be the effect of the language to which he has referred—the language of the bill on page 25, lines 11 to 13? That language is—

Nor shall anything herein contained be construed to prohibit such notes and bills of exchange, secured by staple agricultural products or other goods, wares, or merchandise from being eligible for such discount.

How does that change the original bill, if it changes it at all?

Mr. TRIBBLE. It makes certain staple agricultural products such as cotton eligible to rediscount. It removes the question of discrimination in the bill against this class of security. It is contended by some gentlemen that it has not changed the original bill as much as it should, but it seems clear to me. It changes materially the original draft of the bill.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield?

Mr. TRIBBLE. The Chairman of the committee in construing this section said there was doubt about it, and gave his opinion that if the bill stood as it was originally written, agricultural products might be construed to mean a gambling transaction if those products were held for a higher price. He made that statement in construing the bill, but welcomed an amendment to it. There were others who did not welcome an amendment to it.

I will state to the gentleman, if I have time, what it means. It is this: If John Smith goes into a bank and offers Mr. WILLIS as security to his note for \$100 and passes it into the local member bank, and the local bank furnishes him \$100 on that note, the member bank can take the note of John Smith, indorsed by WILLIS, and by indorsing same and becoming responsible for the payment of same rediscount the note at the Federal reserve bank, and thereby secure \$100 new money to take the place of amount loaned John Smith.

The CHAIRMAN. The time of the gentleman has expired.

Mr. TRIBBLE. Mr. Chairman, I ask for five minutes more.

The CHAIRMAN. The gentleman from Georgia asks unanimous consent that his time be extended five minutes. Is there objection?

There was no objection.

Mr. TRIBBLE. Continuing to answer the gentleman's question, if John Smith should go to his local bank and offer his note for \$100 and offer to put up as collateral 10 bales of cotton worth \$700, it would make no difference whether that cotton was represented by a warehouse receipt, a mortgage, or any kind of transfer or lien, the reserve bank would refuse, under the bill as originally drawn, to take his note thus secured by cotton collateral and rediscount, as it did in the first illustration, where John Smith's note was only secured by personal indorsement of WILLIS.

Mr. WILLIS. Will the gentleman yield?

Mr. TRIBBLE. Yes.

Mr. WILLIS. What provision is there in the original bill under which the bank would be required to refuse such a note? I am trying to find out how this amendment changed anything in the bill.

Mr. TRIBBLE. The bill now specifically provides that they shall not discriminate against agricultural products when the note is accepted by the member bank and indorsed by the member bank secured by staple agricultural products. If you will compare the original bill with the section before you, you will

see the original bill did not make that provision. It did not provide at all for notes secured by agricultural products being subject to rediscount.

Mr. TOWNER. I agree entirely with the gentleman. The provision immediately preceding this, commencing on line 4, says that the Federal reserve board shall have the right to determine or define the character of the paper that is offered for discount. Now the gentleman will see that they can not make any rule against the discounting of agricultural paper. So it takes away from the board the power to exclude agricultural paper from discount.

Mr. TRIBBLE. Yes; the amendment divested the board of this power. The bill provides that no paper founded on any gambling transaction can be rediscounted. Now, if the bill had passed as it was first written, if the board had decided that the holding of cotton or any other agricultural product for a higher price was a gambling transaction, the paper could not have been rediscounted at the reserve bank. The meaning of the original bill was so construed by several members of the committee who had studied the question and prepared the bill.

Mr. MADDEN. One question.

Mr. TRIBBLE. Yes.

Mr. MADDEN. I should like to know how they would ascertain the fact that this commodity was held for a higher price when the paper was issued? How would they investigate that?

Mr. TRIBBLE. Of course, you would have to interrogate the man who presented his note at the bank counter and ask him for what purpose his cotton, his corn, or wheat was being held.

Mr. MADDEN. And he could tell you what he liked, could he not?

Mr. TRIBBLE. Certainly; he could tell you what he pleased about that.

Mr. SWITZER. Will the gentleman yield?

Mr. TRIBBLE. I decline to yield further. My time is nearly exhausted. The southern Members insisted that this section should be amended. Why, Mr. Chairman, it is known to everyone that cotton is the very best collateral that can be offered as security. There is no better collateral. It ranks with gold.

In the early days of this Republic, when the prosperous section of the Union was in the South, the cornerstone of that prosperity was cotton; the validity of cotton as a collateral and as a security to obtain money was not questioned then; in the days of the struggle between the States, when we contested for the supremacy, the validity of cotton as a security and as collateral was not questioned then; in the days of reconstruction following the war, when there was fluctuation of the currency, and at a period when the legal-tender notes of the United States went down to 65 per cent, the validity of cotton as a security to obtain money was not questioned then. It has never been questioned heretofore. The South has stood by the Democratic Party in season and out of season, and I am happy to stand here before you and announce that the caucus of Democrats has settled this question and the Democracy of the country stands for the validity of cotton security, and I appeal to the Republican side of this House not to attempt to discriminate against this great section of the Union in the currency bill that will soon go to the country, passed by Congress and approved by the administration. [Applause.]

Mr. PHELAN. Mr. Chairman, there may be some confusion arising out of the questions asked by the gentleman from Illinois with reference to this note issue. I wish to say that the bill does provide an elastic note issue, but I do not want at this time to explain the provisions of that section. When we reach that section I think we can prove to the satisfaction of everybody that this is an elastic note issue.

Mr. MURDOCK. We want to hear that explanation.

Mr. KELLY of Pennsylvania. Mr. Chairman, I offer an amendment.

The CHAIRMAN. There is an amendment already pending, offered by the gentleman from Indiana [Mr. KORBLY], a committee amendment. The question is on that committee amendment.

The amendment was agreed to.

The CHAIRMAN. The question is on the committee amendment.

The question was taken, and the amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I offer the following further committee amendment.

The Clerk read as follows:

Page 25, line 4, after the word "purposes," strike out the rest of the line and all of the following lines down to and including the word "discount," in line 13, and insert in lieu thereof the following:

"The Federal board to have the right to determine or define the character of the paper that is eligible for discount, within the meaning of this act: nothing herein contained shall be construed to prohibit such notes or bills of exchange, secured by staple agricultural products or other goods, wares, or merchandise, from being eligible for such discount;

but such definition shall not include notes or bills issued or drawn for the purpose of carrying on trade in stocks, bonds, or other investment securities."

Mr. BULKLEY. Mr. Chairman, this amendment simply transposes two clauses and does not change the meaning of the bill at all. It simply makes it more grammatical and clear and is unanimously reported from the committee.

Mr. WILLIS. Mr. Chairman, will the gentleman yield?

Mr. BULKLEY. I will.

Mr. WILLIS. I desire to propound to the gentleman from Ohio the same inquiry I made of the gentleman from Georgia. In the judgment of my colleague, how does this language in lines 9, 10, 11, 12, and 13, supposed to relate to the extension of agricultural credits, change or affect the bill as it stood before that famous amendment was inserted?

Mr. BULKLEY. I do not think it changes it materially, but it makes the meaning more apparent.

Mr. WILLIS. One more question. What does the statement "staple agricultural products," as used in the bill, mean?

Mr. BULKLEY. The products of agriculture.

Mr. WILLIS. Does the gentleman think the language is sufficiently accurate to define the use in a great measure of this kind?

Mr. BULKLEY. Yes; because the security is a matter that will be determined by the individual member bank.

Mr. WILLIS. If the member bank is to settle it, what does it amount to by saying it may base it on staple agricultural products?

Mr. BULKLEY. I do not think it means very much, but some Members think it makes it more clear.

Mr. MURDOCK. Well, Mr. Chairman, if the gentleman will yield, I would like to get the gentleman's idea. Does he regard the language "staple agricultural products" as permissive on the Federal board in rediscounting, or mandatory? Is it an order or simply saying you may do so if you desire?

Mr. BULKLEY. The language was inserted for the purpose of making it clear that the Federal reserve board should not be precluded from accepting paper so secured.

Mr. MURDOCK. If it so desired.

Mr. BULKLEY. Yes; but if the paper is drawn against actual agricultural, industrial, or commercial transactions my interpretation would be that the Federal reserve board could not refuse to make it eligible for rediscount, because the only discretion they have in the matter is within the meaning of the act, and the act says paper drawn against such transactions shall be rediscountable.

Mr. MURDOCK. The gentleman has changed this section in putting one phrase below the other. Would it be possible under this bill, as he has changed it, for a cotton raiser to take his cotton warehouse receipt to the bank, borrow money on it, and have it rediscounted?

Mr. BULKLEY. Certainly.

Mr. MURDOCK. Even if he said that he wanted the money for the purpose of holding the cotton until it might bring a higher price?

Mr. BULKLEY. The gentleman will notice that the bill provides that notes and bills are rediscountable if issued or drawn for agricultural purposes or "the proceeds of which may be used for such purposes." It is quite conceivable that the grower of the cotton might bring to the warehouse a certain amount of cotton and borrow money against a warehouse receipt for the purpose of paying the cost of producing that cotton. Then the proceeds of the paper having been used for agricultural purposes, it would be immaterial whether or not he negotiated the loan to carry the cotton.

Mr. J. M. C. SMITH. Mr. Chairman, will the gentleman yield?

Mr. BULKLEY. Yes.

Mr. J. M. C. SMITH. I notice the last paragraph of this section provides for national banks accepting bills of exchange drawn for transactions involving importation and exportation of goods. I would like to know whether that means foreign or domestic transactions?

Mr. BULKLEY. It means foreign transactions.

Mr. J. M. C. SMITH. So that when a person would ship alfalfa from one State to another a bill of exchange drawn upon it could not be cashed by a national bank?

Mr. BULKLEY. The words "exportation and importation" refer to foreign exportation and importation.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. WINGO. Mr. Chairman, I wish to say that the gentleman from Ohio [Mr. BULKLEY] is in error in saying that this is a unanimous report of the committee. I had intended to offer as a substitute amendment the amendment I offered in the

committee, but I doubt whether it would be in keeping with the proprieties, and I shall not do it; but in order that I may not be misunderstood and to keep the record straight I will read my amendment, which provides such a change, as the provision would read as follows:

The Federal reserve board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act, but such definition shall not exclude such notes or bills of exchange secured by staple agricultural products, or other goods, wares, or merchandise, nor include notes or bills issued or drawn for the purpose of trading in stocks, bonds, or other investment securities.

I preferred my amendment. I preferred it, first, from the standpoint of phraseology, and, next, because I believe that is what the Democratic caucus intended, and I am always in favor of saying exactly what I mean. The more I study it the more firmly convinced I am that the adoption of the amendment did not change the bill in one single respect; but the gentleman from Ohio [Mr. WILLIS] is mistaken when he says that under the bill as it reads the judgment of the member bank at last controls. He is wrong about that. That is what I contend should be the provision of the bill. I contend that the paper that is taken by the country banks of the South, secured by cotton or other staple agricultural products, upon being indorsed by the country bank should be eligible for rediscount at the Federal reserve banks.

Mr. MURDOCK. And the gentleman does not believe it is under this bill?

Mr. WINGO. I regret that I have not time to yield to the gentleman from Kansas. I do not think this Federal reserve board should have the right to determine what the class of security should be. I think it is the duty of the Federal reserve board to exercise a general oversight so as to see at all times that the paper that is rediscounted by the reserve banks is based upon bona fide commercial, agricultural, or industrial transactions, but they should not be given the right to exclude notes given by farmers and secured by their products. I believe you can trust the conservative banker to pass on the security, and when that banker puts the whole assets of his bank behind the paper by its indorsement, and it is given for a legitimate purpose. I think it should be eligible for rediscount. Under this provision as it now stands I believe it simply leaves to the Federal reserve board the right to determine it. I do not think they should have a right to exclude it. But, Mr. Chairman, I believe in accepting the decision of the common council of my party. I am a Democrat and bow to the will of the majority. My Democratic colleagues think that I am wrong in my contention and have decided against me in the party caucus by a majority vote, and I would be a very presumptuous young man if I wanted to put my judgment against the judgment of my party, and I shall not do it; but I want to say this much in conclusion—

Mr. COOPER. Will the gentleman yield at that point?

Mr. WINGO. I regret I have not the time to yield now. I have no patience with the man who says the cotton farmer of the South is a gambler simply because he wants to hold his cotton for a better price when he finds that the cotton market has been juggled by the gamblers and has been borne down to a price below the cost of production.

Why should he not be permitted to hold his cotton if he wishes? It is his property, the product of his labor, and he has a right to do with it as he pleases. If he wishes to store it and hold it for a better price, and goes to his local bank and borrows money on it to meet his debts, it is a legitimate loan and not a speculative one, as has been contended by some. I say that note secured by cotton, when indorsed by the holding bank, is good paper, and should be eligible to rediscount at the reserve bank, and I have no patience with those who wish to outlaw this paper and close the door of the Government bank in the face of the farmer.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WILLIS. Mr. Chairman, I move to strike out the last word. Mr. Chairman, I admire the clearness, eloquence, and frankness of my friend from Arkansas [Mr. WINGO] when he says that in his honest opinion this so-called agricultural amendment, which has received such extensive advertising, really does not change the provisions of the original bill at all. The language of this amendment is as follows:

Nor shall anything herein contained be construed to prohibit such notes and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount.

The fact is, Mr. Chairman—and I have been waiting for some of the Democratic brethren on that side of the aisle to state the facts—the fact is, as I see it, that this language in lines 9, 10, 11, 12, and 13, on page 25, was put into the bill simply in order to enable certain warring brethren on the Democratic side to save their faces and to crawl in under the flap of the tent. That

was the fact. There has been a great deal of talk in the country and a good deal of newspaper statement about a system of agricultural credits for the benefit of the farmers and laboring people of our country; and, personally, I am strongly in favor of such a system. I have before me an extremely interesting item from the Washington Herald of the issue of July 25, a statement that was made by one of the most able and distinguished gentlemen on the Democratic side of the House, and here is what that gentleman said:

If large business and the bankers are again determined to force the Government into the partnership with the banks, and if we are to disregard the teaching of Jefferson, Jackson, Calhoun, Benton, and Bryan, and again institute marriage relations between the Government and banks in order to establish a large and permanent asset currency, then I insist we shall so amend the Glass-Owen bill as to permit the farmer and wage earner to come into the scheme upon the same terms, at the same cost, upon which we admit the banker and commercialist.

It was asserted then that the bill as it stood amounted to an abandonment of the teachings of Jefferson and Jackson and Benton and Bryan, but that this amendment would be insisted upon. There was a tremendous announcement of battle. The charge was sounded, the saber was bared with a clash, and, after the battle was over upon this agricultural amendment, which was supposed to be something in the interest of the farmer, here are these three or four pitiful little lines, which the gentleman from Arkansas [Mr. WINGO] himself admits absolutely mean nothing and do not change the effect of the original bill at all; and yet they are put in here so that gentlemen, with suave statements, from time to time may rise in their places upon that side of the aisle and announce their intention to support the bill, in which they really do not believe, if we are to judge by the statements that have been already made through the press and otherwise. I am simply going to call attention to the fact that, so far as this bill is undertaking to provide any system of agricultural credit for the benefit of the people, it is an absolute fraud, as is admitted by the gentlemen who are now defending it and are proposing to vote for it. It is said somewhere in the classics—

Parturiunt montes et nascitur ridiculus mus.

The mountain labors and a ridiculous little mouse is born. This is the "mouse" here in these three little lines. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

The question was taken, and the amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I desire to offer a committee amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 25, line 18, after the word "than," strike out "sixty" and insert in lieu thereof the word "ninety."

Mr. BULKLEY. Mr. Chairman, this amendment is made necessary by inadvertence. The time of rediscout was changed by the preceding paragraph from 60 to 90 days and this change is made to conform to that.

The question was taken, and the amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I offer a further committee amendment.

The Clerk read as follows:

Insert, at the bottom of page 36, as a new paragraph the following: "Section 5202 of the Revised Statutes of the United States is hereby amended so as to read as follows: No association shall at any time be indebted or in any way liable to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following: First, notes of circulation. Second, moneys deposited with or collected by the association. Third, bills of exchange or drafts drawn against money actually on deposit to the credit of the association or due thereto. Fourth, liabilities to the stockholders of the association for dividends and reserve profits. Fifth, liabilities incurred under the provisions of sections 2, 5, and 14 of the Federal reserve act."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. BULKLEY].

Mr. BULKLEY. Mr. Chairman, this is a reenactment and amendment of section 5202, which provides the limitation on the indebtedness of national banks. The purpose of our bill is to permit national banks to rediscout with the Federal reserve banks freely so long as they have good commercial paper which can be rediscouted and which meets with the approval of the directors of the regional reserve banks. Section 5202, if not amended, would limit rediscouts to the amount of the capital stock of the several national banks. This we believe undesirable, and we did not intend any such limitation in the bill.

Mr. MADDEN. What limit does this place on them?

Mr. BULKLEY. This places no limit so far as capital stock is concerned. The banks will be limited only to the good paper they can bring up, subject to the discretion of the directors of the reserve banks in accepting it for rediscout. In other words,

it will permit the smaller banks to have the same facilities for rediscout as the larger banks. There will be no artificial limitation growing out of the amount of the capital stock.

Mr. MURDOCK. I would like to ask the gentleman from Ohio a question. I have the statute here pertaining to national banks, and I listened very attentively to his amendment. His amendment repeats in exact words section 5202 of the Revised Statutes, and then he makes this addition, as I caught it, that the exception should include paper issued under sections 2, 5, and 14.

Mr. BULKLEY. Obligations incurred.

Mr. MURDOCK. What you are really doing is this, namely: You are changing the national-bank act so far as the liability of the bank is concerned. The liability of a national bank at present, I will say to the gentleman from Ohio, as he knows, is the capital stock. There ought to be a liability to the national bank. Now, what you are doing is putting no liability on the national bank. You are absolutely putting no limit on the right of the bank to loan money without liability.

Mr. BULKLEY. Do you mean why have any limit on the liability?

Mr. MURDOCK. Why have any liability at all? You are taking it all away by this amendment.

Mr. BULKLEY. I do not understand the gentleman when he says, "Why have any liability?"

Mr. MURDOCK. Here is the proposition: Section 5202 says the liability of a national bank will be its capital stock.

Mr. BULKLEY. It says it shall not exceed the amount of its capital stock—

Mr. MURDOCK. And it makes certain exceptions, and the gentleman adds to the statutory exceptions a fifth exception—that there shall be no liability on the paper at all.

Mr. BULKLEY. No. The statute provides that the amount of the liability shall not exceed the capital stock, with these exceptions, and the amendment adds to these exceptions. It does not affect the liability on the capital stock in any sense.

Mr. MURDOCK. But it permits the banks to loan the money, evidently, without increasing their original liability.

Mr. BULKLEY. Oh, no.

Mr. MURDOCK. I think it does.

Mr. BULKLEY. No. It simply removes the limit on the liability which a bank may incur. It does not remove the liability on the capital stock. The amount of capital stock is merely a measure of this liability, and section 5202 provides that a bank shall not increase its liabilities in excess of the amount of its capital stock except in certain respects. Now, we simply add the further exception that that limit shall not apply to obligations incurred under the three sections of this act.

Sections 2 and 5 relate to the subscriptions to the capital stock of the Federal reserve banks, and there is a liability remaining against the member banks for one-half of the stock they subscribe to the regional reserve banks. It removes the limitation in respect to that liability, and also the liability incurred by making a rediscout with the regional reserve bank.

Mr. MURDOCK. Section 5?

Mr. BULKLEY. Sections 2 and 5 relate to capital stock and section 14 to rediscouts. Now, section 14, relating to rediscouts, is the important part of that. Sections 2 and 5 are concerned with a smaller matter.

Mr. MURDOCK. Mr. Chairman, I ask that I may have one minute more.

The CHAIRMAN. The gentleman from Kansas [Mr. MURDOCK] asks to be allowed to proceed one minute more. Is there objection?

There was no objection.

Mr. MURDOCK. Does the gentleman say that he is not increasing the loaning power of the bank by this amendment without increasing the liability of the bank?

Mr. BULKLEY. I say this, that we are increasing the loaning power of the bank.

Mr. MURDOCK. Without increasing its liability?

Mr. BULKLEY. Its liability would increase, because whenever it rediscouts with the regional reserve bank it is liable, since it must indorse the paper that it rediscouts and carry that liability. There is no question about that—that it increases its liability when it makes the rediscout.

Mr. MURDOCK. I confess I do not see it that way.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Ohio [Mr. BULKLEY].

Mr. WINGO. Mr. Chairman, I offer an amendment to the amendment. I suggest to strike out the word "fourteen" in the amendment.

The CHAIRMAN. The gentleman from Arkansas [Mr. WINGO] offers an amendment, which the Clerk will report.

The Clerk read as follows:

Strike out of the amendment the word "fourteen," in the last line, so that the line will read: "Fifth. Liabilities incurred under the provisions of sections 2 and 5 of the Federal reserve act."

Mr. WINGO. Now, Mr. Chairman, in justice to myself, I may say that I do not violate the rule of the caucus when I offer to oppose this amendment. I have a perfect right to do it under the rules. I would not oppose the amendment of my colleagues on the committee if I were not compelled to do so for the reasons that I want to give.

The Democratic Party has been charged, and I think wrongfully, in times past with being the party of cheap money and inflation. I believe in sound money and I believe in a sound credit system. I believe that the man who suffers most by inflation and overtrading is the man who does very little trading—the wage earner and the small farmer in the country.

My amendment simply says that you cut out "14." That is the rediscounting provision. If you fail to adopt my amendment, you simply do this: You simply say that any bank can rediscount as much paper as it can feed to the regional reserve bank and as much as the regional reserve bank will take.

Under the present system—and, before the gentleman from Ohio [Mr. BULKLEY] offered his amendment, under the bill as it stood—every national bank was limited in rediscounting to the amount of its capital stock. He proposes to amend that very salutary provision of the national-bank act and provide that you take the lid off.

Gentlemen, I do not believe in it. I do not approve the possibilities of inflation that may follow. I do not think that requirement cuts any figure with the sound banker. I do not think the conservative banker needs these requirements. It is the reckless man, the unwise man, that ought to have some provision of law to hold him in check. [Applause.]

Mr. Chairman, if this committee shall vote down my amendment, it will simply say that under this bill the only check against inflation will be the reserve requirement. The reserve money of the country is \$3,500,000,000, and three times that would be \$10,500,000,000. If you vote down my amendment, it will simply mean that the rediscount operations under this bill as well as the note issues could go to the alarming extent of \$10,500,000,000. Do you want it, gentlemen? Is there a Republican who wants it? Is there a Democrat who wants it and who thinks it wise? Do you want to go to that extreme?

Oh, gentlemen, in the last few months I have been called a radical and an insurgent because I pleaded for certain provisions for the farmers and opposed bank monopoly, but now I find myself in the position of a conservative among conservatives, pleading with those who then styled themselves conservatives not to permit inflation. [Applause.]

I appeal to my Democratic brethren to pause before they vote down my amendment to the amendment. You are not bound by the caucus now on this question. This is an independent proposition. I say, gentlemen, consider it carefully. If I am right, you ought to adopt my amendment to the amendment. If you think you ought to have ten and a half billions of these notes, very well. I know you will say that there is a check by the regional reserve bank, that the regional reserve bank directors will not permit it, but I do not think you ought to put all the responsibility on the regional reserve bank directors. What does it mean? It means that in a little bank in my town with \$25,000 capital stock I will bring a note for \$100,000 to my cashier and I will say, "I want \$100,000 on this note." He will say, "My God! I haven't got it." I will say, "I do not care. It is a good note. Take it to the regional reserve bank and get \$100,000 of Treasury notes on it." And so the local bank will have to put it up to the regional reserve bank. If you adopt this amendment, it means that that country banker will not have to put it up to the regional reserve bank. Do you not see? If the local banker gets \$100,000 worth of reserve notes upon my paper, the next day this gentleman here comes in and says, "You got \$100,000 worth of these reserve notes for Wingo yesterday. I have got to have \$100,000. I have got \$100,000 of good paper." Under the Bulkley amendment you do not have to put up any reserve, but the reserve bank must take care of that. That is, the check on the amount you can indorse is taken off, and you go up and present that to the regional reserve bank and get \$100,000 worth of reserve notes.

I may be wrong about this, and I am told that I am. I do not know. I submit it for your consideration.

Mr. GLASS. Mr. Chairman, this is not an individual amendment of the gentleman from Ohio [Mr. BULKLEY], but an amendment that was seriously considered by the Banking and Currency Committee, all the members of which, except my friend from Arkansas [Mr. WINGO], agreed to report it. If the amendment is adopted it will not affect to the extent of one dol-

lar the aggregate of rediscounts in the ordinary course of business. If it is not adopted, all State banks and trust companies which come into the system may get accommodations at the regional reserve banks without limit, while national banks can get accommodations only to the extent of their capital. In other words, failure to adopt the proposed amendment will involve a disastrous discrimination against national banks in favor of State banks and trust companies.

Mr. MADDEN. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. MADDEN. If a State bank comes into the system, will it not have to come in under the rules laid down by the Federal reserve board?

Mr. GLASS. Yes; but such rules must be subject to the provisions of the bill. The Federal reserve board could not lay down a rule that was contrary to the express provisions of the bill.

Mr. MADDEN. No; but could the Federal reserve board grant rediscounting facilities to a State bank that came in under the provisions of this bill which would be greater than the rediscounting provisions granted to the national banks?

Mr. GLASS. It undoubtedly could as the bill is now written. I doubt if it would; but, under the law, it might do so, unless this amendment should prevail.

Mr. MADDEN. Then the gentleman admits that this amendment will, as a matter of fact, increase the right of the national banks to rediscount paper beyond the limit of their capital.

Mr. GLASS. It will do that, and to that extent it will put them on a fair basis with the State banks and trust companies that come into the system.

Mr. WINGO. Will the gentleman yield?

Mr. GLASS. In just a moment. I deny the proposition that this amendment would affect the reserves required. What difference does it make, as far as sound banking is concerned, whether the reserve behind a commercial transaction is in the vaults of the regional reserve bank or in the vaults of the member bank? The reserve of 33½ per cent of gold is there, and it is immaterial whether it is in the regional bank or the member bank.

Mr. WINGO. The gentleman has pointed out that if you do not adopt the Bulkley amendment it will give the State banks an advantage over the national banks.

Mr. GLASS. The State banks would have a right to rediscount accommodations without limit unless the law of a particular State might put some limitation on it.

Mr. WINGO. Will the gentleman let me finish my question? Then, will the gentleman explain to us how the adoption of the Bulkley amendment, which amends the national-bank act controlling the national banks, not State banks, will relieve it?

Mr. GLASS. It will permit national banks to get unlimited rediscounts, just as it will permit State banks to do.

Mr. WINGO. Because only the State bank has inflation—

Mr. GLASS. I do not concede that there is any inflation involved. The bill as it stands will discriminate against State banks and trust companies themselves to the extent and in the degree that one State imposes limitations and another State does not. This proposition is to make the accommodation uniform to all member banks, as far as this bill is concerned.

Mr. HAUGEN. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. HAUGEN. If the proposed amendment is adopted it will make it possible for the regional banks to supply the smaller banks with the amount required without distinction?

Mr. GLASS. And thus enable the smaller banks to compete with the larger banks.

Mr. HAUGEN. If the bank has a run on it and has a capital of \$25,000 and it needs \$30,000, under this provision they may supply the \$30,000, but if the amendment is not adopted all it could get would be \$25,000.

Mr. GLASS. If it had prime commercial paper to put up it would get accommodation to any reasonable extent within the limitations of prudent banking.

The CHAIRMAN. The question is on the amendment to the amendment.

Mr. PLATT. Mr. Chairman, in this case it seems to me that the amendment offered by the gentleman from Ohio should be adopted. If it is not, the banks with small capital and large deposits will get no relief from this measure. This is an amendment to section 5202, is it not?

Mr. BULKLEY. Yes.

Mr. PLATT. For instance, in Frederick, Md., there is a bank with \$100,000 capital and nearly \$3,500,000 deposits. If you are going to limit the rediscount that such a bank can get to the amount of its capital, it might be entirely inadequate, as the reserve it must carry amounts to about \$400,000. Now, this

bank that I speak of in Frederick is doing a good, safe banking business. It has deposits, as I say, of over \$3,000,000, and the whole question is whether such a bank has got sufficient reserve against it. If it has the reserve, the paper is sufficient.

Mr. WINGO. Will the gentleman yield?

Mr. PLATT. I will.

Mr. WINGO. I would like to ask the gentleman this question. The gentleman speaks of a bank with \$100,000 capital, and something has been said about a small bank. When a bank has a capital of \$25,000 in those States where there is a double liability there is a total liability of \$50,000, and the only security back of it is the assets of the bank. Does the gentleman believe that a bank with \$25,000 capital and a total stock liability of \$50,000 should be permitted to rediscount \$200,000 of paper?

Mr. GLASS. My answer to that would be, if the gentleman from New York will pardon me, by asking another question. Does the gentleman believe that any sane director or cashier of a regional reserve bank would permit a bank under circumstances of that sort to get accommodations to the extent of \$200,000?

Mr. WINGO. I will state to my good friend that I am at a loss to know what to believe, because when the amendment was urged upon me that very proposition and the same illustration was made and approved. It was contended that as it was good paper and met the demands of commerce it made no difference how much paper they rediscounted. I say, and I stick to it and will leave it to any reasonable man on the floor, that the banker who indorses four times over the liability of the stockholders is an unsound banker. [Applause.]

Mr. MURDOCK. Will the gentleman yield?

Mr. PLATT. I will.

Mr. MURDOCK. Why in the original bank act was there a limitation of liability of a bank to the original stock?

Mr. PLATT. That is a question of making loans to a single individual. Under the national-bank act no bank can make a loan to an individual greater than 10 per cent of the capital stock. This is an entirely different proposition, the coming to the regional bank to get relief.

The relief certainly is to come to the depositors in the banks. A bank may have large deposits and a small capital, and if it is doing safe banking there is no reason why its capital should be an absolute limit on the amount of relief it should get from the regional bank.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that the debate on the pending amendment be concluded in five minutes.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that all debate on the pending amendment be concluded in five minutes. Is there objection?

There was no objection.

Mr. RAGSDALE. Mr. Chairman, it seems to me it would be exceedingly unwise to limit the amount of money that could be borrowed by these smaller country banks, and especially the banks in the rural communities. In the spring of the year these gentlemen running the country banks are confronted by an entirely different proposition than that which confronts the city banks. In the city banks the deposits stay about the same thing all the year round. In the spring of the year the country bank is confronted with people who want to borrow money for six, eight, or nine months. They put this money to their credit; that is, the amount received from their notes, without drawing much out, and as they go further along into the summer more and more of this money is drawn out. The New York banks realize this situation, and even the Wall Street bankers, who have been denounced by so many people, have recognized this condition that exists in the agricultural communities, and from time to time they are to-day loaning two and three times the amount of capital stock of the country banks in order to relieve a condition that necessarily exists.

Mr. WINGO. Mr. Chairman, will the gentleman yield?

Mr. RAGSDALE. I can not yield at this time. I have given up all of my time heretofore and I want to finish this. This is the condition you will find: If a little country bank had a capital stock of \$50,000 or \$100,000, and had deposits running up to \$200,000, and if it had first-class security that would be acceptable anywhere, and if the deposits began to fall and then it had good security that could be rediscounted, you would put it in the position of having to go into bankruptcy or having a receiver appointed, because you would not let it utilize the securities which it has, and instead of being a benefit to its depositors you would absolutely shut its doors and prevent the depositors from getting the money that is there. If you do not put this limitation on and leave the matter to the people who are accepting these bills receivable as rediscount and bills payable with bills receivable as collateral security, you put these

country banks in the position to relieve the situation in the various communities.

Suppose in the panic of 1907 when New York told us we could not get our money, suppose when bankers tell us we can not get our money from one particular place, or suppose we are doing business with a large bank and this big bank should fail and we had our money on deposit there, and suppose we had good bills receivable that we wanted to hypothecate somewhere else, to place with some other national bank, in order to get a line of credit to run on; by putting on this limitation you would preclude that possibility and force us to shut our doors, and absolutely put us in a position where we could not take care of ourselves or our depositors that trusted us with their money or the banks we already owed. By this you invite the people who are doing business with the smaller banks in this country to shift their accounts and do business only with the larger banks that have larger borrowing possibilities.

To me, Mr. Chairman, it seems a foolish thing, a ludicrous thing, to say that a man who has the money is not wise enough, is not careful enough, and judicious enough to determine upon what security he may loan it. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Arkansas to the amendment offered by the gentleman from Ohio.

The question was taken; and on a division (demanded by Mr. Wingo) there were—ayes 28, noes 67.

So the amendment to the amendment was rejected.

The CHAIRMAN. The question now is on the amendment offered by the gentleman from Ohio.

The question was taken, and the amendment was agreed to.

Mr. LINDBERGH. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Section 14, after the word "securities," in line 9, on page 25, insert "except notes secured on improved and unencumbered farm lands"; and after the word "merchandise," in line 12, on the same page, insert "or notes secured by improved and unencumbered farm land."

Mr. LINDBERGH. Mr. Chairman, the amendment which I offer here is of great importance to be added to the provisions of this bill. If it becomes a law trust companies and State banks are to be admitted. Those trust companies and State banks make loans upon improved farm property. There is also a section in this bill which will authorize national banks to make loans upon unencumbered improved farm land. The effect of the amendment which I offer is this: That when the notes secured by these loans have a maturity of no more than 90 days, as is provided by this section for the classes of paper permitted to be discounted, these farm notes shall be subject to rediscount the same as any other class of notes. As a matter of fact, the farmers of this country make their deposits in the bank in the same way that other people do and they should have the same advantages that any other person should have.

I do not claim that the notes that have four or five years to run should be subject to discount where they have a long time to run before maturity, but when the notes have only 90 days or less time of maturity that then those notes should be subject to discount in the same way any other paper is, and they should have the same right to be used as security for Government issue of notes as any other paper. The people who owe these notes and seek money to pay them should come in in the consideration of this bill with all the advantages that any other class of paper has. The price is fixed for the farmer when he puts anything upon the market. He does not fix the price of the thing that he buys, but the price of that thing is fixed by the parties who control the articles that he purchases.

Mr. MADDEN. Is not that true of everybody?

Mr. LINDBERGH. That is not true of everybody.

Mr. MADDEN. Oh, sure.

Mr. LINDBERGH. It has been stated upon this floor, in the discussion of this bill, that the farmers are paying annually an immense amount of interest and that the interest they pay is added to the price of the products they have to sell. The first part of the statement is absolutely true. The farmers do pay an immense amount of interest, and unfortunately, on the general average the amount of interest—that is, the per cent—they pay is considerably more than the interest paid by any other industry that involves a large amount of investment. That is, I take it no one will question that the farm, the buildings upon the farm, and the stock that the farmer owns, is his investment and that he is entitled to as large an interest return upon his investment as anybody in any other business is entitled to upon their investment. But as a matter of fact the farmer can not add the interest, either that he pays or that he would be entitled to upon his investment, to the price of

the products he has to sell. He is not in the position of the railroad company or any of the other great industrial interests of the country which fix prices, and in fixing them add enough to the price to give them a dividend or an interest upon their investment. The courts have decreed that the railway companies are entitled to a reasonable return in the nature of a profit upon the capital invested and for the risk taken, but the farmer has no such decree to support him in fixing the prices of the products of the farm. He must sell for the price that is fixed in the market where he sells, and he has no voice in fixing that price. The only thing he can do is keep his products, if he is able to, in the event that the prices do not satisfy him. In the great majority of cases he is compelled to sell at the prices fixed by others. On the other hand, when he makes any purchases he does not fix the price on what he buys. If he ships grain or other farm products, the railway companies fix the prices to be charged for freight and they add a sufficient profit, so that they can declare a regular dividend and pay interest upon the bonds and notes, and so forth, that they may be owing. Therefore I think that the Member, in stating that the interest paid by the farmers is added to the price of the products that the farmer sells, is in error.

There is no decree of any court determining that the farmer has any right to add a reasonable amount to the price for his profit. As a matter of fact, it would not be practical to do so.

Mr. MANN. He can add all he wants to, but there is no decree of court requiring anybody to ship anything by a railroad.

Mr. LINDBERGH. The gentleman is correct in his suggestion, but that does not do away with the fact that the farmer is at a disadvantage and is discriminated against by this bill. If, however, you make this 90 days maturity—

Mr. HELGESEN. The gentleman must not forget the fact that the farmer's obligation usually has a year's redemption, which would make it 15 months maturity instead of 90 days.

Mr. LINDBERGH. That is only in case of foreclosure.

Mr. HELGESEN. That has to be taken into consideration.

Mr. LINDBERGH. The gentleman from North Dakota [Mr. HELGESEN] is aware of the fact that the farmer, the same as any other person, is liable upon his note and may be sued when the note becomes due and a judgment secured against him in the same manner as may be done against any other person. The mere fact that the note is secured by a mortgage does not change the rule. The mortgage may be waived for the time being and a judgment recovered upon the note and execution issue and be collected independent of the security originally given. Furthermore, it must not be forgotten that the farmer is not only liable upon his note, but when his note would be rediscounted with the Federal reserve bank the bank rediscounting the same would indorse the note, and therefore the bank, in addition to the farmer, would be liable. If the note were passed on from the Federal reserve bank to the Government to become security for currency, the Federal reserve bank would also be liable. Therefore the mere fact that the note is secured by a mortgage should in no way cause a discrimination against the note. The security is merely that much of an advantage rather than a disadvantage. However, I do not think the gentleman from North Dakota [Mr. HELGESEN] means to be understood as opposing the rediscounting of farmers' notes secured by mortgages with one of the Federal reserve banks.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that debate on this section and all amendments thereto may be concluded in five minutes.

Mr. KELLY of Pennsylvania. I have an amendment pending, Mr. Chairman.

Mr. NORTON. I have an amendment on which I wish to speak for five minutes.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that debate on the pending section and all amendments thereto be closed in 15 minutes.

The CHAIRMAN. Is there objection?

Mr. KINKEAD of New Jersey. Reserving the right to object, I would like to ask the chairman if in these 15 minutes I can get 2 minutes for a short statement.

Mr. GLASS. I can not tell; I hope so.

Mr. MANN. There are four gentlemen who want to discuss the bill in the 15 minutes.

Mr. GLASS. Does the gentleman from New Jersey desire to offer an amendment to this section?

Mr. MURDOCK. The gentleman from Pennsylvania [Mr. KELLY] has an amendment pending.

Mr. GLASS. I am talking about the gentleman from New Jersey [Mr. KINKEAD]. Does the gentleman desire to offer an amendment to this section?

Mr. KINKEAD of New Jersey. No.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that all debate on this section and amendments thereto be closed in 15 minutes. Is there objection. [After a pause.] The Chair hears none.

The CHAIRMAN. The gentleman from Oklahoma [Mr. WEAVER] is recognized.

Mr. WEAVER. Mr. Chairman, the Democratic Party is redeeming its pledges to the people. To write into the statutes the Underwood tariff bill and the Glass banking and currency bill is glory enough for the administration and for the Democratic Party if it were to accomplish nothing further, to the last syllable of recorded time. But a third great constructive measure will soon engage the best endeavor of the Sixty-third Congress. Hear the Democratic Baltimore platform on the subject of rural credits:

Of equal importance with the question of currency reform is the question of rural credits or agricultural finance. Therefore we recommend that an investigation of agricultural-credit societies in foreign countries be made, so that it may be ascertained whether a system of rural credits may be devised suitable to conditions in the United States; and we also favor legislation permitting national banks to loan a reasonable proportion of their funds on real-estate security.

We recognize the value of vocational education, and urge Federal appropriations for such training and extension teaching in agriculture in cooperation with the several States.

Mr. Chairman, this subject of agricultural finance, of importance to him above all others, is ever in the thought of the American farmer.

Mr. Chairman, I was born and grew to manhood in a north Texas village in a rich and beautiful agricultural country. I revere the maxim I learned from the lips of the "Old Alcalde," Gov. Oran M. Roberts, of Texas, that "Civilization begins and ends with the plow." The State of Oklahoma, which I am proud to represent upon this floor, is one of the great agricultural States of this Union. I was sent here by the votes of farmers, and I would be disloyal to the primal instinct of gratitude, as well as dead to the holiest sense of public duty, if I were not vigilant and keenly alive to all that affects the interests of the farmers of my State and of this great Nation.

I count myself fortunate and happy to be a member of the Banking and Currency Committee of this House, to which has been referred the great responsibility of drafting a law upon the subject of rural credits or agricultural finance. To that subject the committee will give exhaustive study, and in due time offer to this House the fruits of its labors.

It is not my purpose now to deliver a speech, though great is the temptation and fascinating the theme. I rise, Mr. Chairman, to incorporate into the RECORD a statement recently given to the public by the President of the United States upon the subject of rural credit legislation.

The President's statement follows:

Again and again during the discussion of the currency bill it has been urged that special provision should be made in it for the facilitation of such credits as the farmers of the country most stand in need of—agricultural credit as distinguished from ordinary commercial and industrial credits. Such proposals were not adopted because such credits could be only imperfectly provided for in such a measure. The scope and character of the bill, its immediate and chief purpose, could not be made to reach as far as the special interests of the farmer require.

COMMISSION TO REPORT.

Special machinery and a distinct system of banking must be provided for if rural credits are to be successfully and adequately supplied. A Government commission is now in Europe studying the interesting and highly successful methods which have been employed in several countries of the Old World, and its report will be made to Congress at a regular session next winter. It is confidently to be expected that the Congress will at that session act upon the recommendations of that report and establish a complete and adequate system of rural credits. There is no subject more important to the welfare or the industrial development of the United States; there is no reform in which I would myself feel it a greater honor or privilege to take part, because I should feel that it was a service to the whole country of the first magnitude and significance. It should have accompanied and gone hand in hand with the reform of our banking and currency system if we had been ready to act wisely and with full knowledge of what we were about.

UNITED STATES NEGLECTS FARMERS.

There has been too little Federal legislation framed to serve the farmer directly and with a deliberate adjustment to his real needs. We long ago fell into the habit of assuming that the farmers of America enjoyed such an immense natural advantage over the farmers of the rest of the world, were so intelligent and enterprising and so at ease upon the incomparable soils of our great continent, that they could feed the world and prosper, no matter what handicap they carried, no matter what disadvantage, whether of the law or of natural circumstances, they labored under. We have not exaggerated their capacity or their opportunity, but we have neglected to analyze the burdensome disadvantages from which they were suffering and have too often failed to remove them when we did see what they were.

NEED PROMPT FINANCIAL AID.

Our farmers must have means afforded them of handling their financial needs easily and inexpensively. They should be furnished these facilities before their enterprises languish, not afterwards.

And they will be. This is our next great task and duty. Not only is a Government commission about to report which is charged with apprising the Congress of the best methods yet employed in this matter, but the Department of Agriculture has also undertaken a serious and

systematic study of the whole problem of rural credits. The Congress and the Executive, working together, will certainly afford the needed machinery of relief and prosperity to the people of the countryside, and that very soon.

Mr. NORTON. Mr. Chairman, I wish to offer an amendment.

The CHAIRMAN. The gentleman from North Dakota offers an amendment which the Clerk will report.

The Clerk read as follows:

On page 25, line 15, strike out the word "ninety" and insert in lieu thereof the words "one hundred and twenty," and in line 10 strike out the word "sixty" and insert in lieu thereof the words "one hundred and twenty," and in line 19 strike out the words "one hundred and twenty days," and insert in lieu thereof the words "six months," and on page 26 strike out the word "ninety" and insert in lieu thereof the words "one hundred and twenty."

Mr. NORTON. Mr. Chairman, the amendment that I have offered, I believe, will give more real relief to the agricultural class in this country than anything that has been placed in or that has been proposed to be placed in this section. I believe everyone here who is acquainted with agricultural transactions and business carried on in agricultural regions knows that notes that the small banks have to handle run for periods of more than 90 days. I fully understand that as the section now stands notes running for a longer period than 90 days may be discounted, but they may not be discounted before 90 days prior to the date of their maturity. My amendment provides, first, that these notes may be discounted when they have a maturity of not more than 120 days at the date of being discounted, and, second, that when the regional reserve bank has a reserve exceeding 33½ per cent they may be discounted when they have a maturity not exceeding six months, the amount of the discounts in the latter case not to exceed 50 per cent of the capital stock of the member bank. Now, as the provision stands I believe that it will result in this: That in the case of the small country banks it will be necessary for these banks to secure the credit that they may need to go to some large city bank and borrow the money at a high rate of interest and turn over their bills payable to the city bank, which in turn will be able under the provisions of this bill to rediscount the notes of the country banks with the regional reserve bank. By the adoption of this amendment this process, so expensive to the country banks, will be avoided, and the country bank, the bank that serves the great producing class of this Nation, will be enabled to secure directly from the regional reserve bank the money that it requires to assist in carrying on the business of those engaged in agricultural pursuits. I do not believe the adoption of this proposed amendment will mean or encourage unsound banking.

The directors of the regional reserve banks would have in their discretion the right to accept or reject these notes. They may accept, in any event, a certain amount of notes that have a maturity not exceeding 30, 60, or 90 days, but the adoption of this proposed amendment would simply give them the authority to accept notes for discount having a maturity of 120 days and, in some cases, a maturity of six months. And this in fairness to the country bank. [Applause.]

The CHAIRMAN. The gentleman from Pennsylvania [Mr. KELLY] is recognized.

Mr. MANN. Mr. Chairman, is there not an amendment pending?

The CHAIRMAN. The gentleman from Pennsylvania [Mr. KELLY] has an amendment pending. The Chair understands that the gentleman from Pennsylvania [Mr. KELLY] and the gentleman from Nebraska [Mr. SLOAN] each has an amendment that will take up the time allotted. The Clerk will report the amendment offered by the gentleman from Pennsylvania [Mr. KELLY].

The Clerk read as follows:

Amend, page 25, line 15, after the word "days," by adding the following: "Member banks desiring rediscounts shall have available at all times for the use of their stockholders and depositors full information regarding the amount, nature, and maturity of the paper owned by such member banks."

Mr. KELLY of Pennsylvania. Mr. Chairman, I ask that the chairman will notify me when I have used three minutes of my time, as I desire to yield two minutes to the gentleman from New Jersey [Mr. KINKEAD].

Mr. Chairman, the purpose of this amendment is simply to apply a little more widely the publicity principle of this bill, which has been wisely incorporated in it. On page 21 it is provided that the statement made by the reserve banks each week shall give full information about the nature, amount, and maturity of the securities of the reserve banks.

This amendment would apply the principle of publicity of assets to the member banks. It is recommended in the report of the Pujo money investigating committee, but has not been brought up in the way of amendment. I believe that it is an important matter and deserves consideration.

The Comptroller of the Currency has advocated publicity of bank assets, and it has also been approved by leading bankers, such as Jacob Schiff, of the National City Bank of New York, and others. On page 154 of the report of the Pujo investigating committee it is strongly urged. Their recommendation is as follows:

The usefulness of national banks as instrumentalities of the banking groups which have been described, particularly as outlets for security issues, would be still further curtailed if their assets other than the names of borrowers were open to public inspection. In this way it would be possible to know exactly what use was being made of a bank's funds. The investment of a disproportionate part thereof in given securities would be made more difficult.

A depositor is entitled to have the information in which to determine for himself whether the bank in which he has his money is secure, and prospective investors in the stock of a bank are entitled to know what its property is. A bank is such a sensitive organization that the more of its affairs are known to the public the more completely will it secure the public confidence.

Mr. Murray, the Comptroller of the Currency, expressed himself strongly in favor of publicity, both as regards this subject and publicity of the names of stockholders. No sufficient reason has been urged against it.

I submit, Mr. Chairman, that this amendment should be adopted, inasmuch as it is just to the depositors, who have a right to know what is done with their money, is just to those who are investing in the bank as stockholders, and is just to the public, whose welfare is vitally related to the proper conduct of banking institutions.

Now I yield to the gentleman from New Jersey [Mr. KINKEAD] two minutes.

The CHAIRMAN. The gentleman from Pennsylvania [Mr. KELLY] asks unanimous consent to yield two minutes to the gentleman from New Jersey [Mr. KINKEAD]. Is there objection?

There was no objection.

The CHAIRMAN. The gentleman from New Jersey [Mr. KINKEAD] is recognized for two minutes.

Mr. KINKEAD of New Jersey. Mr. Chairman, I take advantage of the courtesy of the gentleman from Pennsylvania [Mr. KELLY] to say to the committee that before the pending bill was sent to the Democratic caucus I wrote to the president of every bank in my district, whether a national, a State bank, or trust company, for an expression of his views on the pending measure, and while I have a great deal of sympathy with the efforts of gentlemen from the agricultural districts of the country to protect the farmer, yet it seems to me that an expression of opinion from the banking industries in the richest section of New Jersey might well be written into the Record at this time.

It must be very gratifying to the chairman having charge of this bill to realize that although I wrote to no less than 52 banks in the northern section of the State of New Jersey yet there comes from but one of them a severe criticism of this bill. [Applause on the Democratic side.]

I ask unanimous consent, Mr. Chairman, to insert in the Record three or four letters from the leading bankers of my district on the bill in question.

The CHAIRMAN. The gentleman from New Jersey [Mr. KINKEAD] asks unanimous consent to extend his remarks as indicated. Is there objection?

Mr. MANN. Is the gentleman sure the letters are not from the packers? [Laughter.]

Mr. KINKEAD of New Jersey. I am sure they are not.

The CHAIRMAN. Is there objection?

There was no objection.

Following are the letters referred to:

IRONBOUND TRUST CO.,
Newark, N. J., August 29, 1913.

HON. E. F. KINKEAD,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: Some time ago I received your letter inclosing copy of the pending currency bill and stating you would be glad to receive any views which I might care to make. I have no particular suggestions to make in reference to this bill, but I do believe that Congress should give at least fair consideration to the suggestions or recommendations made by the various banking committees or associations who have given the matter considerable thought. It does seem to me that the suggestions of men who are experts in this line and whose life business it is should be given more consideration than is being given to such views at Washington.

Thanking you for your courtesy in this matter and appreciating your desire to be of service in any way, believe me,

Very truly, yours,

J. H. BACHELLER.

SAVINGS INVESTMENT & TRUST CO.,
East Orange, N. J., August 27, 1913.

HON. EUGENE F. KINKEAD,
House of Representatives, Washington, D. C.

DEAR SIR: Since my last the currency bill has been very fully discussed by prominent bankers, who naturally object to the prospect of losing the reserves which they now carry for country banks.

The country banks are not worrying about the prospect of having Congress control the central reserve board.

There still appears to be but little inducement for State banks to join, and I suggest that as a great deal of trouble comes to these banks owing to questions of taxation, which they meet by purchasing non-

taxable securities, indorsing the bill, making the stock of national banks nontaxable would be very favorably received.

I make this suggestion, leaving it to your judgment as to presenting it to the House.

Yours, very truly,

DAVID BINGHAM, *President.*

P. S.—The writer is president of three New Jersey banking companies, including one at Bloomfield, and vice president of a fourth.

UNION TRUST CO. OF NEW JERSEY,
Jersey City, N. J., July 28, 1913.

Hon. EUGENE F. KINKADEE,
Washington, D. C.

MY DEAR CONGRESSMAN: In compliance with your request of recent date as to my views on the proposed currency legislation I respectfully suggest as follows:

Fundamentally I believe the proposed bill to be a good one. As a matter of fact, it is rare that legislation attempting to regulate an economic element as broad and important as the question of banking and currency can at its initial enactment be perfect. Neither is it possible to synchronize all minds in connection with such legislation. Unfortunately in the matter of adjusting the laws in regard to banking and currency we find a wide difference of opinion among men who would be, perhaps, best qualified to consider a matter of this kind. This but proves my contention of inability to please all in an initial enactment.

I have felt that what we have really needed was a completely new banking and currency act rather than an attempt to correct our present national-bank act and its amendments. Of course I appreciate the difficulties that might arise in an attempt of this kind, but I feel certain that the time will come when a completely new bank act will be forced by conditions.

However, we are at present to consider the legislation that has been so wisely attempted by the present administration. We find that as a matter of fact the greater proportion of the men at the head of the largest banks, or those in the central reserve cities, seem to be opposed to the present currency reform. Their principal ground for contention lies in the apparently complete subjugation of our banking system by a Federal reserve board in which the banks have no representation of their own selection. This was the principal objection I found to the bill when I had read a summary of it on the first day it was released to the press and before I had heard any other criticisms, because it seemed to me that from the standpoint of democracy representation should be given, at least a minority one, to the interests that would be most affected by the law, on the ground that the banking business is conducted by private capital and not by public funds. While the Government's supervision should be an absolute one in respect to banking, nevertheless the power of direction as to policy should be to some extent under the advice of representatives chosen by those whose capital is actually involved. I so wrote to the President; but at the same time I stated that personally I had no fear as to absolute domination of the Government in the Federal reserve board. This is still my position in view of the fact that, after all, the direction of the physical operation of the funds in the Federal reserve banks will be under the majority direction of the representatives selected by the banks in the various districts. In explanation of my first position, however, the fact that the Government has a minority representation on the boards of Federal reserve banks suggests that a minority representation on the Federal reserve board would be but fair to the banks.

I have maintained for many years that one of the weaknesses of the banking system in this country was its separation into so many units represented by the various State bank acts, together with the national bank act and its amendments. With so many banking institutions operating under the several acts, there can never be an absolute mobilization of reserves, and under conditions such as these there can never be a standardization of banking credits. This is one of the difficulties that we always found in an endeavor to harmonize our banking system and mobilize our banking reserves. I am inclosing to you herewith a copy of an address made by me early this year, in which I went into this situation more fully. In reading the address you will see that to a large extent my ideas anticipated the present bill.

In considering the current plans of banking and currency reform there are two elements which stand out more prominently for treatment than any others. One the mobilization of reserves, and the other the necessity for providing proper machinery by which the medium of exchange may be enlarged and contracted automatically and with facility when conditions demand a greater or less volume of currency. It is true that this country, by reason of its banking practice, has a much greater circulating medium per capita than any other country in the world. I mean by this that while the actual money in circulation is large it is of a much smaller proportion than the paper representative of money in the form of bank checks that are always in transit and actively engaged in the commercial markets. This paper or check currency illustrates definitely the need for a wider circulating medium, especially at certain times. When money is actively employed or when credit conditions are seriously strained, the liquidation of this check or paper currency becomes involved and difficult, and when conditions become overburdensome recourse has had to be taken to the issuance of a paper currency that was nothing more or less than a substitution of check paper currency in the form of clearing-house certificates. A large volume of the clearing-house certificates, however, were only issued after suitable credit had been pledged with the clearing houses of issue.

In considering the first question as to the mobilization of reserves we must admit that theoretically the ideal mobilization would be the concentration of all reserves into one given center or institution. It has been this form of banking reform that some of our largest men have advocated for several years. Personally I have been opposed to this form, although admitting its theoretical soundness. My objection has been that under our present form of society, as well as government, there would be danger of the central body becoming the absolute controller of these reserve funds and their domination by interests whose motives might be anything but altruistic. I believe that the present bill, providing, as it does, for the mobilization of reserves in more than one Federal reserve district, is predicated on a safe theory. This in itself, however, would not go sufficiently far to amalgamate the reserves, and therefore a central governing body with sufficient power to regulate the disposition of reserves in the separate units as conditions of the various communities demanded is essential. The Federal reserve board is in my judgment an essential factor for the proper perfection of the plan. The only question that could possibly enter into the discussion would be the advisability of allowing the banks which are to be regulated by this Federal reserve board representation on the said board. The bill could be changed to provide that the several boards of directors of the Federal reserve banks might select three men by a system of ballots somewhat similar to the method by which we select commis-

sioners under our present form of commission government in Jersey City. Each member of the board of directors of the Federal reserve banks to have a vote and any citizen might then become a candidate for election on the Federal board by filing in the initial instance with the reserve bank organization committee and thereafter with the Federal reserve board a petition signed by a reasonable percentage of the total number of directors of all the Federal reserve banks. Each director thereafter of all the Federal reserve banks might vote for three names out of those filing their applications as candidates, and the six men receiving the greatest number of votes would then be candidates for election. The three receiving the highest number of votes at the final election to serve, one for one year, one for two years, and one for three years, and thereafter each year one representative to be elected in a similar way to fill the vacancy of the retiring member. Some such plan as this, providing for the election under the Federal reserve board and in the initial stage by the reserve bank organization committee with due allowances for the number of votes that might be available to be cast by each Federal reserve bank, would meet the criticisms that are more prominent, but would give everybody who might appear ambitious to serve the opportunity of becoming a candidate, thus eliminating the possibilities of denying capable men the opportunity, and also provide an absolutely democratic representation on the board of Federal control. That board could then consist of nine members, including the Secretary of the Treasury, the Secretary of Agriculture, the Comptroller of the Currency, three citizens appointed by the President of the United States, and three members selected in the above manner by the Federal reserve bank boards. Under the above plan I believe we would get as near to providing an instrument through which the reserves might be properly mobilized as it would be practical to attempt at this time. In connection with the rules provided in the act for the detail management of the Federal reserve banks and as to the functions assigned to them, there are several details which in my judgment might be modified to advantage, but the general plan is good. I believe that more latitude should be given to the banks in the distribution of their reserve funds.

It is difficult to regulate by statute the territories in which banks can most expediently maintain all their banked reserves. For instance, the predominance of certain activities in Kalamazoo might require in the conduct of the banks' reserves and exchange business there that they maintain a large amount of free exchange on New York City rather than, we will say, in Chicago. To restrict the banks, therefore, to an unreasonably larger percentage of reserves in any one territory than the demands of its business require places the banks at a great disadvantage and practically requires that they maintain reserves much in excess of that required in the natural conduct of their business. If we are to operate in part under the present national-bank act, the status of the central reserve banks should not be changed by arbitrary methods at this time except by modifications which would permit the country bank to keep a portion of its reserves with the Federal reserve banks and a portion with banks in reserve or central reserve cities approved by the Federal reserve board. Protection under this system is obtained by the fact that those same reserve and central reserve banks do in turn keep reserves with the Federal reserve banks. I would not modify in the act the requirements regulating the placement of reserves by banks in the central reserve cities with the Federal reserve banks, except that I would permit the banks located in the reserve and central reserve cities to keep, say, 50 per cent of their reserves required with the Federal reserve banks with Federal reserve banks located in districts outside of their own Federal reserve districts, thus enabling them to transact current business between other districts in the country with the same freedom as is now permitted. The Federal reserve board, it is true, is given discretion after 36 months as to the proportion that the country banks may maintain with reserve or central reserve cities, but this is not good practice, in my judgment, and permits of too much latitude to the Federal reserve board in a matter which could not possibly be intelligently considered with the facility necessary to meet the current and ever-changing conditions of trade. By fixing a schedule for country banks of, we would say, 5 per cent in cash in vault, 5 per cent with the Federal reserve bank, and 5 per cent with reserve or central reserve banks approved by the Federal reserve board, we would come nearer a practical solution of this problem. This same objection would apply to the banks in reserve cities, they being required, under the proposed act, to maintain eventually all of their bankable reserves with the Federal reserve bank in their district, leaving them no circulating fund with which to conduct their current exchange business. The above are some of the practical deficiencies in the current bill, and, in my judgment, might be corrected before it is enacted into law.

In connection with the provisions covering the extension of bank currency, there are many features in it that might be modified to advantage. There is no doubt that there are some features that will be found subject for modification at a later date, but I will not go into a lengthy discussion of this.

In regard to the question of providing for the protection of the current Government bonds, a majority of which are now security for circulation, I would say that as a matter of fact at the time these low per cent issues were circulated they were offered by the Government in good faith and the banks availed of them for circulation purposes and at a profit. It is unfortunate that conditions have developed which prove that the rate of interest at which they were issued was too low to preserve their par value without artificial means. The banks should have recognized this at the time and so should the Government. It was a two-sided proposition, but the banks practically took the chance, and to allow for any protection in the loss at this time would hardly seem reasonable. I think that the bill as it is prepared gives the banks now carrying circulation as much protection as could consistently be considered. It is no new thing for banks to invest in securities that shrink in value. It is not unusual for the securities of a stable government to shrink below par; in fact, the United States Government securities have more of a tendency to shrink below par, so far as bank circulation is concerned, in prosperous times than when the reverse is the condition. It has always been maintained that banks make proportionately more money out of circulation when money rates are low than when money rates are high. If the Government can consistently and for some better reason than to save the national banks from a loss incurred in a legitimate transaction refund the 2 per cent bonds by 3, permitting circulation against the new ones at an advanced tax rate, thus preserving their marketability without creating an opportunity for the banks to profit by the change, then perhaps it should be done.

I have not attempted in this letter to go into the situation in any very great detail; in fact, it would be merely injecting another series of ideas into an already very much afflicted question. I want to reiterate, however, that in my opinion fundamentally the bill is a good one. I feel that the suggestions I have made as to the representation on the Federal board and the permission of the banks to maintain a portion of their reserves with reserve and central reserve banks are practical

necessities formulated from the standpoint of an actual knowledge of the requirements. If there is any special question that you would like to discuss with me, I would give you the benefit of such ideas that I feel that I am justified in having. You must know that since I was 17 years old I have done nothing else but operate from the practical standpoint of banking, from bank messenger through every process of the game; in a Wall Street bank, New York commercial bank, and a national bank and trust company in Jersey City. I have traveled extensively all over the country and for three years did little else but visit and talk with country banks. I feel that I am to a certain extent qualified by this experience in judging of the necessities of the business. I have always tried to do so from a broader standpoint than a selfish one. If there should be any occasion for me to come on to Washington to confer with you or any of your colleagues, I would consider it my duty and privilege.

Sincerely, yours,

S. LUDLOW, Jr.

GREENVILLE BANKING & TRUST CO.,
Jersey City, N. J., July 28, 1913.

E. F. KINKEAD, Esq.,
House of Representatives, Washington, D. C.

MY DEAR SIR: I thank you for sending me under date of July 16 a copy of the proposed currency bill. The New Jersey Bankers' Association has a committee, composed of ex-Gov. Stokes, Mr. Van Deusen, and myself, on the subject of currency reform, and we are very carefully securing the views of bankers throughout the State. I will advise you of our suggestions in reference to the bill. Generally speaking, I view the bill very favorably, particularly with the suggestions for amendment that have already been approved by the House committee.

Very truly, yours,

EDW. S. PIERSON, President.

HUDSON COUNTY NATIONAL BANK,
Jersey City, N. J., July 19, 1913.

Hon. EUGENE F. KINKEAD,
House of Representatives, Washington.

DEAR SIR: The copy of bill H. R. 6454 which you kindly sent us has been duly received and shall have attention.

So far we see no very serious objectionable features in it; it is somewhat complex and there are some points of minor importance which we think might be improved, but you will not be able to draft a bill acceptable to everyone.

The delay in settling the question one way or another has been very detrimental to business interests, and the quicker you can arrive at a conclusion the better.

Yours, truly,

N. J. H. EDGE, Vice President.

CITY TRUST CO. OF NEWARK, N. J.,
Newark, N. J., July 19, 1913.

Hon. E. F. KINKEAD,
House of Representatives.

MY DEAR SIR: I am in receipt of yours of the 16th instant, addressed to Mr. Hannahs, containing copy of the proposed currency bill, for which I thank you.

Directors of our institution are very much interested in the matter of currency legislation and are heartily in accord with the views expressed by the currency commission of the American Bankers' Association, whose recommendations we should very much like to see embodied in the bill before its passage.

We trust that you may be able to further the adoption of such a bill and wish to enlist your efforts toward the accomplishment of such legislation.

Yours, very truly,

E. S. CARR, Secretary-Treasurer.

Mr. SLOAN. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Nebraska [Mr. SLOAN] offers an amendment which the Clerk will report.

The Clerk read as follows:

Amend, page 26, line 7, after the word "than," by striking out the word "six" and inserting the word "four."

Mr. SLOAN. Mr. Chairman, I shall take advantage of the privilege that is given and shall insert as a part of my remarks the last paragraph found on page 25 and the first paragraph on page 26.

Mr. MANN. Of what?

Mr. SLOAN. Of this pending bill. They are as follows:

Upon the indorsement of any member bank any Federal reserve bank may discount the paper of the classes hereinbefore described having a maturity of more than 60 and not more than 120 days, when its own cash reserve exceeds 33 per cent of its total outstanding demand liabilities exclusive of its outstanding Federal reserve notes by an amount to be fixed by the Federal reserve board; but not more than 50 per cent of the total paper so discounted for any member bank shall have a maturity of more than 90 days.

Upon the indorsement of any member bank any Federal reserve bank may discount acceptances of such banks which are based on the exportation or importation of goods and which mature in not more than six months and bear the signature of at least one member bank in addition to that of the acceptor. The amount so discounted shall at no time exceed one-half the capital stock of the bank for which the rediscounts are made.

It will be noted from a reading of these two paragraphs that the first paragraph relates to such paper as may be indorsed by the member bank, based upon domestic business and used as a basis of banking, while the other relates to business to be transacted and acceptances to be purchased or sold, based upon importations and exportations.

And I am very much pleased to be able to follow the gentleman from New Jersey [Mr. KINKEAD], who in season and out of season has been pressing upon the people of this country the advisability of opening the ports of America to the meat and cattle of the world, so that he and his people in the wealthy part of New Jersey, of which he has just boasted, may discriminate in

favor of the Pedros and Joses of Argentina against the farmers of the interior of the United States.

Mr. KINKEAD of New Jersey. Surely the gentleman from Nebraska does not mean that.

Mr. SLOAN. I mean what I say.

Mr. KINKEAD of New Jersey. We are not giving any bounties to the Pedros and Joses of Argentina.

Mr. SLOAN. No one said you gave any bounty.

Mr. KINKEAD of New Jersey. But you said we discriminated in their favor.

Mr. SLOAN. Yes.

The CHAIRMAN. Gentlemen must address the Chair. Does the gentleman from Nebraska yield to the gentleman from New Jersey?

Mr. SLOAN. Not when he is talking in that way.

The CHAIRMAN. The gentleman declines to yield.

Mr. KINKEAD of New Jersey. Will the gentleman yield when I am talking in this way?

Mr. SLOAN. No; not until you enter another state of mind.

The CHAIRMAN. The gentleman declines to yield.

Mr. SLOAN. This is a special provision for the purpose of favoring the importer, giving the importer six months, while the utmost given to domestic shippers is four months. That is the discrimination that we find in the banking bill; and the discrimination which we find in the companion bill—the tariff legislation—is the opening of our ports to the entrance of the Argentine products, whether they be cattle, or meat, or grain.

Mr. KINKEAD of New Jersey. Will the gentleman permit an inquiry right there?

Mr. SLOAN. I have only five minutes.

Mr. KINKEAD of New Jersey. I will only take three seconds.

The CHAIRMAN. Does the gentleman yield?

Mr. SLOAN. Yes; for three seconds.

Mr. KINKEAD of New Jersey. Mr. Chairman, I want to ask the gentleman whether he thinks it is fair to the American people to have innumerable men in his own party write down to me and to other Members of this House—

Mr. SLOAN. Mr. Chairman, I note that five seconds have elapsed.

Mr. KINKEAD of New Jersey. That they were able to buy American beef at 50 per cent less in England than they are paying for it in this country? And does not the gentleman know that the measure that we are shortly to enact into law will give to the American people that which the Republican Party so often pledged but never fulfilled—a square deal?

Mr. SLOAN. Mr. Chairman, I am sorry the gentleman from New Jersey is so easily imposed upon. I heard him read a letter from across the water a short time ago—

Mr. KINKEAD of New Jersey. No; it was from a minister—Rev. John J. Lawrence, Binghamton, N. Y.—a member of the party to which the gentleman belongs.

Mr. SLOAN. I can not yield further.

The CHAIRMAN. The gentleman declines to yield.

Mr. SLOAN. A letter was read stating that American beef was sold cheaper in England than it is here in America. I challenge that statement, and if the gentleman will study the statistics of the last two or three years he will find that practically no beef is being shipped to England now from the United States.

Mr. RAGSDALE. Mr. Chairman, I rise to a point of order, that the discussion which the gentleman is carrying on does not relate to the pending amendment.

Mr. KINKEAD of New Jersey. Oh, let him go on.

Mr. RAGSDALE. They made that point on me this morning.

Mr. MANN. The time has expired anyway.

Mr. SLOAN. The Committee on Ways and Means said:

In our judgment the future growth of our great industries lies beyond the seas—

The CHAIRMAN. The time of the gentleman from Nebraska has expired.

Mr. RAUCH. Mr. Chairman—

The CHAIRMAN. All time has expired. The question is on the amendment offered by the gentleman from Minnesota [Mr. LINDBERGH].

The amendment was rejected.

The CHAIRMAN. The next amendment is that offered by the gentleman from North Dakota [Mr. NORTON].

The amendment was rejected.

The CHAIRMAN. The next amendment is that offered by the gentleman from Pennsylvania [Mr. KELLY].

The amendment was rejected.

The CHAIRMAN. The next amendment is that offered by the gentleman from Nebraska [Mr. SLOAN].

The amendment was rejected.

The Clerk read as follows:

OPEN-MARKET OPERATIONS.

Sec. 15. That any Federal reserve bank may, under rules and regulations prescribed by the Federal reserve board, purchase and sell in the open market, either from or to domestic or foreign banks, firms, corporations, or individuals, prime bankers' bills, and bills of exchange of the kinds and maturities by this act made eligible for rediscount, and cable transfers.

Every Federal reserve bank shall have power (a) to deal in gold coin and bullion both at home and abroad, to make loans thereon, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of United States bonds; (b) to invest in United States bonds, and bonds issued by any State, county, district, or municipality; (c) to purchase from member banks and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions, as hereinbefore defined, payable in foreign countries; but such bills of exchange must have not exceeding 90 days to run and must bear the signature of two or more responsible parties, of which the last shall be that of a member bank; (d) to establish each week, or as much oftener as required, subject to review and determination of the Federal reserve board, a rate of discount to be charged by such bank for each class of paper, which shall be fixed with a view of accommodating the commerce of the country; and (e) with the consent of the Federal reserve board, to open and maintain banking accounts in foreign countries and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and collecting foreign bills of exchange, and to buy and sell with or without its indorsement, through such correspondents or agencies, prime foreign bills of exchange arising out of commercial transactions which have not exceeding 90 days to run and which bear the signature of two or more responsible parties.

Mr. MANN. Mr. Chairman, I move to strike out the last word.

Mr. GLASS. I should like to inquire if there are any amendments to be offered to section 16.

Mr. MANN. Gentlemen were very generally informed that the committee would rise at the end of this section, so I do not know.

Mr. GLASS. Very well. I move that the committee do now rise.

The motion was agreed to.

The committee accordingly rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 7337) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, and had come to no resolution thereon.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted as follows:

To Mr. MORGAN of Louisiana, for 10 days, on account of important business.

To Mr. NEELEY, indefinitely, on account of having accepted an invitation some months ago to address the students at the opening of the Kansas State Agricultural College.

To Mr. KINKEAD of New Jersey, for three days, to accompany Secretary Daniels on his visit to the proposed naval fight in Jersey City, N. J.

ADJOURNMENT.

Mr. GLASS. I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 23 minutes p. m.) the House adjourned until Wednesday, September 17, 1913, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on examination of Glencove Creek, Long Island, N. Y. (H. Doc. No. 238); to the Committee on Rivers and Harbors and ordered to be printed.

2. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on examination of the channel of Little Pedee River at Williams Landing, S. C. (H. Doc. No. 239); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

3. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on preliminary examination and survey of Siskiwit River, Wis., on Lake Superior (H. Doc. No. 240); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

4. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on examination of Brule Harbor, Wis., with a view to its improvement for minor lake craft (H. Doc. No. 241); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. LEVER, from the Committee on Agriculture, to which was referred the resolutions (H. Res. 240 and H. Res. 245) directing the Secretary of Agriculture to communicate to the House of Representatives the cost and result of the investigation of the boll-weevil and hog-cholera plague, reported a substitute (H. Res. 254) for the same without amendment, accompanied by a report (No. 76), which said bill and report were referred to the House Calendar.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. ALLEN: A bill (H. R. 8187) to provide for the safety of employees and passengers upon railroad trains by requiring common carriers engaged in interstate commerce to operate cars constructed of steel, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. COPLEY: A bill (H. R. 8188) making an appropriation for the improvement of Fox River, Ill.; to the Committee on Rivers and Harbors.

By Mr. CLARK of Missouri (by request): A bill (H. R. 8189) to establish a flood-protection and drainage fund and to provide for the protection, drainage, and reclamation of the overflowed and swamp lands in the United States, in promotion of the general welfare, in prevention of the dissemination of malaria and other diseases among the several States, and to promote interstate commerce by navigation; to the Committee on Rivers and Harbors.

By Mr. FALCONER: A bill (H. R. 8190) to provide for the erection of a public building in the city of Port Angeles, in the State of Washington; to the Committee on Public Buildings and Grounds.

By Mr. POST: A bill (H. R. 8191) to amend an act entitled "An act to increase the pension of widows, minor children, etc., of deceased soldiers and sailors of the late Civil War, the War with Mexico, the various Indian wars, etc., and to grant a pension to certain widows of the deceased soldiers and sailors of the late Civil War," approved April 19, 1908; to the Committee on Invalid Pensions.

By Mr. CANDLER of Mississippi: A bill (H. R. 8192) to prohibit interference with commerce among the States and Territories and with foreign nations, and to remove obstructions thereto, and to prohibit the transmission of certain messages by telegraph, telephone, cable, or other means of communication between States and Territories and foreign nations; to the Committee on Agriculture.

By Mr. LEVER: A bill (H. R. 8193) to provide for the collection, transcription, and publication of material relating to the educational history of the United States; to the Committee on Education.

Also, a bill (H. R. 8194) for the relief of employees of the Forest Service injured in fire fighting or other hazardous work; to the Committee on Agriculture.

By Mr. JOHNSON of Kentucky: A bill (H. R. 8195) to dispose of unclaimed bank deposits in the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ASHBROOK: A bill (H. R. 8196) granting a pension to Nannie A. Hill; to the Committee on Invalid Pensions.

By Mr. BARTLETT: A bill (H. R. 8197) granting an increase of pension to John S. Lewis; to the Committee on Pensions.

By Mr. BOWDLE: A bill (H. R. 8198) for the relief of Loren W. Greeno; to the Committee on Naval Affairs.

By Mr. COOPER: A bill (H. R. 8199) granting a pension to James P. Johnson; to the Committee on Pensions.

Also, a bill (H. R. 8200) granting a pension to Mary Gannon; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8201) granting an increase of pension to John M. Brown; to the Committee on Invalid Pensions.

By Mr. COPLEY: A bill (H. R. 8202) granting an increase of pension to Edgar H. Sampson; to the Committee on Invalid Pensions.

By Mr. CULLOP: A bill (H. R. 8203) to reimburse J. T. Nance; to the Committee on Claims.

By Mr. DRISCOLL: A bill (H. R. 8204) granting an increase of pension to Jeremiah Van Riper; to the Committee on Invalid Pensions.

By Mr. GERRY: A bill (H. R. 8205) granting a pension to Benjamin A. Dennis; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8206) granting an increase of pension to Margaret Quinn; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8207) granting an increase of pension to Adelaide H. Baker; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8208) granting an increase of pension to Catherine Loud; to the Committee on Invalid Pensions.

By Mr. LANGLEY: A bill (H. R. 8209) granting an increase of pension to John Preston; to the Committee on Invalid Pensions.

By Mr. LEVER: A bill (H. R. 8210) granting a pension to Jesse H. Hutto; to the Committee on Pensions.

Also, a bill (H. R. 8211) granting a pension to John B. McCravy; to the Committee on Pensions.

By Mr. LAFFERTY: A bill (H. R. 8212) granting a pension to Susan S. Benson; to the Committee on Invalid Pensions.

By Mr. LEVER: A bill (H. R. 8213) granting a pension to Woodbine L. McLane; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8214) granting a pension to H. P. Kohn; to the Committee on Pensions.

Also, a bill (H. R. 8215) granting a pension to Stanmore Y. Morris; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8216) granting a pension to James V. Smith; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8217) granting a pension to Wade H. Wilson; to the Committee on Pensions.

Also, a bill (H. R. 8218) granting a pension to Albert M. Thomas; to the Committee on Pensions.

Also, a bill (H. R. 8219) granting a pension to Margaret Hertel; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8220) granting a pension to David T. Kirby; to the Committee on Pensions.

Also, a bill (H. R. 8221) granting a pension to Thomas H. Rawl; to the Committee on Pensions.

Also, a bill (H. R. 8222) granting a pension to Hamilton Shuler; to the Committee on Pensions.

Also, a bill (H. R. 8223) granting a pension to Charles G. Sontag; to the Committee on Pensions.

Also, a bill (H. R. 8224) granting a pension to John N. Long; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8225) granting a pension to William Preston Raines; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8226) granting a pension to Wade H. Rucker; to the Committee on Pensions.

Also, a bill (H. R. 8227) granting an increase of pension to Simon P. Weed; to the Committee on Pensions.

Also, a bill (H. R. 8228) for the relief of Samuel S. Gardner; to the Committee on Military Affairs.

Also, a bill (H. R. 8229) for the relief of Polly Hayes; to the Committee on War Claims.

Also, a bill (H. R. 8230) for the relief of F. F. Felder; to the Committee on War Claims.

Also, a bill (H. R. 8231) for the relief of Powell S. Boatwright; to the Committee on War Claims.

Also, a bill (H. R. 8232) for the relief of E. P. Gibson; to the Committee on War Claims.

Also, a bill (H. R. 8233) for the relief of George W. Newman, guardian of Joseph W. Newman; to the Committee on War Claims.

Also, a bill (H. R. 8234) for the relief of Lieut. (Junior Grade) Hamilton F. Glover, United States Navy; to the Committee on Naval Affairs.

Also, a bill (H. R. 8235) for the relief of the estate of Joseph Funderburk, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8236) for the relief of the University of South Carolina; to the Committee on War Claims.

Also, a bill (H. R. 8237) for the relief of St. Stephen's Church; to the Committee on War Claims.

Also, a bill (H. R. 8238) for the relief of heirs of Michael H. Brennen; to the Committee on War Claims.

Also, a bill (H. R. 8239) for the relief of the heirs of Nathaniel Kleckley, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8240) for the relief of the heirs of A. J. Geiger, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8241) for the relief of the heirs of Louisa Hook, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8242) for the relief of the heirs of John Harman, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8243) for the relief of the heirs of Jesse Bouknight, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8244) for the relief of the heirs of Joshua Kyser, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8245) for the relief of the heirs of Daniel Drafts, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8246) for the relief of the heirs of John W. Brown, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8247) for the relief of the heirs of Miles Busbee; to the Committee on War Claims.

Also, a bill (H. R. 8248) for the relief of Mary E. Stelling, sole heir at law of A. S. Frietas, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8249) for the relief of the heirs of Erasmus Harsey, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8250) for the relief of the heirs of Adolphus Feininger; to the Committee on War Claims.

Also, a bill (H. R. 8251) for the relief of the heirs of Harriet Holman, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8252) for the relief of the legal representatives of Naloti Biraghi; to the Committee on War Claims.

Also, a bill (H. R. 8253) for the relief of the legal representatives of Mary S. Brennan, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8254) for the relief of the trustees of the German Lutheran Church of Orangeburg, S. C.; to the Committee on War Claims.

Also, a bill (H. R. 8255) to provide for the erection of a monument to Maj. Gen. Thomas Sumter; to the Committee on the Library.

Also, a bill (H. R. 8256) authorizing the President to nominate and, by and with the advice and consent of the Senate, appoint E. F. Slater, a first lieutenant in the Medical Reserve Corps of the United States Army, a captain in the Medical Corps on the retired list, and increasing the retired list by one for the purposes of this act; to the Committee on Military Affairs.

By Mr. POST: A bill (H. R. 8257) granting a pension to Caroline Tingley; to the Committee on Invalid Pensions.

By Mr. TEMPLE: A bill (H. R. 8258) for the relief of Patrick H. McGee; to the Committee on Military Affairs.

By Mr. WINGO: A bill (H. R. 8259) to correct the military record of James M. Smith; to the Committee on Military Affairs.

By Mr. KENNEDY of Connecticut: A bill (H. R. 8260) granting an increase of pension to Charles F. Hubbell; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8261) granting an increase of pension to Fannie Czamanski; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8262) granting an increase of pension to Catharine Dillane; to the Committee on Invalid Pensions.

By Mr. SINNOTT: A bill (H. R. 8263) granting a pension to William C. Hathaway; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. BELL of California: Petition of the Board of Trade of Pasadena, Cal., favoring immediate construction of four battleships and the formation of a naval reserve; to the Committee on Naval Affairs.

By Mr. CURRY: Petition of the San Mateo County (Cal.) Development Association, favoring the passage of legislation for the formation of a naval reserve; to the Committee on Naval Affairs.

Also, petition of the San Mateo County (Cal.) Development Association, favoring the passage of legislation for the construction of four new battleships and necessary auxiliary boats; to the Committee on Naval Affairs.

By Mr. ESCH: Papers in support of House bill 2641, granting a pension to Elmer E. Palmer; to the Committee on Invalid Pensions.

Also, papers in support of House bill 2640, granting a pension to Rachel Hawkins; to the Committee on Invalid Pensions.

Also, papers in support of House bill 2644, granting an increase of pension to Lucien A. McWithey; to the Committee on Invalid Pensions.

Also, papers in support of House bill 2643, granting an increase of pension to Louis K. Turner; to the Committee on Pensions.

Also, papers in support of House bill 2638, granting a pension to Elizabeth Thurston; to the Committee on Invalid Pensions.

Also, papers in support of House bill 2639, granting a pension to Marcia J. Dewey; to the committee on Pensions.

By Mr. LAFFERTY: Petition of the Portland Chamber of Commerce, Portland, Oreg., favoring the passage of legislation for the formation of a naval reserve; to the Committee on Naval Affairs.

HOUSE OF REPRESENTATIVES.

WEDNESDAY, September 17, 1913.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Our Father in heaven, keep us in all our intercourse with our fellow men in touch with Thee lest we forget the admonition, "Judge not, that ye be not judged. For with what judgment ye judge, ye shall be judged: and with what measure ye mete, it shall be measured unto you," and help us to put into our daily life that other injunction, "All things whatsoever ye would that men should do to you, do ye even so to them, for this is the law and the prophets." Thus may we hallow Thy name, in the spirit of the Lord Jesus Christ. Amen.

The Journal of the proceedings of yesterday was read and approved.

THE MODERN WOMAN.

Mr. GEORGE. Mr. Speaker, I ask unanimous consent to print in the RECORD an article by Helen Keller, entitled "The modern woman."

The SPEAKER. The gentleman from New York asks unanimous consent to print in the RECORD an article by Helen Keller. Is there objection?

There was no objection.

CALENDAR WEDNESDAY.

Mr. GLASS. Mr. Speaker, I move to dispense with the proceedings under Calendar Wednesday for to-day.

The SPEAKER. The gentleman from Virginia moves to dispense with proceedings under Calendar Wednesday for to-day.

The question was taken; and two-thirds having voted in favor thereof, the motion was agreed to.

THE CURRENCY.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, the currency bill.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the currency bill, with Mr. GARNER in the chair.

The CHAIRMAN. The House is now in Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. LANGLEY. Mr. Chairman, I ask unanimous consent to address the committee for 10 minutes.

The CHAIRMAN. The gentleman from Kentucky asks unanimous consent to address the committee for 10 minutes. Is there objection?

There was no objection.

Mr. LANGLEY. Mr. Chairman, on last Monday during the consideration of this bill the gentleman from Connecticut [Mr. DONOVAN] made certain references to Members of this House that I do not think should be permitted to pass unnoticed. I would have replied at the time, but owing to the confusion in the Chamber I did not fully grasp the meaning of what the gentleman said. I would have brought the matter up yesterday, but the gentleman from Virginia [Mr. GLASS] in charge of the bill, who has been so courteous to us all, was anxious to hurry along its consideration, and I refrained.

Mr. Chairman, although the gentleman from Connecticut has been here but a short time, he undertook to lecture the Members of this House and to charge them with dereliction of duty. He not only criticized individual Members, but he attacked whole State delegations in the broad sweep of his arraignment. He denounced the New York delegation because of their absence on that day, when he should have remembered that they were absent by order of the House to pay the last tribute of respect to their dead colleague, who was loved and honored in his district as few men have been. But the New York delegation can take care of itself.

He denounced the Kentucky delegation also for being absent. That delegation was not all on the floor at the moment, it is true; but I think every one was here in the city attending to his duties and ready to vote when needed except the gentleman from the seventh district, Mr. CANTRELL, who was by the bedside of his sick wife, where every Kentuckian and every other fair-minded human being will concede it was his sacred duty to be.

I beg to say to the gentleman that even excluding the two Republican Members of that State from consideration, he would have had to commence work in this House at a time "whereof the memory of man runneth not to the contrary," and would have to work until the sea gives up its dead and the heavens roll together as a scroll, before he could approach the record which has been made by the present Democratic membership from Kentucky in the matters of devotion to the public interests and the faithful performance of their duty as they have seen it. [Applause.]

The gentleman made the statement that I had not been here for several months until within the last few days. The statement was so unjust to me that I hastily replied that it was not true and that the gentleman knew that it was not true. I have served in this body for a good many years now, and I have always tried to observe the rules, to do no one injustice, and to treat every Member with courtesy and kindness. If a single one of you bears me any ill will, you have carefully concealed it from me. I honor the dignity and high character of the membership of this great body, and I want to ask you to pardon me for having made an unparliamentary statement in your presence, even though the provocation may have excused it. I reiterate the assertion that the gentleman's statement about my absence was not true, as I have been here most of the time during that period and have been working for my people practically every day; but I want to withdraw the statement that he knew that it was not true. I shall charitably assume that he did not know it. And perhaps we ought not to be too harsh with him for the other things he said. He has not been here long enough to learn the amenities that are observed between gentlemen in public life; and especially ought we to be a little lenient with him, since he is to be a one-term Congressman, for I am told that the people of his district already regret their action last fall and have resolved to do better next time. [Laughter.]

If the gentleman thinks that he has succeeded in embarrassing me in the slightest by what he said about my absence, he is very much mistaken. I am answerable to my constituents. They know what I am doing for them, and they know where I was during the time that I was away from Washington. The gentleman has not been here long enough to know—and he will not be here long enough to learn—that an efficient Congressman has a great deal to do besides sitting around here in this Hall, and loitering in the cloak rooms waiting to go on record, pestering his fellow Members and blindly answering roll calls. I have missed a number of roll calls, even while here in Washington, on matters that were not important to my district, because I was looking after matters in committees or in the departments that were important to it. And while I was down in Kentucky recently I spent many days in helping old soldiers prepare their cases for action and in looking after many other official matters. Indeed, I had a branch congressional office and bureau of official information down there, and much of the time was spent in telling my Republican friends about how soon I thought the ax of the Democratic headsman would fall and in telling my Democratic friends, in answer to their earnest inquiries, how to work the present administration for a job, notwithstanding the civil-service law. [Laughter.] I had sense enough to know that I would not be allowed to have anything to do with framing the tariff and currency bills, and I was putting in my time in other ways that were useful to my people. I can truthfully say that I have not had 15 days of actual vacation this year.

The gentleman said, in effect, although the remarks do not appear in the RECORD in that way, that Members have been guilty of petit larceny in drawing their salaries for services when they were not here.

Carrying his contention to its logical conclusion, the gentleman convicts himself, not of petit larceny, but of grand larceny every time he draws his salary. I am told that in his campaign last fall he charged his opponent with favoring too low a rate of duty on certain Connecticut products, and that he won his election that way; and yet he voted for the Underwood bill, which made the duty still lower.

They tell me also that the gentleman from Connecticut—

Mr. THOMAS rose.

The CHAIRMAN. Does the gentleman from Kentucky yield to his colleague?

Mr. LANGLEY. No, Mr. Chairman; I can not yield. If the gentleman were able to give me any more time I would be very glad to yield. They tell me that the gentleman from Connecticut [Mr. DONOVAN] came down here under the specific pledge that he would see that Danbury hats were properly provided for in the tariff bill. He has not accomplished that, and if my information is correct it strikes me that the conclusion is unavoidable.

able that he is holding his present job under false pretenses and is not, therefore, equitably entitled to any salary at all.

Mr. Chairman, although it does not so appear in the RECORD, the gentleman from Connecticut said, in effect, that if anyone drew his salary while he was not here it was practically equivalent to stealing.

The records of this House show that the gentleman from Connecticut [Mr. DONOVAN] was himself absent on 10 roll calls during this session, surprising as it may seem in view of his statements the other day, this being nearly one-third of the roll calls during this extra session of Congress. [Applause and laughter.] If the gentleman is correct in his contention, the gist of his complaint seems to be, employing his own characterization of the alleged offense, that some other Member has been able to manage it so as to steal just a little bit more than he has.

Some gentlemen have suggested that we ought to apply his argument to his own case and pass a resolution directing a deduction from his salary of the amount paid him for the time that the RECORD shows that he was absent. But, Mr. Speaker, I do not want to see that done. Let him draw his full salary, especially since he is to draw it for such a short time. I think, however, that as a matter of retributive justice the people of the fourth Connecticut district ought to do penance for their mistake by reimbursing the Treasury of the United States. In conclusion, let me commend to the venerable but ill-advised gentleman from Connecticut that beautiful gem of the philosophy of human life embodied in the Savior's Sermon on the Mount:

Cast out first the beam out of thine own eye; and then shalt thou see clearly to cast out the mote out of thy brother's eye.

[Applause.]

In other words, gentlemen who abide in glass houses should keep their gravels in their pockets. [Applause and laughter.]

Mr. GOULDEN. Mr. Chairman, in behalf of the delegation from the State of New York I ask unanimous consent to proceed for three minutes.

The CHAIRMAN. The gentleman from New York asks unanimous consent to proceed for three minutes. Is there objection? There was no objection.

Mr. GOULDEN. Mr. Chairman, I would not do so if the gentleman from Connecticut [Mr. DONOVAN] had not attacked the Members from the State of New York and the gentleman from Kentucky had not alluded to it. By an order of the House, House resolution 253, passed on Saturday last, 18 of the Representatives from the State of New York were detailed to attend the funeral services of our late lamented colleague, TIMOTHY D. SULLIVAN. The gentleman from Connecticut [Mr. DONOVAN] should have known that fact before, as I think, inadvertently and unintentionally he made his very badly timed attack upon the Representatives from the State of New York. Personally I am willing to put my record of eight years' service in this House against his record after he has served for that period of time, which I hope he may do, and then I shall compare roll calls and the record of attendance for those eight years. I desire to quote his own statement from the RECORD, appearing on page 4939 of the RECORD of September 15, 1913:

Take a great State like the State of New York, with scarcely any of its Members present, and other great States, and there is a very small percentage of them present.

It is well known to myself and to many others that there were at least 10 of the New York Members present on the floor when this charge was made. And there were 12 or more present at the funeral ceremonies of T. D. SULLIVAN, of New York. Now, others were in the city, but not present, at the time being engaged in official business elsewhere. I desire simply to make this statement, so that the public press, which has quoted this matter, the gentleman from Connecticut, and other Members of the House may know that the New York Members attend to their duties as faithfully, as zealously, and as well as Members of any other State in this Union, and we are accountable to our own people and not to the gentleman from Connecticut. [Applause.]

Mr. MURDOCK. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MURDOCK. How far had the Clerk read?

The CHAIRMAN. The Clerk had finished reading paragraph 15.

Mr. MURDOCK. That brings us down to line 11, page 28.

The CHAIRMAN. Yes.

Mr. DONOVAN. Mr. Chairman, I presume the proper motion to make is to ask unanimous consent for time.

The CHAIRMAN. The gentleman can ask unanimous consent for time.

Mr. DONOVAN. Then I ask that I may be allowed seven or eight minutes.

The CHAIRMAN. The gentleman from Connecticut asks unanimous consent that he may address the committee for eight minutes.

Mr. DONOVAN. Five minutes then.

The CHAIRMAN. Is there objection? [After a pause.] The Chair hears none.

Mr. DONOVAN. Mr. Chairman, no single statement that I made the other day was lacking in truth. Technically there may be a day or two out of the way. The gentleman from Kentucky [Mr. LANGLEY] left this Chamber some time during May and he returned a few days ago, practically absent four months.

Mr. LANGLEY. Will the gentleman yield?

Mr. DONOVAN. The gentleman from Kentucky was practically away four months. Now, in the meantime there have been three or four bills—

Mr. LANGLEY. I only want the facts shown. I have nothing to conceal. The gentleman is mistaken. I have been here time and again—

The CHAIRMAN. Does the gentleman from Connecticut yield to the gentleman from Kentucky?

Mr. LANGLEY. I merely wanted to say again that the gentleman is entirely wrong, and I can easily show it if—

Mr. DONOVAN. Not at this moment.

The CHAIRMAN. The gentleman declines to yield.

Mr. DONOVAN. And during that time I believe there were four bills put in that basket for pensions or relief of old soldiers. That is the result of four months' work. Now, a word in regard to the New York situation. In that case it was a most aggravated one. We had been here without a quorum day after day, and during those days it was noticeable that the Members from New York were absent.

Mr. GOLDFOGLE. Mr. Chairman—

Mr. DONOVAN. We have had a few, but the percentage was very great.

The CHAIRMAN. Does the gentleman yield to the gentleman from New York?

Mr. DONOVAN. Not at this time; in a moment.

The CHAIRMAN. The gentleman declines to yield.

Mr. DONOVAN. Now, I am speaking of one particular section of New York running from the river to the extreme end of Long Island, and most of the time every one of those Members have been absent. There has been now and then one here who marches up one aisle and down the other and shows himself in the course of half an hour, and who is not seen again until pay day. [Laughter and applause.] Now, the number of Members from that particular section is 11, greater than the average number from the States of the whole Union. They do not average that. Of course the gentleman from New York, Mr. GOLDFOGLE, he is here—now and then. [Laughter and applause.] The gentleman from New York—I forget his name for a moment—Mr. GOULDEN I think it is—

Mr. GOULDEN. The gentleman has it.

Mr. DONOVAN. If he was an honorable man, as I always thought he was—he was in New York for a couple of months running for office, running for a nomination, and now he is nominated and holds on to the position with a salary, and if he was an honorable man he would resign one place or the other.

Mr. GOLDFOGLE. Mr. Chairman, I rise to a question of order.

The CHAIRMAN. The gentleman from New York [Mr. GOLDFOGLE] rises to a question of order.

Mr. GOLDFOGLE. Mr. Chairman, I rise to a point of order. The gentleman is violating the rules by indulging in personalities. When he had reference to my colleague [Mr. GOULDEN] he violated the express rule of this House by indulging in personalities and attacking a Member on the floor.

The CHAIRMAN. The point of order is sustained. The gentleman from Connecticut [Mr. DONOVAN] will take his seat until the committee gives him unanimous consent to proceed.

Mr. CLARK of Florida. Mr. Chairman, I ask unanimous consent that the gentleman from Connecticut [Mr. DONOVAN] may be allowed to proceed in order.

Mr. GOLDFOGLE. Mr. Chairman, I join in the request.

The CHAIRMAN. The gentleman from Florida [Mr. CLARK] asks unanimous consent that the gentleman from Connecticut [Mr. DONOVAN] may be permitted to proceed in order. Is there objection? [After a pause.] The Chair hears none. The gentleman from Connecticut [Mr. DONOVAN] is recognized.

Mr. DONOVAN. Mr. Chairman, it is a pity that some of the distinguished gentlemen who have risen on the floor did not refer to the portion of the charge the other day, and that was the portion relating to the able men of our body being absent and allowing the management of the business to new Members, or inexperienced ones. Outside of a few the rest of us were

inexperienced. Here was a currency bill before us for action, and they were away at home. Mr. Chairman, am I out of order now? [Laughter.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. DONOVAN. Mr. Chairman, I ask unanimous consent for three minutes more.

The CHAIRMAN. The gentleman from Connecticut asks unanimous consent that he may proceed for three minutes. Is there objection?

Mr. WILSON of Florida. Mr. Chairman, we must go on with the currency bill. I must object.

The CHAIRMAN. The gentleman from Florida objects.

Mr. THOMAS. Mr. Chairman—

Mr. GLASS. Mr. Chairman, I want to proceed with this bill. I hope there will be no further miscellaneous discussions.

Mr. THOMAS. Mr. Chairman, I ask unanimous consent for two minutes.

Mr. GLASS. I give notice now that from now on I am going to object.

The CHAIRMAN. The gentleman from Kentucky [Mr. THOMAS] asks unanimous consent to proceed for two minutes. Is there objection? [After a pause.] The Chair hears none. The gentleman from Kentucky [Mr. THOMAS] is recognized.

Mr. THOMAS. Mr. Chairman, it seems to me that the gentleman from Connecticut [Mr. DONOVAN] has been animadverting against the delegation from Kentucky, accusing them of absenteeism. Well, he did not mean me, because I have been here nearly all the time, and I do not think that I have missed but one or two roll calls during this session of Congress.

Mr. DONOVAN. Mr. Chairman, now just a word. I can say that, as the gentleman has stated it, he has misstated it. He ought to have read the Record before making the statement.

Mr. THOMAS. I did; and that is what I say, though you may not have meant Kentucky.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] is recognized.

Mr. GOLDFOGLE. Mr. Chairman—

Mr. GLASS. Mr. Chairman, I shall positively object to any further interruptions. I ask to proceed with the consideration of this bill.

Mr. GOLDFOGLE. Mr. Chairman—

Mr. LINDBERGH. Mr. Chairman, I desire to offer an amendment.

The CHAIRMAN. The Chair will state the unanimous consent first. The request is made for unanimous consent that all debate on section 15 and amendments thereto be concluded.

Mr. GLASS. Mr. Chairman, I ask unanimous consent—

Mr. MURDOCK. Mr. Chairman, I want five minutes and the gentleman from Minnesota [Mr. LINDBERGH] wants five minutes.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that all debate on this section and amendments thereto conclude in 15 minutes.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] asks unanimous consent that all debate on this section and amendments thereto be closed in 15 minutes. Is there objection?

Mr. GOLDFOGLE. Mr. Chairman, reserving the right to object, I would like to ask the gentleman from Virginia [Mr. GLASS], who, I am sure, wishes to dispose of this bill in the shortest possible time, and I join with him in that, whether he will give his consent that I may have five minutes on the floor. I do not wish to speak for myself. There is no necessity for asking that, but I do wish to speak for the New York delegation, and as I am the senior member on the floor at the present time I deem it my duty to the New York delegation to reply to the gentleman from Connecticut.

Mr. MANN. No; you are a junior by 20 years.

Mr. PAYNE. Mr. Chairman, while I appreciate the courtesy of my colleague [Mr. GOLDFOGLE], I do not want the gentleman to appear for me, although I am a member of the New York delegation. I think the reference that has been made to them by the gentleman from Connecticut [Mr. DONOVAN] would not injure them.

Mr. GOLDFOGLE. My colleague is right. I did not observe him on the floor. [Laughter.]

The CHAIRMAN. Is there objection?

Mr. DONOVAN. I reserve the right to object, Mr. Chairman, unless I can have five minutes in which to reply.

Mr. BORLAND. Mr. Chairman, I call for the regular order.

The CHAIRMAN. Is there objection? [After a pause.] The Chair hears none. The gentleman from Minnesota [Mr. LINDBERGH] offers an amendment which the Clerk will report.

The Clerk read as follows:

Amend, page 28, line 1, after the word "country," by striking out the semicolon and inserting in lieu thereof a period, and striking out all in said line following said period and all of lines 2 to 10, inclusive.

Mr. LINDBERGH. Mr. Chairman, the part of the section which my amendment proposes to strike out is that authorizing the Federal reserve banks to establish agencies in foreign countries. There is in this bill a section which authorizes the establishment by our national banks of branch banks in foreign countries, and I believe under that section it is possible and probable, and reasonable, in fact, that the banks so authorized to be organized can attend to all the business that would be required to be performed in connection with our foreign commerce.

The Federal reserve banks will have in their vaults the deposits of the Treasury of the United States. They will be the fiscal agents of the United States. I do not believe that the money belonging to the people of the United States should be diverted from this country and used for speculation or for the buying of paper in foreign countries. I think that should be left entirely to the branch banks that are authorized under another section of this bill to be established by our national banks.

I am not in favor of the Government guaranty of bank deposits, nor in favor of giving the banks the money in the Treasury.

After the 1907 panic there were many people who advocated the guaranty of bank deposits as a remedy for panics. The guaranty of bank deposits would have little, if any, relation to the cost of living and would not affect any of the fundamental relations of the people with each other.

I should have grave fears as to the ultimate success of a guaranty of bank deposits. In the first place, unless there should be some provision prohibiting certain kinds of speculation, or unless human nature should change, even the guaranty of bank deposits would not prevent panics, but would simply defer the day by postponing the hour of fear; for by the very nature of things, when a bull market starts the boom or speculative excitement continues until it reaches a point when economically a breakdown is inevitable.

There is, in so far as the legitimate industrial pursuits of the country are concerned, both a theoretical and a practical possibility of a self-sustained credit system, based upon monetary foundation for the exchanges, but when you inject into that the complications arising out of speculative gambling the more you reinforce the system of credit and give an unguarded confidence in it the greater the opportunity the gambling speculators have to fleece the public by keeping up a bull market.

Confidence, when based upon solid economic conditions, is of great value, but I wish to emphasize the necessity for the people to be suspicious enough to carefully scrutinize the Wall Street manipulations. Just as long as we leave that Wall Street gambling contingent, with its allied banks in the large cities, in a position that enables it to throw its influence into the markets we are going to have our occasional panic troubles, the Glass bill notwithstanding.

It is probable that if the Government had guaranteed all of the deposits in October, 1907, and continued that guaranty the panic would not have occurred in that month; but it had to come sooner or later, because the rottenness that caused it would not have been eradicated. Speculative parasites had oversubscribed the credit and crowded out legitimate industry by overbidding it for the use of the money and credits of the country. If our credit had been still more expansive and if the people, in addition to what they had on deposit, had deposited a considerable part of the \$1,666,000,000 which they then held outside of the banks, industry could have thrived a while longer, but the growth of the speculative parasites would eventually have monopolized the credit. Yes; the speculators would have pushed the bull game and pushed up the prices until such times as even a Government guaranty could not hold back a panic; and when it did come it would be greater in its severity in proportion to the amount to which the market was overbullied, and the fact that the Government was responsible for the guaranty amount might ultimately destroy the credit of the Government.

We must not forget that our confidence is the stock in trade and capital of the professional gambling bulls, and that we must not have too much of it; nor should we forget that distrust is the stock in trade and capital of the professional gambling bears, and that these two sets of speculators are watching the plain people with the keenest eyes. They rob the people on both the rising and falling markets. The bulls catch the public when prices go up by selling to the public, and the bears then force the price down. This is done to make the public pay the higher prices and sell at the lower prices. A satisfactory remedy for panics can not be gained by creating confidence unless we can eliminate the professional speculators. In other words, we need confidence in legitimate enterprise and distrust in predatory speculation. The plain people must not repose confidence in the speculator class of people and thereby permit them to work the confidence game on us to our own ruin. The more confi-

dence we have in our present system the more we shall lose in the end.

I have another reason for doubting the advisability of guaranty of bank deposits. Under the present loose system of examining banks the doors are left open for easy trickery, which makes it possible for sharpers to rob the people. Let me illustrate: Under our present system it is possible for 10 men to combine and start a national bank with 50 per cent of the capital required and to immediately borrow from the deposits that they secure enough to recoup their 50 per cent capital and, in addition, enough to fully pay their stock, so as to leave no capital in the bank except their promissory notes; and, what is more, they are free to repeat that operation by starting a hundred banks in as many different towns and not invest an actual dollar. But even that is not all. The loose way in which banks are examined makes it possible for them to put into the banks the notes of irresponsible parties, which notes might eat up the deposits as rapidly as they are received. No one can prevent this condition except the bank examiners. I have seen an examiner enter a bank in the morning and finish his examination the same day. During that time he had covered a business of several hundred thousands of dollars without learning the value of any of the bills receivable. I have seen this happen again and again in various banks. Bankers are men of integrity and responsibility. Otherwise they could easily have done all that I have described as possible, and some of them do carry on a note-kiting system, as we all know.

From what I have said it may easily be seen that a few schemers could abuse the privilege the system gives them. In fact, some of them could so arrange it that their representatives could have large deposits evidenced upon the books of the bank in their control and never have deposited any money, but merely covered the deposits by the class of notes before referred to. These deposits, under a guaranty system, would be protected unless the fraud could be established. That can not often be proven, regardless of the fact that it exists.

If there is to be a guaranty of bank deposits, the guaranty of the deposits of any one person in any one bank should be limited. Under no condition should we favor a guaranty of deposits of the hundreds of thousands and millions of dollars that are owned by single individuals.

But even the guaranty of the smaller deposits would have its dangers, for those with large deposits, if they became frightened, might make a run for the excess and defeat the very object of the law. Such a law, again, would, from the standpoint of securing deposits, put the careful, conservative, able, and honest banker on the same footing with the careless, indifferent, or even dishonest banker. Depositors would also be careless under such a system.

These, I believe, are sufficient reasons to show that it is unwise for the Government to guarantee bank deposits.

Let us suppose, for instance, that in October, 1907, instead of a lack of confidence in the bankers the people should have had so much confidence in them that they had deposited in the banks and with the trust companies the most of the \$1,666,000,000 that was then in general circulation outside of the banks. What would have happened? The banks would have made loans to anybody from whom they thought they had a fair chance of getting it back. We would have seen such a boom and inflation as have never been known in the history of the world. That might have continued for two, three, or four years. What do you suppose the gambling contingency would be doing during that time? Everybody knows. Will somebody answer where a guaranty of bank deposits would have landed us under such conditions when the crash actually did come?

The people require a system that will make their capital available, in order that they may develop the natural physical resources of the country. Everybody desires to encourage enterprise. I have noticed that when there is active enterprise there is also a tendency to bull the markets, and the mark is constantly being overshot, because the country is honeycombed with speculators possessing the gambling instinct. Setbacks are the economic penalty and there is not the least possibility, even with a guaranty of bank deposits, of averting them under our present plan of finances. The Glass bill is not panic proof. A guaranty of bank deposits would only serve to promote a temporary confidence which would be more completely shattered when it was found that that confidence would be seized upon by speculators to further their selfish interests.

Mr. BORLAND and Mr. MURDOCK rose.

The CHAIRMAN. The gentleman from Kansas [Mr. MURDOCK] will be recognized.

Mr. MURDOCK. Mr. Chairman, we have now reached that part of the bill where we are to deal with the change in a considerable portion of the Nation's money. We have concluded

that part of the bill that has to do with the organization of the new banking system.

During the panic of 1907 I called at the Treasury Department and asked an expert to show me the difference, in kindergarten fashion, in the various money issues of this country. While he was putting me through my lesson he held up a national bank note and a greenback. He asked me if I knew the difference between the banking functions of the two issues, and I told him that I did not, and he said there was a very vital difference; that a national bank note was not reserve money, and that a greenback was.

I never believed that the national bank note was a wholly equitable money. I believe that if Congress 50 years ago could have understood just exactly what part the bank note was to play, it would not have provided for its issue in the form it bears. I believe that one of the most serviceable things that could have been done for this country in the last 50 years would have been to have swung over the Speaker's table, there, this legend: "The issue of bank notes is profitable to the banks, as it means the payment of their indebtedness by the issue of promissory notes bearing no interest, instead of by paying out lawful money and contracting their powers to grant credit."

Mr. KORBLY. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Kansas yield to the gentleman from Indiana?

Mr. MURDOCK. I regret I can not yield now. The gentleman can answer me in his own time.

The CHAIRMAN. The gentleman from Kansas declines to yield.

Mr. MURDOCK. Now, under the system of bank-note issues in which bank notes are kept out in circulation, the banks of this country have been prosperous above most other businesses. I picked up recently the market quotations of the prices of New York bank stocks, and I found that the quoted price of the Chemical National Bank stock was \$650; that of the Hanover National Bank, \$645; and that of the First National, \$975; and while these are the highest quotations among the New York national banks, still the quoted prices of the stocks of the other New York banks are high. The banks have been prosperous hitherto.

Now, we are going shortly to make a change in the system. It is a momentous change. There is nothing that Congress has done in the last 50 years, probably, that surpasses, in public interest, that change. I hope it will be for the better.

Now, what have we here? We have been three days in Committee of the Whole debating this bill. Members have offered amendment after amendment.

Beyond doubt some of them have been meritorious. Every time an amendment has been offered, save those offered by the gentleman from Virginia and those with him on the committee, it has been voted down. Each in its turn has gone up against the stone wall of the caucus pledge. Now, why continue the farce? The President urges immediate action. He wants expedition. The Senate is waiting. It has nothing now to engage it. The country does not believe in this sort of procedure. The country would like this Committee of the Whole to give this bill actual consideration, so that amendments could be offered in good faith and voted upon in good faith, and if meritorious, adopted; and if not meritorious in the opinion of Members, then voted down. The country does not believe in the doctrine that the three coordinate branches of this Government consist of the executive, the judiciary, and the Democratic caucus. The people want this House to consider this measure in the open. If you are not going to open up this currency bill for actual consideration, if legislation is to be confined to the caucus, if the word of the caucus is to be final, then why go along with this farce? Why not stop here, expedite your bill, get it out of the way, get it over to the Senate, and put it through?

Now, Mr. Chairman, in view of the methods of legislation here, I ask unanimous consent to suspend the further reading of this bill, that the committee rise and report it to the House with the recommendation that it do pass.

A MEMBER. I second that motion.

Mr. KITCHIN. We are all with the gentleman on that over here.

The CHAIRMAN. The gentleman from Kansas asks unanimous consent that the further reading of the bill be suspended and that the committee recommend its passage.

Mr. MURRAY of Oklahoma. Reserving the right to object—

Mr. MANN. I object.

Mr. MONDELL. I object, too.

The CHAIRMAN. Objection is made.

Mr. PHELAN. Mr. Chairman, I just want to say a word in response to the gentleman from Minnesota [Mr. LINDBERGH] as to the reason why the Federal reserve banks are given the right to establish foreign branches. The gentleman should keep in mind all the time the fact that this bill is not framed primarily for the purpose of aiding the banks, but primarily for the purpose of helping business, commerce, and agriculture in this country. If the gentleman will bear that fact in mind, he will see more clearly why that provision was put in the bill. We want to develop our foreign trade. Up to the present time there has been no American bank in any foreign country. In addition to giving national banks having a capitalization of \$1,000,000 the right to establish banks abroad, we have also given the Federal reserve banks the right to establish themselves abroad in order to develop American trade. It may be that the national banks will take care of that trade. In all likelihood they will take care of it in some countries, but there may be other countries in which they will not take care of the trade, and we want to provide the means whereby this trade will be taken care of, and whereby they will be given American banking facilities all over the world where we have an export or import trade.

Mr. LINDBERGH. Will the gentleman yield for a question?

Mr. PHELAN. Certainly.

Mr. LINDBERGH. Does not the gentleman think that in all cases where it is profitable to do so the national banks will establish these branch banks so that they can take care of the trade.

Mr. PHELAN. I do not know whether that is so or not. It is my understanding that at the present time in the island of Porto Rico the business is done largely by Canadian banks. Although there is authority to establish an American bank there, our American bankers have not taken care of that situation. Now, we do not want to depend entirely, at any rate at the beginning we do not want to depend entirely, on what our national banks may do. We want to have a provision in this bill so that foreign trade will be taken care of, and it can be met by this provision as well as the other provision.

Mr. LINDBERGH. Referring further to the deposit of the United States Treasury funds in the Federal reserve banks, suppose we should have a war with some nation with which, or with whose citizens, the Federal reserve banks were doing business, and the United States Treasury deposits were invested in such country in deposits, in notes, bills of exchange, and so forth, would not that complicate the situation here in some ways?

Mr. PHELAN. It will be a surprising thing if the Government deposits are placed in the branches in foreign countries. They will be put in the banks in this country. The foreign branches are simply agencies that are provided for, but the Government deposits are not going to be kept in those Federal agencies.

Mr. LINDBERGH. But they can use those Government deposits to invest in bills of exchange, and so forth, in foreign countries?

Mr. PHELAN. If they are a part of their assets they can; yes.

Mr. LINDBERGH. Then, they would be invested over there, and if we had a war with a foreign country, that might in some dangerous degree interfere with the use of our deposits.

Mr. MONTAGUE. Mr. Chairman, if the reason the gentleman advances is sound, why is it that England, Germany, and other European countries do a very large banking business throughout South America as well as other foreign countries?

Mr. LINDBERGH. The banks of those countries do the business and not the governments. My objection is not to the banks taking care of the foreign commerce, but to the United States Treasury funds being used for that purpose.

Mr. PHELAN. I do not believe there is any danger in this provision.

Mr. LINDBERGH. There may be great danger, and we should avoid any danger.

Mr. BORLAND. Mr. Chairman, I rise to oppose the amendment offered by the gentleman from Minnesota. The feature of this bill that relates to the extension of the banking system to foreign countries is among the most valuable features that the bill contains. If there has been any notable lack of banking system in this country it has been the handicap we have been under in the transaction of business in foreign countries.

Mr. LINDBERGH. Will the gentleman yield?

Mr. BORLAND. Certainly.

Mr. LINDBERGH. Does not the gentleman think that the branch banks provided for in this section would take care of that business?

Mr. BORLAND. No; and I am going to answer the gentleman's contention. I think we can not have too many facilities over there. It is true the bill does provide that the national-bank associations of this country having a capital of a million dollars may establish foreign branch banks under the consent of the Federal reserve board. That is a very valuable provision, because not only are the foreign countries without American banks but the British banks and the German banks aid their business men in other countries to compete with the American merchant. We have not even the facilities in our own Colonial possessions. As the gentleman has said, in Porto Rico practically the entire banking business is done by the Royal Bank of Canada, and they get even our commercial business.

I understand there was an American bank went down there. I do not intend ignorantly or intentionally to reflect upon an American enterprise, but my understanding is that that was a State bank chartered by some State in the Union that is in the habit of issuing charters to do foreign business to enterprises that they would not issue to do business in this country. I am not absolutely positive that that occurred, but I do know that the American bank did not get the bulk of the business.

Now, this provision that a million-dollar bank in this country may establish foreign agents is a good one. A bank in this country ought to have a financial standing before it undertakes to do a foreign business, but how is your little bank going to participate? What is the miller in a little town where there is a small bank to do when he wants to make a shipment?

The CHAIRMAN. The time of the gentleman from Missouri has expired; all time has expired.

Mr. BORLAND. Mr. Chairman, I did not know that there was any limitation of time.

The CHAIRMAN. The time is limited by unanimous consent to 15 minutes.

Mr. BORLAND. My understanding was that that was objected to.

Mr. GOLDFOGLE. Mr. Chairman, I recollect that when the Chair put the question I objected.

Mr. MANN. The gentleman was too late.

The CHAIRMAN. The gentleman from New York reserved an objection, and after the discussion the Chair again put the question for unanimous consent, and asked in an audible tone if there was any objection, and announced that there was none, and the gentleman from New York did not question it.

Mr. GLASS. The Chair is exactly right.

The question was taken, and the amendment was lost.

The Clerk read as follows:

GOVERNMENT DEPOSITS.

SEC. 16. That all moneys now held in the general fund of the Treasury shall, upon the direction of the Secretary of the Treasury, within 12 months after the passage of this act, be deposited in Federal reserve banks, which banks shall act as fiscal agents of the United States; and thereafter the revenues of the Government shall be regularly deposited in such banks, and disbursements shall be made by checks drawn against such deposits.

The Secretary of the Treasury shall, subject to the approval of the Federal reserve board, from time to time, apportion the funds of the Government among the said Federal reserve banks, distributing them, as far as practicable, equitably between different sections, and may, at their joint discretion, charge interest thereon and fix, from month to month, a rate which shall be regularly paid by the banks holding such deposits: *Provided*, That no Federal reserve bank shall pay interest upon any deposits except those of the United States.

No Federal reserve bank shall receive or credit deposits except from the Government of the United States, its own member banks, and, to the extent permitted by this act, from other Federal reserve banks. All domestic transactions of the Federal reserve banks involving a rediscount operation or the creation of deposit accounts shall be confined to the Government and the depositing and Federal reserve banks, with the exception of the purchase or sale of Government or State securities or of gold coin or bullion.

Mr. BULKLEY. Mr. Chairman, I offer the following committee amendment.

The Clerk read as follows:

Page 28, line 13, after the word "Treasury," insert: "Except the 5 per cent fund for the redemption of outstanding national bank notes."

Mr. BULKLEY. Mr. Chairman, as provided by section 6 of the act of July 14, 1890, the 5 per cent redemption fund which national banks are required to carry with the Treasurer of the United States for redemption of the circulating notes is covered into the general fund. It is inconsistent with the idea of the redemption fund that that money should be deposited in the Federal reserve banks. Obviously it should be held in the Treasury for the redemption of the circulating notes, and this amendment is intended to correct an inadvertence in the draft of the bill.

The CHAIRMAN. The question is on the committee amendment offered by the gentleman from Ohio.

Mr. BORLAND rose.

Mr. BULKLEY. Mr. Chairman, I have another committee amendment that I desire to add.

The CHAIRMAN. The Chair desires to ask the gentleman from Missouri whether he desires recognition?

Mr. BORLAND. I was asking for recognition, but I desire to yield to the gentleman on the committee.

The CHAIRMAN. If the gentleman desires to discuss this particular amendment, he has that right. The Chair wishes to recognize the gentleman from Missouri, if he desires recognition.

Mr. BORLAND. I yield my right in favor of the committee amendment; otherwise, I would like to have recognition.

The CHAIRMAN. The Chair is advised that it is the universal custom, after the Chair begins to put a question, that a Member shall not then rise and ask for recognition.

Mr. BORLAND. My understanding was, I will say to the Chair, that the Chair had put the question and that the amendment had already been carried—

The CHAIRMAN. It had not.

Mr. BORLAND. And that the gentleman from Ohio was about to offer another amendment.

The CHAIRMAN. That is not the case.

Mr. BORLAND. Then I ask for recognition.

Mr. MANN. Mr. Chairman, a Member is entitled to recognition any time before the negative vote is taken.

The CHAIRMAN. The Chair so understands. The gentleman from Missouri is recognized.

Mr. BORLAND. Mr. Chairman, I had no desire to interrupt the offering of a committee amendment, but there has been a good deal of discussion upon this floor, some of it within the last few minutes, in regard to our debate here upon this bill being a farce. Of course, if we do sit here and listen to gentlemen discuss whether or not they are guilty of petit larceny in drawing their salaries, and discussions upon subjects of that kind, that may bring down upon us that kind of criticism from business men throughout the country, but if we devote a little of our attention to the details of this bill, and when a matter comes up affecting the business men of the country we meet and oppose an amendment offered by a gentleman in the opposition in a serious and thoughtful way, then there is no reason why we should be open to the charge that we are conducting a farce in the discussion of this public measure.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield?

Mr. BORLAND. Certainly.

Mr. MURDOCK. The gentleman has made a statement, and I desire to ask him a question. Is there anything that could be done here that could not have been done in general debate, unless it originates with the committee?

Mr. BORLAND. Unquestionably.

Mr. MURDOCK. Not at all.

Mr. BORLAND. No man's judgment is infallible, and I do not suppose the members of this committee, with their legislative experience, would say that there is no proposition that could be put up to them that would be seriously urged, and urged with force and ability, that would not command their attention, and if it appeared to be an amendment in the way of improvement of the bill, that it would not secure their acceptance.

Mr. MURDOCK. Does the gentleman from Missouri really contend that if he offered an amendment which the gentleman from Virginia [Mr. GLASS] did not approve, regardless of what the sentiment of the House was, that that amendment would be adopted here in Committee of the Whole?

Mr. GLASS. Mr. Chairman, will my colleague from Missouri allow me to answer that question?

Mr. BORLAND. Certainly.

Mr. GLASS. The committee has time and again accepted amendments proposed by the other side, and it has other amendments here which it has accepted, proposed by the other side. The real complaint of the gentleman from Kansas [Mr. MURDOCK] is that this side has not regarded his amendments as meritorious.

Mr. BORLAND. Mr. Chairman, the gentleman will pardon me, but if we were to throw this bill in here to the actions of a shifting majority, sometimes made up of Republicans, Democrats, and Progressives, sometimes made up of Republicans and Progressives, and sometimes made up of Republicans and Democrats, we would finally get a bill that would satisfy no Member of this House, and one which would not express the views of any political party nor the policy of the administration nor the wishes of any set of business men in the country, and no one knows that better than the gentleman from Kansas. [Applause.]

Mr. MURDOCK. Mr. Chairman, I realize the gentleman is sincere in his statement, but the Constitution provides no such procedure. The Constitution does leave it to the entire membership of this House.

Mr. BORLAND. But the Constitution does give a constitutional majority in this House, or any majority in this House, the constitutional right to agree among themselves upon a settled line of party policy which they believe will carry out the pledge they made when they were elected, and when they stand together, after having reconciled differences among themselves, they can go before the people and say, "We have agreed in the main on this policy," and they would have the right not to change that policy at the sudden suggestion of some man who had not been in sympathy with that line of policy at all.

Mr. LINDBERGH. Will the gentleman point out that provision in the Constitution?

Mr. BORLAND. The Constitution gives a majority of this House the absolute right to pass a bill, and if they agree among themselves that a certain line of policy is to be followed they are following their constitutional right.

Mr. LINDBERGH. That is an addition by the gentleman which he is putting on.

Mr. BURKE of Pennsylvania. Does not that apply to a majority irrespective of party, and not to the majority party?

Mr. BORLAND. Oh, yes; if the gentleman can get a majority of the Members of this House to agree with his views he has a constitutional right to enact them into law, but under no other circumstances.

Mr. DONOVAN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. DONOVAN. I make the point that gentlemen in order to get the floor should address the Chair. These able parliamentarians are going along here in potluck style.

The CHAIRMAN. The point of order of the gentleman is well taken. The time of the gentleman from Missouri has expired.

Mr. MANN. Mr. Chairman, a moment ago, when the gentleman from Kansas [Mr. MURDOCK] asked unanimous consent that this bill be reported immediately by the Committee of the Whole House on the state of the Union back to the House with a favorable recommendation without further reading, I objected. Mr. Chairman, if the committee will indulge me for a moment, out of order probably, while I think it would have been better in connection with a currency bill for the Committee on Banking and Currency to have prepared the bill in full committee and submitted the bill to the House without sending it to a caucus, I have never been disposed to criticize the method of the procedure of the majority in a legislative body. The test is, what is the result that comes out of that method? [Applause.] Now, Mr. Chairman, the gentleman from Kansas has suggested that these amendments are idle. No one thoroughly familiar with legislation, who has followed the course of legislation, will assume that because an amendment is offered and voted down there is therefore no result. It is the common experience of legislative bodies that a committee in charge of a bill does not accept offhand even well-digested amendments and much less ill-digested amendments, and the committee in charge of a bill or a chairman in charge of a bill can not assume to determine offhand the merits of a proposition, but when amendments are offered on this floor and discussed, failings are pointed out in the bill, errors are called attention to, wise suggestions are made, and the experience upon this floor and all other legislative bodies is that these propositions are taken into consideration by gentlemen in charge of the bill both in this body and in the body at the other end of the Capitol. We discussed for days here amendments offered to the tariff bill. All amendments offered from this side were voted down; many of them have gone into the tariff bill by way of Senate amendments and probably will remain in the bill. While we could not expect from this side of the House that our propositions in regard to tariff rates would be accepted offhand by the gentleman from Alabama [Mr. UNDERWOOD] in charge of the bill, yet the suggestions which were presented by Members on this side of the House in reference to those matters attracted the attention of the gentlemen in charge of the bill here and of gentlemen in charge of the bill in the Senate, and many of them will finally appear in the law, and, because I believe it is wise to have these suggestions made, I objected to reporting the bill without reading, without consideration, and without discussion.

Mr. MURDOCK. Will the gentleman yield?

Mr. MANN. Certainly.

Mr. MURDOCK. It is to be said for the gentleman that he is absolutely consistent in his action on this occasion, because a similar request was made in regard to the Payne tariff bill by

Mr. SIMS, of Tennessee, and the gentleman from Illinois objected on that occasion.

Mr. MANN. I did.

Mr. MURDOCK. Now, I would like to ask the gentleman this in regard to the procedure. He says that a great many things that we could not adopt here, which were offered as amendments to the pending tariff bill, were adopted in the Senate. Would not our position have been stronger legislatively as a body if we could have adopted those amendments here and then had the Senate agree to them?

Mr. MANN. Oh, no. Here is the proposition. Here a man has found something that ought to be changed in a bill, the tariff bill or the currency bill, but has probably kept it to himself, or, at least, when he presents it on the floor the Members in charge can not go and look up everything connected with that matter in order to determine, and all the facts can not be brought out on each one of these propositions and time given for consideration. Now, I am not defending the committee for not accepting good propositions, but I am defending the idea that good propositions ought to be brought to the attention of the committee in the hope that the committee, in their wisdom, will accept the wiser of the propositions.

Mr. MURDOCK. The gentleman will agree to this, that this is a modified form of general debate, so far as the practical propositions are concerned, to get amendments into the bill.

Mr. MANN. There is this distinction, unfortunately, between general debate and debate under the five-minute rule: One is devoted in the main to general subjects, and the other is devoted to specific propositions. These specific propositions attract attention. Glittering generalities do not attract very much attention.

Mr. MONDELL. Mr. Chairman, I agree to a very considerable extent with what our leader on this side has just said. Yet there is one feature of the present situation that the gentleman has not referred to, and with which I am sure he is not in agreement—a feature of the situation referred to by several of the gentlemen on the other side, and notably the gentleman from Texas [Mr. CALLAWAY], when he said that in the caucus certain amendments were adopted, or were about to be adopted, as it was understood the caucus was favorable to them, but that word came, or was given out, that certain people, not Members of the House, were opposed to those amendments, and after that word was brought, delivered, and promulgated a majority of the caucus voted against the propositions without regard to the previous view of a majority of the Members.

Mr. GLASS. Now, I will say—

The CHAIRMAN. Does the gentleman from Wyoming yield to the gentleman from Virginia?

Mr. MONDELL. I can not for a moment. I think I have fairly stated what the gentleman from Texas [Mr. CALLAWAY] said. I would not misstate him for anything in the world, because his was a calm, dispassionate statement. There lies the danger. Assuming, for the sake of argument—and I only assume it for the sake of argument, for I never myself have been much taken with the idea of binding party caucuses, and I have been bound by mighty few of them—but assuming, for the sake of argument, that on a political question a party is justified in taking up political matters in a party caucus and binding its members, is a party justified in using the party caucus for the purpose of binding its members, not to propositions that express the majority will, conviction, and judgment, but propositions that express the mandate of people outside of Congress—members of the executive branch of government, for instance? That is the real evil of the situation. In my opinion, the binding vote in the Democratic caucus did not express the view of the majority on that side in all matters, but did express in a number of matters what the Members believed to be the view and opinion of certain members of the executive branch of the Government. I am sure there is no one within the sound of my voice who will approve that sort of procedure. It was a caucus binding the majority to support the views of the executive branch of the Government.

Mr. WILSON of Florida. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. WILSON of Florida. What is before the committee?

Mr. MANN. A committee amendment.

The CHAIRMAN. A committee amendment, offered by the gentleman from Ohio [Mr. BULKLEY].

Mr. WILSON of Florida. I make the point that we are not considering it.

The CHAIRMAN. The Chair has been unable to hear and is not clear as to what the gentleman from Wyoming [Mr. MONDELL] has said.

Mr. MONDELL. Mr. Chairman, I was about to observe, in order to be in order, that as to the amendment of the gentleman from Ohio, without regard to that amendment, the secret caucus has lent itself to the coercion of the Members of the majority to the will of the executive branch of the Government. That, in my opinion, is really the great evil of the secret caucus, as illustrated in this case. Some of the gentlemen have defended the caucus on the ground that it gave the majority the power to make its will effective. That has not been true in this case. The caucus has not reflected the view of the majority but of the Executive through the caucus.

Mr. GARRETT of Texas. Will the gentleman yield?

The CHAIRMAN. The time of the gentleman from Wyoming [Mr. MONDELL] has expired. The gentleman from Indiana [Mr. GRAY] is recognized.

Mr. GRAY. Mr. Chairman, I do not wish to speak with reference to those men who consistently oppose a caucus, because they are entitled to the respect of everybody. I do wish to speak, though, with reference to those men who inconsistently oppose a caucus, because they are entitled to the respect of nobody.

I am a member of the Democratic caucus, and I believe that I am in good standing, and yet under the rule of that caucus I am permitted to stand here and to vote for all amendments in full accord with my platform pledges to the people upon every question whatsoever. I intend to vote for all amendments offered by the friends of this bill to perfect it and make it better and secure its passage, but I intend to vote against all amendments offered by the enemies of this bill [applause on the Democratic side] to destroy it or to divide its friends in order to defeat it. [Applause on the Democratic side.]

While I am in favor of an open caucus, and have always voted for an open caucus and will always continue to so vote, and while I will always favor and vote for publicity of all committee action [applause on the Republican side], yet I am comparatively well satisfied with the progress that the Democratic Party has made toward fair and liberal rules and publicity. We meet in caucus as the friends of certain measures and policies to compare notes and exchange fraternal greetings, and I rather like it. [Laughter on the Republican side.] We meet to discuss measures and we have a full hearing. We meet to vote upon amendments, and we have a public-record vote upon the same conditions and upon the request of the same proportion of Members as we have here in the House.

Other parties have declared for liberal rules and publicity when they were out of power and had nothing to do. But the Democratic Party is the first party that has declared for liberal rules and publicity when it was in power and had something to do. [Applause on the Democratic side.] Democracy is the only name under heaven that stands for the rule of the people. [Applause on the Democratic side.]

Mr. MONDELL. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Indiana yield to the gentleman from Wyoming?

Mr. GRAY. Yes.

Mr. MONDELL. The gentleman said that the Democratic Party declared for publicity. It did so in regard to the appointment of Federal judges. But did the Democratic Party stand by that pledge?

Mr. GRAY. I stood by that pledge, as my record will show, on every roll call in this House. [Applause on the Democratic side.] Democracy is a rock in a weary land, a shelter in time of storm, sheltering and protecting the masses from the impositions of the few. Thank God, I am a Democrat. [Applause on the Democratic side.]

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Ohio [Mr. BULKLEY].

The amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I offer another committee amendment.

The CHAIRMAN. The gentleman from Ohio [Mr. BULKLEY] offers another committee amendment, which the Clerk will report.

The Clerk read as follows:

Page 29, line 10, after the word "operation," insert the word "loan."

Mr. BULKLEY. Mr. Chairman, in the course of the general debate it was contended by the gentleman from Iowa [Mr. SCOTT] that under the terms of this bill it would be possible for the regional reserve banks to make loans directly upon personal security to individuals, even for speculative purposes. The committee, after carefully considering this proposition, has come to the conclusion that the gentleman was unquestionably technically correct. The committee is not willing to concede that such loans ever would have been made, because the

directors of the regional reserve banks would have fully appreciated that such loans would be contrary to the whole spirit and purpose of the law. Nevertheless we are all in accord on the proposition that there ought not to be even any technical justification for such a loan, and we feel indebted to the gentleman from Iowa for his careful study of this point and his able exposition of it.

I want to say further—

Mr. SCOTT and Mr. HARDWICK rose.

Mr. HARDWICK. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield, and to whom?

Mr. BULKLEY. Yes; I yield to the gentleman from Iowa [Mr. SCOTT].

Mr. SCOTT. I am very thankful to the gentleman for his expression of good feeling. I want to say at this time that the chairman of the committee asked me last night as to the effect of inserting the word "loan" at a certain point in this section, and I think I told him it would have the desired effect. However, I have thought that matter over a little more carefully this morning, and by reading the last section it seems to me the amendment just proposed injects the word at the wrong point and is likely to overreach what they are attempting to do. The sentence reads:

All domestic transactions of the Federal reserve banks involving a rediscount operation or the creation of deposit accounts shall be confined to the Government and the depositing and Federal reserve banks, with the exception of the purchase or sale of Government or State securities or of gold coin or bullion.

Now, by inserting the word "loan," it will read:

All domestic transactions of the Federal reserve banks involving a rediscount operation, loan, or the creation of deposit accounts.

The operation involving a loan cuts both ways. It not only limits the power of the regional banks to make the loan, but as worded here it limits their power to borrow. I think that will conflict with the provision on page 27, line 11, relating to open-market operations. That sentence is—

Every Federal reserve bank shall have power (a) to deal in gold coin and bullion both at home and abroad, to make loans thereon, and to contract for loans of gold coin or bullion.

Now, I take it that it is desirable that the regional bank may in time of necessity have power to borrow gold coin and bullion—in other words, make a loan running to the bank—and I therefore suggest now that, after the word "accounts," in line 10, the words ought to be inserted—

Or loans made by such banks.

Mr. BULKLEY. I understand the gentleman's contention that the words "by such banks" ought to be added. What difference does it make at which point the amendment is inserted?

Mr. SCOTT. The word "operation" would qualify the word "loan" put in there with a group with two other classes, whereas if you insert it after the word "account," preceded by the word "or," it would simply prevent banks making loans, but would not prevent the banks borrowing.

Mr. BULKLEY. I will ask the gentleman if he does not think it might be still better to insert the amendment in the preceding line, following the word "involving," so that it will read:

All domestic transactions of the Federal reserve banks involving a loan by such banks, a rediscount operation, or the creation of deposit accounts.

Mr. SCOTT. That would be the same thing.

Mr. PHELAN. Is it not advisable to put in the words "a loan made by such bank"?

A loan by a bank may be a loan made by it or a loan contracted by it. I think the word "made" ought to be inserted there.

Mr. SCOTT. I have already suggested that.

Mr. PHELAN. Not "loan by such bank."

Mr. BULKLEY. Mr. Chairman, I ask unanimous consent to modify the committee amendment so that it will read as follows:

After the word "involving," in line 9, on page 29, insert the words "loans made by such banks."

The CHAIRMAN. The gentleman asks unanimous consent to modify the amendment in the manner indicated. Is there objection?

There was no objection.

The CHAIRMAN. The question is on the amendment as modified.

Mr. HARDWICK. Mr. Chairman, I have secured the floor to ask one or two questions of the gentleman in charge of the bill. I have been voting almost mechanically so far for these amendments suggested by the committee, and have been doing so under the caucus understanding that the Committee on Banking and Currency were to present such amendments only as were directed to matters of form or changes of phraseology. As I

understand, the explicit agreement, binding on us and upon the members of the committee, was entered into in our caucus that only such amendments were to be proposed by the committee. Do I understand that this amendment or any of these amendments propose substantial changes in the bill?

Mr. BULKLEY. This amendment is for the purpose of making clear what is the meaning of the bill. We agree with the gentleman—

Mr. HARDWICK. That was meant all the time?

Mr. BULKLEY. We think there is a loophole in the bill which we did not intend should be there.

Mr. HARDWICK. So that this amendment comes clearly within the spirit of the agreement to which I have referred?

Mr. BULKLEY. Oh, absolutely.

Mr. HARDWICK. It seems to me that yesterday you presented an amendment that entirely changed a very important and essential part of this bill, and I think you did it in violation of the caucus agreement.

Mr. BULKLEY. I will not agree with the gentleman about that.

Mr. HARDWICK. Although we agreed in caucus that there should be no substantial amendments to the bill, either from the committee or from the outside, did you not present here an amendment and get it voted on, with a very small attendance, in which you took off from the member banks the limit that the Democratic caucus had put in this bill, that they could not discount a larger amount of notes than the amount of their capital stock, and did you not remove that limit and thereby add to the danger of inflation by this bill?

Mr. BULKLEY. No; absolutely not. We put in an amendment which carried out the purpose of the bill, as it was repeatedly explained in the caucus.

Mr. HARDWICK. And changed the language of the bill in an important particular?

Mr. BULKLEY. We changed the language in order to accord with the meaning that we repeatedly stated in the caucus. In other words, it is my contention and opinion and the opinion of the committee that the bill would not have been in accordance with what was adopted in caucus if we had not made that amendment.

Mr. HARDWICK. Now, a moment right there. On the contrary, the bill as the Democratic caucus agreed to it and as the gentleman agreed to support it without substantial amendment was that a member bank should not be allowed to discount more commercial paper than the amount of its capital stock.

Mr. BULKLEY. The gentleman is mistaken; the bill did not contain any such provision.

Mr. HARDWICK. Did it not contain it until the gentleman amended it on yesterday?

Mr. BULKLEY. No.

Mr. HARDWICK. Then I can not read the English language.

Mr. BULKLEY. I will challenge the gentleman to show any draft of this bill containing that provision.

Mr. HARDWICK. Will the gentleman read the language of the section that he amended yesterday afternoon as it originally stood? Can the gentleman find it?

Mr. BULKLEY. Yes; I can find it.

Mr. HARDWICK. Will the gentleman mind doing so?

Mr. BULKLEY. Does the gentleman desire the whole section read?

Mr. HARDWICK. No; that part of it that you found necessary to amend.

Mr. BULKLEY. We did not amend except by adding a new paragraph.

Mr. HARDWICK. And the new paragraph had the effect of changing the provision of existing law that had not been repealed by the bill?

Mr. BULKLEY. That is true.

Mr. HARDWICK. And therefore you did adopt a substantially different proposition from the bill agreed on in caucus, which did not change the provision of existing law to which I refer?

Mr. BULKLEY. I want the gentleman to understand what I said.

Mr. WILSON of Florida. Mr. Chairman, I make the point of order that the gentleman from Georgia and the gentleman from Ohio are both out of order.

Mr. HARDWICK. And the point of order, Mr. Chairman, is not well taken. We are discussing a question collateral to the one under consideration, and no Chairman of the Committee of the Whole has ever gone as far as to rule discussions of that character out of order.

Mr. BULKLEY. I hope, Mr. Chairman, that we shall be permitted to continue.

Mr. HARDWICK. We want to find out where we are.

Mr. WILSON of Florida. The gentlemen were discussing whether or not the committee has gone outside of the rule adopted in the caucus?

Mr. HARDWICK. Yes.

Mr. WILSON of Florida. What has that to do with the pending amendment?

Mr. HARDWICK. It has everything to do with it.

Mr. WILSON of Florida. What has the other side got to do with it?

Mr. BULKLEY. Mr. Chairman, I am anxious that this proposition shall be explained.

Mr. HARDY. Will the gentleman yield to me?

Mr. HARDWICK. I have the floor, and I would rather not just at present.

Mr. HARDY. I thought the gentleman from Georgia was asking a question of the gentleman from Ohio.

Mr. HARDWICK. No; I have the floor, and I am yielding to the gentleman from Ohio to explain.

Mr. BULKLEY. I want to make clear what I said. We did not change any express provision of the bill.

Mr. HARDWICK. Did not we change a substantive proposition?

Mr. BULKLEY. We did make a change in the existing law, but that makes no difference in the meaning of the bill. Let me add a word. The committee's idea is that unless section 5202 of the Revised Statutes be amended the spirit of the bill, as repeatedly expressed in the caucus, would not have been carried out. We submit that we have repeatedly said that this bill gives the small bank the same facility for rediscount as the large bank.

Mr. HARDWICK. It is true, even if the section 5202 of the Revised Statutes is left in, each one gets the amount of the capital stock. Each bank, large or small, is fed out of the same spoon under existing law.

Mr. BULKLEY. It was stated that they should have unlimited facilities.

Mr. HARDWICK. I thought you gentlemen contended in the caucus that there would be no great inflation.

Mr. BULKLEY. This has nothing to do with inflation at all. It will not change the aggregate amount discounted by a dollar.

Mr. HARDWICK. It will, because you remove the limit fixed by law that a bank could not discount more than the amount of its capital stock. In other words, a bank with \$50,000 capital under your bill that we agreed to in caucus could not have rediscounted more than \$50,000 of commercial paper, while under the amendment you have since presented that same bank that could not rediscount but \$50,000 of commercial paper as the proposition left the caucus can now discount \$1,000,000. It seems to me that you have by that amendment substantially changed the proposition to which the caucus assented, and to the support of which, without substantial amendment, the members of your committee were equally bound with myself. Besides, I regard the amendment you presented as exceedingly dangerous to the country and as greatly increasing the risk of overexpansion and unwise inflation of credits.

The CHAIRMAN. The time of the gentleman from Georgia has expired.

Mr. MANN. Mr. Chairman, this section provides that the funds of the Government shall be deposited in the Federal reserve banks, distributing them, as far as practicable, equitably between different sections at a rate of interest to be fixed, covering all parts of the country.

Mr. Chairman, I am not disposed to be particularly captious concerning the action of a Democratic national convention which swindled or defrauded the Speaker of this House out of the nomination for the Presidency [applause], and I have on several occasions heretofore called attention to planks in the Democratic national platform which have been forgotten on that side of the House. Perhaps the Committee on Banking and Currency and the Democratic caucus are to be complimented and congratulated upon the fact that they have much greater wisdom, possibly, than the national convention of their party. But lest we forget, let me read a part of the Democratic national platform, as adopted at Baltimore. Speaking of the deposit of national funds the platform says:

and we pledge our party to provide by law for their deposit by competitive bidding in the banking institutions of the country, national and State, without discrimination as to locality, upon approved securities, and subject to call by the Government.

Mr. GLASS. Mr. Chairman, may I interrupt the gentleman? Mr. MANN. No; the gentleman may not interrupt me.

We pledge our party to provide by law for their deposit by competitive bidding.

Mr. Chairman, like most of the rest of the Democratic national platform, although it is only a little over a year old, the Demo-

crats have forgotten this plank. Perhaps you are to be congratulated upon having a lapse of memory, but you pay no attention to your platform. When you came to make up your banking and currency bill, what did you read? Not the Democratic national platform, but the Aldrich national monetary bill, and you copied every idea in your bill from that National Monetary Commission's bill. [Applause on the Republican side.]

Mr. GLASS. Mr. Chairman, I simply want to say a word in response to what has been said by the gentleman from Illinois [Mr. MANN]. When that platform pledge was made it related to deposits of Government funds in 7,300 national banks throughout the country, in none of which the Government had any pecuniary or other than a supervisory interest. It did not contemplate a system, such as has been provided here, of 12 regional reserve banks, in the earnings of which the Government has a substantial interest. It would have been absurd, as the gentleman will agree, for us to have embodied in this bill the substance of the platform pledge referred to.

Mr. MANN. The platform was absurd. I will accept the gentleman's apology in respect to that. [Laughter.]

Mr. MAJES. Mr. Chairman, I would like to ask the chairman of the committee a question, which has been suggested to my mind by the colloquy had between the gentleman from Georgia [Mr. HARDWICK] and the gentleman from Ohio [Mr. BULKLEY] over the effect of the amendment that was adopted yesterday. The gentleman from Georgia seems to have the idea that the bill as it stood before the adoption of that amendment allowed the Federal reserve banks to discount for the member banks enough paper to equal the amount of their capital stock. The gentleman from Ohio interprets his amendment to mean that the amount that the Federal reserve banks can now discount is unlimited. I would like to ask the chairman of the committee how he reconciles that amendment with the paragraph beginning with line 3, on page 26, and particularly the last sentence of that paragraph, which reads as follows:

Upon the indorsement of any member bank any Federal reserve bank may discount acceptances of such banks which are based on the exportation or importation of goods and which mature in not more than six months and bear the signature of at least one member bank in addition to that of the acceptor. The amount so discounted shall at no time exceed one-half the capital stock of the bank for which the rediscounts are made.

Mr. GLASS. It refers to bank acceptances in the foreign trade.

Mr. HARDWICK. And if the gentleman from Virginia will pardon, that also in terms relates to only a particular class of paper.

Mr. GLASS. It does; but since the gentleman has asked me the question, I will answer that the alteration made in the bill yesterday does not change in any particular the intent of the bill as drafted and reported to the Democratic caucus by the committee. As a matter of fact, it was repeatedly stated by me and by other members of the committee in the caucus that there was no limitation upon rediscounts.

Mr. HARDWICK. Mr. Chairman, will the gentleman yield?

Mr. GLASS. Not right now. Later on it was found that by reason of the limitation in the existing national-bank act State banks and trust companies becoming members of the system would have unlimited privileges of rediscount, whereas the national banks would be limited by the national-bank act. It was in order to put all banks upon the same basis that the alteration was made. We will not agree with the gentleman from Georgia, and apparently the gentleman from Georgia will not agree with us. We contend that there was no material alteration of the intent of the bill, as plainly and repeatedly stated in the caucus. The gentleman from Georgia thinks otherwise and that is all there is to it.

Mr. HARDWICK. Will the gentleman now yield, he having finished his statement?

Mr. GLASS. Yes.

Mr. HARDWICK. The gentleman, then, understands that he was only to present, or the committee was only to present, such amendments as involved immaterial changes of form and phraseology?

Mr. GLASS. I understood that nobody would be bound by any amendment presented here that involved a material alteration.

Mr. HARDWICK. Or that the committee itself would have the right to present any amendments except those?

Mr. GLASS. The rule gave the committee the right to do that.

Mr. HARDWICK. Oh, well, I am speaking about a matter of agreement.

Mr. GLASS. Well, I do not see that the inquiry is pertinent; I say we have not done it.

Mr. HARDWICK. Yes.

Mr. GLASS. And the gentleman says we have.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. GLASS. Mr. Chairman, if there are no other amendments to this section I ask unanimous consent—

Mr. MURDOCK. May I ask the gentleman some questions before he passes from this subject?

Mr. BUTLER. Do not shut us off for two or three minutes.

Mr. GLASS. Very well.

Mr. BUTLER. Mr. Chairman, the country is not troubled so much with what the Democratic caucus did as what this House may do, and I think everybody in here is endeavoring—

Mr. GLASS. I wish very much the gentleman could convince Members on that side and on this as to that and let us hear less about the caucus.

Mr. BUTLER. I have had no trouble in all my life with other people; the trouble I have had is with myself. [Applause.] I am now in the dark and I am asking somebody to lead me into the light. I am confused first—

Mr. GLASS. I remind the gentleman that I yielded to him for a question.

Mr. BUTLER. Then I will wait until the gentleman gets through, and then I will ask the committee to give me two minutes.

Mr. GLASS. I will; the gentleman can proceed.

Mr. BUTLER. Mr. Chairman, I ask the committee to give me two minutes of time.

The CHAIRMAN. The Chair will state to the gentleman from Pennsylvania that the gentleman from Virginia has the floor.

Mr. GLASS. I will yield to the gentleman from Pennsylvania to ask a question, and he can proceed with his speech.

Mr. BUTLER. I thank the gentleman very much. The gentleman is not requiring me to put my statement in the shape of an interrogatory. I was greatly interested in what the gentleman from Arkansas [Mr. Wingo] said yesterday and very favorably impressed with it.

Mr. DYER. Will not the gentleman from Pennsylvania give us some information over here?

Mr. BUTLER. The gentleman from Missouri will obtain his own information; he is as well able to do it as I am. I am not here to instruct anybody, but I want to be informed. There is a conflict of opinion upon the effect of the amendment offered by the gentleman from Ohio yesterday. The gentleman from Arkansas does not agree with the gentleman from Virginia as to the effect of that amendment. I am not the only Member of this House who is in a quandary over what the effect of it may be. As I understand, before the amendment was adopted there was a limitation in the proposed bill touching the amount of notes authorized to be issued by banks, and that by the adoption of this amendment that limitation is removed.

If I understand the gentleman from Arkansas [Mr. Wingo], we have reserve money that might be used; in short, money that might be used as a reserve amounting to \$3,500,000,000. It was not contemplated by the committee that reported this bill, I understand, that all of that money would be used for reserve purposes to secure the issue of currency, but that there was in some place in the pending bill a limit imposed upon the issue. But as a result of the amendment there is no limit. If I understood the gentleman from Arkansas [Mr. Wingo], banks may, since the adoption of the amendment, issue money to the amount of \$10,500,000,000. Such an amount was not contemplated by gentlemen who presented this bill. Am I right on that? Certainly the American people did not contemplate it.

Mr. GLASS. As a matter of fact, according to the actuaries' report there are only about \$2,000,000,000 that may be rediscounted in the course of business under this bill. The limitation upon rediscount is the amount of available paper based upon 33½ per cent of gold reserve.

Mr. BUTLER. There was no limit as to the use of this paper before this amendment was adopted?

Mr. GLASS. Not intended to be any.

Mr. BUTLER. Then I do not understand the gentleman from Arkansas. I understood the national banking law limited the issue to the amount of capital. Am I right in that?

Mr. PHELAN. Will the gentleman yield a minute?

Mr. BUTLER. I will yield to any gentleman who is informed.

Mr. GLASS. I have already stated that there was a limitation, of which the committee and of which the caucus were not aware, upon the rediscounts available to national banks, but there was no limitation upon the rediscounts available to State banks and trust companies coming into the system. That that was not intended by the committee nor by the Democratic caucus; and when discovered subsequently by the committee this

provision was taken up and the amendment proposed in order to make the provision uniform as to all banks.

Mr. BUTLER. Mr. Chairman, again let me ask the gentleman from Virginia—please do not become impatient, because I am not inquiring for amusement or the simple purpose of asking questions, but because I want the information—let me ask the gentleman from Virginia if there was no limit upon a State bank and upon a trust company before this amendment was adopted?

Mr. GLASS. There is none now.

Mr. BUTLER. You desire to make the privilege uniform, and therefore you remove any limitation that might have been imposed upon a national bank, I understand, so as to give it equal opportunity, and that hereafter, if I understand the gentleman correctly, there will be no limit anywhere by law?

Mr. GLASS. It never was intended by the committee or the caucus to make a limit.

Mr. HARDWICK. I utterly disagree with the gentleman.

Mr. GLASS. I understand perfectly well that the gentleman disagrees with me, but I still insist.

Mr. HARDWICK. I dispute it.

Mr. GLASS. And I assert it.

Mr. BUTLER. And I learn all bars are down.

The CHAIRMAN. The time of the gentleman from Virginia [Mr. GLASS] has expired. In fact, all time on the present amendment has expired. The question is on the amendment offered by the gentleman from Ohio [Mr. BULKLEY].

Mr. WINGO. Mr. Chairman, I ask unanimous consent to proceed for one minute.

The CHAIRMAN. The gentleman from Arkansas [Mr. Wingo] asks unanimous consent to proceed for one minute. Is there objection? [After a pause.] The Chair hears none.

Mr. WINGO. In justice to myself, I want to put into the RECORD that in the statement which the gentleman from Virginia [Mr. GLASS] makes, that no member of the committee was aware of that present law, he is certainly mistaken. I was aware of that.

Mr. GLASS. I accept the gentleman's statement.

Mr. WINGO. I have a distinct recollection that in the caucus when my friend from Georgia [Mr. HARDWICK] was charging inflation and he asked me what provision of law prevented it, I called his attention to this particular statute and the reserve requirements. I was familiar with this statute and knew its value as a check to inflation.

Mr. MURDOCK. That was in the caucus?

Mr. WINGO. In the caucus; yes.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. BULKLEY].

The question was taken, and the amendment was agreed to.

Mr. LINDBERGH. Mr. Chairman, I offer the following amendment.

Mr. GLASS. Mr. Chairman, I would like to inquire how many more amendments there will be.

Mr. MURDOCK. I have one.

Mr. MORGAN of Oklahoma. I have two.

Mr. GLASS. Mr. Chairman, I ask unanimous consent that debate on this section and all amendments thereto may conclude in 15 minutes.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that debate on the pending section and all amendments thereto be closed in 15 minutes.

Mr. MORGAN of Oklahoma. I reserve the right to object.

Mr. BURKE of Pennsylvania. Reserving the right to object, I do not want to prolong this—

Mr. MORGAN of Oklahoma. I have two amendments, and I would like five minutes on each one.

The CHAIRMAN. The gentleman from Oklahoma [Mr. MORGAN] will be recognized for that purpose. Is there objection?

Mr. MORGAN of Oklahoma. I object.

Mr. GLASS. I move, then, Mr. Chairman, that debate on this section and all amendments thereto be closed in 15 minutes.

The CHAIRMAN. The gentleman from Virginia moves that all debate on the pending section and all amendments thereto close in 15 minutes.

The motion was agreed to.

Mr. LINDBERGH. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Minnesota [Mr. LINDBERGH] offers an amendment, which the Clerk will report.

The Clerk read as follows:

On page 28, line 12, strike out all following "Sec. 16" and lines 13 to 19, inclusive, and insert thereafter, so as to make the first paragraph of section 16 read as follows:

"GOVERNMENT DEPOSITS.

"Sec. 16. That when it appears to the Federal reserve board that the interests of the public shall be best subserved thereby, such part of the general funds in the United States Treasury as may to such board seem

expedient may be deposited in the Federal reserve banks; that when making deposits as provided in this section the policy shall be to withdraw such deposits, or any portion thereof, from the Federal reserve banks whenever the same may be done without injuring the public interest, it being the purpose to make such deposits only when financial conditions make it expedient; Government disbursements may be made by drawing checks against such deposits; except, as provided in this section, no Federal reserve bank shall pay interest upon any deposits."

In line 20, on said page 28, after the comma, insert the words "whenever such deposits are made."

Mr. LINDBERGH. Mr. Chairman, this amendment which I offer is one to place in the hands of the Federal reserve board the disposition of the money in the Treasury of the United States which would be subject under this bill, and in fact required, all to be deposited in the reserve banks. It leaves to the board—the Federal reserve board—the right to deposit the money in the banks whenever it appears that the public interests would be subserved by so doing. It leaves with the Federal reserve board the discretion to withdraw the deposits whenever in the opinion of that board it seems to be to the public interest that it should be withdrawn.

Now, as a matter of fact, under the provisions of this bill there is at the present time something like \$250,000,000, I believe, that would be taken out of the Treasury and deposited in the banks. If there was not a demand by the legitimate interests of the country for that money at the time it was placed in the banks—I mean the business interests of the country—a considerable part of it would be absorbed for speculation, and whenever the legitimate business interests of the country required that money it would have all gone into speculation and there would be competition in order to obtain money and the legitimate interests would have to bid against speculative interests, and we would have the same conditions as have frequently occurred in the past, when the money would not be available, thus resulting in stringency or panic. If it remains in the Treasury of the United States it may, as heretofore, serve as a balance wheel, so to speak, to relieve the general conditions when it is required, and when it is not required it may be drawn in again to the Treasury of the United States, to remain there and be disbursed in the usual way, and only be placed in the banks in case the business interests of the country require it.

We know as a matter of experience that when the banks have a large amount of money and there is no demand for it on the part of the business interests of the country it is absorbed more or less for speculative purposes, and we want to avoid that condition; and it is for that purpose that I have introduced this amendment which the Clerk has just read. Some Member—I do not recall who—yesterday made remarks about short selling.

SELLING SHORT.

We hear many objections raised against short selling, going short in the sales of stocks, securities, grains, provisions, and so forth, on the market. Short selling means the selling of what the vendor does not possess. In Congress there is pending at all times one or more bills purposed to prohibit this practice. There is at the present time serious consideration of passing a bill which will prohibit all short selling, because it is claimed that the practice enables speculators to manipulate the market in a manner that makes it possible for them to pay the producers less and charge the consumers more. This short selling is a much more comprehensive affair than the sponsors of the bills referred to have allowed the public to gather from any expression of theirs which has been given to the public.

It is from the practice of short selling that the bankers derive the greatest profits. That statement will, when first read, meet with resentment and denial on the part of the bankers. It will also surprise many others, but the banker, as well as the others, will admit of its truth when they have fully considered it. If a person were to sell a thousand bushels of wheat or 10 shares of stock that he does not own, it becomes necessary for him to go into the market and buy it at the time that he is required to deliver it to the purchaser. Ordinarily the purchaser on the stock or produce market does not require the vendor to do that, but settles with him for whatever the actual market price is at the time for final settlement. The banker is doing the same thing with the dollar.

All of the money in all of the banks and trust companies combined is only slightly in excess of a billion and a half of dollars, and the banks owe approximately \$20,000,000,000. There is not enough money in all of their vaults to pay one-tenth of what they owe. There is not money enough in the whole country, including that outside of the banks, to pay one-sixth of what they owe. That statement may sound a little different from the statement made about the grain and stock gambler, but to those who understand the effect of existing facts—conditions—it is clear that the banks are sold short just as effectively as the stock and grain gambler.

Let us follow these facts further as to their reality. No bank could pay its obligations without collecting its outstanding credits. If a simultaneous demand were to be made by all of the creditors of all of the banks, all of the banks would fail. That is because they are all short sold. There is, however, one difference between the banker's practice of short selling, and that of the ordinary stock gambler. The man who borrows from a bank will give his note to the bank, and ordinarily the banker simply credits him on the books of the bank with the amount of the note less the interest. The bank does not part with the cash, but lets the borrower draw checks upon the account, and, therefore, merely transfers the credit to some one else, for these checks are, in most cases, deposited instead of cashed. The bank continues to draw interest on the note. The party who borrowed sold short to the bank by agreeing to deliver to the bank, when due, the number of dollars that his note calls for, and the bank sold short to the borrower by agreeing to deliver to him that many dollars before the note comes due. Now, in that transaction there were two short sales. The man who borrowed the money agreed to pay at a future date what he did not have when he borrowed, and the banker agreed to pay immediately what he would not have had if he had first paid his other demand obligations. Now, the difference in the way that deal was conducted, and the manner in which the stock gambler carries on his short sales is, that the stock gambler, when a person sells short to him (that is, agrees to sell him stock or provisions to be delivered), does not pay interest to the person so selling. Anyone who carefully investigates the effect of this fact upon the cost of living will find that the short-selling operations of the stock gamblers influence the cost of living far less than the short selling which I have described as being practiced by the banks. The banks should not be condemned for this, however, because it is the only way in which the business of the country can be carried on under the present system, or until a new system has been inaugurated.

Every student who has carefully considered this subject knows that the people, as a whole, which includes themselves as individuals, the General Government, the States, and municipalities, can not pay interest on all of the money that they have agreed to pay. That is because money does not create itself. It is claimed that everyone who has a dollar and loans it out is entitled to interest. It takes \$1 to furnish the exact equivalent of another dollar. It takes a dollar to pay a dollar debt, and, since that is true, there are no dollars left with which to pay interest. The whole country has sold money short and could not possibly deliver or pay the money that it has agreed to pay. The present outstanding interest-bearing contracts are rapidly approaching the hundred-billion-dollar mark. The annual interest alone, contracted to be paid on these obligations, probably exceeds all of the money in existence. Of course, some of this interest is paid from other interest collected and is offset, and the total net interest is reduced somewhat by the fact, but the greater part of it still remains to be made up from other sources.

The only way that interest can be liquidated, considering the statement in its general application, is by a transfer of the property or the services of the debtor class to the creditor class. But, all interest can not be paid in full even in that way, because as I have already stated in my minority report, the geometrical progression of computing interest accumulates it so rapidly that it would exhaust all there is and fail because of the impossibility of its going further. We, as a people, are in that economic state and can not extricate ourselves from it under existing conditions. The whole country is sold short by the debtors who have agreed to pay what they have not, and what they can not get. The creditors "have a corner" on us. How are they enforcing settlement? It is being done in several ways. We are compelled to work more hours per day, receive less pay per hour, pay more for what we buy, and receive less for what we sell. The consequence is that we must work harder and more hours per day than we should, and in the end have less than what is due to us as our part of the advantages, conveniences, and opportunities resulting from the advancing civilization. This means absolute destitution for great numbers of the debtor class and an enormous general loss. When I say the debtor class I do not mean those only who have borrowed money or who owe open accounts. Debt is now one of the most positive influences in our system. The consumer is a debtor because he owes it to the producer to pay his part of the interest and taxes that are added to the cost of production under the present system. As a consequence, we are all virtually debtors, and comparatively few of us have credits and profits enough to offset the debt, or any other way by which to pay it except from the products resulting from our daily toil. Such a condition reduces the general efficiency of the people and they are compelled to live on a lower scale than they should.

Mr. MURDOCK. Mr. Chairman, I would like to have the attention of the gentleman from Virginia [Mr. GLASS]. In view of what the gentleman from Minnesota [Mr. LINDBERGH] has just said, I would like to ask the gentleman from Virginia about the effect intended in section 16, which deals with Government deposits. That is the section we are now on. What money will come out of the Treasury and go into the reserve banks? Will the gold that is now in the Treasury for the redemption of gold certificates go out?

Mr. GLASS. No; that is a trust fund.

Mr. MURDOCK. Will the gold that is behind the greenbacks leave the Treasury?

Mr. GLASS. No.

Mr. MURDOCK. Then, what money will actually leave the Treasury?

Mr. GLASS. The money that is to be used in the fiscal business of the Government.

Mr. MURDOCK. Does the gentleman mean the general fund?

Mr. GLASS. Yes.

Mr. MURDOCK. That is all that will leave the Treasury?

Mr. GLASS. That is all.

Mr. MURDOCK. What becomes of the subtreasuries under this?

Mr. GLASS. Well, that is a question. Some gentlemen think the system will eventually discontinue the subtreasuries.

Mr. MURDOCK. Does the gentleman think the subtreasuries will continue to do business?

Mr. GLASS. I think some of them will.

Mr. MURDOCK. I would like to have the gentleman explain why some of them will and some of them will not.

Mr. GLASS. Those in New York, St. Louis, and San Francisco may go on. But even that is altogether conjectural. If it shall appear that the Government has need of the subtreasuries, they will continue. Otherwise they will be dispensed with. In other words, if the regional reserve banks demonstrate that they can transact the business of the Government without the aid of the subtreasuries, the latter will be dispensed with.

Mr. MURDOCK. In the matter of gold deposits in these reserve banks, it is not contemplated by this bill that the gold hereafter will be held by the subtreasuries, but will be held by these reserve banks?

Mr. GLASS. Yes.

Mr. MURDOCK. I so understand; and the Government in its accounting will check against those reserve banks?

Mr. GLASS. Yes. The reserve banks will be the fiscal agents of the Government.

Mr. MURDOCK. And the subtreasuries will not?

Mr. GLASS. That is a matter of conjecture, but I think not.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. MORGAN of Oklahoma. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Oklahoma offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amend, on page 28, line 19, by striking out the period after the word "deposits," and inserting a colon in lieu thereof, and by inserting thereafter the following: "Provided, That nothing in this section shall affect the authority, under existing law, to deposit in the banks of Oklahoma any funds in the Treasury of the United States belonging to any of the Indian Tribes of Oklahoma or the individual members thereof."

Mr. WINGO. Mr. Chairman, I reserve a point of order on the amendment offered by the gentleman from Oklahoma.

The CHAIRMAN. The gentleman from Arkansas [Mr. Wingo] reserves the point of order.

Mr. GLASS. Mr. Chairman, there are other amendments pending.

The CHAIRMAN. At the end of 15 minutes all the amendments will be voted on.

Mr. MORGAN of Oklahoma. Mr. Chairman, section 16 provides in very sweeping terms that all moneys now held in the general fund of the Treasury shall, upon the direction of the Secretary of the Treasury, and so forth, be deposited in the Federal reserve banks.

Under an act passed March 3, 1911, certain funds belonging to the Five Civilized Tribes of Indians of Oklahoma may, in the discretion of the Secretary of the Interior, be deposited in the national or State banks of Oklahoma.

Mr. WINGO. Will the gentleman yield for a question?

Mr. MORGAN of Oklahoma. Just for a question.

Mr. WINGO. Is not that a trust fund?

Mr. MORGAN of Oklahoma. I will get to that in just a moment. Under that law something like \$4,000,000 or \$5,000,000 have been deposited with the banks of Oklahoma, and other funds may be deposited. I took up this matter with the Treas-

urer of the United States, to say whether or not Indian funds are in the general fund or held in a special fund. I have received from the Treasurer of the United States this morning a memorandum in which he says, referring to the Indian funds:

The above funds are deposited in the general fund of the Treasury.

I take it, therefore, there would be no question but what this act would cover all those Indian funds, and under this act they would be required to be deposited in the Federal reserve banks. I believe this House has no desire to repeal that law or to take from the banks of Oklahoma these Indian funds, which really are Oklahoma funds, coming from the people of Oklahoma, and they ought to be deposited in the Oklahoma banks. I hope, therefore, that the committee will consent to this amendment, so that there may be no question about this matter.

The CHAIRMAN. All time has expired. The question is on the amendment offered by the gentleman from Minnesota [Mr. LINDBERGH].

The amendment was rejected.

The CHAIRMAN. The next amendment is that offered by the gentleman from Oklahoma [Mr. MORGAN].

The amendment was rejected.

Mr. MORGAN of Oklahoma. Mr. Chairman, I offer another amendment, to come in as a new paragraph after the word "bullion," in line 13, page 29.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

On page 29, after the word "bullion," in line 13, insert the following as a new paragraph:

"Provided, That all moneys held in the general fund of the Treasury belonging to any Indian tribe or member thereof and which will not be required for a period of two years to meet any payment or obligation due under any law or treaty shall be loaned to bona fide farmers at 5 per cent interest per annum upon improved farms under such terms and rules and regulations as shall be prescribed by the Secretary of the Interior: And provided further, That the funds belonging to any Indian tribe or member thereof shall be loaned to farmers in the State where said Indian tribe or member thereof resides."

Mr. MORGAN of Oklahoma. Mr. Chairman—

The CHAIRMAN. All debate on this section and amendments thereto is exhausted. The question is on the amendment offered by the gentleman from Oklahoma.

The amendment was rejected.

Mr. MORGAN of Oklahoma. Mr. Chairman, I ask unanimous consent to speak for half a minute on that amendment.

The CHAIRMAN. The amendment has been voted on. The gentleman from Oklahoma asks leave to address the committee for one-half minute. Is there objection?

There was no objection.

Mr. MORGAN of Oklahoma. Mr. Chairman, this is a very important amendment, which I think is in the line of giving more credit to the farmers. The millions of dollars in the Treasury of the United States on which the Government is paying \$2,000,000 annual interest ought to be utilized in the Western States, where the Indians have untaxed lands, and in that way help out the farmers.

My understanding is that there is about \$60,000,000 in the Treasury held in trust for Indian tribes and members thereof. Much of this vast sum will not be paid out to the Indians for many years to come. But other Indian lands are to be sold. The proceeds of these sales will add large additional funds to be deposited in the Treasury to the credit of the Indians. These are largely trust funds on which the Government pays 3 and 4 per cent annual interest. This interest charge takes large sums from the Treasury—nearly \$2,000,000 annually. Under the provisions of this bill these funds will be deposited in the Federal reserve banks, upon which they will make a profit. My plan is to loan these funds to the bona fide farmers of the States, loaning to the farmers of each State the funds that belong to the Indians of that State. The loans should be made at not to exceed 5 per cent annual interest and on the most favorable terms possible.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

NOTE ISSUES.

SEC. 17. That Federal reserve notes, to be issued at the discretion of the Federal reserve board for the purpose of making advances to Federal reserve banks as hereinafter set forth and for no other purpose, are hereby authorized. The said notes shall be obligations of the United States and shall be receivable for all taxes, customs, and other public dues. They shall be redeemed in gold or lawful money on demand at the Treasury Department of the United States, in the city of Washington, D. C., or at any Federal reserve bank.

Any Federal reserve bank may, upon vote of its directors, make application to the local Federal reserve agent for such amount of the Treasury notes hereinbefore provided for as it may deem best. Such application shall be accompanied with a tender to the local Federal reserve agent of collateral security to protect the notes for which application is made equal in amount to the sum of the notes thus applied for. The collateral security thus offered shall be notes and bills accepted for rediscount under the provisions of sections 14 and 15 of this act, and the Federal reserve agent shall each day notify the Federal reserve board

of issues and withdrawals of notes to and by the Federal reserve bank to which he is accredited. The said Federal reserve board shall be authorized at any time to call upon a Federal reserve bank for additional security to protect the Federal reserve notes issued to it.

Whenever any Federal reserve bank shall pay out or disburse Federal reserve notes issued to it as hereinbefore provided, it shall segregate in its own vaults and shall carry to a special reserve account on its books gold or lawful money equal in amount to 33½ per cent of the reserve notes so paid out by it, such reserve to be used for the redemption of said reserve notes as presented; but any Federal reserve bank so using any part of such reserve to redeem notes shall immediately carry to said reserve account an amount of gold or lawful money sufficient to make said reserve equal to 33½ per cent of its outstanding Treasury notes. Notes so paid out shall bear upon their faces a distinctive letter and serial number, which shall be assigned by the Federal reserve board to each Federal reserve bank. Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank they shall be returned for redemption to the Federal reserve bank through which they were originally issued, or shall be charged off against Government deposits and returned to the Treasury of the United States, or shall be presented to the said Treasury for redemption. No Federal reserve bank shall pay out notes issued through another under penalty of a tax of 10 per cent upon the face value of notes so paid out. Notes presented for redemption at the Treasury of the United States shall be paid and returned to the Federal reserve banks through which they were originally issued, and Federal reserve notes received by the Treasury otherwise than for redemption shall be exchanged for lawful money out of the 5 per cent redemption fund hereinafter provided and returned as hereinbefore provided to the reserve bank through which they were originally issued.

The Federal reserve board shall have power, in its discretion, to require Federal reserve banks to maintain on deposit in the Treasury of the United States a sum in gold equal to 5 per cent of such amount of Federal reserve notes as may be issued to them under the provisions of this act; but such 5 per cent shall be counted and included as part of the 33½ per cent reserve hereinbefore required. The said board shall also have the right to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes; but to the extent and in the amount that such application may be granted the Federal reserve board shall, through its local Federal reserve agent, deposit Federal reserve notes with the bank so applying, and such bank shall be charged with the amount of such notes and shall pay such rate of interest on said amount as may be established by the Federal reserve board, which rate shall not be less than one-half of 1 per cent per annum, and the amount of such Federal reserve notes so issued to any such bank shall, upon delivery, become a first and paramount lien on all the assets of such bank.

Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by the deposit of Federal reserve notes, whether issued to such bank or to some other reserve bank, or lawful money of the United States, or gold bullion, with any Federal reserve agent or with the Treasurer of the United States, and such reduction shall be accompanied by a corresponding reduction in the required reserve fund of lawful money set apart for the redemption of said notes and by the release of a corresponding amount of the collateral security deposited with the local Federal reserve agent.

Any Federal reserve bank may at its discretion withdraw collateral deposited with the local Federal reserve agent for the protection of Federal reserve notes deposited with it and shall at the same time substitute other collateral of equal value approved by the Federal reserve agent under regulations to be prescribed by the Federal reserve board.

It shall be the duty of every Federal reserve bank to receive on deposit, at par and without charge for exchange or collection, checks and drafts drawn upon any of its depositors or by any of its depositors upon any other depositor and checks and drafts drawn by any depositor in any other Federal reserve bank upon funds to the credit of said depositor in said reserve bank last mentioned, nothing herein contained to be construed as prohibiting member banks from making reasonable charges to cover actual expenses incurred in collecting and remitting funds for their patrons. The Federal reserve board shall make and promulgate from time to time regulations governing the transfer of funds at par among Federal reserve banks, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its shareholding banks.

The Clerk read the following amendments recommended by the committee:

Page 30, line 9, strike out the word "sections" and insert the word "section."

Line 10, strike out the words "and fifteen."

Page 34, line 5, strike out the word "shareholding" and insert the word "member."

The CHAIRMAN. The question is on the committee amendments.

The question was taken, and the committee amendments were agreed to.

Mr. GLASS. Mr. Chairman, I would like to have an agreement as to the time for debate on this section and the amendments thereto.

Mr. BURKE of Pennsylvania. Will the gentleman from Virginia make some suggestion as to the probable time?

Mr. GLASS. I can not until I learn how many amendments and how much time is wanted on that side.

Mr. MURDOCK. There are 8 or 10 amendments to be offered.

Mr. LINDBERGH. I have two amendments, and I would like five minutes on each.

Mr. BURKE of Pennsylvania. I have already requests for an hour and 15 minutes on this side of the House. It is a very vital section of the bill, and I think we should not be parsimonious in dealing out the time.

Mr. GLASS. Mr. Chairman, I ask unanimous consent to conclude debate on this section and all amendments thereto in one hour and a half, one-half of the time to be controlled by the

gentleman from Pennsylvania [Mr. BURKE] and one-half by myself.

Mr. BURKE of Pennsylvania. I will suggest to the gentleman that that will not give five minutes to each gentleman who has requested time and has an amendment.

Mr. GLASS. Well, Mr. Chairman, I will say two hours, to be equally divided, one-half to be controlled by the gentleman from Pennsylvania on that side and one hour to be controlled by myself.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that debate on this section and amendments thereto be closed in two hours.

Mr. MURDOCK. Reserving the right to object, I would like to know from the gentleman from Pennsylvania if we shall have our proportion of the time.

Mr. BURKE of Pennsylvania. How much time does the gentleman want?

Mr. MURDOCK. Fifteen or twenty minutes.

Mr. BURKE of Pennsylvania. Will the gentleman be satisfied with 15 minutes?

Mr. MURDOCK. Yes.

Mr. BURKE of Pennsylvania. Very well.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that all debate on this section and amendments thereto be closed in two hours, one-half of the time to be controlled by the gentleman from Pennsylvania [Mr. BURKE] and one-half by himself. Is there objection?

There was no objection.

Mr. GLASS. Mr. Chairman, I suggest that all amendments be reported at the beginning of the debate.

The CHAIRMAN. Without objection, gentlemen will send up the amendments.

Mr. BARTLETT. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. BARTLETT. Does this division of time apply to committee amendments as well as to others?

The CHAIRMAN. It applies to all amendments to the section.

Mr. BURKE of Pennsylvania. The time consumed in reading the amendments is not a part of the time for debate?

Mr. BARTLETT. Oh, no.

The CHAIRMAN. Does the Chair understand that the gentleman from Virginia wants the amendments read now?

Mr. GLASS. That is my suggestion.

The CHAIRMAN. The Clerk will report the amendments. First read the committee amendments.

The Clerk read as follows:

Committee amendment: Page 30, line 3, strike out the word "Treasury" and insert in lieu thereof the words "Federal reserve."

Committee amendment: Page 31, line 3, strike out the word "Treasury" and insert in lieu thereof the words "Federal reserve."

Committee amendment: Page 30, line 6, after the word "collateral," strike out all down to and including the word "for," in line 8, and insert the following: "In amount equal to the sum of the Federal reserve note that is applied for and issued pursuant to such application."

Amendment offered by Mr. WILLIS:

Page 29, line 15, after the word "notes," strike out the words "to be issued at the discretion of the Federal reserve board" and insert in lieu thereof the following: "In an amount not to exceed \$500,000,000 and, in addition thereto, a sum equal to the difference between the total amount of national bank notes outstanding at any given moment and the amount of notes outstanding at the passage of this act."

Line 19, strike out the words "United States" and insert in lieu thereof "several Federal reserve banks to which the notes shall be issued."

Amendments offered by Mr. LINDBERGH:

After the word "at," in line 22, page 29, add:

"Any Federal reserve bank, or at," and strike out the word "or." in line 23 on said page, and strike out the words "at any Federal reserve banks," in line 24, on said page 29, and insert in lieu thereof the following: "from the 5 per cent redemption fund hereinafter in this section provided for, or by check upon any Federal reserve bank having Government deposits."

On page 29, line 18, strike out the words "and for any other purpose."

Amendment offered by Mr. TOWNER:

Page 29, lines 21 and 22, after the word "gold," in line 21, strike out the words "or lawful," and also the word "money," in line 22.

Amendment by Mr. SWITZER:

Amend section 17 by striking out of line 20, on page 29, the two commas therein and the word "customs" and inserting, after the word "dues," line 21, the words "except customs," and further striking out of lines 21 and 22 the phrase "or lawful money."

Amendments by Mr. FESS:

Page 29, line 20, after the word "taxes," strike out the word "customs"; and in line 21, after the word "gold," strike out the words "or lawful"; and in line 22 strike out the word "money."

Page 30, line 20, after the word "gold," strike out the words "or lawful money."

Page 31, line 1, after the word "gold," strike out the words "or lawful money."

Line 20, after the word "for," strike out the words "lawful money" and insert the word "gold."

Page 32, line 24, after the word "or," strike out the words "lawful money," and in line 25 the words "of the United States" and insert the word "gold."

Amendment by Mr. BURKE of Pennsylvania:

Page 29, lines 21 and 22, after the word "gold," strike out the words "or lawful money."

Amendment by Mr. PLATT:

Page 29, line 19, strike out all of lines 19 and 20 and the two words on line 21 ending the sentence.

Amendment by Mr. MONDELL:

Strike out all of section 17 down to and including line 12, on page 33, and insert in lieu thereof the following:

"That Federal reserve bank notes to be issued by permission of the Federal reserve board by Federal reserve banks are hereby authorized. The said notes shall be obligations of the Federal reserve banks of issue and shall be receivable by all national and Federal reserve banks and for all taxes, customs and other public dues.

"They shall be redeemed in gold on demand by the bank of issue.

"Any Federal reserve bank upon vote of its directors and within a limit prescribed by the Federal reserve board may issue such amount of the notes hereinbefore provided for as it may deem best.

"Whenever any Federal reserve bank shall pay out Federal reserve bank notes issued by it as herein before provided, it shall segregate in its own vaults and shall carry to a special reserve account on its books gold equal in amount to 40 per cent of the Federal reserve bank notes so paid out by it, such reserve to be used for the redemption of said Federal reserve bank notes, but any Federal reserve bank so using any part of such reserve to redeem notes shall immediately carry to said reserve account an amount of gold sufficient to make said reserve equal to 40 per cent of its outstanding Federal reserve bank notes, except as herein provided.

"The full amount of such note issues by each of said banks shall at all times be covered by such notes and bills of exchange and such bank acceptance as the Federal reserve banks are by section 14 of this act empowered to discount with the indorsement of member banks or by such prime bankers' bills and bills of exchange payable in foreign countries as the Federal reserve banks are by section 15 of this act permitted to purchase in the open market; but nothing herein provided shall prevent the exchange of said Federal reserve bank notes for gold of equal amount, or the issue of said Federal reserve bank notes for the purchase of a like amount of gold. Notes so paid out shall bear upon their faces the name of the issuing bank.

"Whenever the gold reserve is 40 per cent or more such notes may be issued without tax; whenever such reserve shall fall below 40 per cent and shall be between 37½ per cent and 40 per cent such deficiency of reserve shall bear a tax of interest at the rate of 1½ per cent per annum, and for each 2½ per cent or part thereof of further reduction of reserve an additional tax of interest at the rate of 1½ per cent per annum on such deficiency of reserve shall be paid into the Treasury of the United States, and whenever and while such reserve shall be reduced to 33½ per cent of such outstanding notes, no further issue of such notes shall be made.

"Whenever Federal reserve bank notes issued by one Federal reserve bank shall be received by another Federal reserve bank they shall be returned for redemption to the Federal reserve bank by which they were originally issued, and at its expense for transportation. No Federal reserve bank shall pay out notes issued by another under penalty of a tax of 10 per cent upon the face value of notes so paid out. The amount of such Federal reserve bank notes so issued by any such Federal reserve bank shall become a first and paramount lien on all the assets of any such Federal reserve bank."

Amendment by Mr. GREEN of Iowa:

Page 31, line 23, after the word "issued," insert:

"When any Federal reserve notes are redeemed by the Federal reserve bank which issued them, such notes so redeemed shall be canceled and not again paid out."

Amendment by Mr. PLATT:

Page 33, lines 21 and 22, strike out the words "to cover actual expenses."

Mr. GLASS. Mr. Chairman, I suggest that the gentleman from Pennsylvania use some of his time. The committee amendments are not so very material.

Mr. MADDEN. Mr. Chairman, before the debate begins I have an amendment which I desire to offer, which I send to the desk and ask to have read.

The CHAIRMAN (Mr. SABATH). The Clerk will report the amendment.

The Clerk read an amendment by Mr. MADDEN, as follows:

Strike out section 17 and substitute therefor the following:

"That Federal reserve bank notes to be issued by permission of the Federal reserve board by Federal reserve banks are hereby authorized. The said notes shall be obligations of the Federal reserve banks of issue and shall be receivable by all national and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in gold on demand by the bank of issue. Any Federal reserve bank upon vote of its directors and within a prescribed limit by the Federal reserve board may issue such amount of the notes hereinbefore provided for as it may deem best. Whenever any Federal reserve bank shall pay out Federal reserve notes issued by it as hereinbefore provided, it shall segregate in its own vaults and shall carry under special reserve account on its books, gold equal in amount to 40 per cent of the Federal reserve bank notes so paid out by it, such reserve to be used for the redemption of said Federal reserve bank notes, but any Federal reserve bank so using any part of such reserve to redeem notes shall immediately carry to said reserve account an amount of gold sufficient to make said reserve equal to 40 per cent of its outstanding Federal reserve bank notes, except as herein provided. The full amount of such note issues by each of said banks shall at all times be covered by such notes and bills of exchange and such bank acceptances as the Federal reserve banks are by section 14 of this act empowered to discount with the indorsement of member banks or by

such prime bankers' bills and bills of exchange payable in foreign countries as the Federal reserve banks are by section 15 of this act permitted to purchase in the open market, but nothing herein provided shall prevent the exchange of said Federal reserve bank notes for gold of equal amount or the issue of said Federal reserve bank notes for the purchase of a like amount of gold. Notes so paid out shall bear upon their faces the name of the issuing bank. Whenever the gold reserve is 40 per cent or more such notes may be issued without tax; whenever such reserve shall fall below 40 per cent and shall be between 37½ per cent and 40 per cent such deficiency of reserve shall bear a tax of interest at the rate of 1½ per cent per annum, and for each 2½ per cent or part thereof of further reduction of reserve an additional tax of interest at the rate of 1½ per cent per annum on such deficiency of reserve shall be paid into the Treasury of the United States, and whenever and while such reserve shall be reduced to 33½ per cent of such outstanding notes, no further issue of such notes shall be made. Whenever Federal reserve bank notes issued by one Federal reserve bank shall be received by another Federal reserve bank they shall be returned for redemption to the Federal reserve bank by which they were originally issued, and at its expense for transportation. No Federal reserve bank shall pay out notes issued by another under penalty of a tax of 10 per cent upon the face value of notes so paid out. The amount of such Federal reserve bank notes so issued by any such Federal reserve bank shall become a first and paramount lien on all the assets of any such Federal reserve bank."

Mr. BURKE of Pennsylvania. Mr. Chairman, I understand that the time runs on from this point?

The CHAIRMAN. Yes.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield five minutes to the gentleman from New York [Mr. PLATT], a member of the committee.

Mr. PLATT. Mr. Chairman, my amendment was a motion to strike out all of lines 19 and 20 and the first two words on line 21, on page 29, section 17. The striking out of this sentence will make these notes distinctly bank notes, which is what they are in effect.

You will see from the following paragraphs of this section that these notes are in fact made the obligation of the Federal reserve banks in spite of the statement here that they are the obligation of the Government, and the banks are required to keep against them a reserve of 33½ per cent and also to mortgage all their assets for additional security. What kind of a mockery is this sentence calling these bank notes an obligation of the Government? A lot of wild talk has been indulged in on the floor of this House about bank notes. Only a few minutes ago a gentleman read quotations of the selling prices of certain bank stocks in New York City and implied that those banks had made their great profits by paying their debts with notes. Now, that is sheer nonsense. It would be paying one debt with another debt. There is practically no more profit in issuing notes than in creating deposit accounts on which checks may be drawn. If the gentleman will study carefully the figures in the report of the Comptroller of the Currency he will find that several of the banks whose stocks are quoted highest have outstanding the smallest possible issue of notes under the law, and he will also find that State banks in New York make profits just as large from their deposit accounts as banks issuing notes make. There is no essential difference between a bank note and a certified check, and these notes ought to be bank notes pure and simple.

Mr. KORBLY. Will the gentleman yield?

Mr. PLATT. I will.

Mr. KORBLY. I understood the gentleman to say that a bank note is tantamount to a cashier's check on his own bank.

Mr. PLATT. It is tantamount to a certified check, practically. Mr. Chairman, I yield back the balance of my time.

Mr. TOWNER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. TOWNER. Is it the expectation that these various amendments will be voted on at the close of the discussion on this subject?

The CHAIRMAN. That is the understanding.

Mr. TOWNER. I would like to suggest to the gentlemen of the majority side that it will be perhaps difficult for Members to remember the various amendments without the rereading of them, and that they may be acted upon with knowledge of the particular amendment can be perhaps best subserved by a vote on these amendments as they are submitted. I simply make that suggestion to the majority of the committee.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield five minutes to the gentleman from Ohio [Mr. WILLIS].

Mr. WILLIS. Mr. Chairman, I am one of those who regret exceedingly that this bill is not in such form that those of us on this side of the aisle who are really in favor of a system of currency reform that shall be in the interest of the people shall be able to support it. I recognize that there is a demand in the country for currency reform, but, in my judgment, there is not a demand in the country for the passage of this bill or, at any rate, there would not be if the people understood the provisions of it. I have already referred during the last two days' debate to some things in this bill which, in my judgment,

are objectionable, but it seems to me, Mr. Chairman, that we have now come to a section that is the most vital and fundamental thing in this whole proposition. The amendment which I have sent to the Clerk's desk proposes in substance to do two things. It proposes in the first place to put in the pending bill what was in the original bill when it came from the experienced hands of the chairman of the committee, the gentleman from Virginia [Mr. GLASS], namely, a provision to limit the amount of note issue. I invite attention to the fact, Mr. Chairman, that in this bill there is no limitation provided upon the amount of notes which can be issued. It may be desirable to have elasticity in this system of note issue, but let me say, Mr. Chairman, it is much more essential to have stability.

Mr. KORBLY. Will the gentleman yield?

Mr. WILLIS. For a brief interruption; I have only five minutes.

Mr. KORBLY. The gentleman knows very well there is a limitation of 33½ per cent.

Mr. WILLIS. I am not talking about the reserve. I am calling attention to the fact that in this bill, as it was originally drawn, occurred the language which I have embodied in my amendment, as follows:

In an amount not to exceed \$500,000,000 and in addition thereto a sum equal to the difference between the total amount of national-bank notes outstanding at any given moment and the amount of such notes outstanding at the passage of this act.

Mr. KORBLY. Will the gentleman yield?

Mr. WILLIS. Very briefly.

Mr. KORBLY. Does not the gentleman think that the Federal reserve board has some voice in the matter of these notes?

Mr. WILLIS. That is the dangerous and objectionable proposition, Mr. Chairman. Unless I have absolutely misread and misinterpreted the financial history of this country, it is a dangerous proposition to put into the hands of the Federal reserve board, or any other set of men that could be appointed, the power to determine the volume of currency of this country. There is no limitation as this bill is drawn. I think there ought to be. I think that the language that was in this bill when it came from the experienced hand of the gentleman from Virginia ought to have remained in the bill.

Mr. KORBLY. Point out the difference between deposits and bank notes.

Mr. WILLIS. I understand quite well. If the gentleman can not ask a pertinent question, I do not care to be interrupted.

Now, here is another thing. We have fought financial battles in this country. We had experience with the rag-baby and the greenback craze. We had the fight of 1896. All those battles were fought on the one proposition that we ought to have in this country a stable currency. And you are proposing, if you pass this bill, to undo the work that was done on those momentous occasions. You are proposing to provide a currency that admits of dangerous inflation. You say you want elasticity, but the elasticity in this bill is all one way. No man can prophesy within millions of dollars what volume of notes will be issued if this bill shall become a law. For one, I shall never vote for a measure that permits inflation and possible ultimate debasement of the currency of this Republic.

Mr. GLASS. May I interrupt the gentleman right there?

Mr. WILLIS. Very briefly.

Mr. GLASS. I would like to ask him to explain at this point how Mr. James J. Forgan, one of the most prominent bankers in this country, arrived at the conclusion that there was a contraction of \$1,500,000,000?

Mr. WILLIS. I am not concerned with Mr. Forgan. I am talking about this bill. I want to call attention to another fact. As this bill was originally drawn they approached the subject gingerly. Do you notice the language?—

The said notes shall purport on their faces to be obligations of the United States.

In the bill as it now stands it is provided that "said notes shall be obligations of the United States"; the amendment which I have offered provides that the notes shall be the obligations of the Federal reserve banks. Why should this vast amount of notes be issued to the Federal reserve banks, to be used by them for their profit, and still be made obligations of the United States? Why place this burden on the Government of the United States for the benefit of the Federal reserve banks? Since the people can get these notes from the Federal reserve banks only by paying interest for them, why should not the notes be the obligations of the banks instead of the obligations of the United States?

The gentleman from Virginia [Mr. GLASS] in his original bill said that—

They shall be redeemed in gold on demand.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield one more minute to the gentleman from Ohio.

Mr. WILLIS. Now, then, in the bill as it comes before us in its present form, these obligations are not to be paid in gold, but they are to be paid in gold or lawful money. The honorable Secretary of State, who has been dominating the Democratic Party all these years, controlling conventions and nominating candidates for the Presidency, has at last been able to get into the bill and have it indorsed by caucus action the thing for which he has been fighting for 20 years. And I call the attention of Members on this side of the House to the fact that if you shall vote to enact this bill into law, you are voting for the very thing that you have been fighting against all these years. [Applause on the Republican side.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. BURKE of Pennsylvania rose.

The CHAIRMAN. For what purpose does the gentleman from Pennsylvania rise?

Mr. BURKE of Pennsylvania. The time, as I understand it, is in the control of the gentleman from Virginia, and I prefer to have him use it.

Mr. KORBLY. May I be permitted to make an observation at this time?

Mr. GLASS. I yield a minute to the gentleman from Indiana [Mr. KORBLY].

Mr. KORBLY. I wanted to observe that the Democratic Party has not waited 16 years to overcome that obstacle to legislation.

The CHAIRMAN. If the committee will indulge me for one moment, I wish to say that some Member here has placed three bills in the basket and omitted to put his name on them. If the Member is present, will he kindly come to the desk and see that his name is placed on the bills?

Mr. BURKE of Pennsylvania. Will the gentleman from Virginia [Mr. GLASS] now occupy some of his time?

Mr. GLASS. Mr. Chairman, I yield three minutes to the gentleman from Massachusetts [Mr. PHELAN].

Mr. PHELAN. Mr. Chairman, it is a difficult thing in a short time to explain anything about this note-issuing section, but there have been so many absurd statements that I think I ought to call attention to one or two of them at least. The statement has been made that under the provisions of this bill it is possible for the Government to issue \$10,000,000,000 worth of these Federal reserve notes. Now let us see whether or not that will hold water. In the first place, to issue \$10,000,000,000 worth of Federal reserve notes it will be necessary for the Federal reserve bank to have in lawful money over \$3,000,000,000.

Assuming that there is that much lawful money in the country, it would mean that the Federal reserve banks would have to gather together in their vaults all the lawful money in existence. That is ridiculous, to start with. But, assuming that that has been done, then they go to the Federal reserve board to get this \$10,000,000,000 worth of notes. How do they get them? They get them by putting up \$10,000,000,000 worth of commercial paper. When they put up that paper they have to take all the lawful money in existence and keep it in their vaults as a reserve against the \$10,000,000,000 that has been issued in Federal reserve notes.

Now, to go a step further, let us see how they get their \$10,000,000,000 worth of commercial paper. The only possible way in which they can get that is from member banks. Now, when they get the \$10,000,000,000 worth of commercial paper from member banks, it is inconceivable that those member banks would put up that paper without carrying some deposits in the regional reserve banks. Indeed, it is absolutely impossible for them to do it, because the law requires that the member banks shall keep a reserve; that is, keep the money in the regional reserve banks which they may count as reserves. Now, if the member banks have deposits in the regional reserve banks, the regional reserve banks under the law must keep a reserve of 33½ per cent against those deposits. How can they have a reserve against those deposits when they have to use all the lawful money in existence to get the notes? It is absurd.

Now, let us go a step further. Let us go right down to the member banks. The member banks to rediscount this \$10,000,000,000 worth of commercial paper with the regional reserve banks, must have obtained that paper in some way. The way they obtained it was by taking loans and taking deposits. When we get down to the member banks we find that the member banks are obliged to keep a certain amount of lawful money in their vaults.

Now, how can they keep that amount of lawful money in their vaults when all the lawful money in existence is in the vaults of the Federal reserve banks? I could go on and point out 40 other absurdities in connection with this rash statement that has been made about the issue of notes.

Now, let me continue. There is a misunderstanding about this proposition, because men have in their minds what has been done in the past, and they have in their minds laws that have existed in the past with reference to the issue of notes. There are certain countries now in which notes may be issued without keeping reserves against those notes. Now, if a bank can issue its notes freely without keeping a reserve against them, of course it is to the advantage of that bank to put the notes out, because they put them out on a loaning process, and on their loans they make money.

Now, let us see what will happen under our bill. These notes are put out and issued by the Federal reserve board. They are issued to the regional reserve banks. When the regional reserve bank gets any notes, it has to keep a deposit of 33 1/3 per cent of lawful money to get those notes issued. It has to keep an equal amount against any credit it extends to the member bank. So what is the advantage to the regional reserve bank in putting out notes rather than giving the credit to the member bank? None, because they have to keep an equal amount of reserve, whether it is notes or credit, with this additional feature, that when they give a credit on their books to a member bank they are not subject to any tax, because they are not taxed on deposits under this bill, but if they put out notes to a member bank they are subject to a tax of at least one-half of 1 per cent and more if the Federal reserve board desires to tax them.

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield?

Mr. PHELAN. I yield to the gentleman.

Mr. GREEN of Iowa. What is the highest amount that could be issued under this bill, in the opinion of the gentleman? I do not expect the gentleman to give it in anything like exact figures but approximately.

Mr. PHELAN. I will not attempt even to approximate it, because it would mean going into a great many figures.

Mr. GREEN of Iowa. I thought the gentleman would not. That is one trouble with the bill.

Mr. PHELAN. I will say to the gentleman that the thing has been figured out, because I asked that very same question some two months ago. I have not the figures here, and I am not going into it, because I am not going to try to rely on my memory for the figures. About two months ago I asked that very same question of the expert of the committee, and the figures were all worked out.

Mr. TEMPLE. I notice that the gentleman used the word "tax"—not less than half of 1 per cent tax. Was that an inadvertence? The bill speaks of it as interest.

Mr. PHELAN. It was an inadvertence.

Mr. TEMPLE. I contended the other day that we had delegated our taxing power to the Federal reserve board.

Mr. PHELAN. That expression was an inadvertence. I want to say, in reference to the change which the gentleman from Ohio [Mr. BULKLEY] asked to have made yesterday, which was made, and to which the gentleman from Arkansas objected, I do not wish to bring up that whole question again, but I think perhaps it ought to have a little explanation. It was stated on the floor that it was understood that rediscounts up to the amount of the capital stock of member banks could be made with the reserve banks. I think everybody will agree that that statement was made.

I want to point out that under the bill as we had it they could not get rediscounts even up to the amount of the capital of the bank, and I will state why. The section to which the gentleman from Ohio referred—limiting the liabilities of national banks to a certain amount, contained various items of exceptions, but it did not contain among those exceptions this 10 per cent liability on the stock subscription provided for in the bill. The stock subscription to regional banks is a subscription on which the bank pays in 10 per cent, and the other 10 per cent is a liability. Now, if a bank could not incur indebtedness beyond its capital you must deduct that 10 per cent, because that is a liability; so that if the bill had not been changed the bank could not rediscount to the amount of more than 90 per cent of its capital stock.

Let me add another word: In many cases, if this bill is going to prove the benefit we think it is, the bank could not rediscount even up to the amount of 90 per cent, because we have given to national banks the permission to accept bills of exchange. Now, an acceptance is a liability. It is a contingent liability, to be sure, but nevertheless a liability; so that if a bank accepts \$100,000 worth of bills of exchange that amount also would have to be deducted from the amount of rediscounts that that bank could carry with the Federal reserve bank. The fact of the matter is this: If there were any intention to limit the amount that a bank could rediscount it would be put into this bill as a limitation. In other words, we would not depend

on a particular provision of the existing law, because I believe that thing was not noticed at the time our bill was framed.

To go a step further, I want to show you some of the difficulties of limiting a bank in its permission to rediscount to the amount of its capital stock. We will take the case of the bank suggested yesterday by the gentleman from New York [Mr. PLATT], a bank in Virginia. As I recollect it, he said that bank had a capitalization of \$100,000 and it had deposits of \$3,500,000. It was a country bank. Now, under our bill that country bank would be required to keep 5 per cent of its reserve. Five per cent of \$3,500,000 is \$175,000. The bank has a capital of \$100,000, and yet it is required to keep a reserve in the regional reserve bank of \$175,000. If you allowed the bill to stand as it was that bank could not carry in the regional reserve bank a deposit created by way of rediscount for probably more than \$85,000. I can not give the figures exactly, because I can not tell what the indebtedness of the bank otherwise would be; but we will say that by the rediscounting process it could get about \$85,000 in the Federal reserve bank. The balance of the \$175,000 would have to be carried in the regional reserve bank by a cash deposit. You see what a hardship that would be. Under this bill as it now stands, if that bank desired to create that deposit in the Federal reserve bank as a reserve it could do it by the rediscounting process. It can rediscount that \$175,000 by sending to the regional reserve bank \$175,000 worth of its paper.

The amendment has been voted on, but I think it ought to be cleared up. I want to point out, in conclusion, that this amendment, accepted yesterday, is a help to the small banks, because if the small banks were limited as the bill would limit them it would be a serious disadvantage. A gentleman from Illinois, a Member of this body, got a letter in which this very point was raised. The writer complained that under our bill he would not be able to get enough rediscounts in time of trouble to help him any, because there was a limitation in the bill. As a matter of fact, there was no limitation in the bill, but that is what he complained of.

Mr. MADDEN. Will the gentleman yield?

Mr. PHELAN. Certainly.

Mr. MADDEN. Does the gentleman wish to be understood as saying that the bank described by him could create all the reserve in the Federal reserve bank by rediscount?

Mr. PHELAN. Yes.

Mr. MADDEN. And would not be compelled to keep cash?

Mr. PHELAN. No. I want to say in conclusion that if you require the payment of cash, as suggested by the gentleman from Illinois and in response to his question, you might upset the whole calculations made on the bill, and you can see the hardship that might ensue.

Mr. BUTLER. Will the gentleman yield?

Mr. PHELAN. I will yield to the gentleman.

Mr. BUTLER. Will the gentleman explain why the change was made between the original plan of the bill as reported as that stated by the gentleman from Ohio [Mr. WILLIS], because it seemed to me that there was an attempt to limit the note issue discovered in the first print of the bill, or the bill first introduced in the House?

Mr. GLASS. I can tell the gentleman. Because every bank in the United States howled against limitations and said it was unscientific.

Mr. BUTLER. That was the reason—that it was under protest?

Mr. GLASS. That was one reason.

Mr. BUTLER. It was a protest that induced the Banking and Currency Committee to make the change?

Mr. GLASS. The Banking and Currency Committee realized that it was a sensible protest.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield five minutes to the gentleman from Iowa [Mr. TOWNER].

Mr. TOWNER. Mr. Chairman, the amendment which I have offered is merely to strike out from the bill as it now stands the words that have so mysteriously appeared in it, following the word "gold" in the redemption clause, the words "or lawful money."

As this bill was concurrently introduced in the Senate and House by the chairman of the respective committees on June 23 of this year, the provision for redemption was that the redemption should be made in gold on demand. Such was the condition of this bill down as late as July 25, when the committee gave out the bill still in that form to the press. Eighteen days thereafter, when this bill emerged from the majority of the committee for consideration by the Democratic caucus, the words for the first time appeared in this bill, following the word "gold," "or lawful money."

In some way or other in that interval, at somebody's suggestion or solicitation or demand, these words were added, changing materially the basis of redemption in this bill, and making the redemption now under its terms in any money that is lawful as the law of the United States has fixed it. Lawful money embraces silver as well as gold. Redemption may be made in silver as well as gold. Will the demand be made now by these gentlemen and those very efficient influences that have written these words into this bill—will the demand be made—

Mr. WINGO. Will the gentleman yield?

Mr. TOWNER. No; I can not yield.

Mr. WINGO. What influences?

Mr. TOWNER (continuing). Will the demand be made that the Government shall purchase silver at 60 cents on a dollar to redeem these notes rather than use the gold which is worth 100 per cent on a dollar?

Mr. Chairman, it has been supposed that after great tribulation, after extremely long and arduous endeavor, we had finally settled the question in this country that gold was the basis of its currency. Now we are asked in this bill to make as a basis for the redemption of this larger, if not finally exclusive, part of our currency anything the law says may be lawful money of the United States. It would be very interesting to know what the influences within that party and on that side of the House are which are so potent that have caused the amendment of this bill in this material way in the process of its formation.

I shall be extremely gratified if those gentlemen, when they come to their explanations, will tell by what influences and in what manner and upon whose suggestions and what will be the effect of this interpolation in the terms of the bill. This, Mr. Chairman, is a very serious matter. It is a matter that concerns every citizen of this country. It is more important to the laboring man than it is to the bankers or capitalists. It is more important to the poorer classes of people than it is to the richer and more powerful. It is one that affects the very basis and foundation of our system of currency in this country, and gentlemen on that side know as well as we do on this side that it is a question that is a two-edged sword. It will bring to those who do not support this bill very effective influences against its being carried into effect and being made operative. If it shall be believed that this bill makes a change in the basis of the currency of the Nation, this bill can not possibly be made effective in its operations. [Applause on the Republican side.]

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. GLASS. Mr. Chairman, I yield 15 seconds to the gentleman from Indiana [Mr. KORBLY].

Mr. KORBLY. Mr. Chairman, I would like to observe to the gentleman who has just taken his seat that had the Republican Party possessed the courage of its convictions in 1900 and really established the gold standard the things about which he worries now so touchingly need never have bothered him.

Mr. GLASS. Mr. Chairman, I yield 10 minutes to my colleague on the committee the gentleman from Arkansas [Mr. WINGO].

Mr. WINGO. Mr. Chairman, the distinguished gentleman from Iowa [Mr. TOWNER] thinks he has discovered a "mare's nest." He pretends to believe because the bill has been changed so as to provide that the redemption of the notes which are to be issued under this act shall be in gold or "lawful money," instead of gold alone, as originally provided, that somebody is trying by underhand methods to repeal the gold-standard act of 1900. He speaks of the change as if it was a mystery and that a crime had been committed by some one. He demands to know who is responsible for this change, when it took place, and what influences were brought to bear upon the person who made the change. The suggestions are not original with the gentleman. He has simply borrowed these charges and insinuations from certain New York newspapers, which have been busy in the last few days trying to make the country believe that by some process of verbal jugglery the words "lawful money" have been interpolated into the bill. One of the newspapers which I have before me asks who dictated the change, who procured it, by whom was it suggested, and for what purpose. Another one of these newspapers which I hold in my hand charges that Mr. Bryan has secretly tried to smuggle into this act these words, so as to repeal the gold-standard act. One of these newspapers in a serious vein expresses a desire to know whether or not the President appreciates the buncombe that Mr. Bryan has thus been able to inject into his bill. As a matter of fact, these newspapers and the Republicans have picked up this question and have tried to make a "bugaboo" out of it and—

Mr. MONDELL. Will the gentleman yield?

Mr. WINGO. I regret that owing to lack of time I can not yield to my friend.

Mr. Chairman, the charge that Mr. Bryan is responsible for this change in the bill is without foundation. As a matter of fact, it was made without consulting him, either directly or indirectly, and I doubt that he even knew that the change was made. There is no mystery about it, Mr. Chairman, and there is no question about who is the author of the much-discussed amendment, as I am the one who is responsible for it. When the bill was originally prepared it carried this provision with reference to the notes to be issued:

They shall be redeemed in gold on demand at the Treasury Department of the United States or at any Federal reserve bank.

The original print of the bill also provided in the same section as follows:

Whenever any Federal reserve bank shall pay out or disburse Federal reserve notes issued to it, as hereinbefore provided, it shall segregate in its own vaults, and carry to a special reserve account on its books gold or lawful money equal in amount to 33 1/3 per cent of the reserve notes so paid out by it.

This same print of the bill also provided for a 5 per cent redemption fund to be deposited by these banks with the Treasurer of the United States with which to redeem these notes, which redemption fund was to be in gold or lawful money. Thus it will be readily seen that the bill as originally prepared required the Government to redeem in gold alone, while it provided that the banks might carry the redemption reserves either in gold or lawful money; and while the Government was required to redeem these notes in gold, yet the 5 per cent redemption fund that the banks were required to maintain in the Treasury was to be of either gold or lawful money.

In other words, Mr. Chairman, while the Government was required to pay gold, and gold alone, in the redemption of these notes the banks were permitted to redeem in lawful money. It was obvious to any reasonable man what the effect of these provisions would have been upon the United States Treasury had they not been changed. Under these provisions the banks could have put up lawful money, and when the Government was called upon to pay out gold in the redemption of these notes the Secretary of the Treasury would have been compelled to have sold bonds to procure the gold, and we would have had a repetition of the raid on the United States Treasury as we did in the days of Mr. Cleveland.

I called the attention of the committee to this unequal load that the bill placed upon the Government and insisted that the requirements with reference to the banks and the Government should be the same. At first the committee adopted an amendment which struck out the words "lawful money," thereby making the provisions of the bill to require both the banks and the Government to redeem these notes in gold. At that time I would have preferred that instead of striking out the words "lawful money" in the reserve requirements imposed on the banks that we put the words "lawful money" in the redemption requirements imposed upon the Government. Finally, at my insistence, the provisions were changed so that the Government might redeem in gold or lawful money, and the words "or lawful money" were put back in the bill after the word "gold" in that provision governing the redemption and reserve requirements imposed on the banks. At the time these changes were made the facts were known and reported to the newspapers—

Mr. TOWNER. Will the gentleman yield?

Mr. WINGO. I regret that I have not the time to yield. I repeat, Mr. Chairman, these changes were made upon my motion, without consultation with Mr. Bryan or anybody else, other than the members of the committee, and the only reason I had in making the change was that the provisions with reference to the Government and the banks should be uniform. In other words, I wanted to impose the same obligations on the banks that were imposed upon the Government.

Now, Mr. Chairman, was there any "jugglery" about that? Is there anything wrong about it? Is not my contention sound? I want to say to my Republican friends, when you condemn this change, when you condemn these lawful-money provisions of this bill, then I say to you that you condemn every piece of legislation upon this same subject that the Republican Party has put upon the statute books. [Applause on the Democratic side.]

Let me call your attention to the provisions of the laws which you have enacted on this subject. Take your favorite act, that of May 30, 1908, which you railroaded through this House with only four hours for debate, and without the Democrats having an opportunity to amend it. What provisions did you make in

that act with reference to redemption? I will read you the provision, which is as follows:

The circulating notes of the national-bank associations when presented to the Treasury for redemption, as provided in section 3 of the act, approved June 20, 1874, shall be redeemed in lawful money of the United States.

Oh, where were you gentlemen then who are so alarmed now? Where were the friends of gold standard then? Did Mr. Bryan suggest the words "lawful money" to you gentlemen then? [Applause and laughter on the Democratic side.] Was Mr. Bryan lurking around the Capitol whispering in your ear and persuading you into discrimination against the gold standard? But let us take another one of your favored currency bills, the Aldrich bill, that you tried to impose upon the people of this country, and which every Republican indorsed, and which every banker in the United States indorsed. What does it provide with reference to the redemption of the notes to be issued under that act? I have that act and call your attention to this provision:

The circulating notes of the national reserve associations shall constitute a first lien upon all its assets, and shall be redeemable in lawful money.

Lawful money! Not gold! Where were you gentlemen then who are so alarmed now? Where were you when the Aldrich bill by this very provision sought to strike down the gold standard? Oh, you friends of the gold standard, who are now charging me and Mr. Bryan with an underhanded and subtle effort of striking down the gold standard, where were you then? Did Mr. Bryan work with Mr. Aldrich to strike down the gold standard and make these notes redeemable in lawful money?

Oh, gentlemen, the truth of the business is that these newspapers and these gentlemen who have raised this question and make these charges now, do it solely for the purpose of playing politics. You do it solely for the purpose of trying to drag in issues that are dead and gone. I say to you, my Republican friends, that before you undertake to criticize this amendment of mine which I had put in the bill, you had better familiarize yourself with the present statutes and the provisions of the act, which you yourself put on the statute books. [Loud applause on the Democratic side.]

Mr. PLATT. I desire to call attention to the fact that the currency provided for in the Vreeland-Aldrich bill was purely an emergency bank-note currency.

Mr. WINGO. That makes no difference. Your contention really is that the obligations of the Government should be made payable in gold, while you want the obligations of the banks to be made payable in any money that the banks may choose, and I take the position that the obligations of the Government are just as good as the obligations of the banks. [Applause on the Democratic side.] Do no misunderstand me. I do not intend by this statement to go into a discussion of fiat money, for my position does not involve fiat money, but I simply arose to make this explanation, and to call your attention to the fact that all of this "bugaboo" and "much-ado-about-nothing" is based upon a lack of information of the provisions of existing law. [Applause on the Democratic side.]

I commend the present existing law and its terms—I commend the history of the Republican Party and its enactments on this question to the careful and prayerful consideration of not only these New York newspapers, but to my distinguished friend from Iowa [Mr. TOWNER].

Mr. TOWNER. Has the time of the gentleman expired?

Mr. WINGO. I beg the gentleman's pardon. I did promise to yield to him.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield five minutes to the gentleman from Ohio [Mr. Fess].

Mr. FESS. Mr. Chairman, I want the attention of the gentleman from Arkansas [Mr. Wingo]. The first error in the statement of the gentleman from Arkansas is that the Aldrich plan as recommended was a violation of the gold standard if this plan that you recommend is a violation of the gold standard. Anyone who does not distinguish between the obligations of the Government and the obligations of an agent under the Government fails to see the core of this question absolutely; for the Government, whose obligations must be redeemed, is an entirely different proposition from a corporation, whose obligations must be redeemed by it and the Government holding it responsible for the redemption. The Aldrich bill did violate the gold standard up to the place where the gentleman read, but he failed to read on. Let me read the Aldrich plan, and then ask you to be informed on the matter that you spoke of. It says:

It shall be the duty of the National Reserve Association to maintain at all times a parity of value of its circulating notes with the

standard established by the first section of the act of March 14, 1900, entitled "An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes."

Now, I call the attention of the gentleman from Arkansas that where he stopped the gold standard was repealed. But the law of 1900 is written in here to prevent this repeal. [Applause on the Republican side.] Without it, it would have been repealed. That is the first error. The second error is where you say that the national banks' redemption is also to be in gold or lawful money. I want to call your attention to the fact that national-bank notes, except in this special emergency law of 1908, were not redeemable in gold.

Mr. WINGO. I did not say they were redeemable in gold.

Mr. FESS. It has been said upon this floor that there is no difference between this law and the national-bank act. There is all the difference between this law and the national-bank act that there is between two standards—all the difference in the world. The national-bank act does not allow anybody to go to the Treasury and demand any amount less than \$1,000 for redemption, and that is redeemed in United States notes or in Federal notes, and not in gold at all. And there is certainly a difference between this bill the majority are bringing in here and the national-bank act—as much difference as there is between the gold standard and the silver standard. And this is a serious proposition.

I want to pay a compliment to my friend from Arkansas. He was so persuasive on yesterday when he introduced an amendment that I voted with him, because I wanted to show him my respect; although I did not agree with him I voted with him. You have had the same persuasiveness in this committee, and whether it be Mr. Bryan or Mr. Wingo, I do not care which it is, you have won your point, and the great struggle from 1893, when William J. Bryan stood upon this very floor and made the most powerful argument, I think, that has ever been made for the right of the Government to use its own option in the redemption of its obligation in silver as well as in gold, to this day the struggle has gone on; and now, to-day, either you or Mr. Bryan has won this struggle, and you are abandoning the gold standard by this law. [Applause on the Republican side.]

Mr. GLASS. May I interrupt the gentleman for one moment there?

Mr. FESS. If you will give me time.

Mr. GLASS. I will give you time.

Mr. FESS. I am glad to be interrupted by the distinguished chairman.

Mr. GLASS. Does the gentleman think that the representatives of the American National Bankers' Association would abandon the gold standard?

Mr. FESS. The representatives of the national banks were never in favor of the Government issuing its own notes.

Mr. GLASS. Let us see for one moment. I hold in my hand the formal suggestions adopted by the currency commission of the National Bankers' Association, submitted to the Banking and Currency Committee of this House, and I will read.

The CHAIRMAN. The time of the gentleman has expired.

Mr. FESS. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Virginia yield?

Mr. GLASS. Yes; I yield the gentleman three minutes more.

Mr. FESS. Thank you.

The CHAIRMAN. The gentleman from Ohio [Mr. Fess] is recognized for three minutes.

Mr. GLASS. I read:

The issue is hereby authorized of Federal reserve Treasury notes which shall purport on their face to be an obligation of the United States and shall be receivable for all taxes, customs, and other public dues.

[Applause on the Democratic side.]

And, further on:

When the notes of one bank are received by another bank they shall be charged to the account of the Federal reserve bank whose designated number they bear and forwarded to it for credit or, if preferred, for payment in gold or lawful money.

That was the suggestion of the currency commission of the American Bankers' Association. And, further:

Whenever any Federal reserve bank shall pay out or disburse Federal reserve Treasury notes, as herein provided, it shall hold in its own vaults gold or lawful money equal in amount to not less than 33½ per cent—

And so forth.

Now, does the gentleman from Ohio [Mr. Fess] pretend that the currency commission of the American Bankers' Association, composed of men like A. B. Hepburn, J. Festus Wade, James B. Forgan, George M. Reynolds, and Sol Wexler, were making "an assault upon the gold standard of the country" when they deliberately recommended to the Banking and Currency Commit-

tee of the House the use of that phraseology in this bill? [Applause on the Democratic side.]

Mr. FESS. Mr. Chairman, I want to answer the gentleman. My answer to the gentleman, who is the chairman of this committee, is that under our present cycle of thinking the banking interests of this country are afraid to open their mouths, for they know that you are going to do certain things, and they are willing to accept the less of evils rather than what you would force down their throats.

Mr. GLASS. No; they have never feared to open their mouths, and they recommended the employment of the very same language that this bill uses.

Mr. FESS. Let me ask the gentleman a question. Suppose a Federal reserve note is presented by me to the Secretary of the Treasury under this bill. Can the Secretary, under the law, refuse to pay gold if I demanded it?

Mr. GLASS. As a matter of fact, the bill contains a provision authorizing the Federal reserve board to require Federal reserve banks to carry a 5 per cent gold fund here for redemption purposes.

Mr. FESS. That does not answer my question. If I present a Federal reserve note to you, as Secretary of the Treasury, and demand gold, under this law can you refuse to pay me gold?

Mr. GLASS. I can not refuse to pay gold.

Mr. FESS. Can you refuse to pay gold?

Mr. GLASS. I think not. "Lawful money" is equivalent to gold.

Mr. FESS. No; it is not.

Mr. GLASS. I say it is.

Mr. PHELAN. Mr. Chairman, I would like to ask the gentleman a question.

Mr. FESS. In one moment. Lawful money is greenbacks. A greenback is not full legal tender.

Mr. GLASS. Is not a greenback redeemable in gold.

Mr. FESS. It has been since 1879, after you people fought it. We made it redeemable in 1879.

Mr. GLASS. It is redeemable now?

Mr. FESS. Yes; it is now.

Mr. GLASS. Well, we do not change that. Now, let me ask the gentleman a serious question. Does the gentleman, in all sincerity, pretend to believe that we are assailing the gold standard in this bill?

Mr. FESS. I do not only believe it but I know you are. [Applause on the Republican side.]

Mr. GLASS. Then I pity the gentleman's comprehension. [Applause on the Democratic side.]

Mr. FESS. I would answer the gentleman that I may be subject to his pity, but the American people have a right to know what is meant by this proposed law.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. FESS. Mr. Chairman, may I ask the gentleman from Pennsylvania [Mr. BURKE] for some more time? Will the gentleman give me one minute?

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield one more minute to the gentleman.

The CHAIRMAN. The gentleman from Ohio [Mr. Fess] is recognized for one minute.

Mr. FESS. Mr. Chairman, I assert now—and I do not want to be interrupted unless more time is given to me—I want to assert to these gentlemen here that they are providing for the possibility of the abandonment of the gold standard. They have done it specifically by putting in the words "lawful money," when previously that word was left out. You gentlemen put it in there for that purpose.

And I want to say to you that aside from that one thing I would be willing to vote for this bill; but I can not vote for it with that provision standing in it.

Mr. GLASS. I assert that we did not put those words in there for that purpose, nor do they accomplish that purpose. [Applause on the Democratic side.]

Mr. BURKE of Pennsylvania. Does the gentleman yield back his time?

Mr. FESS. No; if I have another minute I will use it.

Mr. PHELAN. Does the gentleman maintain that we have upset the gold standard because we have provided for a note that is redeemable possibly in something other than gold?

Mr. FESS. Yes.

Mr. PHELAN. Then how have we got a gold standard to-day, when this silver certificate which I have in my hand is not redeemable in gold?

Mr. FESS. No; it is not redeemable in gold.

Mr. PHELAN. Then how have we got the gold standard, because it is your contention that when the Government issues money that is not redeemable in gold—

Mr. FESS. A national-bank note is not redeemable in gold, either. We have \$700,000,000 in national-bank notes, and not a dollar of them redeemable in gold. That silver certificate which you have in your hand is not redeemable in gold, and yet we have a gold standard. It can be redeemed by silver, and in turn the silver can be exchanged for gold since 1900.

Mr. GLASS. And a national-bank note is not lawful money.

Mr. PHELAN. No; it is issued by the United States Government, but is not redeemable in gold. Does that mean that we have not got a gold standard in this country?

Mr. FESS. I say you are arranging for an unlimited amount of currency to be redeemed in other money besides gold, and that silver certificate which you have there has its redeemer in a silver dollar, and the silver dollar can itself be used as legal tender for any amount. You can get a silver dollar for that silver certificate, and that is legal tender for any amount, and silver is equal to gold now in purchasing power since 1900; but by section 29 of this bill you are repealing the law of 1900, which is in contravention of this bill.

Mr. PHELAN. So is lawful money a legal tender, and hence what these notes are redeemable in is legal tender, just as much as that.

The CHAIRMAN. The time of the gentleman has expired. Mr. BURKE of Pennsylvania. Will the gentleman from Virginia [Mr. GLASS] give his attention? In view of what has transpired in the last few minutes, will the gentleman extend the time on each side?

Mr. GLASS. Nothing has transpired except debate.

Mr. BURKE of Pennsylvania. The time has been consumed. I yield to the gentleman from Pennsylvania [Mr. TEMPLE].

Mr. FESS rose.

The CHAIRMAN. For what purpose does the gentleman rise?

Mr. FESS. I was going to ask whether this body would not agree, on the most important paragraph in this bill, to give a little more time for discussion, when we do not need to run like a race horse?

Mr. BUTLER. You can have the discussion after you pass the bill.

Mr. BURKE of Pennsylvania. I yield five minutes to the gentleman from Pennsylvania [Mr. TEMPLE].

Mr. TEMPLE. I wish to say, first, Mr. Chairman, that I am not here to defend the report of the Monetary Commission or the Aldrich bill, but I think I see a very considerable difference between the provision for the redemption of the notes authorized by that bill in lawful money and the provision for the redemption of the notes authorized by this bill in lawful money. When that proposal was made it was not proposed to issue notes of the United States which should be redeemable in lawful money. Now it is proposed to put the credit of the United States behind notes that are to be so redeemed; and it is further provided in section 29 of this bill, on page 50, that all provisions of law inconsistent with or superseded by any of the provisions of this act be, and the same are hereby, repealed.

Now, that raises the serious question whether the law of 1900, which provided that these obligations of the United States be redeemed in gold, is not hereby repealed, so that the obligations of the United States are to be hereafter redeemable in gold or lawful money; that is, one obligation of the United States is to be redeemable in another obligation of the United States and not in gold.

Mr. SHERLEY. Will the gentleman yield for a question? Is there anything in this bill that undertakes to say what is lawful money that is not now lawful money?

Mr. TEMPLE. Lawful money is already defined by existing law.

Mr. SHERLEY. Then, if you simply say these notes shall be redeemable in lawful money, do you not repeat what is the existing fact?

Mr. TEMPLE. No; you can not have any existing fact about notes that do not yet exist.

Mr. SHERLEY. You can have an existing fact as to what is lawful money.

Mr. TEMPLE. And also all provisions of law inconsistent with or superseded by any of the provisions of this act be, and the same are hereby, repealed. That is the question, whether this law repeals the law of 1900, which put us fairly on the gold basis.

Mr. KORBLY. No; it did not.

Mr. TEMPLE. All right. I still think it did.

Mr. BUTLER. It was intended to do it.

Mr. TEMPLE. It was intended and it is generally believed that it did. Now, we put out a volume of money; we can not estimate exactly how much. I am not afraid it will be too much, but it may be; there are certain provisions in the bill that make inflation possible. Now, if these notes were to be redeemable only in gold, and nothing but gold could be held in

the reserve banks as the 33½ per cent, there could not be as much reserve as there can be when you add lawful money to the gold. There is more danger of inflation when you have gold and lawful money than when you have gold alone.

Mr. KORBLY. Will the gentleman yield?

Mr. TEMPLE. Yes.

Mr. KORBLY. If gold were the only lawful money, you would have no difficulty at all.

Mr. TEMPLE. None.

Mr. KORBLY. Why did not you make it so in 1900, when you pretended to do it and did not?

Mr. TEMPLE. We made all money equivalent to gold for ordinary purposes. Money that is suitable to be used as a circulating medium is not always suitable for reserve purposes. These notes will be suitable as a medium of exchange, and I would not be afraid that there would be any inflation if the reserve were gold alone. The medium of exchange can not be much more than the volume of exchanges to be taken care of. Every dollar of these notes will be based on a dollar's worth of short-time commercial paper representing exchange transactions. That is one safeguard against inflation. The reserve made up of gold and lawful money will be much larger, however, than a reserve made up of gold alone, and whatever restraining power to prevent inflation the gold reserve may have is weakened by adding silver and such paper as is lawful money to that reserve. There is more danger of inflation if you add money which has to be redeemed to the gold, which needs no redemption. [Applause.]

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield five minutes to the gentleman from Pennsylvania [Mr. MONDELL].

Mr. MONDELL. Mr. Chairman, it is manifestly impossible in five minutes to discuss clearly and anything like fully the very important propositions contained in this section and in the amendment that I have offered.

My amendment is the amendment adopted by the State bankers' associations and clearing-house associations at the meeting at Chicago, August 22 and 23. There were some things recommended by that conference with which I do not agree, but I am heartily in favor of this recommendation. No doubt the gentleman from Virginia will snort and say that this amendment is simply a howl from the bankers, but I hope that he will feel about it as he did about another suggestion made by the bankers. When the gentleman from Pennsylvania asked why he amended the bill in one particular, he said that it was because the bankers raised a howl; and he was asked why he listened to the bankers, and he said because the committee concluded that it was a sensible protest. I trust that some of the suggestions made by this side, which the gentleman is now inclined to consider in the nature of a howl, will later appear to him as being sensible protests.

Mr. GLASS. Some of them have appeared in that light.

Mr. MONDELL. I trust others will. My amendment does two things: It relieves the Government from the responsibility of loaning its credit to the banks, which the Government ought not to do; and, second, it strikes out of the bill the seed, if not the substance, of greenbackism. There has been considerable discussion as to whether or not the provisions of the section do strike down the gold standard.

The gold standard is maintained by two provisions of law. The one is the first section of the act of March 14, 1900, that makes it the duty of the Secretary of the Treasury to maintain all our money at a parity with gold. That is quite sufficient under a Republican administration to maintain the gold standard; but few people believe that it would be sufficient under a Democratic administration, with Mr. Bryan in the Cabinet.

Mr. GLASS. Oh, the gentleman from Wyoming is injecting partisan poison all through this bill.

Mr. MONDELL. Mr. Chairman, I have not yielded to the gentleman, but I suggest to him that he, not I, put the partisan poison in the bill, I trying to apply an antidote. The gold standard is further preserved by the first lines of section 22 of the same act, which provides for the interchangeability of Treasury notes with gold.

Now, the gentleman from Pennsylvania [Mr. TEMPLE] who has just taken his seat has raised the question, and it is a very pertinent one, whether the provisions of this section do not, by implication, repeal that provision. I think they do. If they are not intended to repeal that provision of law, why do you use the words "lawful money"? What purpose do they serve here unless they are intended to make it optional with the Government to redeem these notes either in gold or in lawful money? If the Government has that option, so has the bank; and the effect of this provision will be, inevitably, if we have a Secretary of the Treasury so inclined, to put us in a position where the gold standard will no longer be the standard of the country and where a poor man presenting a dollar of these notes may be

paid in depreciated currency or depreciated coin. There is no question about it. If the gentlemen do not want to have that occur, all that is necessary is to strike from this bill the words "or lawful money."

Mr. SHERLEY. Mr. Chairman, will the gentleman yield?

Mr. MONDELL. My time is very brief.

Mr. SHERLEY. Suppose the note was redeemed in what is called "lawful money," would that lawful money then be subject to redemption in gold?

Mr. MONDELL. Under the present law, if this provision in this bill does not affect it; but this bill repeals everything that by implication conflicts with it.

Mr. SHERLEY. But a man's fear is not an implication, and you can not legislate on that.

Mr. MONDELL. The gentleman from Kentucky may think there is not any implication. That is where he and I differ, and doctors sometimes disagree.

Mr. SHERLEY. If the gentleman will give something besides his belief, then we will be glad to consider his proposition; but when he bases his statement merely on belief, we have to consider only the belief.

Mr. MONDELL. If there is no such purpose as this, then there is no rhyme or reason in inserting the words in the bill that the gentleman from Arkansas [Mr. WINGO] says were inserted at his suggestion, but which his colleague from Texas on the floor of the House the other day said was in the bill because it was the will and pleasure of certain gentlemen not members of this House, but of the executive branch of the Government.

Mr. PHELAN. Mr. Chairman, will the gentleman yield for a moment?

Mr. MONDELL. Yes.

Mr. PHELAN. Mr. Chairman, I would like to ask the gentleman what he is driving at when the very act that he says provided for the gold standard and which did provide that all forms of money should be maintained at a parity with gold provided, in section 7, for the redemption of the Treasury notes of 1890, which were redeemable in either silver or gold, and substituted for them silver certificates redeemable only in silver. That is the fact.

Mr. MONDELL. What is the pertinency of the gentleman's inquiry? If he will inform me, I will be very glad to answer. What has that to do with the proposition I am arguing?

Mr. PHELAN. If the gentleman can not see that, then he can not understand what the gold standard means.

Mr. MONDELL. The gentlemen have struck at the gold standard, and the gentlemen know it, and they squirm because their party history on this subject is one that they do not like to have recalled.

The CHAIRMAN. The time of the gentleman from Wyoming has expired.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield four minutes to the gentleman from Ohio [Mr. SWITZER].

Mr. SWITZER. Mr. Chairman, I rise to voice the forceful sentiment that has been so earnestly expressed by my able colleagues from Ohio, Mr. WILLIS and Mr. FESS, on this important section of the bill under discussion. My amendment merely strikes out the words "or lawful money" and the word "customs." It merely commits us to our existing monetary policy and provides the method for the Government to obtain gold.

The gentleman from Arkansas [Mr. WINGO] says that we are not on a gold basis. The proposition, as I understand, under discussion is the currency of the United States, the obligations of the United States.

Mr. WINGO. Mr. Chairman, I beg the gentleman's pardon, but I have never made any such statement as that. I know he does not intend to misrepresent me, but he is very much mistaken.

Mr. SWITZER. If I did not hear the gentleman correctly I am willing to correct my statement, but as I understand it the act of March 14, 1900, commits us to the gold standard, and it provides that the United States notes are redeemable in gold. Why, the title of the act is to define and fix our standard of value and to maintain the parity of our money, whether issued in coin or in currency, and so forth. I may not have the words exactly. It was to strengthen the national currency. It was undoubtedly the outgrowth of that great political battle of 1896, which resulted in that memorable victory for the champions of sound money.

Mr. KORBLY. Mr. Chairman, I desire to call the gentleman's attention to the fact that the manly way, the honest way, for the Republicans to have accomplished what they pretend would have been to refund the greenbacks and retire to silver dollars.

Mr. SWITZER. Mr. Chairman, the gentleman questions the honesty of the Republican Party when it came into power following the great political battle to which I have alluded. I do not know how they could in any more forcible way put them-

selves upon record. But what do you propose? You say that the currency of the United States—that is, a United States obligation in the way of a note—shall be redeemable in gold or lawful money, and I agree with the gentleman from Pennsylvania and the gentleman from Wyoming that this redemption clause of the existing law to which I have just alluded, the act of March 14, 1900, is inconsistent with the redemption provision of this proposed law to redeem these proposed United States notes—

Mr. KORBLY. Will the gentleman yield?

Mr. SWITZER. And as a result the repealing section of this act automatically repeals section 2 of the act of 1900.

Mr. KORBLY. Will the gentleman yield?

Mr. SWITZER. Not now. But regardless of whether or not it repeals section 2 of the act of 1900, regardless of what construction may be placed upon the proposed legislative mix up, as I might call it, by some court, by some Comptroller of the Currency, or by some political exhorter on the rostrum it is undoubtedly an open departure from the policy to which we have been committed by the act of 1900. It seems to me that we are giving to Mr. Bryan about all he asked for in 1896.

If the gold redemption provided for United States obligations in the nature of note issues by the act of March 14, 1900, is not repealed by the redemption provision of this proposed law upon its passage, then we will have this anomalous situation:

There will be outstanding governmental obligations in the form of \$350,000,000 of United States notes and Treasury notes redeemable in gold and a billion dollars of United States notes redeemable in gold or lawful money, for it is proposed to substitute for the \$750,000,000 of national-bank notes the proposed Federal reserve notes, to which will be added other untold millions, to be issued from time to time. With one-fourth or one-fifth of our United States note obligations based on a gold redemption and three-fourths or four-fifths of it based on a redemption in "gold or lawful money," I ask whether we would then be on a gold or silver basis, or both, or on any basis? The redemption provision of this bill when it was referred to the Committee on Banking by the House June 26 last, required these notes to be redeemed in gold.

Why was it changed? Did the chairman come to the conclusion that there was some question as to the ability of the Government to redeem these notes in gold? After providing that the notes were to be governmental obligations and that they would have all the qualities of other United States notes provided for by law and receivable for customs, thereby weakening the Government's power or ability to obtain gold, I have no doubt but that the able chairman was convinced by somebody that there might be some future financial crisis in which the Government might have great trouble in redeeming these notes in gold.

It was charged on the floor of this Chamber during general debate that the change was made or agreed to about the time Mr. Bryan came to the relief of the bill and advised his followers to line up behind the Democratic floor leader, who was then busily engaged in whipping the measure through the Democratic caucus.

This is a serious charge, for Mr. Bryan contended strenuously in 1896 that the gold dollar was too dear. He said it purchased too many bushels of wheat, of corn, and too many pounds of cattle, and that it paid for too many hours of labor. His remedy to cheapen it was an application of free silver.

Since that time there has been an enormous increased yearly production of gold, and it is asserted on good authority that the gold dollar has thereby become materially cheapened. But our Democratic friends are still dissatisfied, and now say that the gold dollar does not purchase enough corn, wheat, and pounds of cattle or hours of labor. To cheapen it we find them recommending the same remedy—"free silver." It seems as if the majority of our Democratic brethren still believe that "free silver" is a panacea for all our financial ills and all the other ills that may beset the Nation in the future.

There will be no limit on the amount of the Federal reserve notes to be issued by this bill when enacted into law but the amount of rediscount paper defined in section 14, which the genius and the ability of the American people, through the agency of the member banks, can succeed in shoving into the Federal reserve banks; and as this currency will be the notes of the Government, I believe it should be as sound as gold coin, and the way to make it as good as gold is to provide that it shall be redeemed in gold.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield five minutes to the gentleman from Minnesota [Mr. LINDBERGH].

Mr. LINDBERGH. Mr. Chairman, the object of my amendment is to place the responsibility of the redemption in the

first place upon the Federal reserve banks. With the exception of the 5 per cent redemption fund which is to be deposited in the United States Treasury, this bill takes all money out of the Treasury of the United States with the exception of the money that is there for trust purposes, and therefore the available funds are in the control of the respective Federal reserve banks, in their control; or, in other words, the redemption of these bills should be first placed upon these Federal reserve banks.

Mr. Chairman, this section 26 is unfortunate in its provisions. There is no greater misconception possible anywhere in regard to any provision in this bill than that which exists with reference to loans made upon improved and unencumbered farm lands. There is no class of paper which furnishes better security, and I doubt if there is any class of paper which is more salable. Any banker or broker who has a good reputation who has farm mortgages for sale can sell them in any kind of times. They are as liquid, in fact, under conditions existing in this country at this time, and as they have been for some time past, as any other kind of paper. There are always parties who are ready and willing to purchase these mortgages at their face value plus the accrued interest to the date of purchase. Even in all sections of the district which I have the honor to represent, and some parts of that district have been settled but a short time, these mortgages are salable. It would be an improvement to this bill to authorize loans to be made upon farms for five years, and it would benefit the farmers in the reduction of the interest which they would have to pay as well as lend additional stability to the system itself. It is manifestly unjust to the greatest of all industries—the farming—of this country to treat the paper of the farmers with so little consideration as this bill does. A loan for 12 months is not such a loan as the farmer wishes to secure upon his farm. If he desires to borrow money at all upon his farm he usually desires to secure a loan for several years; and in the course of banking business, if the banks were authorized to take such loans, part of the loans would be maturing from time to time, and whenever these notes, secured by mortgages, had a maturity not exceeding 120 days, they should be taken out of the 50 per cent limitation and not counted in the limit that is placed upon banks for the amount of such loans to be made. Then they should have the same privileges that any other paper of equal maturity has.

Another reason why these loans should be taken and given full consideration in this bill is that it is proposed to admit State banks, banking associations, and trust companies, and they already have, under the laws of the State in which they are organized, this power to make loans on farm-land security.

It is for the reasons that I have suggested that I have sent to the Clerk's desk an amendment which, if adopted, would authorize national banks to loan 50 per cent of their capital and surplus on unencumbered, improved farm security for any period of time not exceeding 5 years and to take all the notes so secured out of the limitation when their maturity does not exceed 120 days, thus permitting notes secured by mortgages, irrespective of the time for which the mortgage runs, to the same rediscounting advantages that other paper has whenever such notes have a maturity of not more than 120 days. I yield back the rest of my time.

Mr. BURKE of Pennsylvania. Mr. Chairman, how much time did the gentleman consume?

The CHAIRMAN. The gentleman used one minute.

Mr. BURKE of Pennsylvania. Will not the gentleman from Virginia use some of his time?

Mr. GLASS. I wish the gentleman from Pennsylvania would consume some of his time.

Mr. BURKE of Pennsylvania. Mr. Chairman, how much time has been consumed by both sides?

The CHAIRMAN. The gentleman from Pennsylvania has 24 minutes, and the gentleman from Virginia has 35 minutes.

Mr. GLASS. I yield 10 minutes to the gentleman from Indiana [Mr. KORBLY].

Mr. KORBLY. Mr. Chairman and gentlemen, if I were to devote any time to the discussion of the particular question that is bothering the minds of gentlemen on the other side I would feel as if I were trying to break through an open door with a sledge hammer. I will not say anything about the question of the gold standard further than to say again, the Republican Party when it had an opportunity to establish that standard did not do it. There have been some charges made—

Mr. TEMPLE. Will the gentleman yield for a question? Does the gentleman mean to say we are not on the gold standard now?

Mr. KORBLY. You are on it contingently.

Mr. TEMPLE. We are not, then, at this time on the gold standard?

Mr. KORBLY. Not unqualifiedly.

Mr. TEMPLE. And we will not be after this bill passes.

Mr. KORBLY. Just as much as we are now or have been since 1900. Now, I want to say I desire to devote some thought and attention to the question of inflation. In the first place, it is a well-established principle that you can not have inflation if your credit instruments are based on commercial paper. The only limit of a bank's ability to discount is the limit of good commercial paper that offers for discount, and the notes which will be issued under this bill will be based upon discounted commercial paper of the highest conceivable character. And you need not bother your heads about the question of the quantity of the reserve that exists, because the question of reserve in nowise naturally limits or ought to limit the volume of notes or other credit instruments that may issue from a bank. Gentlemen, all the dangers of inflation that you think you see involved in this bill exist to-day and have existed during my lifetime, due to the fact that the banks practically have an unlimited freedom to issue credit instruments, and to-day you can have inflation, with all the dangers that come with it, due to the inflation of deposit credits.

The gentleman from New York [Mr. PLATT], a member of the committee, pointed out a while ago the very striking truth that there is no difference between a deposit credit and a circulating bank note. When you discount a draft or a note at a bank you get the promise of that bank to pay you money upon demand. This promise is noted in a pass book or a bank book. That is a bank note. It is a notation of indebtedness. It is the evidence given to you by the bank to show that the bank is indebted to you and will pay you money on demand. Now, a circulating bank note is merely a written instrument evidencing the fact that the bank is indebted to you.

I would like to have the attention of the gentleman from Kansas [Mr. MURDOCK]. He said in a speech this morning, at the time when he refused to yield to me, that he had gone to the Treasury Department to get a kindergarten lesson. I am glad he made that admission, because it corroborates a suspicion that I have had as to his education on banking and currency matters and the impressions that I have received from things he has said. [Applause on the Democratic side.] There is no difference in the world between a bank note and a bank deposit.

Mr. MURDOCK. Now, the gentleman can be facetious at my expense, but he ought not to misstate my position. I said I learned at the Treasury Department that there was a very great difference in the banking functions of a national-bank note and a greenback.

Mr. KORBLY. I was not talking about that.

Mr. MURDOCK. I know; but the gentleman ought to quote me correctly and not misquote me.

Mr. KORBLY. I will quote you correctly. You made the statement that we proposed in this bill to enable the bankers to pay their debts with circulating bank notes.

Mr. MURDOCK. Oh, no. Now, there the gentleman goes again. If the gentleman would take a little lesson in the kindergarten of money in the Treasury Department, he would know about what he is talking. I made no such accusation against this bill. It is true under the existing system. I did say that bankers paid their indebtedness with circulating notes.

Mr. KORBLY. It is not true under the existing system at all. A man who holds a bank note, holds the evidence of the bank's indebtedness to him, and you can not pay your debt to a man by giving him a note. You are only deferring the day of payment. That is a thing I learned long ago. And to say that you are going to have inflation merely because you are providing for a different form of evidence of a bank's debt to its depositors is too childish almost to need refutation.

Mr. MURDOCK. But I did not say, I will say to the gentleman from Indiana, that under this bill you were to have inflation. I think there is a provision in the bill which prevents inflation. The gentleman simply misquotes me.

Mr. KORBLY. If I have done the gentleman an injustice, I am sorry.

Mr. MURDOCK. You certainly have. I recommend that the gentleman from Indiana make a trip to the Treasury Department in order to learn the functions of money. I think he can do it with profit to himself.

Mr. KORBLY. I do not have to go to the Treasury Department to learn anything about the characteristics and functions of money. But I want to say to the gentleman in honesty and in justice that I do not desire to do him an injury. He is very amiable and very lovable, and I do not want to do him wrong. But I do want to impress on him at this time the important truth that so far as inflation is concerned you can have now, under the legislation of the Republican Party, all the inflation that you possibly could have if banks were allowed to issue notes freely.

There is no difference in essence, no difference in substance, and no difference in principle between a bank note which you pass by taking it out of your pocketbook and handing it to somebody and a note carried by a bank in the form of a deposit, which is transferred by a written order called a check, taken out of a check book. And I see one of the gentlemen on the other side, Mr. TEMPLE, acceding to that proposition.

Mr. MURDOCK. Will the gentleman yield to me?

Mr. KORBLY. Yes.

Mr. MURDOCK. The national bank can not hold in its vaults as reserve money a national-bank note?

Mr. KORBLY. Certainly not.

Mr. MURDOCK. But can hold a greenback?

Mr. KORBLY. Yes.

Mr. MURDOCK. The result is that as money comes and goes in and out of the bank the bank retains the greenback, which extends its power to grant credit to the public, and it pays out the national-bank note, which is of no use as the basis of extension of credit.

Mr. KORBLY. If bank credit is properly extended to the public, it is not extended upon the greenback or upon the gold dollar, but upon the merchandise or goods placed in the control of the bank, due to the fact that the bank has purchased or discounted the notes and bills of exchange which spring from these commercial transactions.

Mr. MURDOCK. And the larger the reserve, the more credit the bank has to extend?

Mr. KORBLY. No.

Mr. MURDOCK. If it would pay out its greenbacks, it would impair its reserve and impair its power to extend credit.

Mr. KORBLY. That is merely in view of the artificial barrier that Congress has put in the way of liquid banking.

Mr. MURDOCK. It is an artificial barrier, and it works to the extension and inflation of credit.

Mr. KORBLY. It does not. There can be no inflation if banks confine their operations to the purchase of bills of exchange that arise out of commercial transactions. The base of bank credit is not gold or greenbacks or lawful money, but merchandise—the products of labor. Banks are given the control of merchandise, and it is the everyday experience of the people that the banks' obligations to them, through deposits, are paid in something else than money. These obligations are paid in a dollar's worth of goods. That is what the people want. They want the dollar's worth of goods.

It is time that Members on the other side of the aisle came to an understanding of the elements of this question. Members on the other side of the aisle ought to go to some of the Republican members of the Committee on Banking and Currency and sit at their feet and absorb some of the wisdom that can be given to them from that source, because there are some gentlemen on the Committee on Banking and Currency from the other side of the aisle who have been students of this subject and understand this question. They are not afraid of inflation under this bill.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. There is not any more time. The time has expired.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield five minutes to the gentleman from Kansas [Mr. MURDOCK].

The CHAIRMAN. The gentleman from Kansas [Mr. MURDOCK] is recognized for five minutes.

Mr. MURDOCK. Mr. Chairman, I would like to have the attention of the gentleman from Indiana [Mr. KORBLY].

A greenback is reserve money. A national-bank note is not. In the natural course of business if a man enter a bank and deposit a five-dollar greenback and a five-dollar national-bank note and immediately thereafter draws his check for \$10 in currency, he will receive back, ordinarily, two national-bank notes for \$5 each. He will not receive back his greenback. Why? Because the greenback is reserve money, and the national-bank note is not.

Mr. KORBLY. I agree with the gentleman.

Mr. MURDOCK. I want to ask the gentleman from Indiana, is that wrong?

Mr. KORBLY. No; that is correct.

Mr. MURDOCK. I did not make my statement this morning without ample authority. I have authority for it, and expert authority. There is an authority in money questions over in New York, by the name of Victor Morawetz, who has written many articles on the subject of banking and currency and who has devoted much attention to this subject.

Mr. KORBLY. Yes; I know him and his work.

Mr. GLASS. Yes; and he is for this bill.

Mr. MURDOCK. I did not know that. The gentleman from Virginia [Mr. GLASS] says Mr. Victor Morawetz is for this bill.

I am for this bill. Before I read a letter from Mr. Morawetz I wish to quote a sentence from this bill. I read:

No Federal reserve bank shall pay out notes issued through another under penalty of a tax of 10 per cent upon the face value of notes so paid out.

I believe that that one sentence in this bill does give this bill elasticity both ways. It gives contraction as well as inflation. I do not believe that we have had an elastic currency under our present system.

Mr. KORBLY. I agree with the gentleman thoroughly on that.

Mr. MURDOCK. I think I am getting to the point where the gentleman from Indiana will agree with me completely. If the gentleman would just cut out his sarcasm and understand the kindergarten view on this proposition, he would be all right. Now I wish to read from Mr. Morawetz. He writes:

As long as bank notes are kept at a parity with other lawful money, as, of course, is essential in any sound system, the public rarely, if ever, presents bank notes for redemption in lawful money. When people have in their possession more currency than they need, they deposit the excess in the banks without discriminating between lawful money and bank notes, which to them are of equal value. The national banks, however, assert this currency and whenever practicable keep the reserve money, while paying out notes to depositors who call for currency. A constant process of sifting the currency thus goes on, the lawful reserve money being accumulated by the banks, which put the notes in circulation in place of reserve money. When there is a demand for an unusual amount of currency for use as a circulating medium, the banks, if they have power to issue notes, pay out notes to meet this increased demand. When the additional currency thus created is no longer needed, people do not pick out the bank notes and return them to the banks and keep the reserve money in circulation, but to the extent of the excess of currency in circulation the reserve money and the bank notes are deposited indiscriminately. The banks again sift the currency so deposited and retain the reserve money, but when the currency is demanded for use as a circulating medium they again pay out notes. This process of substituting bank notes for lawful reserve money in circulation goes on continually and is bound to go on so long as the national banks prefer to pay out bank notes rather than reserve money, and the public is indifferent whether it receives notes or reserve money. Through this process over \$700,000,000 of national bank notes are kept outstanding year in, year out, even when the aggregate amount of the currency is unnecessarily large and when interest rates have fallen to a minimum.

I think that answers the gentleman. This morning I recited here an axiom, and I want to reiterate it to the gentleman.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. MURDOCK. I ask for one minute more.

Mr. BURKE of Pennsylvania. I yield to the gentleman one minute more.

Mr. MURDOCK. I want to recite this to the gentleman from Indiana, because I believe it is absolutely true: The issue of bank notes is profitable to the banks, as it means the payment of their indebtedness by the issue of promissory notes bearing no interest, instead of by paying out lawful money and contracting their power to grant credit.

Mr. KORBLY. I understood the gentleman to affirm that the banks could pay their debts by paying out bank notes.

Mr. MURDOCK. I say that they pay their indebtedness by the issue of promissory notes bearing no interest.

Mr. KORBLY. I say the man who receives the promissory note has not had his debt discharged. He has merely received another evidence of the fact that a debt exists.

Mr. MURDOCK. They do discharge their debts to their customers by that very process.

Mr. KORBLY. No; they do not.

Mr. MURDOCK. I just illustrated it to the gentleman. If a man deposits \$10 in a bank—one \$5 greenback and one \$5 national bank note—he gets a credit of \$10 in his bank book. Then, if he draws a check for \$10 on that bank, he gets back two national bank notes of \$5 each, and the bank has discharged its indebtedness to that man by two national bank notes.

Mr. KORBLY. He has nothing but the notes of the bank.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KORBLY. I want the gentleman's attention for a minute.

Mr. GLASS. I yield to the gentleman from Indiana one minute.

Mr. KORBLY. The man you spoke of, who has a checking account, has a promise by the bank to pay him \$10 on demand. That promise is written in a bank book. That is an evidence of debt. When the man draws his check and receives for it another bank note, that is another evidence of debt, and the situation is not changed in the least. He receives from the bank a promise to pay him money on demand.

Mr. MURDOCK. But in the transaction he surrenders a greenback for \$5, which becomes a part of the reserve money in that bank, upon which the bank is permitted to loan money.

Mr. KORBLY. As soon as he surrenders the greenback it becomes the property of the bank, as a legal proposition.

Mr. MURDOCK. Certainly it does, and the bank holds it and can loan money on it, and extends its power of credit by holding that note. There is no question about that.

Mr. KORBLY. And so far as the bank is concerned, it issues that credit, not because it has that greenback, but because somebody comes along and offers good commercial paper, and that is the proper basis for it.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GLASS. I yield five minutes to the gentleman from Texas [Mr. HARDY].

Mr. HARDY. Mr. Chairman, a great deal of this discussion seems to be about the difference 'twixt tweedledum and tweedledee. In 1894 and 1896 I fought the 16-to-1 idea in the State of Texas and in the Democratic Party, and some people say I practically got out of the party by reason of that fight.

I have always believed in the gold standard since that question has arisen, and I believe in it now. The act of 1900 provided that the dollar consisting of 25.8 grains of gold nine-tenths fine, as established by section 3511 of the Revised Statutes of the United States, shall be the standard of unit value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity. But I want to say that this bill absolutely does not touch that question at all. There is, so far as I know, no provision in the law that requires any money which is not lawful money to be redeemed by the Government in gold. This currency is not lawful money. It is not legal tender between the citizens in the payment of debts from one to the other. This not being lawful money, it is like any other currency, only redeemable in lawful money. But where the tweedledum and tweedledee comes in is here: You can demand the redemption of this note in lawful money, and if the bank pays you the greenbacks and you want gold you will take the greenbacks and get the gold from the Government, because the Government is obligated to maintain the parity between all its lawful money, its greenbacks and the gold. Now, suppose some bank having a bank note to-day is called on to redeem that bank note. It can not pay you another bank note. You are not bound to receive it; but it may hand you a greenback bill and you are bound to receive it. You can not demand gold of the bank, but you can take the greenback to the Treasury of the United States and get gold. Things which are equal to the same thing are equal to each other; and therefore ever since the bank has been required to redeem its notes in lawful money, and has done so, the bank note has passed at par with greenbacks and with gold.

Whenever you know that you can get gold you whip the devil around the stump when you redeem the currency with greenbacks and with greenbacks get gold. It is the same thing in any event; it is a pother about nothing. You redeem these notes in lawful money and then take the lawful money, which may happen to be greenbacks, and get the gold or silver certificate and get the gold for it. When the Government put all lawful money on a parity, that made the gold standard of this country once and for all.

I want to say, further, that the man who in this day and time, at this part of the twentieth century, professes to believe that the United States, or any great commercial country of the world, will ever depart from the gold standard and go back to our former uncertain and nonparity maintained currency is fighting a shadow; he is afraid of the east wind and the west wind.

There is no possibility of any great nation ever going back to a doubtful standard again, and so long as our law requiring the Government to maintain the parity between all classes of lawful money remains unrepealed on the statute books—and there is nothing in the law affecting it—every dollar issued by a bank will be good, whether redeemable in lawful money or in gold; it will be as good as gold. We really do not want greenbacks redeemed when we know that we can have them redeemed in gold. As long as the parity of lawful money is maintained we do not care whether our currency is a national bank note, a greenback, or silver certificate, for they are all in the end redeemable in gold.

I will add but one thing more, and that is that if you strike out the words "or other lawful money," as sought by this amendment, so that the banks can only redeem the reserve currency provided by this bill in gold, you will thereby repeal the law which makes greenbacks a legal tender, and I do not believe any man here wants to repeal that law. [Applause.]

I yield back the balance of my time. [Applause.]

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield four minutes to the gentleman from Michigan [Mr. SAMUEL W. SMITH].

Mr. SAMUEL W. SMITH. Mr. Chairman, I send to the desk to be read in my time an editorial from the Evening Star, of this city, of September 14.

The Clerk read as follows:

MR. ALDRICH AND THE CURRENCY.

Why should not the Senate committee in charge of the currency question invite Mr. Aldrich—Nelson W. Aldrich—to appear and give his views about what should be done?

The Rhode Islander has three claims to the committee's attention: First. He is a business man of long experience, large connections, and large success. Second. He was for 30 years a Member of the United States Senate, and for a long time chairman of the Finance Committee. Third. He has made a close and thorough study of the currency question, and is the author of a bill, which has been widely discussed, bearing upon currency reform. Surely a session with such a man would interest the committee, and profit might come of it.

For one thing, it might help to have Mr. Aldrich explain again his bill in comparison or contrast with the plans now under discussion. His bill has been condemned by the Democratic leaders. What does he think of their bills? What did he think of the Glass bill when it was first published? What does he think of the Owen bill as it now stands? If there is a popular misconception of his own bill, upon what is it founded?

At the start the business leaders of the country seemed not to be counted in the equation. Some of them complained. They thought they were entitled to a say about what should be done. As they viewed the matter, the proposed reform bore too much of a political cast and threatened to take the form of a great political machine.

While the administration and its friends denied this, there was a change of attitude on their part toward bankers and other business men, and since then business sentiment has been freely taken. More is to come. Before the Senate begins debate much will be known about what the business world, and particularly the banking portion, thinks of the whole currency proposition.

Mr. Aldrich is out of politics by his own choice. But presumably his interest in public affairs continues keen, and in this particular affair, to which he has given so much thought and attention, he can not but be profoundly concerned. Why not call him and interrogate him about a subject of such wide and general moment?

All shades of opinion should be sought. Many shades exist; and it can only be by obtaining and weighing all that a reform meeting the requirements of the country can be evolved.

Mr. SAMUEL W. SMITH. Mr. Chairman, I want to express the further hope not only that Mr. Aldrich may be called, but that two former Members of this House, who have given the subject a great deal of study and attention, also be called—Mr. Vreeland, of New York, and Mr. Fowler, of New Jersey. [Applause on the Republican side.]

Mr. Chairman, I yield back the balance of my time.

Mr. BURKE of Pennsylvania. How much is the balance.

The CHAIRMAN. The gentleman had half a minute.

Mr. BURKE of Pennsylvania. I yield that to the gentleman from Ohio [Mr. FESS].

Mr. FESS. Mr. Chairman, in order that I may set myself right and give an opportunity for the majority to say whether they really are in earnest about this, I want to send this amendment to the desk and have it read now and pending.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 50, line 12, after the word "repeal"—

Mr. GLASS. Mr. Chairman, I raise the point of order that we have not reached that provision yet.

Mr. BURKE of Pennsylvania. I yielded the time to the gentleman from Ohio that he might have the amendment read and have it pending.

Mr. GLASS. Very well.

The Clerk read as follows:

Page 50, line 12, after the word "repeal," strike out the period and add the following: "Provided, That nothing in this act shall be construed to repeal the parity provision of the act of March 14, 1900, 'An act to define and fix the standard of value and maintain the parity of all forms of money issued, or coin, by the United States, to refund the public debt, and for other purposes.'"

Mr. GLASS. Will the gentleman vote for the bill if we accept that amendment?

Mr. FESS. I will.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield four minutes to the gentleman from Iowa [Mr. GREEN].

Mr. GREEN of Iowa. Mr. Chairman, I have offered an amendment here providing for the cancellation of such notes as might be redeemed by the bank which issued them. It is quite possible this amendment would not be necessary if there were limiting provisions in the bill. But the bill puts no limit on the amount of notes that may be rediscounted; it puts no limit on the amount of notes which may be issued by the Federal reserve board; and, finally, it does not provide that notes issued by the bank shall be canceled, and there is nothing to prevent their being used for further discount. Under a bill of this character we simply have the lid taken off, everything thrown wide open, prepared for a financial debauch. I know it has been insisted by the gentleman from Virginia [Mr. GLASS] that Mr. Forgan, an eminent banker, has stated that this bill would contract the loanable funds, and Mr. Forgan did say so, but only that it would do so as it was being put into force, but not in its final operation; and I wish to say in connection with the remarks that I have made before that inevitably as

this bill is being put in operation it will contract the loanable funds of the country.

Mr. ROBERTS of Nevada. Mr. Chairman, will the gentleman yield?

Mr. GREEN of Iowa. I am very sorry, but I am unable to yield to the gentleman at this time.

Mr. ROBERTS of Nevada. I only want to ask one question.

The CHAIRMAN. The gentleman from Iowa declines to yield.

Mr. GREEN of Iowa. It is no answer, as has been said by several gentlemen here on this floor, to the argument that this bill will produce a contraction to say that the banks have a year in which to prepare for it. That will not increase the amount of ready money they have, except as they might do it by rediscounting; in other words, by borrowing the funds from the very institution that they expect to start with the funds that they borrow.

Mr. GLASS. Mr. Chairman, will the gentleman yield?

Mr. GREEN of Iowa. Yes.

Mr. GLASS. How are we to answer the gentlemen on that side when one gentleman gets up, as did the gentleman from Iowa, and declares that the bill provides for a monstrous inflation, and now this gentleman gets up and says that it provides for contraction. How can you answer that sort of stuff?

Mr. GREEN of Iowa. If the gentleman is unable to comprehend how a bill may provide for contraction in its origin and inflation as it gets to working, I shall not undertake to explain any further.

Mr. GLASS. I do not think the gentleman can.

Mr. GREEN of Iowa. It does not need any explanation any further than I have stated. The gentleman has been unable to furnish any figures to show how these banks were going to start right away loaning in order to furnish the funds.

Mr. GLASS. The gentleman from Ohio [Mr. BULKLEY] brought charts into the room and made an entire demonstration.

Mr. GREEN of Iowa. Oh, the gentleman put some figures on a board, but they did not prove anything.

Mr. GLASS. The gentleman from Iowa did not undertake to question the accuracy of the figures or the soundness of the conclusion.

Mr. GREEN of Iowa. I did not undertake to question that the gentleman had multiplied and added correctly. That is all there was to it, as far as that is concerned.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. SAMUEL W. SMITH. Mr. Chairman, I ask unanimous consent to ask the chairman of the committee a question.

The CHAIRMAN. The gentleman has time for that, and the gentleman from Pennsylvania has time. If the gentleman desires to be recognized for the purpose of answering the gentleman's question, the Chair will be glad to recognize him.

Mr. GLASS rose.

Mr. SAMUEL W. SMITH. Mr. Chairman, I would like to ask the gentleman a question for information. Will the gentleman yield?

Mr. GLASS. Certainly.

Mr. SAMUEL W. SMITH. I have already indicated my inclination to vote for this bill, and what I am asking is for information. I would like to ask what objection the gentleman has to striking out the words "or lawful money" in this section?

Mr. GLASS. I have the objection stated by the gentleman from Arkansas. We think the Government ought to be on the same basis as the regional reserve banks, which are permitted to redeem these notes in "gold or lawful money." I have been under the impression that we are on a gold basis and that "lawful money" is interchangeable with gold, and that therefore when the phrase "or lawful money" was used in the bill it meant gold. And that is what it does mean.

Mr. SAMUEL W. SMITH. May I ask one more question? What is the gentleman's objection to striking the words out of the section?

Mr. GLASS. We have simply followed the existing statutes in the matter.

Mr. SAMUEL W. SMITH. But what is the objection to striking out the words?

Mr. GLASS. Personally I see none; neither do I see any necessity on earth for doing it.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield two minutes to the gentleman from Pennsylvania [Mr. FARR].

Mr. FARR. Mr. Chairman, I feel as the gentleman from Michigan [Mr. SAMUEL W. SMITH] does—I would like to vote for this measure, but I am in serious doubt about the meaning and effect of these words, "or lawful money," and I want to

tell the gentlemen on the other side that this apprehension is not confined to the enemies of the measure or to the newspapers opposing the Democratic Party. There is a growing fear and apprehension as to the meaning and effect of these words, "or lawful money," and it will continue to increase until that doubt is removed. Now, if there is no purpose in having these words in this measure, why not eliminate them?

Mr. GLASS. Well, I will say to the gentleman that we followed the existing statutes on that matter, and, as I inquired a while ago, does the gentleman imagine that the currency commission of the American Bankers' Association, charged especially with the consideration of this matter, undertook to make any assault upon the gold standard when they recommended the very precise words in the note-issue provision?

Mr. FARR. No; I do not; but, as brought out by the gentleman from Ohio [Mr. Fess], there is a difference with a distinction.

Mr. GLASS. What is the difference with the distinction?

Mr. FARR. The words "or lawful money" in the present law concern the currency issuances of national banks, based on their credit, and for which issues the Government is not responsible, but under the provisions of the measure now under consideration the Government occupies a new position. It will issue currency for which it is responsible, and its obligations should rest securely on the gold standard and on demand be paid in gold.

Mr. GLASS. Does the gentleman believe that the currency commission of the American Bankers' Association wants greenbackism?

Mr. FARR. I do not; but the gentlemen on that side of the House have made the banking interests an authority in but very few lines of this measure; and I do not think it consistent on the gentleman's part to quote the American bankers, because the purpose of this bill is to change existing methods of banking and to make the currency more stable and elastic. The fact is a dread prevails that greenbackism and a possible depreciated currency lurks in this bill. If the gentleman does not want greenbackism, and I do not believe he does, let us strike out the words "or lawful money," and the danger will be removed.

As bearing directly on this important question and showing the fear, I quote an editorial from to-day's Philadelphia Record, ardently Democratic and one of the great and most reputable newspapers of the country:

REDEMPTION IN THE CURRENCY BILL.

In the House debate on the currency bill the following colloquy occurred:

"Mr. HARDWICK. Somebody will come down on the Treasury and say, 'You promised to redeem this stuff in gold or lawful money'—which is it?"

"Mr. BURKE of Pennsylvania. Gold or lawful money."

"Mr. SIMS. That is the same thing."

It is far from being the same thing. Plenty of people now living can remember the difference between the promise of specie payments and the fact of specie payments. The Government is already committed by the law of 1900 to the maintenance of the gold standard. That can only be done by potentially, if not actually, redeeming every sort of money in gold. Why, then, should not the proposed currency be specifically redeemable in gold?

National bank notes were not made redeemable in gold, because there was no gold for the purpose at the time, and because the Government was then issuing its own promises to pay which it could not redeem in gold. But the new notes will not be obligations of the banks ultimately; they will be evidences of the debt of the Government, which has a vast amount of gold and has no occasion whatever for issuing any irredeemable notes. These notes, then, should be redeemable in gold only.

There are two reasons for this. If there is any one financial question that has been settled for all time in this country, it is the question of "greenbackism." It ought not to be reopened even the least little crack by phraseology which would seem to open the way for another issue of Government paper to be made a legal tender and to serve as currency of ultimate redemption. Let us not wake any of the political dead. Let us raise no ghosts.

The other reason is that there are possibilities of inflation in the bill. The preventive of inflation is gold redemption on demand. Let the new notes be issued with the understanding and the obligation of gold redemption, and they are not likely to be issued in redundant amounts. The bill provides that no Federal reserve bank shall pay out the notes issued by another. This is borrowing a part of the very efficient redemption system of the Canadian bank law. The banks there pay out their own notes and return for redemption the notes of all other banks that are paid in to them. Just as fast as the business requirement for notes declines, therefore, just so fast automatically the surplusage gets back to the issuing banks and is retired. It is a good feature to introduce into our system, and with only 12 Federal reserve banks it will be as possible as in Canada to prevent the inflation of the currency and insure that the notes shall not only go out when needed, but come back when they are not. But the redemption should be effected in gold. There is no reason to redeem one sort of Government notes which are not a legal tender in some other sort of Government notes which are.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BURKE of Pennsylvania. Does the gentleman from Virginia desire to use any more time?

Mr. GLASS. I do not care to consume any more time.

Mr. BURKE of Pennsylvania. I yield three minutes to the gentleman from Wyoming [Mr. MONDELL].

Mr. MONDELL. Mr. Chairman, in the very brief time which I had a few moments ago I was unable to discuss what to my mind is the most dangerous provision, the most unwise provision of this section, the provision which makes the notes obligations of the United States. There may be some grounds for difference of opinion as to whether or not the words "or lawful money" contained in the bill do, as a matter of fact, menace the gold standard, but there can be no doubt.

Mr. ROBERTS of Nevada. Will the gentleman yield?

Mr. MONDELL. No; I have not the time. There can be no question but that the bill does make these notes obligations of the Government. Now, why should we loan the credit of all the people of the United States to these banks? What good reason is there for doing so? The people of the United States, the Government of the United States, gains nothing by the loaning of their credit. The Government is not to be benefited, the people of the country are not to be benefited any by the loaning of their credit, and yet the Government is expected to stand behind these notes. What reason is there for it? Why, a nebulous theory in the mind of a gentleman occupying a high place in this administration to the effect that all note issues in this country should be obligations of the Government. That is the only reason why these words are in the bill. That has been admitted by a number of gentlemen who have spoken. Mr. Bryan said it must be so, and so it is; and at his dictation you have placed the 90,000,000 of people of the United States in the position of being obligated for hundreds of millions of the notes of the banks of the country.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BURKE of Pennsylvania. Mr. Chairman, it seems to me that whether or not it is the present practice, or whether or not in the course of ancient or modern history the Government has had an option to redeem these notes in gold or lawful money, we are confronted with a very critical proposition at this time.

The country is suspicious of this measure, and it is suspicious because of existing conditions. It is suspicious because the measure was brought into being by the party that has stood for an unsound currency ever since the Civil War, because it was brought into being by a party that struck the word "gold" out of its platform in 1896, and as a consequence of which there followed the greatest political battle we have had in this country for 25 years over a financial question. The country is suspicious because on the 26th day of June the gentleman from Virginia [Mr. GLASS], the distinguished and able chairman of the Banking and Currency Committee, introduced a bill into this House that provided that these notes should be redeemed in gold. There was no option whatsoever to be exercised by the banks or the Government. Furthermore, the chairman stated that this bill was predicated upon information derived and hearings had during the last Congress, and in view of the fact that the bill was based upon the information derived during the Sixty-second Congress, and it contained the word "gold." The word "gold" was subsequently stricken out in a critical period of its career in the Democratic caucus, and the American people are asking why, by whose authority, by whose mandate, and the optional term "gold or lawful money" inserted in its stead. Now, it has been intimated by a gentleman at the other end of Pennsylvania Avenue and some of your leaders in this House that we are just now about to engage in the greatest commercial battle the American people have ever entered upon, and, in the face of that, if there was no other reason for the establishment of a gold standard beyond the peradventure of a doubt, it exists because of the fact that the great giant nations, whom we will be compelled under the new tariff bill, to be signed shortly, to meet and contend with in the markets of the world, all have a gold standard. England, France, and Germany have no optional clauses in the legislation that governs the redemption of their money, and why should we at this period of our commercial career, at this stage of our political existence, enter upon a great struggle with a depreciated or a questionable currency? [Applause.]

Now, if there is no reason in the world other than that given by the gentleman from Arkansas [Mr. Wingo], that it was inserted here because the banks had the right to redeem "in gold or lawful money," and therefore the Government should have the right to exercise the same option, there is no reason why the option should be granted to either the banks or the Government. [Applause on the Republican side.] And if no reason exists why it should be granted to either, why not strike it out and allay the apprehension and remove the alarm?

Mr. GLASS. You think this is an alarm bill. It is no alarm bill. It is a false alarm.

Mr. BURKE of Pennsylvania. I will agree with the gentleman that it is a false alarm, possibly. There is not much that

attaches to it that is not false. It was based upon a false prophecy. Its career in this House, or in the bodies attached to this House, was a violation of the prophecy or a promise made to the American people that legislation of this kind would be considered in the open.

And yet, in spite of that promise to legislate in a logical and public manner, the Banking and Currency Committee of this House was revolutionized in order that the will of the executive department, and not the wish and wisdom of the House of Representatives, should be crystallized in the form of a bill. And when that committee was revolutionized to accomplish this purpose and the bill was brought in before us, we were notified that because somebody over in Baltimore, in the heat of summer, wrote something behind closed doors of a convention, the Banking and Currency Committee were denied the right to consider it. [Applause on the Republican side.]

The CHAIRMAN. The time of the gentleman has expired. All time has expired. The question is on the committee amendment offered by the gentleman from Ohio [Mr. BULKLEY].

The question was taken, and the amendment was agreed to.

The CHAIRMAN. The question is on the further committee amendment offered by the gentleman from Ohio [Mr. BULKLEY].

The question was taken, and the amendment was agreed to.

The CHAIRMAN. The question is on the committee amendment offered by the gentleman from Indiana [Mr. KORBLY].

The question was taken, and the amendment was agreed to.

The CHAIRMAN. The question now is on the amendment offered by the gentleman from Ohio [Mr. WILLIS].

Mr. WILLIS. Mr. Chairman, may we not have that amendment again reported?

The CHAIRMAN. These amendments were all reported at the beginning of the debate. Without objection, the amendment will again be reported. [After a pause.] The Chair hears no objection.

The amendment was again reported, as follows:

Page 29, line 15, after the word "notes," strike out the words "to be issued at the discretion of the Federal reserve board" and insert in lieu thereof the following: "in an amount not to exceed \$500,000,000, and in addition thereto a sum equal to the difference between the total amount of national bank notes outstanding at any given moment and the amount of such notes outstanding at the passage of this act." In line 19 strike out the words "the United States" and insert in lieu thereof the words "the several Federal reserve banks to which the notes shall be issued."

The CHAIRMAN. The question is on agreeing to the amendment just reported.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The next amendment is one offered by the gentleman from Minnesota [Mr. LINDBERGH]. The question is on agreeing to the amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The next amendment is another one offered by the gentleman from Minnesota [Mr. LINDBERGH]. The question is on agreeing to the amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The next amendment is the one offered by the gentleman from Iowa [Mr. TOWNER]. The question is on agreeing to that amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The next amendment is the one offered by the gentleman from Ohio [Mr. SWITZER]. The question is on agreeing to that amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The next amendment is the one offered by the gentleman from Ohio [Mr. FESS]. The question is on agreeing to that amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The next amendment is the amendment offered by the gentleman from Pennsylvania [Mr. BURKE]. The question is on agreeing to that amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The next amendment is one offered by the gentleman from New York [Mr. PLATT]. The question is on agreeing to that amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The next amendment is the one offered by the gentleman from Iowa [Mr. GREEN]. The question is on agreeing to that amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The next amendment is another one offered by the gentleman from New York [Mr. PLATT]. The question is on agreeing to that amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The next amendment is the one offered by the gentleman from Wyoming [Mr. MONDELL]. The question is on agreeing to that amendment.

The question was taken, and the Chair announced that the yeas seemed to have it.

Mr. MONDELL. A division, Mr. Chairman.

The CHAIRMAN. A division is demanded by the gentleman from Wyoming.

The committee divided; and there were—ayes 31, yeas 83.

So the amendment was rejected.

The CHAIRMAN. The next amendment is the amendment offered by the gentleman from Illinois [Mr. MADDEN]. The question is on agreeing to that amendment.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The Clerk will read.

Mr. FESS rose.

The CHAIRMAN. For what purpose does the gentleman from Ohio rise?

Mr. FESS. Mr. Chairman, I offered two amendments.

The CHAIRMAN. As the Chair understands, the gentleman from Ohio [Mr. FESS] offered two amendments. One has been disposed of, and the next one, which comes on page 50, will not be taken up until we reach that place in the bill. The Clerk will read.

The Clerk read as follows:

BANK RESERVES.

SEC. 20. That from and after the date when the Secretary of the Treasury shall have officially announced, in such manner as he may elect, the fact that a Federal reserve bank has been established in any designated district, every banking association within said district which shall have subscribed for stock in such Federal reserve bank shall be required to establish and maintain reserves as follows:

(a) If a country bank as defined by existing law, it shall hold and maintain a reserve equal to 12 per cent of the aggregate amount of its deposits, not including savings deposits hereinafter provided for. Five-twelfths of such reserve shall consist of money which national banks may under existing law count as legal reserve, held actually in the bank's own vaults; and for a period of 14 months from the date aforesaid at least three-twelfths and thereafter at least five-twelfths of such reserve shall consist of a credit balance with the Federal reserve bank of its district. The remainder of the 12 per cent reserve hereinafter required may, for a period of 36 months from and after the date fixed by the Secretary of the Treasury as hereinafter provided, consist of balances due from national banks in reserve or central reserve cities as now defined by law. From and after a date 36 months subsequent to the date fixed by the Secretary of the Treasury as hereinafter provided the said remainder of the 12 per cent reserve required of each country bank shall consist either in whole or in part of reserve money in the bank's own vaults or of credit balance with the Federal reserve bank of its district.

(b) If a reserve city bank as defined by existing law, it shall hold and maintain, for a period of 60 days from the date fixed by the Secretary of the Treasury as hereinafter provided, a reserve equal to 25 per cent of the aggregate amount of its deposits, not including savings deposits hereinafter provided for, and permanently thereafter 18 per cent. At least one-half of such reserve shall consist of money which national banks may under existing law count as legal reserve, held actually in the bank's own vaults. After 60 days from the date aforesaid, and for a period of one year, at least three-eighths and permanently thereafter at least five-eighths of such reserve shall consist of a credit balance with the Federal reserve bank of its district. The remainder of the reserve in this paragraph required may, for a period of 36 months from and after the date fixed by the Secretary of the Treasury as hereinafter provided, consist of balances due from national banks in central reserve cities as now defined by law. From and after a date 36 months subsequent to the date fixed by the Secretary of the Treasury as hereinafter provided, the said remainder of the 18 per cent reserve required of each reserve city bank shall consist either in whole or in part of reserve money in the bank's own vaults or of credit balance with the Federal reserve bank of its district.

(c) If a central reserve city bank as defined by existing law, it shall hold and maintain for a period of 60 days from the date fixed by the Secretary of the Treasury as hereinafter provided a reserve equal to 25 per cent of the aggregate amount of its deposits, not including savings deposits hereinafter provided for, and permanently thereafter 18 per cent. At least one-half of such reserve shall consist of money which national banks may under existing law count as legal reserve, held actually in the bank's own vaults; and at least one-fourth of such reserve shall consist of a credit balance with the Federal reserve bank of its district. The remainder of the 18 per cent reserve required of each central reserve city bank shall consist either in whole or in part of reserve money actually held in its own vaults or of credit balance with the Federal reserve bank of its district.

With the following committee amendments:

Page 37, line 16, strike out the word "twenty-five" and insert in lieu thereof the word "twenty."

Page 38, line 16, strike out the word "twenty-five" and insert in lieu thereof the word "twenty."

Page 38, lines 22, 23, 24, and 25, and lines 1, 2, and 3, on page 39, strike out the semicolon after the word "vaults" and the following words: "and at least one-fourth of such reserve shall consist of a credit balance with the Federal reserve bank of its district" and insert a period and the following words: "After 60 days from the date aforesaid, and thereafter for a period of one year, at least three-eighths and permanently thereafter at five-eighths of such reserve shall consist of a credit balance with the Federal reserve bank of its district."

The CHAIRMAN. Without objection, the committee amendments will be agreed to.

There was no objection.

The CHAIRMAN. The Clerk will read.

Mr. GREEN of Iowa. Mr. Chairman, I move to strike out the last word for the purpose of asking a question of the chairman of the committee. What was the object or reason of

reducing the reserve requirements from what they were in the original bill?

Mr. BULKLEY. Does the gentleman mean reducing them from 25 to 20 per cent?

Mr. GREEN of Iowa. Yes.

Mr. BULKLEY. That is an immaterial amendment. It reduces it only for 60 days. We thought it would make it a little easier for banks to make the transition to the new system. I will say further to the gentleman that although I have charge of this section that amendment was made during my necessary absence from the city, and it was so immaterial that I did not bother about it.

Mr. GREEN of Iowa. It is immaterial to cut it down from 25 to 20?

Mr. BULKLEY. Yes. There was no objection to the amendment. It is all right.

Mr. GREEN of Iowa. They will begin to rediscount before they get started.

Mr. BULKLEY. There will be a certain amount of rediscounting at the outset. There is no embarrassment about that.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Sec. 25. That from and after the passage of this act the stockholders of every national banking association shall be held individually responsible for all contracts, debts, and engagements of such association, each to the amount of his stock therein, at the par value thereof in addition to the amount invested in such stock. The stockholders in any national banking association who shall have transferred their shares or registered the transfer thereof within 60 days next before the date of the failure of such association to meet its obligations shall be liable to the same extent as if they had made no such transfer; but this provision shall not be construed to affect in any way any recourse which such shareholders might otherwise have against those in whose names such shares are registered at the time of such failure. Section 5151, Revised Statutes of the United States, is hereby reenacted except in so far as modified by this section.

Mr. MADDEN. Mr. Chairman, I move to strike out the section.

The CHAIRMAN. The gentleman from Illinois moves to strike out section 25.

Mr. MADDEN. Mr. Chairman, it does not seem to me that it is fair to make a stockholder in a bank liable if he has transferred his stock 60 days before the failure of the bank. I should like to ask the chairman of the committee what is the purpose of the language in this section of the bill which makes stockholders who may have transferred their stock 60 days before the failure of the bank liable for all contracts and obligations that may be incurred by the bank? If a man has sold his stock in good faith, with no knowledge whatever of any trouble in the bank, and that stock has been transferred to somebody else, why should he be held liable?

Mr. WINGO. Is the gentleman opposed to the present law on that proposition?

Mr. MADDEN. I am not a lawyer, and so can not say exactly what the present law is.

Mr. WINGO. I think, if the gentleman will look at the law, he will see that we have made very little change in it. We have simply made it a little clearer; that is all.

Mr. GLASS. I am not a lawyer, and this is a legal proposition. As I recall, it was stated that that section was reenacted and that it was to a very slight extent modified to correct some existing abuses that had been observed in the operation of the present law.

Mr. MADDEN. Then the committee thinks this is no injustice to the stockholder?

Mr. GLASS. It certainly does not think it is, or it would not have reported it.

Mr. MADDEN. I do not want to press my amendment. I withdraw it.

Mr. BARTLETT. Mr. Chairman, I move to strike out the last word. There is considerable change in this section from the present law. The present law is that—

The shareholders of every national banking association shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such association, to the extent of the amount of their stock therein, at the par value thereof, in addition to the amount invested in such shares, except that shareholders of any banking association now existing under State laws having not less than \$5,000,000 of capital actually paid in and a surplus of 20 per cent on hand, both to be determined by the Comptroller of the Currency, shall be liable only to the amount invested in their shares.

That is the present law, and it is the law in every State that where the stockholder is individually liable for the debts of the bank he can not escape that liability by transferring the stock, unless he has transferred it, in some States 6 months previously, and in some States 60 days, and in my own State he must publish notice notifying the public that he has transferred the stock in order to escape liability.

But that was not what I wanted to call to the attention of the committee. This bill changes the present law, in that it makes the stockholder liable for all the debts to an amount equal to his stock, and omits the words "equally and ratably, and not one for the other."

Mr. WINGO. What is the difference between that provision and the provision which says "each to the amount of his stock therein"? I ask for information solely.

Mr. BARTLETT. Under neither one of these sections can a man be compelled to pay more than double the amount of the stock he subscribes for.

Mr. WINGO. Is there any distinction between them?

Mr. BARTLETT. Yes; and I am undertaking to point it out. The present law does not make one stockholder liable for another stockholder. In other words, under the present law the stockholder is only liable ratably for the amount of his own stock and is in no way to be held responsible for any debt of another stockholder who may not be solvent.

Mr. PHELAN. Will the gentleman suggest an amendment that will take care of that?

Mr. BARTLETT. Yes; put in the section of the present law and you will have all that is necessary.

Mr. PHELAN. Without any change at all?

Mr. BARTLETT. Yes; that is my judgment about it. The trouble about it is that in lines 24 and 25 you reenact section 5151, which is the section of the Revised Statutes fixing the liability of stockholders, except as you say, as it is modified by this particular section of this act. It has been the policy of the law, both State and national, in fixing the liability of stockholders of State and national banks, to make them liable equally and ratably, and not one for the other, and I see no reason why you should raise this new question in this act or why you should repeal the law, which, as I understand it, is the law in all the States, which makes them liable ratably and equally and not one for the other. In other words, as you have written the law in this bill the courts will look upon it that you intended to repeal a portion of this section and to leave certain other portions of it in force and would hold that a stockholder might be held liable as a surety for another stockholder who had not paid.

Mr. WINGO. I want to get the gentleman's opinion. He calls attention to the fact that in some States they have a statute fixing the time after the transfer when the stockholder's liability ceases.

Mr. BARTLETT. Yes.

Mr. WINGO. Is it not true that some States have not that limitation, and is it not for the court to determine whether the transfer was bona fide, or whether it was made for the purpose of evading liability?

Mr. BARTLETT. Yes.

Mr. WINGO. Is not this a good proposition—to fix it that it shall be 60 days?

Mr. BARTLETT. I think so. I am not complaining of that. My complaint is that we have changed the position of a stockholder, which the law now makes in almost all of the States—all those whose laws I have had occasion to examine, and I have had occasion recently to examine most of them, by reason of a case which I investigated. Most of the States which make a stockholder personally liable do not make that stockholder liable as surety for his fellow stockholders.

Mr. WINGO. I will say to the gentleman that I coincide with his views.

Mr. BARTLETT. We are in an unfortunate position in this matter. I do not understand that I am justified in offering an amendment to this bill. I did not think that the committee was justified in making any amendments to the bill which changed its substance.

Mr. SHERLEY. Why may not this be a good amendment for this reason? Every man who goes in as a stockholder understands that he is liable for the stock and a like additional amount.

Mr. BARTLETT. Yes; double liability.

Mr. SHERLEY. And it may turn out that quite a number of the stockholders are insolvent and so not able to respond to the double liability. Why should you undertake, as under the old law, to reduce the stockholders' liability pro rata?

Mr. BARTLETT. Because it never was intended—

Mr. SHERLEY. I know; but now we are making a new law.

Mr. BARTLETT. I do not think we ought to make them liable for the whole amount.

Mr. PHELAN. If the gentleman will allow me, I want to ask the same question asked by the gentleman from Kentucky. I want to give a case and see how it would operate. Suppose a bank had a capitalization of \$100,000, and suppose there are 10

stockholders, each holding \$10,000. Now, suppose the bank should become indebted to an amount through insolvency equal to \$10,000 beyond its assets, and suppose that 9 of the 10 stockholders have absolutely nothing outside of the bank stock. In that case the only recourse the creditors would have to make up the \$10,000 would be by having the single individual stockholder liable for the \$10,000. Do not you think the law ought to be in that shape?

Mr. BARTLETT. I do not; and never until right now has anybody in the United States Congress since the existence of the banking law ever supposed there was any law that required that sort of liability on the stockholder. Gentlemen must remember that this act changes the present liability of stockholders in national banks.

Mr. BORLAND. Does the gentleman think, in the particular case, that an innocent creditor ought to lose nine-tenths of the debt because only one stockholder is able to pay?

Mr. BARTLETT. I do not think we ought to change the liability of stockholders.

Mr. GRAHAM of Illinois. Mr. Chairman, I desire to ask a question of some gentleman on the committee. If the law obtains, as the committee proposes, that each stockholder in a national bank shall be liable for ten times the amount of his stock, how many people would consent to subscribe and own stock in a national bank?

Mr. PHELAN. In answer to the gentleman, I will say that section 25 does not provide any such thing as he is indicating. Under section 25 a stockholder under no circumstances can be held liable for an amount greater than the amount of his capital stock in addition to what he has invested in capital stock. It is the same double liability as exists under present law.

Mr. GRAHAM of Illinois. Under this provision can it not in any case exceed the double liability?

Mr. PHELAN. Certainly not. It says, in lines 13 and 14, page 43, "each to the amount of his stock therein, at the par value thereof in addition to the amount invested in such stock." Now, I want to say further in reference to a point raised by the gentleman from Georgia [Mr. BARTLETT], that under the provisions of this bill we have left out the words "equally and ratably." There is a reason for that. I will take the case that I took before. Suppose a bank failed and its assets were not sufficient to pay its liabilities by an amount of \$10,000. Suppose the stockholders consisted of 10 men, each having \$10,000 worth of stock, and that 9 of the 10 men had nothing which the creditors could reach in order to collect under the provisions of the present law what was due them. In that case you would have a single debtor who had \$10,000 of stock, who had property which a creditor could reach, and under the provisions of the present law, since he would be charged equally and ratably, all the creditor could get would be one-tenth of his share, which would be \$1,000. We believe the intent and purpose of the double liability is that when a man goes into a bank he goes in with the understanding that he is liable on the bank's debts, not only to the amount of the capital stock but to an equal amount besides, and, with that belief, when he goes in under that liability he ought to be willing to pay that; each individual ought to be willing to pay what the law binds him to pay if his fellows can not contribute their share.

We believe that that is in the interest of the creditors, and we believe that particularly because the history of our country has shown in the national-bank law that the national banks are extremely successful, that if they are managed with any degree of prudence the stockholders are perfectly safe. The history of the banks has shown that, and so we think when a bank gets into the hands of men who are irresponsible and there are one or two responsible or half a dozen responsible men with them, that those responsible men, knowing their liabilities, ought to pay the penalty and not have the loss fall upon the creditor of the bank, who is an innocent party.

Mr. BARTLETT. But suppose all of the stockholders are insolvent; they would be in a bad fix also.

Mr. PHELAN. Certainly; and if they are all insolvent, then this section does not hurt them, because nothing can be collected from them.

Mr. BARTLETT. Does the gentleman believe the provision he places in the bill can increase the liability of stockholders of national banks that have been organized under a law fixing a different liability? It is proposed now to change it. Does the gentleman think he can change the liability of the stockholder who is already a stockholder in a national bank?

Mr. PHELAN. I do not know whether that thing can happen or not. I am inclined to think it can; but it is immaterial whether it can or not. If it can not, it will not hurt them; but as to national banks that are formed hereafter they are going to have that liability, and it is only a reasonable liability.

Mr. BARKLEY. Mr. Chairman, is it not a fact that under the present law the words "equally and ratably" mean that if the debts do not amount to sufficient to consume all of the double liability they shall be charged against each individual stockholder equally and ratably according to their stock?

Mr. PHELAN. I think it has that meaning, but I will not say that it is confined to that meaning.

Mr. BARKLEY. In other words, under the present law, if the debts of the bank exceed the double liability, they would all be liable for the double assessment, regardless of the amount of stock they had under the operation of the law at the present time?

Mr. PHELAN. They would all be liable.

Mr. BARKLEY. Yes; and they would have to pay in their double liabilities to the full extent?

Mr. PHELAN. Yes.

Mr. McKENZIE. Mr. Chairman, I move to strike out the last word. What I am about to say will perhaps not be germane and applicable to this section, but I hope the distinguished chairman of the committee and the Members on that side of the House will not object. The remarks of the gentleman from Georgia [Mr. BARTLETT] a few moments ago that he had understood that no one would be entitled to offer amendments to this bill account in part for my silence in the general debate and in the reading of the bill under the five-minute rule. I love a good forensic battle, when men can meet on an equality, and it is not because I do not that I have remained silent in this fight. But I was brought up a Presbyterian, and I am somewhat familiar with the doctrine of foreordination, which seems to have been applied to legislative measures in this House by the Democratic Party. I well knew, and we all knew, that it was foreordained that this bill should pass just as it came from the caucus.

I want to say to you, gentlemen, that my opposition to this bill is not because it bears the brand of the Democratic caucus or because it originated in a Democratic committee, for I am not one of those who believes that nothing good can come out of Nazareth. If the bill appealed to my judgment as being right, I would support it just as cheerfully coming from your side of the House as if it came from this side of the House, but I do feel that it is deplorable that in this age the representatives of the majority of the American people, as represented by the Republicans and the Progressives on this floor, have no part in the making of the two bills for the regulation and control of the revenue and finance of the country, but that those bills should be formulated, framed, and passed by the representatives of the minority by more than a million votes in this country.

Now, gentlemen, there are many good things in this bill. I am not going to discuss it, but there are one or two things in it which, in my judgment, are obnoxious and contrary to the very spirit of our institutions and the Constitution of our country.

Mr. WINGO. Will the gentleman yield?

Mr. McKENZIE. I have not the time to yield. I have only a few minutes, and I do not intend to make a long speech. There are several objectionable provisions, in my judgment, and one is the provision that provides that this great Government of ours shall go into a partnership with the bankers of this country and compel the debtor class, the borrowers of this country, the unfortunate men whom you have always claimed to defend, to compel them to redeem and pay the entire bonded indebtedness of our country. [Applause on the Republican side.]

I am opposed to that proposition, and if I were given the opportunity and the power to fix the rate of discount of the reserve banks I would fix it so it would go no further than to pay the dividends permitted upon the stock that the member banks put into the regional reserve banks and the expense of operating. If this bill becomes a law the debtor class will be compelled to redeem the bonds of the country. But, after all, gentlemen, I can not help but admire your plan. You, a few weeks or months ago, passed a bill in this House which you expect soon to become a law.

Mr. SLOAN. If the gentleman will permit me I just want to ask if that other Presbyterian doctrine of total depravity would not be more in point than the doctrine of foreordination?

Mr. McKENZIE. Well, I would not make that statement as I have some very good friends over there. But the bill that is soon to become a law, the tariff bill, provides that a tax shall be levied upon the creditor class, the wealth of this country, an income tax, to pay the running expenses of this Government, and now you propose in this bill to levy a tax upon the debtor or unfortunate class to pay for the bonded indebtedness of the Government. Beautiful scheme. [Applause on the Republican side.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. COOPER. Mr. Chairman, I do not rise to make a speech, but to propound a question to the chairman of the committee, if he will yield.

Mr. GLASS. I do.

Mr. COOPER. I desire to call the attention of the chairman to what seems to be an ambiguity in the bill in the section which we have just passed, on page 42, line 9, after the semicolon:

And the officer or officers of a bank making such loans or granting such gratuity shall be likewise deemed guilty of misdemeanor and shall be fined not exceeding \$5,000.

An "officer" is to be fined \$5,000 and the "officers" are to be fined \$5,000. Now, then, suppose that the president alone made this loan or gratuity? He would be arrested and, if convicted, he would be fined \$5,000, and if some three of them participate in making this gratuity or loan—for example, the president, the cashier, or somebody—the fine would be \$5,000. Does it mean all of them in the aggregate shall be fined \$5,000 or each one of them? If the gentleman will pardon the suggestion, I think what the committee meant was this: If you were to strike out all after the semicolon and it should read this way: "And any officer of said bank making or participating in the making of such loans." That seems to me to be an important point.

Mr. METZ. Mr. Chairman—

The CHAIRMAN. The gentleman from Virginia has the floor.

Mr. GLASS. I want to answer the question propounded by the gentleman from Wisconsin. I would suggest that if there be any ambiguity there, and there seems to be, it might be cured by inserting the words "each shall be fined not to exceed \$5,000."

Mr. COOPER. Yes.

Mr. GLASS. But that section has been passed.

Mr. METZ. Mr. Chairman, I rose to correct a misapprehension—

The CHAIRMAN. But the gentleman from Pennsylvania offers an amendment, which the Clerk will report.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that the chairman or I be permitted to return to correct this ambiguity here.

Mr. BULKLEY. Mr. Chairman, for the present I object to going back to sections which have been passed. The committee will take it under advisement, and I hope to get unanimous consent of the committee at a later time to make several changes.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Pennsylvania.

Mr. OGLESBY. Mr. Chairman, I would like two minutes to talk on this amendment.

The Clerk read as follows:

Page 43, line 11, strike out "national banking association" and insert in lieu thereof "national bank."

Mr. BURKE of Pennsylvania. Mr. Chairman, I offer that for the purpose of calling the attention of the chairman to the fact that on pages 42, 43, 44, and 45 the terms "national bank" and "national banking association" are four times used interchangeably with each other. My suggestion would be that the chairman, by unanimous consent, amend by striking out the words "national banking association" and insert the words "national bank," or strike out the words "national bank" and insert the words "national banking association" wherever they occur in the bill.

Mr. GLASS. I will say that we considered it in the committee this morning, and if it meets with approval we will amend it later.

Mr. BURKE of Pennsylvania. That is satisfactory, and I will withdraw my amendment for the time being.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

LOANS ON FARM LANDS.

SEC. 26. That any national banking association not situated in a reserve city or central reserve city may make loans secured by improved and unencumbered farm land, and so much of section 5137 of the Revised Statutes as prohibits the making of such loans by banks so situated shall be, and the same is hereby, repealed; but no such loan shall be made for a longer time than 12 months, nor for an amount exceeding 50 per cent of the actual value of the property offered as security, and such property shall be situated within the Federal reserve district in which the bank is located. Any such bank may make such loans in an aggregate sum equal to 25 per cent of its capital and surplus, or 50 per cent of its time deposits.

The Federal reserve board shall have power from time to time to add to the list of cities in which national banks shall not be permitted to make loans secured upon real estate in the manner described in this section.

Also the following committee amendment was read:

Page 44, lines 14 and 15, strike out the comma after the word "surplus" and the words "or 50 per cent of its time deposits."

The CHAIRMAN. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I offer a committee amendment.

The CHAIRMAN. The gentleman from Ohio offers a committee amendment, which the Clerk will report.

The Clerk read as follows:

Page 44, strike out the word "and," in line 4, and all of lines 5, 6, and 7.

Mr. BULKLEY. Mr. Chairman, this language is considered unnecessary at this point in view of the provision of section 29 of this bill, and the committee believed that some confusion might arise from having it in at that point. Clearness will be served by striking it out.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

Mr. BURKE of Pennsylvania. Mr. Chairman, I offer an amendment.

Mr. SISSON. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman from Pennsylvania [Mr. BURKE], a member of the committee, rises to offer an amendment.

Mr. SISSON. I will say to the Chair and to the gentleman from Pennsylvania [Mr. BURKE] that the purpose of my rising was in order that I might ask the committee a question in reference to the amendment just adopted and to call the committee's attention to the language of section 5137, and which is just in point at this time, and I will only be a moment.

Mr. BURKE of Pennsylvania. I will withhold my amendment.

Mr. SISSON. I would like to ask the committee whether or not they carefully examined this language in section 5137 in reference to the five-year limitation of the ownership of land by national banks. It is my understanding from an individual member of the committee that they did do that. Now, what does the committee think about this suggestion. Under section 5137—

A national banking association may purchase, hold, and convey real estate for the following purposes, and no others.

And then it enumerates the four methods by which the national banks can acquire land. Now, the lines just struck out would amend the first portion of the sentence which prohibits national banks to loan money directly on real estate and the language is as follows:

But no such association shall hold the possession of any real estate under mortgage—

Now, you have amended that much of that section by specifically permitting the loan.

The latter half of that section, and in the same sentence, is:

or the title and possession of any real estate purchased to secure any debts due to it, for a longer period than five years.

Now, would there be any question about the right which the bank had when it gets the right, under this amendment or under this bill, to acquire a title in the land which it may be compelled to foreclose? Would the courts hold that that of itself would give them the right to hold the land in fee?

Mr. WINGO. Does the gentleman want an answer?

Mr. SISSON. Yes.

Mr. WINGO. I will say to my friend from Mississippi that after he called my attention and that of the committee to this matter several days ago I looked into it, and upon the suggestion of the gentleman from Mississippi it was thoroughly thrashed out in the committee. The committee came to this conclusion, that the language in the present section under consideration does nothing more than extend the powers of national banks to this extent, that they may make loans of 12 months' time upon improved farm lands.

Mr. SISSON. I am sure that was the intention of the committee.

Mr. WINGO. That being true, we simply, acting upon the suggestion of the gentleman from Mississippi, added to the provisions of this section, and we did not repeal any part of it. There are two things in the last clause of section 5137, and one is that they shall not hold possession of any real estate, especially under a mortgage, for more than five years, and the other is that the title or possession of any real estate they may purchase to secure any debts due to it shall not be held for a longer period than five years. Now, we think the present provision of the bill as amended coincides with what the gentleman wants and is not inconsistent with either one of those provisions. It simply means this: This provision would still apply and they could not hold possession of this mortgage or lend under this mortgage for more than four renewals. In other words, this provision would still apply and prevent them from holding a mortgage for more than five years.

Mr. Sisson. I am sure that that is the purpose of the committee, because when this matter was discussed in the Democratic caucus this statute was not before me, and I know that the committee did not intend that the money of the national banks should be locked up and tied up in land; that this is a commercial proposition and not a loan company.

But I wanted to be absolutely sure that this limitation that is now put upon national banks should not be extended beyond five years' ownership of land, because I presume that most of the Members of the House realize how much I am opposed to all sorts of land monopolies and all sorts of corporate ownership of farm lands.

Mr. BULKLEY. Mr. Chairman, if the gentleman will yield, I would like to say that one of our reasons for striking out this language is to make it more clear that we did not intend to repeal the language to which the gentleman refers under section 5137.

Mr. Sisson. I am willing to yield any opinion I have to the good judgment of the committee. I had an amendment prepared to cover this point, but I will not offer it, because I presume beyond question that the committee's opinion will be the law.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Pennsylvania [Mr. BURKE].

The Clerk read as follows:

Page 44, line 4, strike out the words "farm land" and insert in lieu thereof the words "real estate."

Mr. BURKE of Pennsylvania. Now, Mr. Chairman, it seems to me that no Member of this body will have any difficulty in admitting that the supreme virtue of all legislation lies in the equality with which it treats all the people affected by it. On the other hand, legislation which is condemned most universally by the American people is that which discriminates between classes and grants and confers upon one class benefits which at the same time it denies to another.

Now, it is perfectly obvious that there is not the slightest necessity for the existence of the words "farm lands" in this section of the bill. You confer upon these banks a loaning power which you strangely confine to the man who owns unencumbered "farm land." The man across the city line may go to the bank which you create in this bill and, with his unencumbered land, secure a loan. The man who resides within the city line, equally honest, equally industrious, equally patriotic, appears at the same bank, at the same hour, on the same day, and he is denied that privilege.

Now, by what process of reasoning can any body of men bring themselves to the adoption of a measure of that kind, especially in this instance, in view of the fact that this bill is regarded by its proponents as the greatest measure that they will have an opportunity of enacting into law for many years to come?

Mr. GRAHAM of Illinois. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Pennsylvania yield to the gentleman from Illinois?

Mr. BURKE of Pennsylvania. I do.

Mr. GRAHAM of Illinois. If the term "real estate" were substituted for the language used, it would include buildings of every character. They are real estate.

Mr. BURKE of Pennsylvania. Yes.

Mr. GRAHAM of Illinois. Is it not true that in city real estate the building is often of more value than the ground it stands on?

Mr. BURKE of Pennsylvania. Yes.

Mr. GRAHAM of Illinois. Would not that raise questions of insurance and a number of other things that would make it very complicated?

Mr. BURKE of Pennsylvania. That is very true; but the universal custom, as the gentleman, who is an able and distinguished lawyer, knows, is that the insurance is invariably carried on the improvements and not on the land, and held as a protection by the mortgagee. But what is the necessity for this discrimination? Why should we grant to the farmers the right to avail themselves of this privilege and deny it to our friends and fellow citizens in the cities?

The farmer is prosperous. Nobody is complaining about his condition at the present time; and nobody, at least on that side of the House, is prophesying that he will be poverty stricken under the legislation which is being enacted and to be enacted by this administration.

All through this bill you seek for some reason to cater to or fool the so-called farmer. Now, it may fool somebody, but it will not fool or deceive the thinking portion of the American people.

This discrimination that I point out is wholly unjustifiable. There is a trace of the same character of deception running all through this bill. When you create your Federal reserve board you appoint the Secretary of Agriculture upon that board. Why do you do that? You pass by the Secretary of Commerce, the man who has to do with all the great manufacturing industries and all the great volume of products that are produced by the brain and genius and activity of the industrial toilers of this country, aside from those on the farm lands. You bar him.

In a great measure which involves legal intricacies you bar the Attorney General from the board. You bar the Postmaster General, whose army of employees enter every home in the land and who is in position to be in touch with the people from day to day. Likewise you pass by the Secretary of the Interior.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BURKE of Pennsylvania. May I have two minutes more?

The CHAIRMAN. The gentleman from Pennsylvania asks unanimous consent that he may proceed for two minutes. Is there objection?

There was no objection.

Mr. BURKE of Pennsylvania. In view of the fact that you pass up all these members of the Cabinet and confer this particular authority upon the Secretary of Agriculture, and, in addition to that, go further and engage in this particular discrimination in favor of the farmer, can you say consistently and fairly that you have enacted into law a bill that treats all classes of the American people alike?

Mr. GLASS. Mr. Chairman, I understood the gentleman distinctly to say the other night that he was in favor of the bill suggested by the Monetary Commission, and I call his attention to the fact that in section 40 of that bill this very discrimination, if it be a discrimination, is involved, in that the Monetary Commission bill provided that the privilege of making loans on improved and unencumbered real estate should not extend to banks acting as reserve agents for banks and trust companies.

Mr. BURKE of Pennsylvania. The gentleman, of course, is predicating his question upon the assumption of a fact that does not exist—that has no foundation. I did not commit myself the other night to the Monetary Commission bill, and I am very sorry that my brilliant friend from Virginia obtained any such idea from the remarks I made at that time.

Mr. GLASS. Did not the gentleman say he was in favor of the bill of the Monetary Commission?

Mr. BURKE of Pennsylvania. No.

Mr. WILSON of Florida. Did not the gentleman say in the committee that he was in favor of it?

Mr. BURKE of Pennsylvania. The gentleman from Virginia has himself condemned that bill, and if he condemns it because of its contents, how can he justify inserting this particular provision in this bill, by declaring that it was part of the Monetary Commission plan?

Mr. GLASS. I am simply showing the inconsistency of the gentleman from Pennsylvania in approving the provision in one bill and condemning it in another.

Mr. BURKE of Pennsylvania. But the "gentleman from Pennsylvania" did not approve it in the other bill.

Mr. BORLAND. Was there anybody over there in favor of the Aldrich bill?

Mr. HAWLEY. No.

Mr. MADDEN. We never passed the Aldrich bill. Why do you refer to it all this time?

Mr. GRAHAM of Illinois. Is not the objection of the gentleman from Pennsylvania [Mr. BURKE] met by the provision at the top of page 47, which provides that the savings department of each national bank may be authorized to loan on real estate?

Mr. BURKE of Pennsylvania. It is not met by that provision, for the reason that the savings bank is only one-fifth of the bank, and has only one-fifth of its assets and ability. You give the farmer five chances and the man in town one chance.

Mr. GLASS. Mr. Chairman, I desire to come to some agreement as to the debate on this section and amendments thereto. I ask unanimous consent that debate on this section and all amendments thereto be concluded in 10 minutes.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that all debate on this section and amendments thereto close in 10 minutes. Is there objection?

Mr. CALDER. May I have three minutes of that time?

Mr. SABATH. Reserving the right to object, I desire to ask the chairman of the committee how he wishes to dispose of the 10 minutes? I have not taken up a great deal of the time of the committee or of the House on this matter, and I should like two or three minutes.

Mr. GLASS. Does the gentleman desire to offer an amendment?

Mr. SABATH. Yes.

Mr. HAUGEN. I desire to offer an amendment.

Mr. GLASS. I am perfectly willing that the gentleman from Illinois [Mr. SABATH] shall have two minutes. I ask unanimous consent that debate on this section and all amendments thereto close in 10 minutes. I ask that the time be equally divided between the two sides, the gentleman from Pennsylvania [Mr. BURKE] to control five minutes and I to control five minutes.

The CHAIRMAN. Is there objection?

Mr. HAUGEN. Reserving the right to object, I wish to suggest—

Mr. OGLESBY. I should like two minutes on this section. I suggest to the gentleman that he make it 20 minutes.

Mr. BURKE of Pennsylvania. I yield to the gentleman from Minnesota [Mr. LINDBERGH].

The CHAIRMAN. The gentleman has no time to yield yet. No agreement has been reached.

Mr. BURKE of Pennsylvania. I supposed the request had been granted.

The CHAIRMAN. No. Is there objection to the request of the gentleman from Virginia?

Mr. HAUGEN. Reserving the right to object, I wish to suggest that this is a very important section of the bill—I think one of the most important in it.

Mr. GLASS. We have had it under consideration in debate for some time.

Mr. HAUGEN. Not for any great length of time.

The CHAIRMAN. Is there objection? [After a pause.] The Chair hears none.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield to the gentleman from Minnesota [Mr. LINDBERGH].

Mr. LINDBERGH. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Strike out the word "twelve," in line 8, page 44, and insert in lieu thereof the word "sixty," in line 13, on the same page, strike out the word "twenty-five" and insert the word "fifty" in lieu thereof.

After the word "surplus," line 13, insert a comma and add the words "all such notes having a maturity of not more than 120 days shall be excluded from such limitation."

Mr. LINDBERGH. Mr. Chairman, this section 26 is unfortunate in its provisions. There is no greater misconception possible anywhere in regard to any provisions of this bill than that which exists with reference to loans made upon improved, unencumbered farm lands. No class of paper furnishes better security, and I doubt if any class of paper is more salable. Any banker or broker, who has a good reputation, who has farm mortgages for sale, can sell them in any kind of times. They are as liquid in fact under the conditions existing in this country at this time and as they have been for some time past as any kind of paper. There are always parties who are ready and willing to purchase these mortgages at their face value plus the accrued interest to the date of the purchase, and even in all sections of the district which I have the honor to represent, and some parts of that district have been settled but a short time, these mortgages are salable. It would be an improvement to this bill to authorize loans to be made upon farms for five or six years, and it would benefit the farmers in a reduction of the interest they would have to pay as well as adding stability to the system itself. It is manifestly unjust to the greatest of all the industries of this country to treat the paper with so little consideration as this bill does. A loan for 12 months is not the sort of a loan that the farmer wishes to secure upon his farm. If he desires to borrow money upon his farm he usually desires to secure a loan for several years. In the course of the banking business, if it would be authorized to take such loans, part of the loans would be maturing from time to time, and whenever these notes secured by mortgages had a maturity not exceeding 120 days they should be taken out of the limitation and not counted in the limit that is placed upon the banks for the amount of such loans to be made. Then they should have the same privileges that any other paper of equal maturity has. Another reason why these loans should be taken and given full consideration in this bill is that it is proposed to admit State banks, banking associations, and trust companies that already have, under the laws of the State in which they are organized, these powers.

It is for the reasons that I suggest that I have sent to the Clerk's desk an amendment which, if adopted, would authorize national banks to loan 50 per cent of their capital and surplus on unencumbered, improved farm security and for a period of not exceeding five years, and to take all the notes so secured out of the limitation when their maturity does not exceed 120 days, thus permitting the notes secured by mortgages, irrespective of the time for which the mortgage runs, to be entitled to the same rediscounting advantages that other paper has whenever such notes have a maturity of not more than 120 days.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield to the gentleman from New York [Mr. CALDER].

[Mr. CALDER addressed the committee. See Appendix.]

Mr. GLASS. Mr. Chairman, I yield to the gentleman from Georgia [Mr. HOWARD].

Mr. HOWARD. Mr. Chairman, the gentleman from Pennsylvania [Mr. BURKE], in offering his amendment, incorporated in his remarks something that struck me forcibly. He asked why the necessity of discriminating between city real estate and farm land; why they should carry in this bill the right to lend money on farm land and not upon city real estate. Off-hand that might strike some people forcibly as a very unjust discrimination against the city real estate, but the gentleman from Pennsylvania must bear in mind that in this country we have hundreds of thousands of acres of available and undeveloped farm land; that a great part of the population go to the cities for different purposes—for education, for social advantages. The astounding fact is forced upon us that over 52 per cent of the citizens live in towns having a population of 2,500 or more. They are continually leaving the country and going to the large civic centers, thus continually adding to the consuming masses. It is much easier—and the gentleman from Pennsylvania knows it—for an individual to obtain a loan from a national bank or any other bank on city real estate than it is for a farmer to obtain a loan on his farm.

In ninety-nine cases out of one hundred the man owning city real estate does not need to mortgage it. If he is solvent, all he has to do is to go to the bank, give his note, and the bank, knowing that he owns the city real estate, will make the loan.

I will tell you where the great trouble has been in this country, especially in the section from which I hail, and that is the farm-loan companies of the East, that have millions of dollars, have squeezed unjust and unfair commissions from the farmers of this country. Commissions and lawyers' fees for examining titles have been heaped upon them. It is not a discrimination, but a justice, that is incorporated in the bill that the farmers may have a place where they can go and secure a loan on their farm property at reasonable rates of interest. [Applause.]

Mr. GLASS. Mr. Chairman, I yield to the gentleman from Ohio [Mr. BATHRICK].

Mr. BATHRICK. Mr. Chairman, I rise to answer the question of the gentleman, who evidently desired to know what difference there could be between the security of farm lands and city lands. There is the fundamental difference that the farm land is capable of producing the amount of money necessary to pay the debts. In other words, the farm land has a productive value which the city land has not, and in a general scheme for the purpose of loaning money on land that difference must be taken into consideration.

I wish to warn the country that the plan is made and the stakes set to steer any farm-credit measure offered in this Congress into the same rut of private profit that has harassed agriculture for all time in this country.

A certain coterie of bankers, which has been the most insidious of all the "insidious lobbies" that ever struck Washington, is on the job in Washington now, and before this new banking and currency bill becomes a law it will be a Bertillon record of their thumb prints.

These dear, kind souls love the farmers and have already proposed a scheme by which a system of banks shall loan money to the farmers and give them a chance to view their old 8 and 10 per cent friends behind the money counter. The said ten-percenters will be under this scheme fostered by law and permitted to earn as much bread as they can by the sweat of the farmer's brow.

There are only two sides to this farm-credit question.

One side is to let the "beneficent" money lenders run the farm-credit reform, to turn the cure over to those who profited by spreading the disease.

The other side is to let the afflicted people take charge of the cure themselves; let their Government do the doctoring and fire the 10 per cent nurses.

I will print an extract from the St. Paul Daily News of August 23, which tells only part of the story of the money lenders' sudden and active interest in behalf of the farmers:

RURAL-CREDIT SCHEME IS MANIPULATED FOR SINISTER PURPOSE—DEFINITE BELIEF IN WASHINGTON THAT PLAN TO AID FARM PRODUCERS IS BEING DISTORTED TO GIVE WALL STREET WHAT IT COULDN'T GET IN CURRENCY BILL, A CENTRAL BANK CONTROLLED IN NEW YORK—CONGRESSIONAL INVESTIGATION PROBABLE.

[B. W. G. McMurchy.]

WASHINGTON, August 23.

There is a definite belief in Washington that the "rural-credit" scheme and the propaganda for a system of "rural banks" has been manipulated for a sinister purpose.

There is no doubt that many of the advocates of a rural-credit plan are unselfishly patriotic.

There is no doubt that a rural-credit plan could be made a godsend for the American farmer, the small business man, and the whole country west of Wall Street.

But there is a definite suspicion, which will probably result in congressional investigation, that the working out of the rural-credit plan has been manipulated.

THE REAL PLAN.

The rural-credit plan, as its real friends see it, proposed to unite and solidify the borrowing power of the farmers of the country, reduce interest to them, and safeguard them against foreclosure.

For years rural credits were urged by thinking men who had the interests of the farmers at heart. But the movement did not seem to get forward.

During that time every possible effort was being made by moneyed interests to secure the enactment of the Aldrich currency plan—the care of which was a central bank controlled in New York City.

In spite of every effort it has been and is now impossible to put the Aldrich plan over. Instead, to a certain extent, President Wilson has seized and capitalized most of the good things in the Aldrich plan and has left out the "joker," which was a Wall Street central bank.

It now appears that the money interests were just as foxy as President Wilson, except that they got busy first and, cloaking their efforts under a rural-credit plan, sought to secure their central bank by means of it.

What we think of as "Wall Street" wants just one big thing. It wants all surplus money to flow toward and to New York and it wants all credit to flow from New York; that is, it wants New York to have all surplus money and to be able to dictate the terms upon which that money shall be loaned.

The farmers of the United States are now doing business on a borrowed capital of over \$6,000,000,000 and are paying each year over \$500,000,000 in interest. As the American farmer, taken as a whole, is solvent, this means that he has surplus money—cash—enough to carry this enormous business forward. It means, incidentally, that this \$500,000,000 annual interest is added to the city man's cost of living.

KIDNAPING THE PLAN.

The real rural-credit plan, as operated in Europe, would make both the cash and credit ends of this colossal transaction a local transaction.

Suppose, now, that Wall Street several years ago had seen that the establishment of the Aldrich currency-central bank scheme was doubtful. It would naturally look around for a substitute. It might have seen the rural-credit plan then just beginning to attract public attention. It might have plotted to kidnap that plan.

Here are some things that were done:

March 18, 1912, Secretary of State Knox ordered American diplomatic officers to make full reports on European rural-credit plans.

Six weeks later B. N. Breitung, a New York financier, with interests in Cleveland, Ohio, wrote a letter in which he said:

"The establishment of a grand central land-credit company and regional and local companies or associations has been proposed. * * * I and my associates have ample means to start the movement. * * * I am going to Europe within a couple of weeks for the purpose of consulting with some gentlemen and offering my services in collecting information on this subject. * * *"

QUITE SOME DIFFERENT.

A grand central land-credit company is a whole lot different than a rural-bank plan. It is exactly the opposite, in fact.

Three months later Ambassador Myron T. Herrick, of Cleveland, Ohio, at Paris, was conducting the investigation asked for by Secretary Knox.

It appears that associated with Herrick in his research was a committee of the American Bankers' Association, composed of Herrick, chairman, and B. F. Harris, of the Illinois Bankers' Association, and Edwin Chamberlain, of San Antonio, Tex.

When Mr. Herrick filed his report at Washington he said nothing of his having acted also and simultaneously as a banker nor of the presence in Paris of the bankers' committee, of which he was chairman.

David Lubin, American delegate to the International Institute of Agriculture at Rome, dropped in on Mr. Herrick in Paris. He says he found "bankers omnipresent and unless the American farmer looks out he will have bankers omnipotent." Also, he says that a surmise that a move was on foot to secure a new asset currency based on whole-sale farm mortgage bonds, was correct. Lubin added: "American farmers should awake to this danger. Outcome involves the salvation of the American Republic."

ENTER THE S. C. C.

Next comes a more or less shadowy organization called the "Southern Commercial Congress." It is of unknown membership, but it suddenly evinced a desire to study rural credits. It organized the American commission which secured official recognition from the United States Senate, that stronghold of the Aldrich plan's friends, and was given \$25,000 in cash and the right to use the United States mails free. Some mighty and unseen power seemed to be behind it.

The Southern Commercial Congress named a committee of five to go abroad, and on that committee was the same Chamberlain whom the bankers' association had sent. The other members were Clarence Poe, of Raleigh, N. C., and George and F. K. Woodruff, of Joliet, Ill.

Later the governors of the States were asked to send delegates abroad this summer with a southern commercial congress expedition to study. But these men found that their path had been mapped out for them by the "preliminary work" shown above.

SAME OLD JOKER.

Suppose a currency and banking bill were enacted to stem the tide of money that now flows east through the present national-bank arrangement.

Suppose a rural credit plan were authorized by law in which was hidden a plan for "reserve" banks, clearing houses, etc.

Would not the new plan take the place of the old one and leave the currency and national-bank reform bills a painted ship on a painted sea?

On top of all that, if the billions of dollars of farm-land value could be turned into credit and diverted to New York by means of Breitung's "great central land credit company," it would mean that Wall Street would have a new stock of chips larger even than that furnished by the era of trust promotions and stock watering that began in 1898.

Mr. BURKE of Pennsylvania. Mr. Chairman, I yield to the gentleman from Minnesota [Mr. SMITH].

Mr. SMITH of Minnesota. Mr. Chairman, the fact that 53 per cent of the people of this country live in towns, villages, and

cities goes to show that the owners of city real estate should have the same opportunities for borrowing money from national banks as the owners of farms. In the city there is just as great a necessity for the small-home owner to borrow money at a reasonable rate as on the farm. In a large measure the homes in the cities are mortgaged, and the same conditions apply to them that apply to the farms. On making a loan on real-estate security, whether on city property or farm lands, the owner has to pay a commission and attorney's fees for the examination of the abstract, as well as paying the abstract company for bringing the abstract down to date. It is known throughout the country that city real estate is as good security as agricultural property.

The CHAIRMAN. The time of the gentleman from Minnesota has expired. The gentleman from Virginia has one minute remaining. Does he desire to occupy that time?

Mr. GLASS. Mr. Chairman, I do not desire to occupy that time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania.

The question was taken; and on a division (demanded by Mr. BURKE of Pennsylvania) there were—ayes 22, noes 83.

So the amendment was rejected.

The CHAIRMAN. The question now is on the amendment offered by the gentleman from Minnesota.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The Clerk will read.

Mr. GLASS. Mr. Chairman, before the Clerk proceeds to read, I ask unanimous consent that we pass by the savings-department clause of the bill, section 27, for the present.

Mr. LA FOLLETTE. Mr. Chairman, I have an amendment that I desire to offer to the section just passed.

The CHAIRMAN. Will the gentleman from Washington permit the Chair to put the request for unanimous consent made by the gentleman from Virginia before he offers his amendment?

Mr. LA FOLLETTE. Yes.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent to pass over section 27 for the present and continue to read the balance of the bill. Is there objection?

Mr. MURDOCK. Mr. Chairman, reserving the right to object, will the gentleman explain the reason for that?

Mr. GLASS. The reason is that the Committee on Banking and Currency desires to have a meeting this evening, after 6 o'clock, to consider some amendments to this section of the bill before it is brought up again for consideration in the Committee of the Whole.

Mr. MURDOCK. The gentleman is then to take a recess at 6 o'clock until 8 o'clock?

Mr. GLASS. Yes.

Mr. MURDOCK. And it is then his purpose to close the consideration of the bill to-night?

Mr. GLASS. I hope so.

Mr. MURDOCK. And to vote on the bill to-morrow?

Mr. GLASS. Yes.

The CHAIRMAN. Is there objection?

Mr. BURKE of Pennsylvania. Mr. Chairman, I understand that there is not to be a vote on the bill until noon to-morrow?

Mr. GLASS. That is correct.

The CHAIRMAN. Is there objection? [After a pause.] The Chair hears none, and it is so ordered.

The Chair will state to the gentleman from Washington that the amendment which he offers, which he has sent to the desk, is to the section which has just been passed.

Mr. LA FOLLETTE. Mr. Chairman, I was on my feet, and understood that the amendment would be permitted to be offered.

The CHAIRMAN. Without objection, the amendment will be reported.

The Clerk read as follows:

Amend, page 44, lines 8 and 9, after the word "than," by striking out "12 months" and inserting "5 years."

Mr. BORLAND. Mr. Chairman, I make the point of order that we have already voted on an amendment which read 60 months. [Cries of "Vote!"] Mr. Chairman, I withdraw the point of order.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Washington.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The Clerk will report the second amendment of the gentleman from Washington.

The Clerk read as follows:

Page 44, after the word "surplus," at the end of line 14, insert: "And commercial paper so secured shall be subject to rediscounts by Federal reserve banks at all times."

The amendment was rejected.

Mr. BULKLEY. Mr. Chairman, because of the lack of American banking facilities in foreign countries our export trade is

now compelled to pay a heavy annual tribute to foreign bankers. The provisions of this bill will make it possible for our foreign trade to be financed largely by our own people, and the advantages of this change lie not only in the profits directly derived from such financial transactions, but will be found to be important also in increasing American prestige abroad. The establishment of foreign branches of American banks will thus greatly stimulate our foreign trade both directly and indirectly.

The need for American banking facilities in South America is particularly urgent. Our commerce with that continent has grown very rapidly during recent years, and doubtless will continue to grow even more rapidly in the near future with the development of South America and the opening of the Panama Canal. To a great extent we are competitors for South American trade with England, Germany, and Italy, all of which countries have their own banks in South America. Much of our present commerce with that continent is financed through these institutions established by our trade rivals.

It is obvious that the convenience of our trade and the prestige of the Nation both demand the establishment of American banks in South America; and the dividends paid by European banks doing business there show that ample profits are awaiting banks which enter this field. American exporters have found that many European banks doing business in South America make a practice of copying invoices for the information of exporters of their own nationality, thus putting upon American exporters a severe handicap, from which they are powerless to escape until American banks shall be established. Our own banks will also be of great value to exporters in supplying information concerning trade opportunities and credit rating of customers. The lack of such reliable information is now a considerable handicap to the development of our South American trade.

The Clerk read as follows:

SEC. 29. That all provisions of law inconsistent with or superseded by any of the provisions of this act be, and the same are hereby, repealed.

Mr. FESS. Mr. Chairman, I offer the following amendment. The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 50, line 12, after the word "repealed," add the following: "Provided, That nothing in this act shall be construed to repeal the parity provision of the act of March 14, 1900, 'An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes.'"

Mr. FESS. Mr. Chairman, I do not desire to take up the time of the committee, but I think that in view of the fact that the words "lawful money" are in the bill certainly gives the Government the option of redeeming the notes in gold or refuse to redeem in gold. But if that power is not here, then this amendment can not hurt anything. If the power to refuse to redeem in gold is in the bill this amendment will clear it up. If the committee is really sincere in the belief that this does not affect the gold standard, then I wish this amendment could go in to clear it up, for a good many of us who would like to vote for this bill can not vote for it unless the amendment is made. If there is any objection to my putting it in from anyone on that side of the House, I would be very glad to have some one on the other side of the House substitute an amendment. At any rate, I want the chairman of the committee to know that I am not speaking as an enemy of this bill in the main. I think in many respects it is admirable. There are some other features I would wish to change, but I see they can not be reached.

Mr. BARTLETT. If the gentleman's amendment is adopted will the gentleman vote for the bill?

The CHAIRMAN. Does the gentleman yield, and if so to whom?

Mr. BARTLETT. Mr. Chairman, may I ask the gentleman a question?

The CHAIRMAN. Does the gentleman yield to the gentleman from Georgia?

Mr. FESS. Certainly.

Mr. BARTLETT. Will that remove the gentleman's objections to the bill, so he will support it if the gentleman's amendment is adopted?

Mr. FESS. I want to say to my genial friend from Georgia that it will relieve me greatly, and I desire to say to him that I will vote for the bill if this amendment is carried or any other amendment that will mean the same thing. I do not care anything about whose amendment it is.

Mr. GLASS. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that

committee had had under consideration the bill H. R. 7837, and had come to no resolution thereon.

RECESS.

Mr. GLASS. Mr. Speaker, I ask unanimous consent that the House take a recess until 8 o'clock to-night.

The SPEAKER. The gentleman from Virginia asks unanimous consent that the House take a recess until 8 o'clock to-night. Is there objection? [After a pause.] The Chair hears none.

Accordingly (at 5 o'clock and 47 minutes p. m.) the House took a recess until 8 o'clock p. m.

EVENING SESSION.

The recess having expired, the House (at 8 o'clock p. m.) was called to order by the Speaker.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted to Mr. RODDENBERRY, indefinitely, from July 20, on account of serious illness.

CURRENCY.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, with Mr. GARNER in the chair.

The CHAIRMAN. The House is in the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, which the Clerk will report by title.

The title was read.

Mr. GLASS. Mr. Chairman, before the recess we passed over section 27 by unanimous consent. I ask now that that section be read.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] asks unanimous consent to return to section 27. Is there objection?

Mr. FESS. Mr. Chairman—

Mr. BURKE of Pennsylvania. Mr. Chairman, what disposition was made of the amendment offered by the gentleman from Ohio [Mr. Fess]?

Mr. GLASS. No disposition has been made of it as yet.

Mr. BARTLETT. He withdrew it.

Mr. GLASS. He temporarily withdrew it when he was assured that the matter would be considered later.

Mr. MANN. What is the request?

Mr. GLASS. The request is for unanimous consent to return to section 27. It was passed over by unanimous consent.

Mr. MANN. Does it take unanimous consent?

The CHAIRMAN. The Chair thought that the amendment of the gentleman from Ohio [Mr. Fess] was pending.

Mr. BARTLETT. The gentleman withdrew his amendment, Mr. Chairman.

Mr. FESS. No.

The CHAIRMAN. The record does not show that the gentleman withdrew his amendment. The amendment being now pending to section 29 of the bill, it occurred to the Chair it would take unanimous consent to return to section 27 until that amendment was disposed of.

Mr. FESS. Reserving the right to object, I understand that this amendment will be taken up when we reach this section again. There is no jeopardy?

The CHAIRMAN. It will take its place when we come back to that section. The Clerk will read.

Mr. AUSTIN. Mr. Chairman, I ask unanimous consent for 10 minutes. I have had no opportunity to say anything about this measure, and failed to get in on the general debate. I would like permission to address the House for about 10 minutes.

Mr. GLASS. I shall not make any objection.

The CHAIRMAN. The gentleman from Tennessee [Mr. AUSTIN] asks unanimous consent to address the committee for 10 minutes. Is there objection?

Mr. WILSON of Florida. Reserving the right to object, what is the subject?

Mr. AUSTIN. I am going to discuss this bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee? [After a pause.] The Chair hears none. The gentleman from Tennessee [Mr. AUSTIN] is recognized for 10 minutes.

Mr. AUSTIN. Mr. Chairman, one need not hold a brief for the bankers of the United States to be amazed at some of the provisions of this bill. It is entitled:

"A bill to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford a means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes."

A better title would be:

"A bill to provide for the seizure of \$500,000,000 of money without asking the consent of the owners, to place the management of that vast sum in the hands of men whose qualifications are based on their lack of knowledge of the business of banking, to force the unwilling victims of this hold-up to borrow over \$200,000,000 of their own money at arbitrarily fixed rates of interest in order to avoid disaster that is sure to follow the shifting of millions of money from the established channels of trade, to furnish an unlimited supply of currency redeemable in any kind of money, and for other purposes, among which may be included the purpose to ascertain whether a political party holding such vast power over the destiny of the world of business can resist the temptation to use that power to perpetuate its rule."

If it were the purpose of this bill to ask the consent of the owners of the property that is to be taken for public use, or to pay them adequate compensation as provided in the Constitution, or if it were the purpose to seize part of the money of each of the 25,000 banks in the United States, thus treating all alike, it might be tolerated; but to segregate one-third of the banks (and when this law shall have been tried it may prove to be fortunate for the country that Federal jurisdiction extends to only that proportion of the banks) and force them to contribute \$550,000,000 of fixed capital, \$200,000,000 subscribed and paid in or held subject to call, and \$350,000,000 of deposits in Federal reserve banks that can not be drawn out or diminished no matter how urgently its owners may need it, one needs to pause and ask: "Are the socialistic teachings of Karl Marx embodied in the spirit of our laws, or is it only a dream?"

It is true that if any national bank declines to turn over its assessment to the Federal reserve bank to which it is assigned, it has the privilege of withdrawing from the national banking system, redeeming its circulating notes, and holding its United States bonds as a 2 per cent investment or selling them in open market at a price which will be determined largely by the amount of such bonds for sale or the income which purchasers demand.

How cleverly the framers of this measure have worked out the plan to put the Government in the banking business on private capital. "You do as we say or you will regret it. Furnish us the capital necessary for our scheme or get out from under our fostering care and supervision. But when you get out, when you become a State institution, with broader powers in the transaction of your business, we will extend to you a cordial invitation to participate in the benefits of this great system." As the creature of a State we can not force you—you are free to do as you please with respect to our plan; but we ask you to contemplate the manifold blessings that will flow to you if you will turn over to us to be managed without your participation 20 per cent of your capital and 5 per cent of your demand liabilities."

For 50 years the national banks of this country have been the foundation of the great business of banking. They have made possible the issue of Government bonds at low rates of interest. They have furnished a circulating medium based on those bonds which has passed freely through the channels of trade always at par. Through their clearing-house associations they have enabled \$1 of money to do the work that, without their assistance, would have required \$20, and when panic threatened to destroy the fabric of business these associations of banks have stemmed the tide of disaster and restored confidence. During the past 20 years State banks, trust companies, and savings banks, with their broader powers, have become the active competitors of national banks. It is proposed now to force the national banks by drastic measures to furnish the capital and deposits of a series of Government banks, while their active competitors with broader powers are courteously and cordially invited to participate in this beneficial scheme.

How many of the 7,500 national banks will elect to surrender their charters and become State banks with broader powers no one can state. But when it is realized that two-thirds, or 5,000, of such banks are doing business on a capital of \$100,000 or less, one must acknowledge that if a very small percentage of the national banks decline to participate you will have a wagon all ready to be pulled, but no horses to do the pulling.

How many State banks will voluntarily surrender part of their assets to be managed by men whose minds are full of glowing theories, but who lack training and experience in the work they will be selected to do?

It is a cardinal principle of our Constitution that each individual citizen shall be secure in the possession of his property, and that private property shall not be taken for public use without just compensation. The possession of property gives one the right to manage it. He may of his own free will delegate that right to another, but he can terminate the delegated authority at pleasure. That being so universally acknowledged as the corner stone of our American system, is it conceivable that any number of men will voluntarily turn over their property to be managed by others and at the same time surrender the right to terminate that delegated authority at pleasure?

Three members of the Federal reserve board will be partisan appointees of the President, with manifold duties and responsibilities confronting them in the management of the two great departments and one great division of a department of the Government. The other four are to be appointed by the President from civil life, and each member is to receive \$10,000 per year compensation.

It is difficult to conceive of any man or any seven men anywhere in the world who will be clothed with greater power, who will have graver responsibilities, and whose mistakes will cost more than these seven members of the Federal reserve board, except, perhaps, the man who appoints them; and it is proposed to lure them to assume the onerous duties imposed by their position by a salary of \$10,000 per year, when, if they possess the knowledge and ability required to fill these places, they can command in the commercial and banking world many times that much a year. They must be honest men, above reproach, with wide knowledge, based on experience that can be secured only by years of service in the business world, coupled with a profound theoretical knowledge of economics.

Change this provision of the bill so as to permit the President to appoint three members from the business world, who, together with the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, shall select three additional members from the bankers of the country, and you will have a well-balanced board, three members representing the Government, three members representing the world of trade and commerce, and three members representing the bankers, whose money, taken without asking their consent, is to make this plan workable.

The framers of this bill state that it is intended to decentralize reserves in New York, Chicago, and St. Louis and establish a more scientific reserve system.

The essential feature of a scientific reserve system is centralization of available reserves, whence they can be sent broadcast through branches to the uttermost parts of the land, fed out here and there as needed, and then drawn back and kept until needed again.

This bill provides for not less than 12 reserve banks, each one equipped to mobilize the reserve it holds. If the number can be restricted to 12 or less no harm will ensue; but the danger lies in an unlimited number created here and there at the caprice of the Federal reserve board or through political influence; and as each reserve bank must gather and hold the gold needed to secure its note issues, may we not be treated to the spectacle at some time of a score or more of such banks fighting for gold and holding all they have to the end that one or more will not be able to maintain the necessary reserve to cover the notes it needs to issue?

One central reserve association is more effective than 5; 5 are more effective than 12. One or a few reserve associations are more readily controlled than a greater number, their comprehension of the needs they are to fulfill is keener, and the expense of their management is less.

This bill provides that every national bank shall join the system, subscribe 20 per cent of its capital to the capital of a Federal reserve bank, pay one-half of the said subscription in cash within 60 days after the subscription is made, and hold itself ready to pay the remainder at any time it may be called on for payment.

That provision will tie up \$200,000,000 of funds of the national banks. The report of the Comptroller of the Currency showing the condition of the national banks on June 4, 1913, indicates that many country banks do not carry sufficient reserve in cash in their vaults to meet that first requirement after they become members of the Federal reserve association. It is obvious that compliance with that provision means a contraction of loans in some places.

In addition to the initial capital, the subscribing banks must, during three years after the passage of the bill, transfer all their reserve funds to their own vaults or to Federal reserve banks.

Under the present law the national banks in the 50 reserve cities hold now \$567,000,000 of reserve funds of country banks and banks in secondary reserve cities. During the three years after the passage of this bill a large part of that vast sum must be diverted from the channels of trade in those cities and sent into new and uncharted seas.

How will the banks in those cities manage the transfer? It is true they will be permitted to carry less reserve by 7 per cent than they are required to carry now, and that, amounting to \$245,000,000, may be used as far as it goes to cover the \$567,000,000 they must give up. The remainder, or \$322,000,000, must be supplied either by contraction of loans or by borrowing from Federal reserve banks. If loans are contracted, many business enterprises will suffer. If the banks borrow from Federal reserve banks, they will borrow their own money which they have deposited therein.

Was ever a scheme more subtly planned? The banks supply \$100,000,000 of initial capital, then 5 per cent of their \$7,000,000,000 demand liabilities, or \$350,000,000 more, which is just as much fixed capital as the initial capital, inasmuch as it can not be diminished or drawn out. They get 5 per cent dividends on \$100,000,000 of initial capital and no dividends on the \$350,000,000 of fixed capital. Thus their net returns on the money they will have invested is a little better than 1 per cent.

Then to prevent a panic in the business world they must borrow back from the Federal reserve banks over \$300,000,000 at such rates as may be determined by those who manage their property, thereby creating the very profit out of their own necessity which is doled out to them at the niggardly rate of 1 per cent on their investment.

The surplus created up to 20 per cent of the capital of the Federal reserve banks goes eventually to the Government, and all profits in excess of dividend and surplus requirements is generously divided between the Government and the national banks in the ratio of 6 to 4, in addition to which the Government receives a further profit in the shape of interest which is to be paid by the Federal reserve banks on Government deposits but not on bank deposits.

The whole scheme reminds one of the shrewd fisherman who was hungry and proposed to some boys who had a boat that if they would furnish the boat, the lines, and the bait he would show them to the fishing grounds if they would divide their catch with him. In the evening when they returned with a boatload of shad and herring the old fisherman divided the catch thus:

Wall, boys, here's a herrin' for you and a shad for me. A shad for me and a herrin' for you. A herrin' for you and a shad for me. I always believe in dividin' things fair.

Country banks must and they will continue to do business with reserve city banks, and reserve city banks must and they will continue their relations with banks in central reserve cities. The business of the country demands that this arrangement be continued as it exists now. Change the reserve requirements of this bill and permit country banks to keep one-third of their 12 per cent reserve in reserve cities, and permit reserve city banks to keep one-third of their 18 per cent reserve in central reserve city banks. The result will give reserve city banks \$260,000,000 more of deposits than they would have under the provisions of this bill, and with the saving of 7 per cent of reserve in reserve cities, amounting to \$245,000,000, added to the \$260,000,000 aforesaid, the transfer of over \$500,000,000 of reserves, which is imminent if this bill becomes a law, will be needless, no contraction of loans will follow, and banks in those cities will not be forced to borrow their own money from the Federal reserve banks.

The manufacturing, trade, and commerce of this country are carried on largely in the 50 reserve cities established by existing law. The industries of those cities did not spring up there because they are reserve cities, but they were designated reserve cities because of their industries and their importance in the business world.

Is it the intention of those who framed this bill to strike at the legitimate industries of this country? Do they want to cripple business men whose energy, ability, and foresight have built up enterprises that give work to thousands? Do they want to destroy and tear down that which has required many years of patient industry to build up? Then let this measure be enacted into law. Let millions of dollars be shifted from the channels through which it flows now and the integrity and honesty of those who manage the banks of the country be questioned. There is no better way to accomplish their aim than to strike at the accumulated capital of a country, for there is nothing more

sensitive. And when I speak of accumulated capital I have in mind not the money of wealthy men alone, but the ready funds of the small business man, the modest manufacturer, the storekeeper, the farmer, and the savings of the workmen of the country, all deposited in the 25,000 banks throughout the land. That is the vast fund, managed by the duly chosen trustees of those who own it, which will be drawn on eventually to supply the capital for this experiment in banking which it is the intention of this bill to have the Government embark upon.

One of the most serious defects of the bill is that provision which permits the Federal reserve banks to issue notes but requires that they shall be the direct obligation of the United States and redeemable in gold or lawful money by the Treasury Department at Washington or by the Federal reserve bank of issue.

It is dangerous to the credit of any nation to bind it to guarantee or redeem the obligations of any bank unless the government be given the power to maintain the reserve necessary for such redemption. There is no provision in this bill whereby the Treasury of the United States can accumulate gold. Government funds are to be deposited in the Federal reserve banks and the maintenance of a gold reserve by those banks will eventually draw all the gold that is now on deposit in the Treasury therefrom. Every time a Federal reserve bank gets a gold certificate or a Treasury note, mindful of its need for gold, it will present it for redemption in gold at the Treasury, and the only means whereby the Treasury can replenish its gold stock is by the sale of bonds. Therefore one is impelled to ask are the words "lawful money" inserted in this bill with the intent that silver and Treasury notes, which are lawful money, may be used to redeem Federal reserve notes if there is not enough gold available? How near are we to a silver basis?

The Federal reserve notes, to be issued at the discretion of the Federal reserve board to an unlimited extent against a reserve of 33½ per cent of gold or lawful money, constitute a fiat currency, and there is coupled with the provision grave danger of inflation.

That provision of the bill is contrary to the experience of older nations and the advice of reputable bankers and economists, who agree that if the amount of the issue of such notes is to be unlimited there should be maintained a gold reserve of not less than 50 per cent and the notes should be redeemed in that kind of money on demand by the bank of issue.

I know it is popular to scorn the wisdom and experience of what we are pleased to call the effete nations of the Old World; but can we afford to do so in a matter so gravely important as this, when we consider how completely they have solved the problem of a gold reserve and a circulating medium and how effectively they have eliminated the danger of financial panics?

The Bank of France carries a gold reserve of from 40 per cent to 80 per cent against its circulating notes. The Bank of England carries a gold reserve of from 35 per cent to 50 per cent. The Imperial Bank of Germany carries a gold reserve of 40 per cent. The able men who have framed this measure consider it safe for us to issue an unlimited amount of notes based on a reserve of 33½ per cent of gold or lawful money, well knowing that the term lawful money includes gold, Treasury notes, and silver.

Considering these grave defects in the bill, it is not strange that those responsible for it should conceive it in darkness and attempt to bring it to life under the sheltering care of a caucus that stifles individual opinion. They are intelligent men, and they must know that if these defects were given over to a free and open debate in both Houses of Congress, where each one entitled to a vote could express his opinion and vote according to his belief, they would not become law. Why are such strenuous efforts being made to force this bill, with all its defects, through Congress at this time?

This is the greatest economic problem which the country has faced in 50 years. It should be studied and debated carefully. Nothing should be done hastily. Many who will vote in favor of it under compulsion do not understand the vital principles involved. How can those who do understand the principles at issue remain silent in debate and vote as they are told to vote, not as their convictions dictate, realizing that the tremendous issues here involved may bring disaster and misery and poverty to those they represent? [Applause.]

Mr. MONTAGUE. Mr. Chairman, I ask unanimous consent to proceed for 10 minutes.

The CHAIRMAN. The gentleman from Virginia [Mr. MONTAGUE] asks unanimous consent to proceed for 10 minutes. Is there objection? [After a pause.] The Chair hears none. The gentleman from Virginia is recognized for 10 minutes.

Mr. MONTAGUE. Mr. Chairman, in the interesting address of the gentleman from Iowa [Mr. PROUTY] the constitutionality of the pending bill is assailed. There has been, however, since

his remarks no formal reaffirmation of his position that I now recall, save by the speech of the gentleman from West Virginia [Mr. Moss]. The argument of the latter gentleman is grounded almost wholly upon a supposed violation of section 10, Article I, of the Constitution, which provides that—

No State shall * * * pass any * * * law impairing the obligation of contracts.

Now, the gentleman from Iowa and I agree, and whether we do or not the Supreme Court declares, that the provision just quoted is prohibitory upon the States, and the States alone, and that it imposes no inhibition whatever upon the powers of the Federal Government.

But assuming, for the sake of argument, that this provision does bind the Federal Government, I submit that the reservation in the national banking act of the right to alter, amend, or repeal the charters of banks thereunder formed renders this provision wholly inapplicable. Such charter reservations have uniformly been held to remove this constitutional prohibition when applied to the States, and when such reservations are made the famous Dartmouth College case is no longer an authority in point.

The gentleman from Iowa does not invoke this provision of the Constitution, but rests his argument upon Amendment V of the Constitution, which declares that—

No person shall * * * be deprived of life, liberty, or property without due process of law; nor shall private property be taken for public use without just compensation.

He argues that the present national banks have certain property rights which will be taken without compensation by operation of law upon the repeal of the present charters of such banks and upon the establishment in lieu thereof of the new banking system contemplated by this bill. In other words, that the reservation to the United States of the right to repeal these charters is not sufficiently ample to justify the substitution of this new system, and that the establishment of the new system will resultantly confiscate the property of the present national banks in violation of "due process of law," whether the existing banks came into this system or not.

In the ingenious and able argument of the gentleman from Iowa three cases from the United States Supreme Court are cited by him in support of his contention. The first is *Shields v. Ohio* (95 U. S., 319), which, while technically involving the constitutional provision relating to the impairment of the obligation of contracts, nevertheless passes directly upon the contention that the impairment of the contract therein involved takes property without just compensation. The facts in brief are these: That in 1846 or 1850 a railroad company was chartered by the State of Ohio and given apparently an unlimited right to fix passenger rates; that subsequent to this charter this railroad consolidated with other roads, and under a provision of the statute and constitution of Ohio this consolidation became a new charter, and this new charter contained the expressed reservation on the part of Ohio of the right to amend or repeal such charters. After such consolidation the State of Ohio, in pursuance of its reserved right to amend, prescribed for the consolidated road or one of its divisions a passenger rate less than the rate obtaining under the old charter, and the new company therefore asserted that it acquired all the rights and property contained in the former charter, which was a contract with the State, and that the reduction of the fare was an impairment of such contract.

The court held—

The legislature had provided for the consolidation. In each case, before it took place, the original companies existed and were independent of each other. It [the consolidation] could not occur without their consent. The consolidated company had then no existence. It could have none while the original corporations subsisted. All—the old and new—could not coexist. It was a condition precedent to the existence of the new corporation that the old ones should first surrender their vitality and submit to dissolution. That being done, eo instanti, the new corporation came into existence.

The opinion continues—

When the consolidation was completed, the old corporations were destroyed, a new one was created, and its powers were "granted" to it, in all respects, in the view of the law, as if the old companies had never existed, and neither of them had ever enjoyed the franchises so conferred. The same legislative will created and endowed the new corporation. It did one as much as the other. In this respect there is no ground for any distinction.

This opinion confirmed the constitutionality of this charter reservation and declared there was no impairment of the obligation of contract by reason of the reduction of the earnings of the road by Ohio, and that the property of the company was not taken without due process of law. Therefore, I confidently submit that this case is directly in point to sustain the constitutional validity of the pending bill and nowise in its essential features can any fact or reason therein found support the argument of the gentleman from Iowa.

The Sinking Fund cases (99 U. S., 700) likewise give no aid or comfort to the argument for the invalidity of this measure. The opinion is too lengthy to digest for this occasion. But it should be stated the court held it would not decide what might be the power of Congress over this corporation "if the right of amendment had not been reserved" in its charter; but inasmuch as this right of amendment, alteration, or repeal had been reserved by Congress in the acts of 1862 and 1864, the court would uphold the subsequent legislation of Congress materially enlarging the powers of supervision, and especially the authority to provide and impound a sinking fund to liquidate the bonds of the road, and to this end that the Government could retain moneys in its own hand due by it to the railroad and also apply a proportion of its dividends. So I submit that this case, in all of its legislative and judicial analogies, affirmatively maintains the constitutionality of this bill.

I now reach the third case cited by the gentleman, that of the *Missouri Pacific Railway v. Nebraska* (217 U. S., 198). I must content myself with a very brief statement of the facts. By a statute of Nebraska a railroad is required to permit the erection upon its right of way of grain elevators, and if such permission is denied, the railway may be compelled to construct a sidetrack or switch for a distance sufficiently great to connect with such elevators at or some feet beyond the line of the right of way, for the purposes of loading grain upon the cars, with certain minor conditions which need not here be given. The railway refused to construct such siding or switch, and contended that inasmuch as no compensation was to be paid for the outlay incident to the establishment and maintenance of the sidetrack the State took the property of the railway without just compensation. The court decided that the police power of the State did not give the right to compel the railway company to put in switches at its own expense, and that such a requirement deprives the railway of its property without due process of law. There was no reservation in the charter of this company of a right to amend or repeal the same by the State granting the charter, and therefore the requirement for the construction of the switch was an unlawful exercise of an amendatory power on the part of the legislature. I repeat that the bald question here was one requiring the road to make a considerable outlay for private use without compensation, and the court so held. The analogy, therefore, does not in any way sustain the argument against the constitutional validity of this bill. In this bill no bank is required to enter the banking business under the new provisions, and there is no confiscation of existing banks upon failure so to do. It is true there is a dissolution of existing charters after the expiration of a certain time, a power to impose such a dissolution having been reserved in their charters and accepted by the existing banks. None of the imaginary hardships and confiscations predicted can come to any bank unless it voluntarily enters the system containing these regulatory provisions.

The contract, therefore, is the reserved right of Congress to amend or repeal these charters—contracts assented to when the several banks were organized—and if the banks now resist such amendment or repeal it is they who violate the contract and not the Government.

The argument of the gentleman from Iowa [Mr. Proctor] is that while Congress may amend, the amendment must go only so far and no further; that Congress may repeal, but the repeal must be coupled with certain conditions. That is to say, Congress has the power but is not the judge of the mode and degree of the exercise of the power. The contention bears its refutation. In the Sinking-Fund cases the court, in speaking of the right to amend the charter of the transcontinental railway, observed that—

Whatever rules Congress might have prescribed in the original charter for the Government of the corporation in the administration of its affairs it retained the same power to establish by amendment.

That is to say, that if Congress has the power to bestow it has the same power to recall if the reservation to recall is contained in the original grant or charter. Now, this reservation is explicitly expressed in the charters of all existing national banks; therefore the right of amendment or repeal can be exercised without any violation of the provisions of the Constitution respecting the due process of law or the taking of property without compensation. Moreover, when Congress exercised this undoubted power to amend or repeal it is not a mandate to the banks to "stand and deliver; your money or your life," as declared by the gentleman from Iowa, and I respectfully suggest that we can not judicially discuss or determine constitutional powers and their extent by such hysterical illustrations.

The gentleman concedes that Congress can amend or repeal, but that the "power of alteration or amendment is not without limit," to use his own quotation from the case of *Shields* against

Ohio. Now, while the court did employ this language it nevertheless held that the alteration or amendment enacted by the Ohio Legislature in that case was constitutional. In other words, the fact and principle decided is a direct affirmation of the right to make just such amendment or repeal as is accomplished in the pending bill if it is enacted into law. But I deny that the amendments or repeal wrought by this bill transcend the limitations had in mind by the court when using the language just quoted.

If I had time I think I could satisfactorily demonstrate that the powers of control, the requirement of reserves, the rate of interest, the application of dividends, and other cognate powers contained in the pending bill do not essentially differ from similar or somewhat similar powers found in the existing national-bank laws. It is true the two systems are dissimilar, but the administration of the two systems are not equally dissimilar. As was said in the sinking-fund cases:

The United States occupy toward this corporation [the transcontinental railway] a twofold relation—that of sovereign and that of creditor.

So I may here say that as respects the great system now sought to be set up by this legislation the United States occupies a threefold relation—that of sovereign, that of creditor, and that of debtor. The Nation creates this system, it loans its credit under certain restrictions, and it guarantees the solvency and redemption of the currency issued to the banks of this system. The merits or demerits of this gigantic plan I will not discuss further than to say that the plan calls into activity all the powers of government relevant and necessary to perfect the operation and the success of the system. Nor are these powers of government, which are so vehemently declared against in this debate, greater or more drastic in their exercise or more impinging upon individual right and constitutional guarantees than some of the powers in the present national-bank act, very similar in nature and expressly approved by the judgment of the Supreme Court.

In the case of *Noble State Bank v. Haskell* (219 U. S., 104) the Supreme Court, in passing upon the constitutionality of the Oklahoma depositors' guarantee-fund act, wherein there was a compulsory assessment upon all banks, chartered or rechartered, for the purpose of raising a fund to secure the repayment of deposits in insolvent banks, held this act to be in no violation of the due process of law or of the impairment of the obligations of contract.

The court uses this significant language:

The power to compel, beforehand, cooperation and thus, it is believed, to make a failure unlikely and a general panic almost impossible, must be recognized if government is to do its proper work, unless we can say that the means have no reasonable relation to the end.

The court makes the further observation, to which I ask the especial attention of the committee, that—

The payment [of the assessment] can be avoided by going out of the banking business, and is required only as a condition for keeping on from corporations created by the State.

How applicable to the very situation arising upon the enactment of this bill! The banks may come in or not, as they please. This case will bear careful reading, as it is rather a philosophical contribution to our juristic and constitutional literature. If any case could be found short of a direct adjudication of the very measure now under consideration, the case just cited most clearly and broadly sustains the constitutionality of this probable legislation.

Stripped of refined and technical reasoning, the arguments for the unconstitutionality of this bill run deeper than the invalidity of the provisions relating to the organization and administration of this new banking system. The arguments seem to imply a denial of the constitutional power to establish any banking system differing in any material degree from the present system. But this constitutional right to establish and disestablish banks has been too long tried and too often adjudicated to justify any reconsideration or reversal at this late day; and if we concede the constitutional right to charter new banks or to organize a new banking system, then we are driven likewise to concede all the means and instrumentalities essential to the organization and operation of such a system.

Mr. Chairman, in order to obtain a wider perspective and truer sense of proportion of the constitutional power to establish banks and all means necessary for their administration, I now beg briefly to recall a few historical facts relating to our banking systems.

The First Congress incorporated the Bank of the United States, with the power to establish branches and to do a general banking business. Washington requested Jefferson, then Secretary of State, and Edmund Randolph, then Attorney General, for their opinions as to the constitutionality of the charter. Both of these opinions were adverse to the validity of the charter. Washington then requested Hamilton, then Sec-

retary of the Treasury, and the principal author of the charter, for his opinion, which, when given, convinced Washington of the constitutionality of the charter. Perhaps it may be said that this opinion, found in Hamilton's works, 3 Federal edition, page 446, is the finest example of Hamilton's extraordinary genius and of his brilliant powers of analysis and deduction. Undoubtedly this opinion sank deep into the mind of Marshall, and was the germ, if not the foundation, of his great opinion in *McCulloch v. Maryland*, affirming the constitutionality of the second bank charter, enacted by Congress in 1816. In 1863 and in 1864 Congress passed the general acts for the incorporation of national banks, and their constitutional validity was again affirmed in the case of the *Farmers and Merchants' National Bank v. Dearing* (91 U. S., 29), delivered in 1875.

Now, the only question of perplexity is to identify the exact power or language in the Constitution specifically authorizing the establishment of banks. The power is undoubtedly in the Constitution, but it does not seem to have been disclosed and located with exact precision. In *McCulloch* against *Maryland* and in *Osborn* against *Bank of the United States* the great Chief Justice rested his views of the constitutionality of bank charters upon the ground that a bank is an instrument—

necessary and proper for carrying into effect the power vested in the Government of the United States.

And in *Farmers and Merchants' National Bank* against *Dearing* the court held that—

The national banks organized under the act are instruments designed to be used to aid the Government in the administration of an important branch of the public service. They are means appropriate to that end. Of the degree of necessity which existed for creating them Congress is the sole judge.

Thus we are still left to find the exact language or the precise provision authorizing such acts of incorporation. But, I repeat, the constitutionality of national-bank charters has been too long admitted now to be questioned; yet it may be helpful, even at this late day, to identify the particular clause authorizing the establishment of banks. I will therefore suggest that in this era of marvelous industrial and commercial development we do not have to wander far into the domain of the Constitution to find this authorization. Do not buying and selling and the transportation of things so bought and sold constitute commerce? Is not buying and selling the primary attribute in all commerce? And what buying and selling can be done in this economic age without the aid and function of banks? Commerce can now be carried on without banks no more than commerce can now be carried on without railroads. Therefore I submit to the committee that among the powers to create and control national banks is naturally and necessarily that power found in the clause of the Constitution giving Congress the authority—

to regulate commerce with foreign nations and among the several States.

In these few but pregnant words this great instrument of commerce, the bank, finds the chief source of its life and the main lines of its activities.

Mr. Chairman, I disclaim any discovery of this particular constitutional source whence banks must come and within the limitations of which banks may exercise all their functions and privileges. I only humbly recount the natural and simple discovery of others, and among them no less a jurist and publicist than Hamilton himself, who, as long ago as 1791, in his famous opinion given to Washington, pointed out this commerce clause in the Constitution as one of the authorizations for the first bank of the United States.

Mr. Chairman, I have taken the pains to suggest this particular source of power for the legislative work we are now doing in order that we may the more clearly appreciate the depth and breadth and strength of the foundation underlying the structure we are now building. With the constitutional powers identified or demonstrated we can with more freedom and certainty consider the validity of the provisions of this bill which aim to coordinate this fiscal scheme into administrative unity and vigor, adequate to maintain, promote, and develop the commerce between the States of our Union and between our Union and the nations of the world. We vainly quibble about the constitutional validity of this or that detail necessary for the administrative unity of the plan. If the object be legal, the details essential to the operation and administration of the object are likewise legal. These administrative requirements are imposed upon no bank; they become binding only when the bank of its own volition becomes a member of this fiscal or financial system. The Nation can set up this system, and the Nation can remove all existing obstacles to the operation of this new system. To this end, it gives the banks of the country an opportunity to come in or stay out, and the exercise of either alternative is a plain constitutional right.

Mr. Chairman, this is a mighty age, and a mighty commerce has already grown up amongst us, but a mightier commerce awaits more adequate banking facilities, through the instrumentalities of which credits may be balanced against credits, and the chief means to obtain this equilibrium is a sufficient and flexible currency. To achieve all of these benefits adequate powers and functions must be given to any banking system we may establish. We can not go through the idle performance of creating a fiscal torso without members, functionless, and lifeless. A more animated and vigorous entity is here created, possessing powers, and capable of exerting functions the constitutionality of which will be approved by the Supreme Court of the Nation and by the "right reason" of the law. [Applause.]

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SAVINGS DEPARTMENT.

SEC. 27. That any national banking association may, subsequent to a date one year after the organization of the Federal reserve board, make application to the Comptroller of the Currency for permission to open a savings department. Such application shall set forth that the directors of said national bank have by a majority vote apportioned a specified percentage of their paid-in capital and surplus to said savings department, and to that end have segregated specified assets for the purposes of said department, or that cash capital for the said savings department has been obtained by subscription to additional issues of the capital stock of said national bank: *Provided*, That the sum in assets or in cash thus set apart for the uses of the proposed savings department aforesaid shall in no case be less than \$25,000, or than a sum equal to 20 per cent of the paid-up capital and surplus of the said national bank.

In making the application aforesaid any national banking association may further apply for power to act as trustee for mortgage loans, subject to the conditions and limitations herein prescribed or to be established as hereinafter provided.

Whenever the Comptroller of the Currency shall have approved any such application as hereinbefore provided, he shall so inform the applying bank, and thereafter the organization and business conducted or possessed by said bank at the time of making said application, except such as has been specifically segregated for the savings department, and subsequent expansions thereof shall be known as the commercial department of the said bank. National banks may increase or diminish their capital stock in the manner now provided by law, but whenever such general increase or reduction of the capital stock of any national bank operating upon the provisions of this section shall be made such increase or reduction shall be apportioned between the commercial and savings departments of the said bank as its board of directors shall prescribe, notice of such increase or reduction, and of the apportionment thereof, being forthwith given to the Comptroller of the Currency; and any such national bank may increase or diminish the capital already apportioned to either its savings or commercial department to an extent not inconsistent with the provisions of this section, notifying the Comptroller of the Currency as hereinbefore provided. The savings department for which authority has been solicited and granted shall have control of the cash or assets apportioned to it as hereinbefore provided, and shall be organized under rules and regulations to be prescribed by the Comptroller of the Currency.

Both the savings and commercial departments so created shall, however, be under the control and direction of a single board of directors and of the general officers of said bank.

All business transacted by the commercial department of any such national bank shall be in every respect subject to the limitations and requirements provided in the national banking act as modified by this act, and such business shall henceforward be known as commercial business.

The savings department of each such national bank shall be authorized to accumulate and loan the funds of its depositors, to receive deposits of current funds, to loan any funds in its possession upon personal or real estate security, and to collect the same with interest, and to declare and pay dividends or interest both upon demand and time deposits. The Federal reserve board is hereby authorized to exempt the savings departments of national banking associations from any and every restriction upon classes or kinds of business laid down in the national banking act, and it shall be the duty of the said board within one year after its organization to prepare and publish rules and regulations for the conduct of business by such savings departments. The said regulations shall require every national bank which shall conduct a savings department and a commercial department to segregate in its own vaults the cash and assets belonging to such departments respectively to be used by each such department for its exclusive and individual use. The regulations aforesaid shall further specify the period of notice for the withdrawal of deposits made in the said savings department and shall forbid the acceptance of deposits by one department of such national bank from the other department of such bank. The Federal reserve board shall make and publish at its discretion lists of securities, paper, bonds, and other forms of investment, which the savings departments of national banks shall be authorized to buy; and said lists need not be uniform throughout the United States, but shall be adapted to the conditions of business in different sections of the country.

It shall be the duty of every national bank to maintain, with respect to all deposit liabilities of its savings department, a reserve in money, which may under existing law be counted as reserve, equal to not less than 5 per cent of its total deposit liabilities, and every national bank authorized to maintain a savings department is hereby exempted from the reserve requirements of the national banking act and of this act in respect to the said deposit liabilities of its savings department, except as in this section provided. Every regulation made in pursuance of this section shall be duly published, and also posted in every member bank having a savings department.

Every officer, director, or employee of any national bank who shall knowingly or willfully violate any of the provisions of this section, or any of the regulations of the Federal reserve board, or of the Comptroller of the Currency, made under and by virtue of the provisions of this section, shall be guilty of a felony, and on conviction thereof shall be punished by a fine not exceeding \$5,000 or by imprisonment not exceeding two years.

Mr. BULKLEY. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Amend, page 45, line 4, by striking out the word "purposes" and inserting in lieu thereof the word "uses."

Mr. BULKLEY. Mr. Chairman, this is merely a question of English.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Ohio.

The amendment was agreed to.

Mr. BULKLEY. Also the following amendment, Mr. Chairman.

The Clerk read as follows:

Page 45, lines 7 and 8, strike out "sum in assets or in cash" and insert in lieu thereof the word "capital."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

The question was taken, and the amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I also offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Page 45, line 9, strike out "\$25,000" and insert "\$15,000."

Mr. BULKLEY. Mr. Chairman, this is a change in the minimum requirement in order to make it easier for small national banks to establish these savings departments.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

The amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I also offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Page 45, line 18, after the word "thereafter," insert the following: "It shall be authorized to receive savings deposits as so defined and."

Mr. BULKLEY. Mr. Chairman, this is simply for the purpose of greater clearness.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

The amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I also offer the following further amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Page 45, lines 2 and 3, after the period, insert the following:

"The said departments shall, to all intents and purposes, be separate and distinct institutions save and except as hereinafter expressly provided. The capital, surplus, deposits, securities, investments, and other property, effects, and assets of each of said departments shall, in no event, be mingled with those of the other department, or used, either in whole or in part, to pay any of the deposits of the other departments until all of the deposits of its own department have been fully paid and satisfied."

Mr. BULKLEY. Mr. Chairman, segregation of assets is already provided for on page 47, but it was deemed desirable to carry such a provision also on page 45 of the bill for greater clearness.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Ohio.

The question was taken, and the amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I also offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Page 47, line 4, at the end of the line, insert the following:

"To purchase securities authorized by the Federal reserve board."

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Ohio.

Mr. BURKE of Pennsylvania. I think the gentleman had better have the amendment reported again to ascertain if it is not in the wrong place.

Mr. BULKLEY. I did not hear what the gentleman said.

Mr. BURKE of Pennsylvania. I asked the gentleman to see if his amendment was properly reported.

Mr. BULKLEY. It should be line 3. I thank the gentleman for the correction.

The CHAIRMAN. The gentleman from Ohio asks unanimous consent to revise the amendment. Is there objection? [After a pause.] The Chair hears none, and the Clerk will report the revised amendment.

The Clerk read as follows:

Page 47, at the end of line 3, insert the following: "to purchase securities authorized by the Federal reserve board."

The question was taken, and the amendment was agreed to.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read as follows:

Page 47, line 4, after the word "upon," strike out the words "personal or."

The question was taken, and the amendment was agreed to.

The CHAIRMAN. The Clerk will report the next amendment offered by the gentleman from Ohio.

The Clerk read as follows:

Page 47, line 5, after the word "estate," insert the words "or other approved."

The question was taken, and the amendment was agreed to.

The CHAIRMAN. The Clerk will report the next amendment offered by the gentleman from Ohio.

The Clerk read as follows:

Page 47, line 6, after the word "interest," strike out the word "both."

The question was taken, and the amendment was agreed to.

Mr. BURKE of Pennsylvania. Mr. Chairman, may I ask the gentleman from Ohio a question concerning the words "or other approved security"? Does not that vitiate the original amendment striking out the words "personal or"?

Mr. BULKLEY. No. Further on, at the bottom of the page, it is provided that the Federal reserve board shall make and publish, at its discretion, lists of securities, and they are only permitted to approve certain classes, which are enumerated.

Mr. BURKE of Pennsylvania. Then they could loan on personal estate, as was permitted in the original bill, if it is approved?

Mr. BULKLEY. No; I think not. The provision is—

Mr. BURKE of Pennsylvania. They clearly conflict if that is not true.

Mr. BULKLEY. I think the gentleman will agree with my interpretation. Beginning on line 24, it reads:

The Federal reserve board shall publish, at its discretion, lists of securities, paper, bonds, and other forms of investment which the savings departments of national banks shall be authorized to buy.

It does not say anything about loaning on them.

Mr. BORLAND. Is it not contemplated that they can loan on the same class of securities which they are authorized to buy? The words "other approved security" you have inserted on line 5 imply they can loan on securities they approve as being proper after investigation. I would so take it, because certainly if they are authorized to buy certain kinds of securities they ought to be authorized to loan on them, otherwise the words "approved securities" would have no particular significance.

Mr. MADDEN. Would it not be well to add to the language, "such securities as they may be authorized to buy or loan upon"?

Mr. BULKLEY. I think that would make it more consistent.

Mr. MADDEN. I suggest to the gentleman that we add that language to the phrase, then.

Mr. BORLAND. I would suggest to the gentleman that the use of the word "approved" would have no significance at all. The approval referred to at the bottom of page 47 is a list of securities that are approved as those in which they may invest their funds, otherwise the word "approved" would have no significance. It would not appear by whom they could be approved except by the directors of the bank.

Mr. MADDEN. I would like to suggest to the gentleman from Ohio that he add the words "buy or loan upon." I think that would make it better and broader.

Mr. BULKLEY. I did not hear what the gentleman said.

Mr. MADDEN. I suggest that the gentleman add the words "buy or loan upon."

Mr. BULKLEY. Yes; I think that would make it more consistent.

Mr. MADDEN. I would like to suggest that as an amendment.

Mr. BORLAND. Yes; that would make it better.

Mr. MADDEN. I think it would make it consistent to offer that language.

Mr. BULKLEY. If the gentleman wants to offer it, I shall not object to it.

Mr. MADDEN. After the word "buy," on line 3, page 48, add "or loan upon."

The CHAIRMAN. Will the gentleman state his amendment again?

Mr. MADDEN. After the word "buy," on line 3, page 48, add the words "or loan upon."

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 48, line 3, after the word "buy," insert the words "or loan upon."

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken, and the amendment was agreed to.

Mr. BURKE of Pennsylvania. Now, Mr. Chairman—

The CHAIRMAN. The gentleman from Ohio [Mr. BULKLEY] offers an amendment, which the Clerk will report.

The Clerk read as follows:

Page 47, lines 6 and 7, after the word "upon," strike out "demand and time" and insert the word "its."

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken, and the amendment was agreed to.

Mr. BURKE of Pennsylvania rose.

Mr. BULKLEY. Mr. Chairman, I would like to yield to the gentleman from Pennsylvania [Mr. BURKE] if he desires to ask a question.

Mr. BURKE of Pennsylvania. Is the gentleman satisfied now he has cured the defect in line 5 by the suggestion of the gentleman from Illinois?

Mr. BULKLEY. I think so. I will be glad to have your opinion.

Mr. BURKE of Pennsylvania. The bill as you had it when you began reading provided the banks could loan on personal or real estate security. By your amendment you strike out "personal," and to that extent limit it, and then you follow that by inserting another amendment which provides that you can loan money on real estate or other approved security without limitation.

Mr. BULKLEY. I think that is so as the bill reads now.

Mr. BURKE of Pennsylvania. So your defect is not cured by any means.

Mr. SMITH of Minnesota. Will the gentleman yield for a question?

Mr. BULKLEY. Yes; I will yield.

Mr. SMITH of Minnesota. Is it the intention that the savings departments of national banks will have the privilege of loaning on collateral security?

Mr. BULKLEY. That is unquestionably the way the bill reads.

Mr. SMITH of Minnesota. I do not think that is the intention. That is not my understanding.

Mr. BULKLEY. The gentleman from Minnesota is the author of most of those amendments, and I would be glad to have him make a suggestion about it.

Mr. SMITH of Minnesota. I am not sure it would be wise to have a savings bank loan on collateral security. I do not think the practice is in vogue at the present time, and I would not like to embark on it now. It may be wise.

Mr. WINGO. Would it not meet the objection by adding the words "investment securities"?

Mr. BULKLEY. I do not see how that would affect it materially.

Mr. ROGERS. Will the gentleman yield?

Mr. BULKLEY. I will.

Mr. ROGERS. May I suggest this change: "To loan any funds in its possession upon real estate or other security authorized, as hereafter required"?

Mr. BULKLEY. I think that is substantially the way it reads now. I do not think that changes the meaning.

Mr. ROGERS. I do not think you tie up the "approved" with a later authorization. You use the word "authorized" later, and you do not in any way, in your use of the word "approved" here indicate just how you wish the word "approved" defined.

Mr. BULKLEY. Well, does the gentleman mean that the word "approved" ought to be changed to "authorized"?

Mr. ROGERS. I think, for the sake of uniformity, it ought to be, because in the second line of page 48 you use the word "authorized" in this same connection and with this similar meaning desired. I take it.

Mr. BULKLEY. I do not see that the word "approved" could refer to anything else, but neither do I see that it would do any harm to change it to "authorized."

Mr. ROGERS. I simply thought it was desirable to add the phrase "authorized as hereafter stated," so as to indicate clearly the connection between those two portions of the section.

Mr. BULKLEY. I hardly think it would be necessary to add the words "as hereafter stated," and I think it would make the sentence rather clumsy. If the gentleman desires to offer an amendment to change the word "approved" to "authorized," I see no objection to that.

Mr. ROGERS. Does the gentleman see any objection to tying it up beyond the possibility of a doubt with a later authorization?

Mr. BULKLEY. I think it is so tied.

Mr. ROGERS. I can not quite agree with you. There are many possibilities in the word "approved" which are not comprehended within this later authorization.

Mr. BULKLEY. Does the gentleman think if he changed it to the word "authorized" it would be beyond doubt?

Mr. ROGERS. I think not. I think you ought to have reference to the later phrase in the section.

Mr. BULKLEY. Well, I see no particular objection to the suggestion.

Mr. BORLAND. The gentleman is unquestionably right about it. The use of the word "authorized" would be somewhat different from the use of the word "approved."

Mr. BURKE of Pennsylvania. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Pennsylvania [Mr. BURKE] offers an amendment, which the Clerk will report.

Mr. BURKE of Pennsylvania. I think that will cure it. The Clerk read as follows:

Page 47, line 5, after the word "security," insert "or upon other approved security, as hereinafter provided."

Mr. BORLAND. "Or other authorized security."

Mr. BURKE of Pennsylvania. Yes; "or other authorized security."

The CHAIRMAN. The question is on agreeing to the amendment.

Mr. BULKLEY. One moment, Mr. Chairman. Have we not already adopted an amendment in that line by putting in the words "or other approved" following the word "estate"?

Mr. BURKE of Pennsylvania. Yes. You have to strike that out; otherwise that would destroy the purpose of the first amendment.

Mr. BULKLEY. The gentleman's purpose is, then—

Mr. BURKE of Pennsylvania. To loan upon personal or real estate security—"upon real estate security or upon other approved security, as hereinafter authorized."

Mr. BULKLEY. I think that would be all right, but it should be made part of that amendment to strike out the amendment heretofore adopted.

Mr. BURKE of Pennsylvania. I thought the gentleman could do that himself.

Mr. PLATT. We have just adopted an amendment between lines 3 and 4 giving the savings department the right to receive deposits and purchase securities such as may be authorized by the reserve board.

Mr. BULKLEY. This refers to loans.

Mr. PLATT. Yes.

Mr. SABATH. Mr. Chairman, if the gentleman will permit, the amendment offered by the gentleman from Illinois [Mr. MADDEN] amended the provision pertaining to buying securities, which was on page 48, line 3. It authorizes the buying, and the gentleman from Pennsylvania [Mr. BURKE] now refers to the provision on page 47, in line 4, namely, referring to loans on various securities. So there is a distinction between the power to loan and the power and right to purchase.

Mr. BULKLEY. Yes; there is that distinction.

Mr. SABATH. Now, the amendment of the gentleman from Illinois [Mr. MADDEN] was adopted, applying to the proviso as to buying. The bank shall be authorized to buy.

Mr. MADDEN. If my colleague will allow me for a moment, if the gentleman from Ohio [Mr. BULKLEY] will take the amendment which I offered and which was approved, at the end of line 3, page 47, and then add to that the words "or loan," it will harmonize with the amendment which I offered and will make the two cases harmonious.

Mr. BULKLEY. Just a moment. I do not quite catch that suggestion.

Mr. MADDEN. On page 47, after the word "funds," on line 3, the gentleman from Ohio offered an amendment, and I would like to have that amendment read.

Mr. BULKLEY. I can read it to the gentleman. The amendment is "to purchase securities authorized by the Federal reserve board."

Mr. MADDEN. Or to loan upon them. If that is added to the gentleman's language there, it will harmonize both propositions.

Mr. BORLAND. That has been done.

Mr. MADDEN. No; that was upon another part of the bill.

Mr. BORLAND. If the gentleman will yield to me for a moment, I would like to suggest to the gentleman from Illinois [Mr. MADDEN] that his amendment, on line 3 of page 48, adding the words "loan upon" was adopted. The result will be that the banks will have the right only to buy a loan upon such securities as are authorized by the Federal reserve board. The only change necessary to be made now is the change from "authorized approved securities," on page 47, to "authorized securities," because they have the power now only to borrow upon this authorized list. No other securities could be approved.

Mr. MADDEN. If the gentleman from Ohio will add, after the word "funds," on page 47, line 3, the words "or loan upon," it would read "to loan upon or purchase any funds in its possession in real estate securities."

Mr. BORLAND. The gentleman from Ohio [Mr. BULKLEY] is right, though. It is not necessary to repeat the words at the top of page 47, because you have already restricted their right either to borrow or loan upon certain authorized securities. The only thing that is necessary to do is, at the top of page 47, to change "approved securities" to "authorized securities."

Mr. PLATT. That is all it is necessary to do.

Mr. BORLAND. That is all it is necessary to do, and it is not necessary to repeat, at the top of page 47, "as hereinafter stated," or anything of that nature.

Mr. BULKLEY. I ask unanimous consent that the word "approved," in the amendment already adopted, in line 5, be changed to "authorized." I believe that will serve the purpose.

The CHAIRMAN. There is an amendment that has been offered by the gentleman from Pennsylvania [Mr. BURKE].

Mr. BURKE of Pennsylvania. I will withdraw it.

The CHAIRMAN. If there be no objection, the amendment offered by the gentleman from Pennsylvania is withdrawn. The gentleman from Ohio [Mr. BULKLEY] asks unanimous consent to change the word "approved," in line 5, page 47, to the word "authorized." Is there objection?

Mr. BARKLEY. Reserving the right to object, I should like to ask the gentleman from Ohio if he thinks the word "authorized" is sufficiently specific as to the power of authorization? Does it refer to the Federal reserve board? Can it be implied by the mere word "authorized" that that means that the Federal reserve board must authorize it?

Mr. BULKLEY. I think so. Nobody else is empowered to authorize investments except the Federal reserve board.

Mr. BARKLEY. You think, then, it is unnecessary to put in after the word "authorized" the words "by the Federal reserve board"?

Mr. BULKLEY. I do not think it is necessary.

Mr. SHERLEY. Will the gentleman indicate how it will read if his last proposal is agreed to.

Mr. BULKLEY. It will then read:

To loan any funds in its possession upon real estate or other authorized security.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio [Mr. BULKLEY]?

There was no objection.

Mr. BULKLEY. Mr. Chairman, I offer another amendment.

The CHAIRMAN. The gentleman from Ohio offers an amendment, which the Clerk will report.

The Clerk read as follows:

On page 48, line 10, after the word "of," strike out the word "its" and insert in lieu thereof the word "the."

The amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I offer another amendment.

The CHAIRMAN. The gentleman from Ohio offers an amendment, which the Clerk will report.

The Clerk read as follows:

Page 48, line 10, after the word "liabilities," insert the words "of such department."

The amendment was agreed to.

Mr. BULKLEY. Mr. Chairman, I also offer another amendment.

The CHAIRMAN. The gentleman from Ohio offers an amendment, which the Clerk will report.

The Clerk read as follows:

Page 48, line 18, after the word "any," strike out the word "national" and insert in lieu thereof the word "member."

The amendment was agreed to.

Mr. RAKER. Mr. Chairman, I wish to ask the gentleman a question. I have several letters from bankers in California, in relation to this provision in line 21, page 44, which reads:

That any national banking association may, subsequent to a date one year after the organization of the Federal reserve board.

What I want to know is if there would be any objection to striking out of line 22 the words "a date one year after"; in other words, to leave the banking association free to organize the savings department at any time after the Federal reserve board was organized, so that when they are reorganizing their banks to come under the provisions of this act, if they desire, and it is approved by the comptroller, they may at the same time organize their savings department without waiting a year?

Mr. BULKLEY. That question was carefully considered by the committee. The gentleman will understand that in starting this great system the Federal reserve board will have a great deal to do. By the terms of this section the Federal reserve board is required to lay down the rules and prescribe the investments which may be made by these savings departments. The committee believes it would be impracticable to provide for the savings department system to begin at an earlier time. I will call the attention of the gentleman also to this fact, that these

savings departments may be established one year after the organization of the Federal reserve board.

Mr. RAKER. Yes.

Mr. BULKLEY. And the act provides that the Federal reserve board may be appointed immediately after the passage of the act, so that it is practically one year after the passage of the act. After the organization of a reserve bank in any one of the districts, a national bank therein still has a year in which to decide whether it will come into the system or not; so that if it pleased, it could stay out until such time as a savings department might be established.

Mr. RAKER. All I was getting at was this: Supposing the act is approved and the Federal reserve board is appointed. Then the bank desires to come in. It is reorganizing its business to a considerable extent. It says "Now, while we are reorganizing let us adopt the savings department," and instead of making two bites of a cherry they make one and wind up the whole business. These men who have written me these letters have gone over the act and say they are very much pleased with it; that its provisions are splendid, but that this would aid materially in carrying out the act if they were permitted to organize their savings department at the same time they were organizing the other. I wondered whether there was any fundamental reason which prohibited their organizing a savings department at the same time they organized the bank.

Mr. BULKLEY. The committee does not believe it to be humanly possible for the Federal reserve board to do all these things simultaneously, and we think by providing that they shall do it within one year we have given them a big task.

Mr. GUERNSEY. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 48, line 5, after the word "country," insert the following: "Provided, That national banks conducting savings departments shall invest the deposits of such department according to the laws regulating investments of savings banks in the State in which such banks are engaged in business."

Mr. GUERNSEY. Mr. Chairman, I believe that this legislation will break down of its own weight; that it does not offer sufficient inducement for the 7,000 national banks of this country to come in as a whole; that many will not come in. In addition to the 7,000 national banks we have about 18,000 State banks, and the measure, in my opinion, offers practically no inducement for any of the State institutions to come in under the proposed system, and if they do not come in this legislation will utterly fail.

Now, I realize that perhaps the legislation as it is now presented is simply a program of the Democratic Party in the House for presentation to the United States Senate, and that it is not the legislation that will eventually be signed by President Wilson; that Democrats in the House rely on Democratic Senators to make the bill attractive to the banks. If I am correct, I wish to call attention to the savings-department provision in the bill.

Here is a section of the bill providing that national banks shall have savings departments, a provision which contains absolutely no safeguards for the deposits or their investment. Under the provisions of this bill the directors can invest the deposits of the savings department in almost any kind of securities; the conditions of the country, the location, and so forth, being the chief consideration. It is utterly useless to depend on a board at Washington to safeguard the investments of the savings departments throughout the country. State legislatures long ago found that it was absolutely necessary to specify in the legislation itself the class of investment that might be used by savings banks. It is a class of business entirely different from commercial business. Commercial business is continually turned over under the eyes of the directors, while savings investments are long-time investments, not as frequently examined, and under these conditions they should be particularly safeguarded in the first instance by legislation which authorizes such investment. [Applause.]

In view of these facts I have presented this amendment, with the idea that where banks go into States and conduct business of this kind, that in such States they should follow the State regulations as to investments of savings deposits. By so doing they will be safeguarded and under the direct regulations of the State where the money is deposited. Certainly the Federal board can well afford to permit to this extent their authority to be encroached upon. [Applause.]

Mr. BAKER. Mr. Chairman, no one desires to violate a rubric of the House which implies that a new Member may be seen but may not be heard; but one can invoke the amenity of auditorial hospitality.

It is well about 90 out of every 100 of the Members of the House serve the Republic by thought and action rather than by the wounds of oratory. If it were not so the clangor of verbal conflict, like the smoke of torment of the lost, would ascend forever.

The pending bill embraces more concern to the people than any other legislation.

Banking and currency laws reach farther and touch more subtly and potentially the business and happiness of the people than does any revenue system.

Revenue and currency are very intimately related; indeed, in a way they are as interdependent as physical digestion and the circulation of the blood. If there is no revenue there can be no feasible currency; if there is no good digestion there can be no good blood; and if there is no good blood there can be no wholesome circulation.

We need to take heed of natural laws as well as of natural rights. Without dependable revenues to help us round the corners there can be no even, constant, reliable currency.

Currency, from the Latin word "cur," means to run. Run where? To the place where it is needed. It must run or it is useless, as well as nameless. To run is its business; otherwise, like the idle brain, it would soon become the devil's workshop. It must not be detained, congested, nor diverted by some spidering speculator. It must be currency that will "cur"—run—and it must be like the winning horse, sound in wind and limb, or it will not come under the wire on time. We must get it into the hands of the men who have head enough to employ it and keep it on the run, on the track, not men who will pinch it and bury it, but men who know how to make "the wheels go round," men who are wise enough and zealous enough to speed it on its mission of service to all the people.

We have passed a revenue bill that will furnish the springs to move the good blood needed in this circulating system. We have pulled the fangs that have paralyzed the fiscal health of the people. We have knocked out the "you tickle me and I will tickle you" brother. He is dismissed, discharged, and let us hope his obsequies have been duly and finally celebrated.

The banking and currency bill now occupies the front seat in the minds of the people, and we can put it down they propose to rule their own roost. They have commissioned this Congress to formulate the prescription and to administer the medicine, and it behooves us to see to it that they shall not find it necessary to call in another doctor, which they will do, and ought to do, if this long-suffering patient does not under our diagnosis and ministrations speedily show impressive signs of convalescence.

A currency system without the facilities for its utilization afforded by banks and bankers would be as helpless, as useless, as a horse without legs or an engine without steam. Many people grow hoarse and black in the face and spoil their voices decrying banks and bankers. Do they not know that from the Venetian days, when banking was invented, civilization has moved upward with a stronger, steadier stride? Do they not know that from Robert Morris down banks have been a strong fortress of the Republic? Do they not know that without banks and bankers it would be impossible to conduct the business of this country a single day; that they are as necessary to the affairs of civilization as a cooking stove is to a kitchen; that they are not only a convenience but a necessity; that they make the lives and property of their depositors safer by taking away from burglars and thieves the temptation to steal; that they provide, without cost to the patron, a perfect record and memorandum of his business for the careless or incompetent man; and that they, by their assiduous attention to their profession and a broad policy of enterprise and cooperation, have made it possible and do pay to their depositors interest on their daily, monthly, or annual balances, thus securing to their depositors an income from funds that would otherwise be idle? It is neither just nor wise nor reasonable nor patriotic to denounce an institution and men that are as helpful and necessary to the agricultural, manufacturing, business, and domestic life of our country as the shining of the sun and descending of the rain are to the fructifying of our boundless cereal crops.

The defect lies in our laws, not in our banks. Laws that exclude from credit utility the largest, most reliable, and enduring values in the whole country are a crime against both the borrower and the lender and need explanation. It is said hundreds of millions of dollars are now loaned by national banks on the best security on earth but in flat contravention of the technical interpretation of the law by its ministers. The law as it stands to-day is a monument to insincerity or imbecility. If it is the purpose of the law to exclude from its benefits the most dependable part of the property and people of the United

States, it has succeeded. The people have discovered this fact, and that is why they are on the trail of their faithless or glib representatives.

It is only by resort to facilities afforded by laws of some of the States that freeholders are able to provide collateral with which they may secure discounts in the national banks.

The Federal laws should be able to stand alone and to move without a crutch. There are three divisions of the people who are directly and vitally interested in comprehensive and efficient banking laws; they are the stockholders, depositors, and borrowers in banks. The stockholder has a just right to a fair return on his investment and to applause for his enterprise. The depositor not only does business with the bank, but his act is the certification of confidence and approbation, which is of great value to any fiduciary institution and may be regarded as the bedrock upon which the success of the bank depends. But the stockholder and depositor would live in vain if it were not for the borrower, the man who suffers most from panics.

The borrower made this mighty Nation what it is. First he borrowed from his imagination and his nerve; then he borrowed without limit from his brain, his bone, and his sinew; and when he had subdued this vast continent to the ways of civilization and the rule of reason he began to borrow from the banks, in order that he might enlarge his agricultural operations, build factories, construct railroads and bridges, improve highways, erect schoolhouses and scientific institutions to lift up all the people in the arts and comforts of living and to make a better and a higher civilization. It is the borrower who is on the firing line and always taking the chances of battle; it is he who is clothed in living light; it is he whose veins throb with good red blood; it is he whose plans and inventions and work fill the firmament with wonders. It is he, the borrower, not the stockholder nor the depositor, but he, the borrower, who took the fire from the altar of God and illuminated the world. Shall the fair door of equal opportunity be open to him?

This bill seeks to prove our sanity and to set us free. It illuminates the dark places in our economics. It is the foe of the double dealer. It is drawn in the interest of mankind in the land of the setting sun. It knows no creed, no class, no party.

It stands foursquare to all the winds that blow.

It is as broad as the continent, straight as the path of honor, and serviceable as the air we breathe. Who is there to cavil about it; who to paint pictures of approaching gloom; who to blow trumpets of calamity; who to ring bells of alarm; who to sound tocsins of danger? If such there be in its presence, let him hide his diminished head.

Mr. HEFLIN. Mr. Chairman, in the outset I want to congratulate the committee having in charge this great bill. It is legislation that the Republicans dared not touch for 16 years except upon the surface. The Democratic Party has been called upon to legislate upon the tariff and upon the currency—the two most vital and dangerous questions to tamper with in the Republic. I congratulate the House and its leadership upon its management of the tariff legislation.

I come now to congratulate the gentleman from Virginia, the chairman of the Committee on Banking and Currency [Mr. GLASS]. I did not see how it were possible for any Member to know as much about any other legislation as the chairman of the great Ways and Means Committee knew about the tariff legislation, but I come to lay a laurel wreath upon the brow of the distinguished gentleman from Virginia. He has handled this legislation in a masterly fashion. [Applause.] Those associated with him have contributed to this good legislation, and I congratulate those on that side of the House who will join with us in voting for this much-needed relief. [Applause.]

There are some other provisions that I would like to have in this bill, but could not get them all in. The Democratic caucus has thrashed out this measure and has brought here a bill representing the combined wisdom of the Democratic Party in the House, better than any bill that was ever produced by the dictation of Cannon, PAYNE, and Dalzell in this House. [Applause on the Democratic side.] Gentlemen have talked about the President dictating legislation. Have you ever come in contact with this great Democratic President? He does not dictate. When you come in contact with that ripe scholar, that great patriot, whose heart beats in sympathy with the masses of the people, he convinces you of the soundness of his position and you wonder oftentimes why you had not seen the truth of his suggestion before. [Applause.] Why, one gentleman on that side the other day resigned his place on the Committee on Ways and Means as a rebuke to the proceeding of the Democratic caucus, saying that he was unable to do anything on the Ways and Means Committee. We are responsible for legis-

lation, and we accept that responsibility, but the gentleman's real reason was not given. When he looked upon the victory achieved last fall by Democracy, when he saw this House Democratic and the Senate Democratic and a Democratic President in the White House, with two States alone going for the Republican candidate for President, with Senator REED SMOOT carrying half those votes around in his vest pocket and Vermont holding the other half, he looked into the near future and he saw what would come when this currency legislation would be enacted and this tariff legislation become a law, an era of prosperity would come, and he was like the general who went up on the mountain, took his field glasses, and looked over the opposition. He saw the triumphant army marching in his direction, and he went back and said to his men, "Boys, I know you are game, and I have but one request to make of you, and that is, if you do retreat, for God's sake retreat in order, and as I am a little crippled I will be going on to the rear now." [Applause and laughter.]

Mr. Chairman, the agitation of this question of rural credits must result in one of two things—a separate and distinct farmers' credit system or a broad and general recognition by banks generally of the farmer's land and staple products as good and valid security. The farmers of the South are very much handicapped and inconvenienced because of debts for fertilizers and other things coming due in October, right in the midst of the cotton-selling season. Under these circumstances if the price offered for cotton does not suit the farmer, what does he do? Why, he is forced to sell when he knows that the price should be better and when he firmly believes that it will be better. What causes this situation? The local bank in the South borrows money from New York, the local merchant borrows from the local bank, and the farmer does business with the local merchant. Right in the midst of the selling season, when the cotton producer should prevent a rush of cotton upon the market, and would if he could, the New York bank calls on the local bank and the local bank calls on the merchant and the merchant is compelled to call upon the farmer, and then what happens? The farmer is forced to sell his cotton, and at a time when he does not think it wise to sell it and when if he could possibly prevent it he would not sell it. This condition of affairs leaves the producer of the great product that brings to America the balance of trade at the mercy of a banking system that has lived beyond its time and greatly injured our people. [Applause.]

Mr. Chairman, the United States owes more to the producers than to any other class of people, and yet the banking system of the Republican Party has greatly imposed upon and oppressed these people. The average farmer wants to work. He wants to better his condition, and he is entitled to all the encouragement and substantial aid that a great and good Government can give. President Wilson has realized the need of these people. He has realized that there must be a credit system devised by which the farmer can obtain loans at a cheaper rate of interest and for a longer period of time than the present system will allow. He will submit to Congress in December a message upon the subject of a farmer's credit system. He has shown his interest in and his friendship for this great and deserving class of our people.

When the bears of Wall Street were whetting their teeth and making ready to rob and plunder the farmers of the South and West during the coming season what did Mr. Wilson do? He told the Secretary of the Treasury to deposit money in the South and West with which to move the crops. Why? Because the cotton gamblers and grain gamblers were trying to prevent the farmers from receiving fair prices and living profits for their products.

Mr. Chairman, he proposed to open the channels of legitimate trade, to unfetter commerce and let the law of supply and demand have full and free operation. He is the first President to recognize and respond to the wishes and needs of the great agricultural people of the United States. When the Republican panic came in 1907, Mr. Roosevelt, the Republican President, sent millions of dollars to New York upon the beck and call of Wall Street, but the great farming class of our people in the midst of the crop-moving season cried in vain to him.

The Scripture tells us that the laborer is worthy of his hire. The man who toils is entitled to fair reward. Those who produce the substance that feeds and clothes the world are entitled to fair and generous treatment at the hands of Congress and by the great President of the United States. President Wilson has saved the farmers of the South and West from the most cruel crop-juggling conspiracy that was ever planned by the cotton and grain gamblers of the United States. The bear conspirators had planned to take advantage of tariff and currency legislation and frighten the country with talk of a panic; and after the President announced his intention to deposit Gov-

ernment money in the South and West to help move the crop, the bears tried to turn this good deed into profit to themselves and to the injury of the farmers. They declared that this step meant a big corn crop and a big cotton crop, when the fact is the cotton crop is short and the corn crop in many States has been seriously injured by the drought. The size of the crop had nothing to do with the President's good offices in this matter. Fortunately, Mr. Chairman, for the farmers of the country we have a man in the White House, who stands with them and not with those who rob and oppress them.

In the State of Alabama the cities of Montgomery, Birmingham, and Mobile have received a portion of this crop-moving fund from the Government; the other Southern States are sharing in the fund, and for the first time a President of the United States, with the power of his great office, has stood between the great cotton producers of the South and those who have so long robbed and plundered them. For this kind and righteous act President Wilson is entitled to, and he has, the deep gratitude of our people. [Applause.]

The producer is entitled to have a voice in fixing the price of his own product; but under present conditions the cotton producer can not do that. This bill is a great improvement over the present obnoxious and oppressive banking and currency system.

This system seems to have been inaugurated in the interest of two or three large eastern cities and without regard to the needs of the people who had to borrow money and solely in the interest of banking institutions having money to loan. Thirty and sixty day loans are of no advantage to the man who has to make a crop or who wants to buy live stock or land. A farm-credit system must be devised, so that farm buying, farm improvement and operation can be carried on to the advantage of those engaged in these pursuits as well as to the advantage of those making the loans.

Mr. Chairman, thousands of farmers in the South and West have bought farms with borrowed money and improved them at great labor and expense to themselves. Misfortune overtook many of them through the drought, sickness in the family, or the loss of live stock, and they were unable to meet their payments because of the short-loan system and high rate of interest. Through this miserable system mortgages were foreclosed, and these farms, with all their improvements, passed out of the hands of farmers, who if they had had a longer time in which to pay and a lower rate of interest would be living on these farms now, contented, prosperous, and happy. [Applause.]

We hear much about how much the farmer ought to produce and how he ought to utilize his time and improve his farm. Mr. Chairman, in order to do these things the farmer must have money. He must have money with which to do business, and ways and means must be provided by which he can borrow money for a long period of time and at a lower rate of interest. The time that his debts become due must be arranged more to his liking and convenience. Debts coming due in October and November always embarrass him and sometimes seriously injure him financially. This system must be changed. The cotton producer ought to be free during the selling season; that is, he ought not to have anything to press him or force him into selling unless the price is satisfactory. If this were the case, the producer would exercise his right in helping to fix the price of his own product. He would be as he should be, the greatest factor in the world for fixing the price of that which represents his skill and toil and the strength of his land.

Ex-Gov. Herrick, of Ohio, who has been abroad investigating the farm-credit system of Germany and France, appeared before the Committee on Agriculture, of which I am a member, and made a very profitable and interesting statement to us about how these plans worked abroad. He told us how farmers were enabled to borrow money on long loans and at a low rate of interest. In this way they were encouraged to buy small farms and pay for them and improve them. They executed a mortgage in some instances, not for a short period, but for a long period of five years and upward. When Gov. Herrick was before the Committee on Agriculture I asked him some questions:

Mr. HERRICK. I shall be glad to answer any questions.

Mr. HEFLIN. To go back to that farm proposition, suppose a farmer desired to borrow money on a section of land, would he make a mortgage directly to the company?

Mr. HERRICK. If it was the Crédit Foncier scheme, French plan, he would, and would get his money at 4½ per cent. If it was a German mortgage, he would state the rate of interest he wanted to pay, and then when securities were issued at that rate he would get his money on it.

Mr. HEFLIN. Then the mortgage would be the basis for the issue of the bond.

Mr. HERRICK. Precisely.

Mr. Chairman, I shall welcome the day, and do all I can to hasten it, when we have a farmers' credit system that will

enable our farmers and those who want to buy farms to borrow money on a mortgage for a long period of time as is now done in France and Germany.

Mr. Chairman, I want to read, in this connection, a portion of an article on "Rural Banks," written by James B. Mormon for Farm and Fireside. Speaking of the difficulties under which the farmers of Europe have labored, he says:

Under these circumstances it has always been more or less of a problem for rural-credit banks to secure money enough for loans to meet the requirements of the farmers, especially at certain seasons of the year. This fact gave rise to the encouragement of rural credit by government aid. In this manner industrious farmers, gardeners, and others engaged in any form of rural industry have no difficulty in securing credit for productive purposes through their rural-credit banks, usually at about 4 per cent interest. To encourage industry and thrift, deposits by farmers in rural banks are allowed to draw interest at 4 per cent. The application of rural credit to personal needs has shielded the small farmer from usurious interest, has helped him in the purchase of fertilizers, feeding stuff, and other raw materials, and in the purchase of live stock for winter fattening.

But one of the chief advantages of agricultural credit has been its aid in regulating the price of farm products to the great benefit of the farmer. When harvest is over the crops must be sold. If the farmer is without money and can not secure credit, he usually sells at once when prices are low. Moreover, the very fact that large supplies are on hand has a tendency to keep the market price down. To counteract this falling market, the rural-credit banks furnish money to their members, who are then able to hold back their produce, and this tends to regulate the market and raise prices according to the law of supply and demand. In France, where more has been done along this line than in any other country, the rural banks have the reputation of never having lost a cent by the nonpayment of loans by farmers. Government aid to rural-credit banks has put agriculture on a firmer basis in France than in any other country in Europe. The bonds issued by the land-mortgage societies sell on substantially the same basis as any other banking, commercial, or railroad bond on the market.

Mr. Chairman, these suggestions speak for themselves and emphasize the thought that I have already advanced. The farmers of the United States need and they must have the benefit of a banking system that will enable them to do business in a manner most advantageous to themselves.

Mr. Chairman, the National Farmers' Union's demand for 15-cent cotton is entirely proper. Cotton ought to bring more than that. The high costs of everything that the cotton producer has to buy and the increase of cotton production makes it necessary for the producers to receive at least 15 cents per pound for cotton. The cost of labor, live stock, and fertilizers, the cost of housing and marketing cotton, has so increased that 15-cent cotton is absolutely necessary. As I have said, the cotton crop this year is short and the cotton consumed by the mills of the United States has increased over the consumption of last year up to September about 450,000 bales. The mills abroad have consumed more American cotton than last year, and the demand and consumption of American cotton have increased everywhere. The gentleman from New York [Mr. PLATT] said in a speech in this House a few days ago that he was surprised to find that a small country bank in his district was loaning a considerable part of its deposits to cotton planters in the South, and he said the bank got 6 per cent interest on the money loaned.

Mr. Chairman, if we can succeed in regulating the cotton exchanges so that real cotton and cotton to be produced will be the basis of all contracts, the time will come when the South will be full of spot-cotton exchanges, insured and bonded warehouses will be filled with real cotton; and there is no better product in the world on which to loan money than on cotton stored in these warehouses. There is no better investment than that of buying cotton and storing it in these warehouses and holding it for a better price.

Cotton has done more to maintain American credit abroad and to keep it on a sound financial basis than all of the other commodities combined. The failure of no one crop would so affect the world as a failure of the cotton crop. Millions of people would be thrown out of employment. Millions more would suffer and shiver in the cold. Upon the cotton plant and its snowy offspring rests the financial structure of this Government. Destroy this crop for one year and you will take out of circulation a hundred million more money than the entire national-bank currency of the United States. Destroy this crop for one year and you will paralyze the financial institutions of our country. In the catalogue of commodities cotton is the master production, the most readily cashed and the most widely consumed among the great staples of the earth. Cotton is the only product in the kingdom of agriculture every pound of which is converted into money and every dollar's worth of which contributes to the financial wealth of the United States. [Applause.] Cotton unlocks foreign vaults and brings gold into our country when all other products fail. It brings to America every year more gold than the world's annual output, and a hundred and forty-two million spindles look to the cotton belt of the United States for their cotton supply. Mr. Chairman, as the rulers of old went to Solomon for wisdom the cotton-using countries of the earth must come to us for the wherewith to be

clothed. In the light of these truths regarding cotton I declare to you that there is no safer or sounder security or collateral than certificates representing lint cotton baled and stored in insured and bonded warehouses. [Applause.] No tooth of time and no insect pest can harm it. It can be preserved for a hundred years and more and its splendid fiber will be just as good for spinning purposes as the day it was stored in the warehouse. Who can say, then, that baled cotton stored is not as good security as municipal bonds or railroad bonds on which Secretary Cortelyou issued currency for the railroads? In the last days of the Confederacy our fathers in the cotton belt arranged with England to take \$15,000,000 of bonds based purely and wholly on cotton.

Mr. Chairman, if England thought enough of the cotton of the Confederate States to take \$15,000,000 worth of cotton bonds in time of war, what should we think of this prince of American products as security or collateral in time of peace? [Applause on the Democratic side.] Cotton stored in insured or bonded warehouses is as safe a security as silver bullion stored away in the vaults of the United States Treasury. These cotton certificates representing this great American staple are safer and sounder than thousands of stocks and bonds now accepted in commercial transactions in the United States. I rejoice that we have been enabled to secure provisions in this bill that will guarantee to the owners of cotton-warehouse receipts the same treatment that will be accorded to other merchantable paper. [Applause on the Democratic side.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maine [Mr. GUERNSEY].

The question was taken, and the amendment was rejected.

Mr. WILSON of Florida. Mr. Chairman, I desire to offer the following committee amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 48, line 25, after the word "years," strike out the period and insert a comma and add the following: "or both, in the discretion of the court."

The question was taken, and the amendment was agreed to.

Mr. MORGAN of Oklahoma. Mr. Chairman, I offer the following amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amend, on page 48, by adding after the word "years," in line 25, the following as a new section:

"NATIONAL RURAL BANKS.

"SEC. 27a. That the reserve bank organization committee mentioned in section 2 of this act is hereby authorized and directed to organize a system of national rural banks, to include local and State rural banks, and this national rural bank of the United States, under the laws pertaining to the organization of national banks in so far as they may be applicable, and until further legislation by Congress the said organization committee, with the approval of the President, is authorized to make all necessary rules and regulations for the organization, control, and management of said banks, having in view that the purpose of organizing a system of rural national banks is to provide the farmers of the United States with better credit, cheaper interest, and larger capital with which to develop the agriculture of the United States."

Mr. GLASS. Mr. Chairman, I ask unanimous consent that all debate on this section and all amendments thereto close in five minutes.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that all debate on this section and all amendments thereto close in five minutes. Is there objection?

Mr. MANN. The gentleman from North Dakota [Mr. Young] desires to offer an amendment.

Mr. GLASS. I will say in 10 minutes.

The CHAIRMAN. Is there objection? [After a pause.] The Chair hears none.

Mr. MORGAN of Oklahoma. Mr. Chairman, I have offered this amendment with a view to emphasizing my interest in establishing a better system of rural credits in the United States. Perhaps four-fifths of my constituents are farmers, and the State which I have the honor in part to represent largely consists of farmers. Perhaps 1,100,000 of our people reside upon the farm, but it is not simply in the interest of the farmers and the people of Oklahoma but in the interest of all the people of the United States that I am anxious, and at the very earliest time possible, that we shall have a better system of rural credits for the farmers of the United States. It is said that the farmers of the United States owe something like \$5,000,000,000 and pay something like \$500,000,000 annually in interest. Agriculture is our chief industry.

Nearly one-half of all the wealth produced in the United States every year is produced by the farmer. While manufacturing products amount in one year to about twenty-one billion, the manufacturers use about \$12,000,000,000 worth of material, and the net wealth added by all our manufacturing would be only equal to the net wealth added to the Nation by the farmers

of this country. If I had any criticism to offer, which I shall not offer, upon the majority of this House it would be this, that when you enact a reform in a currency system and banking system of this country you should have taken along with it a system of rural credits.

In my judgment there is more of an emergency for a better rural credit in this country than there is for a better system of banking or better system of currency. The very strength and greatness in this country depend upon agriculture. You are providing a currency for merchants, for manufacturers, for business men, for bankers, for speculators, for capitalists, taking care of this great class and letting the farmers go. It seems to me you are putting the cart before the horse, and that the first thing you should care for would be the great agricultural interests of this country.

I do not care to detain the committee. Here is a great bill prepared with great ability, upon which you have put great thought and great learning. You had the assistance of experts. It might be likened to and said to be a great edifice, a great financial structure, a magnificent building of finance and money and currency, but it seems to me, then, that when you get through with that you will undertake rural credits; you must make the rural credit system a mere "lean-to" to this magnificent structure that you have erected for the benefit of the manufacturing, commercial, and banking interests of the country. On the other hand, the rural credit system, the banks for the farmers of this country, the banks to promote the agricultural interests of this country, ought to be the very corner stone of our financial structure. [Applause on the Republican side.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma [Mr. MORGAN].

The question was taken, and the Chairman announced that the noes appeared to have it.

Mr. MURDOCK. Division, Mr. Chairman.

The committee divided; and there were—ayes 22, noes 97.

So the amendment was rejected.

Mr. YOUNG of North Dakota. Mr. Chairman, I desire to offer an amendment.

The CHAIRMAN. The gentleman from North Dakota offers an amendment which the Clerk will report.

The Clerk read as follows:

Page 47, line 2, after the word "authorized," strike out the rest of the line and all of the next line down to the word "to."

Mr. YOUNG of North Dakota. Mr. Chairman, I think there is an unnecessary repetition in these lines. Considerable attention has been given to them, but still I think there is need for correction. The words which I propose to strike out are clearly unnecessary and meaningless. The words to be stricken out, according to the amendment, in line 2, page 47, "to accumulate and loan the funds of its depositors," are repeated in the words immediately following and are clearly unnecessary. The reading of this section would be very much improved and simplified by striking out these words.

In my remarks yesterday reference was made to banks located in villages and rural communities. Some of my colleagues have since asked me why these small banks can not increase their capital to \$25,000 in order to qualify as members of the regional reserve banks to be created by this bill. The reason is simple and conclusive. In many of the localities there is not sufficient business to warrant a capitalization of \$25,000. They are sometimes located in villages of 100 inhabitants and they serve a useful purpose. It is only a few years ago when in these same villages currency was sent in by express every fall to pay for the grain hauled in to the different elevators. Now a draft or check is sent out instead of currency, and it is deposited in one of the small banks, where it is checked out to farmers in payment for the grain which they sell, and I am inclined to think they prefer to receive their pay that way, and it takes a big load off that arm of the Government which is charged with the duty of supplying currency sufficient to meet the requirements of business. I recall very distinctly the first grain I sold in North Dakota 23 years ago, in a small village, but it was about as big then as now. There was then no State bank, and I had to go to a storekeeper who did all the "paying off" for the elevators. He paid me \$589 in silver, which he delivered in one of the canvas money sacks in which it had been expressed. I had never seen so much real money in one package before. It seemed as though I was carrying away enough money in that bag to buy up a township, and I was mighty uneasy until I got over to the next town and had it safely deposited in a bank. I was afraid I would be robbed. [Laughter.] My trouble now is not of that kind, but rather to get a check for the grain grown on my land big enough to pay the labor, store, and other bills.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The Clerk will read.

Mr. MANN. Mr. Chairman, section 29, I think, has been read.

The CHAIRMAN. The amendment offered by the gentleman from Ohio [Mr. Fess] has been reported, the Clerk advises the Chair.

Mr. MANN. Let it be reported again.

The CHAIRMAN. Without objection, the amendment will be again reported.

The Clerk read as follows:

Page 50, line 12, after the word "repealed," strike out the period and add the following:
"Provided, That nothing in this act shall be considered to repeal the parity provision of the act of March 14, 1900, 'An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes.'"

The CHAIRMAN. The question is on agreeing to the amendment.

Mr. GLASS. Mr. Chairman, the committee offers the following substitute.

The CHAIRMAN. The committee offers the following substitute for the amendment just reported, which the Clerk will read.

The Clerk read as follows:

After the word "repealed," in line 12, page 50, insert the following:
"Provided, That nothing in this act contained shall be considered to repeal the parity provision or provisions contained in an act approved March 14, 1900, entitled 'An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes.'"

The CHAIRMAN. The question is on the substitute offered by the gentleman from Virginia [Mr. GLASS].

Mr. FESS. Mr. Chairman, I will be very glad to accept this substitute, because I see it has changed some words that make a better statement of the amendment than the one I made myself.

The CHAIRMAN. Without objection, the substitute will become the original amendment. Is there objection? [After a pause.] The Chair hears none.

Mr. MANN. Mr. Chairman, I move to strike out the last word of the amendment, and ask leave to address the House for 10 minutes.

The CHAIRMAN. The gentleman from Illinois [Mr. MANN] asks unanimous consent to address the House for 10 minutes. Is there objection? [After a pause.] The Chair hears none. [Applause.]

Mr. MANN. Mr. Chairman, the progress of legislation is always interesting. For many years there has been discussion in the country as to the advisability and need of reforming the banking and currency legislation. All of us who have served long in the House remember the difficulties which confronted the members of the Committee on Banking and Currency for many Congresses past, where it seemed impossible for the members of the committee to agree among themselves or with anyone else.

Finally there was passed the bill creating a National Monetary Commission. I believe there never has been any commission created by any Government at any time that acquired more information for the benefit of a people at large than did the National Monetary Commission. They presented a unanimous report, advising what has been frequently referred to in debate as the Aldrich bill, which contained many things of value and some which were objectionable.

The present legislation, which will soon be passed in this House and in some form probably soon become a law, is the outgrowth of the statesmanship which projected the National Monetary Commission and gathered for the benefit of us all the information in the report by that commission. The present bill is largely founded upon the report of the commission. It contains many provisions identical, undoubtedly of value; it leaves out some objectionable provisions which were in the Aldrich bill, and inserts some others of value and some others which I think are objectionable.

But, Mr. Chairman, there have been a great many references in this debate to the existing money laws and banking laws. Apparently no one has taken the trouble to defend the existing laws of the United States relating to banking and currency, and it is not my purpose now to detain the committee for that argument. But possibly it is just as well for us to remember that under these laws that are in existence we have attained a marvel of prosperity. I have gathered together a few figures which I think will be entertaining as well as instructive to us now, as we are passing tariff and currency legislation.

The imports into this country for the last fiscal year amounted to \$1,813,000,000, the exports amounted to \$2,465,000,000, a total of foreign commerce in the one year of \$4,278,000,000, with a balance of trade in our favor of over \$652,000,000. [Applause.]

Even in my short service in this House the growth of our commerce has been beyond conception, and while we do not have accurate annual reports of our domestic commerce, we all know that the domestic commerce exceeds the foreign commerce from eight to ten fold. And when we remember that under existing laws this growth has been such as it is, we can only hope that it will not be injured by the legislation that we enact here to-day.

The exports of manufactures for further use in manufacturing during the last fiscal year were \$408,000,000. The manufactures exported, ready for consumption, were \$778,000,000, not including foodstuffs partly or wholly manufactured, which amounted to \$320,000,000; a total of exports of manufactured products amounting to over \$1,506,000,000.

In 1903, ten years ago, our total domestic exports amounted to \$1,392,000,000, and last year they amounted to over \$2,400,000,000—an increase in 10 years in our exports under existing laws of more than \$1,000,000,000.

We exported to Europe in 1904, \$269,000,000 worth of domestic manufactures; in 1912 we exported to Europe \$432,000,000 worth. We exported to other countries in North America in 1904, \$129,000,000 worth; in 1912, \$325,000,000 worth, an increase of 150 per cent.

We exported to South America of domestic manufactures in 1904, \$41,000,000; in 1912, \$115,000,000, an increase of 180 per cent.

We exported to all countries of domestic manufactures, not including foodstuffs, in 1904, \$523,000,000; in 1912, \$1,020,000,000.

This is a marvelous growth. I do not attribute it all to existing legislation; but it has come during existing legislation, owing to the marvelous ingenuity, intelligence, and activity of American citizens. [Applause.]

In 1903 we exported to Europe of domestic and foreign merchandise \$1,029,000,000; in 1913, \$1,479,000,000, an increase of 43 per cent. To other countries in North America in 1903 we exported \$215,000,000; in 1913, \$617,000,000, an increase of 186 per cent. To South America we exported in 1903, \$41,000,000; in 1913, \$146,000,000, an increase of 255 per cent.

I will not detain the committee with complete figures, which I shall insert in the RECORD.

We are told sometimes how much wiser the laws of other countries are than ours, and how much easier it is to increase the commerce of foreign countries under their laws than it is for us to increase our commerce under our laws.

In the year 1900 the United Kingdom—Great Britain, and so forth—exported of domestic manufactures \$1,111,000,000; in 1912, \$1,875,000,000; a remarkable showing, an increase of 68 per cent.

From Germany in 1900 there were exported of domestic manufactures \$710,000,000; in 1911, \$1,329,000,000, an increase of 87 per cent.

From France in 1900 there were exported \$435,000,000 of domestic manufactures; in 1912, \$744,000,000, an increase of 71 per cent.

From the United States there were exported in 1900 of domestic manufactures \$485,000,000; and in 1912, \$1,020,000,000, an increase of 110 per cent. [Applause.] And while Great Britain was increasing her exports of domestic manufactures 68 per cent, and France hers 71 per cent, and Germany hers 87 per cent, the United States of America, under the laws in force, was increasing her domestic exports 110 per cent. [Applause.] If you do as well with your legislation, we congratulate you and the country. I only hope you will succeed, because you come after legislation enacted by the Republican Party which has proven itself by its results, the greatest results that have ever come from any legislation, at any time, in any country, in the history of the world. [Applause on the Republican side.]

In connection with my remarks I insert the following statistics:

TABLE No. 1.—Imports and exports of merchandise, fiscal year ending June 30, 1913.

[These figures will appear in the Monthly Summary of Commerce and Finance for June, 1913.]

IMPORTS.	
Free	\$987, 569, 162
Dutiable	825, 484, 072
Total imports	\$1, 813, 053, 134
Excess of free over dutiable	\$162,085,090.
EXPORTS.	
Foreign	\$37, 377, 791
Domestic	2, 428, 506, 358
Total exports	2, 465, 884, 149
Grand total imports and exports	4, 278, 937, 283
Excess of exports over imports	\$652,831,015.

TABLE No. 2.—Exports of manufactures, fiscal year ending June 30, 1913. [These figures will appear in the Monthly Summary of Commerce and Finance for June, 1913.]

Manufactures for further use in manufacturing.....	\$408,992,111
Manufactures ready for consumption.....	778,008,349
Total, 2 groups.....	1,187,000,460
Foodstuffs partly or wholly manufactured.....	320,401,482
Total, 3 groups.....	1,507,401,942

TABLE No. 3.—Exports of merchandise from the United States during the fiscal year ending June 30, 1903 and 1913, grouped according to uses and degrees of manufacture, showing increases by amounts and percentage.

[The figures for 1903 are from a table on p. 37, Annual Review of the Foreign Commerce of the United States, reproduced from the Annual Report on Commerce and Navigation, 1912. The figures for 1913 will appear in the Monthly Summary of Commerce for June, 1913.]

DOMESTIC.

Exports.	1903	1913	Increase.	Per cent of increase.
Foodstuffs in crude condition and food animals.....	\$185,308,064	\$181,093,263	\$3,614,801	1.95
Foodstuffs partly or wholly manufactured.....	323,244,251	320,401,482	2,842,769	1.88
Crude materials for use in manufacturing.....	408,679,699	730,963,704	322,284,005	78.86
Manufactures for further use in manufacturing.....	140,415,620	408,992,111	268,576,491	191.27
Manufactures ready for consumption.....	327,482,757	778,008,349	450,525,592	137.57
Miscellaneous.....	7,100,911	8,447,449	1,346,538	18.96
Total domestic exports.....	1,392,231,302	2,428,506,358	1,036,275,056	74.43

¹ Decrease.

TABLE 3 A.—Foodstuffs.

For the three years 1892, 1897, and 1898, when the billion mark in exports was reached, exports of foodstuffs in crude condition and food animals, and foodstuffs partly or wholly manufactured, were as follows:

Year.	Value.	Per cent of total.
1892.....	\$512,894,391	50.50
1897.....	416,472,744	40.37
1898.....	589,988,742	48.75

In 1912 the exports of these items amounted to \$418,737,763, or 10.29 per cent of the total.

In 1913 they were \$502,094,745, or 21.47 per cent of the total.

(Annual Review of the Foreign Commerce of the United States, for 1912, p. 37, for figures prior to 1913; those for 1913 are from advance sheets, monthly summary for June, 1913.)

TABLE No. 4.—Exports of domestic manufactures from the United States, by grand divisions, during the fiscal years 1904 and 1912.

[These figures are from tables published in the Annual Review of the Commerce of the United States, p. 30, reproduced from the Annual Report on Commerce and Navigation, 1912, and compared and reviewed from Miscellaneous Series No. 11, Department of Commerce, 1913, p. 8.]

NOTE.—The figures for 1913 are not yet available.

	1904	1912	Per cent of increase.
Europe.....	\$269,953,298	\$432,528,046	60
North America.....	129,652,742	325,679,884	150
South America.....	41,137,793	115,393,327	180
Asia.....	40,332,284	66,566,462	61
Oceania.....	28,516,237	62,461,746	128
Africa.....	13,997,100	17,788,022	25
Total.....	523,611,460	1,020,417,687	.....

TABLE No. 5.—Exports of domestic and foreign merchandise, by grand divisions to which exported, during the fiscal years ending June 30, 1903 and 1913.

[The figures for 1903 are from a table on p. 33, Annual Review of the Foreign Commerce of the United States, reproduced from the Annual Report on Commerce and Navigation, 1912. The figures for 1913 will appear in the Monthly Summary of Commerce for June, 1913.]

	1903	1913	Increase.	Per cent of increase.
Europe.....	\$1,029,256,657	\$1,479,076,009	\$449,819,352	43.70
North America.....	215,482,769	617,411,765	401,928,996	186.52
South America.....	41,137,872	146,147,993	105,101,121	255.26
Asia.....	58,359,016	115,056,620	56,697,604	97.16
Oceania.....	37,468,512	79,102,845	41,634,333	111.12
Africa.....	38,436,833	29,088,917	\$9,347,916	¹ 24.32
Total exports.....	1,420,141,679	2,465,884,149	1,045,742,470	73.64

¹ Decrease.

TABLE No. 6.—Exports of principal articles of domestic production during the fiscal years ending June 30, 1903 and 1913.

[The figures for 1903 are from a table on pp. 28 and 29, Annual Review of the Foreign Commerce of the United States, reproduced from the Annual Report on Commerce and Navigation, 1912, and from the Statistical Abstract. The figures for 1913 will appear in the Monthly Summary of Commerce for June, 1913.]

Articles.	1903	1913
Agricultural implements.....	\$21,006,622	\$40,572,352
Brass and manufactures of.....	2,000,432	8,554,636
Cars, carriages, etc.....	10,439,195	54,585,888
Chemicals, drugs, dyes, and medicines.....	12,636,398	23,639,650
Copper, manufactures of.....	39,667,196	140,164,913
Cotton, manufactures of.....	32,216,304	53,743,977
Electrical apparatus and instruments.....	7,200,508	19,633,712
Explosives.....	2,454,510	5,267,566
Fibers, manufactures of.....	5,290,948	10,963,946
India rubber, manufactures of.....	4,674,202	14,324,894
Iron and steel, manufactures of.....	96,642,467	304,603,797
Leather and manufactures of.....	31,617,389	63,893,351
Cement.....	419,361	5,822,107
Naval stores.....	12,918,708	26,471,292
Nickel and manufactures of.....	962,008	9,275,714
Oils, mineral, refined.....	60,923,634	129,666,995
Paper and manufactures of:		
Books, maps, etc.....	4,442,653	10,092,719
All other.....	7,180,614	11,686,584
Paraffin and paraffin wax.....	9,411,294	9,679,273
Photographic materials.....	758,320	9,137,287
Silk, manufactures of.....	412,415	2,390,858
Soap.....	2,452,777	4,629,567
Starch.....	832,943	2,009,716
Tobacco, manufactures of.....	5,193,796	5,814,978
Wood, manufactures of.....	53,236,807	111,253,125

TABLE No. 7.—Exports of certain principal articles of domestic production during the fiscal years ending June 30, 1903 and 1913, being an extension of Table No. 5 to certain articles in detail where the figures for 1913 are available.

[Will appear in the Monthly Summary of Commerce for June, 1913.]

Articles.	1903	1913
Cars, carriages, etc.: Automobiles and parts of.....	\$1,207,065	\$31,253,533
Cars, passenger and freight, and parts of: For steam railways.....	2,687,303	9,745,138
For other railways.....	915,273	5,633,668
Chemicals, drugs, etc.: Medicines, patent or proprietary.....	3,407,695	7,110,493
Iron and steel, manufactures of: Pig iron.....	362,098	4,141,210
Billets, ingots, and blooms of steel.....	68,064	5,335,028
Rails for railways, steel.....	710,886	13,429,311
Sheets and plates: Iron.....	191,332	9,374,410
Steel.....	734,151	14,608,062
Tin plates, terneplates, and tagger's tin.....	66,010	5,767,043
Structural iron and steel.....	1,993,797	16,054,788
Firearms.....	1,002,410	3,971,872
Cash registers.....	1,475,199	4,309,148
Metal-working machinery.....	2,826,111	16,097,315
Printing presses, and parts of.....	1,050,773	2,561,887
Pumps and pumping machinery.....	2,715,553	4,023,650
Sewing machines, and parts of.....	5,105,832	11,573,746
Typewriting machines, and parts of.....	3,966,741	11,532,364
Pipes and fittings.....	5,431,459	16,761,540
Leather, and manufactures of: Sole leather.....	6,920,467	8,804,955
Boots and shoes.....	6,665,017	18,196,135
Naval stores: Rosin.....	4,817,205	17,359,145
Turpentine, spirits of.....	8,014,322	8,794,656
Oil, mineral: Illuminating.....	47,078,931	66,189,265
Lubricating, etc.....	12,052,927	29,574,410
Wood, boards, planks, and deals.....	20,965,328	61,975,919

TABLE No. 8.—Exports of domestic manufactures from the United Kingdom, Germany, the United States, and France in 1900 and 1912, of the latest available date, exclusive of foodstuffs partly or wholly manufactured.

[The figures for foreign countries are for calendar years; those for the United States for the fiscal year ended June 30, and are from a table on page 16, Miscellaneous Series No. 11, Department of Commerce, "American manufactures in foreign markets," published in 1913.]

	1900	1912	Per cent of increase
United Kingdom.....	\$1,111,000,000	\$1,875,000,000	68.8
Germany.....	710,000,000	(¹)	87.2
United States.....	485,022,156	\$1,020,417,687	110.0
France.....	435,000,000	744,000,000	71.0

¹ Not available. Germany, 1911, \$1,329,000,000.

² United States, 1913, \$1,187,000,460, Monthly Summary Commerce, June, 1913.

TABLE No. 9.—Growth of domestic exports of all kinds in 15 years and growth of manufactured exports in 16 years.

The first year that our total exports exceeded a billion dollars was in 1892, when total domestic exports were \$1,015,732,011; and again in 1897 they were \$1,032,007,603; in 1898 they reached \$1,210,291,913, and have not since been below the billion mark.

In 1898 exports of manufactures were 26.81 per cent of the total domestic exports.

In 1912 they were \$1,020,417,687, or 47.02 per cent of the total domestic exports, which were \$2,170,319,828.

In 1913 they were \$1,187,460,000, or 48.90 per cent of the total domestic exports, which were \$2,428,506,358.

Therefore manufactured exports are now greater in volume than were our domestic exports of all kinds 16 years ago, and our total domestic exports of all kinds are now more than double those of 15 years ago. By "manufactured exports" is meant the two groups only—manufactures for further use in manufacturing and manufactures ready for consumption.

(Annual Review of the Foreign Commerce of the United States for 1912, page 37, for figures prior to 1913; those for 1913 from advance sheets, Monthly Summary for June, 1913.)

TABLE No. 10.

[Statement of Secretary Redfield on the balance of trade, published in the CONGRESSIONAL RECORD, Apr. 30, 1913, p. 757, concerning imports and exports of the United States for the month of March and the nine months ended March, with the figures for the entire fiscal year ended June 30, 1913, shown in brackets.]

BALANCE OF TRADE IN FAVOR OF THE UNITED STATES.

DEPARTMENT OF COMMERCE,
Washington, D. C., April 30, 1913.

Secretary of Commerce William C. Redfield, in commenting to-day upon the detailed figures concerning the imports and exports of the United States for the month of March and the nine months ended March, made the following statement:

The figures are striking both in their magnitude and in their details. The aggregate business inward and outward of the United States with foreign countries for the nine months was a little in excess of \$3,300,000,000—an impressive total, which if maintained at the same rate would bring the business for the entire fiscal year well in excess of \$4,100,000,000 [\$4,278,937,883].

Great Britain is our largest customer, buying from us over \$478,000,000 [about \$590,000,000] and selling us over \$234,000,000 [\$295,000,000], an aggregate for the nine months in excess of \$712,000,000 [12 months, \$880,000,000], or a total business of nearly \$80,000,000 a month [\$75,000,000].

Canada is our second best customer, buying from us \$300,000,000 in nine months [\$397,000,000 in 12 months], equal to nearly \$1,300,000 every working day. A pretty fair customer, that.

Then Germany comes third, buying \$268,000,000 from us in nine months [\$329,000,000 in 12 months] and selling us \$146,000,000 [\$189,000,000]. She is a pretty fair customer, too—buys over \$1,000,000 a day.

And fourth comes France, to whom we sold \$120,000,000 [\$142,000,000] and from whom we bought \$112,000,000 [\$137,000,000].

It is when we come to look at the details of our foreign commerce, by what are called great groups, that we get at the most striking facts. If, for example, one is told that our exports fell off in March as compared with the same month a year ago by about \$18,000,000, so that we only sold \$187,000,000 abroad in March, that might not seem a favorable condition. But when one looks a little closer he finds that the falling off was almost wholly in the sales of crude materials for use in manufacturing, and that, so far from a loss, there was an absolute gain in the important items of manufactures, which in the two important classes of manufactures for further use in manufacturing and in manufactures ready for consumption actually increased in the month of March by about \$13,000,000. So that our manufacturers held their grip upon the foreign markets of the world more strongly in March than they did a year ago.

The figures for the entire 9 [12] months are such as to give just pride to every thoughtful American to whose notice they come. Out of the total transactions of \$3,300,000,000 [\$4,300,000,000] there is a balance in our favor of a little over \$500,000,000 [\$650,000,000]. Doing pretty well, that. But a few comparisons with 1912 make it look even better. For example, our sales of manufactures for further use in manufacturing increased over \$50,000,000 [\$61,000,000], and our sales of manufactures ready for use increased over the same period last year \$88,500,000 [\$108,000,000], an increase in these two lines of manufactured goods alone of over \$144,500,000 [\$167,000,000] as compared with the same period of last year.

This does not look like weakness in competing power, especially when one looks at the table of percentages published with the others and finds that the three groups, which include manufactured goods of all kinds, constitute 59.5 per cent of our total exports [62.07].

[Mr. CONNOLLY of Iowa addressed the committee. See Appendix.]

Mr. WITHERSPOON. Mr. Chairman, I want to enter my humble but emphatic protest against this goldbug amendment which a pretended Democratic committee has substituted for one offered on the Republican side. [Applause.]

We have had the goldbug standard for many years, and we have given it a fair test. We have a system of finances based on the gold standard, and we know from such experience, filled with disasters, darkened by panics, disturbed by strikes, and cursed by fabulous wealth on the one hand and widespread and extreme poverty on the other, the calamitous and intolerable effects of that system. Its legitimate and inevitable fruit is the existence of a Money Trust, by which less than a dozen men control the money and credit of the country, and before which every industry of the land bows in servile submission. The great bankers who compose this trust admit that it is a menace to the country. Under the baleful influence of the gold standard we have watched the ominous growth of this trust with its multitude of resultant evils, while the rich have grown richer and the poor poorer.

These evils have become so numerous and intolerable that the bankers themselves have joined all other classes of our people in demanding a radical change in our currency laws.

The very bill before the House is a recognition of the intolerable evils resulting from our gold-standard system of finances and is an effort to provide a remedy. It is strange, indeed, that a bill purporting to remedy the evils of a gold-standard system of finances should be based, as this is, on that same pernicious principle, but the principle of the bill is so covertly concealed that few have discovered it, and certainly it contains no express recognition or approbation of the Republican doctrine on which it is founded. It passed through the Democratic caucus with little discussion of its goldbug heresy, which elicited no express commendation in this council of Democrats. Nor did the principle of the bill find any approval in the debate which has continued for 10 days in the House until the closing paragraphs of the bill were reached and the last day of the discussion had come. But to-day Democrats have listened with wonder at the contest between the leading Democratic members of the committee, who brought the bill into the House, on the one side, and the Republicans on the other, vying with one another as to who were the most devoted advocates of the gold standard, and making it wholly uncertain who were the worst goldbugs in the debate. And when the next to the last paragraph of the bill was reached a leading Member of the Republican side offered an amendment which was an express recognition of the gold standard fastened upon the country in the act of 1900, and in his argument in support of the amendment he proposed, in substance, to the Democratic members of the committee in charge of the bill that if they would accept his amendment and thereby acknowledge that the time-honored position of the Democratic Party on the money question was wrong and that the Republican position, inspired and dictated by those who now form the Money Trust, had always been right, he would vote for the bill, and if they should not accept his amendment he would vote against the bill. This humiliating proposition for the Democratic side of the House to barter its principle for one paltry Republican vote was answered by a substitute offered by the Democratic members of the committee and was accepted by the gentleman from Ohio [Mr. Fess], who said it was better than his own, and this substitute now presents the pitiable confession of Democratic error and Republican triumph.

The substitute, Mr. Chairman, seems to have accomplished its purpose. It has at least purchased one Republican vote, and it may buy others. But if it does not buy but one, I want to give notice now that the bill will lose just as many votes as it gains, for I will never vote for a bill that has upon it an amendment which I regard as a useless, inexcusable, and wanton insult to four-fifths of the Democrats of the Nation. [Applause.]

The gold standard, Mr. Chairman, is, in my judgment, the product of selfishness, avarice, and greed upon the part of those who originated, propagated, and disseminated it and ignorance and stupidity on the part of those who accepted it. [Laughter and applause.]

I for one will never vote for it, because, Mr. Chairman, I want to tell you a thing you may not know—I am an honest man. [Applause.]

This amendment is useless. It accomplishes no purpose and was manifestly put up here to gratify Republican delusion on the gold-standard question, and I will simply not vote for it. I will not only not vote for the substitute, but I will vote against the bill itself if this infamous provision is tacked on to it.

Now, Mr. Chairman, I had made up my mind to vote for this bill, notwithstanding its many glaring defects. I regard the bill as based on wrong principles. It is utterly contrary to all my ideas of finance and currency. Its prime purpose, like that of our present system of finances, is to destroy the use of money as a medium of exchange, so far as the law can accomplish that senseless object, by requiring the banks to collect, monopolize, and lock up in their vaults as much money as possible, in order to create in them high credits which they can loan to the people as a substitute for money at rates of interest sufficiently high to compensate them not only for the loan but also for the idle cash they have stored away, and thus carry out to its logical conclusion the principle of the gold standard heresy.

It requires the banks to bundle up half of their cash money and send it to the regional reserve bank in a distant city, thus removing at one fell stroke the supply of actual money in every community in the country, and for this radical and violent revolution in financial conditions in every community in the country it offers as a compensation the privilege to local banks of rediscounting their paper at these regional banks at rates to be fixed by the Federal reserve board. The amount of the discounts will, of course, be added by the local banks to the interest which they will charge the people for the new currency notes to be loaned them.

The bill gives the Federal reserve board full power to exclude any class of paper as the basis of the proposed currency,

and this autocratic power could not be limited by amendment. If the members of the Federal reserve board have the same views as the framers of the bill and its friends have expressed, then no farmers' notes, though secured by warehouse receipts for the products of their toil, will be accepted as the basis of the proposed currency and will result in the usual discrimination against agriculture.

The bill contains a provision for the refunding of United States bonds at a higher rate of interest, which has been calculated to exceed \$100,000,000, a vast amount for the taxpayers of the country to pay its bondholders more than they are now entitled to.

The bill denies the country banks the right to make a reasonable charge for the collection of checks and drafts and therefore makes them the servants without compensation of the big merchants in the large cities.

The bill is not in reality a law, but a sort of proposition to the banks that it will become a law if they will accept it. If the bill confers upon the banks such favors as to induce them to accept it, then it will go into effect, but if they refuse to accept the scheme it can not possibly have any force, and the Democratic Party will become the laughing stock of the country.

These objections to the bill all result from the gold standard fallacy on which it is founded, and I do not believe that any other bill could be drawn on the same wrong basis which would not also be filled with as many and as great evils as this one.

But there are four features of the bill that effect a vast improvement upon what we have now:

First. It will to a great extent wrest the control of the money and credit of the country from the hands of the Money Trust and transfer it to a board, appointed by the President, and composed of the servants of the people.

Second. It will prevent the banks all over the country from sending to New York, as they are now compelled to do by law, about three-quarters of a billion of dollars, to be devoted and consecrated to the purpose of speculation and gambling on the stock exchange, and compel this vast amount of money to be used for the legitimate purpose of trade and banking.

Third. It will take from the vaults of the Federal Treasury about \$250,000,000, which is now idle and useless, and deposit it in the Federal reserve banks, which can put it to the uses of business.

Fourth. It provides for a currency which can be expanded in times of money stringency and will be the means of preventing the periodical panics which have marked the history of the present financial system.

Whether these advantages of the scheme of currency proposed in the bill outweigh the objections to it has presented a question of some difficulty. And while my heart has clung to the good of the bill and my conscience has rebelled against its evils, a comparison of its defects together with the intolerable conditions now existing on the one hand and the benefits which the bill promises on the other made my judgment waver, and my decision uncertain. But in view of the determination of the Democratic caucus and my obligations to abide by its decision, I felt that it was my duty to vote for it and intended to do so. But if this provision embodied in the substitute, which asserts that the gold-standard law shall not be repealed, is added to the bill, it will no longer be the bill which the caucus bound every Member to support, but it will then be a bill so formed as to suit the gold standard members of the committee and the Republican side of the House. With this Republican doctrine injected into the bill without authority from either the Democratic caucus or platform, it ceases to be a Democratic measure and becomes the expression of the alliance formed between the gold standard members of the committee and the Republican Party. Therefore, fidelity to the caucus, as well as to my own judgment and conscience, impels me to vote against the bill, and the gentleman from Kansas [Mr. MURDOCK] and the gentleman from Wyoming [Mr. MONDELL], who have wasted so much energy in describing the caucus chains of Democrats, can no longer say that the shackles of the caucus are on my wrists, for I burst them asunder now and give notice that I will not support any such bill. [Applause.]

Mr. WINGO. Mr. Chairman, if it were not for the fact that the gentleman from Virginia [Mr. GLASS] in offering this amendment said it was a committee amendment I possibly might not have taken up your time; but I for one challenge the right of the committee to bring in any such amendment. Under the rule adopted the committee was permitted to propose such amendments as would tend to perfect the phraseology of the bill, and nothing more. While I have no practical fault to find with my colleagues on the committee—there were six of them and one of me, and they outvoted me—yet in justice to myself I want to state why I am against this amendment, which is the

proposition of a Republican, the gentleman from Ohio [Mr. FESS]. I want to say to the Republicans that you have the gold standard; you bought it and you paid for it. I can not understand the credulity and denseness of any man who thinks there is one single line in the bill under consideration that has anything to do with basic money or the money standard of this country. Any man who understands the A B C of finance and the philosophy of credit knows that the present bill has absolutely nothing to do with the standard of value. As I said this afternoon, there is absolutely nothing in the bill that indicates an intention upon the part of the Democratic Party to repeal, alter, or change the standard of value as fixed by the act of 1900. I think I showed conclusively this afternoon by reading from provisions of existing laws that the national bank note, the child of the Republican Party, is redeemable in lawful money, not in gold or lawful money, as the pending bill provides. The Aldrich bill, which was not only indorsed by the Republicans, but by every banker in this country, provides that the notes issued under that bill should be redeemable in lawful money, and not in gold or lawful money, as provided by the pending act. The Republican act of 1908, known as the Vreeland Currency Act, provided that the notes issued under that act should be redeemable in lawful money, and not in gold or lawful money, as the pending bill provides. So, Mr. Chairman, I contend that there is absolutely nothing in the pending act that justifies the pending amendment, which does nothing more than raise an issue not raised by the bill.

I say in all kindness to those who propose this amendment, and without meaning any offense to anyone, that there is a deep-seated conviction in my mind that somebody is playing politics and trying to see if he can not humiliate Democrats into voting for something that is useless and that is purely an abstract indorsement of the gold standard. [Applause.]

Mr. BURKE of Pennsylvania rose.

Mr. WINGO. Mr. Chairman, I regret that I must decline to yield. If it is any satisfaction to the Republicans to have this useless amendment tacked on, which indorses the gold standard, and thereby humiliates those Democrats who opposed the gold standard when that issue was up, then that satisfaction is theirs. If it is any satisfaction to those Democrats who believe in the gold standard to put this amendment on this bill, and thereby humiliate their brethren who did not agree with them in other days, then you have that satisfaction. It occurs to me that it is absolutely useless and nothing more than child's play to raise this old issue when the pending bill does not involve the standard of value in this country; and it is childish and weak for Democrats, scared to death, to back off and let Republicans humiliate them by putting an abstract indorsement of the gold standard on their Democratic bill. [Applause.]

But, Mr. Chairman, I will content myself to vote against the amendment because I think it is unnecessary, and not because I care to repeal the act of 1900, which question is not before me now. While I am not authorized to speak for Mr. Wilson, I understand he wants this amendment placed in the bill. Mr. Bryan tells me that he does not object to this amendment. I presume that in view of these facts you will adopt the amendment, but you will do it without my vote. However, Mr. Chairman, I shall not, on account of the adoption of this amendment, vote against the bill, as some gentlemen say they will. I am a Democrat, and I believe in the rule of the majority. I believe it is necessary for Democrats to get together and settle their differences, and my observations have been that when the Democratic Party, as a party, considers any question and comes to a definite conclusion upon it, that subsequent events justify the judgment of the party and prove that it was wise and expedient for those who differed from their fellow Democrats to acquiesce in the judgment of the majority. [Applause.]

The CHAIRMAN. The time of the gentleman from Arkansas has expired?

Mr. WINGO. I ask unanimous consent to proceed for five minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. MURDOCK. Will the gentleman yield to me there for a question?

Mr. WINGO. I yield to the gentleman from Kansas.

Mr. MURDOCK. I am curious about this. It seems that both President Wilson and Mr. Bryan are agreed upon this, and that the Committee on Banking and Currency, with the exception of the gentleman from Arkansas, has reported in favor of this amendment. To whom does the gentleman think he is bound in this instance—to the caucus or to the committee?

Mr. WINGO. Oh, Mr. Chairman, I do not care to yield for a question of that kind. I am not worried about that question.

I am not bound to anybody except my own judgment, and my judgment is that it would be too presumptuous for a young man like myself to put his judgment against the judgment of his party. [Applause.]

Mr. MURDOCK. I am surprised—

Mr. WINGO. Mr. Chairman, I decline to yield further. The gentleman says he is troubled, and he ought to be troubled.

Mr. MURDOCK. Oh, I did not. I think the gentleman is troubled.

Mr. BARTLETT. Mr. Chairman, I rise to call the gentleman from Kansas to order. The gentleman from Arkansas has refused to yield.

The CHAIRMAN. The gentleman from Kansas will be in order. The gentleman from Arkansas declines to yield.

Mr. WINGO. I will say this, Mr. Chairman, to my good friend from Kansas, that there is more in this bill than has ever been dreamed of in his philosophy. Mr. Chairman, I will proceed and get through, because I do not care to detain the committee further. I repeat, I think this amendment is useless, but I shall not vote against the bill if you adopt the amendment. I recognize that all legislation is effected by compromise, and I have very little respect for the practical ability of any man who stands back and says because he can not get just what he wants that he will not take anything. [Applause.] It is necessary for us to look at this question from a practical standpoint. There are a great many things in the bill that I do not like. There are a great many things that I wanted put in the bill that I could not get adopted. I succeeded in eliminating a good many things, and had a good many things put in, and notwithstanding the defects, there is no question in my mind that the pending bill is so much better than the existing law that I would be derelict in my duty if I did not vote for it, and for that reason I shall give it my vote, feeling that I am doing my duty and bound by nothing more than my conscience and my conception of my duty to my party and to the country. [Applause.]

But, Mr. Chairman, getting back to the pending amendment. I think that Mr. Bryan agreeing to this amendment ought to forever and eternally close the mouths of those who have been accusing Mr. Bryan of making a covert and underhanded attack upon the gold standard. By agreeing to this amendment he has called your hand, and if the amendment is adopted you Republicans have the grounds of your opposition to this bill cut from under you. This was the only excuse you had for opposing the bill, for the Democrats accepted every reasonable amendment that you offered, so you must walk up and vote for the bill.

Mr. BURKE of Pennsylvania. Will the gentleman yield?

Mr. WINGO. The adoption of this amendment should allay your fears and demonstrate that the Democrats have no desire to raise an old issue or interfere with the act of 1900. Now, come on and vote for the bill and get in line for the prosperity that is coming under a Democratic administration, which you will enjoy the same as we. [Loud applause on the Democratic side.]

Mr. GLASS. Mr. Chairman, I ask unanimous consent to conclude debate on this paragraph and all amendments and let us vote on it and go home.

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that debate on this amendment and paragraph be closed. Is there objection?

Mr. MURRAY of Oklahoma. Mr. Chairman, I shall object unless I get an opportunity to speak. I have waited here, and I have spoken to the gentleman from Virginia. It occurs to me that the gentleman who has been so courteous to others should be courteous to me.

Mr. GLASS. I have no objection to the gentleman speaking. I did not know—

The CHAIRMAN. The gentleman from Virginia asks unanimous consent that all debate upon the pending paragraph and all amendments thereto be closed in 10 minutes. Is there objection?

Mr. HENSLEY. I object.

Mr. MURRAY of Oklahoma. Mr. Chairman, I want to say—

The CHAIRMAN. Does the gentleman move to strike out the last word?

Mr. MURRAY of Oklahoma. Yes; the last three of them. I want to say to the committee and the gentlemen on this side of the House that it occurs to me in all fairness they should not submit to us an amendment of this character with a view of satisfying their opinions, to which they held 16 years ago. A practical gold standard has been adopted in this country. It was adopted by the Republican Party. Some men in this House on this side were for it. They ought not to ask us

to come in merely to ratify that view so they can say, "You had to come to our view, although we were but a handful," so they may claim to be the real Democrats at that period of time. It is unfair for the committee to make a vital change of this character after the caucus has spoken, and then say that is the Democratic caucus. I want, however, to speak of this proposition. This section 29 says:

That all provisions of law inconsistent with or superseded by any of the provisions of this act be, and the same are hereby, repealed.

I submit to any lawyer in this House that that is an unnecessary section. Subsequent legislation repeals former legislation when in conflict therewith, and it makes no difference whether you have a repealing clause or not; it adds no more to the section; has no different effect than if you struck it out. Now, it ought to satisfy our Republican friends if we strike out section 29 entirely. Certainly Democrats and Republicans who hugged this to their consciences so dearly 16 years ago ought to want to hold to it as their previous right of discovery and not force us to vote for a reenactment of it.

Now, I will admit the putting of that clause in does not affect the law; it will not change it a particle, any more than the striking out of this section will change anything in the law. All it does do is that you force us to come to your view of a thing that you really have been ashamed of for 16 years, and you call yourselves Democrats. Now, I say in all candor, in view of the fact that the Democratic caucus passed upon this bill, in view of the fact it has no effect, so far as law is concerned, you either ought to drop that amendment and not attempt to adopt it, or strike out section 29 entirely and settle the proposition.

While it does not affect the law, it does affect the politics in the South and West, and Democrats on this side ought not to want to drive from the Democratic Party men who have not stood for their views when it is unnecessary to do it and when, as a matter of truth, that issue ought not to be raised again. It is raised by gentlemen on that side and gentlemen goldbugs on this side holding the same view that they did 16 years ago and are trying to hug some delusion that other Democrats are forced to come to their view. But mark what I tell you, the rank and file of the Democrats of the South and West will not follow you who vote that way at the polls next election. [Applause.]

Mr. PHELAN. Mr. Chairman, I just want to call the attention of the Members present to the fact that there has not been anybody who has taken the floor on this side of the House at any stage of this debate with reference to this question who has stated that the proposed amendment changes the meaning of this bill in any respect.

Mr. MURRAY of Oklahoma. Will the gentleman yield? If it does not, why do you have us repeat that we are for the gold standard?

Mr. PHELAN. I will answer the gentleman, if he will give me the opportunity. In the first place, we do not say anything about it. We simply state that we do not repeal a present law, and we do it for the very same reason that the committee has repeatedly done precisely the same thing in the Democratic caucus, because we want to clear up the meaning to the satisfaction of everybody, and whether a suggestion came from the Republican side of the House or the Democratic side of the House this committee, and I believe the Democrats on this side of the House, has desired the meaning clear, so that anybody can understand it and not have any doubt as to the meaning. [Applause.]

And I wish to call to the gentleman's attention that in the caucus, although it has been contended that there was no need of certain language, because the meaning was clear, we repeatedly put in amendments to satisfy certain members of the caucus, so that the meaning might be expressed in such a way that they would have no doubt about it.

Mr. MURRAY of Oklahoma. Why not strike out the repealing clause altogether? Do you not know it has no different effect? All subsequent legislation will only repeal all that is in conflict, and your repealing clause does not do any more.

Mr. PHELAN. I suggest that the gentleman offer an amendment. I am not talking about the repealing clause.

Mr. BRUMBAUGH. Will the gentleman yield?

Mr. PHELAN. Certainly.

Mr. BRUMBAUGH. Do you think if this resolution had been presented to the Democratic caucus and explained the Democratic caucus would have adopted it?

Mr. PHELAN. Absolutely.

Mr. BRUMBAUGH. I absolutely think it would not.

Mr. PHELAN. I want to say this, in conclusion, that this committee is not offering this amendment because it believes it changes the bill in any respect. Various members of the com-

mittee have taken this floor this afternoon and have stated that there was nothing in the bill which is going to repeal the act of 1900, or that part of it which is the object of this amendment. We are simply putting it in to clear up the meaning, and we are willing to do that because we think it ought to be done.

Mr. BURKE of Pennsylvania. Mr. Chairman, the gentleman from Arkansas [Mr. Wingo] stated that Mr. Bryan had called our hand. Mr. Bryan has not called our hand, and Mr. Bryan or the Democratic majority in this House does not dare call our hand and strike out from the provisions of this bill line 19 on page 29, which provides that these notes shall be the obligations of the United States Government. Nor do the gentlemen on that side of the House or Mr. Bryan dare to call our hand and insert the word "gold" unqualifiedly, as it was in the bill introduced in this House on June 26. [Cries of "Vote! Vote!"]

Mr. MURRAY of Oklahoma. Mr. Chairman, I move to strike out section 29 and the amendment thereto.

The CHAIRMAN. The gentleman from Oklahoma moves as a substitute—

Mr. CRISP. Mr. Chairman—

The CHAIRMAN. Does the gentleman from Oklahoma [Mr. MURRAY] offer that as a substitute?

Mr. MURRAY of Oklahoma. Yes, sir.

The CHAIRMAN. The gentleman from Oklahoma [Mr. MURRAY] offers a substitute, which the Clerk will report, to strike out the section and the amendment.

Mr. BARTLETT. The section has not been adopted.

Mr. MURRAY of Oklahoma. Possibly it would be best to vote on that provision and then move to strike out. That would be in order of perfecting the section.

Mr. MANN. This motion is to perfect the text, and that comes first.

The CHAIRMAN. The motion of the gentleman from Oklahoma [Mr. MURRAY] will be pending.

Mr. CRISP. Mr. Chairman, while the present bill was being considered in the Democratic caucus I took occasion to express my views on several features of the bill and had not intended to make any remarks in the House on the subject.

As I can not support the amendment offered by the gentleman from Virginia, referring to the parity of metals, I desire to make a few remarks, placing in the RECORD the reason why I shall not support the amendment.

The bill, in my judgment, is a great piece of constructive legislation, and is a vast improvement over the present currency laws of our country. Business men in every section have for years realized the necessity for a more elastic currency and have advocated new currency laws. The bill before the House provides an elastic currency to meet the growing demands of commerce and contains provisions that, in my judgment, will commend it to the people of the United States.

Under the present laws the money of the country is concentrated in the city of New York and controlled by a few bankers, which gives them power to manipulate the finances of the country, which at times causes disastrous panics. The present bill corrects these evils and distributes the money of the country into 12 sections, in the regional banks, in lieu of it being massed in New York.

The bill prohibits the great New York City banks from lending money for the purpose of speculating and gambling in stocks in Wall Street, thereby making the money available for the purpose of carrying on the business of the country, furnishing a medium of exchange for agricultural, industrial, and commercial activities instead of gambling in Wall Street.

The bill permits national banks to loan money on real estate, which, under the present law, they are precluded from doing. The bill takes away from the national banks the right to issue money and restores this function to the Government of the United States, where it rightfully belongs, and one of the greatest features of the whole measure, to my mind, is the Government control and supervision of our finances.

Under the present law a few great banks control the money of our country, and thus dominate and control business, while under this Democratic bill they are shorn of this great power and the finances are under the control of the Federal reserve board appointed by the President of the United States, who will be the representatives of the American people, who will have the interest of all the people at heart and not be influenced by selfish and mercenary motives. For these reasons I heartily approve the bill and shall give it my support.

The bill as reported from the Democratic caucus had the unqualified approval of our Democratic President who by his courage and fidelity to the trust reposed in him has won the love, confidence, and esteem of all the American people; it was approved by Secretary of State Bryan, who for years has been the tribune of the people, and was also indorsed by the present Sec-

retary of the Treasury. The Democratic caucus approved it with but nine dissenting votes. No one contended it in any way affected the coinage laws of the United States or interfered with the parity of money, but at the eleventh hour of its consideration a Republican Member suggested the amendment offered by the gentleman from Virginia. The Republicans were not able to criticize the bill, it was so meritorious a measure, but their opposition has been based principally on the ground that the bill was prepared by a Democratic caucus. Mr. Chairman, in my judgment the people of the United States do not care whether a measure is prepared in a caucus or in the open House, but they will judge the party responsible for a measure by the measure itself. If a measure prepared in a caucus is in the interest of the masses of the people and against all special interests, and is for the welfare, peace, and happiness of the American people the people will approve and say "well done," but class legislation if prepared in the open House and passed the party responsible will be condemned. The people will judge the party by the fruits of the legislation and not the method of its preparation.

Mr. Chairman, I do not believe that the present bill interferes with the act of March 14, 1900, entitled "An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes," and I think the amendment offered by the gentleman from Virginia is not germane to this bill and is altogether unnecessary. The bill provides that the currency issued by the Government shall be redeemable in lawful money of the United States, just as all greenbacks of the Government are to-day redeemable in lawful money. The Aldrich-Vreeland Act, passed by the Republican Party and approved May 30, 1908, provided that notes issued thereunder were redeemable in lawful money. No one claimed the Aldrich Act repealed the act of March 14, 1900, and no man can logically argue that the provision of this bill providing for the redemption of notes issued thereunder in lawful money repeals said act.

Mr. Chairman, I am a Democrat and I participated in the Democratic caucus, and I am always willing on questions of party policy to be bound by the views of the majority of my associates. This great measure was indorsed by a Democratic caucus in which I participated, and I feel bound by that caucus; but, Mr. Chairman, the amendment offered by the gentleman from Virginia was not considered in the caucus. The caucus authorized the committee to offer minor amendments, but it was expressly stated in the caucus that should the committee offer amendments to the bill when it was up for consideration in the House that the Democratic Members were not bound by any caucus rule to support the amendments, but were free to vote as their judgment dictated. The caucus does not bind me to support this amendment. [Applause on the Democratic side.] Mr. Chairman, believing this amendment is superfluous, unnecessary, and not germane to the bill, and being proposed by a Republican, and fearing that its adoption might be construed by some to be a gratuitous reflection on the hundreds of thousands of staunch, patriotic, sincere Democrats who for years advocated the free coinage of silver, I can not vote for its adoption.

I will not trespass further upon the time of the House. I hope the amendment will not be adopted, but, being a Democrat and believing this measure is in the interest of the American people, I shall support the bill whether the amendment is adopted or not, but I desire to enter my protest against the adoption of this twelfth-hour amendment, inspired by our ancient enemies, the Republican Party, who in my judgment will vote solidly for it.

Mr. SHERLEY. Mr. Chairman, in the consideration of a great measure like this it seems to me that it is important that we keep a proper sense of perspective. Gentlemen seem to have been much aroused over the pending amendment. I can readily understand how our friends the Republicans, after many days of debate and after a futile effort to attack successfully the currency bill, should seek to inject into the debate some questions not really germane to the present measure in order to create division on our side; but I am unwilling to believe that after the Democratic Party has given to the country the unusual and splendid exhibition of a Committee on Banking and Currency able to agree in favor of affirmative legislation that has been so much needed for many years they are now to be led into any party quarrel by such a transparent effort on the other side.

There is not a man here but who, if he will read the bill with care and away from the heat of political controversy, will agree that the amendment proposed does not in the slightest degree change the proposed law.

We are not to-night passing a bill determining what shall be the standard of value in America. That matter has been settled. Whether wisely or unwisely, men will have individual views. But practical men, living in a practical age, recognize what is behind them and deal with what is before them; and the Democratic Party, being a party equal to the emergency of conditions, is dealing with what is before it, and that is a reformation of the currency system.

The gentleman from Illinois [Mr. MANN] undertook a rather difficult and somewhat lame defense of the existing currency law. He read, amid applause, of the great progress that this country had made, and we joined with him in rejoicing over that progress. But it is a peculiar fact that during all of this great progress and at times when there was no reason for the checking of it; because of a law that was archaic; because of a law that had but one virtue—that of safety as to issues, because everybody admits that the issues under the national banking law were safe—we were met time and time again with panics that stopped that tremendous prosperity; and the prosperity was not because of your currency law, but in spite of it. [Applause on the Democratic side.]

This is the only country on earth that I know of where you will find that because of a bad law the commercial discount rate is higher than the discount rate on speculative transactions. In every other enlightened country under the sun commercial discounts bear a lower rate than the discounts growing out of speculative transactions; and if this proposed law had but one feature in it to warrant its enactment, to take the place of the existing law, it is the provision in it that makes possible the rediscount of commercial paper and the using over and over again of the credit of the country instead of tying up money in each commercial transaction.

We are now at the close of weeks—aye, of years—of arduous work on this subject. This bill, like all great measures, will necessarily undergo some modification. Here and there a change will be made. Probably every man, taking the bill as it stands, would like to see some particular thing written into it or out of it.

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

Mr. SHERLEY. I ask unanimous consent for two minutes more.

The CHAIRMAN. The gentleman from Kentucky asks unanimous consent that he may proceed for two minutes. Is there objection?

There was no objection.

Mr. SHERLEY. Mr. Chairman, I end as I began, by saying that in matters of this kind it is well to keep a sense of perspective. It is well not to be wrought up, and not to feel that the skies are about to fall because of an amendment that is in no sense one of the really material things in the bill. I do not believe that either the adoption or the rejection of the amendment changes the law one iota; but it has this value and this value only, and that was well stated by the gentleman from Massachusetts [Mr. PHELAN], that in enacting law it is well always to make the meaning of a section certain beyond even the querulous doubts of men. And while I believe there is no justification or basis for the criticisms that have been made on the other side, yet in the interest of making the intent of the law plainly apparent I think the amendment can do no harm, and may do some good.

And now, before taking my seat, I desire as one member of my party to express my profound appreciation of and gratitude to the distinguished chairman of the Committee on Banking and Currency [Mr. GLASS] [applause] and to the members of that committee who have labored with him, for the result of their splendid work. In my judgment they have performed an act of patriotism and of value to the country that is beyond any mere lip praise or measurement; and I glory in the fact that as members of my party we found them able and willing to perform the constructive work that other parties had failed to be able to perform in the generation that has passed. [Applause on the Democratic side.]

Mr. MURDOCK. Mr. Chairman, I should like two minutes from the gentleman from Virginia, to make a short statement.

Mr. GLASS. I yield two minutes to the gentleman from Kansas.

Mr. MURDOCK. Mr. Chairman, there seems to be a divided allegiance on the Democratic side just at this moment, as between the caucus and the authority of the committee, as between the caucus and Mr. Bryan and the President. I do not think it is a very material thing, but I want to say to the Democrats here, as one standing apart, that the Republicans are playing politics with you, and that is all there is to it. [Applause on the Democratic side.] This proposition is made with

the idea that there will be enough Democrats over there who, combining with this side, will be able to put this amendment into the bill. Then, when the committee rises and reports the bill to the House, the Speaker will ask, "Is a separate vote demanded on any amendment?"

The separate vote will be demanded, and you Democrats will be put on record, for no other reason on earth than to embarrass you. It is a trap, and if you want to walk into it, why do so.

The CHAIRMAN. The question is on the committee amendment.

The question being taken; on a division (demanded by Mr. Wingo) there were—ayes 104, noes 38.

Accordingly the amendment was agreed to.

The CHAIRMAN. The gentleman from Oklahoma [Mr. MURRAY] moves to strike out the section.

The amendment was rejected.

Mr. WINGO. Mr. Chairman, I tried to get the attention of the Chair. I do not think it is necessary, but I wish to give notice that in the House I shall demand a separate vote on the amendment which has just been adopted.

Mr. MURDOCK. The Republicans will do that.

Mr. FOWLER. Mr. Chairman, on page 49, line 6, at the end of the line, I move to strike out the word "branches" and insert in lieu thereof the words "branch banks."

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Illinois [Mr. FOWLER].

The Clerk read as follows:

On page 49, in line 6, strike out the word "branches," at the end of the line, and insert in lieu thereof the words "branch banks."

Mr. FOWLER. Mr. Chairman, I do not desire to take up the time of the committee unnecessarily—

Mr. MANN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MANN. Is section 28 open to amendment?

The CHAIRMAN. Section 28 has been passed.

Mr. MANN. I have no objection to my colleague offering an amendment, but I wished to know whether section 28 was open to amendment.

Mr. FOWLER. I did not understand, Mr. Chairman, that that section had been passed.

The CHAIRMAN. The Chair will state to the gentleman that that section was passed before the House took a recess this afternoon, and the amendment is not now in order to that section.

A MEMBER. Except by unanimous consent.

Mr. FOWLER. Mr. Chairman, I ask unanimous consent to return to section 28 for the purpose of offering the amendment which I have proposed.

The CHAIRMAN. The gentleman from Illinois [Mr. FOWLER] asks unanimous consent to return to section 28 for the purpose of offering the amendment which the Clerk has reported. Is there objection?

There was no objection.

Mr. FOWLER. Mr. Chairman, it is immaterial to me whether this amendment is adopted or not.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois.

The question was taken, and the amendment was lost.

Mr. FOWLER. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman only got consent to return to the section.

Mr. FOWLER. I mean the last word of the section under consideration.

The CHAIRMAN. Section 30 has not yet been read. The Clerk will read.

The Clerk read section 30, the last section of the bill, as follows:

Sec. 30. That the right to amend, alter, or repeal this act is hereby expressly reserved.

Mr. GLASS. Mr. Chairman, I ask unanimous consent to return to various sections of the bill to offer four amendments slightly changing the phraseology.

Mr. FOWLER. A parliamentary inquiry, Mr. Chairman.

The CHAIRMAN. The gentleman will state it.

Mr. FOWLER. If the request of the distinguished chairman of this committee is granted, will any rights be lost with reference to section 30?

The CHAIRMAN. No rights will be lost with reference to section 30.

Mr. FOWLER. I desire to move to strike out the last word of section 30.

The CHAIRMAN. If the gentleman can get the floor for that purpose, he will have that right. [Laughter.]

The gentleman from Virginia asks unanimous consent to return to various sections of the bill for the purpose of offering amendments in the way of changing the phraseology. Is there objection?

There was no objection.

The CHAIRMAN. The Clerk will report the first amendment. The Clerk read as follows:

Page 18, line 14, after the word "members," strike out the word "chosen" and insert the word "appointed."

The amendment was agreed to.

The Clerk read as follows:

Page 19, line 4, in the amendment heretofore adopted, strike out the word "chosen" and insert in lieu thereof the word "appointed."

The amendment was agreed to.

Mr. MANN. Did the gentleman have an amendment to page 18, line 21, to change the word "chosen" to "appointed"?

Mr. GLASS. Mr. Chairman, I move to amend page 18, line 21.

The Clerk read as follows:

Page 18, line 21, strike out the word "chosen" at the end of the line, and insert in lieu thereof the word "appointed."

The amendment was agreed to.

Mr. BURKE of Pennsylvania. The same change ought to be made in lines 12 and 15, page 20.

Mr. GLASS. The gentleman is right, and I offer that amendment.

The Clerk read as follows:

Page 20, lines 12 and 15, strike out the word "chosen" and insert in lieu thereof the word "appointed."

The amendments were agreed to.

The Clerk read as follows:

Page 42, line 11, after the word "and" insert the word "each."

The amendment was agreed to.

The Clerk read as follows:

Page 29, lines 9 and 10, after the amendment heretofore adopted, strike out "rediscount operation" and insert in lieu thereof "rediscount operations."

The amendment was agreed to.

Mr. BROWN of West Virginia. Mr. Chairman, I have worked long and hard by the side of the distinguished chairman of this committee, and with him have studied each and every section of this bill, and I expect to vote for it, although some of the provisions do not come up entirely to what I might desire. I expect to vote for it, because I believe it to be the best bill that could, under all of the circumstances, be agreed upon by the committee and offered to this House. For the purpose of assigning my reasons for supporting this bill, I desire to be permitted to extend my remarks in the RECORD.

The CHAIRMAN. The gentleman has that right now.

Mr. BROWN of West Virginia. The Federal reserve act, as I said before, may not be perfect in every detail, but it contains the true fundamental principles underlying all modern systems of banking. Because of the radical changes made in the present inadequate and obsolete national banking system it has been assailed from many quarters by its enemies and ambushed occasionally by those who ought to be its friends. It is too progressive for some and too conservative for others. Its enemies may be divided into five classes and may be described as follows:

First. Those who are wedded to the present national banking system and desire no change.

Second. Those who oppose this new system because they are against Government control.

Third. Those who insist that money should be issued by State banks or private institutions without Government liability or obligation.

Fourth. Those who want an unlimited issue of greenbacks, based upon nothing but the credit of the United States Government.

Fifth. The fifth and last class is composed of those who are so narrow and partisan that they are opposed to any change, however desirable, proposed by the Democratic Party, and maintain that all truth and virtue is found in the Aldrich bill, which bill is the only true standard of banking from a Republican standpoint. This opposition would rather see the bill fail and the people denied its benefits than to see it passed by a Democratic Congress. Some of them even go so far as to resent the idea of the Democratic Party being able to write and pass a constructive banking bill; but while they attack the measure and endeavor to point out certain imaginary weaknesses in its construction, they offer no remedies, except those advanced by the friends of the Aldrich bill, and make a frantic effort to have these incorporated in the Glass bill.

The first and great fundamental change in the new bill is removing from the banks the money control they have so long

enjoyed and placing it in the hands of the Government, where it rightfully and constitutionally belongs. This is a privilege long enjoyed by the banks, and, but for their greed and selfishness, one that might have remained with them indefinitely. When the epidemic of trusts—which for the purpose of stifling all competition—swept this country, the opportunity was too alluring for Wall Street, and the Money Trust was conceived and formed. The best banker has always been the one who could make the largest dividends for his stockholders. The largest dividends for stockholders means combinations for money and credit control, usury, and many questionable if not dishonest methods. In their greed for gain these combinations were formed by a few masterful minds and the control of the money and credits of this country became a subject of barter and sale. So glaring were the abuses that the people of this country arose in their might, independent of political organizations, and demanded that the right to control their money and credits be restored to this Government, where it constitutionally belonged. This is sought to be done in this bill.

The President of the United States for this purpose is given the right to appoint a Federal reserve board. This board will be invested with wide and almost unlimited authority. The power given the President in this bill, it has been argued, is fraught with danger. This every careful, thinking man must admit, but this power must be lodged somewhere, and we all know that it is safer in the hands of any President of these United States, I care not to what political party he is allied, than it is in the hands of Wall Street. But the President appoints the judges of our higher courts, who hold office for life, and no one is apprehensive of this power. Under the proposed system, however, the appointees on the Federal reserve board must be confirmed by the Senate, and the majority of the board must retire when a new President is elected. In this way the people have the power to ratify or reverse the policy of any administration at the end of every four years.

Instead of having the reserve funds of all the banks in the United States congested in the central reserve cities, this country will be divided into 12 sections and a Federal reserve bank established in each. In this way the money that is now piled up pyramid high in New York will be returned and kept in the Federal reserve bank in the section from whence it came.

In order to have a citadel of financial strength to be used for their own protection, every national bank located within a given district shall be required to subscribe to the capital stock of its Federal reserve bank, so that no Federal reserve bank can commence business with less than \$5,000,000. Federal reserve banks may establish branches within their districts so that means of closer intercourse and business communication can be established between the member bank and the head of the family, so to speak. The Federal reserve bank is the family head of the banking system of its region. It is to be controlled by nine directors, six of whom are to be elected by the member banks, and three of these six shall be fairly representative of the agricultural, commercial, and industrial interests of their respective districts, and three to be appointed by the Federal reserve board, and the chairman of the Federal reserve board is to be known as the Federal reserve agent. In this way the control of every Federal reserve bank is left with the stockholding banks.

Upon their paid-up capital stock the member banks are to receive annual dividends of 5 per cent, and after a surplus fund of 20 per cent has been provided, 60 per cent of the earnings are to be paid to the United States and 40 per cent to the banks.

Upon conditions similar to those governing the admission of national banking associations, State banks and trust companies may become members and stockholders in the Federal reserve bank, but in becoming members of the Federal reserve bank they lose none of the special privileges enjoyed by them as State institutions.

The Federal reserve board has supervision and control of Federal reserve banks, and in times of emergency permit or require one Federal reserve bank to rediscount prime paper of another Federal reserve bank, in this way relieving any local stringency in the money market that may occur in widely separated sections of this country. They also supervise and regulate the issue and retirement of Federal reserve notes and prescribe the form and tenure of said notes. An advisory council, consisting of one representative from each Federal reserve bank, is provided, so that the Federal reserve board may be advised as to existing financial conditions throughout the different sections of the entire United States.

Upon the indorsement of any member bank the Federal reserve bank of the district may discount notes and bills of exchange growing out of commercial transactions, thereby encouraging and expressly providing for the discount of notes and bills

drawn for agricultural, commercial, or industrial purposes, and forbidding the rediscount of notes or bills issued or drawn for the purpose of stock gambling; also providing for the rediscount of paper secured by staple agricultural products or other goods, wares, and merchandise, the purpose of this being to take care of and provide for goods stored in warehouses or in process of either importation or exportation. In addition to discounting paper for member banks, every Federal reserve bank has power, under the restrictions and limitations of this bill, to do certain general banking business. The purpose of this is to enable it to earn its dividends and provide for fixed charges.

All moneys now held in the general fund of the Treasury of the United States are to be withdrawn from the favored cities and divided as equally as possible among the 12 Federal reserve banks, and in this way more than in any other the power of Wall Street will be broken down.

The Federal reserve board shall, at its discretion, issue Federal reserve notes, which shall be the obligations of the United States and be redeemable in gold or lawful money on demand at the Treasury Department of the United States, in Washington. Any Federal reserve bank, by depositing collateral security as provided for in this bill, may make application at all times to the Federal reserve board for and receive money in the shape of Federal reserve notes and pay out and disburse the same. In this way money can always be had to relieve a money stringency or avert a panic.

A wise and long-needed change is made in the national banking laws, whereby national banks are permitted to loan on farm lands, thereby relieving the farmer of the necessity of being driven to State banks or private individuals for such accommodation. In this way it opens up to him a new field wherein he can borrow money, and the result must be that it will lessen the rate of interest he is compelled to pay. It also gives to the national banking associations wider and more liberal privileges. They have been granted the right to establish savings banks. This is a long-felt want and will enable the banks to compete with the State banks and at the same time give to the man who deposits his savings a better security for this increment of his hard-earned toil that he is endeavoring to lay by for a rainy day.

Another splendid feature of this bill is the fact that it enables the banking institutions of this country to establish foreign branches and thus take care of the commerce of this Nation in other countries.

I have endeavored briefly to point out the advantages of this bill over the present system, which has been condemned by all political parties, and has been declared even by the bankers themselves to be inadequate and insufficient and wholly unequal to meet the growing demands of commerce and the enlarged business of the present day. By it, banking control is taken from Wall Street and placed in the hands of the Government.

The money piled up in the congested centers has been sent back to the districts from whence it came that it may be used there in the factory, in the mill, and on the farm to increase the prosperity and wealth of a happy community instead of being applied to gambling in the stock markets and grain pits of the large money centers. It forever and for all times will prevent the money panics by providing a sure and stable currency, which can be easily obtained in times of money stringency and retired from circulation when its usefulness has passed, thereby giving an elasticity to our currency which has so long been needed. It has given to commerce a wider scope and secured to the agricultural, industrial, and commercial interests of this country privileges consistent to their national importance and for the want of which they have long been handicapped and retarded. This is not a bankers' bill alone, for in it no class is overlooked. The wants of no section have been disregarded. It will carry prosperity and happiness into every home wherever thrift and economy preside as handmaidens to energy and industry.

It is not only a wise and useful measure, but it is a patriotic one; one in which there is no partisan politics involved; one which should meet with the approval of every broad-minded and liberal Member of Congress. It is a patriotic measure intended to benefit the whole country.

It is a great honor to have worked upon this committee, and too much credit can not be given to Chairman GLASS for the earnest and untiring labor he bestowed upon this bill.

[Mr. FOWLER addressed the committee. See Appendix.]

Mr. LOBECK. Mr. Chairman, I learned long ago that "speech is silver, silence is golden," and therefore have not taken any part in this discussion. [Laughter and applause.] During the Democratic caucus I was present and took an active part, and I voted at the conclusion of its work and discussion of the bill that I would support this great currency measure. Some one had the temerity to report in the public press—and it was telegraphed throughout the country—that I was opposed

to this bill. My object in speaking now is to correct that erroneous impression and state that I intend to vote for this measure [applause on the Democratic side], because it places our currency system directly under Federal control. This is my main reason; the other features of the bill are administrative, and I am willing to place confidence in the officials to whom the administration of the measure is intrusted.

Members have talked against the greenback, but this much-abused system has been honored and respected by the people of our land, and, after all is said and done, it is the acceptance by the common people of Uncle Sam's promises on the currency question that insures confidence. The common people are not easily fooled, and in the long run respond quickly to the needs of the Nation. The greenback paid the Civil War soldier and it became the means of business transaction when gold and silver disappeared at the time when the life of the Nation was at stake. It served its purpose because the American people accepted it, and they can be depended upon to act promptly and wisely whenever an emergency exists.

Gold mutilated or weighing less by abrasion than the value stamped on the coin is not taken for full value, which was so fully and lucidly explained a moment ago by the gentleman from Illinois [Mr. FOWLER]. During the Civil War the small coin disappeared, and I have seen greenback dollar bills cut in halves and used in mercantile transactions and each one-half passed current for 50 cents, or one-half of the original United States note.

The American people are always ready to do their share toward the public good. For instance, in the panic of 1907 they stood by the bankers, and when the bankers issued money certificates to be used in place of currency, which could not be had at the time, the commercial man in every line of activity, the manufacturer, the merchant, the salaried man, and the workingman accepted them in lieu of gold or silver or bank notes. Had not the American people stood by the bankers at that time the panic would have become universal throughout the Nation and we would have had a repetition of the panics of 1873 and 1893. Conditions that were true in my home city of Omaha during the panic of 1907 were also true throughout the producing sections of the country. As comptroller of my city, we were paying out an average of \$100,000 per month. Under the law the daily revenue receipts of the city were deposited with our banks, because we had faith in them. The Millards, the Kountzes, the Murphys, the Yateses, the Caldwells, and their associates in the management of their institutions had weathered every financial storm. Our banks and our people were loyal to each other. When the city warrants were presented to them for payment, certificates were accepted and used as current money. We knew that the resources of our banks were ample and we had faith that under the skillful and honest management by their officials they would weather the storm.

Much has been said about the blessings that other nations experience and enjoy under their banking laws. It is so natural to think that the other fellow has the best of it. It is an old saying that "the grass generally looks greener in the next pasture." But England, France, Germany, and other nations have had their troubles, and several times violated their stringent currency laws to avoid financial panics and to help the business interests of their countries. But with all the defects in our currency laws, this Nation has done pretty well. We have developed, by untiring energy, a great and rich country. As a people we have become one of the great nations of the earth. It is true that we have had natural resources to build upon, but it has taken intelligent thought and labor, together with the persistent energy and willing hearts of a great people, to succeed as we have done.

This banking measure as a proposed remedy for whatever defects that now exist in our banking laws is going to be helpful to the mercantile, manufacturing, and agricultural pursuits of this country. If the regional banks are located along the well-defined lines of commercial trade that exist and have been built up during the last century, they will no doubt be of great benefit. As stated, I believe in the Federal control as outlined in this measure, and I have no doubt that whoever the Chief Executive may be he will appoint as members of the Federal reserve board high-class men, men of ability and experience, who will use good common sense and sound business judgment in the performance of their duties as contemplated in this act.

Should this currency measure in its practical everyday business experience be found to have some defects, future American Congresses have the power to, and no doubt will, enact such remedial legislation as the necessities of our commercial, manufacturing, and agricultural activities may demand. Therefore I shall vote for this measure which seems to meet the wishes of a great majority of the American people. [Applause.]

Mr. KORBLY. Mr. Chairman, the American people understood and believed that the question of the measure or standard of value was not to be disturbed in any way by this bill. The question was raised whether or not this bill did disturb it, and that injected enough doubt to justify the parity amendment, which was offered in the abundance of caution. Had there been left even the shadow of a doubt about this matter, the good faith of the Committee on Banking and Currency and of the Democratic Party would have been questioned. [Applause.]

Mr. GRAY. Mr. Chairman, I move to strike out the last word, to return to section 13, providing for a guardianship over the Federal reserve board.

I am surprised that no progressive Democrat has offered to strike out this section.

I am surprised that none of the so-called Progressives, with all their claim of loyalty to the rule of the people, has allowed it to pass even without comment.

It is plain how it is that the Republicans readily agree with this section. It is in full harmony with their principles. They believe that the tariff should be revised by its friends, the men who profit by it; and on principle that the money lenders should administer usurious interest laws; that the employers should administer labor laws, and in keeping with that principle, the banks should administer public currency laws.

While this bill partakes both of a banking bill and a public currency bill, it is primarily a public currency bill, and the Federal reserve board is created to deal mainly, if not wholly, with public currency questions only.

Banking is one thing and public currency is another thing.

Banking involves receiving deposits and extending credit for private profit.

Public currency embraces the control of the issue of money, its volume and distribution, to promote the general welfare.

Banks should have no more to do with the issue and control of public currency than an elevator company should have to control the supply and distribution of grain.

There are two schools of finance.

One school treats of the use of money for selfish gain.

The other school treats of money as an instrument of public welfare.

While a banker may or may not be a student of the last-named school, which deals with money to promote the general welfare, as a general rule he is not a student of public currency, but private finance only.

History shows that wherever general public duty comes in conflict with private selfish gain in the same person, selfish gain always prevails over public duty.

What we contend for is not that bankers are worse or less to be trusted than other men, but that they are not better nor more to be trusted in serving the public welfare as against their own private interests than other men.

In other words, they are as good as other men, but they are no better than other men.

Bankers have no more legitimate interest in public currency than the farmer, merchant, doctor, lawyer, manufacturer, railroad man, or any other citizen of the country.

And they know no more about public currency than any other citizen of the country.

And there is no more reason why bankers should advise the Federal reserve board more than other citizens should advise them.

In fact, there is every reason why bankers should not be allowed to advise the Federal reserve board.

Bankers stand in a peculiar position and have a greater opportunity than other people to gain advantage by the control of public currency and should not, therefore, have the same right to advise respecting public currency that others have with only a common or public interest in the currency.

The object of this section is to bring into the Glass bill the bank control provided for in the Aldrich bill and thus secure indirectly what has been denied them directly.

It is to give the banks an excuse, a pretext, and an opportunity for meeting, conferring, and advising with the members of the Federal reserve board to influence its action in the issue and control of the volume and distribution of public currency.

It is to guard and shield the bankers in their operations to influence the administration of this law and protect them from interference as lobbyists.

This section should not only be stricken from the bill, but a section should be inserted in lieu thereof to prohibit any stockholder or director of any banking institution from approaching, conferring, or advising with the Federal reserve board, or any member thereof, on matters respecting public currency, except in an open public meeting, and where a public record is made of all the proceedings of the board, showing who appeared before

it, together with all matters presented before the board for its consideration.

Mr. GLASS. Mr. Chairman, I move that the committee do now rise and report the bill back to the House as amended, with the recommendation that the amendments be agreed to and that the bill as amended do pass. [Applause.]

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, and had directed him to report the same back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

Mr. GLASS. Mr. Speaker, I move the previous question on the bill and all amendments to its final passage.

The SPEAKER. The gentleman from Virginia moves the previous question on the bill and all amendments to final passage.

The question was taken, and the previous question was ordered.

ADJOURNMENT.

Mr. GLASS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 11 o'clock and 2 minutes p. m.) the House adjourned to meet to-morrow, Thursday, September 18, 1913, at 12 o'clock noon.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. BRUCKNER: A bill (H. R. 8264) providing for the erection and completion of a public building in the Borough of the Bronx, New York City, in the State of New York; to the Committee on Public Buildings and Grounds.

By Mr. BRITTEN: A bill (H. R. 8265) for the enlarging of the Government torpedo station at Newport, R. I., and increasing the output of torpedoes; to the Committee on Naval Affairs.

By Mr. CANDLER of Mississippi: A bill (H. R. 8266) providing for a certain percentage of cancellation of stamps, and making an allowance for rents, fuel, and lights, etc., to fourth-class postmasters; to the Committee on the Post Office and Post Roads.

Also, a bill (H. R. 8267) to prohibit in the District of Columbia the intermarriage of whites with negroes or Mongolians; to the Committee on the District of Columbia.

By Mr. REILLY of Connecticut: A bill (H. R. 8347) authorizing the Secretary of the Interior to set aside certain lands to be used as a sanitarium by the Order of Owls; to the Committee on the Public Lands.

Also, a bill (H. R. 8348) making an appropriation for the improvement of Milford Harbor, Conn.; to the Committee on Rivers and Harbors.

By Mr. BYRNS of Tennessee: A bill (H. R. 8349) to prevent the desecration of the flag of the United States and providing penalties for violation of same; to the Committee on the Judiciary.

Also, a bill (H. R. 8350) to provide for the reduction of mileage to actual transportation expenses of Representatives and Senators; to the Committee on Appropriations.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CANDLER of Mississippi: A bill (H. R. 8268) for the relief of Matilda H. Reed; to the Committee on War Claims.

Also, a bill (H. R. 8269) for the relief of Dr. O. R. Early; to the Committee on War Claims.

Also, a bill (H. R. 8270) for the relief of Isabella Rowsey; to the Committee on War Claims.

Also, a bill (H. R. 8271) for the relief of Susan C. Robinson; to the Committee on War Claims.

Also, a bill (H. R. 8272) for the relief of Francis E. Whitfield and Lucy G. Whitfield; to the Committee on War Claims.

Also, a bill (H. R. 8273) for the relief of Lucretia Lambert; to the Committee on War Claims.

Also, a bill (H. R. 8274) for the relief of David Ingram; to the Committee on War Claims.

Also, a bill (H. R. 8275) for the relief of Mrs. E. A. Hubbard; to the Committee on War Claims.

Also, a bill (H. R. 8276) for the relief of Mary Johnson; to the Committee on War Claims.

Also, a bill (H. R. 8277) for the relief of A. W. McClure; to the Committee on War Claims.

Also, a bill (H. R. 8278) for the relief of J. R. Wilson; to the Committee on War Claims.

Also, a bill (H. R. 8279) for the relief of Sallie Sowell; to the Committee on War Claims.

Also, a bill (H. R. 8280) for the relief of B. H. Davis, administrator of the estate of Enos Davis, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8281) for the relief of estate of W. F. Young; to the Committee on War Claims.

Also, a bill (H. R. 8282) for the relief of estate of W. R. Smith; to the Committee on War Claims.

Also, a bill (H. R. 8283) for the relief of the estate of Richard Mann, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8284) for the relief of the estate of Mary H. Moore, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8285) for the relief of estate of J. M. Cumby, heir of M. B. Cumby; to the Committee on War Claims.

Also, a bill (H. R. 8286) for the relief of the estate of Richmond Pace, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8287) for the relief of the estate of Andrew J. Kincaid; to the Committee on War Claims.

Also, a bill (H. R. 8288) for the relief of the estate of William Clement, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8289) for the relief of the estate of J. W. Hopkins, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8290) for the relief of the estate of Richard D. Fielder; to the Committee on War Claims.

Also, a bill (H. R. 8291) for the relief of the estate of W. R. Smith, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8292) for the relief of the estate of Milton Crawford, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8293) for the relief of the estate of J. K. Morrison, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8294) for the relief of the estate of Josiah White, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8295) for the relief of the estate of R. C. Bumpass, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8296) for the relief of the estate of John Linton, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8297) for the relief of estate of Marcus Cook, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8298) for the relief of heirs or estate of T. M. D. Coln, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8299) for the relief of the heirs of Louisa Elliott, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8300) for the relief of the heirs of Sarah R. Farmer, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8301) for the relief of the heirs of Jeremiah E. Cunningham, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8302) for the relief of the heirs of Richard E. Holt, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8303) for the relief of the heirs of Gladney, Gardner & Co.; to the Committee on War Claims.

Also, a bill (H. R. 8304) for the relief of the heirs of Nancy Whitfield, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8305) for the relief of heirs of Sylvia Cannon; to the Committee on War Claims.

Also, a bill (H. R. 8306) for the relief of the heirs of M. A. McNulty, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8307) for the relief of the heirs of George W. Gardner, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8308) for the relief of the heirs of Harriet F. and Robert McPeters; to the Committee on War Claims.

Also, a bill (H. R. 8309) for the relief of the heirs of Mary A. F. Peters, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8310) for the relief of Jennie Gaston Henderson, sole and only heir of L. B. Gaston, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8311) for the relief of D. M. Whittaker and heirs of estate of H. H. Whittaker, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8312) for relief of George Kimberley and Sam Kimberley, heirs of M. P. Kimberley, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8313) for the relief of heirs of John Hamilton; to the Committee on War Claims.

Also, a bill (H. R. 8314) for the relief of the heirs of John B. Jones, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8315) for the relief of the trustees of the Baptist Church of Rienzi, Miss.; to the Committee on War Claims.

Also, a bill (H. R. 8316) to carry into effect the findings of the Court of Claims in the case of John Wood; to the Committee on War Claims.

Also, a bill (H. R. 8317) to carry into effect the findings of the Court of Claims in the case of T. A. Norris, administrator of estate of N. M. Aldridge, deceased; to the Committee on War Claims.

Also, a bill (H. R. 8318) to carry into effect the findings of the Court of Claims in the matter of the claim of the estate of Thomas J. Price, deceased; to the Committee on War Claims.

By Mr. CONNOLLY of Iowa: A bill (H. R. 8319) granting a pension to August A. Bemtgen; to the Committee on Invalid Pensions.

By Mr. EAGAN: A bill (H. R. 8320) granting an increase of pension to Ernest Gregor; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8321) granting a pension to Catherine Sweeney; to the Committee on Pensions.

Also, a bill (H. R. 8322) granting a pension to Mary E. Sweeney; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8323) granting a pension to Helen Conrad; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8324) granting a pension to William Connel; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8325) granting a pension to Catherine Van Aken; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8326) granting a pension to James A. Crowley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8327) granting a pension to Adele Miller; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8328) granting a pension to Elizabeth Mellady; to the Committee on Invalid Pensions.

By Mr. GARNER: A bill (H. R. 8329) to reinstate Stephen M. Borlaw as second lieutenant in the United States Army; to the Committee on Military Affairs.

By Mr. GOODWIN of Arkansas: A bill (H. R. 8330) granting an increase of pension to Ollie B. Wright; to the Committee on Pensions.

By Mr. LEWIS of Maryland: A bill (H. R. 8331) granting an increase of pension to Jennie Smith; to the Committee on Invalid Pensions.

By Mr. MCGILLICUDDY: A bill (H. R. 8332) granting a pension to Cecelia Kelleher; to the Committee on Pensions.

Also, a bill (H. R. 8333) providing for refund of certain customs duties improperly assessed and collected on certain imports of machine-glazed sulphite wrapping paper; to the Committee on Claims.

By Mr. MCKENZIE: A bill (H. R. 8334) granting an increase of pension to George H. V. Kelly; to the Committee on Invalid Pensions.

By Mr. PADGETT: A bill (H. R. 8335) granting a pension to Joseph McWilliams; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8336) granting a pension to Callie Mabry; to the Committee on Pensions.

Also, a bill (H. R. 8337) granting a pension to Jacob Horne; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8338) granting an increase of pension to Elizabeth Weems; to the Committee on Pensions.

Also, a bill (H. R. 8339) for the relief of John Jones; to the Committee on Military Affairs.

Also, a bill (H. R. 8340) for the relief of Eli A. Spain; to the Committee on War Claims.

Also, a bill (H. R. 8341) for the relief of S. A. Wilson; to the Committee on War Claims.

Also, a bill (H. R. 8342) for the relief of W. M. Crossthwait; to the Committee on War Claims.

Also, a bill (H. R. 8343) for the relief of Holly Prater, alias Plater; to the Committee on Military Affairs.

By Mr. TAGGART: A bill (H. R. 8344) granting a pension to Mary E. Bassett; to the Committee on Invalid Pensions.

By Mr. TALCOTT of New York: A bill (H. R. 8345) granting a pension to Hannah R. Grant; to the Committee on Pensions.

By Mr. TRIBBLE: A bill (H. R. 8346) for the relief of the estate of C. E. Rosser, deceased; to the Committee on War Claims.

By Mr. DAVENPORT: A bill (H. R. 8351) for the relief of the Ottawa Indian Tribe of Blanchard Fork and Roche de Boeuf; to the Committee on Indian Affairs.

By Mr. REILLY of Connecticut: A bill (H. R. 8352) granting a pension to Jennie Conraux; to the Committee on Pensions.

Also, a bill (H. R. 8353) granting an increase of pension to Mary Ann Gilbert; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8354) for the relief of William J. Phillips; to the Committee on Claims.

By Mr. BYRNS of Tennessee: A bill (H. R. 8355) to compensate the Nashville Trust Co., of Nashville, Tenn., trustee under the will of E. W. Cole, deceased, for damages to a building situated on the corner of Union Street and Fourth Avenue north, in Nashville, Tenn., and known as the Cole Building, as a result of a blast in improving the channel of the Cumberland River by a United States Government boat on Monday, August 13, 1912; to the Committee on Claims.

Also, a bill (H. R. 8356) to compensate G. W. Wall, of Cheatham County, Tenn., for damages sustained by him on account of the construction of Lock and Dam A on the lower Cumberland River; to the Committee on Claims.

Also, a bill (H. R. 8357) to compensate J. E. Stewart, of Cheatham County, Tenn., for damages sustained by him on account of the construction of Lock and Dam A on the lower Cumberland River; to the Committee on Claims.

By Mr. HAMILL: A bill (H. R. 8358) granting a pension to James Duffy; to the Committee on Invalid Pensions.

By Mr. WINSLOW: A bill (H. R. 8359) granting a pension to Ida V. Kelley; to the Committee on Pensions.

Also, a bill (H. R. 8360) for the relief of Henry Van Ostrand; to the Committee on Military Affairs.

Also, a bill (H. R. 8361) for the relief of Henry Butterfield, alias Henry Johnson; to the Committee on Military Affairs.

Also, a bill (H. R. 8362) for the relief of Franklin C. Colburn; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of Rule XXII, the following petitions and papers were laid on the Clerk's desk and referred as follows:

By the SPEAKER: Petition of the Department of the V. A. P., relative to taking part in partisan politics; to the Committee on Insular Affairs.

By Mr. DILLON: Petition of the Pierre Commercial Club, favoring deliberation in passing the proposed currency bill; to the Committee on Banking and Currency.

By Mr. GARNER: Indorsement of headquarters, Army of Cuban Pacification, Marianao, Habana, Cuba, and headquarters, Eleventh Infantry, Morro Barracks, Santiago, Cuba, relative to reinstatement of Lieut. S. M. Borlaw; to the Committee on Military Affairs.

By Mr. LIEB: Petition of sundry bankers of the first Indiana district, criticizing the banking and currency bill (H. R. 7837); to the Committee on Banking and Currency.

By Mr. LONERGAN: Petition of the Hartford Clearing House Association, Hartford, Conn., relative to the banking and currency bill (H. R. 7837), and offering amendments to same; to the Committee on Banking and Currency.

SENATE.

THURSDAY, September 18, 1913.

The Senate met at 2 o'clock p. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

NAMING A PRESIDING OFFICER.

The Secretary (James M. Baker) read the following communication:

WASHINGTON, D. C., September 18, 1913.

TO THE SENATE:

Being temporarily absent from the Senate, I appoint Hon. F. M. SIMMONS, a Senator from the State of North Carolina, to perform the duties of the Chair during my absence.

JAMES P. CLARKE,
President pro tempore.

Mr. SIMMONS thereupon took the chair as Presiding Officer and directed that the Journal of the proceedings of Monday last should be read.

The Journal of the proceedings of Monday last was read and approved.

ENROLLED JOINT RESOLUTION SIGNED.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the Speaker of the House had signed the enrolled joint resolution (H. J. Res. 130) to provide for the relief and transportation of destitute American citizens in Mexico, and it was thereupon signed by the Acting President pro tempore.

CLAIM OF WILLIAM T. EVANS (S. DOC. NO. 187).

The PRESIDING OFFICER laid before the Senate a communication from the Secretary of the Treasury, submitting an estimate of appropriation to pay the claim of William T. Evans, United States deputy surveyor, for surveys and resur-

veys of public lands in Oregon, etc., \$1,428.16; which was referred to the Committee on Appropriations and ordered to be printed.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. MYERS:

A bill (S. 3121) to authorize the President to provide a method for opening lands restored from reservation or withdrawal, and for other purposes; to the Committee on Public Lands.

By Mr. BRADLEY:

A bill (S. 3122) authorizing an appropriation and expenditure to make a survey and procure an estimate of the cost of the construction of a macadamized post road from Crab Orchard, Ky., to Cumberland Gap, in said State, said road to be known as the Boone Way; to the Committee on Post Offices and Post Roads.

By Mr. MARTINE of New Jersey:

A bill (S. 3123) extending to the port of Perth Amboy, N. J., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement (with accompanying paper); to the Committee on Commerce.

By Mr. CHAMBERLAIN:

A bill (S. 3124) granting a pension to Mary B. Howland; to the Committee on Pensions.

By Mr. OWEN:

A bill (S. 3125) to authorize the Atchison, Topeka & Santa Fe Railway Co. to change its line of railroad through the Chillicothe Indian Reservation, State of Oklahoma (with accompanying papers); to the Committee on Indian Affairs.

AMENDMENTS TO DEFICIENCY APPROPRIATION BILL.

Mr. OWEN submitted an amendment proposing to pay Thomas P. Kane the difference between the compensation allowed by law for the Comptroller of the Currency and the compensation allowed by law for the Deputy Comptroller of the Currency for services as Acting Comptroller of the Currency from April 28, 1913, etc., intended to be proposed by him to the urgent deficiency appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

Mr. JOHNSON submitted an amendment proposing to increase the appropriation for the erection of a public building at Bangor, Me., from \$400,000 to \$450,000, intended to be proposed by him to the urgent deficiency appropriation bill, which was referred to the Committee on Public Buildings and Grounds and ordered to be printed.

ADDRESS BY DR. LE ROY HODGES (S. DOC. NO. 188).

Mr. SWANSON. I ask unanimous consent to have printed as a public document an address delivered by Dr. Le Roy Hodges, of Petersburg, Va., in connection with the Winston-Salem School in North Carolina. They are introducing a new system in the schools there in the training of young men. The address is very short, and I think it would be very valuable as a public document.

The PRESIDING OFFICER. The Senator from Virginia asks that the paper which he has sent to the desk may be printed as a public document.

Mr. GALLINGER. I did not hear the Senator; he spoke so low. Will the Senator restate the purport of the document?

Mr. SWANSON. At Winston-Salem, under Dr. Le Roy Hodges, they have had a cooperation in work between the board of trade and the high school in which they have introduced a new system, which is a very fine method of training young men for citizenship. I think from an educational standpoint the address is a very fine one and it should be published as a document.

Mr. GALLINGER. I quite agree with the Senator.

Mr. SWANSON. It will consist of only four or five printed pages.

Mr. FLETCHER. The rule requires that an estimate should be made. The Senator from Virginia has shown me this document. It is a short paper and I think it is very valuable from an educational standpoint. It will cost but very little to print it, and I will therefore make no objection.

The PRESIDING OFFICER. Without objection, the address will be printed as a public document.

ADDRESS BY HON. CHARLES FRANCIS ADAMS (S. DOC. NO. 186).

Mr. CLAPP. At the request of the senior Senator from South Carolina [Mr. TILLMAN], who is unable to be present, I make the following statement in his behalf:

I ask unanimous consent for the printing as a public document of the address of Hon. Charles Francis Adams, president of the Massa-

chusetts Historical Society, the title of which is "'Tis Sixty Years Since." This address was delivered on founders' day, January 16, 1913, before the faculty and students of the University of South Carolina, at Columbia.

Dr. Adams is so well known throughout the country that no one needs my assurance that it will be a very interesting and instructive speech, and will be read with a great deal of interest by everybody North and South, because of its valuable historical reminiscences and broad-minded patriotism.

The PRESIDING OFFICER (Mr. SMITH of Georgia in the chair). Is there objection to print as a public document the speech of Mr. Adams referred to by the Senator from Minnesota? There being no objection, it is so ordered.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes; agrees to the conference asked for by the Senate on the disagreeing votes of the two Houses thereon; and had appointed Mr. UNDERWOOD, Mr. KITCHIN, Mr. RAINY, Mr. DIXON, Mr. PAYNE, Mr. FORDNEY, and Mr. MURDOCK managers at the conference on the part of the House.

ADJOURNMENT TO MONDAY.

Mr. SIMMONS. I move that when the Senate adjourns today it adjourn to meet at 12 o'clock on Monday next.

The motion was agreed to.

FOREST RESERVE LANDS AND INDEMNITY THEREFOR.

Mr. ASHURST. Mr. President, I wish to address the Senate for a few moments with reference to the effect of the act of June 4, 1897, so far as it relates to the surrender to the United States of a large amount of corporate land grants and the selection of other lands in lieu of those relinquished.

In order to state properly some of the abuses that have grown out of the improper construction of that law it will be necessary for me to make some reference to speeches of the Senator from Oregon [Mr. CHAMBERLAIN] and of Representative HUMPHREY upon this subject.

RELINQUISHMENT OF LANDS TO THE GOVERNMENT OF THE UNITED STATES, AND THE SELECTION OF OTHER LANDS IN LIEU THEREOF UNDER THE ACT OF JUNE 4, 1897.

Mr. President, on May 16, 1912, when the Senate of the United States was considering the Agricultural appropriation bill, the distinguished senior Senator from Oregon [Mr. CHAMBERLAIN], whose services as Senator have been of much value not only to the State of Oregon but to the Nation as well, inter alia, said:

Mr. CHAMBERLAIN: The act authorizing the President by proclamation to create forest reserves was passed March 3, 1891. The creation of these reserves was recognized as almost a necessity at that time, and the President proceeded, in pursuance of the power vested in him, to create these reserves in order to protect the great wealth of timber and mineral resources against monopolization by those who wanted to acquire them for speculative purposes.

In the creation of these reserves it became necessary, Mr. President, to include lands that were owned by entrymen under the several Federal statutes, railroad and wagon-road grants, and others who had acquired holdings before the reserve was created. Now, let us note the evolution and development of a great national wrong under an act that was beneficent in its purposes.

Occasionally there would be a homestead near the top of a mountain or on a mountain side or in an isolated valley at the time of an Executive proclamation creating a reserve. These holdings were, of course, not extinguished by the creation of the reserves; but where there was one private holder or one entryman under the land laws there were hundreds of thousands of acres that belonged to railroad and wagon-road grant companies and others who, through mesne conveyances, had acquired title from them.

Then began to be heard a plea in behalf of the poor entryman, who had a home in the center of a reserve without possibility of having any neighbors or churches or schools; that he ought to be protected, and allowed to surrender his little holding in the reserve, which could never be otherwise than isolated; and that he should be permitted to select in lieu thereof other lands outside of the reserve, where he would have the benefit of neighbors, schools, and churches. That was a plausible plea for the entryman; and nobody on earth could object to allowing that entryman to release his land to the Government of the United States and to select in lieu thereof an equal area in some other part of the public domain. The same plea is being made for the poor settler now as a reason for abandoning the forest-reserve policy. It looks ominous, Mr. President. The unwritten history of that plea is, that it originated, not by the fireside of the poor entryman, but in the office of a great railroad company in the Middle West; it was gotten up, not for the benefit of the small holder but for the purpose of enabling the big grant corporations, railroads, and others, and their successors in interest to release their holdings within the forest reserves, and to take up in lieu thereof other vacant Government lands in other sections of the country, which were far more valuable for all purposes than were the lands within the reserves. This was the origin of the indemnity selection or lieu-land law. It was conceived in iniquity and resulted in robbing the people of untold millions in land and money. On June 4, 1897, Congress passed what was known as the indemnity-selection law, ostensibly in the interest of the entryman who had his home within the forest reserve, allowing him and incidentally all others who had holdings within the reserves to release their holdings to the Government and to take up lands elsewhere in lieu of the lands which they might surrender to the Government.

Bear in mind that this law, ostensibly in the interest of the settler, was not confined to him. It would have been harmless with such a limitation; but it applied to the grant companies of all kinds and their

successors in interest, and millions of acres of land in these reserves, consisting of lava beds, denuded forests, and rugged peaks, were released under the act of 1897 to the United States, and lands valuable for agricultural purposes, for timber, for minerals, for coal, and for oil, surveyed and unsurveyed, were taken up in every State in the Union where there were vacant lands by these companies that hastened to surrender their holdings within the reserve and to take advantage of a law which it was pretended was in the interest of the settler.

Mr. CHAMBERLAIN. * * * That is not all, Mr. President. This thing had become so notorious and so infamous in every western State that a demand went up everywhere that this old indemnity-selection law should be abolished and repealed. What happened? On the 3d of March, 1905—I want the Senate to notice the wording of this repealing clause—there was passed and approved "An act prohibiting the selection of timber lands in lieu of lands in forest reserves," which is as follows:

"Be it enacted, etc., That the acts of June 4, 1897, June 6, 1900, and March 3, 1901, are hereby repealed so far as they provide for the relinquishment, selection, and patenting of lands in lieu of tracts covered by an unperfected bona fide claim or patent within a forest reserve."

If they had stopped there, the act would have repealed the indemnity-selection acts and would have stopped the looting of the public domain; but it goes on:

"But the validity of contracts entered into by the Secretary of the Interior prior to the passage of this act shall not be impaired: *Provided*, That selections heretofore made in lieu of lands relinquished to the United States may be perfected and patents issue therefor the same as though this act had not been passed, and if for any reason not the fault of the party making the same any pending selection is held invalid another selection for like quality of land may be made in lieu thereof."

Here was a qualified repeal of the indemnity-selection acts that were on the statute books at that time, but it excepted from the effect of the repeal contracts which had been made by the Secretary of the Interior.

On June 2, 1913, speaking in the House of Representatives, Hon. WILLIAM E. HUMPHREY, a Representative from the State of Washington, inter alia, said:

Mr. HUMPHREY. * * * Speaking in general terms, one-half of all the standing timber in the United States is in California, Oregon, and Washington. One-fourth of this amount is in forest reserves; one-fourth is owned by the railroads and the Weyerhaeuser syndicate; the rest by smaller private owners. How did these people get their vast holdings? It is a most interesting story, in which the Forest Service has played the leading part. The Weyerhaeuser syndicate secured most of its timber from the railroads. How did the railroads get theirs? In two ways. First, a part of the railroad lands came by Government land grants given for the building of these roads. Whether the vast domain that was given for this purpose was wisely given it is now too late to discuss. Many of the leading men thought so at that time and many believe so to-day. In any event, there was some consideration for giving this land to the railroads. Second, a mighty empire, consisting of millions of acres of land, has been given to the railroads practically for no consideration by the Forest Service, in the name of conservation, by what is known as the lieu-land system. It is this last proposition that I wish to discuss, and I hope that, as there are many Members of this body who believe as I once believed, that these forest reserves have been established and conducted in the interests of the public, and that they have not been run as private enterprises to glorify certain bureaus and departments and for the benefit of the railroads, they will for a few moments listen to the facts that I am going to present.

I reiterate that millions of acres of the most valuable of all our public domain has been given to the railroads in the name of "conservation." How was this done? The story is written in the records of the Government and there can be no dispute as to the facts. Why these facts have not been exploited it is not hard to understand.

In an evil hour Congress passed what is known as the lieu-land law as applied to forest reserves. Congress gave to the President the power to create forest reserves. Congress gave to the Secretary of the Interior the power to exchange land in forest reserves, acre for acre, for any unappropriated land in the United States. Congress supposed that this law would be used in behalf of the public. The cry of those who were clamoring for forest reserves was that the timber supply of the United States must be saved from monopoly. It was with this motto that they commenced to administer the lieu-land law and create forest reserves. What did they do under the pretense of acting in the interest of the people under this law which Congress had so unwisely placed upon the statute books? It is the most amazing story in the Nation's life. The facts that I shall use are taken from public documents, except where I indicate that they are taken from other sources.

Mr. MONDELL. Will the gentleman yield for a question?

Mr. HUMPHREY of Washington. If the gentleman will wait until I have finished this particular subject.

Mr. MONDELL. It is in line of the lieu-land proposition that I desire to address my question.

Mr. HUMPHREY of Washington. If the gentleman will withhold his question for a little while, I will be obliged.

By Executive order vast forest reserves were created in Arizona. Of course, we know now that these forest reserves were almost entirely treeless and some of them completely so. At first these reserves did not include much railroad land. But the Forest Service was dissatisfied with this condition, and again by Executive order about 1,200,000 acres of land belonging to the Santa Fe Railroad were included in these treeless forest reserves. Immediately thereafter great agitation was commenced by the railroads and the Forest Service for an exchange of these lands for other lands outside of the reserve. The Secretary of the Interior suggested, first, that the railroads should take an equal area of public lands within these reserves, and this would give both the railroad and the Government their lands in solid bodies. This the railroad refused.

The Secretary then offered to exchange outside lands of equal value anywhere in the United States. This proposition the railroad again promptly rejected. It may be well to recall that at this opportune and critical time Mr. Paul Morton was one of the great powers in the Santa Fe Railroad; that he had great influence in "conservation" circles. He was himself a great "conservationist." In one of these reserves, called the San Francisco Mountain Reserve, there were included 935,000 acres of land belonging to the Santa Fe Railroad. This land was practically useless for any purpose. Eight hundred thousand acres of this land

were valued by the railroads themselves at from 5 to 15 cents per acre. The railroads insisted that they be permitted to trade this land, acre for acre, for the best land that still remained in all the public domain. They made this offer, and in spite of the protest of the Commissioner of the General Land Office and in spite of the fact that the Secretary of the Interior had twice recommended against the proposition it was accepted, with the single restriction that 180,000 acres of the 935,000 should be located south of the thirty-seventh standard parallel of latitude and south of the Tehichipa Range of mountains; and under this contract, urged by the Forest Service, consummated in the name of conservation, for this vast, worthless, treeless waste, the Santa Fe Railroad selected 750,000 acres of the very best of all the public lands in the Republic. These selections were made with great care in 22 different States. The very cream of the public domain everywhere was secured. I have traced 53,000 acres of this selection to the State of Washington, although the Santa Fe Railroad does not own and never has owned a rail within 800 miles of that State. In the 53,000 acres in the State of Washington is found to-day some of the finest timbered land upon this globe. The Bureau of Corporations, in its recent report, says that some of this land thus received for nothing by the Santa Fe Railroad is worth from \$100 to \$200 per acre for the timber alone. The 53,000 acres secured in the State of Washington alone are worth many times what the entire 935,000 acres originally owned by the railroad is worth. The history of this Nation up to that hour contains no transaction that compares in disregard of all rights of the public with this transaction in making this princely gift to the Santa Fe Railroad.

At the instigation of Mr. Morton and the other officers of the Santa Fe Railroad, they were permitted to select for those 935,000 acres, absolutely worthless, 935,000 acres of the best public land beneath the flag. That is true. That is taken from the records, and I challenge any man to dispute it.

Mr. MURDOCK. Mr. Speaker, does the gentleman deny in that connection that after that transaction was made a bill passed through this Congress, in the last days of Congress, on March 3, 1905, validating that arrangement upon the part of Secretary of the Interior, and that the gentleman permitted it to pass without any objection at that time upon his part?

Mr. HUMPHREY of Washington. I do not know whether that occurred or not.

Mr. MURDOCK. The RECORD shows that.

Mr. HUMPHREY of Washington. Whether that is true or not, why did not the gentleman from Kansas raise his voice? He was here. Whether I voted for it or whether I voted against it does not change the facts. If I voted for it, I did exactly what the gentleman from Kansas did. I did not know what I was voting for, and I want to know whether the gentleman from Kansas will have the courage to denounce it now, as I do after I have discovered the truth?

Mr. MURDOCK. I certainly do denounce it.

Mr. MONDELL. Mr. Speaker, will the gentleman yield at that point for a question?

Mr. HUMPHREY of Washington. I yield for a question.

Mr. MONDELL. I am the author of the bill repealing the Heu-land law.

Mr. HUMPHREY of Washington. I am going to discuss that further on. Mr. MONDELL. My recollection is that after the bill passed the House repealing the Heu-land law in toto it was nearly nine months before it passed the Senate, and it became necessary to either have the Heu-land law remain on the statute books so that exchanges could be made everywhere, or accept Secretary Hitchcock's agreement.

Mr. MURDOCK. And the gentleman will remember that the proviso was added by the managers of the House in conference.

Mr. MONDELL. It was not added by the managers of the House at all. Mr. HUMPHREY of Washington. Mr. Speaker, I decline to yield any further at this time.

The SPEAKER pro tempore (Mr. HEFLIN). The gentleman from Washington declines to yield further.

Mr. HUMPHREY of Washington. The Grand Canyon Forest Reserve was created in Arizona. This reserve contained 375,000 acres of Santa Fe land also. These 375,000 acres were also mostly worthless. But in the name of conservation, and with the active assistance of the Forest Service, for these 375,000 acres of worthless land the Santa Fe Railroad was permitted to select 380,000 acres of the best of the public lands that yet remained. It was afterwards discovered that through some mistake they had been allowed to take 5,000 acres too much, but so far as I have been able to discover this little insignificant error was never corrected. Thus, more than a million and a quarter acres of our best public lands were given in the name of conservation to the Santa Fe Railroad for practically no consideration whatever. Is it any wonder that the officials of the Santa Fe Railroad were great conservationists?

Mr. President, the speech of Senator CHAMBERLAIN, as well as the speech of Representative HUMPHREY of Washington, from which I have quoted, attracted wide attention, and a number of persons have asked me whether such transactions as those described in the speeches of Senator CHAMBERLAIN and Representative HUMPHREY of Washington really occurred in this Nation in the twentieth century. Some Senators have asked me if it were possible that such transactions actually took place, to wit, the surrendering of large areas of nontimbered land in the now State—then Territory—of Arizona by the railroad company to the United States Government and the selection of valuable timbered lands in lieu of the lands surrendered? Indeed, it has been insinuated, and even directly charged, that if the people of Arizona, without protest or contest, stood mutely by and permitted such spoliation, such looting, such grabbing and grasping of valuable public lands and timber by the railroad company and did not realize that it was their duty to call the attention of the President and the Interior Department to such outrageous procedure they, the people of Arizona, did not upon that occasion live up to the high standard of citizenship and civic virtue which, as a people, they have so worthily won and so fearlessly maintained.

Therefore, Mr. President, in order that the truth of history shall not be distorted, in order that odium and blame shall not

hereafter be laid upon the fair State of Arizona, and in order that no remissness, lapse, or neglect may be charged against the people of Arizona, I desire here and now to say that not only were the people residing in the locality where were situated the lands proposed to be conveyed radically opposed to such transfer of lands under a scheme obviously so unfair to the United States, but in addition thereto, with all the power, vehemence, and emphasis at their command, and in every possible and proper way, they resisted such spoliation and juggling and contested it to the last. So soon as the people living in the region of Arizona where these basis lands lie obtained information of such proposed action on the part of the Interior Department they began to assemble themselves and to marshal their energies for the purpose of resisting this transfer, so far as in their capacity lay. The information of such proposed transfer of lands was the notice of a letter, signed by the then vice president and general solicitor of the Santa Fe Pacific Railroad Co. and some grantees of the railroad company, addressed to the Secretary of the Interior, as follows:

JANUARY 11, 1901.

Hon. E. A. HITCHCOCK,

Secretary of the Interior.

SIR: If the President of the United States, by proclamation, shall immediately extend the limits of the San Francisco Mountains Forest Reserve so as to include all the odd-numbered sections now owned by us falling within the present exterior limits of such reserve, we, the undersigned holders of title to such odd-numbered sections, hereby agree to surrender to the United States our titles in such forest reserve, under the act of June 4, 1897, on the following basis:

One hundred and eighty thousand acres of our said present holdings to be exchanged for nontimbered public lands lying south of the thirty-seventh standard parallel of latitude and south of the Tehichipa Range of mountains, and the remainder of our lands in said enlarged reservation to be exchanged by us under said act of June 4, 1897, and amendments thereto, without any other restrictions whatsoever, on the part of the Santa Fe Pacific Railroad Co., it being, however, understood that the company will not be expected to surrender any lands needed to be retained by it for railroad purposes, and such railroad purposes being understood to include rights of way of all kinds, station grounds, pumping stations, dams, reservoir sites, stone quarries, deposits of cinders, gravel, or other material for ballast, and also other land needed for railroad purposes, but not including lands held solely for the timber thereon.

This proposition is made with the further understanding that in case of its acceptance the Government will, in every reasonable way, so expedite all necessary surveys and approval thereof, and the issuance of patent to the railroad company, as to enable said company and the undersigned holders of title under its grant to carry out this agreement. Very respectfully,

Whereupon the board of supervisors of the county of Coconino, Ariz., through its chairman, transmitted the following telegram to the honorable Secretary of the Interior:

[Telegram.]

JANUARY 18, 1901.

The people of Coconino County, Ariz., learning that arrangements have been made with the Secretary of the Interior whereby over 1,000,000 acres of odd-numbered sections of grant lands within the Black Mesa and San Francisco Mountains Forest Reserves will be, by Executive order, included in said reserve, be relinquished to the Government, do, through the board of supervisors, earnestly protest against such action, for the reason that it will draw all said lands from taxation, destroy the large stock interests of the county by its exclusion from said reserves, which will bankrupt this and seriously damage Navajo County adjoining. We therefore urge that you withhold approval of the order effecting this until our representatives can reach Washington, and that you advise us by wire if order has already issued. There is a heavy bonded debt against that county—\$200,000—for the payment of which these lands are pledged and without which the requisite taxes can not be raised. The order if effected will withdraw \$1,000,000 in taxable values from the county.

J. C. PHELAN,

Chairman Board of Supervisors.

To which telegram the Secretary of the Interior made the following response:

JANUARY 20, 1901.

J. C. PHELAN,

Chairman Board of Supervisors, Flagstaff, Ariz.:

Your telegram of the 18th to the President has been received. The department will be pleased to hear any statement you may have to make before requesting the President to issue the order respecting the Black Mesa and San Francisco Mountains Forest Reserves referred to in your telegram. Please advise when the department may hear from you.

E. A. HITCHCOCK, Secretary.

A hearing, to begin on February 6, 1901, was then ordered by the Interior Department, to be held at Washington. Mr. Alexander Britton, representing the Santa Fe Pacific Railroad Co., appeared at the hearing and urged such exchange of lands. A number of public-spirited citizens of Arizona, such as Mr. David Babbitt and Mr. John C. Verkamp, of Flagstaff, appeared at the hearing and protested against the proposed exchange.

The chairman of the board of supervisors of Coconino County, Mr. J. C. Phelan, also appeared in opposition to such transfer, and there also appeared on behalf of Coconino County in opposition to such transfer Mr. E. S. Clark, of Prescott, Ariz. Mr. Clark delivered a complete and unanswerable argument in opposition to the proposed transfer, and I ask unanimous consent that I may include in the RECORD as a part of my remarks some excerpts from the argument made by Mr. Clark before the

Secretary of the Interior in opposition to the proposed surrender of these worthless base lands to the Government.

THE PRESIDING OFFICER. In the absence of objection, permission is granted.

The matter referred to is as follows:

[Excerpts from argument of Mr. Clark.]

MR. CLARK. Mr. Secretary, I have tried, as a citizen, to ascertain who first would be the beneficiaries. I concede, of course, in addition, that the preservation of the forests is a matter of extreme moment, not only to the people of the West, who live there and whose interests there ought to be quickly affected by anything affecting the forests, but to the people of the entire Nation. But in this instance, while it may be true that the cutting of timber will be retarded for a time—it will be retarded upon the slopes of the San Francisco peaks—is it not true that timber land must be and will be elsewhere given to these corporations in exchange for these very lands? Must not the whole stock of timber in the United States, at some time, yield its pro rata, yield the foot for foot, yield the cord for cord, of every tree that is standing within the railroad grant land of the San Francisco forest reserves to-day? If that be conceded—and I believe it will be, because under the terms of this order it is shown that only 180,000 acres of nontimbered land are required to be selected by this railroad company and by these other corporations—if it is true, then all the balance of the land owned by them will, as I believe, be exchanged for timberlands upon the public domain. If they are not at present surveyed, I, of course, understand that these selections may be restricted to surveyed lands. I understand the agreement contemplates that surveys be made; therefore that restriction will be a dead letter. So that I believe, as far as the public is concerned, the whole public, the general public, no benefit can be possibly figured out of this proposed exchange.

Now, I would also like to touch upon this: Where did the purpose to effect this exchange originate? I can not see, as far as I have been able to investigate, that it ever had its origin in the Government. I have investigated the early orders made. I have investigated the case of the Santa Fe Pacific Railroad Co., which, shortly after the order made, undertook to exchange one section of its lands in that reserve. I would refer to your office decision, or rather to your decision affirming the Commissioner of the General Land Office's decision of March 9, 1900, found in 29 L. D., 597. It was at that time the declared policy of the Government not to include the odd-numbered sections in the townships included in the San Francisco Mountains Reserves, and for the very reason that too much land of private ownership would thereby be included and would be, to summarize the language of the decision, a burden to the Government. It would permit the exchange of too many lands, too great a latitude in doing so; and the matter was held by this office to have been fully considered by the President and the Secretary before the reserve was created, and good reasons were then considered to exist for not making one large general reservation.

It can not for one moment be contended, even as to the 180,000 acres of nontimbered lands to be selected under this exchange, that it will lose, because the very vicinity in which they are to be selected, and the character of the lands which they are to relinquish in lieu thereof, show that it would be very difficult for them to select lands anywhere on the public domain which would be of less value than those they are surrendering. As to the other lands, aggregating over 700,000 acres, it is certain that if there were not other lands more desirable and valuable to this corporation they would not desire to make this exchange. So that I think, instead of this exchange being called for by an appeal from the public, it has come from those who are interested. I trust I may be pardoned for suggesting that, in my judgment, it seems to me as though the inclusion of so much private land in a forest reserve as is intended to be done in the San Francisco Mountains Reserve by its consolidation goes at least to the limit, if not beyond, the provision of the law authorizing the establishment of forest reserves. It is quite clear, from a glance at the law, that it contemplated only the inclusion of large areas of public domain, and, of necessity, such small tracts, held by small holders here and there, as might have occurred in a limited development of the country; but here is a proposition which takes in more land than there is in some States of the Union—more private land. It proposes to give timbered lands in one place for timbered lands in another. It proposes to give vast areas of nontimbered lands in one place for timbered lands in another.

THE SECRETARY. Why do you say that?

MR. CLARK. I say that simply on my belief. The terms of the agreement lead me to believe that. The agreement says that as to 180,000 acres of these proposed lands to be exchanged, that land shall be selected below the thirty-seventh meridian in California, and south of the Tehachapi Mountains, and all of the rest shall be selected without any restriction. Now it would seem to me to be a fair assumption that when this land may be taken with a free hand, when these corporations are permitted to select where they will—I say it seems to me they will naturally select the very best lands they can find on the public domain. I simply refer to a well-known trait of human nature in making this assertion, and state it as a matter of belief.

I will, with your kind permission, devote a few moments to a discussion of the statement just made by Mr. Britton reflecting upon the correctness of the figures set forth in the protest of the people of Coconino County. I will say, first, however, that I am unable to perceive any reason, unless the railroad corporations of this country have suddenly acquired a philanthropy hitherto a stranger to them, why the Santa Fe Pacific Railroad Co. should be so urgent and so persistent, even to the extent of interposing its argument into a special hearing afforded the citizens of Coconino County—I can not understand.

THE SECRETARY. Allow me to explain, just here, Mr. Clark, that the Santa Fe Pacific road is certainly one of the parties in interest in this controversy. They represent a very large amount of interest in the proposed property that is to be released for the purpose of solidification, and I do not exactly understand or appreciate your idea, if I understand you correctly, which is that they should have been excluded from this hearing.

MR. ASHURST. Mr. President, the opposition was not confined solely to one particular portion of Arizona; the population of almost the entire Territory was thoroughly alive to its responsibility and to the duty it owed to the Nation and to itself; that is to say, the duty to protest to the Interior Department against this transfer of such worthless land to the United

States. The twenty-first legislative assembly, which was one of the most useful and capable legislatures that ever convened in the Territory, was in session and took cognizance of the matter, discussed the same, and passed the following resolution:

[By Postal Telegraph-Cable Co.]

PHOENIX, ARIZ., February 2, 1901.

DAVID BABBITT,

Hotel Revere, Washington, D. C.

To the honorable the SECRETARY OF THE INTERIOR:

Your memorialists, the Twenty-first Legislative Assembly of the Territory of Arizona, would present that—

Whereas it is understood that negotiations are pending between the Department of the Interior and certain parties for the exchange of certain lands owned by the said parties in Coconino County, Ariz., for lands situated outside of said county; and
Whereas the consummation of said negotiations would result in the withdrawal from said county of Coconino of approximately one-half the taxable property of said county; and
Whereas the bonded indebtedness of said county, amounting to \$192,500, and of the incorporated town of Flagstaff, amounting to \$95,000, is an equitable lien against the property proposed to be exchanged; and
Whereas said exchange would practically bankrupt said county of Coconino and said incorporated town of Flagstaff, would jeopardize the rights of the holders of said bonded indebtedness, and would be an irreparable injury to the entire northern part of the Territory of Arizona: Therefore

We respectfully request that your honor refuse to sanction the proposed exchange of the aforesaid lands for lands situated outside the county of Coconino, and the secretary of the Territory is hereby requested to forward a copy of this memorial to the honorable Secretary of the Interior.

(Signed:) Eugene S. Ives, president; P. P. Parker, speaker of the house, indorsed memorial to the Secretary of the Interior.

I hereby certify the within act is a true copy of house memorial No. 1. (Signed:) Curt W. Miller, chief clerk.

Filed in the office of the secretary of the Territory of Arizona this 2d day of February, A. D. 1901, at 11 a. m. (Sealed and signed:) C. H. Akers, secretary of Arizona.

I hereby certify the above to be a true, full copy of house memorial No. 1. (Signed:) Charles H. Akers, secretary of Arizona.

Akers forwards original by mail to-night.

M. J. RIORDAN.

8.15 p. m.

The gentleman whose name is appended to the telegram, Mr. M. J. Riordan, was instrumental in securing the passage of the resolution and he caused a copy of the same to be telegraphed to the delegation of Arizona citizens in Washington in order that the resolution might be laid before and considered by the Secretary of the Interior in connection with the other protests. Mr. Riordan was at that time a member of the Territorial council—the council being the upper branch of the Territorial legislature—and he represented the county (Coconino) in which were situated the larger part of the lands proposed to be transferred; he is a man of learning and of high character, and is at all times responsive to the duties, privileges, and obligations which attach to an American citizen. This legislature was in every sense a representative body of men. Its membership embraced exceptionally strong men in various walks of life and of the two then leading political parties.

Later on in the same year—1901—Mr. Clark again went to Washington to protest against such proposed transfer of these lands; upon this occasion Mr. Clark was accompanied by Mr. J. E. Jones, a prominent attorney of Arizona. These two gentlemen addressed a strong argument to the President of the United States against such proposed transfer.

It should not be forgotten that when the railroad company and some of its grantees submitted the written proposition, under date of January 11, 1901, to the Secretary of the Interior, proposing to transfer railroad-grant lands as basis for lieu-land selections, the same Secretary of the Interior had, by decision of March 9, 1900 (Twenty-ninth Land Decisions, 597), in a forceful and well-considered opinion in the shape of a letter to the Commissioner of the General Land Office, declined to permit the Santa Fe Pacific Railroad Co. to transfer any of its grant lands as basis for lieu-land selections. I ask unanimous consent to incorporate in the Record a copy of the decision of the Secretary, in which he then held that railroad-grant lands were not of such character as were contemplated—by the act of June 4, 1897—to be relinquished to the Government as basis.

THE PRESIDING OFFICER. In the absence of objection, permission is granted.

The decision referred to is as follows:

DECISIONS RELATING TO PUBLIC LANDS.

LIEU SELECTIONS ACT OF JUNE 4, 1897.

Santa Fe Pacific Railway Co.: The act of June 4, 1897, with respect to lieu-land selections, was intended to provide for extinguishing private title to such lands only as would be a part of an established forest reservation if it were not for their private ownership.

Secretary Hitchcock to the Commissioner of the General Land Office, March 9, 1900:

I have considered the appeal of the Santa Fe Pacific Railroad Co. from the following decision of your office:

"On the 1st ultimo the register transmitted to this office the application of the Santa Fe Pacific Railroad Co. to select, under the act of June 4, 1897 (30 Stat., 36), lieu selection No. 1082, all of section 34, township 22 north, range 2 west, G. and S. R. meridian, in lieu of section

15, township 20 north, range 9 east, same meridian, each tract containing 640 acres.

"In said application it is alleged that the land made the basis of said selection, as above described, is situate and lying within the boundaries of the San Francisco Mountains Forest Reserves, Territory of Arizona, and that the said railroad company is the owner thereof, or at least was, prior to October 17, 1899, when it was deeded to the United States.

"The records of this office show, in regard to the creation of the San Francisco Mountains Forest Reserves, that in laying the papers in the case before the Secretary of the Interior this office directed attention to the fact that the same presented for consideration a very serious question of lieu-land selection, inasmuch as it was shown therein, in regard to some 200,000 acres of timbered railroad lands secured by certain individuals, that should the same be included in a forest reservation, after removing the timber therefrom the denuded and worthless scattered tracts of land might be used as a basis for a lieu selection of a compact body of fine valley lands under the provisions of the said act of June 4, 1897.

"In view of the grave proportions which it was recognized that this question of the relinquishment to the Government of private holdings within forest reservations and the selection of unreserved lands in lieu thereof had at that time assumed, this office suggested that, since the region in this case included lands granted to the Atlantic & Pacific Railroad, it would be advisable to guard against any complications that might arise from the inclusion within a forest reserve of a large area of railroad lands, and accordingly recommended that the proclamation reserve in express terms the even-numbered sections and thereby make a separate reservation of each even-numbered section, all to be grouped and known under the general name of the San Francisco Mountains Forest Reserves.

"The whole question of the advisability of not creating one general reserve which would include the railroad sections within its limits was, consequently, before the Secretary of the Interior and the President for consideration before the issuance of the proclamation of August 17, 1898, making instead thereof a separate reservation of each even-numbered section.

"From the above it is clear that the railroad section in question, viz, section 15, township 20 north, range 9 east, is not within a forest reservation, and consequently can not be made the basis of an exchange under the said act of June 4, 1897, i. e., relinquished or reconveyed to the United States and other lands be selected in lieu thereof.

"Accordingly the said selection by the Santa Fe Pacific Railroad Co., is hereby rejected, subject to appeal within the usual time."

In addition to the matter stated in the decision of your office the records of this department show that your office letter of August 12, 1898, recommending the establishment of the San Francisco Mountains Forest Reserves, and urging the propriety of making a separate reservation of each even-numbered section, with a view to avoiding the application of the lieu-land provision of the act of June 4, 1897, to the alternate odd-numbered sections granted to the Atlantic & Pacific Railroad Co., was laid before the President, and that in the light of that communication the proclamation establishing these forest reserves was issued in the form recommended by your office. The lands which by the terms of the proclamation are so reserved are "the even-numbered sections in" certain enumerated townships. (30 Stat., 1780.) Had the odd-numbered sections been public lands at the time of the proclamation, they would not, under its terms, have been reserved from entry or settlement or set apart as forest reserves, but would have continued to be subject to settlement and entry under the general land laws; and if the odd-numbered sections were now relinquished to the United States they would not become a part of these forest reserves, but would become subject to settlement and entry under the general land laws. Obviously it was intended by this lieu-land enactment to provide for extinguishing private title to such lands only as would be a part of an established forest reservation if it were not for their private ownership.

Your office decision is therefore affirmed.

Mr. ASHURST. Unhappily, however, those who chanced then to be at the helm of the National Government could not be made clearly to see the enormous injustice to the public welfare which such exchange of lands would produce. And thus against sound public policy, thus in complete and flat contradiction and opposition to the then latest decision upon the subject (see opinion of Secretary of the Interior, 29 Land Decisions, p. 597, supra), thus inequitably and unjustly the relinquishment of these corporate basis lands was accepted by the United States, as follows:

[Letter.]

DEPARTMENT OF THE INTERIOR,
Washington, April 2, 1902.

THE COMMISSIONER OF THE GENERAL LAND OFFICE.

SIR: In relation to the proposed consolidation of the existing San Francisco Mountains Forest Reserves and the inclusion in the consolidated reserve of the odd-numbered sections, a conference was recently had before the President between myself and representatives of parties to be affected, as a result of which an arrangement has been agreed upon or effected which is set forth and evidenced by letters between those interested in the private lands to be included within the limits of said reserves and myself, copies of which letters are hereto attached.

You will immediately prepare for the President's consideration and transmit to this department a proclamation creating a single forest reserve to be known as the "San Francisco Mountains Forest Reserve," embracing the lands now included within the San Francisco Mountains Forest Reserves and the odd-numbered sections and other lands within the exterior limits of such existing reserves.

Very respectfully,

E. A. HITCHCOCK, Secretary.

The proclamation was signed by the President on April 12, 1902, and in this manner these lands, which previously had been assessed for purposes of taxation at from 15 to 20 cents per acre, jumped to a speculative value of from \$5 to \$8 per acre, and this speculative, inflated, and artificial value was created for the reason that under the order of the transfer lands denuded of timber, lands upon which timber never grew, and lands upon which a jack rabbit could not live unless he

carried a haversack were permitted to be conveyed to the Government, and favorably located, well-timbered, or otherwise valuable lands allowed to be selected by the railroad company in lieu of those relinquished to the Government.

Mr. WALSH. Mr. President—

The PRESIDING OFFICER. Does the Senator from Arizona yield to the Senator from Montana?

Mr. ASHURST. I do, cheerfully.

Mr. WALSH. I should like to inquire of the Senator from Arizona if the record discloses any documents evidencing the reasons upon which this action was taken, so obviously contrary to the public interest?

Mr. ASHURST. The arguments adduced at the hearing are so voluminous that I have not incorporated them into my remarks. One of the reasons given was that the department did not want to administer a "checkerboard" reserve, but wanted a solid reserve. I understand that another reason given was that the department wanted to conserve and store certain waters which, it was claimed, ran to the southern part of the State, whereas in truth and in fact nearly all of the water that falls upon the basis lands so relinquished goes north instead of south and flows into the Colorado River.

This is not a pleasant chapter in our American history. It is a chapter which reflects no credit upon anyone except the sturdy citizenship of Arizona, which always stands resolutely for the general interest instead of the "special" interest. The episode discloses that the part played by Arizona was eminently to her credit; was in behalf of the general welfare; was for the good of the Nation at large, and upon that occasion the people of Arizona displayed that virile fighting virtue for which they are so justly famous and which must always be possessed by a people who stand for justice and fair play. They opposed to the bitter end this corporate scheme which for immensity and audacity history furnishes few, if any, counterparts.

In conclusion, I ask unanimous consent in this connection to include in the RECORD as appendices to my remarks extracts from the two protests presented to the Interior Department by the board of supervisors of Coconino County, Ariz., in 1901 against the transfer to the Government of these corporate lands. I also ask unanimous consent to include in the RECORD as appendices to my remarks a letter and a copy of a letter which I have just received from Hon. Mulford Winsor, chairman of the State land commission of Arizona. Mr. Winsor is one of the ablest and most useful public men in the State of Arizona, or any other State, for that matter, and he points out some abuses and suggests some remedies respecting this situation well worthy of serious consideration.

The PRESIDING OFFICER. Without objection, the matter referred to may be printed in the RECORD.

The matter referred to is as follows:

[Extracts from protest of board of supervisors of Coconino County, Ariz.]

FLAGSTAFF, ARIZ., February 26, 1901.

HON. SECRETARY OF THE INTERIOR,
Washington, D. C.

SIR: As supplementary to the statements and arguments already submitted to you by the citizens and the board of supervisors of Coconino County, Ariz., against the proposed consolidation of the San Francisco Mountains Forest Reserve, we would respectfully represent:

1. That at least one-third of all the lands within said reserve are open or "park" lands, practically devoid of timber, or are timbered with scrub cedar, juniper, or pinon, classed as "nonmerchantable timber," and practically worthless except for fuel. The acreage of this class of lands within the reserve will not be far from 600,000 acres, and presumably one-half of this amount, or 300,000 acres, would fall upon odd-numbered sections.

In addition to this the sawmills operating within the reserve have, during the last 18 years, denuded at least 100,000 acres of railroad grant lands.

This makes a total of some 400,000 acres of the grant lands that might in justice and good conscience be called nontimbered, and if the contemplated exchange is made the corporations interested should be compelled to accept in lieu thereof nontimbered lands, or, to be strictly equitable, lands of equal character and value. Instead of this, however, under the inequitable arrangement now proposed, they would be restricted to the selection of only 180,000 acres of nontimbered lands. As to all the rest, or nearly 800,000 acres, they may select anywhere within the public domain without restriction, under the act of June 4, 1897, and amendments thereto.

Furthermore, while the areas relinquished to the United States by these corporations lie in a practically solid body, and must be accepted no matter how timbered or whether timbered at all, under the terms of the act referred to, the owners may select in lieu of them just such portions of the public domain as they may desire, and in tracts as small as 40 acres. They will thus be enabled to secure the choicest portions of the best lands in the country and reject whatever may not suit them. Presuming that the lands, which are really valuable for timber, have either been, or will be, cut over, these corporations will thus exchange some 380,000 acres of practically worthless lands for an equal area of the best lands they can find within Uncle Sam's domain. It is only fair to assume that, so far as possible, valuable timbered lands will be selected by them, so that instead of protecting one forest in Arizona, the exchange will result in the destruction of two—one on the San Francisco Mountains, the other wherever the lieu lands may be selected.

Moreover, the character of the timber of this region is such as to make any exchange for timber in the northwestern coast regions very undesirable for the Government. The timber of this reserve, even on what are classed as timbered lands, will not yield 2,500,000 feet per section on an average, while in the northwest, upon an equal acreage, it would be possible, by having the privilege of selection, to secure from three to four times that stumpage. Not only so, but whereas our timber yields an average of less than 10 per cent of clear lumber and a correspondingly small percentage of the next higher grades, the coast timbers yield from 40 to 80 per cent in clear and a corresponding amount of the next lower grades. The immense advantages which will thus result to the corporations surrendering this timber is too obvious to require more than mention.

If it be contended that the estimates heretofore made as to the value of the grant lands is induced by prejudice on the part of your petitioners, we beg to quote from the contract made by the Santa Fe Pacific Railroad Co. with the board of supervisors of Coconino County for the payment of taxes on their right of way (copy of which contract, duly certified, is submitted herewith) that company's own estimate of such value, as follows:

"Whereas said board of supervisors for said county propose to attempt to have the assessment of the grant and other lands in said county, amounting to a large number of acres, increased to a large amount by the board of equalization of said county; and

"Whereas the Santa Fe Pacific Railroad Co. is contesting the right to increase the same on the ground that the value of such lands, and each and every acre thereof, is less than 15 cents per acre."

While we are not disposed to accept as final the low valuation thus placed upon these lands, we desire to call the attention of the honorable Secretary to the fact that forest-reserve scrip is selling upon the market at this time for \$3.75 to \$4 per acre. The wide discrepancy in these values, we think, may help largely to account for the zeal which the relinquishing corporations are showing in the protection of the San Francisco Mountains forest.

2. The argument was advanced by the attorney for the Santa Fe Pacific Railroad Co. (Mr. Britton) at the hearing held before the Secretary of the Interior on February 6, 1901, upon the question now under discussion, that his company had long realized that the interests of the public, as well as its own interests in northern Arizona, depended upon the preservation of the forests, and that it was moved principally by this commendable philanthropy in urging the proposed consolidation. It seems to us especially deplorable that this corporation could not have been affected by this solicitude for the public weal before it sold the very heart of this forest to the man with the ax and the saw. And again it seems to us equally deplorable that its concern for the public interest should have been manifested for the first time simultaneously with its discovery that the best and most available of its timber was already disposed of, and that under a strained interpretation of the forest-reserve law it could secure the privilege of working off its threadbare and shopworn land grant upon Uncle Sam upon its own terms and could receive in its place a brand-new empire. And it might further be pertinent to inquire why, if the professed interest in forest preservation be genuine, it would not be willing to agree not to select timberlands elsewhere in lieu of those surrendered in the San Francisco Reserve.

It was further advanced by the gentleman that even though the railroad lands within the reserve should be relinquished to the Government and thus withdrawn from the tax rolls of Coconino County that the railroad company would still be the largest taxpayer in the county in that it would still be the owner of 1,300,000 acres of lands therein, beyond the reserve limits. He neglected to inform the honorable Secretary that not one acre of this 1,300,000 acres is taxable, for the reason that it is unsurveyed, and that it will never become taxable until the Government sees fit to survey it. That it has been the policy of his company in the past to resist taxation of these lands because they were unsurveyed, and that it would continue to resist on the same grounds. Inasmuch as the whole of said 1,300,000 acres is composed of worthless and barren land, unfit even for pasturage, except in certain seasons, it is not likely that it will soon be surveyed. And considering that the railroad company has never made any particular effort to have it surveyed—it should be remembered that the company must stand one-half the expense of the survey—although it has owned it since 1866, and considering further that it is permitted to exchange its lands within the reserve, it can well afford to be indifferent as to the residue, it is not likely that it will make any violent attempt to convert the nontaxable into taxable property. And even though the lands should be surveyed within the next decade, which is highly improbable, it could not be assessed with any hope of collection for more than 5 cents per acre. Indeed that would be, under present conditions, more than its cash value. In support of this we would again refer to the statement of this company in its contract with the county as to the value of its lands within the reserve.

It seems to us, and we make the assertion advisedly, that the railroad company evinces a degree of interest in this matter that is hardly to be accounted for by its philanthropic professions. Rather, it occurs to us, does it seek to veil its real motives, which are unquestionably selfish, behind the cloak of interest in the public welfare. * * * For what reason, may we ask, unless to obscure the real purpose of the transaction, unless to find some plausible pretext, unless groping for some specious appeal to the public opinion, in order that the light of truth may be averted from those who, because of their deeds, "love the darkness better"?

It was further urged, with considerable plausibility, by Mr. Britton that even though its reserve lands should be relinquished to the United States the railroad company would continue to pay taxes on its right of way at a valuation of \$2,500 per mile, according to its contract with the county—a contract which has only three years more to run, including the present year. If the company ever intended or now intends to pay taxes on its right of way, beyond the term of the contract, why did it expressly limit the period of payment to five years? If we may be permitted to answer this question, we would respectfully suggest that when the contract referred to was entered into the county authorities had it in their power to assess the lands of the company at a sufficient valuation to equalize the loss of the right of way, which had recently been declared exempt from taxation, upon public lands within the Territories, by the Supreme Court of the United States (172 U. S., 171-186). Realizing this, the company, in order to avert the pending increase in the valuation of its timberlands, agreed to return the right-of-way assessment at \$2,500 per mile for five years, provided the county would not raise the existing rate of 20 cents per acre upon its lands. And while the county authorities did not then understand why the contract was limited to five years, it was understood by the railroad company—and is now clear to the world—namely, that it already contemplated the relinquishment of its reserve lands, and probably felt

that it could accomplish it within the five-year period. Then, having enjoyed the profits of the last practicable moment of timber stumpage, having traded to Uncle Sam the only lands remaining in its grant within the county of any value, its right of way being exempt from taxation by the decision of the court of last resort, its remaining lands being unsurveyed, and therefore nontaxable, besides being worthless, what legal necessity would remain for the Santa Fe Pacific Railroad Co. to pay taxes to the county of Coconino? And when did, or when will, this railroad company or any other railroad company pay taxes except under legal necessity? Philanthropy finds no place in the creed of the twentieth-century corporation.

It was also asserted by Mr. Britton that the railroad mileage within the reserve was only 54 and a fraction. Just what relevancy this statement has we are unable to perceive. There are 106½ miles of the railroad within the county, and it is all exempt from taxation, whether within or without the forest reserve. If it declines to pay on one mile, it will decline to pay on all.

3. The discussion in this case ought not to be closed without a glance at its broad equities. It should be remembered that Congress endowed the Atlantic & Pacific Railroad Co. with this almost illimitable grant, which has come down to the Santa Fe Pacific Railroad Co. It was a gift taken from the heritage and birthright of the American people. This land, and no other, was granted. The company was glad to get it then—it ought to be satisfied with it now. Having received this princely grant, it ought to accept and retain it as it is. Having used and enjoyed and despoiled it for 35 years, it ought not now to be heard to ask for a new grant of virgin lands in its place. It has reaped almost the full benefit of the worth of its earlier grant, and now desires to exchange this worthless land for another grant of even greater value than that first received, thus obtaining as subsidy double the amount which Congress originally bestowed.

The rights of the American people in the public domain were disregarded when the original grant was made; but Congress at least limited it to certain fixed bounds in certain territories, and it knew what it was bestowing. Its intention was that the Atlantic & Pacific Railroad Co. should have just the lands granted, no others. It never entertained, nor would it for a moment have tolerated, the idea that this company or its successors were to have an option by which they might select the choicest of the public lands. Had the lightest breath of such a suspicion touched the Congress of 1866, the land-grant measure would have perished under the lightning of indignant opposition. The heat of popular resentment would have consumed it root and branch. Yet at the opening of the new century we see this corporation standing almost within the shadow of the Capitol whence this splendid dowry emanated, begging—yea, demanding—that America take back the million acres she once gave so freely, now that it is denuded and impoverished, and in lieu thereof that she open wide the gates of the public domain that they may have license to further ravage it for their gain. The public domain is a public trust. Shall it thus be pillaged, and are the sons and daughters of this Nation thus to be despoiled of their right and hope of home and hearthstone? It may so be written—it may thus be "nominated in the bond"; but we believe if it is done it will be done contrary to the dictates of either sound judgment or of justice.

The Government has expended thousands of dollars and employed scores of men in the endeavor to prevent fraud in the selection of lands under the homestead law. It has at this moment an agent in this forest examining homestead entries. We make no complaint of this, but on the contrary believe it to be right. But to what purpose is this care in small matters exercised if the interests thus conserved are to be later sacrificed wholesale at the behest of corporate greed, and with not even the small return to the Government which is represented by the payment of homestead fees?

Again, the law under which this corporation and its grantees are seeking this exchange was enacted by Congress for the relief of individual settlers whose rights might be infringed by the creation of forest reserves. It did not contemplate any such exchange as the proposed one, and it is safe to say that the law would have been properly safeguarded against it if such a thing had been dreamed of. As it is, the law has already been perverted to secure valuable timbered or oil or agricultural lands for the speculator and the investor, while the settlers have received but the minimum of benefit from its operation. It is now proposed to so broaden its application that any railroad company anywhere that is dissatisfied with that portion of its land grant which may fall within the exterior boundaries of a forest reservation, or that may wish to enhance the value of its grant as a whole, may surrender such portions as it may elect from the part so situated (and these will always be the most worthless lands) and obtain in lieu thereof the most valuable lands within the public domain. There will thus be a double injustice inflicted upon the Government, in addition to that inflicted upon intending settlers. First, having paid the full consideration for the building of these railroads at the outset, it will now be compelled to pay an additional and a very heavy consideration, without any return whatever; second, it will be compelled to submit to a disadvantageous exchange which will tend directly to the destruction of its remaining forests.

4. Further, the law of 1891, conferring upon the President the power of setting apart forest reserves, contains a limitation upon his authority, which we think will be clearly exceeded should an order issue covering these grant lands into the reserve. The law provides (sec. 24) "That the President of the United States may, from time to time, set apart and reserve, in any State or Territory having public lands bearing forests, in any part of the public lands, wholly or in part covered with timber or undergrowth * * * as public reservations," etc. Under this act the President may create forest reserves only out of the public lands, and if it shall chance that a homestead shall occur here and there, provision is made for their exchange in the act of June 4, 1897. But he may not set apart a reserve consisting wholly of private lands; nor can he, as may be attempted in this case, add to a reserve already created lands wholly in private ownership. The law, under its most liberal construction, grants him no such power. He has, in fact, already touched the limit of his power in setting apart the even-numbered sections within the reserve, as they are the only public lands within its limits. If it should be argued that the odd-numbered sections will become public lands upon their relinquishment, we reply that such an argument is evasive, it being manifest that such relinquishment would not be made in the absence of an agreement that the reserve should be made to cover the lands and that lieu lands should be given therefor.

5. But if the proposed consolidation of the San Francisco Mountain reserve should finally be made upon some equitable basis, we desire to respectfully protest against the exclusion of stock from such reservation. The stockmen of this region have spent the best years of their lives in building up this industry, and it would inflict great hardship and incalculable injustice upon them if they were now to be deprived

of the fruits, or much of the fruits, of their labor. These men have been the pioneers of this region who have "blazed the way for an advancing civilization," and it surely is not the policy of the Government to deprive the men who have endured the deprivations of frontier life to create new Commonwealths of the little possessions they may have accumulated.

Further, the stock interests constitute the backbone of the commercial prosperity of the county and furnish one of its largest available assets for purposes of taxation. To deprive the community of the revenue it derives from this source would mean the practical extinction of three-fourths of the business houses and would bring bankruptcy to the county, especially when it would follow the withdrawal from taxation of the lands which would be surrendered to the Government.

If it be contended that the preservation of the forest and of the watershed demands the exclusion of stock, we beg leave to demur to this statement as at least not proven; and it is the candid opinion of men who have spent most of their lives in this region and who have made the matter a subject of study and observation that the exclusion of stock from these forests, so far from tending to conserve them, would tend directly to their more rapid destruction. Our opponents may attribute these views to self-interest, but there is at least this to be said in their favor, that they are founded upon actual observation and experience and not upon theories evolved in the laboratory or upon experiments made under totally different conditions. We are as desirous as anyone that these forests should be preserved from wanton destruction and would recommend that the grazing of stock within the reserves should be allowed under such regulations and restrictions as to the Government may seem proper; and we are entirely willing that such regulations may be enforced within the forests of northern Arizona as may be warranted by the reports made thereon by Messrs. Pinchot and Coville, of the Bureau of Forestry, after their recent examination.

In conclusion, permit us to simply say, in view of the foregoing and other arguments submitted for your consideration, that it seems to us that the proposed exchange will result in a great injustice to the Government, while conferring an immense and altogether unmerited advantage upon the corporations making the exchange; that such advantage will be conferred at the sacrifice of both the public and private interests of Coconino County and to the direct injury of intending settlers upon the public domain, as well as to the destruction of the existing forest areas of the country.

Renewing our petition that the proposed consolidation shall not be effected, we beg to subscribe ourselves,

Most respectfully, yours,

BOARD OF SUPERVISORS COCONINO COUNTY, ARIZ.,
By GEO. BABBITT.

[Extracts from protest of board of supervisors of Coconino County, Ariz.]

FLAGSTAFF, ARIZ., May 14, 1901.

The honorable the SECRETARY OF THE INTERIOR,
Washington, D. C.

SIR: The board of supervisors of Coconino County, Ariz., beg leave to call your attention to the inclosed statement respecting the San Francisco Mountains and Grand Canyon Forest Reserves, and especially to that portion of the inclosure relating to the Grand Canyon Reserve. A copy of the within has been handed to the President.

Very respectfully, yours,

J. C. PHELAN, Chairman.

FLAGSTAFF, ARIZ., May 6, 1901.

To the SECRETARY OF THE INTERIOR:

Your petitioners, the citizens of Coconino County, Ariz., by and through the board of supervisors of said county, beg leave to represent:

I.

That by act of Congress of July, 1866 (14 Stat. L., 292), the Atlantic & Pacific Railroad Co. was granted a large tract of land in the Territory of Arizona and elsewhere along its proposed route to the extent of the alternate odd-numbered sections for 40 miles on each side of the said proposed railroad. The railroad has since been constructed, and traverses the county of Coconino from east to west, there being 106.66 miles of said road within said county. By act of March 3, 1897, all the grants, rights, privileges, and exemptions accruing to the Atlantic & Pacific Railroad Co. were vested in the Santa Fe Pacific Railroad Co., which is now the owner and holder thereof. Under the provisions of said acts of Congress and by decisions of the Supreme Court of the United States (172 U. S., 171; 172 U. S., 186) the right of way of said railroad is declared to be exempt from taxation within the Territories.

II.

The said railroad company is now, and for a number of years past has been, paying taxes on the surveyed lands of its said grant within said county, to the extent of 301,543 acres (somewhat less than one-fourth of its entire acreage therein, the balance being unsurveyed, the railroad company for that reason refusing to pay taxes upon it), at a valuation of 20 cents per acre. It is also paying taxes upon its right of way therein upon a valuation of \$2,500 per mile, under a contract with the board of supervisors of said county, wherein it is provided that in consideration of the taxation of said right of way at the valuation aforesaid the county will not tax the grant lands of said company upon a greater valuation than 20 cents per acre. The term of the contract mentioned is five years, the current year being the third thereof. In view of the fact, however, that the last session of the Legislative Assembly of Arizona enacted a law providing that lands of the character of these grant lands should not be assessed for taxation at less than 75 cents per acre, said railroad company is now threatening to absolutely refuse further payment of taxes upon its said right of way.

III.

By Executive order of August 17, 1898, there were established in the county of Coconino the San Francisco Mountains Forest Reserves, which reserves were, by express terms, limited to the even-numbered or public-lands sections of the townships mentioned in said Executive order, said reserves being wholly within the limits of the land grant of the railroad company aforesaid. The reason for excluding from the reserves so created the odd-numbered sections is found in the law authorizing the creating of forest reservations (act of Mar. 3, 1891, 26 Stat. L., p. 1095), section 24 of which reads as follows:

"That the President of the United States may from time to time set apart and reserve in any State or Territory having public lands bearing

forests in any part of the public lands wholly or in part covered with timber or undergrowth, whether of commercial value or not, as public reservations; and the President shall, by public proclamation, declare the establishment of such reservations and the limits thereof."

Inasmuch as the authority of the President in creating forest reservations is restricted to the public lands, and as all the odd-numbered sections in the townships affected by said Executive order of August 17, 1898, were private lands, it is obvious that the Executive then considered that he had no power whatever to include within the reserves the lands in private ownership, particularly as such lands, alternating in checkerboard arrangement with the Government sections, comprise one-half of every township included within the order. A further reason for limiting this order to the even-numbered sections appears in the report of the Commissioner of the General Land Office for 1899, in which it is stated (p. 96):

"In creating the new reservations in Arizona the region which includes lands falling within the grant to the Atlantic & Pacific Railroad was set apart in a proclamation which reserved in express terms the even-numbered sections only in each township, thus making a separate reservation of each even-numbered section, all of which were grouped together under the general name of the San Francisco Mountains Forest Reserves. This action was taken to guard against any complications that might arise from the inclusion of a large area of railroad lands, since, as pointed out in my last annual report, the provision of the act of June 4, 1897 (30 Stat., 34-36), for the selection of lieu lands for relinquished tracts in forest reserves is being largely taken advantage of in a speculative way by the holders of tracts acquired by purchase from railroad corporations and others."

Thus it will be seen that the principal object of restricting the reserves aforesaid to the even-numbered or Government sections was to prevent the railroad company or its grantees from relinquishing the odd-numbered sections to the United States and selecting and securing in lieu thereof their choice of any unappropriated nonmineral lands remaining in the public domain.

IV.

In January, 1901, the Santa Fe Pacific Railroad Co. and its grantees, William F. Baker, E. B. Perrin, and Robert Perrin, made the following proposition to the Secretary of the Interior:

Hon. E. A. HITCHCOCK,

Secretary of the Interior.

SIR: If the President of the United States, by proclamation, shall immediately extend the limits of the San Francisco Mountains Forest Reserve so as to include all of the odd-numbered sections now owned by us falling within the present exterior limits of such reserves, we, the undersigned holders of title to such odd-numbered sections, hereby agree to surrender to the United States our titles in such forest reserve under the act of June 4, 1897, on the following basis: One hundred and eighty thousand acres of our said present holdings to be exchanged for nontimbered public lands lying south of the thirty-seventh standard parallel of latitude and south of the Tehichipa range of mountains, and the remainder of our lands in said enlarged reservation to be exchanged by us under said act of June 4, 1897, and amendments thereto, without any other restrictions whatsoever on the part of the Santa Fe Pacific Railroad Co., it being understood, however, that the company will not be expected to surrender any lands needed to be retained by it for railroad purposes, and such purposes being understood to include rights of way of all kinds, station grounds, pumping stations, dams, reservoir sites, stone quarries, deposits of cinders, gravel, or other material for ballast, and also other land needed for railroad purposes, but not including lands held solely for the timber thereon.

This proposition is made with the further understanding that, in case of its acceptance, the Government will, in every reasonable way, so expedite all necessary surveys and approval thereof and the issuance of patent to the railroad company as to enable said company and the undersigned holders of title under its grant to carry out this agreement.

Approved, and the Commissioner of the General Land Office will carry the above into immediate effect.

E. A. HITCHCOCK, Secretary.

Your petitioners respectfully beg leave to protest against the making of the order extending the limits of said reserves, as requested in the above agreement (the effect of which order, if made, will not be to extend the limits of the present reserves, but simply to consolidate them), for the following reasons:

First. There is no warrant or authority of law for the proposed action, either in the law of 1891 or elsewhere. The authority of the Executive in establishing forest reservations, as has already been pointed out, is limited to the public lands. If any order should now be made for the purpose of consolidating said reserve, it would operate and have effect only on private lands. The limit of the President's authority was reached, so far as these reserves are concerned, on August 17, 1898, when he set apart the even-numbered sections, or public lands, in the townships affected by the order. To go further at this time, and, as is proposed by the railroad company and its grantees, "extend the limits of said reserves so as to include all the odd-numbered sections" would be to clearly transcend the power granted by Congress. It is superfluous to state that your petitioners do not for a moment entertain the idea that the President of the United States would tolerate the merest suggestion of such action. At the same time, we recognize the possibility that an order accomplishing all that is purported in the agreement above set out, might be so skillfully worded as to appear to be entirely within the law of 1891, and yet relate entirely to lands over which the President has no jurisdiction under said law. For instance, an order might be framed ostensibly for the purpose of establishing exterior boundaries for the San Francisco Mountains Forest Reserves. The effect of such an order would be to make every acre of land within such boundaries a part of said reserves, and would give the owners of the grant lands therein an apparent right to relinquish their holdings under the act of June 4, 1897, and select other lands from the public domain in lieu thereof. Or an order might be framed for the purpose of creating a wholly new and larger reserve, including therein not only the present reserves, inclusive of the odd-numbered sections, but a sufficient additional area of public land to color the whole action with legality. Both such expedients, however, would be mere evasions of the law, and could only have the effect of permitting the grant lands to be relinquished and other lands to be selected in lieu thereof, a proceeding never for a moment contemplated by Congress in the act of June 4, 1897.

The act of June 4, 1897, is a remedial and beneficial statute. It was intended by Congress to operate for the benefit of the settler—the man who had acquired title to public lands under the homestead or other land law, who, finding himself surrounded by a forest reservation, hemmed in by its regulations and isolated because the settlement and

development of the region surrounding him had been arrested by the prohibition of settlement and entry upon the reserve lands, might wish to remove his home and family elsewhere. This law affords him an opportunity of doing so. Under it he may relinquish his quarter section or half section, as the case may be, to the United States, and in lieu thereof he may receive an equal area of public land elsewhere, regardless of the character of the land relinquished, or of the land selected in its stead, save only that it must be nonmineral. Congress never intended, in enacting this law, that the railroad companies, to which it had lavishly granted millions of acres of the public lands, should in effect secure an option on the choicest lands remaining. It granted them the lands contained in their original grant and none other. To now invite them to relinquish their holdings under the law of 1897 and exercise their choice of lands in lieu thereof would be such a perversion of the intent of Congress as would awaken the just indignation of the American people. It would be a heartless encroachment upon the rights and hopes of thousands of intending settlers as would stain the character of this Nation forever.

Second. No good or useful purpose can possibly be subserved by the consolidation of these reserves, nor can anyone possibly be benefited thereby save the Santa Fe Pacific Railroad Co. and its said grantees. That it will benefit them, and to an enormous extent, there can be no doubt, for the following reasons: First. The railroad company and its grantees own approximately 975,000 acres within the townships comprising said reserves. Of this amount fully 400,000 acres are entirely nontimbered or are partially covered with an inferior growth of "scrub" and are absolutely valueless as timber land. Such lands could not be sold to-day at 25 cents per acre; yet should this consolidation be effected, the railroad company and its grantees can sell the title to such lands at from \$3 to \$4 per acre, or, if they choose to do so, they may select any lands within the public domain in lieu thereof. It is true that as to 180,000 acres of such lands the railroad company must select nontimbered lands south of the thirty-seventh parallel in California, but there is absolutely no contractual restrictions as to the remainder.

Third. It is obvious, in view of the foregoing statements, that the forestry of this region will not be preserved or protected to any appreciable extent by the consolidation referred to, for the reason that, at the most, not more than 160,000 acres of timber lands will be secured. Against this it is only fair to assume that wherever possible the railroad company and its grantees will select timbered lands in lieu of those relinquished, and probably will thus secure much more timber than they surrender, so that, so far as the item of timber alone is concerned, the Government is almost certain to give more than it receives, aside from the great disadvantage it will suffer in the general character of the lands exchanged. Inasmuch as it is the declared policy of Congress that "no public forest reservation shall be established except to improve and protect the forest within the reservation, or for the purpose of securing favorable conditions of water flow," how futile it appears for the purpose of consolidating a reserve to buy nearly a million acres of almost worthless private lands to secure only about 160,000 acres of timber, and at the same time to throw open a million acres of the public forests to the option of the very men who have just surrendered a little more than one-tenth as much. If the Government should take the view that the proposed consolidation will tend toward securing "favorable conditions of water flow," we reply that inasmuch as practically all of the timber on the grant lands is certain to be cut under existing contracts and can not be prevented by consolidation, the question of water flow can not fairly be considered in this connection.

Fourth. The consolidation of this reserve would prove ruinous to Coconino County. It would immediately withdraw from its taxable resources about 670,000 acres of land which are now being taxed, and nearly twice as much that will become taxable if ever surveyed. Nearly 2,000,000 acres will thus be withdrawn from the assets of the county. And in addition to this, should stock be excluded from the reserve, which we have reason to think would be the case if it should be consolidated, the taxable values will be reduced to such an extent that bankruptcy will inevitably ensue. It must be remembered that sheep have already been excluded from nearly all the southern half of the reserves, and that, inasmuch as there are no available grazing lands in Coconino County outside of the forest reserves, exclusion from the reserves means exclusion from the county and a consequent reduction of the taxable property of the county. The apprehension as to whether they will not soon be excluded from the balance of the reserves and as to whether cattle will not be excluded also is already exercising a depressing influence upon the stock interests, as every stockman in the county realizes that should he be excluded from the forest reservation he must either break up his home and move to some other county or sacrifice his flocks.

Fifth. It is being urged by some that these reserves be consolidated upon the ground that the agricultural region of the Salt and Gila River valleys are suffering a shrinkage in the water supply required for irrigation, owing to the cutting of timber and the grazing of stock on these reserves. We have already pointed out that the cutting of timber can not be appreciably arrested by the consolidation, and as to the effect of stock grazing it may be said, first, that three-fourths of the entire area of these reserves drains north, or directly away from the valleys mentioned, the watershed being into the Colorado River, which is not available to the Salt or Gila valleys. * * * The only stream having its source upon these reserves is Oak Creek, and notwithstanding the operation of sawmills and the grazing of stock, which until March of this year has been unrestricted, its volume is unimpaired. * * *

THE GRAND CANYON FOREST RESERVE.

This reservation was created by order of President Harrison in February, 1893. It is nearly 60 miles square, and occupies the northern portion of Coconino County. There is no timber in it, excepting a narrow belt skirting the banks of the Colorado River for a distance, possibly, of 10 miles on either side.

The land grant of the Santa Fe Pacific Railroad Co. reaches into the southern portion of this reserve, and under a recent survey of that portion of the reserve covered by said grant it was determined that there were 366,000 acres of grant land therein.

The survey referred to was official and was ordered at the request of the railroad company. The company was careful to confine the survey to only its lands lying within said reserve for reasons that will appear hereafter.

Said company is endeavoring to secure patent for all its lands lying within said reserve, amounting, as has been suggested, to 366,000 acres. In order that it may relinquish said lands to the United States and select other and better lands in lieu thereof. Your petitioners desire to enter a most earnest protest against permitting such action for the following reasons:

First. The lands of said company ought never to have been included in said reserve, as, with the exception of possibly 10,000 acres, they are absolutely timberless and are naked, worthless desert lands, adapted

to no purpose save possibly a little agriculture here and there and for grazing at certain seasons. The watershed from them is to the north and directly away from the arable areas of the Territory. It is remote from any settlement and undesirable. Should the railroad company be permitted to exchange this large body of worthless lands for its choice of an equal area of the public domain elsewhere a great injustice will result not only to the people of Coconino County, but to the general public.

Second. As it is clear that these lands were improvidently included in said reserve, the error can easily be remedied by an Executive order restoring that portion of said reserve south of the northern boundary of the said land grant to the public domain. There is ample authority in law for such action; in fact, it is almost mandatory. The act of June 4, 1897 (30 Stat. L., 3436), provides that "No public reservation shall be established except to improve and protect the forests within the reservation or for the purpose of securing favorable conditions of water flow, * * * but it is not the purpose or intent of these provisions or of the act authorizing the establishment of such reserves to authorize the inclusion therein of lands more valuable for the minerals therein or for agricultural purposes than for forestry."

The act closes by bestowing upon the President a broad authority to restore to the public domain any area that may have been improvidently or mistakenly included within a forest reservation.

The grant lands referred to are valuable neither for timber nor because of their adaptation to favorable conditions of water flow, but are valuable both for their minerals and for agriculture, as grazing is held to be. The area in which they occur should therefore be immediately restored to the public domain, not only because said lands are clearly of the character forbidden by Congress to be included or permitted to remain within a forest reservation, but because their retention therein affords the railroad company an opportunity of relinquishing them to the United States and securing valuable lands in lieu thereof—lands that ought to be held for the homeseeker and the pioneer. Furthermore, if permitted to be relinquished, they will in consequence be withdrawn from taxation, and the county will thus lose the taxes on 366,000 acres of land for all time.

Your petitioners are able to show, even by the Government surveyors, who have recently surveyed these lands, as well as by other competent witnesses almost without number, the absolute truth of their statements, and a rigid investigation is most earnestly invited. We also, with equal earnestness, urge promptitude in whatever action may be taken, as we know the railroad company is striving to the limit of its power to secure the consummation of its proposed exchange before the Department of the Interior or the Executive shall have become fully advised as to the real situation. We urge these requests in the name of right and justice, in behalf of the homes and interests of the people of Coconino County, and in the interests of the people and the integrity of the United States, with an abiding faith in the high sense of justice and the distinguished honor which conspicuously characterizes the present Executive of this Nation and the heads of his executive departments.

For the several reasons aforesaid, your petitioners again earnestly but respectfully protest against the proposed consolidation of the San Francisco Mountains Forest Reserves, as well as the proposed relinquishment of the grant lands in the Grand Canyon Forest Reserve, believing that these matters would not only result in irreparable disaster to the people of Coconino County but to the county itself, and would from their very nature constitute transactions so questionable and so obviously against the rights and interests of the people, so contrary to law, to right, and justice, and so manifestly in the interests of powerful corporations as to array against them every dictate of the good conscience of those to whom this appeal is addressed. We therefore respectfully again urge that, before any action is taken, competent and reliable officials be sent to investigate the whole field, knowing that the result of such investigation can not fail to vindicate the position and the assertions we adhere to herein.

Very respectfully submitted.

J. C. PHELAN, Chairman,
T. E. PULLIAM,
GEO. BARBITT,

Supervisors of Coconino County, Ariz.

Britton & Gray, attorneys for the Santa Fe Pacific Railroad Co., to the Secretary of the Interior, June 13, 1902.

[A. T. Britton, A. B. Browne, Alex. Britton, Britton & Gray, attorneys and counselors at law, Glover Building, 1419 F Street NW.]

WASHINGTON, D. C., June 13, 1902.

Hon. E. A. HITCHCOCK,

Secretary of the Interior, Washington, D. C.

SIR: Referring to the recent conferences which you have so courteously extended to us with respect to the lands of the Santa Fe Pacific Railroad Co., lying within the Grand Canyon Forest Reserve in Arizona, we respectfully submit that in view of your conclusion not to reduce the area of the reserve and to relieve from suspension patenting to this company of its lands lying within said reserve the company is willing and does hereby agree to surrender to the United States its title to lands within such forest reserve under act of June 4, 1897, on the following basis:

One hundred and fifteen thousand acres of its present holdings to be exchanged under said act without any other restriction, and the balance of its present holdings, estimated at 260,000 acres, to be exchanged for nonmineral, nontimbered, vacant public lands of the United States lying south of the thirty-seventh standard parallel of latitude and south of the Tehichipa range of mountains, it being, however, understood that the company will not be expected to surrender any lands needed to be retained by it for railroad purposes; and such railroad purposes are understood to include rights of way of all kinds, station grounds, pumping stations, dams, reservoir sites, stone quarries, deposits of cinders, gravel, or other material for ballast, and also other lands needed for railroad purposes, but not including lands held solely for the timber thereon.

It is further understood that the department will, in every reasonable way, so expedite all necessary surveys and approval thereof, and the issuance of patents to the railroad company, as to enable said company to promptly carry out this understanding.

There being at the present time approximately 310,000 acres of company's lands surveyed, listed, and ready for patent, it is further submitted that the company may, upon the issuance of patents for this area, first select 205,000 acres of the nonmineral, nontimbered, vacant public lands within the limitations prescribed, and then be entitled to select 105,000 acres of unrestricted lands, without waiting for the acceptance of the survey of the balance of the lands within the reservation. Upon the completion of such survey, listing, and issuance of patent for the balance of said area, estimated at 65,000 acres, the com-

pany will then be entitled to first select 55,000 acres of the nonmineral, nontimbered, vacant public lands within the limitations prescribed, and thereafter to select the remaining 10,000 acres without restriction.

It having been demonstrated from the returns of the surveyors that there are small areas which are incapable of survey, it is further submitted that the area of same may be computed by the General Land Office by protracting the line of the adjacent surveys over the same, and that the railroad company will be entitled to list and have patented to it, as basis for relinquishment to the United States, such computed area.

Very respectfully,

BRITTON & GRAY,
Attorneys Santa Fe Pacific Railroad Co.

The Secretary of the Interior to Britton & Gray, attorneys for the Santa Fe Pacific Railroad Co., July 5, 1902.

DEPARTMENT OF THE INTERIOR,
Washington, July 5, 1902.

Messrs. BRITTON & GRAY,

Attorneys for Santa Fe Pacific Railroad Co.,
Washington, D. C.

GENTLEMEN: I have carefully considered your letter of the 13th ultimo, together with a report thereon dated the 30th ultimo by the Commissioner of the General Land Office, both relating to the exchange, under the act of June 4, 1897 (30 Stat., 36), of lands of said railroad in the Grand Canyon Forest Reserve in the Territory of Arizona for public lands of stated classes and location.

The proposal of the company named in your letter meets with my approval, excepting that I believe the railroad company should be required to designate, before entering upon the making of relinquishments and selections, the lands desired to be retained by it for railroad purposes, and to obtain approval thereof by the Secretary of the Interior. Without this modification the proposal of the railroad company can not be accepted, but if the proposal is modified as has been suggested it will be accepted by me, and directions will be promptly given for carrying the proposed exchanges into execution.

Very respectfully,

E. A. HITCHCOCK, Secretary.

The Secretary of the Interior to the Commissioner of the General Land Office, February 25, 1903.

DEPARTMENT OF THE INTERIOR,
Washington, February 25, 1903.

The Commissioner of the General Land Office.

SIR: Your favor of February 19, 1903, in the matter of the relinquishment of the Santa Fe Pacific Railroad Co. of the odd-numbered sections within the Grand Canyon Forest Reserve, Ariz., is at hand. In the arrangement made for the relinquishment of these lands by said company it was provided that the railroad company should designate, "before entering upon the making of the relinquishments and selections, the land desired to be retained by it for railroad purposes, and to obtain the approval thereof by the Secretary of the Interior." (See letter of July 5, 1902, to Messrs. Britton & Gray.) It is stated in your letter of the above date that the company has submitted its relinquishment of most of the lands within said reserve, with selections in lieu thereof, but has as yet filed no designation of the specific tracts within the reserve proposed to be retained by it for railroad purposes, and you forward a letter of February 16, 1903, from Messrs. Britton & Gray, as attorneys for said company, submitting a "preliminary designation" of the lands that may be reserved from relinquishment by the company, in the following terms:

"The Santa Fe Pacific Railroad Co. will not retain or reserve any lands within this reservation except such lands as may be found necessary to cover the right of way and necessary station grounds of the Grand Canyon Railroad."

In the opinion of the department, this may be accepted as a sufficient compliance with the requirement made in said departmental letter of July 5, 1902, and your office is accordingly so instructed.

Very respectfully,

E. A. HITCHCOCK, Secretary.

PHOENIX, ARIZ., September 9, 1913.

HON. HENRY F. ASHURST,

United States Senate, Washington, D. C.

DEAR SENATOR: Mr. A. T. Cornish and others of Winslow and Flagstaff and elsewhere have directed the attention of the commission to a situation existing in Navajo County which has been the subject of an examination by myself and concerning which I have written to the Secretary of the Interior, in accordance with a copy of my letter inclosed herewith. I think you are more or less familiar with the situation. If the subject is not clear in your mind, I believe a careful perusal of my letter to the Secretary, supported by reference to the map of Arizona, will make it so.

This matter is of more than usual importance, because of the fact that it bears upon a much larger question—that of the practice which has heretofore obtained of permitting the Atchison, Topeka & Santa Fe Railroad Co. to exchange its worthless lands lying north of the railroad in Navajo and Apache Counties for much more valuable lands elsewhere or for so-called "Moqui or Navajo scrip," which the company readily sells for \$2.50 per acre.

For your further information I am inclosing also a copy of my letter of this date to Senator SMITH. I sincerely trust that yourself and Senator SMITH and Mr. HAYDEN will give your particular attention to this subject and strenuously oppose the proposed exchange of lands belonging to the New Mexico & Arizona Land Co., as well as the proposed extension to the Navajo Indian Reservation.

Very truly, yours,

STATE LAND COMMISSION,
By MULFORD WINSOR, Chairman.

SEPTEMBER 8, 1913.

The honorable SECRETARY OF THE INTERIOR,

Washington, D. C.

SIR: It has come to the attention of the State land commission that there is pending in your department an application of the New Mexico & Arizona Land Co., successors to the St. Louis & San Francisco Railroad Co., to exchange certain odd-numbered sections of railroad grant lands in townships 21, 22, 23, and 24 north, ranges 15, 16, 17, and 18 east, Gila and Salt River meridian, now owned by the New Mexico & Arizona Land Co., for a like number of even-numbered sections within the area near Winslow, Ariz., and embraced in townships 18, 19, 20, and 21 north, ranges 15, 16, 17, 18, and 19 east, which was

temporarily withdrawn by Secretary's order November 18, 1904, under the first form of withdrawal authorized by the act of June 17, 1902 (32 Stats., 388), for the Little Colorado River project.

A portion of the land which the New Mexico & Arizona Land Co. wishes to exchange—that is to say, the west half of townships 21, 22, 23, and 24, in range 15 west—is included within the present boundaries of the Navajo Indian Reservation, while the balance of the area in which lie the odd-numbered sections proposed to be used by the said company as a basis for such exchange; that is, the east half of range 15 and ranges 16, 17, and 18 east, in townships 21, 22, 23, and 24 north, together with the corresponding townships in ranges 19, 20, and 21 east, in which the odd-numbered sections are owned by the Atchison, Topeka & Santa Fe Railroad Co., are withdrawn for the purpose of allowing Indian allotments. The State land commission is advised that the Commissioner of Indian Affairs has recommended that the application of the New Mexico & Arizona Land Co. for permission to make the said exchange be approved, and that the application only awaits the final ratification of the Secretary of the Interior.

The State land commission takes the liberty of directing your attention to this matter, in the hope that you will give it your serious attention, subjecting the aforesaid application to critical examination before ratifying the same. The commission urgently protests against the proposed exchange for the following reasons:

The lands proposed to be used as a base for the selection of lieu lands, which were acquired from the Government under the Atlantic & Pacific Railroad land-grant act of July 27, 1866 (14 Stats., 292), are of little value as compared with the lands which would be acquired by means of the exchange.

The New Mexico & Arizona Land Co. at the present time owns, by transfer from the St. Louis & San Francisco Railroad Co., the odd-numbered sections within the area in which it is now proposed to secure, by exchange with the Government, the even-numbered sections. If the said exchange were effected, the lands of the said company, which were granted and have been held in alternate sections, would thus be consolidated in a large body, greatly increasing the value of the company's holdings, increasing the opportunities for exploitation, and working to the injury of the State.

As before stated, the area within which the New Mexico & Arizona Land Co. proposes to secure the even-numbered sections was by Secretary's order of November 18, 1904, temporarily withdrawn under the first form of withdrawal authorized by the act of June 17, 1902, for the Little Colorado River irrigation project. This is evidence warranted by the facts of the existence of a feasible opportunity for the development of water and the reclamation of the tract which, by the proposed exchange, would be consolidated under the ownership of the New Mexico & Arizona Land Co. The exchange would thus give the said company the absolute control of the reclamation project in question and would enhance the value of the lands coming under the project to many times their present value and to many more times the value of the lands proposed to be used by the company as a basis for the exchange.

The State land commission is also informed that an effort is being made—and believes it to be a part of the general plan of effecting the exchange described, and of securing the issuance of a large additional amount of the so-called "Navajo base" scrip—to secure the addition to the Navajo Indian Reservation of townships 21, 22, 23, and 24 north, east half of range 15, and ranges 16 to 21, inclusive, which land was, on May 13, 1908, withdrawn for the purpose of Indian allotments. This proposal the State land commission also respectfully objects to, on the ground that the area already devoted to the Navajo and Moqui Indians is far greater than the needs of those Indians demand, and would effect no better purpose than the one above indicated—that is, than of effecting an opportunity for the exchange of lands desired by the New Mexico & Arizona Land Co., and the exploitation of the State of Arizona through the medium of another flood of so-called "Navajo scrip"—a species of exploitation from which this State has grievously suffered, and by means of which the United States Government has been shamefully imposed upon.

The State land commission, in conclusion, ventures to respectfully suggest, and recommend, in connection with the various matters above recited:

1. That the application of the New Mexico & Arizona Land Co. to exchange its lands in the townships named for other lands within the area withdrawn for the Little Colorado River project, or for any other land, be denied.

2. That the area withdrawn for the Little Colorado River project be restored to entry and selection, to the end that the State of Arizona and private individuals may have equal opportunity to develop the existing irrigation project, and to reclaim the lands coming under the same, on terms and conditions beneficial to the State and to settlers upon the land.

3. That the proposal to add to the existing area of the Navajo Indian Reservation be rejected, and that the townships withdrawn, on May 13, 1908, for the purpose of making allotments, be restored to entry and selection.

4. That the lands in townships 21, 22, 23, and 24 north, ranges 12, 13, 14, and the west half of 15 east, which were withdrawn for Indian allotments by Executive order dated November 14, 1901, be restored to entry and selection, to the end that the available portions thereof not allotted to Indians may be developed and settled.

Your attention is respectfully called to the fact that the frequent and oftentimes unwarranted additions to Indian reservations, and the withdrawal of large areas for long and indefinite periods for the purpose of making Indian allotments, and the exchange of valuable lieu lands for generally inferior lands within these Indian reservations, the additions thereto and the withdrawals therefor held under railroad land grants, have worked to the very great detriment of this State, and it is earnestly hoped that a recurrence of the scourge will, in the instance here noted, be prevented.

Yours, very respectfully,

STATE LAND COMMISSION,
By MULFORD WINSOR, Chairman.

WOMAN SUFFRAGE.

Mr. JONES. Mr. President, on June 13 last Senate joint resolution No. 1 was favorably reported from the Senate Committee on Woman Suffrage. It provides for the submission to the States of an amendment to the Constitution providing that the right to vote shall not be denied anyone on account of sex. That resolution is now on the calendar and ought to be considered and acted upon at once. Congress is in session. The Senate is not considering any legislation. We are adjourning three days at a time while this important legislation awaits con-

sideration. A short time ago petitions were presented from every State in the Union asking action upon this resolution one way or the other. Why not consider and dispose of it without delay?

No one can say that there is no demand for its passage. Millions of voters from the Pacific and Rocky Mountain States, where the broad expanse of territory and almost boundless horizon create a breadth of vision and desire for political liberty that take in the entire continent, have asked for its passage. The States of the East and the Middle West are agitated over it and thousands of their citizens ask us to pass it. Political parties representing millions of male voters have declared in favor of it, and farmer and labor organizations with millions of members have indorsed it. Under these circumstances we should pass this resolution, whether we believe in the merits of the proposition or not. While I do not think we are required to pass resolutions submitting amendments to the Constitution simply because the same may be asked for by a considerable number of citizens, I do believe that when there is a widespread and continued demand for such a resolution we should submit the same and give the people an opportunity to say in the method prescribed by the Constitution whether or not that instrument shall be amended. It is a right that belongs to the people, and any proposition that will command the support of three-fourths of the States of the Union can be safely incorporated in that instrument as a part of the fundamental law of the land.

There can be no reason for not acting upon this resolution except that inertness which characterizes a body like this when it does not desire to see any radical change made, and yet is afraid to oppose it, and therefore compromises by doing nothing. There is much complaint because of the difficulty of amending the Constitution, and a demand is growing that an easier method should be devised. We ourselves are largely responsible for this. We should be more responsive to the wishes of the people. When the provision was inserted in the Constitution providing for the submission of amendments upon the vote of two-thirds of the Members of each House of Congress it was not contemplated that we would disregard the desires of the people by refusing to submit such resolutions. It was not supposed that we would need to be practically forced to submit them. Propositions for which there is a widespread demand should be considered and discussed in Congress and then submitted to the people, who can be fully trusted to pass upon them wisely and well.

I desire to say that in the remarks I have just made I do not intend to criticize the chairman or the members of the committee who reported this joint resolution. I know that the chairman is doing everything he possibly can to secure its consideration and that he is earnestly in favor of it. I felt that I ought to make this statement, for fear some one might think I was intimating that he is not doing his duty in connection with the matter. I know that he is.

Mr. ASHURST. Mr. President—

The PRESIDING OFFICER (Mr. SHEPPARD in the chair). Does the Senator from Washington yield to the Senator from Arizona?

Mr. JONES. Certainly.

Mr. ASHURST. I must thank the Senator from Washington very heartily. If he will permit me to say so, he has correctly stated my position.

I happened to have the honor of being delegated by the committee to write and submit this report. I have twice in the Senate asked unanimous consent that the Senate proceed to the consideration of the joint resolution, and objection was made. If my friend the Senator will permit me further, I will say that at the earliest opportunity, as soon as a majority of the Senators are present, I expect to move that the Senate proceed to the consideration of the joint resolution.

Mr. JONES. I am very glad the Senator has made that statement. I knew that was his intention, and I know he will take advantage of every opportunity that presents itself to bring up the joint resolution for consideration.

Not only is there widespread demand for the passage of this resolution, but the merits of the proposition justify not only our favorable action but its adoption by the people.

The demand for woman suffrage is but another step in the progress of woman to an equality with man that has been going on through the centuries and which we can no more stop than we can prevent the ebbing and flowing of the tides. It will be consummated just as surely as time rolls on. Barbarism and savagery mark woman's lowest condition and greatest subjection.

This results largely from her physical weakness and her natural docility. With education, refinement, and civilization has come her gradual emancipation until to-day she has most

of the civil rights of man. She can hold property, engage in business, sue and be sued, practice the professions, hold, sell, and devise real estate, and do practically everything that man can do. In many of the States marriage does not alter her civil or business rights. She can carry on business in her own name and hold, manage, and dispose of real and personal property. These rights, however, have come to her slowly and grudgingly and in the face of direful predictions of disaster and injury to her and to society, but they have come by the very force of civilization and the gradual evolution of thought and feeling that recognizes the mental and moral attributes of human nature rather than the physical, and none of the disasters predicted have resulted.

These privileges are the restoration by man of rights usurped by him in savagery and barbarism. Along with these civil rights have come political rights and privileges which man has permitted her to exercise from time to time. In most of the States of the Union she has been permitted to vote upon certain matters, notably school questions, and to hold certain offices, notably offices relating to the public schools. In all positions of responsibility she has shown her worth and capacity, whether in business or professional life, and she has discharged all the political duties that she has been given the power to discharge with equal, if not greater, fidelity and ability than man. If she is competent to vote on school matters, surely she is competent to deal with other subjects which are of really less importance. If she is capable of voting upon city or township matters, then why not on State matters? And if upon State matters, then why not upon national subjects?

We have a provision in the Constitution that prevents us from refusing to her the right to vote on account of previous condition of servitude. We can not deny her this right on account of color. Why should we be permitted to prevent her voting because of her sex? Do men have the right to vote because of their sex? What peculiar sexual difference is there that entitles man to vote and prevents woman? Can anyone point out any such peculiarity? No one has ever done so. There is none. If woman had always been the stronger physically and had alone exercised the right to vote, as she no doubt would, what peculiar attribute of sex could be urged in behalf of male suffrage? None whatever. The exercise of the voting privilege does not require any special sex qualification, and there is no justification for discrimination on that account. If this be true—and no one can deny it—there can be no ground for opposition to the adoption of this resolution and of the amendment when submitted.

I have heard much of the discussion on this subject. I have studied the hearings and the speeches made in opposition to this resolution and fail to find any substantial argument against it based upon sex or otherwise. One objection urged is that to confer franchise upon women would be to bring them into politics. That is not peculiar to women, and could with equal force be urged against man suffrage. There is just as much reason for denying men the right to vote on this ground as there is for denying women. In fact, if all women voted to-day and men did not there would be some valid argument against granting the franchise to men in order to keep them out of politics. It could well be urged that they are not so refined, so sympathetic, or so instinctively right as the women, and to permit them to enter into politics would degrade politics instead of elevating it.

Mr. CLAPP. Mr. President—

The PRESIDING OFFICER. Does the Senator from Washington yield to the Senator from Minnesota?

Mr. JONES. Certainly.

Mr. CLAPP. If the Senator will yield for a moment, while perhaps it is not germane to the argument, it is a fact that in the early history of this country, in many of the States, ministers of the gospel were forbidden to hold office, upon the theory that politics was so degrading and so corrupting that the minister could not withstand its degrading effects. It was not upon the theory that the church would dominate politics, but upon the theory that politics would debase, degrade, and lower the dignity of the minister of the gospel.

I thought it might be of interest in this connection to make that statement.

Mr. JONES. It certainly is.

It could be urged with much force that they are too busy to give proper attention to political questions, and it would be very difficult to meet such objections. Real, genuine politics will elevate woman and woman will elevate practical politics. For woman to study the theories, problems, and necessities of government can not help but strengthen and broaden her, and for her to bring her gentle and refining influence into practical politics can not help but make political methods and practices more open, clean, honest, reputable, and beneficial.

Another objection is that many men do not vote and that many women would not vote. Such an objection is not based upon sex, but upon the failure of both men and women to do their duty. This would be a good argument for denying the right to vote to some men, but it is no argument for denying to all women the power to discharge properly the duties of citizenship. Because some men fail to discharge their duty as citizens is no good reason for refusing to permit the women to discharge their duties. I know that the indifferent voter is responsible for many of the ills of practical politics, and I would like to see some way devised to punish all who neglect this great civic duty. Anyone who neglects to vote at an election should be disqualified from being a candidate for any office at the next election, or subject to a fine, or some other penalty should be imposed upon him for neglecting his duty as a citizen. It is wholly without justification, however, to punish those who want to do their duty because others neglect to do theirs.

Others object to this proposition on the ground that it will add to the already large ignorant class of voters. Such an objection is not based upon sex, but upon the individual capacity or individual qualification and applies to the men the same as to the women. It is true that it would increase the ignorant class of voters, but those who make this objection overlook the much greater increase to the patriotic and intelligent class of voters that would be made by giving the women the power to exercise the duties of citizenship. Male citizens over 21 years of age numbered in 1910 26,999,151. Of these, 2,273,803 were illiterate, leaving 24,725,348 educated male voters. Our female population over 21 years of age numbered about 24,000,000, and conceding that 2,000,000 of these were illiterate, we find that while you add 2,000,000 illiterate voters to the 2,273,000 illiterate male voters, you will add 22,000,000 of intelligent voters to the more than 24,000,000 educated male voters. It certainly is a wise thing to add to the electorate ten times as much intelligence as ignorance, and it is most unjust to deny 22,000,000 educated, intelligent women the opportunity to fulfill their duties as citizens in order to prevent 2,000,000 ignorant women from exercising the duties of citizenship. No, no; let us add to the intelligent, patriotic men the intelligent, faithful, educated, conscientious, refined women and the influence and power of the two will be better able to solve the problems of government than the one alone.

It may be that the right to vote should be restricted. I do not say that it should be, but if it is, all who are affected should have an equal voice in restricting it. If you say that the woman who can hardly speak our language and does not understand our institutions and principles of Government should not vote, why not say that the man who can hardly speak our language and does not understand our principles of Government shall not vote? Permit the women to have a potential voice in affairs of government and the necessary restrictions will be made to prevent not only undesirable women, but undesirable men from voting. In the last analysis the argument against woman suffrage is an argument for the restriction of the right of suffrage for men as well as for women, and indicates that woman suffrage would be a good thing in order that the indifferent and undesirable voter might be eliminated.

That women have great influence now is strangely enough urged as an objection to woman suffrage. She has great influence now, but give her the opportunity to discharge her duty as a citizen and she will not only have the influence she now has, but she will have a power which she does not now possess. We are not asking a right or a privilege for women in the passage of this resolution and the adoption of this amendment, but we are asking that they be given an opportunity to discharge fully and effectively the duty which they feel rests upon them as citizens. They see and appreciate the duties and possibilities of citizenship more than ever before and fully realize the inefficiency of their means of discharging those duties. They do not desire to threaten the men or to coerce them, but they want to do their own duty side by side with men in the solution of those problems which would especially affect the home and home life and the lives of their children and those they love. They may not care so much about the tariff, the currency, the merchant marine, or the holding of the offices, but they do care what the hours of labor are, under what conditions men and women live and work, what wages they receive, how the children are cared for, what the sanitary conditions are, and what goes to bring real comfort and happiness to life. This is what the thought, the advanced thought, of the times demands.

Men themselves are turning their attention to these questions more than ever before. The cry of humanity is being heeded in addition to the needs of commerce and business. Why not join the influence of women with the power to make that influence effective and put that force with man's force for good? Many women have the time and the inclination to investigate,

study, and solve the great social problems of the day, and they would engage much more earnestly in this work if they had the incentive that comes from the power of carrying out what they believe should be done.

Some oppose this proposition because they do not want the women to go to the polls to vote on account of unfit conditions or undesirable surroundings. If this objection has any force at all, it shows that the male sex are unfit to have charge of governmental affairs. If voting places are so undesirable that women should not go there, the men are to blame. Such conditions would not be permitted even if the antisuffragists had the power to change them. If there is disorder at the polls, it should be suppressed, and it will be suppressed if women have the power to do it. Men themselves should not permit disorder or be required to vote in disreputable places, and it will be of inestimable benefit to them to change such conditions if any exist. Such an objection is more of an indictment of male suffrage than an argument against woman suffrage, and it also admits the need of some elevating influence that would be supplied by woman suffrage. As a matter of fact, the presence of women at the polls has had and does have a good effect. But few men are so degraded that they will not show proper respect to woman and womanhood, and there are but few who would not resent quickly and vigorously any mark of disrespect to any woman visiting the polls for the purpose of discharging her duties as a citizen.

It is claimed that women do not vote where they have the right to do so. This objection is not peculiar to the sex, but can be applied to men as well as to women. It can not be shown, however, that women do not vote as generally as men, and it can be very safely assumed that those women who do vote have informed themselves upon the issues involved and vote even more intelligently than the men. As a matter of fact, the percentage of women voting is substantially the same as that of the men, and wherever her vote is proportionately smaller than that of the men it is because the more ignorant and undesirable class do not vote. This fact has been actually demonstrated in different localities and overthrows another objection that is urged, to wit, that the vicious and undesirable element will vote while the refined and educated do not. The contrary is true.

Another objection is urged to the effect that if a woman votes she will be expected to discharge all the public duties imposed upon men. There is no force to this objection. Not all male voters are held to the same duties and responsibilities. Some are excused from serving on juries for various reasons and others are excused altogether. Some men have to pay poll taxes; others are excused. Some men can enlist in the Army or Navy and others can not. These matters are all regulated now, and no one charges discrimination, and there is no reason why men and women can not make such exemptions as may be deemed wise by all.

Another objection made is that men and women are different mentally, physically, and temperamentally. This is true, but instead of being an argument against woman suffrage it is the strongest possible argument for it. Laws, whether made by men or women or by men and women, must deal with women as well as men, and these very differences make it impossible for men alone to legislate properly in regard to those whose needs they can not fully appreciate. Only woman can fully realize the conditions and needs of women in many lines of work, and her womanly knowledge, influence, and power combined with man can far better solve many of our legislative problems that must affect men and women than man alone.

Another objection is that it will break up the home. This is absolutely without foundation and is contrary to experience. As a matter of fact it strengthens home ties and makes more of a community of interest between the mother and son, brother and sister, and husband and wife, and develops a higher citizenship and sweeter companionship in both.

Will woman suffrage lessen man's respect for or chivalry toward woman? Not at all. It has not done so where tried, and, if it should do it, it would be a reflection on the men and not on the women, and would show the necessity of inculcating in men a higher regard for the proper discharge of the duties and responsibilities of citizenship. The man whose respect and regard for woman is lowered because she discharges her full duty by using her power for good is lacking in real manhood and demonstrates his own unfitness for exercising the franchise and furnishes a strong argument for restricted suffrage to begin with the male and not with the female.

No objection can be urged on the ground that woman is less educated than man. She is practically his equal in this respect. In 1910 the percentage of illiteracy of those over 10 years of age was for males 7.6 per cent and for females 7.8 per cent. In all the States, except Colorado, having woman suffrage the

percentage of female illiterates is less than males. In Washington the percentages are as follows: Females, 1.8 per cent, and males, 2.1 per cent; Oregon, females, 1.4 per cent; males, 2.2 per cent; California, females, 3.1 per cent; males, 4.2 per cent; Utah, females, 2.2 per cent; males, 2.7 per cent; Wyoming, females, 2.5 per cent; males, 3.7 per cent; Idaho, females, 1.6 per cent; males, 2.6 per cent; and Kansas, females, 2.1 per cent; males, 2.3 per cent. Not only is she equally fitted for full citizenship from an educational standpoint, but the education man receives comes largely through her. In the year 1910-11 there were 533,606 teachers in our public schools, and of these 423,273 were women. What justification is there for preventing those who prepare our boys not only for business but for citizenship from doing their full duty as citizens? It would seem not only just to them, but a wise provision for the efficiency, stability, and perpetuity of the Government itself to give to them the full powers of citizenship. They would be better teachers and better citizens. Mrs. May Wright Sewell, a teacher, expressed this idea most forcibly and eloquently:

It is from my point of view—and I speak with knowledge of my profession and with an abiding interest in it, an abiding conviction that it is the most influential, and consequently should be the most responsible of all professions pursued in our country. From my point of view it is utterly impossible, whatever the patriotism, whatever the ardent love of country with which women shall be filled, that they shall teach the history of the country and the principles of its Government—national, State, municipal—with the same intelligence and with the same interest and with the same sense of conviction that they could do it were they enfranchised. It is also quite impossible that the growing lads and the maturing young men who are being taught these subjects by women all over the United States shall listen to the instruction, of however high a character, proceeding from the lips of disfranchised with the same respect that they would listen to it proceeding from the lips of the enfranchised.

I hope you realize the great waste of which our country is guilty, not only in placing the instruction of our citizens with a disfranchised class but also in the expenditures of such vast sums of money in the education of a disfranchised class. It is true that all of the arguments are that the public-school system—the most democratic of all our institutions and equally democratic in all parts of our country, and almost the only institution that is equally so North and South, East and West—that great democratic institution is based upon the necessity for an intelligent citizenship. And millions of dollars are contributed to the support of public schools and agricultural colleges where women also study; even law schools, where women also study; medical colleges, where women also study; State universities, where women study on equal terms, study the same subjects, pass the same examinations, are endowed with the same degrees, are certified to represent the same education; but they can not bring their educated powers to bear upon questions of government, the sole method by which they can directly pay the expense of their education back to the Government which has paid for their education. This is a tremendous waste.

The opposition says that this amendment would take away the power of the States to regulate or restrict suffrage within its borders, and that no State should be deprived of that power. It simply says that the right to vote shall not be denied on account of sex. That is all. It puts into law the proposition which no one will have the hardihood to deny, and that is that intellectually, mentally, and morally women are the equal if not the superior of men. Any restrictions based upon intelligence, education, moral fitness, ownership of property, or anything of that kind are still within the power of the State and leave abundant power in it to make full protection of all its interests. This is not a question solely for the State. It is not solely for the benefit of the woman. The Nation is interested in it. We all are interested in it. I am not for it so much because the women want it, but because of the good it will be to the women, to the State and the Nation, and to humanity. I want it given to them as a benefit to them, to me, to all of us.

Conditions in the East are different from what they are in the West, and this is urged as an objection. It is said that the population of the large cities presents difficult problems and these would be rendered more difficult. I grant that there are difficult problems, but I do not grant that they would be rendered more difficult. I think this would help in their proper solution. The problems here are not so much problems of politics in the narrow sense. They are the problems of humanity, not so much problems of graft and dishonesty but problems of housing and decent, healthful living. These are problems in the solution of which we need the help and influence and power of women, and give them the right to enforce their influence and their opinions, and you will find many of the slum, tenement house, and alley problems being solved in such a way as to bring happiness to thousands who now merely exist. You need not tell me that the poor women who are to-day living in squalor, poverty, and vice will not welcome relief from such conditions and generally give their aid and assistance in alleviating such conditions when they are made to feel that there are those who are earnestly desirous of helping them. The East needs this powerful influence for good more than the West.

Mr. President, there is really no substantial objection that can be urged to the passage of this resolution and to the adoption of this amendment. Every objection that is urged can be urged

with greater force against male suffrage and has no force in sex distinction. It is most difficult to argue a proposition against which no valid objection can be urged. It is like fighting wind-mills. One good woman, opposing woman suffrage, says:

I want her to be a good home maker, a good mother, and a loyal, intelligent, active citizen.

So do we all; and to give a woman the power to discharge the duty of good citizenship will assist her in making not only her home better but other homes better; it will make her not only a good mother but enable her to be a more efficient mother, and as an example an inspiring one to her children, and enable her to protect them from pitfalls over which she now has an influence but no power, and it certainly will make her not only a loyal, intelligent, and active citizen but it will make her a powerful one and thereby stimulate her loyalty and activity. All this can be done without the loss of any of her womanly attributes or inspiring influences. In fact, this power to discharge the duties which she is beginning to realize more and more will make her more womanly, more inspiring, and more companionable than ever before—a better wife and a better mother—and instead of spending so much of her time in the frivolities of the day more of them will spend more of their time in carrying out the real purposes of every human life.

Never was a class so well fitted by intelligence, education, capacity, refinement, lofty motives, high aspirations, and native ability to receive the full power to discharge the duties of citizenship in a great nation as are the women of the United States. They demand this power and are entitled to it, not as a special privilege, but as a well-earned and well-deserved right.

TAX ON WINE SPIRITS OR GRAPE BRANDY.

Mr. POMERENE. Mr. President, during the pendency of the present tariff bill before the Finance Committee I had the privilege of suggesting an amendment providing for the repeal of what are known as the free-tax privileges relating to the use of wine spirits. That amendment as it was passed by the Senate is known as paragraph 254. It contains three propositions—first, the repeal of the free-tax provision of the law of October 1, 1890; secondly, it provides a tax upon so-called spurious or pomace wines; and, thirdly, it attempted to fix the amount of sugar and water that might be added to pure grape juice in the process of what is known as the amelioration of wine.

It will occur to the Senate that there are two principal features—one the taxing or revenue feature, the other the pure-food feature—in this bill. As it occurs to me, there is no room for an honest difference of opinion as to what Congress should do respecting the revenue features of this measure. As to the pure-food provisions, there is room for doubt; and this was realized by the members of the Senate Finance Committee in the last days of the consideration of the bill in Committee of the Whole, when the senior Senator from Missouri [Mr. STONE], who then had charge of the bill on the floor, said, among other things, with respect to this measure:

I am frank to say that I am not by any means satisfied with this provision myself; but the subcommittee, because of the press of business here, desiring to get the bill into the Senate and into conference, determined that it would not take the time necessary to go into this matter thoroughly—which perhaps would require several days—and that this provision would be offered by the committee and agreed to by the Senate in order that it might go into conference. In the interval the subcommittee will thoroughly go into the subject.

With this assurance I contented myself with not occupying the time of the Senate in discussing the facts relating to this provision. After the matter had gone to the conference, in my temporary absence from the Capitol, I was advised, not officially, however, that the conferees had decided to eliminate this provision entirely from the tariff measure. I had reason to believe that some opportunity would be given for the presentation of my views before the conference committee if there was to be adverse action, but it seems that the committee in their wisdom thought that they could not permit hearings of any kind, and with that I find no fault.

I was more than surprised to learn that though there is some doubt as to whether this measure may provide the necessary revenue the conference would be willing to strike out of the measure this provision which meant at the least from \$7,000,000 to \$8,000,000 per annum.

And now I desire to take a few minutes of the time of the Senate to explain the provisions of this amendment, for the reason that if the conference report should eliminate this provision I shall, with the permission of the Senate, ask Senators to instruct the conferees on the part of the Senate to insist upon this Senate amendment.

The provisions of the sweet-wine law are contained in the tariff act of October 1, 1890, in sections 42 to 49. I ask leave to print as a part of my remarks sections 42 and 45, which have

direct reference to the phase of the question which I am about to discuss.

The PRESIDING OFFICER. Without objection, it is so ordered.

The sections referred to are as follows:

SEC. 42. That any producer of pure sweet wines, who is also a distiller, authorized to separate from fermented grape juice, under internal revenue laws, wine spirits, may use, free of tax, in the preparation of such sweet wines, under such regulations and after the filing of such notices and bonds, together with the keeping of such records and the rendition of such reports as to materials and products, as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, so much of such wine spirits so separated by him as may be necessary to fortify the wine for the preservation of the saccharine matter contained therein: *Provided*, That the wine spirits so used free of tax shall not be in excess of the amount required to introduce into such sweet wines in alcoholic strength equal to 14 per cent of the volume of such wines after such use: *Provided further*, That such wine containing after such fortification more than 24 per cent of alcohol, as defined by section 3249 of the Revised Statutes, shall be forfeited to the United States: *Provided further*, That such use of wine spirits free from tax shall be confined to the months of August, September, October, November, December, January, February, March, and April of each year. The Commissioner of Internal Revenue, in determining the liability of any distiller of fermented grape juice to assessment under section 3309 of the Revised Statutes, is authorized to allow such distiller credit in his computation for the wine spirits used by him in preparing sweet wine under the provisions of this section.

SEC. 45. That under such regulations and official supervision and upon the execution of such entries and the giving of such bonds, bills of lading, and other security as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, any producer of pure sweet wines as defined by this act may withdraw wine spirits from any special bonded warehouse free of tax in original packages in any quantity not less than 80 wine-gallons, and may use so much of the same as may be required by him, under such regulations, and after the filing of such notices and bonds and the keeping of such records, and the rendition of such reports as to materials and products and the disposition of the same as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, in fortifying the pure sweet wines made by him, and for no other purpose, in accordance with the limitations and provisions as to uses, amount to be used, and period for using the same set forth in section 53 of this act; and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized, whenever he shall deem it to be necessary for the prevention of violations of this law, to prescribe that wine spirits withdrawn under this section shall not be used to fortify wines except at a certain distance prescribed by him from any distillery, rectifying house, winery, or other establishment used for producing or storing distilled spirits, or for making or storing wines other than wines which are so fortified, and that in the building in which such fortification of wines is practiced no wines or spirits other than those permitted by his regulation shall be stored. The use of wine spirits free of tax for the fortification of sweet wines under this act shall be begun and completed at the vineyard of the wine grower where the grapes are crushed and the grape juice is expressed and fermented, such use to be under the immediate supervision of an officer of internal revenue, who shall make returns describing the kinds and quantities of wine so fortified, and shall affix such stamps and seals to the packages containing such wines as may be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury; and the Commissioner of Internal Revenue shall provide by regulations the time within which wines so fortified with the wine spirits so withdrawn may be subject to inspection, and for final accounting for the use of such wine spirits and for rewarehousing or for payment of the tax on any portion of such wine spirits which remain not used in fortifying pure sweet wines.

Mr. POMERENE. I wish to say in passing that prior to the enactment of the tariff law of 1890 wine spirits, or grape brandy, as it is commonly called, was subject to a tax of 90 cents a gallon. Some years later Congress increased the tax to \$1.10 per gallon. Some of the Californians came to Congress with the representations, as I have been informed by the Bureau of Internal Revenue, that the Government was not very well provided for the proper inspection of the distilleries of wine spirits; that some illicit producers of sweet wine were using the wine spirits free of tax; and this placed the legitimate users and producers of sweet wine at a disadvantage, and they thought that all should be placed upon a common footing and be given the wine spirits free of tax.

Again, it was said that with a little encouragement of this kind, with the advantages of climate and soil which they had in California, a sweet wine could be produced for table use which would compete with the product of the Old World. A Representative from the State of California in 1890 introduced a bill providing for the use of these wine spirits free of tax. It was referred to the Ways and Means Committee of the House, was incorporated into the bill as reported back to the House, and was later passed by the House. It then came to the Senate and was referred to the Finance Committee. The Finance Committee reported the bill to the Senate and eliminated from it all of its free-tax provisions. On the floor of the Senate Mr. Aldrich, then a Senator from Rhode Island, asked the adoption of the amendment of the Finance Committee. At that moment a Senator from California—Mr. Hearst—arose and suggested that he desired to offer certain amendments. He was assured by the Senator from Rhode Island that those amendments would be taken care of in conference. The bill passed the Senate with these provisions eliminated. The con-

ference committee reported the bill back with the House provisions reinserted into the measure. There was no discussion of the merits of the provisions of that bill, as I have been informed by those who have thoroughly examined the RECORD, either in the House or in the Senate. So, as a result of that legislation, the California sweet-wine producers were given grape brandy, or wine spirits, free of tax.

Now, when it is sought to restore the tax upon wine spirits the provision of the pending bill is, as I have been unofficially advised, to be thrown out without any further consideration. Hence, it seems to me that it is quite appropriate that I place the facts before the Senate for the benefit of those who have not had the opportunity to investigate the subject.

Why do I say that this was for the benefit of the California wine producer? I desire to call your attention to that part of section 42 of the law which limits the class of wine producers who may have this advantage. Note the language:

That any producer of pure sweet wines, who is also a distiller, authorized to separate from fermented grape juice, under internal revenue laws, wine spirits, may use free of tax, in the preparation of such sweet wines, * * * so much of such wine spirits so separated by him as may be necessary to fortify the wine for the preservation of the saccharine matter contained therein.

You will note that under the provisions of this section it is only "the producer of pure sweet wines who is also a distiller" who has this privilege. Now, note further. Section 45 provides for the taking out of bond of wine spirits by "any producer of pure sweet wines as defined by this act." Later is this provision in the same section:

The use of wine spirits free of tax for the fortification of sweet wines under this act shall be begun and completed at the vineyard of the wine grower where the grapes are crushed and the grape juice is expressed and fermented.

So, as I construe the provisions of this act, in order that a man may have the privileges of it he must be first a distiller of wine spirits; and, secondly, the use of the wine spirits must be begun and completed at the vineyard of the wine grower.

It now turns out that nearly all of the large sweet-wine producers of California have their own distilleries, and their wineries are at their vineyards; but when it comes to the wineries in the States east of the Rocky Mountains, as in Missouri and in Ohio, the wineries are usually in the towns and the grape growers have their vineyards in the country. In Ohio they are scattered along the shore of Lake Erie and upon the islands of the lake. So when these wine producers desire to make the pure sweet wine they are obliged to pay for the wine spirits which they use, or the neutral spirits which are used by some of them, a tax of \$1.10 per gallon.

Later, I think in 1896, a nominal charge of 3 cents a gallon was made by the Government under an amendment of the law for the use of these wine spirits. It, however, is contended by some of the Californians that we, who take the view of the law that I have expressed, have improperly construed it. Under an opinion which was given by the Internal Revenue Bureau, one of the ex-Commissioners of Internal Revenue, the one who immediately preceded the present commissioner, made the statement before the Finance Committee that prior commissioners had construed this law to mean that, if the owner of a winery would plant six grapevines about his winery, his winery would be at the vineyard within the contemplation of this act, and therefore he could take his grape juice from other vineyards far away, and unlimited in extent almost, to his winery, and have the privilege of getting the wine spirits necessary for the fortification free of charge, except the 3 cents a gallon. Such a construction of the law needs no comment. The lawyer who would so construe it ought to be disbarred because of his incompetency.

Now, what do we understand by the fortification of wine? After the juice is pressed from the grapes—I am referring now especially to the grape juice of California—and after it has been fermented to the desired extent, wine spirits or alcohol of some kind must be added in order to prevent further fermentation.

In the grape juice of California there is about 26 per cent of sugar. It is usually fermented down until there is about from 4 to 8 per cent of sugar. Then, there can be added to it wine spirits to the extent of 14 per cent free of tax, save the 3 cents a gallon. If these producers of sweet wine were charged at the same rate that other users of wine spirits are charged, they would have to pay \$1.10 a gallon; they are now therefore enjoying a legislative privilege of \$1.07 a gallon for every gallon of wine spirits they use.

In order that the Senate may be advised as to the extent of this privilege, I find, by reference to the report of the Internal Revenue Bureau, that in 1910 the producers of sweet wine used 4,888,445 gallons of wine spirits in fortifying their wine; in 1911, 5,101,517½ gallons; and in 1912, 6,322,303½ gallons. I

have before me a letter from the present Commissioner of Internal Revenue, under date of June 9, 1913, in which he says that—

Up to the present fiscal year the amount of tax remitted under this law was \$65,702,601.69, and during the last fiscal year of that period the tax so remitted (\$6,954,534.29), less the amount assessed to cover the cost of official supervision, exceeded by \$4,070,977.71 the total amount of revenue derived from spirits distilled from fruit, including grape brandy.

What is the present situation? Usually the sweet wines are fortified so that they contain about 22 per cent of pure alcohol. Under the provisions of the wine statute, to which I have referred, they can add 14 per cent of pure wine spirits without paying any tax except the 3 cents a gallon.

Now, what comes of the proposition that they were going to produce a pure table wine which would compete with the foreign wine? The fact is that they have so large a percentage of alcohol in their sweet wine that it is unfit for table use, and it is selling in competition with liquors of all sorts because of its high alcoholic content. With 22 per cent of pure alcohol we have 44 per cent proof. Whisky has 50 per cent of pure alcohol, or 100 per cent proof; in other words, there is one-half as much alcohol in the pure sweet wine produced in California as there is in whisky, so that the lady who desires to take her glass of sweet wine is in fact getting more alcohol than the man who drinks his highball. I never knew until I got to investigating this subject why it was that I have heard it said that sweet wine was so intoxicating.

Bear in mind, further, this fact: We tax beer at \$1 a barrel. The average alcoholic content in beer is about 4 to 5 per cent. We tax whisky \$1.10 per proof gallon. The alcoholic content in whisky is 50 per cent, but we allow the producer of pure sweet wine, with an alcoholic content of not exceeding 24 per cent, to be the favorite of the law.

We have permitted that in this country for 23 years under a statute which was passed by Congress and was not even discussed upon the floor of either House of Congress, and now when the matter is called to the attention of the Congress it is again to be thrown out of the bill. Why? It is said, as I understand, that there has not been time sufficient to consider this question properly. I concede that under conditions as I know them here in this country, when it comes to the question as to what shall be a pure wine or what shall be a proper sweet wine or a proper dry wine or a proper sparkling wine there is room for difference of opinion, and it is a matter, in my judgment, that should be taken up by the Pure Food Bureau or the Internal Revenue Bureau, or both; but when it comes to the question as to whether we shall have six or seven million dollars of revenue from these wine producers, in my humble judgment there is no room for any difference of opinion. If the conferees insist upon throwing this provision out of the bill and allow the producers of pure sweet wine to continue to have this privilege by paying 3 cents a gallon, they owe an apology to every brewer and to every distiller because of the favoritism that they are going to continue under the law to the producers of pure sweet wine.

But it is said—it was said on behalf of some very rich sweet-wine producers in California who came here like every other man comes who wants a special privilege and hides himself behind the poor farmer—that you will ruin the poor farmer if you place this tax upon sweet wines. Well, every Senator and every Representative has heard that excuse before when men came for special privileges. In the State of California they pay the poor farmer \$5 a ton for grapes at times; the average price is about \$8 a ton; and now they are paying \$10 and as high as \$12 a ton, according to an advertisement in one of the California papers which I have here. This increased price comes about at this particular juncture by reason of this fact: When this amendment was first considered it was suggested that it should go into effect as of January 1, 1914. If it should go into effect then, the producer of pure sweet wine which was made before January 1, 1914, would have his wine spirits free; and the sweet wine that was made before January 1, 1914, would have an advantage over the pure sweet wine produced thereafter amounting to the difference in the tax which he would have to pay under the provisions of this bill. So, in order that they might produce more of the wine, they were willing to pay the farmer a little bit more for his grapes.

If the gentlemen who are so much interested in the poor farmer who produces the grape in California would take it upon themselves to inquire why it is that the wine producer does not pay more for grapes, they would be taking better care of the farmer than by coming down here and lobbying for a special privilege.

In Ohio and Missouri, I am advised, the average price of grapes runs from \$30 to \$50 a ton. For the wine spirits, or

neutral spirits, which the wine producers in those States use to fortify their wine, they pay \$1.10 a gallon. Some people prefer the sweet wine made out of eastern grapes. Others may prefer the sweet wine produced in California. But it is amusing to hear of the intense interest they have in the farmer; and they are constantly saying that if we increase this tax we shall thereby lower the price which the California farmer can receive for his grapes.

This is a rather novel argument. If it be true that an increased tax on wine spirits decreases the price which the farmer receives for his grapes, it must also be true that when we placed a tax upon beer the farmer got less for his barley or his hops, and that when we placed a tax upon whisky the farmer got less for his corn or his rye. Did anyone ever hear it suggested that the farmer was prejudiced by reason of the tax upon beer or upon whisky?

I understand it has been suggested that if this matter is stricken out now at the next session of Congress the subject will be taken up in the House and will be given careful consideration. What does a delay of that kind mean? Simply this: The wine producer of California is now pressing his grapes. Within a few days after he begins to press the grapes he adds the wine spirits and the wines will be finished before the first of the year. A delay until the next session of Congress means a bonus to the California wine producers of from six to eight million dollars.

There is another feature of this question to which I wish to call attention. Before the Finance Committee the statement was made that the average cost of producing sweet wine in California was 20 cents a gallon. It sells in bottles—of course that is the best quality—for about \$3 a gallon. It does seem to me that there ought to be some room between the two extremes for the Government to get something out of the proposition.

What is done with this wine in part? One million gallons of it—and it is always the poorer grade of the wine—go to the makers of patent medicine. This is bought up in California, f. o. b. cars, at from 10 to 15 cents a gallon. In the making of the pure sweet wine they add about 1 gallon of wine spirits to every 4 gallons of grape juice. So the wine spirits or alcoholic content alone, which the wine producer gets free of tax, save 3 cents a gallon, would be worth, if there were a tax upon it, from 22 to 25 cents a gallon in the completed wine. The patent-medicine producers get this wine at from 10 to 15 cents a gallon when the Government ought to get out of it from 22 to 25 cents a gallon if the producers of pure sweet wine were placed upon the same footing with other users of alcoholic spirits. No wonder there is so much alcohol in some of these patent medicines.

Mr. VARDAMAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Ohio yield to the Senator from Mississippi?

Mr. POMERENE. Certainly.

Mr. VARDAMAN. Has the Senator any assurance that there is any possibility of that tariff being yielded to the House?

Mr. POMERENE. I am so informed, unless there is a change of heart.

Mr. VARDAMAN. How much revenue did the Senator say was involved—about \$7,000,000?

Mr. POMERENE. I will give the Senator the exact figures. Last year, according to the figures furnished me, the revenue on the wine spirits, if charged at the rate of \$1.10 a gallon, would have been \$6,954,534.29.

Mr. VARDAMAN. The Senator has not heard where they are going to get the revenue to supply that deficit, has he?

Mr. POMERENE. Oh, yes; they are going to get it from bananas for one thing.

Mr. VARDAMAN. They have given that up.

Mr. POMERENE. Then they are going to get it by a tax upon blankets, or currants and other edibles, and other things which are necessary to the comfort of the American people.

Mr. MARTINE of New Jersey. Mr. President—

The PRESIDING OFFICER. Does the Senator from Ohio yield to the Senator from New Jersey?

Mr. POMERENE. I do.

Mr. MARTINE of New Jersey. The Senator, of course, understands that the purpose of this measure was not especially to enrich the wine makers. I do not think the Senator believed that was the animus. It was the fact that you can not make humanity over in a day, and it would not be wise to do so if you could; and a large number of the people of this country and almost every other country are given to the use of spirituous liquors in some way or other. The thought was, as I understand, when the matter was debated before the committee, that it was wise to take the place of strong alcoholic drinks by inducing the people as much as possible to use the lighter sweet

wines, and that the sweet wines could not be kept sweet without a slight addition of these spirituous ingredients.

Mr. POMERENE. Oh, if the Senator please, it is not a very light wine that is half as strong as whisky.

Mr. MARTINE of New Jersey. It would depend upon how much the whisky was watered.

Mr. POMERENE. And if we were to make over the selfish dispositions of some men, it would take more than one day to accomplish the feat.

Mr. MARTINE of New Jersey. Yes; there is no doubt about that. Of course I do not know what the Senator refers to in speaking of the "selfish dispositions of some men."

Mr. POMERENE. I mean those who are here asking for this special privilege and whom you referred to when you stated that humanity could not be made over in a day.

Mr. MARTINE of New Jersey. I was not asking for it. I only expressed the thought, as I recall the argument that was used before the committee, it was that it would tend to lessen the abuse of strong alcoholic drinks to induce people to use the lighter sweet wines—grape juice, if you choose, and some other things of that character—and that they could not be kept in an unfermented state without the addition of this spirituous ingredient.

Mr. POMERENE. That was one of the reasons which was given by the advocates of this measure before the year 1890, when it was supposed that there would be only enough of the wine spirits or alcoholic content placed in the wine to make it a table wine. But instead of that, in view of the fact that the producers of wine get their wine spirits almost free of tax, they are adding to their product more than is necessary, and the result is the highly intoxicating character of the sweet wines.

Mr. VARDAMAN. Mr. President—
The PRESIDING OFFICER. Does the Senator from Ohio further yield to the Senator from Mississippi?

Mr. POMERENE. I yield.

Mr. VARDAMAN. If the Senator will pardon me just a moment, I wish to suggest that the purpose of the tax, as it was expressed in the discussion of the bill before the committee, was not so much as a temperance measure as it was to levy a tax upon a pernicious luxury in order that it might be taken off of the necessities of life; and I think the tax ought to stay.

Mr. MARTINE of New Jersey. I realize that. I will stand with the Senator, or with any other Senator, in lightening the burden upon the necessities of life even to a far greater extent than has been encompassed by our bill, and I would impose upon whisky and upon tobacco the burden thus removed. I realize that very well. But I do say that whether it is a bad or a good trait, whichever way you choose to take it, humanity is much given to the use of alcoholic spirits; and the argument has been put forth, and I believe well and strongly put forth, that in thousands of instances the use of strong alcoholic drinks may be lessened by the use of light wines. Inasmuch as the light wines can not be preserved from fermentation without the addition of a small amount of alcohol, I believe it will be a temperance measure, and generally for the well-being of the people who use them.

Mr. POMERENE. If that be so, in view of the fact that beer contains only about 4 per cent of alcohol, why not take the tax off beer entirely?

Mr. MARTINE of New Jersey. I think there is a wide difference between the use of beer and the use of light wines. Wine is used in infinitely less quantities than beer. The average beer drinker is not satisfied until he has guzzled at least half a dozen beers. The average wine drinker would be satisfied with a very small, infinitesimal portion of wine.

Mr. POMERENE. It takes about half a dozen glasses of beer to get the same alcohol that you get from one glass of sweet wine.

Mr. MARTINE of New Jersey. I do not know that that is true. I am not a beer expert. I do say, however, that there are other ingredients in beer that are pernicious and detrimental, from my point of view, to the general user of it. I am not posing as a defender of the grape growers of Ohio or the wine distillers of Ohio or of California. I know the Senator can defend them if they need it.

Mr. POMERENE. Mr. President, I am not here defending any class of wine producers as against any other class of wine producers. I am here to assert that it is unjust for the American Congress to place a tax of \$1.10 a gallon on whisky, \$1 a barrel on beer, and next to no tax upon sweet wine, when it has so much alcohol in it.

If there is one subject which is recognized the world over as a proper subject for taxation, it is alcoholic spirits of all kinds. That has been the settled policy of this country. I was amazed

to learn that there was no tax on any wine produced in this country save upon sweet wines, and that only upon the wine spirits which entered into the making of them, at the rate of 3 cents a gallon.

While on that subject, in order that there may be no misunderstanding, permit me to say that the representatives of the Ohio wine producers who are here have said to me that they believe the time has arrived when there ought to be an equitable tax, not only upon the sweet wines but upon the dry wines as well. I am glad to say for them that they have some American patriotism about them that shines over and above the selfish spirit that has actuated some of the lobbyists who have appeared here before committees.

Before I was interrupted I was discussing the alcoholic content of patent medicines. I received under date of August 5, 1913, from Dr. Carl Alsberg, Chief of the Bureau of Chemistry of the Department of Agriculture, a letter, in which he says:

Out of 150 samples of liquid proprietary medicinal preparations selected at random from those recently examined in this laboratory, 43, or 29 per cent, contained no alcohol; 37, or 25 per cent, contained less than 10 per cent alcohol; 29, or 19 per cent, contained 10 per cent to 20 per cent alcohol; 11, or 7 per cent, contained 20 to 30 per cent alcohol; 11, or 7 per cent, contained 30 to 40 per cent alcohol; 8, or 5 per cent, contained 40 to 50 per cent alcohol; and 11, or 7 per cent, contained more than 50 per cent alcohol.

In other words, some of them are stronger and more intoxicating than whisky itself. It is no wonder that some of the patent medicine manufacturers are waxing rich when they are getting this sweet wine they put in their so-called patent medicines free of tax. And yet we will take another year to investigate the subject!

The wine producers of California are much interested in the farmer. Let us see what is the protection they have against the foreign grape grower. Under the pending bill and under the old law there is a duty of 25 cents per cubic foot on foreign grapes. So they are protected against the foreigner. When it comes to wine there is a duty of 45 cents a gallon on all imported wines with an alcoholic content less than 14 per cent. There is a duty of 60 cents per gallon upon all imported wines with an alcoholic content of 14 per cent and under 24 per cent. So they are protected against the foreign producer. Then they have a law so rigid as to give them the special privilege of wine spirits free of tax save 3 cents a gallon against all other producers of pure sweet wines which do not come within the provisions of this act.

If it was intended that these wine spirits should be free of tax in order to benefit the industry of pure sweet wines, why was it not said that all wine spirits used in the manufacture of pure sweet wines should be subject to a tax of 3 cents a gallon? But no; that would not have suited the purposes of somebody. So they limited it by saying every producer of pure sweet wine who is also a distiller of wine spirits shall have this privilege. But more than that, the winery must be at the vineyard.

Mr. President, there was no opportunity to discuss this measure—at least none seemed to present itself to me—in the closing days of the long debate, and I have felt justified this afternoon, and even before the report from the conference committee comes in, to place some facts in the Record so that Senators might be advised.

There is another matter to which I desire to call attention. I think I said a little while ago that there was some doubt as to just what the pure-food provision of the bill should be, or, in other words, what might constitute a pure wine. It is my belief that the present provision of the pending bill could be amended so as to confer full authority upon the Department of Agriculture, which has control of the pure-food department, or upon the Internal Revenue Bureau, or upon both, to provide suitable regulations which might not hamper unduly the industry and would be just both to the Government and to the producer.

It is necessary that there should be some latitude, for this reason: In California there is often an excess of sugar and not enough acid in the grapes produced in that State. They are varying quantities, dependent upon the locality and upon the season. East of the Rocky Mountains there is usually an excess of acidity and not sufficient sugar, and they vary from year to year in one locality from what they are in another locality, and with one variety of grapes as compared with another variety of grapes. They have this same situation in the old countries. In Germany, as I am advised, the making of wines is under the control of the administrative department of the Government, and the administrators of the law permit a varying quantity of sugar or water, or of both, to be added from year to year, depending upon the character of the grapes.

It must stand to reason that if the grape this year has a given amount of acidity and a given amount of sugar, and is there-

fore fit for the production of wine, it ought not to be said that the owner of the grapes shall not use his grapes the next year for the production of wine if the amount of acidity is in excess of what it was the year before, or if the amount of sugar is less than what it was the year before. Grapes vary as wheat varies.

I recognize that there ought to be stringent regulations. You can not make the pure-food provisions too strict to suit me. I do not believe the public ought to be imposed upon; and an honest man never attempts to impose upon the public; but I was a little bit amazed the other day to see a statement from a prominent food expert to the effect that the addition of sugar and water was an adulteration of a wine, when sugar and water have been added to wine time out of mind, not only in this country but in Europe. I suppose if the mother of the same expert had been making an apple pie, and it was a little tart, and she thought it was necessary to add a little sugar, he would compel her to brand the pie as an adulterated pie.

Mr. President, it does seem to me that Congress ought to provide for a tax upon this brandy or wine spirits. It is my judgment that there ought to be a tax upon all wines which are manufactured for sale. There is no reason which can be given for the exemption of the alcoholic content of wine that can not be applied with equal force to the exemption of the alcoholic content of every other kind of liquor, whether it be spirituous or malt.

In the interest of justice and in the interest of the Government it seems to me that the tax ought to be placed upon these wines and taken off of some of the necessities of life.

EXECUTIVE SESSION.

Mr. SMITH of Georgia. Mr. President, it may be necessary for the Senate this afternoon to take a short recess, as there are matters to come to the Senate from the House which, in view of the fact that we have agreed to adjourn until Monday, ought to be disposed of this afternoon. The currency bill will be here from the House in the course of an hour. In the meantime, there are several Senators who have reports and matters to come before an executive session, and I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After 20 minutes spent in executive session, the doors were reopened.

MESSAGE FROM THE HOUSE—THE CURRENCY.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the House had passed a bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, in which it requested the concurrence of the Senate.

HOUSE BILL REFERRED—THE CURRENCY.

H. R. 7837, an act to provide for the establishment of Federal reserve banks, to furnish elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, was read twice by its title.

Mr. OWEN. I move that the bill be referred to the Committee on Banking and Currency.

The motion was agreed to.

Mr. OWEN. I ask that 10,000 additional copies of the bill be printed for the use of the Senate and for public distribution.

There being no objection, the order was agreed to, and it was reduced to writing, as follows:

Ordered, That 10,000 additional copies of the bill H. R. 7837—the currency bill—be printed for the use of the Senate document room.

Mr. SMITH of Georgia. I move that the Senate adjourn.

The motion was agreed to; and (at 4 o'clock and 22 minutes p. m.) the Senate adjourned until Monday, September 22, 1913, at 12 o'clock meridian.

NOMINATIONS.

Executive nominations received by the Senate September 18, 1913.

SOLICITOR FOR THE STATE DEPARTMENT.

Joseph W. Folk, of Missouri, to be Solicitor for the Department of State, vice J. Reuben Clark, jr., resigned.

ASSISTANT APPRAISER OF MERCHANDISE.

Bernard Herstein, of New York, to be assistant appraiser of merchandise in the district of New York, in the State of New York, to fill an existing vacancy.

UNITED STATES CIRCUIT JUDGE.

Henry Wade Rogers, of Connecticut, to be United States circuit judge, second circuit, vice Walter C. Noyes, resigned.

UNITED STATES ATTORNEY.

Clay Allen, of Washington, to be United States attorney for the western district of Washington, vice Charles F. Riddell, who is serving under an appointment by the court.

UNITED STATES MARSHALS.

J. Clifford Brown, of Florida, to be United States marshal, southern district of Florida, vice John F. Horr, removed; effective October 1, 1913.

James B. Perkins, of Florida, to be United States marshal, northern district of Florida, vice Thomas F. McGourin, removed; effective October 1, 1913.

REGISTER OF THE LAND OFFICE.

James Y. Callahan, of Enid, Okla., to be register of the land office at Woodward, Okla., vice George D. Orner, resigned.

RECEIVER OF PUBLIC MONEYS.

D. F. Burkholder, of Chamberlain, S. Dak., to be receiver of public moneys at Gregory, S. Dak., to correct the initials of Mr. Burkholder as confirmed September 11, 1913.

APPOINTMENTS IN THE ARMY.

MEDICAL RESERVE CORPS.

To be first lieutenants with rank from September 13, 1913.

John Edgar Burnett Buckenham, of Pennsylvania.

Clarence Edward Burt, of Massachusetts.

Eugen Cohn, of Illinois.

Walter Addison Jayne, of Colorado.

William Elston Leighton, of Missouri.

Earle Francis Ristine, of Washington.

REAPPOINTMENT IN THE ARMY.

QUARTERMASTER CORPS.

Brig. Gen. Henry G. Sharpe, Quartermaster Corps, to be brigadier general in the Quartermaster Corps for the period of four years beginning October 12, 1913, with rank from October 12, 1905. His present appointment will expire October 11, 1913.

PROMOTIONS IN THE NAVY.

Lieut. Commander Raymond Stone to be a commander in the Navy from the 1st day of July, 1913.

Lieut. Commander Hutch I. Cone to be a commander in the Navy from the 1st day of July, 1913.

Lieut. Merlyn G. Cook to be a lieutenant commander in the Navy from the 1st day of July, 1913.

Lieut. (Junior Grade) George H. Bowdley to be a lieutenant in the Navy from the 1st day of July, 1913.

Ensign Nelson W. Pickering to be a lieutenant (junior grade) in the Navy from the 6th day of June, 1913.

Midshipman Leonard R. Agrell to be an ensign in the Navy from the 7th day of June, 1913.

Midshipman Elmer L. Woodside to be an ensign in the Navy from the 7th day of June, 1913.

The following named assistant paymasters to be passed assistant paymasters in the Navy from the 2d day of August, 1913:

George S. Wood,

Alonzo G. Hearne,

Hervey B. Ransdell, and

Henry R. Snyder.

CONFIRMATIONS.

Executive nominations confirmed by the Senate September 18, 1913.

MINISTER.

Preston McGoodwin to be envoy extraordinary and minister plenipotentiary to Venezuela.

CONSULS GENERAL.

Leo Allen Bergholz to be consul general at Dresden, Germany.

Joseph I. Brittain to be consul general at Coburg, Germany.

William Coffin to be consul general at Budapest, Hungary.

Frank Dillingham to be consul general at Winnipeg, Manitoba, Canada.

T. St. John Gaffney to be consul general at Munich, Bavaria.

Frederic W. Goding to be consul general at Guayaquil, Ecuador.

John Edward Jones to be consul general at Genoa, Italy.

James A. Smith to be consul general at Calcutta, India.

Alexander M. Thackara to be consul general at Paris, France.

David F. Wilber to be consul general at Zurich, Switzerland.

CONSULS.

Homer Brett to be consul at Teneriffe, Canary Islands.

Ralph C. Busser to be consul at Trieste, Austria.

Homer M. Byington to be consul at Leeds, England.

Benjamin F. Chase to be consul at Leghorn, Italy.
 Frank Deedmeyer to be consul at Prague, Austria.
 Stuart J. Fuller to be consul at Durban, Natal.
 James H. Goodier to be consul at Tahiti, Society Islands.
 Graham H. Kemper to be consul at Erfurt, Germany.
 Andrew J. McConnico to be consul at Trinidad, West Indies.
 Lucien Memminger to be consul at Rouen, France.
 Edwin L. Neville to be consul at Antung, China.
 Thomas Willing Peters to be consul at Kingston, Jamaica.
 Samuel C. Reat to be consul at Calgary, Alberta, Canada.
 Ralph J. Totten to be consul at Montevideo, Uruguay.
 Adolph A. Williamson to be consul at Tansui, Taiwan.
 Felix Willoughby Smith to be consul at Aden, Arabia.

PROMOTION IN THE REVENUE-CUTTER SERVICE.

First Lieut. Harry Gabriel Hamlet to be captain.

COLLECTOR OF CUSTOMS.

John B. Elliott to be collector of customs for the southern district of California.

POSTMASTERS.

ALABAMA.

Edgar Collins, Warrior.
 J. A. Wilson, Russellville.

ILLINOIS.

Leslie G. Horrie, Gardner.
 Henry C. Johnson, Lawrenceville.
 C. E. Moffitt, Monticello.
 M. F. O'Connor, Harvard.
 Alexander Perkins, Cerro Gordo.
 Clyde W. Schoener, Cicero.
 Charles J. Swisher, Sullivan.

IOWA.

Sebastian Dischler, Rock Valley.

MISSISSIPPI.

Solomon Seelbinder, Cleveland.

NORTH DAKOTA.

Peter Karpen, Medina.
 Myrtle Nelson, Bowman.
 Frank Reed, Bismarck.
 Frank Renning, Velva.
 W. W. Smith, Valley City.
 J. W. Stambaugh, Carrington.

TEXAS.

T. E. Durham, Longview.
 S. R. Heard, Rosenberg.
 June Hickman, Livingston.
 M. D. Parneil, Chico.
 C. H. Sewell, Overton.
 Peter Tighe, Sourlake.

WASHINGTON.

H. A. Knapp, Camas.

WITHDRAWAL.

Executive nomination withdrawn September 18, 1913.

COLLECTOR OF INTERNAL REVENUE.

Bernard M. Gannon, of New Jersey, to be collector of internal revenue for the fifth district of New Jersey.

HOUSE OF REPRESENTATIVES.

THURSDAY, September 18, 1913.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Almighty God, our heavenly Father, without whose breath we should wither and fade, without whose light we should grope in darkness, without whose love we should sink into despair, impart unto us wisdom, strength, and grace sufficient unto the needs of this day, that we touch nothing that is unclean, but with singleness of purpose do the work Thou hast given us to do with patience, trusting in Thy ruling and overruling providence.

Our little systems have their day;
 They have their day and cease to be;
 They are but broken lights of Thee,
 And Thou, O Lord, art more than they.

For Thine is the kingdom and the power and the glory forever.
 Amen.

The Journal of the proceedings of yesterday was read and approved.

CURRENCY.

The SPEAKER. The unfinished business is the bill H. R. 7837, on which bill and amendments thereto the previous question has been ordered. Is a separate vote demanded on any amendment?

Mr. WINGO. Mr. Speaker, I demand a separate vote on the amendment to line 12, page 50, which indorses the gold standard.

The SPEAKER. Is a separate vote demanded on any other amendment? If not, the Chair will put them in gross.

The question was taken, and the amendments were agreed to.

The SPEAKER. The Clerk will report the amendment on which the gentleman from Arkansas [Mr. Wingo] demands a separate vote.

The Clerk read as follows:

After the word "repealed," in line 12, page 50, insert the following: "Provided, That nothing in this act contained shall be considered to repeal the parity provision or provisions contained in an act approved March 14, 1900, entitled 'An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes.'"

The SPEAKER. The question is on agreeing to the amendment.

The question was taken, and the Speaker announced that the ayes seemed to have it.

Mr. WINGO. I demand a division, Mr. Speaker.

The House divided; and there were—ayes 165, noes 43.

Mr. WINGO. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 209, nays 68, answered "present" 5, not voting 56, as follows:

YEAS—209.

Adair	Edmonds	Kent	Reed
Aiken	Esch	Kettner	Reilly, Conn.
Alexander	Estopinal	Key, Ohio	Reilly, Wis.
Allen	Faison	Kieess, Pa.	Riordan
Anderson	Falconer	Kinkaid, Nebr.	Roberts, Mass.
Anthony	Farr	Kirkpatrick	Rogers
Ashbrook	Fergusson	Kitchin	Rothermel
Austin	Fess	Knowland, J. R.	Rouse
Avis	Fields	Konop	Rupley
Baker	FitzHenry	Korby	Sabath
Baltz	Flood, Va.	Kreider	Saunders
Barkley	Fordney	La Follette	Scott
Barnhart	Foster	Langham	Scully
Bartlett	Frear	Langley	Seldomridge
Barton	French	Lazaro	Sells
Bathrick	Gallagher	Lee, Ga.	Sharp
Beakes	Gard	Lee, Pa.	Sherley
Beall, Tex.	Garner	Lenroot	Shreve
Bell, Cal.	Garrett, Tenn.	Leshner	Sims
Booher	Garrett, Tex.	Lever	Sinnott
Borchers	George	Lewis, Md.	Slemp
Borland	Gerry	Lieb	Sloan
Bowdle	Gillett	Lindquist	Small
Britten	Gittins	Linthicum	Smith, J. M. C.
Brodbeck	Glass	Lloyd	Smith, Md.
Broussard	Godwin, N. C.	Logue	Smith, Minn.
Brown, W. Va.	Goeke	Loneragan	Smith, N. Y.
Browne, Wis.	Goldfogle	McAndrews	Smith, Saml. W.
Browning	Gordon	McDermott	Smith, Tex.
Bruckner	Gorman	McGillcuddy	Sparkman
Buchanan, Tex.	Goulden	McKenzie	Stafford
Bulkley	Graham, Ill.	McLaughlin	Stedman
Burgess	Graham, Pa.	MacDonald	Steenerson
Burke, Pa.	Green, Iowa	Madden	Stephens, Cal.
Burke, Wis.	Greene, Mass.	Maher	Stephens, Nebr.
Butler	Greene, Vt.	Manahan	Stevens, N. H.
Byrnes, S. C.	Griest	Mann	Stone
Byrns, Tenn.	Griffin	Mapes	Stringer
Caldor	Gudger	Metz	Sutherland
Campbell	Guernsey	Mitchell	Switzer
Carew	Hamill	Mondell	Talcott, N. Y.
Carlin	Hamilton, Mich.	Montague	Tavener
Carr	Hamilton, N. Y.	Moore	Taylor, Ala.
Cary	Hammond	Morgan, Okla.	Taylor, N. Y.
Church	Hardwick	Morin	Temple
Clancy	Hardy	Morrison	Ten Eyck
Clark, Fla.	Hart	Moss, W. Va.	Thacher
Clayton	Haugen	Mott	Thomson, Ill.
Cline	Hawley	Murdock	Towner
Connolly, Iowa	Hay	Nelson	Treadway
Conry	Hefflin	Nolan, J. I.	Tuttle
Cooper	Helgesen	Norton	Underhill
Copley	Helm	O'Brien	Underwood
Covington	Hill	Oglesby	Vare
Cox	Hinds	O'Leary	Volstead
Cramton	Hinebaugh	O'Shaunessy	Walker
Cullop	Hobson	Padgett	Wallin
Curry	Holland	Page	Walsh
Dale	Houston	Palmer	Walters
Davis	Howell	Patten, N. Y.	Watkins
Decker	Hoxworth	Payne	Watson
Deitrick	Hughes, Ga.	Pepper	Weaver
Dent	Humphrey, Wash.	Peters	Webb
Dershem	Humphreys, Miss.	Peterson	Whaley
Dies	Igoe	Phelan	Whitacre
Dillon	Johnson, Utah	Platt	White
Dixon	Johnson, Wash.	Plumley	Williams
Donovan	Jones	Porter	Willis
Dooling	Kahn	Post	Wilson, Fla.
Doremus	Keister	Pou	Winslow
Doughton	Kelley, Mich.	Powers	Woodruff
Dunn	Kelly, Pa.	Rainey	Woods
Dupré	Kennedy, Conn.	Raker	Young, N. Dak.
Dyer	Kennedy, Iowa	Rauch	Young, Tex.
Eagan	Kennedy, R. I.	Rayburn	

NAYS—68.

Abercrombie	Crosser	Hensley	Russell
Adamson	Davenport	Howard	Shackelford
Aswell	Dickinson	Jacoway	Sherwood
Bailey	Difenderfer	Johnson, Ky.	Sisson
Bell, Ga.	Doolittle	Johnson, S. C.	Stanley
Blackmon	Eagle	Kindel	Stephens, Miss.
Brockson	Elder	Lindbergh	Stout
Brumbaugh	Ferris	Lobeck	Summers
Buchanan, Ill.	Floyd, Ark.	Maguire, Nebr.	Taggart
Burnett	Francis	Moss, Ind.	Taylor, Ark.
Callaway	Goodwin, Ark.	Murray, Okla.	Taylor, Colo.
Candler, Miss.	Gray	Oldfield	Thomas
Caraway	Gregg	Quin	Thompson, Okla.
Claypool	Harrison	Ragsdale	Tribble
Collier	Hayden	Roberts, Nev.	Vaughan
Connelly, Kans.	Helvering	Rubey	Wingo
Crisp	Henry	Rucker	Witherspoon

ANSWERED "PRESENT"—5.

Fowler	Moon	Slayden	Talbott, Md.
Hull			

NOT VOTING—56.

Ainey	Donohoe	Keating	Morgan, La.
Ansberry	Driscoll	Kinkead, N. J.	Murray, Mass.
Barchfeld	Edwards	Lafferty	Neeley
Bartholdt	Evans	L'Engle	O'Hair
Bremner	Fairchild	Levy	Parker
Brown, N. Y.	Finley	Lewis, Pa.	Patton, Pa.
Bryan	Fitzgerald	McClellan	Prooty
Burke, S. Dak.	Gardner	McCoy	Richardson
Cantrill	Gilmore	McGuire, Okla.	Roddenberry
Carter	Good	McKellar	Smith, Idaho
Casey	Hamlin	Mahan	Stephens, Tex.
Chandler, N. Y.	Hayes	Martin	Stevens, Minn.
Curley	Hughes, W. Va.	Merritt	Townsend
Danforth	Hulings	Miller	Wilson, N. Y.

So the amendment was agreed to.

The Clerk announced the following pairs:

For the session:

Mr. SLAYDEN with Mr. BARTHOLDT.

On the vote:

Mr. EDWARDS with Mr. PROUTY.

Mr. NEELEY with Mr. HAYES.

Mr. BROWN of New York with Mr. SMITH of Idaho.

Until further notice:

Mr. MCKELLAR with Mr. LEWIS of Pennsylvania.

Mr. EVANS with Mr. MILLER.

Mr. CARTER with Mr. MCGUIRE of Oklahoma.

Mr. TALBOTT of Maryland with Mr. MERRITT.

Mr. MCCOY with Mr. STEVENS of Minnesota.

Mr. CANTRILL with Mr. GOOD.

Mr. FOWLER with Mr. DANFORTH.

Mr. STEPHENS of Texas with Mr. BURKE of South Dakota.

Mr. RICHARDSON with Mr. MARTIN.

Mr. TOWNSEND with Mr. PARKER.

Mr. KINKEAD of New Jersey with Mr. LAFFERTY.

Mr. MORGAN of Louisiana with Mr. PATTON of Pennsylvania.

Mr. GILMORE with Mr. HULINGS.

Mr. FITZGERALD with Mr. HUGHES of West Virginia.

Mr. DRISCOLL with Mr. BRYAN.

Mr. CURLEY with Mr. BARCHFELD.

Mr. KEATING with Mr. AINEY.

Mr. MURRAY of Massachusetts with Mr. FAIRCHILD.

Mr. TALBOTT of Maryland. Mr. Speaker, I am paired with the gentleman from New York, Mr. MERRITT. I voted "yea." I want to withdraw that and vote "present."

The SPEAKER. The Clerk will call the gentleman's name.

The Clerk called the name of Mr. TALBOTT of Maryland, and he answered "Present."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. WALTERS. Mr. Speaker, I move to recommit. I send the motion to the Speaker's desk.

The SPEAKER. Does any gentleman on the minority of the committee desire to offer a motion to recommit? If not, the Chair will recognize the gentleman from Pennsylvania [Mr. WALTERS]. Is the gentleman from Pennsylvania opposed to the bill?

Mr. WALTERS. I am.

The SPEAKER. The Clerk will report the gentleman's motion.

The Clerk read as follows:

By Mr. WALTERS: I move to recommit the bill to the Committee on Banking and Currency, with instructions to amend the bill as follows:

On page 17, after line 17, add a paragraph to read as follows: "No officer or director of any national bank, State bank, banking association, or trust company admitted to membership in a Federal reserve bank under the provisions of this act shall be an officer or director of any other bank or financial corporation or institution admitted hereunder who is an officer or director of any national bank, State bank, or trust company which is not a member of a Federal reserve bank or who is a member of a firm or partnership of bankers engaged in the business of receiving deposits."

Mr. GLASS. Mr. Speaker, on the motion to recommit I move the previous question.

The SPEAKER. The gentleman from Virginia [Mr. GLASS] moves the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the motion to recommit.

The question was taken, and the Speaker announced that the yeas seemed to have it.

Mr. MURDOCK. Mr. Speaker, I demand a division.

The SPEAKER. The gentleman from Kansas [Mr. MURDOCK] demands a division. Those in favor of the motion to recommit will rise and stand until they are counted. [After counting.] Seventy-one gentlemen have arisen in the affirmative. Those opposed will rise and stand until they are counted. [After counting.] Two hundred and six gentlemen have arisen in the negative. On this vote the yeas are 71 and the noes are 206.

Mr. MURDOCK. Mr. Speaker, I demand the yeas and nays.

The SPEAKER. The gentleman from Kansas demands the yeas and nays. Those in favor of ordering the yeas and nays will rise and stand until they are counted. [After counting.] Fifty-one gentlemen have arisen in favor of taking the vote by yeas and nays.

Mr. YOUNG of North Dakota. One more, Mr. Speaker.

The SPEAKER. It is too late after the vote is announced.

Mr. MURDOCK. The other side, Mr. Speaker.

The SPEAKER. Those opposed to ordering the yeas and nays will rise and stand until they are counted. [After counting.] Two hundred and seventy-five gentlemen have arisen in the negative.

Mr. MURDOCK. Mr. Speaker, I demand tellers.

The SPEAKER. The gentleman from Kansas demands tellers. Those in favor of ordering tellers will rise and stand until they are counted. [After counting.] Forty-four gentlemen have arisen—a sufficient number—and the Chair appoints as tellers the gentleman from Virginia [Mr. GLASS] and the gentleman from Kansas [Mr. MURDOCK].

Mr. BORLAND. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. BORLAND. The vote on this teller vote is to determine whether or not there shall be a roll call, is it not?

The SPEAKER. Yes; on ordering the yeas and nays. Those in favor of ordering the yeas and nays will pass between the tellers and be counted.

The House divided; and the tellers reported—yeas 68, noes 265. Accordingly the yeas and nays were ordered.

The SPEAKER. Those in favor of the motion to recommit with instructions will vote "yea," those opposed "nay," and the Clerk will call the roll.

The question was taken; and there were—yeas 100, nays 266, answered "present" 3, not voting 59, as follows:

YEAS—100.

Anderson	Frear	Langley	Sells
Anthony	French	Lenroot	Shreve
Avis	Good	Lindbergh	Sinnott
Barton	Gorman	Lindquist	Sisson
Bell, Cal.	Graham, Pa.	Lobeck	Sloan
Britten	Gray	McKenzie	Smith, J. M. C.
Browne, Wis.	Green, Iowa	McLaughlin	Smith, Minn.
Buchanan, Ill.	Greene, Vt.	MacDonald	Stafford
Callaway	Griest	Manahan	Steenerson
Campbell	Haugen	Mapes	Stephens, Cal.
Candler, Miss.	Helgesen	Morgan, Okla.	Stephens, Miss.
Cary	Hinebaugh	Morin	Sutherland
Claypool	Johnson, Ky.	Moss, W. Va.	Switzer
Cooper	Johnson, Utah	Murdoch	Temple
Copley	Johnson, Wash.	Murray, Okla.	Thomas
Cramton	Keister	Nelson	Thompson, Okla.
Crosser	Kelly, Pa.	Nolan, J. I.	Thomson, Ill.
Curry	Kennedy, Iowa	Norton	Towner
Davis	Kless, Pa.	Plumley	Vare
Dillon	Kindel	Porter	Volstead
Dyer	Kinkaid, Nebr.	Powers	Walters
Edmonds	Kreider	Quin	Willis
Esch	Lafferty	Roberts, Mass.	Woodruff
Falconer	La Follette	Rupley	Woods
Farr	Langham	Scott	Young, N. Dak.

NAYS—266.

Abercrombie	Blackmon	Byrnes, S. C.	Cullop
Adair	Booher	Byrnes, Tenn.	Dale
Adamson	Borchers	Calder	Davenport
Aiken	Borland	Caraway	Decker
Alexander	Bowdle	Carew	Deltrick
Allen	Brockson	Carlin	Dent
Asbrook	Brodbeck	Carr	Dershem
Aswell	Broussard	Church	Dickinson
Austin	Brown, W. Va.	Clancy	Dies
Bailey	Browning	Clark, Fla.	Dixon
Baker	Bruckner	Clayton	Donovan
Baltz	Brumbaugh	Cline	Dooling
Barkley	Buchanan, Tex.	Collier	Doolittle
Barnhart	Bulkley	Connelly, Kans.	Doremus
Bartlett	Burgess	Connelly, Iowa	Doughton
Bathrick	Burke, Pa.	Conry	Driscoll
Beakes	Burke, Wis.	Covington	Dunn
Beall, Tex.	Burnett	Cox	Dupré
Bell, Ga.	Butler	Crisp	Eagan

Eagle	Helvering	Mann	Sims
Estopinal	Henry	Metz	Slomp
Faison	Hensley	Mitchell	Small
Ferguson	Hill	Mondell	Smith, Md.
Ferris	Hinds	Montague	Smith, N. Y.
Fess	Hobson	Moon	Smith, Saml. W.
Fields	Holland	Moore	Smith, Tex.
FitzHenry	Houston	Morrison	Sparkman
Flood, Va.	Howard	Moss, Ind.	Stanley
Floyd, Ark.	Howell	Mott	Stedman
Fordney	Hoxworth	O'Brien	Stephens, Nebr.
Foster	Hughes, Ga.	Oglesby	Stevens, N. H.
Fowler	Hull	Oldfield	Stone
Francis	Humphrey, Wash.	O'Leary	Stout
Gallagher	Humphreys, Miss.	O'Shaunessy	Stringer
Gard	Igoe	Padgett	Summers
Garner	Jacoway	Page	Taggart
Garrett, Tenn.	Johnson, S. C.	Palmer	Talcott, N. Y.
Garrett, Tex.	Jones	Patten, N. Y.	Taylor, Ala.
George	Kahn	Payne	Taylor, Ark.
Gerry	Kelley, Mich.	Pepper	Taylor, Colo.
Gillett	Kennedy, Conn.	Peters	Taylor, N. Y.
Gittins	Kennedy, R. I.	Peterson	Ten Eyck
Glass	Kent	Phelan	Thacher
Godwin, N. C.	Kettner	Platt	Treadway
Goeke	Key, Ohio	Post	Tribble
Goldfogle	Kirkpatrick	Pou	Tuttle
Goodwin, Ark.	Kitchin	Ragsdale	Underhill
Gordon	Knowland, J. R.	Rainey	Underwood
Goulden	Konop	Raker	Vaughan
Graham, Ill.	Korby	Rauch	Walker
Greene, Mass.	Lazaro	Rayburn	Wallin
Griffin	Lee, Ga.	Reed	Walsh
Gudger	Lee, Pa.	Reilly, Conn.	Watkins
Guernsey	Leshner	Reilly, Wis.	Watson
Hamill	Lever	Riordan	Weaver
Hamilton, Mich.	Lewis, Md.	Rogers	Webb
Hamilton, N. Y.	Lieb	Rothermel	Whaley
Hammond	Linthicum	Rouse	Whitacre
Hardwick	Lloyd	Ruby	White
Hardy	Logue	Rucker	Williams
Harrison	Loneran	Russell	Wilson, Fla.
Hart	McAndrews	Sabath	Wingo
Hawley	McDermott	Saunders	Witherspoon
Hav	McGillcuddy	Scully	Young, Tex.
Hayden	Madden	Sherley	Young, Tex.
Heflin	Maguire, Nebr.	Sherwood	
Helm	Maher		

ANSWERED "PRESENT"—3.

Elder	Gregg	Slayden
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NOT VOTING—59.

Ainey	Donohoe	Levy	Patton, Pa.
Ansberry	Edwards	Lewis, Pa.	Prouty
Barchfeld	Evans	McClellan	Richardson
Bartholdt	Fairchild	McCoy	Roberts, Nev.
Brenner	Finley	McGuire, Okla.	Roddenbery
Brown, N. Y.	Fitzgerald	McKellar	Seldomridge
Bryan	Gardner	Mahan	Shackleford
Burke, S. Dak.	Gilmore	Martin	Smith, Idaho
Cantrill	Hamlin	Merritt	Stephens, Tex.
Carter	Hayes	Miller	Stevens, Minn.
Casey	Hughes, W. Va.	Morgan, La.	Talbot, Md.
Chandler, N. Y.	Hulings	Murray, Mass.	Tavener
Curley	Keating	Neeley	Townsend
Danforth	Kinkad, N. J.	O'Hair	Wilson, N. Y.
Defenderfer	L'Engle	Parker	

So the motion to recommit with instructions was rejected.

The Clerk announced the following additional pairs:

Until further notice:

Mr. MCCLELLAN with Mr. ROBERTS of Nevada.

Mr. FINLEY with Mr. PATTON of Pennsylvania.

Mr. CANTRILL with Mr. BRYAN.

On this vote:

Mr. EDWARDS with Mr. PROUTY.

Mr. NEELEY with Mr. HAYES.

Mr. BROWN of New York with Mr. SMITH of Idaho.

The result of the vote was announced as above recorded.

The SPEAKER. The question is, Shall the bill pass?

Mr. BURKE of Pennsylvania. Mr. Speaker, on that I demand the yeas and nays.

Mr. GLASS. I join in that request.

The yeas and nays were ordered.

The question was taken; and there were—yeas 287, nays 85, answered "present" 2, not voting 55, as follows:

YEAS—287.

Abercrombie	Blackmon	Byrns, Tenn.	Cox
Adair	Bocher	Candler, Miss.	Cramton
Adamson	Borchers	Caraway	Crisp
Alken	Borland	Carew	Crosser
Alexander	Bowdie	Carlin	Cullop
Allen	Brockson	Carr	Dale
Ashbrook	Brodbeck	Cary	Davenport
Aswell	Broussard	Church	Decker
Bailey	Brown, W. Va.	Clancy	Deitrick
Baker	Browne, Wis.	Clark, Fla.	Dent
Baltz	Bruckner	Claypool	Dershem
Barkley	Brumbaugh	Clayton	Dickinson
Barnhart	Buchanan, Ill.	Cline	Dies
Bartlett	Buchanan, Tex.	Collier	Diffenderfer
Bathrick	Bulkeley	Connolly, Kans.	Dillon
Beakes	Burgess	Connolly, Iowa	Dixon
Beall, Tex.	Burke, Wis.	Conry	Donovan
Beil, Cal.	Burnett	Cooper	Dooling
Beil, Ga.	Byrnes, S. C.	Covington	Doolittle

Doremus	Helm	Manahan	Sims
Doughton	Helvering	Mapes	Sisson
Driscoll	Henry	Metz	Smith, J. M. C.
Dupré	Hensley	Mitchell	Smith, Md.
Eagan	Hill	Montague	Smith, Minn.
Eagle	Hinebaugh	Moon	Smith, N. Y.
Esch	Hobson	Morrison	Smith, Saml. W.
Faison	Holland	Moss, Ind.	Smith, Tex.
Falconer	Houston	Murdock	Sparkman
Farr	Howard	Murray, Okla.	Stafford
Ferguson	Hoxworth	Nelson	Stanley
Ferris	Hughes, Ga.	Nolan, J. I.	Stedman
Fess	Hull	Norton	Stephens, Cal.
Fields	Humphreys, Miss.	O'Brien	Stephens, Miss.
FitzHenry	Igoe	Oglesby	Stephens, Nebr.
Flood, Va.	Jacoway	Oldfield	Stevens, N. H.
Floyd, Ark.	Johnson, Ky.	O'Leary	Stone
Foster	Johnson, S. C.	O'Shaunessy	Stout
Fowler	Jones	Padgett	Stringer
Francis	Kelley, Mich.	Page	Summers
Frear	Kelly, Pa.	Palmer	Taggart
Gallagher	Kennedy, Conn.	Patten, N. Y.	Talcott, N. Y.
Gard	Kent	Pepper	Tavener
Garner	Kettner	Peters	Taylor, Ala.
Garrett, Tenn.	Key, Ohio	Peterson	Taylor, Ark.
Gaylett, Tex.	Kindel	Phelan	Taylor, Colo.
George	Kirkpatrick	Porter	Taylor, N. Y.
Gerry	Kitchin	Post	Ten Eyck
Gittins	Konop	Pou	Thacher
Glass	Korby	Quin	Thomas
Godwin, N. C.	Lafferty	Ragsdale	Thomson, Ill.
Goeke	Lazaro	Rainey	Tribble
Goldfogle	Lee, Ga.	Raker	Tuttle
Goodwin, Ark.	Lee, Pa.	Rauch	Underhill
Gordon	Lenroot	Rayburn	Underwood
Gorman	Leshner	Reed	Vaughan
Goulden	Lever	Reilly, Conn.	Walker
Graham, Ill.	Lewis, Md.	Reilly, Wis.	Walsh
Gray	Lieb	Riordan	Watkins
Gregg	Lindbergh	Rothermel	Watson
Griffin	Lindquist	Rouse	Weaver
Gudger	Linthicum	Ruby	Webb
Hamill	Lloyd	Rucker	Whaley
Hammond	Lobeck	Rupley	Whitacre
Hardwick	Logue	Russell	White
Hardy	Loneran	Sabath	Williams
Harrison	McAndrews	Saunders	Wilson, Fla.
Hart	McDermott	Scully	Wingo
Haugen	McGillcuddy	Seldomridge	Woodruff
Hay	McLaughlin	Shackleford	Young, N. Dak.
Hayden	MacDonald	Sharp	Young, Tex.
Heflin	Maguire, Nebr.	Sherley	The Speaker
Helgesen	Maher	Sherwood	

NAYS—85.

Anderson	Gillett	Knowland, J. R.	Sells
Anthony	Good	Kreider	Shreve
Austin	Graham, Pa.	La Follette	Sinnott
Avis	Green, Iowa	Langham	Slomp
Barchfeld	Greene, Mass.	Langley	Sloan
Barton	Greene, Vt.	McKenzie	Steenerson
Britten	Griest	Madden	Sutherland
Browning	Guernsey	Mann	Switzer
Burke, Pa.	Hamilton, Mich.	Mondell	Temple
Butler	Hamilton, N. Y.	Moore	Towner
Calder	Hawley	Morgan, Okla.	Treadway
Callaway	Hinds	Morin	Vare
Campbell	Howell	Moss, W. Va.	Volstead
Copley	Humphrey, Wash.	Mott	Wallin
Curry	Johnson, Utah	Payne	Walters
Davis	Johnson, Wash.	Platt	Willis
Dunn	Kahn	Plumley	Winslow
Dyer	Keister	Powers	Witherspoon
Edmonds	Kennedy, Iowa	Roberts, Mass.	Woods
Elder	Kennedy, R. I.	Roberts, Nev.	
Fordney	Kiess, Pa.	Rogers	
French	Kinkaid, Nebr.	Scott	

ANSWERED "PRESENT"—2.

McGuire, Okla.	Talbot, Md.
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NOT VOTING—55.

Ainey	Edwards	L'Engle	Parker
Ansberry	Estopinal	Levy	Patton, Pa.
Bartholdt	Evans	Lewis, Pa.	Prouty
Brenner	Fairchild	McClellan	Richardson
Brown, N. Y.	Finley	McCoy	Roddenbery
Bryan	Fitzgerald	McKellar	Slayden
Burke, S. Dak.	Gardner	Mahan	Small
Cantrill	Gilmore	Martin	Smith, Idaho
Carter	Hamlin	Merritt	Stephens, Tex.
Casey	Hayes	Miller	Stevens, Minn.
Chandler, N. Y.	Hughes, W. Va.	Morgan, La.	Thompson, Okla.
Curley	Hulings	Murray, Mass.	Townsend
Danforth	Keating	Neeley	Wilson, N. Y.
Donohoe	Kinkad, N. J.	O'Hair	

So the bill was passed.

The following additional pairs were announced:

Until further notice:

Mr. KINKAD of New Jersey with Mr. DANFORTH.

On this vote:

Mr. EDWARDS (for) with Mr. PROUTY (against).

Mr. NEELEY (for) with Mr. HAYES (against).

Mr. BROWN of New York (for) with Mr. SMITH of Idaho (against).

The SPEAKER. The Clerk will call my name.

The Clerk called the name of Mr. CLARK of Missouri, and he voted "yea," as above recorded.

During the roll call the following occurred:

Mr. THOMPSON of Oklahoma. Mr. Speaker, I would like to know what we are voting on.

The SPEAKER. On the passage of the bill.

Mr. THOMPSON of Oklahoma. Then I will not vote.

After the completion of the roll call,

The SPEAKER. On this vote the ayes are—

Mr. THOMPSON of Oklahoma. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman rise?

Mr. THOMPSON of Oklahoma. I would like to vote.

Mr. MANN. It is too late.

The SPEAKER. The Chair is inclined to think it is too late.

Mr. BARTLETT. Mr. Speaker, the gentleman's name has been called, and if he can bring himself within the rule, he is entitled to vote.

The SPEAKER. The rule is that if he was in the Hall and listening and did not hear his name when it was called, he can vote.

Mr. BARTLETT. But the Chair did not ask him whether he was in the Hall and listening.

The SPEAKER. The Chair considered it superfluous, because the gentleman from Oklahoma asked what we were voting on and declined to vote.

Mr. BARTLETT. I submit that, if he desires to vote, he can state what the fact was and the Speaker can rule on whether he is entitled to vote or not—of course, before the vote has been announced.

The SPEAKER. The Chair had just started to announce the vote. If the gentleman from Oklahoma will state that he was in the Hall and listening and did not hear his name called, the Chair will allow him to vote.

Mr. MANN. But the Speaker would know that that was not true, because the gentleman did hear his name called and rose to his feet.

The SPEAKER. The Chair is not supposed to pass upon a question of veracity. If the gentleman from Oklahoma will state that he was in the Hall listening and did not hear his name, the Chair will rule that he can vote; and if he does not, he will rule that he can not vote.

Mr. MURDOCK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MURDOCK. Is it not possible for a man to change his vote after the roll call?

The SPEAKER. That is true; but if the gentleman did not vote it is physically impossible for him to change his vote.

Mr. MURDOCK. I understood that the gentleman from Oklahoma voted.

The SPEAKER. No; he refused to vote.

Mr. FOWLER. A parliamentary inquiry, Mr. Speaker.

The SPEAKER. The gentleman will state it.

Mr. FOWLER. Under the rules of the House is it proper for a Member to make an inquiry as to what the proceedings are during a roll call?

The SPEAKER. If the rule is construed strictly, no; but the Chair thinks it is easier to let him ask it than it is to get into a wrangle.

The result of the vote was then announced as above recorded.

On motion of Mr. GLASS, a motion to reconsider the vote by which the bill was passed was laid on the table.

ADJOURNMENT UNTIL MONDAY.

Mr. UNDERWOOD. Mr. Speaker, I ask unanimous consent that when the House adjourns to-day it adjourn to meet on Monday next.

The SPEAKER. The gentleman from Alabama asks unanimous consent that when the House adjourns to-day it adjourn to meet on Monday next. Is there objection?

Mr. MANN. Reserving the right to object, will the gentleman from Alabama give to the House his best understanding as to when the conferees will be likely to report on the tariff bill?

Mr. UNDERWOOD. I am satisfied, Mr. Speaker, they will not be able to report before Monday, and I think it is more probable that it will be the middle of the week, at least.

Mr. MANN. May I ask one further question for the information of Members? Of course, under the rule, when a conference report is presented it would have to lie over one day and be printed in the RECORD. Is it the expectation of the gentleman that when the conference report is made it will follow that rule, or will there be a special rule?

Mr. UNDERWOOD. I think it would be proper for the conference report to lie over one day and let everybody have a chance to read it.

Mr. MANN. Then it is certain that the conference report will not be acted upon before Tuesday or Wednesday?

Mr. UNDERWOOD. I think that is so.

The SPEAKER. Is there objection to the request of the

gentleman from Alabama that when the House adjourns it adjourn until Monday next?

There was no objection.

PERSONAL STATEMENT.

Mr. GLASS. Mr. Speaker, I ask unanimous consent to address the House for two minutes.

The SPEAKER. The gentleman from Virginia asks unanimous consent to address the House for two minutes. Is there objection?

There was no objection.

Mr. GLASS. Mr. Speaker, there appeared in the Washington Post this morning a statement concerning the proceedings of the House on yesterday, in which occurs this language:

Admitting that the contention of Representative S. D. Fess, Republican, of Ohio, that the Glass currency bill, in the form it was reported to the House, automatically repealed the parity provisions of the gold-standard law of 1900 and subtly provided for practically the free coinage of silver, Chairman GLASS and the other members of the Banking and Currency Committee last night agreed to an amendment insuring the maintenance of the gold standard in the monetary system.

Mr. Speaker, as a practical newspaper man of 40 years' experience, I know very well that misrepresentation of that sort carries its own penalties and punishment, but I think I ought to say to the House that I could scarcely conceive that any newspaper, with any respect for the truth or regard for its own reputation, would be guilty of mendacity of that description. [Applause on the Democratic side.] The RECORD of yesterday teems with protestations from myself and from other Members on this side of the House against the charge that there was one single, solitary word, sentence, or suggestion in this bill that undertook, directly or indirectly, to repeal the act of March 14, 1900. The truth of the matter is that when gentlemen on the other side, unable to assail successfully the fundamental soundness of the bill, undertook by political stratagem to raise an utterly false cry over an alleged assault by this side on the gold standard, and when it plainly appeared they would attempt to excuse their opposition to this currency legislation on the pretense that we had assailed the standard of value, the committee deliberately decided to cut away this excuse by calling their bluff; and the committee itself therefore proposed an amendment to the bill, which amendment was adopted by the House to-day. That is all I care to say.

Mr. MANN. Mr. Speaker, I ask unanimous consent to address the House for two minutes.

The SPEAKER. The gentleman from Illinois asks unanimous consent to address the House for two minutes. Is there objection?

There was no objection.

Mr. MANN. Mr. Speaker, the gentleman from Virginia [Mr. GLASS] is perfectly at liberty, of course, to deny a statement in a newspaper, although I think it is usually useless. The other day one of the newspapers published that I had recommended the Republicans to vote for this bill, and that they were generally going to do so. I did not take the trouble to deny that statement. My sympathy is very largely with the boys who have to write the stuff in the newspapers, and sometimes I wonder how they fill up the columns, even with vivid imaginations.

But the gentleman from Virginia [Mr. GLASS] now undertakes to say at this late hour what is absolutely incorrect, that the opposition to the bill on this side of the House was based upon the question of the gold standard being involved in the bill. The opposition to the bill on this side of the House was based upon many provisions in the bill radically and fundamentally wrong and was not based on any misconception of what the bill carried. [Applause on the Republican side.]

BOLL WEEVIL AND HOG CHOLERA.

Mr. LEVER. Mr. Speaker, I call up privileged resolution 254, directing the Secretary of Agriculture to communicate to the House of Representatives the cost and result of the investigation of the boll weevil and hog cholera plague, which I send to the desk and ask to have read.

The Clerk read as follows:

House resolution 254.

Resolved, That the Secretary of Agriculture is hereby directed to communicate to the House of Representatives at the earliest practicable day, not later than the first Monday in December, 1913, a full report of the methods used and the results thus far secured in the study and investigation of the boll weevil and hog cholera plague, and also the amount of money thus far expended in the study and investigation of each.

Mr. LEVER. Mr. Speaker, I ask that the Clerk also read the report of the committee as an explanation of the resolution.

The SPEAKER. The Clerk will read the report of the committee.

The Clerk read as follows:

The Committee on Agriculture, to whom was referred House resolution 240 and House resolution 245, to wit:

H. Res. 240—

"That the Secretary of Agriculture is hereby directed to communicate to the House of Representatives at the earliest practicable day, not later than the first Monday in December, 1913, the result thus far secured in the study and investigation of the boll weevil and the amount of money thus far expended in such study and investigation."

And H. Res. 245—

"That the Secretary of Agriculture is hereby directed to communicate to the House of Representatives at the earliest practicable day, not later than the first Monday in December, 1913, the result thus far secured in the study and investigation of hog cholera and the amount of money thus far expended in such study and investigation." respectively report the following as a substitute for the same and recommend its adoption:

"Resolved, That the Secretary of Agriculture is hereby directed to communicate to the House of Representatives at the earliest practicable day, not later than the first Monday in December, 1913, a full report of the methods used and the results thus far secured in the study and investigation of the boll weevil and hog cholera and also the amount of money thus far expended in the study and investigation of each."

The passage of the resolution is recommended for the reason that in recent months great interest has manifested itself in the country both with respect to the boll weevil and the hog cholera. It is thought advisable that the methods used by the Department of Agriculture in its study of the boll weevil and hog cholera and the results so far accomplished by these methods and the amount of money thus far expended in the prosecution of these studies and investigations should be made available to the Congress before consideration of the regular appropriation bill for the Department of Agriculture begins.

Mr. LEVER. Mr. Speaker, I move the adoption of the resolution.

The question was taken, and the resolution was agreed to.

SANTA BARBARA TIE & POLE CO.

Mr. ADAMSON. Mr. Speaker, there are on the Calendar of the House—

Mr. HUMPHREY of Washington. Mr. Speaker—

Mr. MANN. Mr. Speaker, the gentleman from Washington [Mr. HUMPHREY] has a privileged matter to bring before the House.

The SPEAKER. The gentleman from Washington will present it if it is privileged.

Mr. HUMPHREY of Washington. Mr. Speaker, I call up House resolution 249.

The SPEAKER. The Clerk will report the resolution.

The Clerk read as follows:

House resolution 249.

Resolved, That the Secretary of Agriculture be, and he hereby is, requested and directed to give to the House full detailed information in regard to any contracts made or proposed to be entered into between the Santa Barbara Tie & Pole Co., a corporation organized under the laws of the Territory and existing under the laws of the State of New Mexico, having an office and place of business in Albuquerque, county of Bernalillo, State of New Mexico, party of the first part, and the Secretary of Agriculture, representing the United States of America, party of the second part, whereby said party of the first part agrees, in consideration of permission to cut and remove, in accordance with certain conditions and requirements of the Secretary of Agriculture, certain saw timber from Government land within the Pecos National Forest, to convey to the United States in fee simple all right, title, and interest in sections 1, 3, 5, 7, 9, 11, 13, 15, 17, 19, 21, 23, 25, 27, 29, 31, 33, and 35, township 11 north, range 12 west, New Mexico principal meridian, containing about 11,520 acres, together with a copy of said proposed contract and all correspondence relating thereto.

Mr. HUMPHREY of Washington. Mr. Speaker—

Mr. BARTLETT. Mr. Speaker, is this a resolution reported from a committee or a motion to discharge a committee?

Mr. HUMPHREY of Washington. I was trying to get recognition to move to discharge the committee.

The SPEAKER. The gentleman from Washington moves to discharge the Committee on Agriculture from the further consideration of the resolution and to pass it.

Mr. LEVER. Mr. Speaker, if the gentleman will yield for a moment, I desire to say that the Committee on Agriculture, as far as I know, has absolutely no objection to the passage of this resolution, although the Committee on Agriculture has not had the resolution called to its attention by the gentleman from Washington. If he had done so, I am sure the committee would have recommended the passage of the resolution, but the committee has no objection to its passage at all.

Mr. HUMPHREY of Washington. Mr. Speaker—

Mr. BARTLETT. Mr. Speaker, may I inquire of the gentleman if the resolution has assumed the degree of a privileged resolution, having been introduced for seven days?

Mr. HUMPHREY of Washington. Yes; it has. And, Mr. Speaker, I desire to ask permission to extend my remarks in the Record.

The SPEAKER. The Chair will put that request after he puts the question. The question is on discharging the Committee on Agriculture and passing this resolution.

The question being taken, the resolution was agreed to.

The SPEAKER. The gentleman from Washington asks unanimous consent to extend his remarks in the Record. Is there objection? [After a pause.] The Chair hears none.

Mr. HUMPHREY of Washington. Mr. Speaker, I think that I should make a brief statement as to why I introduced this resolution. On August 22, 1912, an act was passed that permitted the exchange that is proposed to be made in the contract referred to in the resolution. As to just what it is proposed to do a letter that I have received from the Secretary of Agriculture under date of September 10, 1913, clearly sets forth. That letter is as follows:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, September 10, 1913.

HON. WILLIAM E. HUMPHREY,
House of Representatives.

DEAR SIR: Your letter of September 6 is received. The exchange to which you refer was authorized by the act of Congress of March 22, 1912, a copy of which is inclosed. The exchange involves 11,520.44 acres of patented land lying in odd sections in the northern portion of the Zuni National Forest. This land was part of the original grant to the Atchison, Topeka & Santa Fe Railroad, but has subsequently been acquired by the Santa Barbara Tie & Pole Co., of which Mr. A. B. McGaffey is president.

An estimate of the timber on this area, made by an expert lumberman in the employ of the Forest Service and checked by a representative of the Santa Barbara Tie & Pole Co., indicates that it contains 46,204,000 board feet of yellow pine, Douglas fir, and limber-pine saw timber, together with 8,715 cords of pinon and cedar. The timber was appraised by representatives of the Forest Service as having a market value of \$2.50 per thousand board feet for saw timber and 25 cents per cord for cordwood. The land was appraised at 62½ cents per acre, this being its value for grazing purposes only at a 4 per cent capitalization on the annual rental. The total value of the private property involved, land and timber, is thus \$124,389.02½.

In exchange the Santa Barbara Tie & Pole Co. is to receive an equal value in stumpage on the northern portion of the Pecos National Forest, N. Mex., appraised at the same rate as the saw timber on the private lands deeded to the Government, or \$2.50 per thousand board feet. The company will thus obtain 49,755,000 board feet of standing timber from the Pecos National Forest, to be cut under regulations prescribed by this department for the renewal and protection of the forest, which are identical in all respects with those customarily required in timber sales.

In accordance with the authority conferred by the act cited, a contract was prepared between the Department of Agriculture and the Santa Barbara Tie & Pole Co. providing for the exchange, and approved by the acting secretary of this department on April 26, 1913. A copy of this agreement is inclosed. You will note that it does not become effective until the date when the Attorney General approves the title and the deeds vesting title in the United States to the lands offered in exchange by the company. The deeds and abstract of title have been submitted to the Attorney General for this purpose, and the final consummation of the exchange awaits his action thereon.

This exchange bears no relation to the former transactions of the Santa Fe Railroad under the lieu selection act. I do not know to what extent the Santa Fe Railroad is interested in the exchange, although the dealings of the United States in the matter are wholly with the Santa Barbara Tie & Pole Co. The extent of such interest, if any, seems to me wholly immaterial. The exchange is not made for the benefit of any individual or corporation, but for the mutual business advantage of the United States in the administration of the national forests of New Mexico and the Santa Barbara Tie & Pole Co. in conducting its lumber operations. By this exchange the Government obtains a solid block of timber in the northern portion of the Zuni National Forest where formerly it owned only alternate sections. This consolidation will greatly facilitate the administration of the lands in question and particularly the disposal of their timber. As long as the ownership was divided by checkerboard holdings it was difficult to secure the development and exploitation of this tract. As soon as the exchange is consummated, however, and title to the odd sections passes to the United States, it is probable that a timber sale at favorable terms to the Government, at a stumpage price of not less than \$2.50 per thousand feet, can be made.

The Santa Barbara Tie & Pole Co. is benefited to probably an equal degree by obtaining the value of its holdings in the form of a solid block of stumpage on the northern end of the Pecos National Forest in the vicinity of its former timber operations.

You will readily understand, therefore, that this exchange is radically different from those formerly made under the lieu selection act. Under the old exchanges equal acreage only was considered and valueless lands were often deeded to the United States in return for exceedingly valuable lands outside of the national forests. In the present instance the exchange is on a strict basis of value for value. Neither party is benefited by obtaining property of greater value than that which it relinquishes. The mutual advantage is simply one of consolidation of holdings. The timber deeded to the United States by the Santa Barbara Tie & Pole Co. is equal if not superior to that obtained by this company in commercial quality and will be of equal accessibility when combined with the adjacent sections operated under Government ownership.

The entire matter was viewed by this department from the outset as simply a question of sound business sense in the administration of national forest lands. Under such conditions, where use of national forest resources will be facilitated and costs of administration reduced, consolidations of lands with private holdings, when specifically approved by Congress, are favored.

Very truly, yours,

D. F. HOUSTON, Secretary.

Two letters have been handed to me bearing upon this subject. They were not written to me and I am not acquainted with the writers. For me to make public the authors of these letters, if I knew, would probably be to cause them some injury, as it is evident that they are in some way connected with the Government service.

I read from the first letter, as follows:

I am reliably informed by another party that the timberland which McGaffey is unloading on the Government is situated in a remote, mountainous portion of the Zuni Forest. The cost of construction of a railway necessary for the removal of the timber will absolutely prohibit its removal at any reasonable price.

You will note that while McGaffey parts with 11,520 acres, the Government exchanges to him 66 per cent of the timber standing upon 70,120 acres. In other words, it required 71,120 acres cutting 66 per cent on the Pecos to afford the value grown on 11,520 acres on Zuni, plus the land at 62½ cents per acre. If there is 46,204,000 feet of the Zuni 11,000-acre tract, why does the company want to exchange it to cut over more than six times as much land to cut the same amount of timber?

The presence of cordwood in such large quantities on the Zuni land is in itself indictment of character of timber, since, as you undoubtedly know, in the Southwest timber having any merchantable value comprises a pure stand of its own species. The presence of limber pine is also indicative of inferior stand, since this species is only found in high, rough, inaccessible, poorly timbered localities. It is of little or no value as a commercial tree and is almost as worthless as the cordwood referred to.

McGaffey receives in exchange for this inaccessible timber an equal amount of the Pecos Forest located upon one of the best drivable streams in that country. As you are undoubtedly aware, and all lumbermen know, water transportation is much cheaper than railway haul of even a much shorter distance. I have frequently seen streams driven for 100 miles or more that had a railroad paralleling it. It obtains, therefore, that the Forest Service has recommended that the Government part with this valuable and accessible timber, located on a drivable stream, and gives it the same stumpage value in exchange for the inaccessible timber \$2.50 per thousand, on the Zuni.

The presumption of allowing the vendor an "advance cutting" of 3,000,000 feet prior to the approval of the exchange as provided by a special act under which this fraud is made possible, to be approved by the Attorney General, is in itself a very serious offense.

You will note that the contracts submitted for the signature of the Secretary of Agriculture carefully refrains from making any reference to the "advance cutting" which has been allowed.

When this contract is rejected, as it now undoubtedly will be upon investigation, it will be found that the contracting company has cut all the young timber suitable for hewn cross-ties for the Santa Fe Railroad and mature timber which will soon rot is left standing.

It is simply ridiculous that this branch of the Forest Service spends annually \$5,000,000 to collect a little more than \$2,000,000. You will note by examination of the records that the receipt will be less than \$1,000,000 if they depend wholly upon timber sales, which they properly should, since grazing on the public domain is no part of the forest management.

The records will show that on one forest, the Deer Lodge, they have spent \$9 per thousand board measure for simply designating trees and scaling them which were given away under "free-use permits," and their timber sales frequently amount to \$5, \$6, and \$7 per thousand on national forests for marking and scaling timber—a sum sufficient under ordinary management to cut, log, saw, and put on sticks lumber ready for sale.

From the second letter I desire to read the following extracts:

I am inclosing a contract which partially explains itself. This contract is not yet in effect. They are waiting on the Attorney General to approve title. Most everyone that knows anything about this suspects crooked work. Mr. A. B. McGaffey is the president and, in fact, the head of the Santa Barbara Tie & Pole Co. He is the man who put the deal through, and the lumber jacks all say McGaffey got the best of it or he would not have traded. Some of them say he has been working on the trade since about three years ago. Some also say the timberland he is trading in has been cut over. They also laugh at the idea of putting a value on piñon and juniper. Furthermore, McGaffey has just started up a 60,000 mill in the Zuni Forest, cutting odd-section railroad and even-section Government, and it seems funny to everyone that he would trade 46,000,000 feet of good timber off these and cut Government timber under "Government regulations" here.

The district office is accused by the local forest assistant and supervisor of trying to favor this company all they can. Bob Mook is doing the Government scaling for this same McGaffey in the Zuni Mountains, where the 60,000 mill is located. One of the lumber jacks told me in a general conversation that the company gave Mook his board free. It is generally known that McGaffey has a great stand-in with the district office.

All of the timber cut up to date is small stuff that has gone into hewn ties.

McGaffey and the Santa Barbara Co. are representing the Santa Fe Railroad, and their only object is ties.

If the deal failed to materialize and the company ceased cutting, it leaves the forest in very bad scientific shape, for all of the young stuff has been put into ties and it would leave all of the mature and over-mature stuff on the ground. Furthermore, their hewn ties are costing them only about half what it will cost to produce sawn ties, it is easy to be seen when they are contracting the actual making at a little less than 10 cents each, or \$3 per thousand feet, while logging and skidding for sawn ties is costing this same company \$6 per thousand and over the line on private holding of the company. This is also by contract.

This Government timber they are cutting is located from ½ to 3 miles from drivable stream, which is and had been driven by this same company at least three seasons before this deal was agreed to. Therefore you will see it is equal to being located right on the railroad. All timber cut in this vicinity is driven down this and other streams into the Rio Grande, thence to Albuquerque.

If the timberland in the Zunis has the timber of equal stumpage value as the contract claims, I can not help but believe it is inaccessible or very defective from rot, etc.

I heard on good authority that "Mook" took annual leave off and estimated timber for McGaffey at a big salary last fall, and I suspect he did the estimating on this tract they are obtaining from McGaffey; in fact, I think it is held by the railroad company and McGaffey is trading for them.

I have absolute confidence in the Secretary of Agriculture and believe that he wants to do exactly what is right in this matter, and this resolution is not intended in the least degree to in any way reflect upon his action. There are some things

in relation to this contract, however, that call for explanation. First, why is it that the Santa Barbara Tie & Pole Co. is willing to exchange some 46,000,000 feet of timber growing on 11,000 acres for a like amount of the same character growing on 71,000 acres? It may be that there is a good explanation for this, but certainly it is not usual to trade timber standing on a comparatively small area for a like amount of the same quality scattered over six times the amount of territory.

Another thing, if it be true, that needs explanation is that the timber exchanged by the Government is on a "drivable" stream, while that that the Government is receiving is comparatively inaccessible.

Another thing that needs explanation is the immense amount of cordwood to be found upon the land that the Government is to receive. It looks to me like this fact alone shows that the timber the Government is receiving is not of much value. I seriously doubt if cordwood of piñon and cedar is worth 25 cents a cord. I also doubt if lumber that can be secured from limber pine is worth \$2.50 per thousand.

All these questions certainly need investigation and explanation. I have read with some care the law under which this transfer is left to the discretion of the Secretary of Agriculture. I am unable to find therein anything that would justify the cutting of timber before the contract is finally executed. If it is true, as stated in both letters that I have received, that cutting has already been done in prospect of making this contract, then this is something that needs to be fully explained. This I consider a serious charge and one about which there ought not to be any trouble in knowing the truth.

I know it may be urged that this exchange has been approved by the Forest Service. But looking at the history of the Forest Service for the last 10 or 15 years the fact that it approves an exchange of this character does not raise any presumption that it is not greatly to the disadvantage of the Government. It may be recalled that it was in this section of the country, in the San Francisco Mountain Reserve, where the Santa Fe Railroad exchanged 935,000 acres of treeless land, consisting of sagebrush deserts, for an equal number of acres of land, the very best that could be found in the entire public domain. This transaction had the approval of the Forest Service.

It may also be well to recall the fact that in the Grand Canyon Forest Reserve that the Santa Fe Railroad was permitted to exchange 375,000 acres of practically treeless land of little value for 375,000 acres of fine timber land, some of it the best in the United States. This transaction was also approved by the Forest Service.

It might be well also to recall the fact that a private company near Santa Barbara, Cal., was permitted to exchange 48,000 acres of land, worth 40 cents an acre, for very much more valuable land outside, in order that this treeless land might be included in a forest reserve. This transaction was also approved by the Forest Service.

I cite these few illustrations to show that the Forest Service in the past has had peculiar ideas, to say the least, about protecting the interests of the Government. I trust that the Secretary of Agriculture will not rely upon their recommendation in this transaction.

Mr. ADAMSON. Mr. Speaker—

POLITICAL ASSESSMENTS.

Mr. MANN. Mr. Speaker, I rise to present a privileged matter to the House. It is a matter of high privilege.

The SPEAKER. The Clerk will report it.

The Clerk read as follows:

House resolution 256.

Whereas the act to codify, revise, and amend the penal laws of the United States, approved March 4, 1909, provides in section 118 that no Senator or Representative * * * shall directly or indirectly solicit or receive, or be in any manner concerned in soliciting or receiving any assessment, subscription, or contribution for any political purpose whatever * * * from any person receiving any salary or compensation from moneys derived from the Treasury of the United States; and

Whereas it is provided in section 119 of said act that no person shall in any room or building occupied in the discharge of official duties by any officer or employee of the United States mentioned in the preceding section * * * solicit, in any manner whatever, or receive any contribution of money or other thing of value for any political purpose whatever; and

Whereas it is alleged that the Democratic national congressional committee, composed in chief part of Members of this House, has directed to be sent, and it is alleged there has been sent, to the Democratic Members of this House, a letter stating that an assessment has been levied upon the Democratic Members of this House soliciting contributions from such Members for political purposes, and it is alleged that said letter has been signed by a Member of this House and delivered to other Members of this House in the Capitol Building and in the House Office Building, which letter is alleged to read as follows.

"SEPTEMBER 15, 1913.

"At a meeting of the Democratic national congressional committee, August 28, 1913, the following resolution presented by Senator THOMAS, of Colorado, was unanimously adopted:

"Resolved, That an assessment of \$100 be made on each Democratic Member of the House of Representatives and the United States Senate, to be paid to the chairman of the congressional committee as follows: \$25 at once; \$25 on or before January 1, 1914; balance on or before July 1, 1914.

"The committee is in debt to the extent of nearly \$4,000 and has no money in the treasury. The object of the foregoing resolution is to secure funds with which to pay the debts of the committee and begin the work of the approaching campaign.

"Checks should be made payable to Hon. WILLIAM G. SHARP, treasurer, and handed to _____, member of the committee from your State, who will make return thereof to the treasurer. The entire amount may be paid at once or in installments provided by the resolution.

"Trusting that you will favor the committee with an early payment, I beg to remain,

"Very sincerely, yours,

"FRANK E. DOREMUS, Chairman."

Mr. CRISP. Mr. Speaker, I move to refer the resolution to the Committee on Election of President, Vice President, and Representatives in Congress, and on that I demand the previous question.

Mr. MANN. The Clerk has not finished the reading. The next paragraph is very important, and I want the gentleman to hear it.

The SPEAKER. The Clerk will proceed with and finish the reading of the resolution.

The Clerk read as follows:

And whereas section 122 of said act provides that whoever shall violate any provision of section 118 or section 119 shall be fined not more than \$5,000 or imprisoned not more than three years, or both: Therefore

Resolved, etc., That a committee of seven Members shall be appointed by the Speaker to investigate and report to this House whether any Members of this House have been guilty of violating any of the provisions of the Criminal Code by soliciting or receiving or by being in any manner concerned in soliciting or receiving any assessment, subscription, or contribution for any political purpose whatever from any person receiving any salary or compensation from moneys derived from the Treasury of the United States, and particularly from Members of this House, to the end that it may be ascertained whether the Members of this House, constituting in part the lawmaking branch of the Government, are above the law.

Mr. CRISP. Mr. Speaker, I move to refer the resolution to the Committee on Election of President, Vice President, and Representatives in Congress, and on that motion I demand the previous question.

The SPEAKER. The gentleman from Georgia [Mr. CRISP] moves that the resolution offered by the gentleman from Illinois—

Mr. MANN. It should go to the Committee on Rules if it goes to any committee.

The SPEAKER (continuing). Be referred to the Committee on Election of President, Vice President, and Representatives in Congress, and on that he demands the previous question.

The question was taken, and the Speaker announced that the yeas had it.

Mr. MANN. Mr. Speaker, I ask for a division—I ask for the yeas and nays.

The SPEAKER. The gentleman from Illinois demands the yeas and nays. Those in favor of ordering the yeas and nays will rise and stand until they are counted. [After counting.] Evidently a sufficient number, and the yeas and nays are ordered, and the Clerk will call the roll. The vote is on the previous question.

The question was taken; and there were—yeas 207, nays 91, answered "present" 1, not voting 129, as follows:

YEAS—207.

Abercrombie	Byrnes, S. C.	Doolittle	Gorman
Adamson	Byrns, Tenn.	Driscoll	Goulden
Aiken	Candler, Miss.	Dupré	Graham, Ill.
Alexander	Caraway	Eagan	Gray
Allen	Carr	Eagle	Griffin
Ashbrook	Church	Elder	Gudger
Aswell	Clancy	Faison	Hamill
Bailey	Claypool	Ferguson	Hammond
Baker	Clayton	Ferris	Hardwick
Baltz	Collier	Fields	Hardy
Barkley	Connelly, Kans.	FitzHenry	Hart
Barnhart	Connolly, Iowa	Flood, Va.	Hay
Bartlett	Conry	Floyd, Ark.	Hayden
Beall, Tex.	Cox	Foster	Healin
Bell, Ga.	Crisp	Fowler	Helm
Blackmon	Crosser	Francis	Helvering
Booher	Cullop	Gallagher	Henry
Borchers	Dale	Gard	Hensley
Borland	Davenport	Garner	Hill
Bowdle	Decker	Garrett, Tenn.	Hobson
Brockson	Deitrick	Garrett, Tex.	Holland
Brodbeck	Dent	George	Houston
Broussard	Dershem	Gittins	Howard
Brown, W. Va.	Dickinson	Glass	Hoxworth
Buchanan, Ill.	Dies	Godwin, N. C.	Hughes, Ga.
Buchanan, Tex.	Difenderfer	Goeke	Hull
Bulkeley	Dixon	Goldfogle	Humphreys, Miss.
Burgess	Donovan	Goodwin, Ark.	Jacoway
Burnett	Dooling	Gordoa	Johnson, Ky.

Jones
Kennedy, Conn.
Kindel
Kirkpatrick
Kitchin
Konop
Korby
Lazaro
Lee, Pa.
Lever
Lily
Lloyd
Quin
Lobeck
Lonergan
McAndrews
McGillicuddy
Maguire, Nebr.
Maher
Mitchell
Montague
Morrison
Moss, Ind.
Murray, Okla.

O'Brien
Oglesby
O'Leary
Padgett
Page
Palmer
Pepper
Peters
Phelan
Post
Pou
Ragsdale
Rainey
Raker
Rauch
Rayburn
Reed
Reilly, Conn.
Riordan
Rothermel
Rouse
Rubey

Russell
Sabath
Saunders
Scully
Seldomridge
Sharp
Sherley
Sherwood
Sims
Small
Smith, N. Y.
Smith, Tex.
Sparkman
Stanley
Stedman
Stephens, Miss.
Stephens, Nebr.
Stevens, N. H.
Stone
Stringer
Taggart
Talcott, N. Y.
Tavener

Taylor, Ala.
Taylor, Colo.
Taylor, N. Y.
Ten Eyck
Thacher
Thomas
Tribble
Tuttle
Underhill
Vaughan
Walker
Walsh
Watkins
Watson
Weaver
Webb
Whitacre
White
Williams
Wingo
Witherspoon
Young, Tex.

NAYS—91.

Anderson
Austin
Avis
Barchfeld
Barton
Bell, Cal.
Britten
Browne, Wis.
Browning
Butler
Cary
Cooper
Copley
Cramton
Curry
Davis
Dillon
Dunn
Dyer
Edmonds
Esch
Falconer
Farr

Fess
Fordney
Frear
Gillett
Graham, Pa.
Green, Iowa
Greene, Mass.
Greene, Vt.
Guernsey
Hamilton, Mich.
Hamilton, N. Y.
Haugen
Hawley
Hinds
Howell
Humphrey, Wash.
Johnson, Utah
Johnson, Wash.
Kahn
Keister
Kelley, Mich.
Kelly, Pa.
Kennedy, Iowa

Kent
Kiess, Pa.
Knowland, J. R.
Kreider
La Follette
Lenroot
Lindbergh
Lindquist
McKenzie
McLaughlin
Madden
Mapes
Mondell
Moore
Morgan, Okla.
Morin
Moss, W. Va.
Mott
Murdock
Nolan, J. I.
Norton
Plumley
Rogers

Rupley
Scott
Shreve
Sinnott
Slomp
Sloan
Smith, J. M. C.
Smith, Saml. W.
Stafford
Steenerson
Stephens, Cal.
Sutherland
Switzer
Temple
Thomson, Ill.
Townser
Treadway
Walters
Willis
Winslow
Woodruff
Young, N. Dak.

ANSWERED "PRESENT"—1.

Mann

NOT VOTING—129.

Adair
Ainey
Ansberry
Anthony
Bartholdt
Bathrick
Beakes
Bremner
Brown, N. Y.
Bruckner
Brumbaugh
Bryan
Burke, Pa.
Burke, S. Dak.
Burke, Wis.
Calder
Callaway
Campbell
Cantrill
Carow
Carlin
Carter
Casey
Chandler, N. Y.
Clark, Fla.
Cline
Covington
Curley
Donorth
Donohoe
Doremus
Doughton
Edwards

Estopinal
Evans
Fairchild
Finley
Fitzgerald
Logue
French
Gardner
Gerry
Gilmore
Good
Gregg
Griest
Hamlin
Harrison
Hayes
Helgesen
Hinebaugh
Hughes, W. Va.
Hullings
Igoe
Johnson, S. C.
Keating
Kennedy, R. I.
Kettner
Key, Ohio
Kinkaid, Nebr.
Kinkead, N. J.
Lafferty
Langham
Langley
Lee, Ga.
L'Engle
Leshner

Levy, Md.
Lewis, Pa.
Linthicum
Logue
McClellan
McCoy
McDermott
McGuire, Okla.
McKellar
MacDonald
Mahan
Manahan
Martin
Merritt
Metz
Miller
Moon
Morgan, La.
Murray, Mass.
Neeley
Nelson
O'Hair
Oldfield
O'Shaunessy
Parker
Patten, N. Y.
Payne
Peterson
Porter
Powers

Prouty
Reilly, Wis.
Richardson
Roberts, Mass.
Roberts, Nev.
Roddenberry
Rucker
Sells
Shackleford
Sisson
Slayden
Smith, Idaho
Smith, Md.
Smith, Minn.
Stephens, Tex.
Stevens, Minn.
Stout
Summers
Talbot, Md.
Taylor, Ark.
Thompson, Okla.
Townsend
Underwood
Vare
Volstead
Wallin
Whaley
Wilson, Fla.
Wilson, N. Y.
Woods

So the previous question was ordered.

The Clerk announced the following additional pairs:

For the session:

Mr. METZ with Mr. WALLIN.

Mr. UNDERWOOD with Mr. MANN.

Until further notice:

Mr. ADAIR with Mr. WOODS.

Mr. DOUGHTON with Mr. VOLSTEAD.

Mr. CARLIN with Mr. VARE.

Mr. CLINE with Mr. SMITH of Minnesota.

Mr. BREMNER with Mr. POWERS.

Mr. TAYLOR of Arkansas with Mr. SELLS.

Mr. SISSON with Mr. ROBERTS of Massachusetts.

Mr. SHACKLEFORD with Mr. ROBERTS of Nevada.

Mr. OLDFIELD with Mr. PORTER.

Mr. LINTHICUM with Mr. PLATT.

Mr. KEY of Ohio with Mr. PAYNE.

Mr. LEVY with Mr. NELSON.

Mr. KETTNER with Mr. MAPES.

Mr. CLARK of Florida with Mr. MANAHAN.

Mr. MORGAN of Louisiana with Mr. LANGLEY.
 Mr. MOON with Mr. LANGHAM.
 Mr. McCLELLAN with Mr. LAFFERTY.
 Mr. LEWIS of Maryland with Mr. KINKAID of Nebraska.
 Mr. LEE of Georgia with Mr. HELGESEN.
 Mr. NEELEY with Mr. HAYES.
 Mr. BROWN of New York with Mr. SMITH of Idaho.
 Mr. EDWARDS with Mr. PROUTY.
 Mr. JOHNSON of South Carolina with Mr. GRIEST.
 Mr. HARRISON with Mr. GOOD.
 Mr. GREGG with Mr. FRENCH.
 Mr. COVINGTON with Mr. CAMPBELL.
 Mr. WILSON of Florida with Mr. CALDER.
 Mr. BOOHER with Mr. BURKE of Pennsylvania.
 Mr. BURKE of Wisconsin with Mr. ANTHONY.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on agreeing to the motion to refer.

Mr. MANN. On that I demand the yeas and nays.

The SPEAKER. The gentleman from Illinois [Mr. MANN] demands the yeas and nays. Those in favor of ordering the yeas and nays will rise and stand until they are counted. [After counting.] Sixty-two gentlemen have arisen in the affirmative—a sufficient number. The Clerk will call the roll. Those in favor of the motion of the gentleman from Georgia [Mr. CRISP], to refer the resolution to the Committee on the Election of President, Vice President, and so forth, will, when their names are called, answer "yea"; those opposed will answer "nay."

The question was taken; and there were—yeas 208, nays 96, answered "present" 1, not voting 123, as follows:

YEAS—208.

Abercrombie	Dent	Hobson	Rayburn
Adamson	Dershem	Houston	Reed
Alken	Dickinson	Hoxworth	Reilly, Conn.
Alexander	Dies	Hughes, Ga.	Reilly, Wis.
Ashbrook	Difenderfer	Hull	Riordan
Aswell	Donovan	Igoe	Rouse
Bailey	Dooling	Jacoway	Rubey
Baker	Doolittle	Johnson, Ky.	Russell
Baltz	Driscoll	Jones	Sabath
Barkley	Dupré	Kennedy, Conn.	Saunders
Barnhart	Eagan	Kettner	Scully
Bartlett	Eagle	Kindel	Shackleford
Beakes	Elder	Kirkpatrick	Sharp
Beall, Tex.	Estopinal	Konop	Shirley
Bell, Ga.	Falson	Korbly	Sherwood
Blackmon	Ferguson	Lazaro	Sims
Borchers	Ferris	Lee, Ga.	Smith, N. Y.
Borland	Fields	Lee, Pa.	Smith, Tex.
Brockton	FitzHenry	Leshner	Sparkman
Brodbeck	Flood, Va.	Lever	Stanley
Broussard	Floyd, Ark.	Lieb	Stedman
Brown, W. Va.	Foster	Linthicum	Stephens, Miss.
Brumbaugh	Fowler	Lloyd	Stephens, Nebr.
Buchanan, Ill.	Gallagher	Loback	Stevens, N. H.
Buchanan, Tex.	Gard	Logue	Stone
Bulkley	Garner	Loneragan	Stringer
Burgess	Garrett, Tenn.	McAndrews	Taggart
Burke, Wis.	Garrett, Tex.	McGillicuddy	Talcott, N. Y.
Burnett	George	MacDonald	Tavener
Burns, S. C.	Gittins	Maguire, Nebr.	Taylor, Ala.
Byrnes, Tenn.	Glass	Maher	Taylor, Ark.
Candler, Miss.	Godwin, N. C.	Mitchell	Taylor, Colo.
Caraway	Goldfogle	Montague	Taylor, N. Y.
Carew	Goodwin, Ark.	Moon	Ten Eyck
Carr	Gorman	Morrison	Thacher
Church	Goulden	Moss, Ind.	Thomas
Clancy	Graham, Ill.	Murray, Okla.	Thompson, Okla.
Clark, Fla.	Gray	O'Brien	Tribble
Claypool	Griffin	Oglesby	Udell
Clayton	Gudger	Oldfield	Vaughan
Cline	Hammond	O'Leary	Walsh
Collier	Hardwick	Padgett	Watkins
Connelly, Kans.	Hardy	Page	Watson
Connelly, Iowa	Hart	Palmer	Webb
Conry	Hay	Pepper	Whaley
Cox	Hayden	Peters	Whitacre
Crisp	Hedin	Phelan	White
Crosser	Helm	Post	Williams
Cullop	Helvering	Pou	Wilson, Fla.
Davenport	Henry	Quin	Wingo
Decker	Hensley	Ragsdale	Witherspoon
Deitrick	Hill	Raker	Young, Tex.

NAYS—96.

Anderson	Curry	Graham, Pa.	Johnson, Wash.
Austin	Davis	Green, Iowa	Kahn
Avis	Dillon	Greene, Mass.	Keister
Barchfeld	Dunn	Greene, Vt.	Kelley, Mich.
Barton	Dyer	Guernsey	Kelly, Pa.
Beil, Cal.	Edmonds	Hamilton, Mich.	Kennedy, Iowa
Britten	Esch	Hamilton, N. Y.	Kennedy, R. I.
Browne, Wis.	Falconer	Hawley	Kreider
Browning	Farr	Helgesen	Lenroot
Burke, Pa.	Fess	Hinds	Lindbergh
Butler	Fordney	Hinebaugh	Lindquist
Cary	Frear	Howell	McKenzie
Cooper	French	Humphrey, Wash.	McLaughlin
Copley	Gillett	Humphreys, Miss.	Madden
Crampton	Good	Johnson, Utah	Mapes

Moore
 Morgan, Okla.
 Morin
 Moss, W. Va.
 Mott
 Murdock
 Nolan, J. I.
 Platt
 Plumley

Powers
 Rogers
 Rupley
 Scott
 Shreve
 Sinnott
 Slomp
 Sloan
 Smith, Minn.

Smith, Saml. W.
 Stafford
 Steenerson
 Stephens, Cal.
 Sutherland
 Switzer
 Temple
 Thomson, Ill.
 Towner

Treadway
 Volstead
 Wallin
 Walters
 Willis
 Winslow
 Woodruff
 Woods
 Young, N. Dak.

ANSWERED "PRESENT"—1.

Mann

NOT VOTING—123.

Adair	Evans	La Follette	Porter
Ainey	Fairchild	Langham	Prouty
Allen	Finley	Langley	Rainey
Ansberry	Fitzgerald	L'Engle	Rauch
Anthony	Francis	Levy	Richardson
Bartholdt	Gardner	Lewis, Md.	Roberts, Mass.
Bathrick	Gerry	Lewis, Pa.	Roberts, Nev.
Booher	Gilmore	McClellan	Roddenbery
Bowdie	Goeke	McCoy	Rothermel
Bremner	Gordon	McDermott	Rucker
Brown, N. Y.	Gregg	McGuire, Okla.	Seldomridge
Bruckner	Griest	McKellar	Sells
Bryan	Hamill	Mahan	Sisson
Burke, S. Dak.	Hamlin	Manahan	Slayden
Calder	Harrison	Martin	Small
Callaway	Haugen	Merritt	Smith, Idaho
Campbell	Hayes	Metz	Smith, J. M. C.
Cannell	Holland	Miller	Smith, Md.
Carlin	Howard	Mondell	Stephens, Tex.
Carter	Hughes, W. Va.	Morgan, La.	Stevens, Minn.
Casey	Hulings	Murray, Mass.	Stout
Chandler, N. Y.	Johnson, S. C.	Neeley	Summers
Covington	Keating	Nelson	Talbott, Md.
Curley	Kent	Norton	Townsend
Dale	Key, Ohio	O'Hair	Tuttle
Danforth	Kless, Pa.	O'Shaunessy	Underwood
Dixon	Kinkaid, Nebr.	Parker	Vare
Donohoe	Kinkaid, N. J.	Patten, N. Y.	Walker
Doremus	Kitchin	Patton, Pa.	Weaver
Doughton	Knowland, J. R.	Payne	Wilson, N. Y.
Edwards	Lafferty	Peterson	

So the motion to refer the resolution was agreed to.

The Clerk announced the following additional pairs:

Until further notice:

Mr. ALLEN with Mr. MANAHAN.

Mr. BOOHER with Mr. ANTHONY.

Mr. HARRISON with Mr. J. M. C. SMITH.

Mr. FRANCIS with Mr. PORTER.

Mr. MANN. Mr. Speaker, I am paired with the gentleman from Alabama, Mr. UNDERWOOD, who is detained in conference on the tariff bill. I voted "no." I desire to withdraw my vote and ask to be recorded "present." In this connection, if I may be permitted to say so, on the previous roll call I should have been paired, but I voted inadvertently.

The SPEAKER. Does the gentleman ask to have that roll call corrected?

Mr. MANN. If it is not too late.

The SPEAKER. The Chair thinks it is not too late to have it done by unanimous consent.

Mr. MANN. Then I ask unanimous consent.

The SPEAKER. The gentleman from Illinois [Mr. MANN] changes his vote on the last roll call, and also on this one, and desires to be recorded "present" on both. Is there objection?

There was no objection.

Mr. NORTON. Mr. Speaker, I desire to vote.

The SPEAKER. Was the gentleman in the Hall and listening when his name was called?

Mr. NORTON. No; I was not.

The SPEAKER. The gentleman does not bring himself within the rule.

The result of the vote was announced as above recorded.

PRINTING OF CURRENCY BILL.

Mr. GLASS. Mr. Speaker, I ask unanimous consent that 5,000 copies of the currency bill (H. R. 7837) as it passed the House be printed.

The SPEAKER. The gentleman from Virginia asks unanimous consent that 5,000 copies of the currency bill as it passed the House be printed. How does the gentleman desire it distributed?

Mr. GLASS. Through the folding room.

Mr. LANGLEY. Does the gentleman think 5,000 copies will be enough?

Mr. MANN. You had better send them to the document room.

Mr. GLASS. I intended to say the document room.

The SPEAKER. The gentleman from Virginia asks unanimous consent that 5,000 copies of the currency bill as it passed the House be printed and sent to the document room.

Mr. LANGLEY. Mr. Speaker, reserving the right to object, I want to suggest to the gentleman that he increase the number.

There is quite a demand in my district for copies of this bill, and 5,000 copies would give each Member only a very few copies. I believe the number ought to be more than 5,000.

Mr. SABATH. The demand is for the bill itself.

Mr. LANGLEY. There is some demand for the bill itself.

Mr. GLASS. I am glad to make the number 10,000. I ask unanimous consent that 10,000 copies be printed.

The SPEAKER. The gentleman asks unanimous consent that 10,000 copies of the currency bill be printed and placed in the document room. Is there objection?

There was no objection.

UNCONTESTED BRIDGE BILLS.

The SPEAKER. Has any other gentleman a privileged resolution or matter?

Mr. ADAMSON. Mr. Speaker, if no other brother has anything to offer, I wish to submit a small request. There are on the calendar, reported by the Committee on Interstate and Foreign Commerce, four uncontested bridge bills. I ask unanimous consent that they be considered at this time.

The SPEAKER. The gentleman from Georgia asks unanimous consent for the present consideration of four uncontested bridge bills. Is there objection?

There was no objection.

LEAVE TO PRINT.

The SPEAKER. Before we begin the consideration of those bills the Chair promised to recognize the gentleman from New York [Mr. TALCOTT].

Mr. TALCOTT of New York. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record by printing an article from the Scientific American in relation to steel cars.

The SPEAKER. The gentleman from New York asks unanimous consent to print in the Record an article on the subject of steel cars. Is there objection?

Mr. BARNHART. Mr. Speaker, reserving the right to object—

Mr. BORLAND. I object.

The SPEAKER. The gentleman from Missouri objects.

LEAVE TO ADDRESS THE HOUSE.

Mr. HOWARD. Mr. Speaker, I ask unanimous consent that on Monday, after the routine business of the House has been disposed of, I be permitted to address the House for 40 minutes upon the postal savings-bank system as now upon the statute books.

The SPEAKER. The gentleman from Georgia [Mr. HOWARD] asks unanimous consent that on Monday, after the routine business is disposed of, he may have 40 minutes to address the House on the subject of postal savings banks.

Mr. BARNHART. Reserving the right to object, Mr. Speaker, I should like to inquire, if the conference report on the tariff bill should come in, would that be considered routine business?

Mr. MANN. It could not be acted upon on Monday.

The SPEAKER. It will have to go over for one day under the rule.

Mr. HOWARD. I made the request with that in view, Mr. Speaker.

The SPEAKER. The gentleman from Georgia asks unanimous consent that on Monday, after the disposition of the routine business, he may have 40 minutes in which to address the House on the subject of postal savings banks. Of course that would be subject to the priority of the conference report if unanimous consent should be given to consider it.

Mr. HOWARD. Certainly.

The SPEAKER. Is there objection?

There was no objection.

MARE ISLAND NAVY YARD.

Mr. J. R. KNOWLAND. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record by inserting an article by my colleague, Mr. CURRY, dealing with the situation at the Mare Island Navy Yard.

The SPEAKER. The gentleman from California asks unanimous consent to extend his remarks in the Record by printing an article by his colleague, Mr. CURRY, on the condition of affairs in the Mare Island Navy Yard. Is there objection?

There was no objection.

PRINTING AND BINDING FOR COMMITTEE ON EXPENDITURES IN DEPARTMENT OF JUSTICE.

Mr. BROUSSARD. Mr. Speaker, I ask unanimous consent for the present consideration of the resolution which I send to the Clerk's desk and ask to have read.

The SPEAKER. The Chair will suggest that unanimous consent has already been given to the gentleman from Georgia for the consideration of certain bridge bills.

Mr. BROUSSARD. Mr. Speaker, I will state to the gentleman from Georgia, and I know he will have no objection to it, that the Committee on Expenditures in the Department of Justice has been having hearings, and there is no authority for printing these hearings.

Mr. ADAMSON. Mr. Speaker, I never object to anything in the world, only I am just trying here to pass some bills for my friend.

The SPEAKER. The gentleman from Louisiana asks unanimous consent for the present consideration of the resolution which the Clerk will report.

The Clerk read as follows:

House resolution 257.

Resolved, That the Committee on Expenditures in the Department of Justice is authorized to have such printing and binding done as shall be necessary for the discharge of the work of such committee during the Sixty-third Congress.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

REPORTS ON CURRENCY BILL.

Mr. GLASS. Mr. Speaker, I ask unanimous consent to have printed 5,000 copies of the report on the currency bill, to be distributed through the document room. (H. Rept. 69.)

The SPEAKER. The gentleman from Virginia asks unanimous consent to have printed 5,000 copies of the report on the currency bill. Does the Chair understand that that includes the views of the minority also?

Mr. GLASS. Yes.

The SPEAKER. Including the views of the minority—to be distributed through the document room. Is there objection?

There was no objection, and it was so ordered.

BRIDGE ACROSS TENNESSEE RIVER AT CHATTANOOGA, TENN.

The SPEAKER. The Clerk will report the first bridge bill.

The Clerk read as follows:

A bill (H. R. 6635) to authorize the county of Hamilton, in the State of Tennessee, to construct a bridge across the Tennessee River at Chattanooga, Tenn.

Be it enacted, etc., That the county of Hamilton, in the State of Tennessee, be, and it is hereby, authorized to construct, maintain, and operate a public bridge and approaches thereto across the Tennessee River, from Market Street, in the city of Chattanooga, Hamilton County, Tenn., on the south side of said river, to the north side of said Tennessee River, in accordance with the provisions of the act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

SEC. 3. That the right to alter, amend, or repeal this act is hereby expressly reserved.

With the following committee amendments:

Page 1, line 5, strike out the word "public."

Page 1, line 6, after the word "street," insert the words "at a point suitable to the interests of navigation."

Page 1, line 9, after the word "river," insert the words "at a point suitable to the interests of navigation."

Page 2, line 3, after the word "six," insert: "Provided, That the said bridge shall be a fixed high bridge with a clear channel way of not less than 500 feet, and a clear headroom of not less than 100 feet above low water."

Mr. MOON. Mr. Speaker, I also offer the following amendment which I send to the desk and ask to have read.

The Clerk read as follows:

Amend the last committee amendment on page 2, at the end of line 6, by adding the words "or at water level or above, provided sufficient draws are used and maintained to permit the uninterrupted navigation of the river at all times, the draws to be constructed under the direction of the Secretary of War."

Mr. ADAMSON. Mr. Speaker, I have no objection to that.

Mr. MANN. Mr. Speaker, would it not be better not to adopt that amendment, and to leave out all of the committee amendments?

Mr. ADAMSON. I do not care.

Mr. MANN. And do what we have always done—leave it, under the general law, to the War Department. They will determine the type of bridge, and would undoubtedly require a bridge at low level with draws, unless it is preferred to build a high bridge without draws. Putting in these two provisions would be putting in two provisions that are directly contradictory to each other, and it would be almost sure to make confusion in the War Department.

Mr. ADAMSON. Mr. Speaker, I am in sympathy with the gentleman from Illinois, because that amendment was only put in at the suggestion of the War Department. It is unnecessary, because they have the discretion to manage it, anyway. I am willing, if agreeable to the gentleman from Tennessee, Judge Moon, to abandon the amendments.

Mr. MOON. Mr. Speaker, my whole purpose is to get rid of the proposed proviso, and if it does that I have no objection.

Mr. MANN. Mr. Speaker, the proviso is a committee amendment, and I ask for a separate vote on it.

The SPEAKER. The Clerk will report the first committee amendment.

The Clerk read as follows:

Page 1, line 5, strike out the word "public."

The amendment was agreed to.

The SPEAKER. The Clerk will report the next amendment.

The Clerk read as follows:

Page 1, lines 6 and 7, after the word "street," insert the words "at a point suitable to the interests of navigation."

The amendment was agreed to.

The SPEAKER. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 1, lines 9 and 10, after the word "river," insert the words "at a point suitable to the interests of navigation."

The amendment was agreed to.

The SPEAKER. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 2, line 3, after the word "six," insert: "Provided, That the said bridge shall be a fixed high bridge, with a clear channel way of not less than 500 feet and a clear headroom of not less than 100 feet above low water."

Mr. COOPER. Mr. Speaker, do I understand that that proviso was inserted at the suggestion of the War Department?

Mr. ADAMSON. Yes; it was.

Mr. COOPER. For what reason?

Mr. ADAMSON. I suppose because they thought the fixed bridge would be better and more economical. But the gentleman from Tennessee [Mr. Moon] fears that it would not be. He wants it in the alternative, and the whole matter is within the control of the War Department.

Mr. COOPER. Would not the War Department have the power without this proviso?

Mr. MOON. Yes; they could make the bridge either way.

Mr. COOPER. If they have such power, what reason did they give for asking for this amendment?

Mr. ADAMSON. They did not give any reason at all; they just suggested the amendment. They have the power to do it without our putting in this amendment.

Mr. COOPER. It is evident that they wished to escape pressure on them in behalf of some other and, as they think, inferior kind of a bridge, and therefore they asked to have the law itself fix the style of bridge which, in their judgment, ought to be built there.

Mr. ADAMSON. Perhaps that is so.

Mr. MOON. We want the matter left as it is, so that under the law, after the proper facts are presented, the War Department can determine what kind of construction they will have.

Mr. ADAMSON. Sometimes pressure is a good thing.

Mr. COOPER. And sometimes it is not. I think that the officials of the War Department knew what they were doing when they requested that this proviso be made part of the law.

Mr. ADAMSON. The gentleman from Tennessee, Judge Moon, thinks this is not a good place to use pressure, and it is his home and his river.

Mr. COOPER. No; it is not his river; it belongs to the people of the United States.

Mr. MOON. I assure the gentleman from Wisconsin that I do not own the river and do not want to own it.

The SPEAKER. The question is on the last committee amendment.

The question was taken, and the amendment was lost.

Mr. MOON. Now, Mr. Speaker, I withdraw my amendment.

The SPEAKER. The gentleman from Tennessee withdraws his amendment. The question is on engrossment and third reading of the bill.

The question was taken; and the bill was ordered to be engrossed and read a third time, was read the third time, and passed.

BRIDGE ACROSS BEAUFORT RIVER, BEAUFORT COUNTY, S. C.

The next business on the House Calendar was the bill (H. R. 7472) authorizing the city of Beaufort, a municipality chartered under the laws of the State of South Carolina, to construct, maintain, and operate a bridge and approaches thereto across Beaufort River, in Beaufort County, S. C.

The Clerk read as follows:

Be it enacted, etc., That the city of Beaufort, a municipality chartered under the laws of South Carolina, its agents, successors, and assigns, be, and are hereby, authorized to construct, maintain, and operate a bridge and approaches thereto across Beaufort River, in

Beaufort County, State of South Carolina, in accordance with the provisions of an act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The SPEAKER. The Clerk will report the committee amendments.

The committee amendments were read, as follows:

Page 1, lines 3 and 4, strike out the words "the city of Beaufort, a municipality chartered under the laws of," and insert in lieu thereof the words "Beaufort and St. Helena Townships, Beaufort County"; line 4, strike out the words "its agents" and insert in lieu thereof the word "their"; line 6, after the word "thereto," insert the words "at a point suitable to the interests of navigation."

The question was taken, and the amendments were agreed to.

The bill as amended was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read as follows: "A bill authorizing Beaufort and St. Helena Townships, Beaufort County, S. C., to construct, maintain, and operate a bridge and approaches thereto across Beaufort River, in Beaufort County, S. C."

BRIDGE ACROSS LITTLE RIVER, LEPANTO, ARK.

The next business on the House Calendar was the bill (H. R. 7469) to authorize the construction, maintenance, and operation of a bridge across the Little River, at or near Lepanto, Ark.

The Clerk read as follows:

Be it enacted, etc., That the county of Poinsett, a corporation organized and existing under the laws of the State of Arkansas, its successors and assigns, be, and they are hereby, authorized to construct, maintain, and operate a bridge and approaches thereto across the Little River, at or near Lepanto, Ark., at a point suitable to the interests of navigation, in accordance with the provisions of the act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

BRIDGE ACROSS BLACK RIVER, NEAR CORNING, CLAY COUNTY, ARK.

The next business on the House Calendar was the bill (H. R. 7470) to authorize the construction, maintenance, and operation of a bridge across Black River at or near the section line between sections 8 and 9, in township 20 north, range 5 east, being a short distance south and east of the town of Corning, Clay County, Ark.

The Clerk read as follows:

Be it enacted, etc., That George A. Booser, a citizen of Corning, Clay County, Ark., and his successors and assigns, be, and are hereby, authorized to construct, maintain, and operate a bridge, and approaches thereto, across Black River at or near the intersection of sections 8 and 9, in township 20 north, range 5 east, being a little south and east of the town of Corning, Clay County, Ark., at a point suitable to the interests of navigation, in accordance with the provisions of the act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

Mr. COOPER. I understand this bill gives a right to a private individual.

Mr. ADAMSON. Yes, sir. We have discussed that on the floor very often. I am opposed to it, but the sense of the House has always been to support such bills.

Mr. MANN. It is not only giving a right to a private individual, but it says to a "booser."

Mr. ADAMSON. Yes; that is mighty bad, but it may reform him.

Mr. MANN. We are giving to "A. Booser."

Mr. ADAMSON. Perhaps the War Department will keep sober and superintend the construction.

Mr. COOPER. Mr. Speaker, who is this private individual, and what is the purpose for which he proposes to erect this bridge over a navigable stream?

Mr. ADAMSON. My understanding is that it is simply—but here is the author of the bill, who will answer the question.

Mr. CARAWAY. Mr. Speaker, he is a manufacturer of wooden wares, who built a private tramway out to get a large body of timber.

Mr. COOPER. He has built what?

Mr. CARAWAY. A tramway to bring in timber for the purpose of manufacturing from a body of timber that he owns to a sawmill that he has in Corning.

Mr. ADAMSON. There is not much harm about that.

Mr. COOPER. No; but on general principles there is nothing to commend this practice of indiscriminately passing private bills for bridges over navigable streams without any opportunity for real discussion or investigation on the floor. Very valuable privileges can be given away in this manner, especially where they are granted to a private individual and his assigns.

Mr. GOULDEN. Mr. Speaker, I should like to ask the author of the bill whether this will interfere with navigation at all?

Mr. CARAWAY. Not at all; it is a stream not as wide as this room, and it is absolutely of no use for navigation at all.

Mr. GOULDEN. The erection of this bridge, then, will not interfere with navigation at all?

Mr. CARAWAY. Not at all. I took the matter up with the department, and have their approval.

Mr. ADAMSON. Mr. Speaker, we have got the entire War Department watching, guarding, and superintending the construction of this bridge. If we can not trust them on that, we had better turn them off and arrange some other kind of defense for the country.

The SPEAKER. Does the gentleman yield to the gentleman from Colorado?

Mr. ADAMSON. Certainly.

Mr. TAYLOR of Colorado. I want to ask the gentleman, the chairman of the committee, whether it ever occurred to him that it would be a simple act of justice, judging from the way it has been administered throughout the West, if all these corporations that are permitted to use the navigable waters of the United States for expensive and important bridges that are very valuable to them should be required to pay something for the use of them?

Mr. ADAMSON. I think the Constitution authorizes the Ways and Means Committee to tax everything and everybody they want to tax. I have no objection to that if the gentleman wants to go into it. I do not understand the spasmodic, senseless, modern effort to make special gouges into all institutions, and especially new enterprises, discriminating against the new ones in favor of those old and established.

Mr. TAYLOR of Colorado. That is the reason, Mr. Speaker, I call the gentleman's attention to it. There is a spirit shown in this House all the time to gouge the West. Whenever we want to develop our country, whenever we want to allow a homesteader to get a home, whenever we want to permit him to dig a ditch or to use the waters of our own nonnavigable streams for any purpose, to irrigate his land, there seems to be about three-fourths of the membership of this House who want to tax us for it or gouge the State or the settler and make him pay a royalty into the Treasury of the United States for trying not only a new enterprise, but when it is for the benefit and for the upbuilding of this entire country. It seems to me that if beef and pork should go up to \$1 a pound and flour to \$25 a sack, it would only be a just retribution on the conservationists of this country who are so persistently retarding the settlement and development of the West and driving our people to Canada for homes and treating everybody who wants to get a home under our flag as if he were a criminal. [Applause.] The trouble is that the high cost of living, which is in large part caused by the policy of withdrawing and withholding public lands from settlement and cultivation, does not fall heavily upon the wealthy theorists who cause this condition.

Now, I object to anybody gouging any State or any legitimate industry, but it is an illogical and unjust discrimination for Congress to grant without a cent of charge these rights, which are worth millions of dollars, to large corporations, and whenever we of the West try to develop any portion of our country we are met here with a howl about conservation and are charged with trying to loot the public domain; and you insist that Uncle Sam is granting something valuable that ought to be paid for. It does seem to me that we ought to improve and develop our country without penalizing any part of it.

Mr. COOPER. Mr. Speaker, I ask the gentleman from Colorado if the Congress of the United States, with practical unanimity, did not vote the irrigation law onto the statute books, and thus add millions upon millions of dollars to the wealth of the West?

Mr. TAYLOR of Colorado. Yes; and Uncle Sam does not pay a dollar of that money.

Mr. COOPER. And does the gentleman think that anybody was very seriously gouged by that beneficial legislation?

Mr. TAYLOR of Colorado. As a matter of fact, every dollar of that money was and is being collected from the settlers of the West, and it is all paid back into the Treasury of the United States. You spend millions of dollars upon your rivers and harbors, and you use those rivers and harbors absolutely free, and we of the West help pay all that money, and none of it ever comes back into the Federal Treasury, and we get no use or direct benefit of it.

Mr. COOPER. On the contrary, it is the theory of river and harbor appropriations that by improving transportation facilities we reduce the cost of transportation, and thereby the cost of the things that are carried, and thus directly benefit all the

people of the country, including the gentleman from Colorado and his constituency whom he says have been gouged.

Mr. TAYLOR of Colorado. That is a very remote theory, but theoretically the whole country is benefited by the developing of the West, and yet we foot the bills ourselves, and we do not come to Congress to get the money to do it with. We pay back every dollar of the reclamation fund.

Mr. ADAMSON. Mr. Speaker, this is a very interesting colloquy which is going on while I am on the floor. I like it very much. I have a great deal of sympathy with all that the gentleman from Colorado has said, and if he wants any bridges, or dams, or lighthouses on Pikes Peak, or anywhere else in the altitudinous land of Colorado, and will show that it will not interfere with navigation and will promote commerce, our committee will never discriminate against him on the face of the earth. But while this interesting colloquy is going on this sawmill is stopped, the logs are not being hauled across the stream, and the citizens who want to populate the alluvial bottoms of Arkansas are not able to build their houses. And I want to vote on this bill.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. ADAMSON, a motion to reconsider the vote by which the several bills were passed was laid on the table.

ADJOURNMENT.

Mr. MANN. Whose business is it to move to adjourn?

Mr. FOSTER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock and 58 minutes p. m.) the House adjourned, pursuant to the order previously made, until Monday, September 22, 1913, at 12 o'clock noon.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. CLARK of Florida, from the Committee on Public Buildings and Grounds, to which was referred the bill (H. R. 7875) to increase the limit of cost of the public building at Augusta, Ga., reported the same without amendment, accompanied by a report (No. 77), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Pensions was discharged from the consideration of the bill (H. R. 7465) granting a pension to William H. Townsend, and the same was referred to the Committee on Invalid Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. TAVENNER: A bill (H. R. 8363) providing for an advisory referendum by the people of the District of Columbia on certain questions relating to municipal self-government and representation in Congress; to the Committee on the District of Columbia.

By Mr. FERRIS: A bill (H. R. 8364) to authorize the President to provide a method for opening lands restored from reservation or withdrawal, and for other purposes; to the Committee on the Public Lands.

By Mr. SMITH of New York: A bill (H. R. 8365) to approve of the celebration of the one hundredth anniversary of the treaty of Ghent; to the Committee on Foreign Affairs.

By Mr. GOODWIN of Arkansas: A bill (H. R. 8366) to create the Red River Commission and to define its duties; to the Committee on Rivers and Harbors.

By Mr. GREEN of Iowa: A bill (H. R. 8367) to amend the act to regulate commerce as amended; to the Committee on Interstate and Foreign Commerce.

By Mr. KETTNER: A bill (H. R. 8368) to provide for the completion of certain homestead entries for lands within the abandoned Mount Whitney Military Reservation; to the Committee on the Public Lands.

By Mr. ASHBROOK: Resolution (H. Res. 255) allowing the Committee on Enrolled Bills a clerk at the rate of \$6 per day for the remainder of the Sixty-third Congress; to the Committee on Accounts.

By Mr. MANN: Resolution (H. Res. 256) providing for the appointment of a committee to investigate and report whether

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Also, a bill (H. R. 8404) granting a pension to Thomas G. Stevens; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Also, papers to accompany bill (H. R. 3308) granting a pension to Ralph E. Henderson; to the Committee on Pensions.

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